

REGISTERED NUMBER 07384462 (England and Wales)

TC Gunfleet Sands Holdco Limited
Corporate Report and Summarised Regulatory Accounts
31 March 2014

TC Gunfleet Sands Holdco Limited

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TC Gunfleet Sands Holdco Limited

Forward Year ended 31 March 2014

TC Gunfleet Sands OFTO Limited ("Licensee") is the holder of an Electricity Transmission Licence granted under the Electricity Act 1989. Under Condition E2 of this licence, the Licensee is required to prepare and publish annual regulatory accounts setting out the financial position and performance of the regulatory business covered by the licence.

Scope of the summarised regulatory accounts

These consolidated summarised regulatory accounts report the financial performance and financial position of the consolidated transmission business of TC Gunfleet Sands Holdco Limited (the "Company") and TC Gunfleet Sands OFTO Limited (together "the Group") for the year ended 31 March 2014.

The Licensee was granted an offshore transmission licence by the Office of Gas and Electricity Market ("Ofgem") on 19 July 2011. At the same time, the Company secured shareholder and external debt finance and on-lent this to the Licensee to enable the Licensee to acquire the relevant electricity transmission assets required to operate as the offshore electricity transmission operator at Gunfleet Sands.

The Company continues to provide the ongoing finance facilities to the Licensee. The Company and the Licensee are managed together as a consolidated transmission business. The Directors consider this aids transparency and reflects the commercial substance of the arrangement. The terms and conditions concerning the external debt facilities including asset security, covenants and protections provided to senior lenders is also monitored and controlled on a consolidated basis. The results of the transmission business have therefore been presented within these summarised regulatory accounts on a consolidated basis to reflect the financial position and performance of the consolidated transmission business for the year ended 31 March 2014.

Relationship of summarised regulatory accounts with statutory accounts

The financial information contained in these summarised regulatory accounts does not constitute statutory accounts within the meaning of section 404 of the Companies Act 2006. Statutory accounts within the meaning of

section 396 of the Companies Act 2006 for both the Company and the Licensee have been delivered to the Registrar of Companies for the period ended 31 March 2014.

The auditors have made a report under Section 495 of the Companies Act 2006 on those statutory accounts which was unqualified and did not contain a statement under Section 498(2) or (3) of the Act. The auditor's opinion on the statutory accounts of the Company and Licensee is addressed to, and for the benefit of, the members of each company and not for any other person or purpose. The auditors have clarified, in giving their opinion on those statutory accounts, that they have been prepared for and only for each Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. In giving their opinion, they do not accept or assume responsibility for any other purposes or to any other person to whom their audit report on the statutory accounts is shown or into whose hands it may come save where expressly agreed by their prior consent in writing.

Basis of preparation of summarised regulatory accounts

The Directors are obliged by Standard Condition E2 of the Licensee's Transmission Licence to prepare regulatory accounts for each financial year which comply with the requirements set out in Standard Condition E2, as amended by consents received from Ofgem.

These summarised regulatory accounts have been extracted from the full regulatory accounts but do not include the commercially sensitive disclosures outlined in note 1 to the summarised regulatory accounts.

These summarised regulatory accounts are prepared on a going concern basis and under the historical cost.

These summarised regulatory accounts do not contain any apportionment or allocation of revenues, costs, assets, liabilities reserves or provisions of the Group which are not specifically attributable to the regulatory transmission business.

TC Gunfleet Sands Holdco Limited

Strategic Report Year ended 31 March 2014

BUSINESS STRUCTURE AND OBJECTIVES

The ultimate parent of the Group is International Public Partnerships Limited ("INPP"), an infrastructure fund investment company listed on the London Stock Exchange.

The Company is the immediate parent undertaking of the Licensee. The principal activity of the Company in the year under review was that of a finance company. In July 2011, the Company provided the finance to the Licensee to fund its acquisition and the ongoing operation and maintenance of the Gunfleet Sands wind farm transmission assets.

On 19 July 2011, the Licensee purchased the Gunfleet Sands wind farm transmission assets including an undersea cable, certain onshore transmission cables and equipment, along with the associated contracts and licences following a successful bid in response to an open tender process overseen by Ofgem. At the same time the Licensee was granted an offshore transmission licence by Ofgem giving it the right to earn availability based income on the transmission assets for a period of 20 years until July 2031.

The Licensee financed the acquisition of the transmission assets through a combination of equity and non-recourse long-term bank loans and subordinated shareholder loans. This is consistent with the requirements of the regulatory framework and the objectives of the INPP group.

The principal legislation forming the regulatory framework for the Group's operations are the Electricity Act 1989, as amended by the Utilities Act 2000 and the Energy Act 2004 and the relevant EU Directives and Regulations. Ofgem is responsible for monitoring compliance with the licence and, where necessary, enforcing them in accordance with the Electricity Act 1989, as amended by the Utilities Act 2000, on behalf of the Gas and Electricity Markets Authority.

The Group's key objectives are to maximise the availability of the transmission system and provide returns to shareholders consistent with its business plan. The Group will achieve these objectives by:

- Managing the asset effectively and controlling costs; and
- Outperforming forecast availability targets to earn additional revenues and improve returns to investors.

FINANCIAL REVIEW

Summarised Consolidated Profit and Loss Account

The table below summarises the financial performance of the Group during the year.

	Years ended 31 March	
	2014 £'000	2013 £'000
Turnover	2,321	2,105
Operating profit	666	487
Net interest (payable)/ receivable	(114)	173
Profit on ordinary activities before tax	552	660
Taxation	(262)	(252)
Profit for the financial year	290	408

Turnover

Turnover represents the element of income attributable to the Group's provision of asset management services.

Other than in relation to movements in the Retail Price Index ("RPI") or for the recovery of certain expenditure, income under the licence is largely fixed for the duration of the revenue generating period providing the transmission assets are available for use. The regulatory regime does not require periodic determinations of maximum allowed revenues/prices (as is the case for other utility businesses such as those following regulatory asset base models for determining prices). Availability income is not affected by changes in the amount of electricity transmitted. Charges for transmission availability are made to the National Electricity Transmission System Operator.

Operating profit

Operating profit was £666,000 (2013: £487,000) for the year reflecting the profitability on the provision of asset management services.

TC Gunfleet Sands Holdco Limited

Strategic Report Year ended 31 March 2014

FINANCIAL REVIEW (Continued)

Net interest receivable

Net interest payable is £114,000 (2013: net interest receivable of £173,000) for the year reflecting senior debt interest and subordinated debt interest net of interest income on cash deposits and interest income on the financial asset.

Variable rate interest in relation to the senior debt service has been hedged through an interest rate swap. The subordinated debt carrying amount is indexed in line with changes in RPI. Over the 20 year revenue period changes to subordinated debt interest and indexation expense caused by RPI movements are expected to be offset through RPI related changes in revenue.

Taxation

The tax charge for the year is £262,000 (2013: £252,000) and comprises only deferred tax. There was no current tax charge in the year (2013: £nil).

A reconciliation of the profit on ordinary activities before tax multiplied by the standard rate of corporation tax to the current tax charge is set out in note 6 of the summarised regulatory accounts.

