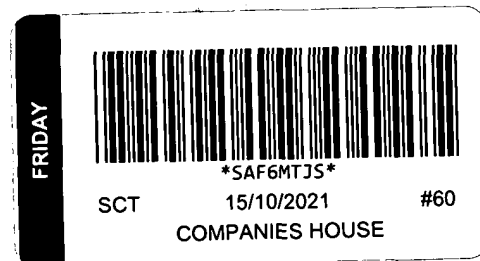


Registration number: SC350248

Beatrice Offshore Windfarm Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2021



Beatrice Offshore Windfarm Limited

Contents

Company Information	1
Strategic Report	2 to 4
Directors' Report	5 to 8
Statement of Directors' Responsibilities	9
Independent Auditor's Report	10 to 12
Income Statement	13
Statement of Comprehensive Income	14
Statement of Financial Position	15 to 16
Statement of Changes in Equity	17
Statement of Cash Flows	18
Notes to the Financial Statements	19 to 44

Beatrice Offshore Windfarm Limited

Company Information

Directors	P Cooley R Escott S Pirie J Williamson R McMurray N Wakefield F Di Salle
Company secretary	S May
Registered office	Inveralmond House 200 Dunkeld Road Perth PH1 3AQ
Bankers	SMBC Bank International plc 99 Queen Victoria Street London EC4V 4EH
Auditor	Ernst & Young LLP G1 Building, 5 George Square Glasgow G2 1DY

Beatrice Offshore Windfarm Limited

Strategic Report for the Year Ended 31 March 2021

The directors submit their report and audited financial statements of the company for the year ended 31 March 2021.

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 Business Performance Overview 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 2021, as well as those matters which are likely to affect its future development and performance.

Principal activities

The Company is engaged in the operation of a 588MW offshore windfarm in Scottish territorial waters.

On 16 March 2021 a share purchase agreement was completed where each of CI Beatrice I Holding II Limited and CI Beatrice II Holding II Limited sold 17.5% of the share capital of Beatrice Offshore Windfarm Holdco Limited to each of Offshore Wind Investments Group 4 Limited and Firenze Bidco One Ltd.

As at 31 March 2021 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%), Offshore Wind Investments Group 4 Limited (17.5%) and Firenze Bidco One Ltd (17.5%).

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.

Fair review of the business

The income statement for the year ended 31 March 2021 is set out on page 13. The profit for the year after taxation amounted to £82.9m (2020: profit of £83.2m). The balance sheet at 31 March 2021 is set out on page 15 and indicates net liabilities of £63.2m (2020: net liabilities of £66.0m).

Business performance overview

During the year, the Company was focused on safety at all sites, maximising operational performance of the assets, and progressing the sale of the OFTO assets.

The Company had an increased focus on safety during the year due to the COVID-19 pandemic. Additional safety procedures were implemented to improve hygiene and facilitate social distancing, in order to protect all personnel involved in the operation of the assets

The Company is operated through a management services agreement with SSE Generation Limited, an affiliate of SSE Beatrice Offshore Windfarm Holdings Limited. In order to maximise operational performance of the assets in the year, the Company's focus was on:

- Achieving the optimum reliability of the assets;
- mitigating any asset integrity risks;
- minimising operational costs on a life cycle basis;
- the management of key contracts for the service and maintenance of assets; and
- continued compliance with all regulatory, environmental, and consents requirements.

Beatrice Offshore Windfarm Limited

Strategic Report for the Year Ended 31 March 2021 (continued)

During the year, the Company's focus on the sale of the OFTO assets was agreeing a Final Transfer Value (FTV) and progressing key transaction documents. A FTV of £437.9m was agreed in the year and all transaction documents were agreed after the balance sheet date. The sale concluded with asset transfer on the 4th August 2021.

The company's key financial and other performance indicators during the year were as follows:

Financial

	2021	2020
	£ m	£ m
Revenue	343.7	372.5
Gross profit	318.3	348.9
Operating profit	177.1	221.5
Profit before tax	102.5	108.3
Profit after tax	82.9	83.2
Net liabilities	(63.2)	(66.0)
Total assets	2,564.5	2,710.9
Dividends paid	141.0	252.7

Section 172(1) Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In furtherance of this, section 172 requires a director to have regard amongst other matters, to the:

- likely consequences of any decisions in the long term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

In discharging their section 172 duties, the Directors of the Company, have regard to the factors set out above. They also have regard to other factors which they consider relevant to the decision being made. Those factors including the regulatory and legal obligations of the Company in the operation and future decommissioning of an offshore windfarm.

The Directors acknowledge that every decision taken will not necessarily result in a positive outcome for all of the Company's stakeholders. However, by considering the Company's purpose, vision and values, together with its strategic priorities, and having agreed processes in place for decision-making, they do aim to ensure that decisions are consistent and appropriate in all circumstances.

The Board reviews health and safety, financial and operational performance and legal and regulatory compliance in addition to other pertinent areas over the course of the financial year, including: the Company's business strategy; key risks; stakeholder-related matters; diversity and inclusion; environmental matters; corporate responsibility; governance, compliance and legal matters. This is done through the consideration and discussion of reports which are sent in advance of each meeting and through presentations to the Board.

Beatrice Offshore Windfarm Limited

Strategic Report for the Year Ended 31 March 2021 (continued)

The views of the Company's stakeholders are always considered where appropriate in decision making. The mechanisms which are in place to assist the Director's in understanding relevant views are set on page 4 of the Strategic Report. Information is generally provided in a range of different formats including specific reports and presentations on financial and operational performance, non-financial KPIs, risk, ESG matters and the outcomes of specific pieces of engagement, with the intended outcome being a rounded understanding of stakeholder issues and concerns.

Stakeholder engagement

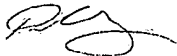
The Company's stakeholders are people, communities and organisations with an interest or concern in its purpose, strategy, operations and actions, and who in turn, may be affected by them. This includes: shareholders and debt providers; government and regulators; NGOs, communities and civil society; and suppliers, contractors and partners. The Company does not have any employees as the wind farm is operated by SSE Generation Limited under the terms of an operations management agreement. The perspectives, insights and opinions of stakeholders are recognised as a key factor in the relevant operational, investment and business decisions taken by the Company and its Directors, to ensure that as a whole they are more robust and sustainable.

While there are cases where the Directors may judge it appropriate to engage directly with certain stakeholder groups, the size and spread of both the Company's stakeholders means that stakeholder engagement takes place at many different levels. This includes at company level and operational level. This holistic approach allows a broader representation and deeper understanding of all stakeholder views and contributes towards a greater outcome for business, environmental, social and governance matters than by working in isolation.

Principal risks and uncertainties

The principal risks facing the Company in the short to medium term are the operations and maintenance of the windfarm and the wind speeds at the windfarm being lower than anticipated. The Company has appointed SSE Generation Limited to provide effective operations and maintenance management services. The Company has access to an experienced and competent team of operators to maintain windfarm performance.

Approved by the Board on 23 September 2021 and signed on its behalf by:



.....
P Cooley
Director

Beatrice Offshore Windfarm Limited

Directors' Report for the Year Ended 31 March 2021

The directors present their report and the financial statements for the year ended 31 March 2021.

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

Proposed dividend

Dividends paid during the year amount to £141.0m (2020: £252.7m) which equals £0.0054 per share. Dividends declared post year end and before the financial statements were authorised for issue but not recognised as a distribution to owners during the the financial year were £19.3m which equals £0.000073 per share.

Directors

In accordance with the Articles of Association of the Company the directors are not required to retire by rotation.

The directors, who held office during the year, were as follows:

P Cooley

C Sorensen (ceased 22 May 2020)

R Escott

A Meijer (ceased 12 January 2021)

S Pirie

M Skovgaard-Andersen (appointed 22 May 2020 and ceased 16 March 2021)

S Toftgaard (ceased 25 March 2021)

J Williamson

R McMurray (appointed 12 January 2021)

N Wakefield (appointed 16 March 2021)

F Di Salle (appointed 16 March 2021)

Financial risk management

The Company's operations create exposure to financial risks that include the effect of price, liquidity, credit and cash flow risk.

