

REGISTERED NUMBER 07456969 (England and Wales)

**TC Ormonde OFTO Limited**  
**Corporate Report and Regulatory Accounts**  
**31 March 2016**

# TC Ormonde OFTO Limited

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# TC Ormonde OFTO Limited

## Foreword

Year ended 31 March 2016

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TC Ormonde OFTO Limited ("Company") is the holder of an Electricity Transmission Licence granted under the Electricity Act 1989. Under Condition E2 of this licence, the Company 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 regulatory accounts

These regulatory accounts report the financial performance and financial position of the transmission business of the Company for the year ended 31 March 2016.

The Company's principal activity is to own, operate and maintain the assets for the transmission of electricity generated by the Ormonde offshore wind farm. On 10 July 2012, the company was granted an offshore transmission licence by the Office of Gas and Electricity Market ("Ofgem") with the right to earn availability based income on the transmission assets for a period of 20 years until July 2032.

### Relationship of regulatory accounts with statutory accounts

The financial information contained in these regulatory accounts does not constitute statutory accounts within the meaning of section 396 of the Companies Act 2006. Statutory accounts of the Company within the meaning of section 396 of the Companies Act 2006 will be delivered to the Registrar of Companies for the Company for the year ended 31 March 2016.

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 is addressed to, and for the benefit of, the members of the 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 the 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 regulatory accounts

These 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.

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

# TC Ormonde OFTO Limited

## Strategic Report Year ended 31 March 2016

### BUSINESS STRUCTURE AND OBJECTIVES

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

On 10 July 2012, the Company purchased the Ormonde 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 Company 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 2032.

The Company financed the acquisition of the transmission assets through a combination of equity, shareholder senior 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 Company'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 Company's key objectives are to maximise the availability of the transmission system and provide returns to shareholders consistent with its business plan. The Company 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

#### Statement of Comprehensive Income

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

	Years ended 31 March	
	2016 £'000	2015 £'000
Turnover	3,112	2,788
Operating profit	856	706
Net interest receivable	1,852	1,954
Profit on ordinary activities before tax	2,508	2,660
Taxation	(409)	(705)
Profit and total comprehensive income for the financial year	2,099	1,955

#### Turnover

Turnover represents the element of income attributable to the Company'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 £656,000 (2015: £706,000) for the year reflecting the profitability on the provision of asset management services.

# TC Ormonde OFTO Limited

## Strategic Report Year ended 31 March 2016

### FINANCIAL REVIEW (Continued)

#### Net interest receivable

Net interest receivable is £1,852,000 (2015: £1,954,000) 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. Over the 20 year revenue period changes to interest expense caused by RPI movements are expected to be offset through RPI related changes in revenue.

#### Taxation

The tax charge for the year is £409,000 (2015: £705,000) and comprises only deferred tax. There was no current tax charge in the year (2015: £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 regulatory accounts.

#### Profit after tax

The profit for the year amounting to £2,099,000 (Year ended 31 March 2015: £1,955,000) has been transferred to reserves.

#### Summarised Balance Sheet

	As at 31 March	
	2016 £'000	2015 £'000
Finance debtor	106,147	109,615
Other current assets *	8,272	6,181
Current liabilities *	(1,319)	(849)
Net debt	(95,407)	(99,927)
Provisions	(9,458)	(8,864)
Net assets	6,235	6,138

\* excludes amounts related to net debt (including intercompany balances)

#### Finance debtor

The finance debtor decreased in line with the amortisation profile by £3,468,000 to £106,147,000 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 £2,111,000 to £8,272,000. This was due to a rise in accrued income and prepayments.

#### Current liabilities

Current liabilities increased by £487,000 to £1,336,000. This was due to a net increase in trade creditors and VAT payable of £272,000 and increase in accruals of £215,000.