Profit after tax

The profit for the year amounting to £290,000 (2013: £408,000) has been transferred to reserves.

Summarised Consolidated Balance Sheet

	Years ended 31 March	
	2014 £'000	2013 £'000
Finance debtor	55,901	57,516
Other current assets *	3,274	2,113
Current and long-term liabilities *	(744)	(671)
Net debt	(51,828)	(53,038)
Provisions	(6,021)	(5,628)
Net assets	582	292

* excludes amounts related to net debt

Finance debtor

The finance debtor decreased in line with the amortisation profile by £1,615,000 to £55,901,000 due to the allocation of the asset-related element of the unitary charge received

in the year. The movement is in line with the Directors' expectations.

Other current assets

Other current assets have increased by £1,161,000 to £3,274,000. This was due to a rise in accrued income and prepayments.

Current and long term liabilities

Liabilities increased by £73,000 to £744,000. This was due to a net increase in trade creditors and VAT payable of £8,000 and an increase in accruals of £65,000.

Net debt

The table below summarises the movement in net debt during the year.

	Years ended 31 March	
	2014 £'000	2013 £'000
Opening net debt at 1 April	(53,038)	(52,966)
Increase / (decrease) in cash	422	(1,640)
Movement in borrowings	927	1,708
Other non-cash changes	(139)	(140)
Closing net debt at 31 March	(51,828)	(53,038)

Increase in cash

During the year the Group generated £1,151,000 (2013: £801,000) of cash from operating activities and net interest received of £198,000 (2013: net interest paid of £733,000). These amounts offset by financing costs of £927,000 (2013: £1,708,000) resulted in a net increase in cash of £422,000 (2013: decrease of £1,640,000).

Movement in borrowings

The movement in borrowing consists of the repayment of bank loans of £927,000 in accordance with the agreed amortisation profile (2013: £1,451,000) and issue costs of £nil (2013: £257,000). The movement is in line with the Directors' expectations.

Other non-cash changes

Other non-cash changes include amortisation of debt issue costs of £85,000 (2013: £59,000) and RPI inflation linked debt and interest accrual accretion of £54,000 (2013: £81,000).

Provisions

Provisions increased by £393,000 to £5,989,000. Further information on provisions is provided in note 12 of the summarised regulatory accounts.

TC Gunfleet Sands Holdco Limited

Strategic Report Year ended 31 March 2014

FUTURE OUTLOOK

The business has performed in line with the Directors' expectations during the current year and the financial position at the balance sheet date is consistent with the Directors' financial projections.

The Directors have forecast the Group's future profits and cash flows over a range of possible future RPI rates and are confident that the Group will be profitable and cash generative over the course of the licence period.

GOING CONCERN

The summarised regulatory accounts have been prepared on the going concern basis which assumes that the Group will continue in operational existence for the foreseeable future.

The Directors have reviewed forecast future profits and cash flows by reference to a financial model covering accounting periods up to 31 March 2032. The Directors have also examined the current status of the Group's principal contracts and likely developments. Having considered the forecast profits, cash flows, and status of principal contracts, in addition to the available financial facilities, the Directors consider that the Group will be able to meet its liabilities as they fall due for the foreseeable future.

The Directors therefore consider that it is appropriate for the summarised regulatory accounts to be prepared on a going concern basis.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group considers the following risks and uncertainties to be the principal ones that might affect the Group's performance and results; however this may not reflect all of the risks of the Group either because they are currently unknown or assessed to be immaterial based on currently available information or the Group's current risk assessment:

- A decline in revenues as a result of sustained periods of unavailability or unexpected cost increases not covered by insurances or contracted pass-through costs reductions. The Group employs a specialist service provider to ensure availability is within target levels.
- The Group is exposed to changes in RPI as its subordinated debt and some of its operational costs are RPI linked. This risk is mitigated as the Group's availability income is also linked to movements in RPI. In addition, the Group has entered into a floating to fixed RPI swap whereby it has swapped a portion of its RPI-linked income in order that it can service its bank term loan.
- Decommissioning provisions included within long term liabilities represent management's best estimate of costs required to settle decommissioning obligations. Technological or legislative changes may result in variations from current estimates. Management reviews the obligation on an ongoing basis in line with licence requirements and is satisfied with the current level of provision.
- Changes to the regulatory regime including modifications to the licence could negatively impact the Group's financial performance. Ultimately, the licence could be terminated or revoked in certain circumstances of non-compliance or financial distress. Management actively reviews compliance with the licence requirements which acts to mitigate this risk.

The Group also manages its exposure to risk as detailed within the Corporate Governance Report.

TC Gunfleet Sands Holdco Limited

Strategic Report Year ended 31 March 2014

KEY PERFORMANCE INDICATORS

The Directors review the performance of the Group on the basis of following key indicators:

- Availability of the transmission assets is a key performance indicator and directly impacts the revenue earned by the Licensee. The Licensee has an availability target set by Ofgem and is entitled to additional revenue if availability is in excess of this level or is charged deductions if availability falls below this level. During the current year under review the Licensee has outperformed availability ratio targets.
- Long and short term financial covenants set by the external lenders are regularly reviewed by the Directors. Management forecasts sufficient head room on all financial covenants relating to its long term loan facilities throughout the loan arrangement.
- The Directors regularly review the actual costs and revenues of the Group against budgets. The latest reviews indicate performance which is consistent with management's expectations and targets.

The Group's performance is predominantly driven by the extent to which the transmission assets are made available. The Group will manage availability through a combination of scheduling ongoing operational servicing, maintenance and potential replacement of non-performing equipment.

The Group has entered into contractual arrangements with supply chain providers to pass-through, where possible, the financial consequences of asset unavailability and operating cost changes. The Group has also entered into insurance arrangements to cover certain other insurable events which might impact on the Group's ability to keep the transmission assets available.

The Group is also incentivised through increased revenue to minimise, subject to necessary maintenance down-time periods, the amount of time the transmission assets are unavailable. Consequently, the Group's management consider availability of the assets as the key non-financial KPI for the business.

The Group does not have any employees. Services are provided by sub-contractors and

managed by Transmission Capital Services Limited, a specialist asset manager.

FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has funded its acquisition of the underlying transmission assets through a combination of senior and subordinated loans. Interest in relation to the senior bank loan has been hedged through an interest rate swap. The hedging agreement fixes the interest rate to which a stepped margin is added. The senior loan is repayable in six-monthly instalments commencing on 30 September 2011 and ending on 31 March 2030 with a final payment on 19 July 2030.

The Group has also received a subordinated loan from its shareholder. The subordinated loan has a fixed rate of interest and is unsecured. This loan is repayable in three instalments on 30 September 2011, 31 March 2031 and 31 March 2032.

RISK MANAGEMENT

The Group's principal risks and uncertainties are set out within this Strategic Report. Risk management however also covers other areas of risk that the Group may be exposed to. Management seek to ensure that adequate systems and controls, processes as well as contractual arrangements are in place to mitigate such risks as detailed below. Further details about the Group's internal systems of controls are set out within the Corporate Governance Report.