Price risk

The Company has entered into contractual arrangements to limit price risk including long term power purchase agreements (PPA) and through securing an Investment CfD. Further information on the CfD is found in note 8.

Credit risk

The Company's policy to manage credit risk is to perform credit risk assessments for the counterparties for the Company's revenue contracts, external lenders and significant supplier counterparties. The credit risk assessments involve qualitative and quantitative criteria and include the independent ratings of credit rating agencies where available.

Beatrice Offshore Windfarm Limited

Directors' Report for the Year Ended 31 March 2021 (continued)

Liquidity and cash flow risk

Liquidity risk derives from the risk the Company will not be able to meet its financial obligations as they become due. The Company reviews short-term liquidity daily and has entered into appropriate long-term financing arrangements with external lenders. The Company is exposed to cash flow risk through the impact of changes in future interest rates on the Company's floating rate debt facilities. The Company's policy to manage this risk was at the refinancing Financial Close in July 2019, to enter into interest rate swaps in respect of all floating rate debt facilities.

Political and charitable donations

The Company made no charitable or political donations during the year (2020: £nil).

Disclosure of information to the 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.

Going concern

The financial statements have been prepared on a going concern basis, which assumes adequate resources will be available for a period of twelve months following approval of the financial statements. In performing their assessment, the Directors have considered the future financial plans of the Company, including a cashflow and profit forecast to September 2022. Sensitivities have been applied to the forecasts by management and the directors have assessed that based on their projections for the fifteen months following the approval of these financial statements, the Company has sufficient resources to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

Assessing the impact of coronavirus

The Directors have considered the impact of coronavirus on the current and future prospects of the Company. Due to the operations of the Company, the virus has had limited impact. The Directors have considered the impact of coronavirus in reaching their assessment of the Company's ability to continue as a going concern.

Brexit

On 31 December 2020, the UK transitioned out of the European Union. The Directors have assessed that due to the nature of the Company's operations the impact of Brexit has been, and is expected to continue to be, minimal.

Auditor

In accordance with Section 489 of the Companies Act 2006, the directors have confirmed that Ernst and Young LLP will be re-appointed External Auditor for the Company for the year ending 31 March 2022, subject to approval by shareholders at the forthcoming Board of Directors meeting.

Beatrice Offshore Windfarm Limited

Directors' Report for the Year Ended 31 March 2021 (continued)

Environmental report

Emissions and energy consumption

This table shows the Company's total UK energy consumption for the year ended 31 March 2021 in line with the UK Government Streamlined Energy and Carbon Reporting (SECR) requirements.

Name and description	Unit of measurement	2021	2020
Fuel used in transport (vessels)	kWh	4,000,661.2	1,169,218.8
Operational vehicles	kWh	6,992.2	1,982.3
Electricity used in buildings	kWh	695,816.0	492,735.0
Total renewable generation output	GWh	<u>2,147.4</u>	<u>2,381.8</u>

Summary of scope 1 (direct) greenhouse gas (GHG) emissions for the year ended 31 March 2021:

Name and description	Unit of measurement	2021	2020
Fuel used in transport (vessels)	tCO ₂ e	1,033.6	302.1
Operational vehicles	tCO ₂ e	<u>27.5</u>	<u>7.8</u>
		<u>1,061.1</u>	<u>309.9</u>

Summary of scope 2 (indirect) greenhouse gas emissions for the year ended 31 March 2021:

Name and description	Unit of measurement	2021	2020
Electricity used in buildings	tCO ₂ e	<u>197.0</u>	<u>228.9</u>

Carbon intensity ratio

Carbon intensity

The carbon intensity ratio (gCO₂e per kWh of electricity generated) during the year ended 31 March 2021 was 0.6. (2020: 0.2)

Base year

The data for the year ended 31 March 2020 represents the Company's first disclosure under the SECR requirements and will be used as the base year to track performance and trends in future periods. Fuel consumption on vessels has increased as a result of the requirement to charter additional vessels in order to comply with Government social distancing guidelines and additional vessels required for specific works carried out during the financial year.

Energy efficiency action

The Company has updated the chartered Crew Transfer Vessels (CTVs) to the 'Chartwell 24' design that utilises a new Foil Optimisation and Stability System, adapted from racing yacht technology, that improves the vessel efficiency and stability through the water representing a fuel efficiency saving of up to 15%. In addition, these CTVs can carry up to 24 passengers compared to the previous vessels that could carry 12. The benefits of this will be observed when the social distancing guidelines are relaxed.

Beatrice Offshore Windfarm Limited

Directors' Report for the Year Ended 31 March 2021 (continued)

The windfarm Operations and Maintenance base has been recently constructed and as such uses energy efficient materials to achieve modern standards of thermal performance. The heating and ventilation system is centrally controlled and uses heat recovery units to minimise energy consumption in heating large spaces such as the warehouse. The Building Management System ensures that building temperatures are kept at the optimal level.

Warehouse vehicle access doors are designed to automatically close to avoid heat wastage and to maintain environmental conditions within the facility.

The facility lighting system is fully LED and is controlled by motion sensors and light level indicators that dim the lights when the ambient lighting is sufficient. External lighting on the quayside is LED and is also controlled by timers and ambient light levels.

Methodology

GHG sources included

The Company has collated its GHG emissions in line with BEIS Environmental Reporting Guidelines, GHG Protocol and ISO14064-1:2006 standards. GHG emissions are classified, in accordance with these standards.

Direct GHG emissions (scope 1) include GHG emissions from sources that are owned or controlled by the Company.

Indirect GHG emissions (scope 2) include GHG emissions from the generation of purchased electricity, heat and steam consumed by the Company.

Where data was collected in units other than kWh, the BEIS 'Greenhouse gas reporting: conversion factors 2019' were used to convert to kWh in order to calculate the Company's total energy use. BEIS conversion factors were also used to calculate the GHG emissions associated with this energy use.

Carbon intensity ratio

The most appropriate business metric for the Company is the output from its electricity generation activities (kWh). To calculate an intensity ratio the Company's scope 1 and 2 GHG emissions have been divided by its electricity generation output.

Approved by the Board on 23 September 2021 and signed on its behalf by:



.....
P Cooley
Director

Beatrice Offshore Windfarm Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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 group and the company and of the profit or loss of the group and the company for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance; and;
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will not 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 the group and enable them to ensure that the company 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.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report, that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEATRICE OFFSHORE WINDFARM LIMITED

We have audited the financial statements of Beatrice Offshore Windfarm Limited (the 'company') for the year ended 31st March 2021 which comprise Income Statement, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31st March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained with the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEATRICE OFFSHORE
WINDFARM LIMITED (CONTINUED)**

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEATRICE OFFSHORE
WINDFARM LIMITED (CONTINUED)**

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (IFRS and Companies Act 2006) and relevant tax compliance regulations in the UK. We also determined there was no non-compliance with regulatory requirements, including the Office of Gas and Electricity Markets (Ofgem).
- We understood how Beatrice Offshore Windfarm Limited is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We confirmed our enquiries through our review of board minutes, regulatory correspondence and papers provided to the joint venture board and SSE plc Audit Committee. We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their propensity to influence on efforts made by management to manage earnings. We considered the programmes and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls at a group level. Where the risk was considered to be higher, we performed audit procedures to address the identified fraud risk, management override of controls, specifically around revenue recognition.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved: journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business and enquiries of legal counsel and management. In addition, we completed procedures to conclude on the compliance of the disclosures in the financial statements and accounts with all applicable requirements.
- We understood the relationship between Beatrice Offshore Windfarm Limited and its regulator, the Office of Gas and Electricity Markets (OFGEM), to understand their scope of authorisation and controls the entity has in place to meet their requirements. We requested copies of any correspondence with the regulator that is relevant to our audit and discussed ongoing regulatory matters with the directors.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young LLP.