#### Net debt

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

	Years ended 31 March	
	2016 £'000	2015 £'000
Opening net debt at 1 April	(99,927)	(103,976)
Increase / (decrease) in cash *	583	556
Movement in borrowings	4,275	4,088
Other non-cash changes	(338)	(595)
Closing net debt at 31 March	(95,407)	(99,927)

\* excludes Network Innovation Competition funding

#### Increase in cash

During the year the Company generated £11,518,000 (2015: £1,917,000) of cash from operating activities which included £9,035,000 (2015: £nil) funding awarded under the Network Innovation Competition. Cash generated from on-going operating activities amounted to £2,483,000 (2015: £1,917,000) and net interest received of £2,375,000 (2015: £2,727,000). These amounts offset by financing costs of £4,275,000 (2015: £4,088,000) resulted in a net increase in cash of £583,000 (2015: increase of £556,000).

#### Movement in borrowings

The movement in borrowings consists of the repayment of group undertaking loans of £4,275,000 in accordance with the agreed amortisation profile (2015: £4,088,000). The movement is in line with the Directors' expectations.

#### Other non-cash changes

Other non-cash changes include RPI inflation linked debt and interest accrual accretion of £327,000 (2015: £583,000).

#### Provisions

Provisions increased by £594,000 to £9,458,000. Further information on provisions is provided in note 11 of the regulatory accounts.

# TC Ormonde OFTO Limited

## Strategic Report Year ended 31 March 2016

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### 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 Company's future profits and cash flows over a range of possible future RPI rates and are confident that the Company will be profitable and cash generative over the course of the licence period.

### GOING CONCERN

The regulatory accounts have been prepared on the going concern basis which assumes that the Company 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 2033. The Directors have also examined the current status of the Company'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 Company 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 regulatory accounts to be prepared on a going concern basis.

### PRINCIPAL RISKS AND UNCERTAINTIES

The Directors consider the following risks and uncertainties to be the principal ones that might affect the Company's performance and results; however this may not reflect all of the risks of the Company either because they are currently unknown or assessed to be immaterial based on currently available information or the Company'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 Company employs a specialist service provider to ensure availability is within target levels.
- The Company is exposed to changes in RPI as its loans and some of its operational costs are RPI linked. This risk is mitigated as the Company's availability income is also linked to movements in RPI.
- 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 Company'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 Company also manages its exposure to risk as detailed within the Corporate Governance Report.

# TC Ormonde OFTO Limited

## Strategic Report Year ended 31 March 2016

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### KEY PERFORMANCE INDICATORS

The Directors review the performance of the Company 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 Company. The Company 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 Company has outperformed availability ratio targets.
- Long and short term financial covenants set by 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 Company against budgets. The latest reviews indicate performance which is consistent with management's expectations and targets.

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

The Company 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 Company has also entered into insurance arrangements to cover certain other insurable events which might impact on the Company's ability to keep the transmission assets available.

The Company 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 Company's management consider availability of the assets as the key non-financial KPI for the business.

### FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Company has funded its acquisition of the underlying transmission assets through a combination of senior and subordinated shareholder loans provided by its immediate parent company OFTO Superholdco Limited ("OFTO Superholdco").

The senior loan is subject to a fixed interest rate of 3.465% per annum to 31 March 2013 and 4% per annum indexed in line with movements in RPI for the remainder of the term. The subordinated loan is subject to a fixed interest rate of 9.30% per annum to 31 March 2013 and 8.8% per annum thereafter. The subordinated loan is subject to annual indexation in line with movements in RPI over/under a base rate of 2.50%.

The senior loan is repayable in six monthly instalments starting 30 September 2012 and ending on 31 March 2032. The subordinated loan is repayable in full on 30 September 2032.

### RISK MANAGEMENT

The Company's principal risks and uncertainties are set out within this Strategic Report. Risk management however also covers other areas of risk that the Company 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 Company's internal systems of controls are set out within the Corporate Governance Report.

#### Financial risk management

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

# TC Ormonde OFTO Limited

## Strategic Report Year ended 31 March 2016

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### RISK MANAGEMENT (*Continued*)

#### Liquidity risk

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

#### Cash flow risk

The Company is exposed to RPI risk as its loans and some of its operational costs are RPI-linked. This risk is mitigated as the Company's availability income is also linked to movements in RPI. The Company's borrowings have a fixed rate coupon and accordingly the Company is not exposed to changes in interest rates. These borrowings are also RPI-linked and therefore the underlying RPI-linked income is used to service these loans.