Financial risk management

The Group's operations expose it to a variety of financial risks that include liquidity risk, cash flow risk and credit risk. The Group has in place a risk management process that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt finance and the related finance costs.

TC Gunfleet Sands Holdco Limited

Strategic Report Year ended 31 March 2014

RISK MANAGEMENT (*Continued*)

Liquidity risk

The Group adopts a prudent approach to liquidity and maintains cash reserves to meet its obligations. The nature of the Gunfleet Sands offshore transmission concession provides the Group with largely predictable long-term cash flows which reduces the risk of insufficient liquidity.

Cash flow risk

The Group is exposed to interest rate risk in respect of its floating rate senior debt. The Group has entered into a floating to fixed interest rate swap in order to mitigate this risk.

The Group is exposed to RPI risk as its subordinated debt and some operational costs are RPI-linked. This risk is mitigated as the Group's availability income is also linked to movements in RPI. In addition the Group has entered into a floating to fixed RPI swap whereby it has swapped a portion of its RPI-linked income in order that it can service its senior term loan. The Group's intercompany borrowing from immediate parent OFTO Superholdco Limited has a fixed rate coupon and accordingly the Group is not exposed to changes in interest rates. This inter-company borrowing is also RPI-linked, and therefore underlying RPI-linked income is used to service this loan.

All of the Groups cash flows are denominated in sterling hence there is no exposure to currency exchange risk. The Group's debt is long term and either at fixed interest rates or hedged through the use of interest rate swaps thus limiting exposure to interest rate fluctuations. The Group's projected funding requirements have been fully negotiated and agreed with lending banks for the full required term. The Group maintains cash reserves to ensure sufficient liquidity to meet obligations.

The long-term contractual nature of the licence and key financing arrangements make cash flow forecasting reasonably predictable. The Group regularly reviews cash flow forecasts and actual results against budgets in order to monitor and control financial risk. The Group does not undertake transactions in financial derivative instruments for speculative purposes.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge its obligation under the contract giving rise to the financial instrument. The Group has entered into long-term arrangements with credit worthy counterparties and monitors the risk of credit deterioration on a regular basis.

This concentration of risk is mitigated as the cash flows are secured under licence with National Grid Electricity Transmission plc ("NGET") in its capacity as National Electricity Transmission System Operator. NGET is a protected energy company for the purposes of the Energy Act 2004.

Operational risk management

Availability of the underlying transmission assets is the key driver of the Group's income. Availability in any given period is managed against a pre-set target agreed with Ofgem for the life of the project. Availability income is adjusted on a period by period basis for under/out performance against target. The Group has contracted with specialist sub-contractors and asset managers that are incentivised to optimise availability levels and manage operating costs.

The Group has entered into a number of insurance arrangements to protect the Group against certain risks such as damage to the assets (including where available, protection against consequential business interruption) and third party liability.

The Group is liable for decommissioning costs required for the removal of offshore platforms, sub-sea cables to the extent they would otherwise be a hazard to other sea users, and certain onshore transmission cables and equipment at the end of the licence revenue term. Management reviews the obligation on an ongoing basis and has put in place a programme of mid-term cash reserving to ensure it meets its contractual obligations.

TC Gunfleet Sands Holdco Limited

Strategic Report Year ended 31 March 2014

RISK MANAGEMENT (*Continued*)

Regulatory risk management

The Group actively monitors and manages its compliance with the OFTO licence and other regulatory requirements. Ultimately, the Licensee could have its licence terminated or revoked in certain circumstances.

The Group reviews on a regular basis the effectiveness of controls and processes in place to ensure compliance with such requirements which acts to mitigate this risk. This includes quarterly reviews of compliance by a Compliance Committee, with active input from an independent compliance officer.

EMPLOYEES AND HEALTH AND SAFETY

The Group does not have any direct employees. Services are provided under contract by sub-contractors and managed by a specialist asset manager under a long-term arrangement.

Health and safety ("H&S") is an important priority for the Group. The Group ensures it and its asset manager adopts best practice. The asset manager has adopted the HSG65 approach to its H&S Management System and throughout its policies and procedures in order to comply with legislation, Health and Safety Executive guidance and best-practice for the industry. The H&S Policy is the umbrella policy stating the asset manager's commitment to reducing to as low as reasonably practicable the risk of injury, death or disease to staff, contractors and the public. The Health and Safety Management System (HSMS) goes further to explain the implementation of Plan-Do-Check-Review methods; with detailed reference to HSG65. All further policies and procedures are authorised, approved and reviewed according to the asset manager's Authorisation Procedure and Audit Procedure, and are reviewed by an external Safety Auditor, based on OHSAS 18001 structure. This external safety auditor provides expert and impartial assistance in assessing the asset manager's Safety, Health and Environmental (SHE) procedures.

SOCIAL AND ENVIRONMENTAL MATTERS

The Group is committed to integrating environmental best practice into all its business activities. The Group accepts its environmental responsibilities and recognises its obligation to reduce the impact of business activities on the environment. The Group achieves this through a policy of assessing the environmental impacts of any action taken and oversees the performance of works carried out on site in accordance with industry best practice. The asset manager has also adopted the ISO 14001 approach to the effects of its activities upon the environment. The Environmental Policy acts as the umbrella policy to again enable all environmental procedures to be produced, implemented, and improved upon according to the asset manager's in-house procedures.

The nature of the offshore transmission business means that the extent of community related matters are minimal; however the Group does have in place the necessary procedures and policies to ensure compliance with the licence requirements including a complaints procedure designed to address all complaints incorporating any of a community nature.

On behalf of the board:


.....
M J Gregory - Director

29 JULY 2014

TC Gunfleet Sands Holdco Limited

Corporate Governance Report Year ended 31 March 2014

The Group is required to include within its summarised regulatory accounts a corporate governance statement which describes how the principles of good corporate governance have been applied.

As wholly owned subsidiaries of INPP, the Company or Licensee is not subject to the UK Corporate Governance code, but operate within INPP's corporate governance framework.

The Group has its own Board of Directors and separate compliance committee. The ultimate governance of the Group is determined by the governance procedures of INPP. As a listed entity, INPP is required to take account of the UK Corporate Governance Code as issued by the Financial Reporting Council in September 2012 (the UK Code). It is also INPP's policy to comply with best practice on good corporate governance that is applicable to investment companies.

The INPP Board has considered the principles and recommendations of the Association of Investment Companies Code of Corporate Governance (AIC Code) by reference to the AIC Corporate Governance Guide for Investment Companies (AIC Guide). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Code and the UKLA Listing Rules, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies.

The AIC Code provides a "comply or explain" code of corporate governance designed especially for the needs of investment companies. INPP is a member of the AIC. INPP has reviewed its compliance with the AIC Code and includes in this report any instances where it is not in full compliance. The Financial Reporting Council has confirmed that so far as investment companies are concerned it considers that companies who comply with the AIC Code will be treated as meeting their obligations under the UK Code and Listing Rules.

The following statement sets out how this governance framework has been applied to the regulatory transmission business.