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*Nicola McIntyre (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor*

Glasgow

29 September 2021

Beatrice Offshore Windfarm Limited

Income Statement for the Year Ended 31 March 2021

	Note	2021 £ m	2020 £ m
Revenue	8	343.7	372.5
Cost of sales		<u>(25.4)</u>	<u>(23.6)</u>
Gross profit		318.3	348.9
Other operating expenses		<u>(141.2)</u>	<u>(127.4)</u>
Operating profit	5	177.1	221.5
Finance costs	6	<u>(74.6)</u>	<u>(113.2)</u>
Profit before tax		102.5	108.3
Income tax expense	11	<u>(19.6)</u>	<u>(25.1)</u>
Profit for the year		<u><u>82.9</u></u>	<u><u>83.2</u></u>

The above results were derived from continuing operations.

Beatrice Offshore Windfarm Limited

Statement of Comprehensive Income for the Year Ended 31 March 2021

	Note	2021 £ m	2020 £ m
Profit for the year		<u>82.9</u>	<u>83.2</u>
Items that may be reclassified subsequently to profit or loss			
Profit/(Loss) of effective portion of cash flow hedges		75.1	(110.6)
Taxation on cash flow hedges		<u>(14.2)</u>	<u>23.0</u>
		<u>60.9</u>	<u>(87.6)</u>
Total comprehensive income/(expense) for the year		<u><u>143.8</u></u>	<u><u>(4.4)</u></u>

The notes on pages 19 to 44 form an integral part of these financial statements.

Beatrice Offshore Windfarm Limited

(Registration number: SC350248)

Statement of Financial Position as at 31 March 2021

	Note	2021 £ m	2020 £ m
Assets			
Non-current assets			
Property, plant and equipment	12	1,990.2	2,094.7
Deferred tax assets	11	-	7.3
		<u>1,990.2</u>	<u>2,102.0</u>
Current assets			
Trade and other receivables	14	41.2	42.2
Cash and cash equivalents	15	<u>95.2</u>	<u>128.2</u>
		136.4	170.4
Assets classified as held for sale	4	<u>437.9</u>	<u>438.5</u>
Total assets		<u>2,564.5</u>	<u>2,710.9</u>
Equity and liabilities			
Current liabilities			
Current portion of long term lease liabilities	22	(3.5)	(3.5)
Trade and other payables	16	(26.2)	(16.0)
Loans and borrowings	17	(458.0)	(506.9)
Derivative financial liabilities	19	<u>(10.2)</u>	<u>(0.3)</u>
		<u>(497.9)</u>	<u>(526.7)</u>
Non-current liabilities			
Long term lease liabilities	22	(41.0)	(42.1)
Loans and borrowings	17	(1,821.3)	(1,869.1)
Provisions	24	(115.5)	(128.6)
Deferred tax liabilities	11	(26.6)	-
Derivative financial liabilities	19	<u>(125.4)</u>	<u>(210.4)</u>
		<u>(2,129.8)</u>	<u>(2,250.2)</u>
Total liabilities		<u>(2,627.7)</u>	<u>(2,776.9)</u>
Equity			
Share capital	18	-	(60.1)
Cash flow hedging reserve	25	109.8	170.7
Retained earnings		<u>(46.6)</u>	<u>(44.6)</u>
Total shareholder deficit		<u>63.2</u>	<u>66.0</u>
Total shareholder deficit and liabilities		<u>(2,564.5)</u>	<u>(2,710.9)</u>

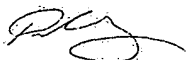
The notes on pages 19 to 44 form an integral part of these financial statements.

Beatrice Offshore Windfarm Limited

(Registration number: SC350248)

Statement of Financial Position as at 31 March 2021 (continued)

Approved by the Board on 23 September 2021 and signed on its behalf by:



.....
P. Cooley
Director

Beatrice Offshore Windfarm Limited

Statement of Changes in Equity for the Year Ended 31 March 2021

	Share capital £ m	Cash flow hedging reserve £ m	Retained earnings £ m	Total £ m
At 1 April 2019 (i)	261.3	(83.1)	12.9	191.1
Profit for the year	-	-	83.2	83.2
Other comprehensive expense	-	(87.6)	-	(87.6)
Total comprehensive income/(expense)	-	(87.6)	83.2	(4.4)
Dividends	-	-	(252.7)	(252.7)
Capital reduction	(201.2)	-	201.2	-
At 31 March 2020	60.1	(170.7)	44.6	(66.0)

	Share capital £ m	Cash flow hedging reserve £ m	Retained earnings £ m	Total £ m
At 1 April 2020 (i)	60.1	(170.7)	44.6	(66.0)
Profit for the year	-	-	82.9	82.9
Other comprehensive expense	-	60.9	-	60.9
Total comprehensive income/(expense)	-	60.9	82.9	143.8
Dividends	-	-	(141.0)	(141.0)
Capital reduction	(60.1)	-	60.1	-
At 31 March 2021	-	(109.8)	46.6	(63.2)

(i) Opening retained earnings at 1 April 2019 have been reduced by £0.5m following adoption of IFRS 16 (see note 2).

Beatrice Offshore Windfarm Limited

Statement of Cash Flows for the Year Ended 31 March 2021

	Note	2021 £ m	2020 £ m
Cash flows from operating activities			
Profit for the year		82.9	83.2
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	89.1	89.0
Impairments		5.0	-
Finance costs	6	74.6	113.2
Income tax expense	11	19.6	25.1
		<u>271.2</u>	<u>310.5</u>
Working capital adjustments			
Decrease/(increase) in trade and other receivables	14	1.0	(10.4)
Increase/(decrease) in trade and other payables	16	6.8	(32.6)
Net cash flow from operating activities		<u>279.0</u>	<u>267.5</u>
Cash flows from investing activities			
Additions of property plant and equipment		(2.2)	(123.4)
Cash flows from financing activities			
Interest paid	6	(72.9)	(69.9)
Proceeds from bank borrowing draw downs		-	2,463.6
Repayment of bank borrowing		(92.3)	(2,223.2)
Payments to finance lease creditors		(3.6)	(2.9)
Dividends paid		(141.0)	(252.7)
Net cash flows from financing activities		<u>(309.8)</u>	<u>(85.1)</u>
Net (decrease)/increase in cash and cash equivalents		(33.0)	59.0
Cash and cash equivalents at 1 April		128.2	71.8
Effect of exchange rate fluctuations on cash held		-	(2.6)
Cash and cash equivalents at 31 March		<u>95.2</u>	<u>128.2</u>

The notes on pages 19 to 44 form an integral part of these financial statements.

Beatrice Offshore Windfarm Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

1 General information

The Company is a private company limited by share capital, incorporated and domiciled in the United Kingdom.

The address of its registered office is:

Inveralmond House
200 Dunkeld Road
Perth
PH1 3AQ

These financial statements were authorised for issue by the Board on 23 September 2021.

2 Accounting policies

Statement of compliance

The company financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRS's").

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with adopted IFRSs and under historical cost accounting rules other than derivative financial instruments which are stated at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

New standards and interpretations issued, but not yet adopted by the Company

IFRS 17 'Insurance Contracts' effective from 1 April 2021 for the Company, subject to EU endorsement

The Company has no activities falling within the scope of IFRS 17 'Insurance Contracts', therefore adoption of the standard is not expected to have a material impact on the financial statements.

Other interpretations and amendments

There are a number of other interpretations, amendments and annual improvement project recommendations that have been issued but not yet adopted by the Company because application is not yet mandatory or because adoption by the EU remains outstanding at this point in time. These are not anticipated to have a material impact on the Company's financial statements.