All of the Company's cash flows are denominated in sterling hence there is no exposure to currency exchange risk. The Company's debt is long term and at a fixed interest rate amended for movements in RPI thus limiting exposure to interest rate fluctuations. The Company's projected funding requirements have been fully negotiated and agreed with its shareholder for the full required term. The Company 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 Company regularly reviews cash flow forecasts and actual results against budgets in order to monitor and control financial risk. The Company 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 Company 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 Company'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 Company has contracted with specialist sub-contractors and asset managers that are incentivised to optimise availability levels and manage operating costs.

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

The Company is liable for decommissioning costs required for the removal of the offshore platform and sub-sea cable 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.

#### Regulatory risk management

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

The Company 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.



# TC Ormonde OFTO Limited

## Strategic Report Year ended 31 March 2016

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### EMPLOYEES AND HEALTH AND SAFETY

The Company 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.

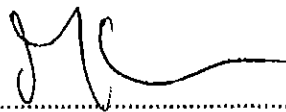
Health and safety ("H&S") is an important priority for the Company. The Company ensures it and its asset manager adopt best practice. The asset manager has adopted the HSG65 approach to its H&S Management System and throughout its policies and procedures in order to comply with legislation, Health and 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 Company is committed to integrating environmental best practice into all its business activities. The Company accepts its environmental responsibilities and recognises its obligation to reduce the impact of business activities on the environment. The Company 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 Company 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

Date: 28 July 2016

# TC Ormonde OFTO Limited

## Corporate Governance Report Year ended 31 March 2016

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

As a wholly owned subsidiary of INPP, the Company is not subject to the UK Corporate Governance code, but operates within INPP's corporate governance framework.

The Company has its own Board of Directors and separate compliance committee. The ultimate governance of the Company is determined by the governance procedures of INPP. As a listed entity, INPP is required to confirm its compliance with (or explain departures from) the UK Corporate Governance Code (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 Company is governed by a Board of three Directors. The Directors bring a combination of financial and operational management experience to the Company. 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 Company does not have any employees. Services are provided by sub-contractors and managed by Transmission Capital Services Limited ("TCS"), a specialist asset manager.

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
M J Gregory	9 of 10
G J Frost	10 of 10
S Fennell	10 of 10

Board members are required to attend meetings regularly in order to ensure they are kept up to date with the 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 Company on a monthly basis. The TCS Board provides a combination of financial, operational, asset management and technical experience to the Company.

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

# TC Ormonde OFTO Limited

## Corporate Governance Report Year ended 31 March 2016

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

#### **Compliance**

All compliance matters are considered on a quarterly basis by the Company's Compliance Committee. In addition, the Company 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 Company 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 INPP subsidiary undertaking 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 Company being necessary. The INPP Audit and Risk Committee comprise 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 and 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 Company 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 Auditor of the Company be proposed for re-appointment.

#### **Management Engagement**

There is no separate Nomination Committee or Remuneration Committee within the Company. 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 Ormonde OFTO Limited

## Corporate Governance Report Year ended 31 March 2016

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### RISK MANAGEMENT AND INTERNAL CONTROL

The Directors acknowledge that they are responsible for establishing and maintaining the Company'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 Company 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 Company 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 Company 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 Company 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 Company 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 Company, the Board is well placed to identify and facilitate understanding of the views of its ultimate shareholder.

# TC Ormonde OFTO Limited

## Directors' Report Year ended 31 March 2016

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The Directors present their report with the regulatory accounts of the Company for the year ended 31 March 2016. The comparative information presented is for the year ended 31 March 2015.

### Principal activities and business review

A full description of the Company'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 regulatory accounts are as follows:

G J Frost  
M J Gregory  
S Fennell

International Public Partnerships Limited, the Company's ultimate parent continues to hold qualifying third party indemnity provisions for the benefit of the Company's 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 2016 held any shares directly in the Company (Year ended 31 March 2015: none).

### Directors' Remuneration

During the year ended 31 March 2016 no emoluments were paid to any of the Directors of the Company (Year ended 31 March 2015: £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 2015: £Nil).