BOARD AND ASSET MANAGER

The Group is governed by a Board of three Directors. The Directors bring a combination of financial and operational management experience to the Group. The Directors are appointed by and are employees of Amber Fund Management Limited (the Investment Advisor to INPP) and sister entities within the Amber Infrastructure group. None of the Directors have any significant commitments to entities outside of Amber Infrastructure and INPP groups.

The Board meets at least 4 times a year to discuss operational, financial and performance matters relating to the transmission business. There are no independent non-executive directors. The Board does not have an independent Chairman and during the year meetings were normally chaired by either M J Gregory or G J Frost.

Attendance at Board meetings during the year, expressed as number of meetings attended out of number eligible to attend, is set out below.

	Attendance
G J Frost	9 of 9
M J Gregory	6 of 9
N R Singleton	9 of 9

Board members are required to attend meetings regularly in order to ensure they are kept up to date with the transmission business and accordingly can contribute to meetings. Directors are informed of proposed meeting dates well in advance. Directors are sent papers for meetings of the Board from the specialist asset manager, Transmission Capital Services Limited ("TCS"). The Board of TCS reviews the operational performance of the Group on a monthly basis. The TCS Board provides a combination of financial, operational, asset management and technical experience to the Group.

The Board also receives quarterly licence compliance reports from the asset manager with input from an independent compliance officer.

TC Gunfleet Sands Holdco Limited

Corporate Governance Report Year ended 31 March 2014

BOARD AND ASSET MANAGER

(Continued)

The Management Engagement Committee which is a sub-committee of the INPP Board regularly reviews the performance of the Investment Advisor and INPP's other advisors and major service suppliers to ensure that performance is satisfactory and in accordance with the terms and conditions of the relative appointments.

If performance is not of a satisfactory level the INPP Board is able to exercise its rights under the terms and conditions of the relative appointments to remove the Investment Advisor and other advisors and service suppliers.

COMMITTEES

The Group does not have Nomination, Remuneration or Audit and Risk Committees. These functions are provided by INPP and their roles relevant to the Group are explained below.

Compliance

All compliance matters are considered on a quarterly basis by the Licensee's Compliance Committee. In addition, the Licensee has engaged the services of an independent Compliance Officer to review and report on compliance processes, systems and controls in accordance with the transmission licence.

Nomination

The Board of the Group makes appointments in consultation with its shareholder and in accordance with INPP's procedure for the appointment of directors to subsidiary companies. The details of the INPP Board are set out in its annual report and accounts.

Remuneration

The Directors of each group Company are not separately remunerated in that capacity. The remuneration of any Director, who is also a member of the Board of INPP, is determined by the Board of INPP, as set out in its annual report and accounts.

Audit and Risk

Due to the controls and processes performed by the Investment Advisor and the INPP Audit and Risk Committee that apply across the

INPP group, the Board do not consider a separate Audit and Risk Committee for the Group being necessary. The INPP Audit and Risk Committee comprises of the full INPP Board with the exception of G J Frost.

The INPP Audit and Risk Committee is responsible for the nomination of external auditors. The Committee is responsible for monitoring the objectivity, independence and effectiveness of the audit process, with particular regard to terms under which the auditor is appointed to perform non-audit services.

In respect of the risk management function, the Audit & Risk Committee is also responsible for reviewing INPP's risk management framework and ensuring that the risk management function of the Investment Advisor, administrator and other third party service providers are adequate and to seek assurance of the same.

The direct communication between INPP and its Investment Advisor and the entity level asset manager is regarded as a key element in the effective management of risk (and performance) at the underlying investment level. The Group benefits from a strong alignment of risk and management performance approach at INPP and underlying investment levels through the provision of services from a vertically integrated Investment Advisor and investment level Asset Manager.

The Audit and Risk Committee, having reviewed the performance of the Auditor, has recommended to the INPP Board that the Group Auditor be proposed for re-appointment.

Management Engagement

There is no separate Nomination Committee or Remuneration Committee within the Group. Instead, the INPP Board's Management Engagement Committee was established to provide a formal mechanism for the review of the performance of INPP's advisors including its Investment Advisor. It carries out this review through consideration of a number of objective and subjective criteria and through a review of the terms and conditions of the advisors' appointment with the aim of evaluating performance, identifying any weaknesses and ensuring value for money.

TC Gunfleet Sands Holdco Limited

Corporate Governance Report Year ended 31 March 2014

RISK MANAGEMENT AND INTERNAL CONTROL

The Directors acknowledge that they are responsible for establishing and maintaining the Group's system of internal control and reviewing its effectiveness. Internal control systems are designed to manage rather than eliminate the failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatements or loss.

The nature of the offshore transmission business undertaken by the Group is typically low risk being governed by long-term contractual operating and financing arrangements and an availability based income regime. The Board considers the process for identifying, evaluating and managing any significant risks faced by the Group on an ongoing basis. The specialist asset manager is also contractually obliged to consider, monitor and report on regulatory, operational and financial issues to the Board.

Internal Control and Audit Committee

The Board of INPP takes overall responsibility for internal control throughout its group operations and in particular in monitoring its effectiveness within its subsidiary companies. The Board of the Group is responsible for its overall management and governance, and for ensuring that it complies with all relevant laws and regulations, including compliance with its Electricity Transmission Licence.

The Group does not have a separate Audit and Risk Committee as these functions are dealt with by the INPP Audit and Risk Committee. The effectiveness of the system of internal control across the Group is kept under review through the work of the INPP Audit and Risk Committee. The INPP Audit and Risk Committee consider reports from the auditor, the investment Advisor and administrator. The main responsibilities of the INPP Audit and Risk Committee include reviewing the effectiveness of the internal control systems at INPP and its subsidiaries and making recommendations to the INPP Board regarding the appointment, independence, and remuneration of the auditor.

The INPP Audit and Risk Committee is responsible for the nomination of external

auditors on behalf of all wholly owned subsidiaries of INPP. The Audit and Risk Committee is responsible for monitoring the objectivity, independence and effectiveness of the audit process, with particular regard to the appropriateness of the auditors carrying out certain non-audit services; and the level of audit and non-audit fees paid to auditors.

Internal audit

INPP in common with other investment companies does not have an internal audit function. The INPP Board has considered the need for an internal audit function, but because of the internal control systems in place within the Investment Advisor and the independent controls process reviews performed it has decided instead to place reliance on those control and assurance processes.

RELATIONS WITH SHAREHOLDERS

G J Frost is also a Non-Executive Director of INPP. Through his participation at the Boards of both INPP and the Group, the Board is well placed to identify and facilitate understanding of the views of its ultimate shareholder.

TC Gunfleet Sands Holdco Limited

Directors' Report Year ended 31 March 2014

The Directors present their report with the summarised regulatory accounts of the Group for the year ended 31 March 2014. The comparative information presented is for the year ended 31 March 2013. The summarised regulatory accounts have been extracted from the full regulatory accounts but with certain disclosures removed as detailed in the basis of preparation paragraph included in note 1 to the summarised regulatory accounts.

The auditor has issued an unqualified opinion on the full regulatory accounts and on the consistency of the directors' report with those accounts.