Going concern

The financial statements have been prepared on a going concern basis, which assumes adequate resources will be available for a period of twelve months following approval of the financial statements. In performing their assessment, the Directors have considered the future financial plans of the Company, including a cashflow and profit forecast to September 2022. Sensitivities have been applied to the forecasts by management and the directors have assessed that based on their projections for the fifteen months following the approval of these financial statements, the Company has sufficient resources to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

Beatrice Offshore Windfarm Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

2 Accounting policies (continued)

Changes resulting from adoption of IFRS 16

The Company transitioned to IFRS 16 using the modified retrospective approach and as a result the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. The prior period figures were not adjusted.

On adoption of IFRS 16, the Company elected to apply the relief provisions available and has not reviewed contracts under the definition of a lease per IFRS 16, which had previously not been classified as leases under the principles of IAS 17. Therefore, only contracts entered into or modified on or after 1 April 2019 have the definition of a lease per IFRS 16 applied.

In addition, the Company decided to apply recognition exemptions to leases with a term not exceeding 12 months and leases where the underlying assets are of low value.

For leases classified as operating leases under IAS 17, these lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The Company has used the following practical expedients permitted by IFRS 16 when applying this for the first time to leases previously classified as operating leases:

- Applied a single discount rate to a portfolio of leases with similar characteristics
- Applied the exemption not to recognise liabilities for leases with less than 12 months of lease term remaining
- Excluded initial direct costs for the measurement of right-to-use assets at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Right-of-use assets are measured at either:

- Their carrying amount as if IFRS 16 has been applied since commencement, discounted using the lessee's incremental borrowing rate at the date of initial application
- An amount equal to the lease liability, adjusted for any prepaid or accrued lease payments

No adjustments are required on transition to IFRS 16 for leases where the Company acts as a lessor, except for a sub-lease. A reassessment of the classification of a sub-lease is required under IFRS 16.

Adoption impact

The Company recognised lease liabilities in relation to leases that were classified as 'operating leases' under the principles of IAS 17 - Leases. On transition, right of use assets increased by £42.9m, lease liabilities increased by £43.4m and deferred tax liabilities were reduced by £0.1m with the difference allocated to retained earnings.

	2019 £ m
Operating lease commitments at 31 March 2019	62.5
Effect of discounting at the incremental borrowing rate	(19.1)
Lease liabilities recognised at 1 April 2019	<u>43.4</u>

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average rate applied was 3.43%.

Beatrice Offshore Windfarm Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

2 Accounting policies (continued)

Revenue recognition

Revenue from contracts with customers is recognised to the extent that it reflects the expected consideration for goods or services provided to the customer under contract, over the performance obligations they are being provided. For each separable performance obligation identified, the Company determines whether it is satisfied at a "point in time" or "over time" based upon an evaluation of the receipt and consumption of benefits, control of assets and enforceable payment rights associated with that obligation. If the criteria required for "over time" recognition are not met, the performance obligation is deemed to be satisfied at a "point in time".

Revenue principally arises as a result of the Company's activities in energy production in Great Britain.

Electricity generation

Revenue from the physical generation of electricity is recognised "point in time" as generated and supplied to customers under Power Purchase Agreements (PPA).

Revenue from other ancillary generation services is recognised "over time" consistent with the customer receiving and consuming the benefits of those services across the expected contractual service period, and at the contracted consideration.

Government grants

CfDs are accounted for as revenue grants and are recognised as income "point in time" as electricity is generated which is when the grants become receivable.

Finance income and costs policy

Interest income and costs are recognised in the income statement as they accrue. Finance expense is recognised as an expense in the period in which it is incurred.

Interest on the funding attributable to major capital projects is capitalised during the period of construction and depreciated as part of the total cost over the useful life of the asset.

Foreign currency transactions and balances

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

Beatrice Offshore Windfarm Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

2 Accounting policies (continued)

Tax

Taxation on the profit for the year comprises current and deferred tax. Taxation is recognised in the income statement unless it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Deferred tax is calculated using the balance sheet liability method, providing for 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.

Deferred tax assets and liabilities are offset where there is a legally enforceable right of offset within the same tax authority and where the Company intends to either settle them on a net basis, or to realise the asset and settle the liability simultaneously. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Held for disposal assets and liabilities and discontinued operations

Non-current assets are classified as held for disposal if their recoverable value is likely to be recovered via a sale or distribution as opposed to continued use by the Company. In order to be classified as assets held for disposal, assets must meet all of the following conditions; the disposal is highly probable, it is available for immediate disposal, it is being actively marketed and the disposal is likely to occur within one year.

Assets that qualify as held for disposal and related liabilities are disclosed separately from other assets and liabilities in the balance sheet prospectively from the date of classification. Non-current assets determined as held for disposal are measured at the lower of carrying value and fair value less costs to sell, no depreciation is charged in respect of these assets after classification as held for disposal.

Assets or groups of assets and related liabilities that qualify as held for disposal are classified as discontinued operations when they represent a separate major line of business or geographical area, are part of a single plan to dispose of a separate major line of business or geographical area or are acquired exclusively with a view to resale. Income and expenses relating to these discontinued operations are disclosed in a single net amount after taxes in the income statement, with comparative amounts re-presented accordingly.

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairments. The cost of self-constructed assets includes the cost of materials, direct labour and other directly attributable costs. Where the asset is a qualifying asset, for which a considerable period of time is required to prepare the asset for use or sale, borrowing costs will be capitalised as part of the asset's cost. 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. An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Beatrice Offshore Windfarm Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

2 Accounting policies (continued)

Rights of use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where a modification to a lease agreement decreases the scope of the lease, the carrying amount of the right of use asset is adjusted and a gain or loss is recognised in proportion to the decrease in scope of the lease. All other modifications to lease agreements are accounted for as a reassessment of the lease liability with a corresponding adjustment to the right of use asset.

Depreciation

Depreciation is charged to the income statement to write off cost, less residual values, on a straight line basis over their estimated useful lives. Depreciation policy, useful lives and residual values are reviewed at least annually, for all asset classes to ensure that the current method is the most appropriate. Depreciation commences following the asset commissioning period and when the asset is available for commercial operation.

Assets held under leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease agreement.

Subsequent expenditure is capitalised only when it increases the future economic benefits of the item of property, plant and equipment to which it relates. Maintenance and repair costs are expensed as incurred.

Derecognition

An item of property, plant or equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposals are determined by comparing the proceeds received with the carrying amount of the asset and are included in the income statement. Any gain or loss on derecognition of the asset is included in the income statement in the period of derecognition.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Years
Renewable generation	25 years
Decommissioning assets	25 years
Land (right of use asset)	Period of lease

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Beatrice Offshore Windfarm Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

2 Accounting policies (continued)

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Decommissioning

The estimated cost of decommissioning at the end of the useful lives of certain assets is reviewed periodically. Provision is made for the net present value of the estimated cost of decommissioning the offshore wind farm at the end of the useful life of the facilities. The estimates are based on technology and prices at the balance sheet date and excludes any salvage value related to those assets. A corresponding decommissioning asset is recognised and is included within property, plant and equipment when the provision gives access to future economic benefits. Changes in these provisions are recognised prospectively. The unwinding of the discount on the provision is included in finance costs and the depreciation for the asset is straight-line over the expected useful life of the asset.

Lease arrangements

Definition

Lease arrangements are separately distinguished from service contracts on the basis of whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If the Company is deemed to control the use of an identified asset, a right of use asset and a corresponding lease liability are recognised on the balance sheet.

Right of use assets are capitalised and held as part of property, plant and equipment. The accounting policy for such arrangements is described on page 23.

Initial recognition and measurement

Lease liabilities are initially measured at the present value of the future lease payments discounted using the rate implicit in the lease if that can be readily determined. If the interest rate implicit in the lease cannot be readily determined the incremental borrowing rate is used.

