

SSE Beatrice Offshore Windfarm Holdings Limited

Directors report and financial statements

Year ended 31 March 2017

Registered No.: SC436255

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SSE Beatrice Offshore Windfarm Holdings Limited

Contents

	Page No.
Directors and Other Information	1
Directors' Report	2
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	4
Independent Auditor's Report to the Members	5
Profit and Loss Account	6
Balance Sheet	7
Statement of Changes in Equity	8
Notes on the Financial statements	9

SSE Beatrice Offshore Windfarm Holdings Limited

Directors and Other Information

Directors

P. Cooley
F. McCutcheon
J. Smith (appointed 1 June 2017)

Registered office

Inveralmond House
200 Dunkeld Road
Perth
PH1 3AQ
Scotland

Secretary

S. Fairbairn

Auditor

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

Registered number

SC436255

SSE Beatrice Offshore Windfarm Holdings Limited

Directors' Report

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

The directors have also taken advantage of the exemption from preparing a Strategic report available under section 414b of Companies Act 2006.

1 Principal activities

The company was incorporated on 6 November 2012. The company is a holding company for the purposes of holding shares in Beatrice Offshore Windfarm Limited. On 21 January 2016, the company sold a 10% share in Beatrice Offshore Windfarm Limited to CI Beatrice I Limited and CI Beatrice II Limited split equally between the two entities reducing the company's stake in Beatrice Offshore Windfarm Limited to 40%.

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

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

Loan amounts due to the company from Beatrice Offshore Windfarm Limited as at 31 March 2016 were repaid in the year ended 31 March 2017.

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

The company's immediate parent undertaking is SSE Renewables Offshore Windfarm Holdings Limited, registered in Scotland. The company is a wholly owned subsidiary of SSE plc.

2 Principal risks and uncertainties

The principal risk facing the company is the recovery of its investment in Beatrice Offshore Windfarm Limited. To mitigate these risks, the directors will continue to monitor the performance and financial status of the investment in Beatrice Offshore Windfarm Limited on an ongoing basis.

3 Results and dividends

The profit and loss account for the year ended 31 March 2017 is set out on page 6. The profit for the year after taxation amounted to £22.5m (2016: loss of £2.2m). The balance sheet at 31 March 2017 is set out on page 7 and indicates net assets of £25.6m (2016: net assets of £3.1m).

4 Directors

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

SSE Beatrice Offshore Windfarm Holdings Limited

Directors' Report (*continued*)

5 Political and charitable donations

The company did not make any political or charitable donations during the year (2016: *£nil*).

6 Post balance sheet events

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

7 Disclosure of information to auditor

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

8 Going concern

The directors have assessed that the company will prepare its financial statements on a going concern basis, see note 1 for details.

9 Auditor

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

On behalf of the Board:



J. Smith

Director

26 October 2017

SSE Beatrice Offshore Windfarm Holdings Limited

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

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

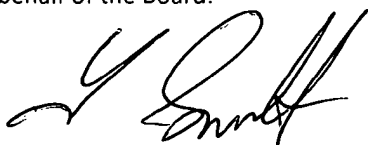
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

On behalf of the Board:



J. Smith
Director

26 October 2017

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

We have audited the financial statements of SSE Beatrice Offshore Windfarm Holdings Limited for the year ended 31 March 2017 as set out on pages 6 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS101 Reduced Disclosure Framework.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to take advantage of the small companies exemption from the requirements to prepare a strategic report.



Gordon Herbertson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS
31 October 2017

SSE Beatrice Offshore Windfarm Holdings Limited

Profit and Loss Account for the year ended 31 March 2017

	Note	2017 £000	2016 £000
Exceptional items	3	22,477	(2,208)
Profit/(loss) before taxation		22,477	(2,208)
Tax on profit/(loss)	5	-	-
Profit/(loss) for the financial year		22,477	(2,208)

The above results are derived from continuing activities.

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

Total other comprehensive income

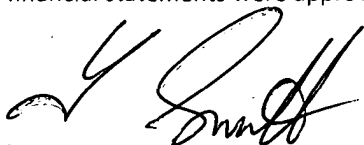
The company had no other comprehensive income in the current or prior financial years.