### Charitable and political donations

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

### Policy and practice on payment of creditors

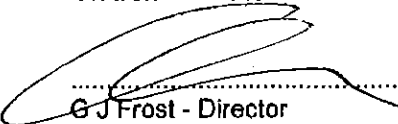
A significant proportion of the Company's payment obligations are contractual. The Company's policy is to make payments in accordance with its contractual and legal obligations.

### 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 Company'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.

Ernest & Young LLP resigned as auditor of the company in the year and the directors appointed KPMG LLP. 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:

  
G J Frost - Director

Date: 28 July 2016

## TC Ormonde OFTO Limited

### Statement of Directors' Responsibilities Year ended 31 March 2016

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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 Company and related undertakings keep accounting records and other records as are necessary so that the revenues, costs, assets, liabilities, reserves, and provisions that are reasonably attributable to the transmission business and 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 Licensee;
- the regulatory accounts include for the 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 accounts include, for the transmission business, a corporate governance statement, a directors' report and a strategic review; and
- the regulatory accounts 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 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 transmission business.

In addition, in preparing the regulatory accounts, 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; and
- 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 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 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 Company'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.

# **Independent Auditor's report to the Director General, the Gas and Electricity Markets Authority ('the Regulator') and the directors of TC Ormonde OFTO Limited**

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We have audited the Regulatory Accounts of TC Ormonde OFTO Limited ('the company') for the year ended 31 March 2016 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes to the Regulatory Accounts. The financial reporting framework that has been applied in their preparation is condition E2 of the Company's Regulatory Licence, and the accounting policies set out in note 1.

This report is made, on terms that have been agreed, solely to the company and the Regulator in order to meet the requirements of the Regulatory Licence. Our audit work has been undertaken so that we might state to the company and the Regulator those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under the Regulatory Licence to procure such a report and (b) to facilitate the carrying out by the Regulator of its regulatory functions, 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 Regulator, for our audit work, for this report or for the opinions we have formed.

## **Respective responsibilities of the Directors and Auditor**

As explained more fully in the Directors' Responsibility Statement set out on page 12, the directors are responsible for the preparation of the Regulatory Accounts.

Our responsibility is to audit and express an opinion on the Regulatory Accounts in accordance with International Standards on Auditing (UK and Ireland), except as stated in the 'Scope of the audit of the Regulatory Accounts' section below and having regard to the guidance contained in ICAEW Technical Release TECH 02/16AAF Reporting to regulators on regulatory accounts. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the Regulatory Accounts**

An audit involves obtaining evidence about the amounts and disclosures in the Regulatory Accounts sufficient to give reasonable assurance that the Regulatory Accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed and the reasonableness of significant accounting estimates made by the directors. In addition, we read all the financial and non-financial information in the Regulatory Accounts to identify material inconsistencies with the audited Regulatory Accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

We have not assessed whether the accounting policies are appropriate to the circumstances of the company where these are laid down by condition E2. Where condition E2 does not give specific guidance on the accounting policies to be followed, our audit includes an assessment of whether the accounting policies adopted in respect of the transactions and balances required to be included in the Regulatory Accounts are consistent with those used in the preparation of the statutory financial statements of the company. Furthermore, as the nature, form and content of Regulatory Accounts are determined by the Regulator, we did not evaluate the overall adequacy of the presentation of the information, which would have been required if we were to express an audit opinion under International Standards on Auditing (UK and Ireland).

## **Opinion on Regulatory Accounts**

In our opinion the Regulatory Accounts have been properly prepared in accordance with condition E2 of the Company's Regulatory Licence, and the accounting policies set out in note 1.

# Independent Auditor's report to the Director General, the Gas and Electricity Markets Authority ('the Regulator') and the directors of TC Ormonde OFTO Limited

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## Emphasis of matter - basis of preparation

Without modifying our opinion, we draw attention to the fact that the Regulatory Accounts have been prepared in accordance with condition E2 of the Company's Regulatory Licence, and the accounting policies set out in the statement of accounting policies. The nature, form and content of Regulatory Accounts are determined by the Regulator. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the Regulator's purposes. Accordingly we make no such assessment.