Subsequent measurement

In determining whether any break and/or extension clauses should be included within the lease term, the Company has considered that where an internal decision has been made to break or extend the lease agreement, that decision shall be applied in determining the appropriate lease term. Where an internal decision has not been made, and where the non-cancellable element of the lease term has longer than five years remaining, it is considered that any clauses will not be triggered as any decision beyond that date is not reasonably certain. For all leases with less than five years remaining, an assessment is made at each reporting period on a lease-by-lease basis on whether the clause is reasonably certain to be triggered. Reassessment of break and/or extension judgements made in prior periods could result in recalculation of the lease liability and adjustments to associated balances.

Beatrice Offshore Windfarm Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

2 Accounting policies (continued)

Lease modifications

The lease liability is subsequently adjusted for unwind of discounting, repayments and other modifications to the underlying agreement. Lease modifications are accounted for as a separate lease where the scope of the lease increases through the right to use one or more underlying assets and where the consideration of the lease increases by an amount that is equivalent to the standalone price of the increase in scope. Where a modification decreases the scope of the lease, the carrying amount of the right of use asset is adjusted and a gain or loss is recognised in proportion to the decrease in scope of the lease. All other modifications are accounted for as a reassessment of the lease liability with a corresponding adjustment to the right of use asset.

Leases with a duration of 12 months or less and leases for assets which are deemed “low value” are expensed to the income statement on a straight-line basis over the lease term.

Impairment of non-financial assets

The carrying amounts of the Company's PP&E and other intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, or where there are indications that a previously recognised impairment loss has reduced. For PP&E assets that have previously been identified as exhibiting indications of impairment, the review of impairment will be performed annually until there is sufficient evidence to confirm that any potential impairment loss has been appropriately recognised, or until previously recognised impairment losses have been fully written back. In addition, financial assets measured at amortised cost are also reviewed for impairment annually.

For assets subject to impairment testing, the asset's carrying value is compared to the asset's recoverable amount. The recoverable amount is determined to be the higher of the fair value less costs to sell (FVLCS) and the value-in-use (VIU) of the asset. For financial assets measured at amortised cost the impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If the carrying amount of the asset exceeds its recoverable amount, an impairment charge will be recognised immediately in the income statement. Reversals of previous impairment charges are recognised if the recoverable amount of the asset significantly exceeds the carrying amount.

Value in use (VIU) calculations require the estimation of future cash flows to be derived from the respective assets and the selection of an appropriate discount rate in order to calculate their present value. The VIU methodology is consistent with the approach taken by management to evaluate economic value and is deemed to be the most appropriate for reviews of PP&E assets. The methodology is based on the pre-tax cash flows arising from the specific assets or underlying assets and discounted using a pre-tax discount rate based on the Company's cost of funding and adjusted for any specific risks. The estimation of the timing and value of underlying projected cash flows and the selection of appropriate discount rates involves management judgement. Subsequent changes to these estimates or judgements may impact the carrying value of the assets.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Beatrice Offshore Windfarm Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

2 Accounting policies (continued)

Financial instruments

Initial recognition

The Company uses a range of financial instruments to hedge exposures to financial risks, such as interest rate and foreign exchange fluctuations in its normal course of business and in accordance with the Company's risk management policies.

On adoption of IFRS 9, the Company's review of the IFRS 9 hedge accounting model concluded that whilst adoption would not change the treatment of existing hedging arrangements, the changes made would not result in any additional hedge designations either. As such, the existing hedge accounting model under IAS 39 appropriately reflects our risk management activities in the financial statements. Therefore, as permitted by IFRS 9, the Company has elected to continue to apply the hedge accounting requirements of IAS 39. This policy choice will be periodically reviewed to consider any changes in our risk management activities.

Interest rate and derivatives

Interest rate and foreign exchange derivatives

Financial derivative instruments are used by the Company to hedge interest rate and currency exposures. All such derivatives are recognised at fair value and are re-measured to fair value each reporting period. Certain derivative financial instruments are designated as being held for hedging purposes. The designation of the hedge relationship is established at the inception of the hedge and procedures are applied to ensure the derivative is highly effective in achieving its objective and that the effectiveness of the hedge can be reliably measured. The treatment of gains and losses on re-measurement is dependent on the classification of the hedge and whether the hedge relationship is designated as either a 'fair value' or 'cash flow' hedge.

A derivative classified as a 'cash flow' hedge recognises the portion of gains or losses on the derivative which are deemed to be effective directly in equity in the hedge reserve. Any ineffective portion of the gains or losses is recognised in the consolidated income statement. When hedged cash flows result in the recognition of a non-financial asset or liability, the associated gains or losses previously recognised in equity are included in the initial measurement of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same period in which the hedged cash flows affect the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At the point of discontinuation, any cumulative gain or loss on the hedging instrument recognised in equity remains in equity until the forecast transaction affects profit or loss. On settlement, the cumulative gain or loss recognised in equity is recognised in the income statement.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of certain financial assets, liabilities, income and expenses.

It should be noted that the impact of variation in some assumptions, judgements and estimates can have a particularly material impact on the reported results. These include, but are not limited to:

Provisions

Future costs required to settle provisions. These liabilities are disclosed in note 24.

Beatrice Offshore Windfarm Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

4 Assets classified as held for sale

Plans to dispose of Offshore Transmission Owners (OFTO) assets

At 31 March 2021, the Company held Offshore Transmission Owners (OFTO) assets. Regulatory conditions state that OFTO assets must be sold by the developer. The disposal was completed on 4 August 2021.

	2021 £ m
At 1 April 2020	438.5
Transfers from PPE	4.4
Impairment	(5.0)
	<u>437.9</u>

5 Operating profit

Arrived at after charging

	2021 £ m	2020 £ m
Depreciation expense	89.1	89.0
Impairment loss	5.0	-
Other operating expenses	<u>52.1</u>	<u>38.4</u>

6 Finance income and costs

	2021 £ m	2020 £ m
Finance costs		
Lease interest	(1.5)	(1.5)
Interest expense on other financing liabilities	(72.1)	(110.5)
Foreign exchange losses	-	(0.2)
Decommissioning provision - unwinding of discount	<u>(1.0)</u>	<u>(1.0)</u>
Total finance costs	<u>(74.6)</u>	<u>(113.2)</u>

7 Auditor's remuneration

The audit fee for the financial statements was £23,625 in the current year (2020 - £22,500)

8 Revenue

The Company's revenue is derived from the sale of renewable energy, sold under a PPA, to SSE Energy Supply Limited and Danske Commodities A/S and via CfD compensation payments received from Low Carbon Contracts Company Ltd. The Company's revenue arises in the United Kingdom.

Beatrice Offshore Windfarm Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

8 Revenue (continued)

The Investment CfD, secured in 2014, is set at £140 per Megawatt hour in 2012 prices. The PPA is linked to market prices and if market prices are below the level set out in the Investment Contract, the Company receives compensation, over and above the PPA. If market prices rise above the level in the Investment Contract, then the Company pays the differential.

The analysis of the company's revenue for the year from continuing operations is as follows:

	2021 £ m	2020 £ m
Sale of renewable energy	87.5	91.2
Contracts for difference compensation payments	256.2	281.3
	<u>343.7</u>	<u>372.5</u>

9 Staff costs

The Company had 0 employees during the current or prior year.

10 Directors' remuneration

The directors did not receive remuneration in respect of their services to the Company in the current or prior year.

11 Income tax

Tax charged/(credited) in the income statement

	2021 £ m	2020 £ m
Deferred taxation		
Arising from origination and reversal of temporary differences	20.9	23.0
Arising from changes in tax rates and laws	-	1.1
Adjustment in respect of previous periods	(1.3)	1.0
Total deferred taxation	<u>19.6</u>	<u>25.1</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2020 - the same as the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The charge for the year can be reconciled to the profit per the income statement as follows:

Beatrice Offshore Windfarm Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

11 Income tax (continued)

	2021 £ m	2020 £ m
Profit before tax	102.5	108.3
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2019: 19%)	19.5	20.6
(Decrease)/increase in current tax from adjustment for prior periods	(1.2)	1.1
Increase from effect of different UK tax rates on some earnings	-	1.0
Expenses not deductible for tax purposes	1.3	2.4
Total tax charge	19.6	25.1

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. At the balance sheet date, the proposal to increase the rate to 25% had not been substantively enacted.

