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SSE Beatrice Offshore Windfarm Holdings Limited

Directors' report and financial statements

Year ended 31 March 2018

Registered No.: SC436255

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SSE Beatrice Offshore Windfarm Holdings Limited

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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 2018.

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 is a holding company for the purposes of holding shares in Beatrice Offshore Windfarm Limited, via its direct investment in 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 this risk 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 2018 is set out on page 6. The profit for the year after taxation amounted to £0.2m (2017: profit of £22.5m). The balance sheet at 31 March 2018 is set out on page 7 and indicates net assets of £25.7m (2017: net assets of £25.6m).

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.

5 Political and charitable donations

The company did not make any political or charitable donations during the year (2017: *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.

SSE Beatrice Offshore Windfarm Holdings Limited

Directors' Report (*continued*)

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:

A handwritten signature in black ink, appearing to be 'P. Cooley', with a stylized, flowing script.

P. Cooley
Director

11 December 2018

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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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:



P. Cooley
Director

11 December 2018

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

Opinion

We have audited the financial statements of SSE Beatrice Offshore Windfarm Holdings Limited ("the company") for the year ended 31 March 2018 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC ethical standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going Concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Independent Auditor's Report to the Members of SSE Beatrice Offshore Windfarm Holdings Limited (*continued*)

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



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

Chartered Accountants

319 St Vincent Street

Glasgow

G2 5AS

17 December 2018

SSE Beatrice Offshore Windfarm Holdings Limited

Profit and Loss Account for the year ended 31 March 2018

| | Note | 2018 £000 | 2017 £000 |
|--|------|--------------|---------------|
| Administrative costs | | (1) | - |
| Operating loss | | (1) | - |
| Interest receivable and similar income | 3 | 192 | - |
| Exceptional items | 4 | - | 22,477 |
| Profit before taxation | | 191 | 22,477 |
| Tax on profit | 6 | (36) | - |
| Profit for the financial year | | 155 | 22,477 |

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 2018

| | Note | 2018 £000 | 2017 £000 |
|---|------|---------------|---------------|
| Fixed assets | | | |
| Investments | 7 | 15 | 15 |
| | | <u>15</u> | <u>15</u> |
| Current assets | | | |
| Debtors: amounts falling due after more than one year | 8 | 25,760 | 25,569 |
| Total current assets | | <u>25,760</u> | <u>25,569</u> |
| Current liabilities | | | |
| Creditors: amounts falling due within one year | 9 | (36) | - |
| Net current assets | | <u>25,724</u> | <u>25,569</u> |
| Net assets | | <u>25,739</u> | <u>25,584</u> |
| Capital and reserves | | | |
| Called up share capital | 10 | - | - |
| Share premium account | | 19 | 19 |
| Profit and loss account | | 25,720 | 25,565 |
| Equity Shareholders' funds | | <u>25,739</u> | <u>25,584</u> |

These financial statements were approved by the Directors on 11 December 2018 and signed on their behalf by:



P. Cooley
Director
Company registered number: SC436255

SSE Beatrice Offshore Windfarm Holdings Limited

Statement of Changes in Equity for the year ended 31 March 2018

| | Share capital £000 | Share premium £000 | Profit and loss account £000 | Total equity £000 |
|---------------------------------|-----------------------|-----------------------|---------------------------------|----------------------|
| 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 |
| Balance at 1 April 2017 | - | 19 | 25,565 | 25,584 |
| Profit for the financial year | - | - | 155 | 155 |
| Balance at 31 March 2018 | - | 19 | 25,720 | 25,739 |

SSE Beatrice Offshore Windfarm Holdings Limited

Notes on the Financial statements for the year ended 31 March 2018

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 registered number is SC436255 and the registered address is Inveralmond House, 200 Dunkeld Road, Perth PH1 3AQ.

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

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). 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;
- 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 by virtue of section 400 of the Companies Act 2006 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) Trade and other debtors

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

ii) Trade and other creditors

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

SSE Beatrice Offshore Windfarm Holdings Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2018

1 Significant accounting policies *(continued)*

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 directors have assessed that the Company has adequate resources to meet its liabilities as they fall due for a period of at least twelve months following the approval of these financial statements. These financial statements have therefore been 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, £8,200 of this was in relation to the audit of SSE Beatrice Offshore Windfarm Holdings Limited (2017: £8,000).