The Regulatory Accounts are separate from the statutory financial statements of the Company and have not been prepared under the basis of UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. . Financial information other than that prepared on the basis of UK GAAP does not necessarily represent a true and fair view of the financial performance or financial position of a company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

## Other matters

Our opinion on the Regulatory Accounts is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2016 on which we reported on 28 July 2016, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our 'Statutory audit') was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

KPMG LLP

KPMG LLP  
One Snowhill  
Snowhill Queensway  
Birmingham  
B4 6GH

Date: 29 July 2016



## TC Ormonde OFTO Limited

### Statement of Comprehensive Income Year ended 31 March 2016

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		Year Ended 31-Mar-16 £'000	Year Ended 31-Mar-15 £'000
<b>TURNOVER</b>	2	3,112	2,788
Cost of sales		(890)	(788)
<b>GROSS PROFIT</b>		<b>2,222</b>	<b>2,000</b>
Administrative expenses		(1,566)	(1,294)
<b>OPERATING PROFIT</b>	3	<b>656</b>	<b>706</b>
Interest receivable and similar income	4	7,399	7,625
Interest payable and similar charges	5	(5,547)	(5,671)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>2,508</b>	<b>2,660</b>
Tax on profit on ordinary activities	6	(409)	(705)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>2,099</b>	<b>1,955</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>2,099</b>	<b>1,955</b>

#### CONTINUING OPERATIONS

All items in the above statement derive from continuing operations.

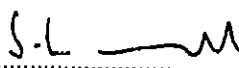
The notes on pages 19 to 28 form part of these regulatory accounts.

**TC Ormonde OFTO Limited**

**Balance Sheet  
As at 31 March 2016**

	Note	31-Mar-16 £'000	31-Mar-15 £'000
<b>CURRENT ASSETS</b>			
Debtors: amounts falling due within one year	7	11,982	9,629
Debtors: amounts falling due after more than one year	7	102,437	106,147
Cash at bank and in hand	8	13,172	3,554
		<u>127,591</u>	<u>119,330</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	9	(7,708)	(6,408)
<b>NET CURRENT ASSETS</b>		<u>119,883</u>	<u>112,922</u>
<b>CREDITORS</b>			
Creditors: amounts falling due after more than one year	10	(102,190)	(97,922)
Provisions for liabilities	11	(9,458)	(8,864)
<b>NET ASSETS</b>		<u>8,235</u>	<u>6,136</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	-	-
Profit and loss account		8,235	6,136
<b>SHAREHOLDER'S FUNDS</b>		<u>8,235</u>	<u>6,136</u>

The accounts were approved by the Board of Directors on 28 July 2016 and were signed on its behalf by:

  
.....  
S Fennell - Director

Registered number: 07456969

The notes on pages 19 to 28 form part of these regulatory accounts.

**TC Ormonde OFTO Limited**

**Statement of Changes in Equity  
As at 31 March 2016**

	<b>Called up share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total £'000</b>
<b>Balance at 1 April 2014</b>	-	4,181	4,181
<b>Changes in equity</b>			
Total comprehensive income	-	1,955	1,955
<b>Balance at 31 March 2015</b>	-	6,136	6,136
<b>Changes in equity</b>			
Total comprehensive income	-	2,099	2,099
<b>Balance at 31 March 2016</b>	-	8,235	8,235

The notes on pages 19 to 28 form part of these regulatory accounts.