SSE Beatrice Offshore Windfarm Holdings Limited

Balance Sheet as at 31 March 2017

	Note	2017 £000	2016 £000
Fixed assets			
Investments	6	15	15
		<u>15</u>	<u>15</u>
Current assets			
Debtors:			
amounts falling due within one year	7	-	89,260
amounts falling due after more than one year	7	25,569	-
Total current assets		<u>25,569</u>	<u>89,260</u>
Current liabilities			
Creditors: amounts falling due within one year	8	-	(86,168)
Net current assets		<u>25,569</u>	<u>3,092</u>
Total assets less current liabilities		<u>25,584</u>	<u>3,107</u>
Net assets		<u>25,584</u>	<u>3,107</u>
Capital and reserves			
Called up share capital	9	-	-
Share premium account		19	19
Profit and loss account		25,565	3,088
Equity Shareholders' funds		<u>25,584</u>	<u>3,107</u>

These financial statements were approved by the Directors on 26 October 2017 and signed on their behalf by:



J. Smith
Director
Company registered number: SC436255

SSE Beatrice Offshore Windfarm Holdings Limited

Statement of Changes in Equity for the year ended 31 March 2017

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 April 2015	-	19	5,296	5,315
Loss for the financial year	-	-	(2,208)	(2,208)
Balance at 31 March 2016	-	19	3,088	3,107
Balance at 1 April 2016	-	19	3,088	3,107
Profit for the financial year	-	-	22,477	22,477
Balance at 31 March 2017	-	19	25,565	25,584

SSE Beatrice Offshore Windfarm Holdings Limited

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

1 Significant accounting policies

SSE Beatrice Offshore Windfarm Holdings Limited (the "Company") is a private company incorporated, domiciled and registered in Scotland in the UK.

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

Basis of preparation

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

In preparing these financial statements, the Company has applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRS'), but has made amendments, where necessary, in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A cash flow statement and related notes;
- Comparative period reconciliations for tangible fixed assets;
- The effect of new, but not yet effective, IFRSs;
- Disclosures in respect of the compensation of key management personnel;
- Disclosures in respect of capital management; and
- Related party disclosures.

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

Consolidated accounts

The company is a subsidiary of SSE plc and the financial statements of the company are consolidated with the consolidated financial statements of that company. Consolidated accounts have not been prepared as the company is availing of the exemption whereby, as a wholly owned subsidiary of an entity which prepares consolidated accounts, it is not required to prepare consolidated accounts.

Investments

Fixed asset investments are stated at cost less any provision for impairment.

Non-derivative financial instruments

i) Cash and cash equivalents

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

ii) Trade and other receivables

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

iii) Trade and other payables

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

SSE Beatrice Offshore Windfarm Holdings Limited

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

1 Significant accounting policies *(continued)*

Non-derivative financial instruments *(continued)*

iv) Interest bearing loans and other borrowings

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

Taxation

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

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

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

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

Going concern

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

2 Expenses and auditor's remuneration

The audit fee in the year and the previous year was borne by the Parent company, £8,000 of this was in relation to the audit of SSE Beatrice Offshore Windfarm Holdings Limited (2016: £8,000).

3 Exceptional items

	2017 £000	2016 £000
Profit/(Loss) on sale	22,477	(2,208)
	<u>22,477</u>	<u>(2,208)</u>

Loss on sale in the prior year and profit on sale in the current year relates to the sale of a 10% stake in Beatrice Offshore Windfarm Limited to CI Beatrice I Limited and CI Beatrice II Limited split equally between the two entities. The sale commenced in the prior year and was completed following Financial Close of the Beatrice project in May 2016.

4 Staff costs and numbers

None of the directors received any emoluments in respect of fees or services to the company in the year ended 31 March 2017 (2016: *Nil*).

No staff are directly employed by the Company. The auditor's remuneration has been borne by another group company in the current and prior year.

SSE Beatrice Offshore Windfarm Holdings Limited

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

5 Taxation

	2017 £000	2016 £000
UK corporation tax	-	-
Total current tax charge	-	-
Deferred tax:	-	-
Total deferred tax	-	-
Total tax on profit/(loss)	-	-

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

	2017 £000	2016 £000
Reconciliation of effective tax rate		
Profit/(loss) before taxation	22,477	(2,208)
Tax on profit/(loss) at standard UK corporation tax rate of 20% (2016: 20%)	4,495	(441)
Effects of:		
Expenses not deductible for tax purposes	-	441
Income not deductible for tax purposes	(4,495)	-
Total tax charge for the year	-	-

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. A further reduction to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 15 September 2016. This will reduce the company's future current tax charge accordingly.

6 Fixed asset investments

	Investment in joint ventures £000	Total £000
Cost		
At 1 April 2016	15	15
At 31 March 2017	15	15
Net book value		
At 31 March 2017	15	15
At 31 March 2016	15	15

As at 31 March 2016 the company held a 40% shareholding in Beatrice Offshore Windfarm Limited.