Substantive enactment occurred on 24 May 2021 and therefore its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the tax expense for the period by £16,543,790 in the P&L and reduce the tax expense by £8,135,749 in OCI, to increase the deferred tax liability by £8,408,041.

Amounts recognised in other comprehensive income

	Before tax £ m	2021 Tax benefit £ m	Net of tax £ m	Before tax £ m	2020 Tax benefit £ m	Net of tax £ m
Loss on cash flow hedges	75.1	(14.2)	60.9	(110.6)	23.0	(87.6)

Deferred taxation

Deferred tax movement during the year:

	At 1 April 2020 £ m	Recognised in income £ m	Recognised in other comprehensive income £ m	At 31 March 2021 £ m
Loan relationships - temporary differences non-trading	14.6	(2.9)	-	11.6
Capitalised interest	(25.5)	2.7	-	(22.8)
Property, plant and equipment	(22.2)	(19.3)	-	(41.5)
Tax losses carry-forwards	0.4	-	-	0.4
Derivatives	40.0	-	(14.3)	25.7
Net tax assets/(liabilities)	7.3	(19.6)	(14.3)	(26.6)

Deferred tax movement during the prior year:

Beatrice Offshore Windfarm Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

11 Income tax (continued)

	At 1 April 2019 £ m	Recognised in income £ m	Recognised in other comprehensive income £ m	Recognised in equity £ m	At 31 March 2020 £ m
Loan relationships - temporary differences					
non-trading	11.0	3.5	-	0.1	14.6
Capitalised interest	(22.6)	(2.9)	-	-	(25.5)
Property, plant and equipment	2.6	(24.8)	-	-	(22.2)
Tax losses carry-forwards	1.2	(0.8)	-	-	0.4
Derivatives	17.0	-	23.0	-	40.0
Net tax assets/(liabilities)	<u>9.2</u>	<u>(25.0)</u>	<u>23.0</u>	<u>0.1</u>	<u>7.3</u>

Opening deferred tax liabilities at 1 April 2019 have been reduced by £0.1m following adoption of IFRS 16 (see note 2).

The Company has tax losses of £35.5m (2020: £35.5m) that are available indefinitely for offset against future non-trading taxable income of the Company. A deferred tax asset has not been recognised in respect of these losses as there is uncertainty over their recoverability in the foreseeable future.

Beatrice Offshore Windfarm Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

12 Property, plant and equipment

	Right Of Use £ m	Assets under construction £ m	Renewable Generation £ m	Decommissioning assets £ m	Total £ m
Cost or valuation					
At 1 April 2019	42.9	389.7	1,546.1	-	1,978.7
Additions	3.6	123.4	-	127.6	254.6
Classified as held for sale or in a disposal group classified as held for sale	-	-	(27.0)	-	(27.0)
Transfers	-	(513.1)	513.1	-	-
At 31 March 2020	46.5	-	2,032.2	127.6	2,206.3
At 1 April 2020	46.5	-	2,032.2	127.6	2,206.3
Additions	0.9	-	2.2	-	3.1
Classified as held for sale or in a disposal group classified as held for sale	-	-	(4.4)	-	(4.4)
Disposals	-	-	-	(14.1)	(14.1)
At 31 March 2021	47.4	-	2,030.0	113.5	2,190.9
Depreciation					
At 1 April 2019	-	-	22.6	-	22.6
Charge for year	2.1	-	82.4	4.5	89.0
At 31 March 2020	2.1	-	105.0	4.5	111.6
At 1 April 2020	2.1	-	105.0	4.5	111.6
Charge for the year	2.6	-	81.4	5.1	89.1
At 31 March 2021	4.7	-	186.4	9.6	200.7
Carrying amount					
At 31 March 2021	42.7	-	1,843.6	103.9	1,990.2
At 31 March 2020	44.4	-	1,927.2	123.1	2,094.7

Opening Land and buildings assets at 1 April 2019 increased by £42.9m following adoption of IFRS 16 (see note 2).

Beatrice Offshore Windfarm Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

13 Right of use assets

Included within property, plant and equipment (note 12) are the following right of use assets:

	Land & Buildings £ m	Vessels £ m	Total £ m
Cost or valuation			
At 1 April 2020	44.0	2.5	46.5
Additions	0.9	-	0.9
At 31 March 2021	44.9	2.5	47.4
Depreciation			
At 1 April 2020	1.7	0.4	2.1
Charge for the year	1.8	0.8	2.6
At 31 March 2021	3.5	1.2	4.7
Carrying amount			
At 31 March 2021	41.4	1.3	42.7

14 Trade and other receivables

	2021 £ m	2020 £ m
Receivables from related parties	5.4	3.3
Prepayments	4.5	3.3
Other receivables	31.2	35.6
	41.2	42.2

Receivables from related parties arise from the sale of electricity generated from the windfarm through Power Purchase Agreements (PPA). Payment for the sales invoices raised under the PPA are due within the contractual set terms.

15 Cash and cash equivalents

	2021 £ m	2020 £ m
Cash at bank	95.2	128.2

Beatrice Offshore Windfarm Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

16 Trade and other payables

Amounts falling due within one year

	2021 £ m	2020 £ m
Trade payables	0.2	0.3
Accrued expenses	26.0	15.5
Other payables	-	0.2
	<u>26.2</u>	<u>16.0</u>

Amounts due to related parties arise from services provided by SSE Renewables Development (UK) Ltd under a Managed Service Agreement (MSA). Payment for the invoices raised under the MSA are due within the contractual set terms.

17 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.

	2021 £ m	2020 £ m
Non-current loans and borrowings		
Related parties	-	24.7
Other parties	1,821.3	1,844.4
	<u>1,821.3</u>	<u>1,869.1</u>
	2021 £ m	2020 £ m

Current loans and borrowings

Related parties	-	43.0
Other parties	458.0	463.9
	<u>458.0</u>	<u>506.9</u>
	2021 £ m	2020 £ m

Payables: falling due within less than one year

Generation Term Facility	2034	51.9	57.1
Generation Term Facility - Fixed Rate Tranche	2034	2.6	2.8
Transmission Term Facility	2021	268.6	268.9
Transmission Revolving Credit Facility	2028	134.9	135.9
8% Shareholder Loan		-	42.2
		<u>458.0</u>	<u>506.9</u>

Beatrice Offshore Windfarm Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

17 Interest bearing loans and borrowings (continued)

	Year of Maturity	2021 £ m	2020 £ m
Payables: falling due within two and five years			
Generation Term Facility	2034	534.2	449.1
Generation Term Facility - Fixed Rate Tranche	2034	24.4	20.6
Transmission Revolving Credit Facility	2028	(0.5)	(0.5)
		<u>558.1</u>	<u>469.2</u>
Payables: falling due more than five years			
Generation Term Facility	2034	1,208.3	1,339.1
Generation Term Facility - Fixed Rate Tranche	2034	55.2	61.2
Transmission Revolving Credit Facility	2028	(0.3)	(0.4)
		<u>1,263.2</u>	<u>1,399.9</u>
Total		<u><u>2,279.3</u></u>	<u><u>2,376.0</u></u>

Financial Close of the refinancing transaction was achieved on 9 July 2019. The Generation Term Facility, Transmission Term Facility and Transmission Revolving Credit Facility charge interest at a floating rate. Such facilities were entered into upon the refinancing Financial Close at which point interest rate swaps were entered into for the lifetime of all borrowings.