Principal activities and business review

A full description of the Group's principal activities, business, key performance indicators and principal risks and uncertainties is contained in the Strategic Report on pages 2 to 7, which are incorporated by reference into this report.

Directors

The Directors who held office during the year and up to the date of signing these summarised regulatory accounts are as follows:

G J Frost
M J Gregory
N R Singleton (resigned 18 July 2014)
S Fennell (appointed 30 June 2014)

The Group continues to hold qualifying third-party indemnity provisions for the benefit of its Directors which held office during the year and these remain in force at the date of this report.

Directors' interests in shares

None of the Directors who held office as at 31 March 2014 held any shares directly in the Group (Year ended 31 March 2013: none).

Directors' Remuneration

During the year ended 31 March 2014 no emoluments were paid to any of the Directors of the Group (Year ended 31 March 2013: £nil). There is no direct link of the remuneration of the Directors to performance against service standards.

Dividends

The Directors do not recommend the payment of a dividend (Year ended 31 March 2013: £nil).

Charitable and political donations

During both the current and previous year the Group made no charitable or political donations.

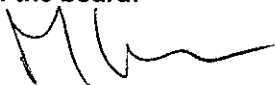
Policy and practice on payment of creditors

A significant proportion of the Group's payment obligations are contractual. The Group's policy is to make payments in accordance with its contractual and legal obligations.

Disclosure of information to auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Group's auditor, each Director has taken all the steps that he is obliged to take as Director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

On behalf of the board:



.....
M J Gregory - Director

29 JULY 2014

TC Gunfleet Sands Holdco Limited

Statement of Directors' Responsibilities

Year ended 31 March 2014

The Directors are obliged by Standard Condition E2 of the Licensee's Transmission Licence to prepare regulatory accounts for each financial year which comply with the requirements set out in Standard Condition E2, as amended by consents received from Ofgem (the 'Requirements').

Under the Requirements, the Directors have responsibility for ensuring that:

- the Group and related undertakings keep accounting records and other records as are necessary so that the revenues, costs, assets, liabilities, reserves, and provisions of, or reasonably attributable to the consolidated transmission business are separately identifiable in the accounting records of the Licensee from those of any other business;
- the regulatory accounts are prepared on a consistent basis from such accounting records in respect of each financial year and, so far as reasonably practicable the regulatory accounts and information in respect of a financial year have the same content and format as the most recent statutory accounts of the Company and Licensee;
- the regulatory accounts statements include for the consolidated transmission business and in total, a profit and loss account, a statement of total recognised gains and losses, a balance sheet, a cash flow statement, including notes thereto and statement of accounting policies adopted;
- the regulatory accounting statements include, for the consolidated transmission business, a corporate governance statement, a directors' report and a strategic review, and;
- the regulatory accounts statements show separately and in appropriate detail the amounts of any revenues, costs, assets, liabilities, reserves or provisions that have been charged from or to any other business of INPP (other than the Company or Licensee), or that have been determined by apportionment or allocation, where they relate to goods or services received or supplied for the purposes of the consolidated transmission business.

In addition, in preparing the regulatory accounting statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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 regulatory accounts;
- prepare the regulatory accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the regulatory accounts comply with Standard Condition E2 of the Electricity Transmission Licence as applicable. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors, whose names are listed in the Directors report on page 11, confirms that, to the best of their knowledge:

- the regulatory accounts have been prepared in accordance with the Requirements and fairly present the assets, liabilities, financial position of the Group's electricity transmission business.
- the regulatory accounts are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable UK accounting standards.

Accountant's Report-Agreed Upon Procedures to the members of TC Gunfleet Sands OFTO Limited (the "Licensee") and TC Gunfleet Sands Holdco Limited (the "Company"), collectively (the "Group"):

1. We have performed the procedures agreed with you and set out below with respect to the summarised regulatory accounts of the Group. Our engagement was undertaken in accordance with the International Standard on Related Services 4400 applicable to agreed -upon procedures engagements. The procedures were performed solely to assist you in the production of the summarised regulatory accounts and are as follows:
 - a) Obtained the non-statutory, summarised regulatory accounts of the Group as at and for the year ended 31 March 2014 from management.
 - b) Agreed that the information reported in the summarised Group regulatory accounts had been accurately extracted by agreeing all of the numbers and notes appearing in the summarised Group regulatory accounts, to the complete set of full regulatory accounts of the Group as at and for the year ended 31 March 2014, dated 29 July 2014.
 - c) Agreed the arithmetical accuracy of the numbers and totals reflected within the summarised Group regulatory accounts.

2. We report our findings below:
 - a) With respect to item 1(a), we have obtained from management the summarised regulatory accounts of the Group as at and for the year ended 31 March 2014.
 - b) With respect to item 1(b), we note that the summarised Group regulatory accounts are only extracts of, and do not include all information contained within, the full regulatory accounts (including the Directors' Report) of the Group dated 29 July 2014. However, all information included in the summarised Group regulatory accounts has been accurately extracted from the full regulatory accounts of the Group, as at and for the year ended 31 March 2014, dated 29 July 2014 with the exception of Note 1 to the summarised Group regulatory accounts on page 19 which is prepared solely for the summarised Group regulatory accounts.
 - c) With respect to item 1(c), we have agreed the arithmetical accuracy of the numbers and totals reflected within the summarised Group regulatory accounts with no exceptions noted.

The directors of the Group are responsible for preparing the summarised Group regulatory accounts and for determining whether the financial information contained therein is suitable for their needs. The directors of the Group acknowledge that the summarised Group regulatory accounts do not contain sufficient information to allow as full an understanding of the Group as would be provided by the full regulatory accounts for the year ended 31 March 2014. The summarised Group regulatory accounts are not summary regulatory accounts prepared in accordance with the Companies Act 2006.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements (or relevant national standards or practices), we do not express any assurance on the summarised regulatory accounts of the Group as at and for the year ended 31 March 2014.

Had we performed additional procedures or had we performed an audit or review of the summarised regulatory accounts in accordance with International Standards on Auditing (UK and Ireland) or International Standards on Review Engagements, we might have identified other issues that would be of relevance to you.

**Accountant's Report-Agreed Upon Procedures to the members of
TC Gunfleet Sands OFTO Limited (the "Licensee") and TC Gunfleet
Sands Holdco Limited (the "Company"), collectively (the "Group"):**

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the summarised Group regulatory accounts and does not extend to any regulatory accounts of the Group, taken as a whole. To the fullest extent permitted by law, we do not assume responsibility to anyone other than the directors of the Group for this report.

Ernst & Young LLP

Ernst & Young LLP
London

31 JUL 2014

1. The maintenance and integrity of the Company's web site is the responsibility of the directors and the maintenance and integrity of the Regulator's web site is the responsibility of the Regulator; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the summarised regulatory accounts since they were initially presented on the web sites.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and summarised regulatory accounts may differ from legislation in other jurisdictions.