In April 2016 the share capital in Beatrice Offshore Windfarm Limited held by SSE Beatrice Offshore Windfarm Holdings Limited was transferred to Beatrice Offshore Windfarm Holdco Limited and SSE Beatrice Offshore Windfarm Holdings Limited was prescribed 40% of the share capital in Beatrice Offshore Windfarm Holdco Limited. All loans pertaining to SSE Beatrice Offshore Windfarm Holdings Limited and associated amounts due from Beatrice Offshore Windfarm Limited were novated such that any loan principal and accrued loan interest due now due from Beatrice Offshore Windfarm Holdco Limited.

SSE Beatrice Offshore Windfarm Holdings Limited

Notes on the Financial Statements *(continued)*

for the year ended 31 March 2017

6 Fixed asset investments *(continued)*

As at 31 March 2017 the company held a 40% shareholding in Beatrice Offshore Windfarm Holdco Limited.

Beatrice Offshore Windfarm Holdco Limited has a registered office at Inveralmond House, 200 Dunkeld Road, Perth, PH1 3AQ, Scotland. The net assets of Beatrice Offshore Windfarm Holdco Limited amounted to £100.

Beatrice Offshore Windfarm Limited has a registered office at Inveralmond House, 200 Dunkeld Road, Perth, PH1 3AQ, Scotland. The net assets of Beatrice Offshore Windfarm Limited at 31 March 2017 amounted to £3.8m (*year ended 31 March 2016: net liabilities of £nilm*). The company made a profit of £nil during the year ended 31 March 2017 (*year ended 31 March 2016: loss of £nilm*).

Both Beatrice Offshore Windfarm Holdco Limited and Beatrice Offshore Windfarm Limited have an accounting period ending on 31 March.

The directors have reviewed the recoverability of the carrying value of the investment at 31 March 2017 and are satisfied that the carrying amount is not less than the recoverable amount.

The investment in this joint venture represents an investment in share capital.

7 Debtors

	2017 £000	2016 £000
Amounts falling due within one year:		
Amounts due from related party	-	78,992
Other debtors	-	10,268
	-	89,260
Amounts falling due after more than one year:		
Amounts due from group undertakings	25,569	-
	25,569	-

Amounts due from related party as at 31 March 2016, were due from Beatrice Offshore Windfarm Limited in relation to shareholder loans. Of the total loan amount, £77,181,041 was principal and £1,811,136 was interest. Interest charged on the loan during the year was charged at 6% (2016: 6%). Balances on these loans were repaid during the year ended 31 March 2017.

Other debtors due as at 31 March 2016 were due in equal amounts from CI Beatrice I Limited and CI Beatrice II Limited. These balances were repaid during the year ended 31 March 2017.

8 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Amounts owed to group undertakings	-	86,168
	-	86,168

SSE Beatrice Offshore Windfarm Holdings Limited

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

9 Share capital

	2017 £	2016 £
Equity:		
Allotted, called up and fully paid:		
101 ordinary shares of £1.00 each	101	101
	<u>101</u>	<u>101</u>

10 Related Parties

The Company is 100% owned by SSE Renewables Offshore Windfarm Holdings Limited. To the extent not disclosed elsewhere in these financial statements, details of related party transactions and balances are summarised below.

	Interest income 2017 £m	Interest income 2016 £m	Interest expense 2017 £m	Interest expense 2016 £m
Beatrice Offshore Windfarm Limited	0.3	1.5	-	-
Beatrice Offshore Windfarm Holdco Limited	0.4	-	-	-
SSE plc	-	-	0.7	1.5
	<u>0.7</u>	<u>1.5</u>	<u>0.7</u>	<u>1.5</u>

Interest income relates to loans provided to Beatrice Offshore Windfarm Limited and Beatrice Offshore Windfarm Holdco Limited. Interest expense relates to funding provided by the ultimate parent company in respect of the loans held between the Company and the aforementioned borrowers.

Amounts due from group undertakings of £25.6m are in relation to receipts collected by SSE plc in relation to the sales of shares in Beatrice Offshore Windfarm Limited in November 2014 and February 2016.

11 Ultimate parent company

The Company is a subsidiary of SSE plc, which is the ultimate parent company and is registered in Scotland. The largest and smallest Group in which the results of the Company are consolidated is that headed by SSE plc. The consolidated financial statements of the Group (which include those of the Company) are available from the Company Secretary, SSE plc, Inverlorn House, 200 Dunkeld Road, Perth, PH1 3AQ or by accessing the Company's website at www.sse.com.