**TC Ormonde OFTO Limited**

**Cash Flow Statement  
Year ended 31 March 2016**

	Year Ended 31-Mar-16 £'000	Year Ended 31-Mar-15 £'000
<b>Cash flow from operating activities</b>		
Profit for the financial year	2,099	1,955
Tax on profit on ordinary activities	409	705
Interest receivable and similar income	(7,399)	(7,625)
Interest payable and similar charges	5,547	5,671
<b>Operating profit</b>	<b>656</b>	<b>706</b>
Decrease in debtors	1,357	1,260
Increase / (decrease) in creditors	9,505	(49)
<b>Net cash from operating activities</b>	<b>11,518</b>	<b>1,917</b>
<b>Cash flows from investing activities</b>		
Interest received	7,399	7,625
<b>Net cash from Investing activities</b>	<b>7,399</b>	<b>7,625</b>
<b>Cash flows from financing activities</b>		
Repayment of bank borrowings	(4,275)	(4,088)
Interest paid	(5,024)	(4,898)
<b>Net cash from financing activities</b>	<b>(9,299)</b>	<b>(8,986)</b>
Net increase in cash and cash equivalents	9,618	556
Cash and cash equivalents at 1 April	3,554	2,998
<b>Cash and cash equivalents at 31 March</b>	<b>13,172</b>	<b>3,554</b>

The notes on pages 19 to 28 form part of these regulatory accounts.

# TC Ormonde OFTO Limited

## Notes to the Regulatory Accounts Year ended 31 March 2016

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### 1. ACCOUNTING POLICIES

#### **Basis of preparation**

TC Ormonde OFTO Limited (the "company") is a company limited by shares and incorporated and domiciled in the UK.

These regulatory accounts were prepared in accordance with Financial Reporting Standard 102 (The Financial Reporting Standard) applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The presentation currency of these regulatory accounts is sterling. All amounts in the regulatory accounts have been rounded to the nearest £1,000.

The regulatory accounts are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

In the transition to FRS 102 from UK GAAP, the company has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the company is provided in note 17.

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

#### **Going concern**

The regulatory accounts have been prepared on the going concern basis which assumes that the Company 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 2033. The Directors have also examined the current status of the Company'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 Company 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 regulatory accounts to be prepared on a going concern basis.

#### **Revenue recognition**

Revenue is recognised to the extent that the Company 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.

##### Innovation funding

Funding that is subject to performance-related conditions received in advance of delivering the goods and services required by that condition, or is subject to unmet conditions wholly outside the control of the company, is accounted for as a liability and shown on the balance sheet as deferred income. Deferred income is released to income in the reporting period in which the performance-related or other conditions that limit recognition are met.

# TC Ormonde OFTO Limited

## Notes to the Regulatory Accounts Year ended 31 March 2016

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### 1. ACCOUNTING POLICIES (*Continued*)

#### **Classification of financial instruments issued by the company**

In accordance with FRS 102.22, financial instruments issued by the company are treated as equity only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

#### **Basic financial instruments**

##### Trade and other debtors / creditors

Trade and other debtors are recognised at transaction price less attributable transaction costs. Trade and other creditors are recognised at transaction price plus attributable transaction costs. Any losses arising from impairment are recognised in the Statement of comprehensive income in administrative expenses.

##### Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

##### Interest receivable and interest payable

Interest payable and similar charges includes interest and indexation payable on borrowings, the unwinding of the discount on provisions, and other financial charges.

Bank interest receivable includes interest receivable on cash deposits. Interest income and interest payable are recognised in profit or loss using the effective interest rate method.

##### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

#### **Service Concession Accounting**

##### Financial asset

The company has taken advantage of the exemption contained within 35.10(i) of FRS 102 not to apply 34.121 – 34.16A to its PFI service concession arrangement (the finance debtor). Accordingly the service concession arrangement has continued to be accounted for using the same accounting policies that applied at the date of transition to FRS 102.

The finance debtor is accounted for as a financial asset at amortised cost using the effective interest rate method, whereby the asset related unitary charge is allocated between repayment of the finance debtor and finance income at the property specific rate.

# TC Ormonde OFTO Limited

## Notes to the Regulatory Accounts Year ended 31 March 2016

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### 1. ACCOUNTING POLICIES (*Continued*)

#### Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### **Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

#### **Provisions**

Provisions are recognised when the company 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.