	Loans and borrowings £ m	Derivative Financial Liabilities £ m
Balance as at 1 April 2020	2,376.0	(210.7)
Changes from financing cash flows		
Repayments of loans and borrowings	(92.3)	-
Settlement of derivatives	-	0.6
Total changes from financing cash flows	<u>(92.3)</u>	<u>0.6</u>
Change in fair value	-	74.5
	<u>-</u>	<u>74.5</u>
Other changes		
Interest expense	41.3	-
Interest paid	(45.7)	-
Total other changes	<u>(4.4)</u>	<u>-</u>
Balance as at 31 March 2021	<u><u>2,279.3</u></u>	<u><u>(135.6)</u></u>

The loans and borrowings classified as financial instruments are disclosed in the financial instruments note.

Beatrice Offshore Windfarm Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

17 Interest bearing loans and borrowings (continued)

The company's exposure to market and liquidity risk; including maturity analysis, in respect of loans and borrowings is disclosed in the financial risk management and impairment note.

18 Share capital

Authorised, allotted, called up and fully paid shares

	2021		2020	
	No.	£	No.	£
26,125,942,600 ordinary shares of £0.0000004 (2020 - £0.0023) each	26,125,942,600	10,450	26,125,942,600	60,089,668
10,000 ordinary shares of £0.01 (2020 - £0.01) each	10,000	100	10,000	100
	<u>26,125,952,600</u>	<u>10,550</u>	<u>26,125,952,600</u>	<u>60,089,768</u>

During the year the Company completed a share capital reduction to decrease the value of 26,125,942,600 ordinary shares to £0.0000004 (2020 - £0.0023).

19 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 the refinancing Financial Close in July 2019, to enter into interest rate swaps in respect of all loans entered into at the refinancing Financial Close. The Company has minimised its cashflow exposure to rising market interest rates in respect of its floating rate debt facilities through use of interest rate swaps.

Foreign exchange risk

Foreign exchange risk derives from underlying costs in foreign exchange on the various contracts. The Company's policy to manage this risk was to enter into forward exchange contracts for all known quantifiable future foreign exchange exposure within the signed construction contracts at Financial Close in 2016. This policy has been applied consistently throughout the year ended 31 March 2021.

Beatrice Offshore Windfarm Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

19 Derivatives and financial instruments (continued)

i Risk (continued)

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, changes in commodity prices and working capital requirements. At Financial Close in 2016, 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.

The following are the contractual cash flows of interest bearing loans and borrowings, and all financial derivatives, including estimated interest payments:

Beatrice Offshore Windfarm Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

19 Derivatives and financial instruments (continued)

i Risk (continued)

Maturity analysis for financial liabilities and financial assets

2021 Non-derivative liabilities	Carrying amount £ m	Contractual Cash flows £ m	1 year or less £ m	1 to < 2 years £ m	2 to < 5 years £ m	More than 5 years £ m
Generation Term Facility	(1,794.4)	(2,269.1)	(107.6)	(194.0)	(553.3)	(1,414.2)
Generation Term Facility - Fixed Rate Tranche	(82.3)	(97.5)	(4.3)	(8.2)	(23.4)	(61.6)
Transmission Term Loan	(267.6)	(269.2)	(269.2)	-	-	-
Transmission Revolving Credit Facility	(135.0)	(135.4)	(135.4)	-	-	-
	<u>(2,279.3)</u>	<u>(2,771.2)</u>	<u>(516.5)</u>	<u>(202.2)</u>	<u>(576.7)</u>	<u>(1,475.8)</u>

2021 Derivative liabilities	Carrying amount £ m	Contractual cash flows £ m	1 year or less £ m	1 to < 2 years £ m	2 to < 5 years £ m	More than 5 years £ m
Risk management:						
Interest rate swaps used for hedging	<u>(135.6)</u>	<u>(135.6)</u>	<u>(10.2)</u>	<u>(20.5)</u>	<u>(51.1)</u>	<u>(53.8)</u>

Beatrice Offshore Windfarm Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

19 Derivatives and financial instruments (continued)

i Risk (continued)

2020	Carrying	Contractual	1 year or	1 to < 2	2 to < 5	More
Non-derivative	amount	Cash flows	less	years	years	than 5
liabilities	£ m	£ m	£ m	£ m	£ m	£ m
Generation Term Facility	(1,845.6)	(2,379.4)	(110.3)	(107.6)	(568.6)	(1,592.9)
Generation Term Facility - Fixed Rate Tranche	(84.5)	(101.9)	(4.4)	(4.3)	(24.1)	(69.1)
Transmission Term Loan	(268.4)	(270.9)	(270.9)	-	-	-
Transmission Revolving Credit Facility	(135.3)	(136.4)	(136.4)	-	-	-
Shareholder Loan	(42.2)	(42.5)	(42.5)	-	-	-
	<u>(2,376.0)</u>	<u>(2,931.1)</u>	<u>(564.5)</u>	<u>(111.9)</u>	<u>(592.7)</u>	<u>(1,662.0)</u>

2020	Carrying	Contractual	1 year or	1 to < 2	2 to < 5	More
Derivative liabilities	amount	cash flows	less	years	years	than 5
	£ m	£ m	£ m	£ m	£ m	£ m
Risk management:						
Interest rate swaps used for hedging	<u>(210.7)</u>	<u>(210.7)</u>	<u>(15.0)</u>	<u>(29.5)</u>	<u>(73.8)</u>	<u>(92.4)</u>

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.

Beatrice Offshore Windfarm Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

19 Derivatives and financial instruments (continued)

ii Fair values (continued)

Financial Assets

	Carrying value		Fair value	
	2021 £ m	2020 £ m	2021 £ m	2020 £ m
Trade and other receivables	39.6	42.2	39.6	42.2
Cash and cash equivalents	95.2	128.2	95.2	128.2
	<u>134.8</u>	<u>170.4</u>	<u>134.8</u>	<u>170.4</u>

Financial liabilities

	Carrying value		Fair value	
	2021 £ m	2020 £ m	2021 £ m	2020 £ m
Derivative financial liabilities	<u>135.6</u>	<u>210.7</u>	<u>135.6</u>	<u>210.7</u>

	Carrying value		Fair value	
	2021 £ m	2020 £ m	2021 £ m	2020 £ m
Trade and other payables	24.6	16.0	24.6	16.0
Loans and other borrowings	<u>2,279.3</u>	<u>2,376.0</u>	<u>2,279.3</u>	<u>2,376.0</u>
	<u>2,303.9</u>	<u>2,392.0</u>	<u>2,303.9</u>	<u>2,392.0</u>

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. Estimates applied reflect the management's best estimates of these factors.

Beatrice Offshore Windfarm Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

19 Derivatives and financial instruments (continued)

ii Fair values (continued)

Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which fair value is observable.

- Level 1 fair value measurement are those derived from unadjusted quoted market prices for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data

Assets measured at fair value 2021

	Level 1 £ m	Total £ m
Cash and cash equivalents	95.2	95.2

Assets measured at fair value 2020

	Level 1 £ m	Total £ m
Cash and cash equivalents	128.2	128.2

Liabilities measured at fair value 2021

	Level 2 £ m	Total £ m
Derivative financial liabilities	135.6	135.6

Liabilities measured at fair value 2020

	Level 2 £ m	Total £ m
Derivative financial liabilities	210.7	210.7

There were no significant transfers out of level 1 into level 2 and out of level 2 into level 1 during the year ended 31 March 2021.