3 Interest receivable and similar income

| | 2018 £000 | 2017 £000 |
|--|--------------|--------------|
| Interest receivable from group companies | 192 | - |
| | <u>192</u> | <u>-</u> |

4 Exceptional items

| | 2018 £000 | 2017 £000 |
|----------------|--------------|---------------|
| Profit on sale | - | 22,477 |
| | <u>-</u> | <u>22,477</u> |

Profit on sale in the prior 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.

SSE Beatrice Offshore Windfarm Holdings Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2018

5 Staff costs and numbers

Directors' Remuneration

| | 2018 £000 | 2017 £000 |
|-------------------------|--------------|--------------|
| Directors' Remuneration | 1,320 | 462 |

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £0.7m (2017:£0.2m), and the company paid contributions of £nil (2017: £nil) to a money purchase scheme on his behalf.

The above value is for three (2017: two) directors of the company who were remunerated via another group company during the year. A value for the allocation of services to the company for these directors cannot be determined therefore the above value represents the remuneration they received for services to the group as a whole.

The company had no employees in the current or prior year.

6 Taxation

| | 2018 £000 | 2017 £000 |
|--------------------------------------|--------------|--------------|
| UK corporation tax | | |
| Current tax on income for the period | 36 | - |
| Total current tax charge | 36 | - |
| Total tax on profit | 36 | - |

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:

| | 2018 £000 | 2017 £000 |
|--|--------------|---------------|
| Reconciliation of effective tax rate | | |
| Profit before taxation | 191 | 22,477 |
| Tax on profit at standard UK corporation tax rate of 19% (2017: 20%) | 36 | 4,495 |
| Effects of: | | |
| Income not deductible for tax purposes | - | (4,495) |
| Total tax charge for year | 36 | - |

The standard rate of UK corporation tax changed from 20% to 19% with effect from 1 April 2017. An additional reduction to 17% will come into effect from 1 April 2020 which will reduce the Company's future tax charge accordingly.

SSE Beatrice Offshore Windfarm Holdings Limited

Notes on the Financial Statements *(continued)*

for the year ended 31 March 2018

7 Fixed asset investments

| | Investment in joint ventures £000 | Total £000 |
|------------------|--------------------------------------|---------------|
| Cost | | |
| At 31 March 2018 | 15 | 15 |
| Net book value | | |
| At 31 March 2018 | 15 | 15 |
| At 31 March 2017 | 15 | 15 |

As at 31 March 2018 the company held a 40% (2017: 40%) shareholding in Beatrice Offshore Windfarm Holdco Limited, which holds 100% of Beatrice Offshore Windfarm Limited.

Beatrice Offshore Windfarm Holdco Limited has a registered office at Inveralmond House, 200 Dunkeld Road, Perth, PH1 3AQ, Scotland.

Beatrice Offshore Windfarm Limited has a registered office at Inveralmond House, 200 Dunkeld Road, Perth, PH1 3AQ, Scotland.

The directors have reviewed the recoverability of the carrying value of the investment at 31 March 2018 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.

8 Debtors

| | 2018 £000 | 2017 £000 |
|---|--------------|--------------|
| Amounts falling due after more than one year: | | |
| Amounts due from group undertakings | 25,760 | 25,569 |
| | 25,760 | 25,569 |

The amounts due from group undertakings receivable after more than one year are in respect of amounts advanced by the Company to its parent, SSE plc. Interest is earned at 0.75%.

9 Creditors: amounts falling due within one year

| | 2018 £000 | 2017 £000 |
|-------------------------|--------------|--------------|
| Corporation tax payable | 36 | - |
| | 36 | - |

10 Share capital

| | 2018 £ | 2017 £ |
|-------------------------------------|-----------|-----------|
| Equity: | | |
| Allotted, called up and fully paid: | | |
| 101 ordinary shares of £1.00 each | 101 | 101 |
| | 101 | 101 |

SSE Beatrice Offshore Windfarm Holdings Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2018

11 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 | Interest income | Interest expense | Interest expense |
|---|-----------------|-----------------|------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £m | £m | £m | £m |
| Beatrice Offshore Windfarm Limited | - | 0.3 | - | - |
| Beatrice Offshore Windfarm Holdco Limited | - | 0.4 | - | - |
| SSE plc | 0.2 | - | - | 0.7 |
| | 0.2 | 0.7 | - | 0.7 |

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 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 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.

12 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, Inverlmond House, 200 Dunkeld Road, Perth, PH1 3AQ or by accessing the Company's website at www.sse.com.