TC Gunfleet Sands Holdco Limited

Summarised Consolidated Profit and Loss Account Year ended 31 March 2014

		Year Ended 31-Mar-14	Year Ended 31-Mar-13
	Notes	£'000	£'000
TURNOVER	2	2,321	2,105
Cost of sales		(557)	(485)
GROSS PROFIT		1,764	1,620
Administrative expenses		(1,098)	(1,133)
OPERATING PROFIT	3	666	487
Interest receivable and similar income	4	3,925	4,171
Interest payable and similar charges	5	(4,039)	(3,998)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		552	660
Tax on profit on ordinary activities	6	(262)	(252)
PROFIT FOR THE FINANCIAL YEAR	14	290	408

CONTINUING OPERATIONS

All items in the above statement derive from continuing operations.

TOTAL RECOGNISED GAINS AND LOSSES

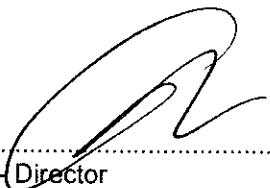
The Group has no recognised gains or losses other than the profits for the current year and previous year.

TC Gunfleet Sands Holdco Limited

Summarised Consolidated Balance Sheet As at 31 March 2014

	Notes	31-Mar-14 £'000	31-Mar-13 £'000
CURRENT ASSETS			
Debtors: amounts falling due within one year	8	5,028	3,652
Debtors: amounts falling due after more than one year	8	54,147	55,977
Cash at bank and in hand	9	5,833	5,411
		<u>65,008</u>	<u>65,040</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(2,047)	(1,868)
NET CURRENT ASSETS		62,961	63,172
CREDITORS			
Creditors: amounts falling due after more than one year	11	(56,358)	(57,252)
Provisions	12	(6,021)	(5,628)
NET ASSETS		582	292
CAPITAL AND RESERVES			
Called up share capital	13	-	-
Profit and loss account	14	582	292
SHAREHOLDER'S FUNDS	15	582	292

The accounts were approved by the Board of Directors on 29 July 2014 and were signed on its behalf by:

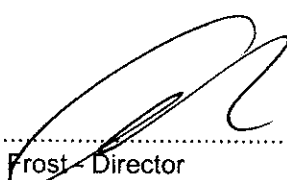

.....
G J Frost - Director

Registered number: 07384462

TC Gunfleet Sands Holdco Limited
Summarised Company Balance Sheet
As at 31 March 2014

	Notes	31-Mar-14 £'000	31-Mar-13 £'000
FIXED ASSETS			
Fixed asset investments	7	-	-
CURRENT ASSETS			
Debtors: amounts falling due within one year	8	1,271	1,219
Debtors: amounts falling due after more than one year	8	55,218	55,979
Cash at bank and in hand	9	3,065	2,966
		<u>59,554</u>	<u>60,164</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	<u>(1,461)</u>	<u>(1,316)</u>
NET CURRENT ASSETS		58,093	58,848
CREDITORS			
Creditors: amounts falling due after more than one year	11	<u>(56,358)</u>	<u>(57,252)</u>
NET ASSETS		<u>1,735</u>	<u>1,596</u>
CAPITAL AND RESERVES			
Called up share capital	13	-	-
Profit and loss account	14	1,735	1,596
SHAREHOLDER'S FUNDS	15	<u>1,735</u>	<u>1,596</u>

The accounts were approved by the Board of Directors on 29 July 2014 and were signed on its behalf by:



 G J Frost - Director

Registered number: 07384462

TC Gunfleet Sands Holdco Limited

Summarised Consolidated Cash Flow Statement Year ended 31 March 2014

	Notes	Year Ended 31-Mar-14 £'000	Year Ended 31-Mar-13 £'000
Net cash inflow from operating activities	16	<u>1,151</u>	<u>801</u>
Return on investments and servicing on finance			
Interest received		3,928	4,144
Interest paid		(3,730)	(4,877)
Issue costs paid		-	(257)
		<u>198</u>	<u>(990)</u>
Financing			
Movement in bank loan		(927)	(1,451)
		<u>(927)</u>	<u>(1,451)</u>
Increase / (decrease) in cash		<u>422</u>	<u>(1,640)</u>

Reconciliation of net cash flow to movement in net debt

	Year Ended 31-Mar-14 £'000	Year Ended 31-Mar-13 £'000
Opening net debt	(53,038)	(52,966)
Increase / (decrease) in cash	422	(1,640)
Movement in borrowings	927	1,451
Issue costs paid	-	257
Other non-cash changes	(139)	(140)
Closing net debt	<u>(51,828)</u>	<u>(53,038)</u>

TC Gunfleet Sands Holdco Limited

Notes to the Summarised Regulatory Accounts Year ended 31 March 2014

1. ACCOUNTING POLICIES

Basis of preparation

The regulatory accounts were prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable UK accounting standards.

The summarised regulatory accounts have been extracted from the full regulatory accounts but do not include the following commercially sensitive disclosures:

- Repayment terms and rates of interest for each debt that is wholly or partly repayable later than five years from the balance sheet date;
- Detail and the fair value of its interest rate and RPI swaps; and
- Details of amounts charged and outstanding balances with related parties.

The full corporate report and regulatory accounts had an unqualified report and has been provided to the authority. The principal accounting policies are set out below and have been applied consistently throughout the year.

Preparation of consolidated summarised regulatory accounts

The summarised regulatory accounts consolidate the financial statements of TC Gunfleet Sands Holdco Limited and its subsidiary undertaking TC Gunfleet Sands OFTO Limited, drawn up to 31 March 2014. No profit and loss account is presented for TC Gunfleet Sands Holdco Limited as permitted by section 408 of the Companies Act 2006.

Going concern

The summarised regulatory accounts have been prepared on the going concern basis which assumes that the Group will continue in operational existence for the foreseeable future. The Directors have reviewed forecast future profits and cash flows by reference to a financial model covering accounting periods up to 31 March 2032. The Directors have also examined the current status of the Group's principal contracts and likely developments. Having considered the forecast profits, cash flows, and status of principal contracts, in addition to the available financial facilities, the Directors consider that the Group will be able to meet its liabilities as they fall due for the foreseeable future. The Directors therefore consider that it is appropriate for the summarised regulatory accounts to be prepared on a going concern basis.

Revenue recognition

Revenue is recognised to the extent that the Group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, VAT and other sales taxes or duty. Revenue is recognised in line with the following policies:

Asset management fees

Revenue from the provision of asset management services is recognised as contract activity progresses at a mark up on related costs to reflect the value of work performed.

Asset management recharges

Revenue from asset management recharges is recognised at the contractually agreed mark up for each service as it is provided.

Interest receivable on finance debtor

Revenue in relation to the finance debtor is recognised as finance income at a project specific rate to generate a constant rate of return on the finance debtor over the life of the contract.

Interest income

Revenue is recognised as interest accrues using the effective interest method.

TC Gunfleet Sands Holdco Limited

Notes to the Summarised Regulatory Accounts Year ended 31 March 2014

1. ACCOUNTING POLICIES (*Continued*)

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax or to receive more tax, with the following exception:

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted at the balance sheet date.

Borrowings and finance costs

All interest-bearing loans and borrowings are initially recognised at net proceeds. After initial recognition debt is increased by the finance cost in respect of the reporting period and reduced by repayments made in the period. Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

The Group's borrowings include an index linked loan provided by the Company's immediate parent undertaking. The amount of payments required under this loan agreement is contingent on movements in RPI.