#### **Judgements and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amount reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

# TC Ormonde OFTO Limited

## Notes to the Regulatory Accounts Year ended 31 March 2016

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### 1. ACCOUNTING POLICIES *(Continued)*

#### Related party disclosure

The company has taken advantage of the exemption in Section 33.1A Related Party Disclosures not to disclose related party transactions between two or more members of a group provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

### 2. TURNOVER

An analysis of turnover by class of business is given below

	Year Ended 31-Mar-16 £'000	Year Ended 31-Mar-15 £'000
Asset management fees	2,488	2,397
Asset management recharges	484	391
Network Innovation Competition funding	140	-
	<u>3,112</u>	<u>2,788</u>

All turnover is derived from operations in the United Kingdom.

### 3. OPERATING PROFIT

	Year Ended 31-Mar-16 £'000	Year Ended 31-Mar-15 £'000
Operating profit is stated after charging:		
Auditor's remuneration for statutory audit services	12	14
Auditor's remuneration for other services	5	7
Network Innovation Competition fees	140	-
Management fees	<u>1,023</u>	<u>661</u>

The Directors received no salary, fees or other benefits in the performance of their duties in respect of their services to the Company (2015: £nil).

The Company has no employees and hence there were no staff costs for the year ended 31 March 2016 (2015: £nil).

The 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, or that have been determined by apportionment or allocation, where they relate to goods or services received or supplied for the purposes of the transmission business.



# TC Ormonde OFTO Limited

## Notes to the Regulatory Accounts Year ended 31 March 2016

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### 4. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year Ended 31-Mar-16 £'000	Year Ended 31-Mar-15 £'000
Bank interest receivable	7	6
Finance debtor interest	7,392	7,619
	<u>7,399</u>	<u>7,625</u>

### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 31-Mar-16 £'000	Year Ended 31-Mar-15 £'000
Loan interest and indexation	5,361	5,492
Unwinding of discount on provision	185	178
Other finance charges	1	1
	<u>5,547</u>	<u>5,671</u>

### 6. TAXATION

#### Analysis of the tax charge

The tax charge for the year is analysed as follows:

	Year Ended 31-Mar-16 £'000	Year Ended 31-Mar-15 £'000
Current tax:		
UK corporation tax	-	-
Deferred tax	409	705
<b>Tax on profit on ordinary activities</b>	<u>409</u>	<u>705</u>

**TC Ormonde OFTO Limited**  
**Notes to the Regulatory Accounts**  
**Year ended 31 March 2016**

**6. TAXATION (Continued)**

**Factors affecting the current tax charge**

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

	Year Ended 31-Mar-16 £'000	Year Ended 31-Mar-15 £'000
<b>Profit on ordinary activities before tax</b>	<u>2,508</u>	<u>2,660</u>
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 20% (2015: 21%)	502	559
Effects of:		
- Expenses not deductible for tax purposes	184	263
- Impact of change in tax rates	<u>(277)</u>	<u>(117)</u>
<b>Current tax charge for the year</b>	<u>409</u>	<u>705</u>

**Factors that may affect future tax charges**

The UK corporation tax rate reduced to 20% from April 2015. The rate will reduce to 19% from April 2017, and will reduce further to 18% from April 2020. As at the balance sheet date, these future tax reductions had been "substantively enacted" and hence in accordance with accounting standards, this has been reflected in the company's financial statements at 31 March 2016. The rate changes will impact the amount of future tax payments to be made by the company. The deferred tax at 31 March 2016 has been calculated based on the rate of 18% substantively enacted at the balance sheet date.

**7. DEBTORS**

	31-Mar-16 £'000	31-Mar-15 £'000
Amounts falling due within one year:		
Finance debtor	3,710	3,468
Prepayments and accrued income	<u>8,272</u>	<u>6,161</u>
	<u>11,982</u>	<u>9,629</u>
Amounts falling due after more than one year:		
Finance debtor	<u>102,437</u>	<u>106,147</u>
Aggregate amount	<u>114,419</u>	<u>115,776</u>

## TC Ormonde OFTO Limited

### Notes to the Regulatory Accounts Year ended 31 March 2016

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#### 8. CASH AT BANK AND IN HAND

Cash at bank and in hand include amounts of £3,094,000 (2015: £2,821,000) that the Company can only use for specific purposes and with the consent of the Company's lender.