20 Capital commitments

	2021 £ m	2020 £ m
Contracted but not provided for	0.3	2.4

Beatrice Offshore Windfarm Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

21 Related party transactions

	Purchases	Sales	Credit support costs charged	Payables outstanding	Receivables outstanding	Interest on lending facilities	Interest charged on loans from	Loans outstanding
	2021	2021	2021	2021	2021	2021	2021	2021
	£ m	£ m	£ m	£ m	£ m	£ m	£ m	£ m
SSE Renewables Development (UK) Ltd (i)	0.1	-	-	-	-	-	-	-
CI Beatrice II Facility (BOWL) Limited (vi)	-	-	-	-	-	0.4	-	-
SSE Energy Supply Limited (vii)	-	43.7	-	-	5.4	-	-	-
Beatrice Offshore Windfarm Holdco Limited (viii)	-	-	-	-	-	-	1.1	-
SSE Generation Limited (ix)	5.1	-	-	1.1	-	-	-	-
	<u>5.2</u>	<u>43.7</u>	<u>-</u>	<u>1.1</u>	<u>5.4</u>	<u>0.4</u>	<u>1.1</u>	<u>-</u>

	Purchases	Sales	Credit support costs charged	Payables outstanding	Receivables outstanding	Interest on lending facilities	Interest charged on loans from	Loans outstanding
	2020	2020	2020	2020	2020	2020	2020	2020
	£ m	£ m	£ m	£ m	£ m	£ m	£ m	£ m
SSE Renewables Development (UK) Ltd (i)	2.8	-	-	0.3	-	-	-	-
SSE plc (ii)	-	-	0.3	-	-	-	-	-
Redrock Investment Ltd (iii)	-	-	0.2	-	-	-	-	-
Copenhagen Infrastructure I K/S (iv)	-	-	0.1	-	-	-	-	-
Copenhagen Infrastructure II K/S (v)	-	-	0.1	-	-	-	-	-
CI Beatrice II Facility (BOWL) Limited (vi)	-	-	-	25.7	-	0.9	-	-

Beatrice Offshore Windfarm Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

21 Related party transactions (continued)

	Purchases	Sales	Credit support costs charged	Payables outstanding	Receivables outstanding	Interest on lending facilities	Interest charged on loans from	Loans outstanding
	2020	2020	2020	2020	2020	2020	2020	2020
	£ m	£ m	£ m	£ m	£ m	£ m	£ m	£ m
SSE Energy Supply Limited (vii)	-	40.8	-	-	3.3	-	-	-
Beatrice Offshore Windfarm Holdco Limited (viii)	-	-	-	-	-	-	11.6	41.4
SSE Generation Limited (ix)	4.2	-	-	1.5	-	-	-	-
	<u>7.0</u>	<u>40.8</u>	<u>0.7</u>	<u>27.5</u>	<u>3.3</u>	<u>0.9</u>	<u>11.6</u>	<u>41.4</u>

On 16 March 2021 a share purchase agreement was completed where each of CI Beatrice I Holding II Limited and CI Beatrice II Holding II Limited sold 17.5% of the share capital of Beatrice Offshore Windfarm Holdco Limited to each of Offshore Wind Investments Group 4 Limited and Firenze Bidco One Ltd. As at 31 March 2021 CIP and their associates do not meet the definition of a related party however transactions during the year to 16 March 2021 have been disclosed above.

i) 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 Ltd) 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 2021 the Company was charged £0.1m by SSE Renewables Development (UK) Limited in respect of these costs (2020: £2.8m). At the year end there were payables outstanding of £nil due to SSE Renewables Development (UK) Limited in respect of these costs (2020: £0.3m).

ii) Following Financial Close in 2019 the Company has been charged by SSE plc for the credit support arranged in favour of the Company in respect of SSE Beatrice Offshore Windfarm Holdings Limited's equity and loan commitments to the Company. During the year SSE plc charged £nil (2020: £0.3m). There was a nil balance outstanding in respect of this at the balance sheet date (2020: £nil).

iii) Following Financial Close in 2019 the Company has been charged by Redrock Investment Limited for the credit support arranged in favour of the Company in respect of Beatrice Wind Limited's equity and loan commitments to the Company. During the year Redrock Investment Limited charged £nil (2020: £0.2m). There was a nil balance outstanding in respect of this at the balance sheet date (2020: £nil).

iv) Following Financial Close in 2019 the Company has been charged by Copenhagen Infrastructure I K/S for the credit support arranged in favour of the Company in respect of CI Beatrice I Holding II Limited's equity and loan commitments to the Company. During the year Copenhagen Infrastructure I K/S, charged £nil (2020: £0.1m). There was a nil balance outstanding in respect of this at the prior year balance sheet date.

v) Following Financial Close in 2019 the Company has been charged by Copenhagen Infrastructure II K/S for the credit support arranged in favour of the Company in respect of CI Beatrice II Holding II Limited's equity and loan commitments to the Company. During the year Copenhagen Infrastructure II K/S, charged £nil (2020: £0.1m). There was a nil balance outstanding in respect of this at the prior year balance sheet date.

Beatrice Offshore Windfarm Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

21 Related party transactions (continued)

vi) Under its capacity as a lender under the Generation Term Facility, CI Beatrice II Facility (BOWL) Limited, an affiliate of CI Beatrice I Holding II Limited, had at the prior year balance sheet date, a balance outstanding of £25.7m due from Beatrice Offshore Windfarm Limited. Interest charge in the year on these borrowings was £0.4m (2020: £0.9m).

vii) Sales of £43.7m have been made to SSE Energy Supply Limited during the year in respect of a power purchase agreement to sell electricity generated from the windfarm (2020: £40.8m). As of the balance sheet date £5.4m (2020: £3.3m) was owed to the Company from SSE Energy Supply Limited.

viii) The shareholder loan provided by Beatrice Offshore Windfarm Holdco Limited to the Company was repaid during the year. At the year end, £nil was due to Beatrice Offshore Windfarm Holdco Limited (2020: £42.2m). During the year Interest, being charged at 8%, was incurred on the loans totalling £0.4m (2020: £12.5m).

ix) Recharges have been made by SSE Generation Limited (a subsidiary of SSE plc, the ultimate parent Company of SSE Beatrice Offshore Windfarm Holdings Ltd) 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 2021 the Company was charged £5.1m by SSE Generation Limited in respect of these costs (2020: £4.2m). At the year end there were payables outstanding of £1.1m due to SSE Generation Limited in respect of these costs (2020: £1.5m).

22 Leases

Amounts falling due within one year

	2021 £ m	2020 £ m
Current portion of long term lease liabilities	<u>3.5</u>	<u>3.5</u>

Amounts falling due after more than one year

	2021 £ m	2020 £ m
Long term lease liabilities	<u>41.0</u>	<u>42.1</u>

Lease liability maturity analysis

	2021 £ m
Within one year	3.6
Between one and five years	11.2
After five years	49.2
Less: future finance charges	<u>(19.5)</u>
Present value of lease obligations	<u>44.5</u>

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. The weighted average rate applied was 3.43%.

Beatrice Offshore Windfarm Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

23 Ultimate parent company

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is Beatrice Offshore Windfarm Holdco Limited, incorporated in Scotland.

The address of Beatrice Offshore Windfarm Holdco Limited is:

Inveralmond House,
200 Dunkeld Road,
Perth,
PH1 3AQ

The consolidated financial statements of the Group (which include those of the Company) are available from the Company Secretary.

24 Other provisions

	Decommissioning £ m
At 1 April 2020	128.6
Decrease in existing provisions	(14.1)
Increase due to passage of time or unwinding of discount	1.0
At 31 March 2021	<u>115.5</u>

Decommissioning provisions

In accordance with the Company's accounting policy a provision has been made for the decommissioning of the Company's wind farm assets. A discount rate of 1.3% has been applied to discount the decommissioning cost provision to present values. The unwinding of the discount rate in relation to decommissioning costs is charged to finance costs in the income statement.

The key assumptions made when calculating the decommissioning provision centre around cost estimate and discount rate applied:

Sensitivity analysis

An increase of 0.5% in the discount rate would result in a decrease to the provision of £12.5m

A decrease of 0.5% in the discount rate would result in an increase to the provision of £14.1m

An increase of 10% in the cost estimate for decommissioning would result in an increase to the provision of £11.6m and a corresponding adjustment to the decommissioning assets.

A decrease of 10% in the cost estimate for decommissioning would result in a decrease to the provision of £11.6m and a corresponding adjustment to the decommissioning assets.

25 Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedge derivative instruments related to hedge transactions that have not yet occurred.