Financial instruments

The Group uses a derivative financial instrument, an interest rate swap, to hedge its exposure to fluctuations in interest rates. Interest differentials on this derivative financial instrument are recognised, net of interest payable on the related financial liability, in the profit and loss account in the period to which it relates. The Group does not revalue the interest rate swap to fair value.

The Group uses a derivative financial instrument, an RPI swap, to hedge its exposure to fluctuations in the RPI rate. RPI differentials on this derivative financial instrument are recognised, net of RPI indexation receivable on the related financial asset, in the profit and loss account in the period to which it relates. The Group does not revalue the RPI swap to fair value.

Finance debtor

The Group has adopted the provisions of Financial Reporting Standard 5 (Application Note F) in determining the appropriate treatment of the asset of the Group. After due consideration, the Group has accounted for the attributable expenditure as a finance debtor. In accounting for costs as a finance debtor, the acquisition price of all attributable assets such as the subsea and land cable plus decommissioning costs is included in the cost of the finance debtor. The asset-related unitary charge will be allocated between repayment of the finance debtor and finance income at the project specific rate.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle that obligation and it can be reliably estimated. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect of the time value of money is material.

Investments

Investments are stated at cost less provision for any impairment in value.

TC Gunfleet Sands Holdco Limited

Notes to the Summarised Regulatory Accounts Year ended 31 March 2014

1. ACCOUNTING POLICIES (*Continued*)

Related party disclosures

The Group is a wholly-owned subsidiary of International Public Partnerships Limited Partnership and is included in its consolidated financial statements, which are publicly available. Consequently, the Group has taken advantage of the exemption in Financial Reporting Standard 8, paragraph 3c not to disclose transactions with other group companies which are wholly owned by the ultimate controlling party.

2. TURNOVER

An analysis of turnover by class of business is given below:

	Group	
	Year Ended 31-Mar-14 £'000	Year Ended 31-Mar-13 £'000
Asset management fees	2,165	1,953
Asset management recharges	156	152
	<u>2,321</u>	<u>2,105</u>

All turnover is derived from operations in the United Kingdom.

3. OPERATING PROFIT

	Group	
	Year Ended 31-Mar-14 £'000	Year Ended 31-Mar-13 £'000
Operating profit is stated after charging:		
Auditor's remuneration for statutory audit services	10	16
Auditor's remuneration for other services	14	12
	<u>14</u>	<u>12</u>

The Directors received no salary, fees or other benefits in the performance of their duties in respect of their services to the Group (Year ended 31 March 2013: £nil).

The Group has no employees and hence there were no staff costs for the year ended 31 March 2014 (Year ended 31 March 2013: £nil).

The summarised regulatory accounts do not include any revenues, costs, assets, liabilities, reserves or provisions that have been charged from or to any other business of INPP (other than the Company or the Licensee), or that have been determined by apportionment or allocation, where they relate to goods or services received or supplied for the purposes of the consolidated transmission business.

TC Gunfleet Sands Holdco Limited

Notes to the Summarised Regulatory Accounts Year ended 31 March 2014

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	Group	
	Year Ended	Year Ended
	31-Mar-14	31-Mar-13
	£'000	£'000
Bank interest receivable	42	76
Finance debtor interest	3,883	3,986
Other finance income	-	109
	<u>3,925</u>	<u>4,171</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Group	
	Year Ended	Year Ended
	31-Mar-14	31-Mar-13
	£'000	£'000
Loan interest and indexation	3,723	3,779
Amortisation of issue costs	85	59
Unwinding of discount on provision	131	130
Other finance charges	100	30
	<u>4,039</u>	<u>3,998</u>

6. TAXATION

Analysis of the tax charge

The tax charge for the year is analysed as follows:

	Group	
	Year Ended	Year Ended
	31-Mar-14	31-Mar-13
	£'000	£'000
Deferred tax:		
- Origination and reversal of timing differences	314	293
- Adjustment in respect of previous periods	44	(25)
- Impact of change in tax rates	(96)	(16)
	<u>262</u>	<u>252</u>
Tax on profit on ordinary activities		

TC Gunfleet Sands Holdco Limited

Notes to the Summarised Regulatory Accounts Year ended 31 March 2014

6. TAXATION (Continued)

Factors affecting the current tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	Group	
	Year Ended 31-Mar-14 £'000	Year Ended 31-Mar-13 £'000
Profit on ordinary activities before tax	(452,923)	660
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 23% (2013: 24%)	(104,172)	158
Effects of:		
- Expenses not deductible for tax purposes	186	136
- Accelerated capital allowances and other timing differences	(698)	(972)
- Increase in tax losses carried forward	385	678
Current tax charge for the year	(104,299)	-

Factors that may affect future tax changes

The UK corporation tax rate reduced to 23% from April 2013. The rate reduced to 21% from April 2014 and will reduce to 20% from April 2015. As at the balance sheet date both these future tax reductions had been 'substantively enacted' and hence in accordance with accounting standards they have been reflected in the Group's summarised regulatory accounts as at 31 March 2014. The rate changes will impact the amount of future tax payments to be made by the Group.

7. FIXED ASSET INVESTMENTS

	Company	
	31-Mar-14 £	31-Mar-13 £
Fixed asset investments	1	1

The Company holds 100% of the issued share capital (£1) of TC Gunfleet Sands OFTO Limited, a company incorporated in United Kingdom, and has 100% of the voting rights.

TC Gunfleet Sands Holdco Limited

Notes to the Summarised Regulatory Accounts Year ended 31 March 2014

8. DEBTORS

	Group		Company	
	31-Mar-14 £'000	31-Mar-13 £'000	31-Mar-14 £'000	31-Mar-13 £'000
Amounts falling due within one year:				
Trade debtors	-	-	-	-
Amounts owed by group undertakings	-	-	1,260	1,204
Finance debtor	1,754	1,539	-	-
Prepayments and accrued income	3,274	2,113	11	15
	<u>5,028</u>	<u>3,652</u>	<u>1,271</u>	<u>1,219</u>
Amounts falling due after more than one year:				
Amounts owed by group undertakings	-	-	55,218	55,979
Finance debtor	54,147	55,977	-	-
	<u>54,147</u>	<u>55,977</u>	<u>55,218</u>	<u>55,979</u>

Amounts owed by group undertakings represent two loans made to the Company's subsidiary undertaking, TC Gunfleet Sands OFTO Limited. Loans to group undertakings are presented net of issue costs which are written back to the profit and loss account at a constant rate on the carrying amount of the debt receivable.

The senior intercompany loan is receivable in six-monthly instalments starting on 30 September 2011 and ending on 31 March 2030 with a final payment on 19 July 2030. The subordinated intercompany loan is receivable in three instalments on 30 September 2011, 31 March 2031 and 31 March 2032.

9. CASH AT BANK AND IN HAND

Group cash at bank and in hand include amounts of £4,703,000 (2013: £4,353,000) that the Group can only use for specific purposes and with the consent of the Company's lenders.