Cash at bank and in hand also includes £9,035,000 (2015: £nil) relating to a successful Network Innovation Competition bid. These funds are also restricted and can only be used in accordance with the Network Innovation Competition project direction issued to the company by Ofgem.

#### 9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31-Mar-16 £'000	31-Mar-15 £'000
Amounts owed to group undertakings	6,372	5,559
Trade creditors	323	95
VAT	562	518
Accruals	451	236
	<u>7,708</u>	<u>6,408</u>

#### 10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31-Mar-16 £'000	31-Mar-15 £'000
Amounts owed to group undertakings	93,172	97,922
Deferred Income	9,018	-
	<u>102,190</u>	<u>97,922</u>

Deferred income consists of the Network Innovation Competition funding received in advance of delivering the services required by the project direction issued to the company by Ofgem.

Amounts owed to group undertakings represent two loans from the Company's immediate parent undertaking OFTO Superholdco Limited. The subordinated loan is subject to annual indexation in line with movements in RPI over/under a base rate of 2.50%.

The senior loan is subject to a fixed interest rate of 3.465% per annum to 31 March 2013 and 4% per annum indexed in line with movements in RPI for the remainder of the term. The subordinated loan is subject to a fixed interest rate of 9.30% per annum to 31 March 2013 and 8.8% per annum thereafter.

Loans from group undertakings are presented net of issue costs which are being amortised at a constant rate on the carrying value of the loans. The senior loan is repayable in six monthly instalments starting 30 September 2012 and ending on 31 March 2032. The subordinated loan is repayable in full on 30 September 2032.

The senior intercompany loan is secured by a fixed and floating charge over all property and assets of the company to the extent permitted by the terms of the Transmission Licence, the Crown Estate Lease, the Onshore Lease Agreement or any applicable law or regulation.

# TC Ormonde OFTO Limited

## Notes to the Regulatory Accounts Year ended 31 March 2016

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

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

	31-Mar-16 £'000	31-Mar-15 £'000
Wholly repayable within five years	25,651	24,708
Wholly repayable after more than five years	73,893	78,773
	<u>99,544</u>	<u>103,481</u>

### 11. PROVISIONS

	Decommissioning provision £'000	Deferred tax £'000	Total £'000
At 1 April 2015	6,787	2,077	8,864
Charged to the profit and loss account	-	409	409
Unwinding of discount on provision	185	-	185
<b>At 31 March 2016</b>	<u><b>6,972</b></u>	<u><b>2,486</b></u>	<u><b>9,458</b></u>

#### 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 it has been assumed that this is expected to occur at the end of the initial licence period in 2032.

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 amount of costs to be incurred at the time of decommissioning has 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 Ormonde OFTO Limited

### Notes to the Regulatory Accounts Year ended 31 March 2016

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#### 11. PROVISIONS (Continued)

##### Deferred tax

The deferred tax liability consists of:

	31-Mar-16	31-Mar-15
	£'000	£'000
Accelerated capital allowances	2,582	2,515
Tax losses	(96)	(438)
	<u>2,486</u>	<u>2,077</u>

#### 12. CALLED UP SHARE CAPITAL

	31-Mar-16	31-Mar-15
	£'000	£'000
Allotted and fully paid 1 (2015: 1) ordinary share of £1 each	<u>-</u>	<u>-</u>

#### 13. RELATED PARTY DISCLOSURES

During the year the Company incurred £1,023,000 (Year ended 31 March 2015: £661,000) in fees from Transmission Capital Services Limited for the provision of asset management services. Included within trade creditors and accruals at 31 March 2016 are amounts owed to Transmission Capital Services Limited of £384,000 (31 March 2015: £158,000).

Transmission Capital Services Limited is ultimately owned by a joint venture in the Amber Infrastructure Group Holdings Limited ("Amber") group. Two of the directors of the company are also shareholders of Amber, hence transactions with Amber are considered to be related party transactions.

#### 14. 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.

#### 15. EXPLANATION OF TRANSITION TO FRS 102 FROM OLD UK GAAP

The company transitioned to FRS 102 from previously extant UK GAAP as at 1 April 2014. There were no changes in accounting policies and no material impact on the company arising from the transition to FRS 102.