Company cash at bank and in hand include amounts of £2,581,000 (2013: £2,946,000) that the Company can only use for specific purposes and with the consent of the Company's lenders.

TC Gunfleet Sands Holdco Limited

Notes to the Summarised Regulatory Accounts Year ended 31 March 2014

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31-Mar-14 £'000	31-Mar-13 £'000	31-Mar-14 £'000	31-Mar-13 £'000
Bank loan	1,025	855	1,025	855
Amounts owed to group undertakings	436	438	436	438
Trade creditors	197	201	-	-
VAT	274	262	-	-
Accruals	115	112	-	23
	2,047	1,868	1,461	1,316

Bank loans are stated net of issue costs of £70,000 (2013: £72,000) and amounts owed to group undertakings are stated net of issue costs of £13,000 (2013: £13,000).

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	31-Mar-14 £'000	31-Mar-13 £'000	31-Mar-14 £'000	31-Mar-13 £'000
Bank loan	45,744	46,769	45,744	46,769
Amounts owed to group undertakings	10,456	10,387	10,456	10,387
Accrued interest	158	96	158	96
	56,358	57,252	56,358	57,252

Bank loans are stated net of issue costs of £660,000 (2013: £730,000) and amounts owed to group undertakings are stated net of issue costs of £209,000 (2012: £222,000).

Bank borrowings relate to a term loan facility granted by a syndication of financial institutions on 19 July 2011. The loan facility is for a total value of £52.08 million. The tranche A facility of £50.08 million was fully drawn down in the previous period. The tranche B facility of £2.00 million remains undrawn at 31 March 2014. Loan issue costs in respect of the drawn facility have been deducted from the gross proceeds of the bank borrowings and are being amortised over the period of the facility as part of the finance costs in accordance with the provisions of FRS 4.

The term loan is payable in six-monthly instalments commencing on 30 September 2011 and ending on 31 March 2030 with a final payment on 19 July 2030. Interest is charged on amounts drawn under the facility based on the floating LIBOR rate. The Group has entered into a floating to fixed interest rate swap. This loan is secured by a charge over the share capital of the Company and TC Gunfleet Sands OFTO Limited.

The Company has also received a subordinated loan from its shareholder. The subordinated loan has a fixed interest rate and is unsecured. This loan is repayable in three instalments on 30 September 2011, 31 March 2031 and 31 March 2032. The subordinated loan is subject to RPI-linked indexation over/under a base rate.

TC Gunfleet Sands Holdco Limited

Notes to the Summarised Regulatory Accounts Year ended 31 March 2014

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (Continued)

The maturity profile of the bank loan and amounts owed to group undertakings, included within creditors, is analysed as follows:

	Group and Company	
	31-Mar-14	31-Mar-13
	£'000	£'000
Wholly repayable within five years	8,241	7,116
Wholly repayable after more than five years	50,372	52,370
	58,613	59,486
Less: issue costs	(952)	(1,037)
	57,661	58,449

12. PROVISIONS

	Decommissioning provision £'000	Group Deferred tax £'000	Total £'000
At 1 April 2013	5,251	377	5,628
Charged to the profit and loss account	-	262	262
Unwinding of discount on provision	131	-	131
At 31 March 2014	5,382	639	6,021

Decommissioning

The provision for decommissioning relates to the decommissioning and related management costs for the necessary removal of the transmission cables equipment. The timing of the expenditure will depend upon the life of the wind farm, but has been assumed to occur at the end of the initial licence period in 2031.

The timing and amounts settled in respect of these provisions are uncertain and dependent on various factors that are not always within management's control:

- The timing of decommissioning is contingent upon any re-powering of the offshore wind farm and therefore the potential for the transmission assets to be used beyond the initial licence revenue term. In such circumstances, the costs for decommissioning would be expected to be deferred until such time as would be agreed in any subsequent term. However, the current assumption is that it is too uncertain to assume the wind farm will be repowered and, therefore decommissioning costs have been assumed to be incurred at the earliest most likely date.
- The amounts of costs to be incurred at the time of decommissioning have been estimated based upon expected costs of decommissioning. However, given the time frame for the incurring of such costs, the level of provision is reviewed on a periodic basis. The current decommissioning provision represents the present value of expected future cash flows which are estimated to settle the entity's future obligations in relation to decommissioning.

TC Gunfleet Sands Holdco Limited

Notes to the Summarised Regulatory Accounts Year ended 31 March 2014

12. PROVISIONS (*Continued*)

Deferred tax

The deferred tax liability consists of:

	Group	
	31-Mar-14	31-Mar-13
	£'000	£'000
Accelerated capital allowances	2,183	1,806
Tax losses	(1,544)	(1,429)
	<u>639</u>	<u>377</u>

13. CALLED UP SHARE CAPITAL

	Group and Company	
	31-Mar-14	31-Mar-13
	£	£
Alloted and fully paid		
1 (2013: 1) ordinary share of £1 each	<u>1</u>	<u>1</u>

14. RESERVES

	Group	Company
	Profit and	Profit and
	loss	loss
	account	account
	£'000	£'000
At 1 April 2013	292	1,596
Profit for the financial year	290	139
At 31 March 2014	<u>582</u>	<u>1,735</u>

TC Gunfleet Sands Holdco Limited

Notes to the Summarised Regulatory Accounts Year ended 31 March 2014

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	Group		Company	
	31-Mar-14 £'000	31-Mar-13 £'000	31-Mar-14 £'000	31-Mar-13 £'000
Profit for the financial year	290	408	139	337
Net change in shareholder's funds	290	408	139	337
Opening shareholder's funds / (deficit)	292	(116)	1,596	1,259
Closing shareholder's funds	582	292	1,735	1,596

16. NOTES TO THE CASH FLOW STATEMENT

a) Reconciliation of operating profit to net cash inflow from operating activities

	Group	
	Year Ended 31-Mar-14 £'000	Year Ended 31-Mar-13 £'000
Group operating profit	666	487
Decrease in debtors	451	360
Increase / (decrease) in creditors	34	(46)
Net cash inflow from operating activities	1,151	801

b) Analysis of changes in net debt

	At 1 April 2013 £'000	Cash Flows £'000	Other Non Cash Changes £'000	At 31 March 2014 £'000
Cash at bank and in hand	5,411	422	-	5,833
Bank loan	(47,624)	927	(72)	(46,769)
Amounts owed to group undertakings	(10,825)	-	(67)	(10,892)
	(53,038)	1,349	(139)	(51,828)

TC Gunfleet Sands Holdco Limited

Notes to the Summarised Regulatory Accounts Year ended 31 March 2014

17. ULTIMATE CONTROLLING PARTY

The Directors regard OFTO Superholdco Limited, a company incorporated in England and Wales as the immediate parent undertaking and controlling party and International Public Partnerships Limited, a company registered in Guernsey, as the ultimate parent undertaking and controlling party. Copies of the consolidated financial statements of International Public Partnerships Limited Partnership (the smallest and the largest group of which the company is a member and for which group financial statements are prepared) can be obtained from the company's registered office, Two London Bridge, London, SE1 9RA.