DTP Diamond Transmission Partners

Diamond Transmission Partners

BBE Limited

Regulatory accounts 2018/19

Contents

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A description of these regulatory accounts

For the year ended 31 March 2019

Diamond Transmission Partners BBE Limited ("the **Company**" and "the **Licensee**") is a holder of an Offshore Electricity Transmission Licence ("the **Licence**") granted under the Electricity Act 1989. The Licence was awarded to the Company on 25 April 2018 by The Gas and Electricity Markets Authority ("the **Authority**"). Under standard condition E2 of this Licence, we are 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 are prepared in respect of the licensee's regulatory transmission business. The Company only has one activity – that being the operation of its regulated transmission business; consequently, the regulatory financial statements contained herein reflect the same scope as that reported in the Company's statutory accounts for the year ended 31 March 2019 as prepared in accordance with Section 396 of the Companies Act 2006. In addition, the Directors' Report, Strategic Report and Corporate governance statement included within these regulatory accounts also reflect the same activities as reported in the Company's annual report and regulatory financial statements 2018/2019.

Content of the regulatory accounts

In accordance with the Licence these regulatory accounts comprise:

- A Strategic Report commencing on page 3;
- a Directors' Report commencing on page 19;
- a Corporate governance statement commencing on page 21;
- a Statement of Directors' responsibilities for preparing regulatory accounts on page 25;
- the Independent auditors' report on the regulatory accounts commencing on page 27;
- regulatory financial statements commencing on page 31;
- a statement showing transactions between the Company and its ultimate controller and other related disclosures. The information required by this statement is shown in note 18 to the regulatory financial statements "related party transactions" on pages 52 and 53.

Relationship of regulatory accounting statements with statutory accounts

The financial information contained in these regulatory accounting statements does not constitute statutory accounts within the meaning of Section 396 of the Companies Act 2006. Statutory accounts for the Company for the year ended 31 March 2019, to which the financial information relates, will be delivered to the registrar of Companies.

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 auditors' opinion on the Company's statutory accounts 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 it has 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 persons 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.

The regulatory accounts of the Company can be obtained from the website of the Company at https://www.diamondtransmissionpartners.com/.

Introduction

This Strategic Report explains the operations of the Company and the main trends and factors underlying the development and performance of the Company during the year ended 31 March 2019, as well as those matters which are likely to affect its future development and performance.

The ultimate parent company of the Company is Diamond Transmission Partners BBE (Holdings) Limited ("**DTPBBEH**"), a Company incorporated and registered in England and Wales Company Number 10121746.

The Company's principal activity is to provide an electricity transmission service to National Grid Electricity Transmission plc ("**NGET**") and from 01 April 2019 National Grid Electricity System Operator Limited ("**NGESO**") - the electricity transmission system operator for Great Britain. The Company owns and operates a transmission system that electrically connects an offshore wind farm generator to the onshore electricity transmission system owned by NGET.

Background

The Office of Gas and Electricity Markets ("**Ofgem**"), supporting government initiatives, has developed a regulatory regime for electricity transmission networks connecting offshore wind farms to the onshore electricity system. A key feature of this regime is that each new tranche of transmission assets required by offshore generators will be owned and operated by an offshore transmission owner ("**OFTO**"). OFTOs are subject to the conditions of a transmission licence.

The Company was awarded the Licence by the Authority that became effective from 26 April 2018. This Licence, amongst other matters, permits and requires the Company to maintain and operate the Burbo Bank Extension offshore electricity transmission assets for the 20-year revenue period. The Company's offshore electricity transmission system exports the output of the Burbo Bank Extension wind farm to NGET's onshore electricity transmission system.

The Electricity and Gas (Internal Markets) Regulations 2011 require all transmission system operators such as the Company to be certified as complying with the unbundling requirements of the European Parliament Directive concerning common rules for the internal market in electricity ("the **Third Package**"). The Company has been issued a certificate pursuant to Section 10D of the Electricity Act 1989 by the Authority confirming its compliance with the Third Package requirements. The Company has on-going obligations and is required to make certain periodic declarations to the Authority pursuant to the Licence to ensure compliance with the terms of the certificate, which it has met through to the date of this report.

The Company's offshore electricity transmission system

The Company transmits the electrical power of the Burbo Bank Extension wind farm from the offshore connection point of the Company's transmission assets with the generation assets owned by the wind farm generator to the onshore connection point of the Company's assets with the electricity transmission system of NGET. The roles and responsibilities of parties at connection points are governed through Interface Agreements and industry codes.

The Burbo Bank Extension offshore wind farm comprises 32 turbines, with a combined capacity of around 258 megawatts ("**MW**") and is located in the Bay of Liverpool around 7km off the coast of Liverpool. The power generated by the wind farm is transported to shore by the Company and connects into the NGET system at Bodelwyddan in Denbighshire, North Wales.

The wind farm turbines are interconnected in "strings" by medium voltage (34kV) submarine cables that act as a power collection and transport system. The medium voltage cables are run to the offshore electricity substation that is owned by the Company. At the offshore electricity substation, the voltage is "stepped up" to 220kV by electrical transformers and the electrical power transported to land by a 24km high voltage submarine cable buried in the sea floor. At landfall, the submarine cable is joined to a land cable that runs for 10km to the Company's onshore electricity substation at St. Asaph. At the onshore substation, the power factor of the electricity is corrected using reactive compensation equipment and voltage is "stepped up" to 400kV by electrical transformers. The electoral power is then transported by a land cable to NGET's Bodelwyddan substation and then connects into NGET's electricity transmission system.

The Company's long-term business objectives

The Company is a special purpose vehicle formed to hold the Licence. Its non-financial objectives are, therefore, consistent with the objectives of the Licence. The Company will achieve these objectives by ensuring its compliance with the Licence; industry codes and legislation; and by operating and maintaining its transmission system in accordance with good industry practice.

The Company's financial objective is to provide financial returns to shareholders consistent with, or in excess of, the business plan that supported its tender offer for the Burbo Bank Extension offshore transmission system. The Company will achieve this objective by:

- meeting its revenue targets by operating the transmission system at availability levels equal to, or higher than, the Licence target;
- adopting and maintaining a financing structure that is, as a minimum, as efficient as that contemplated by the business plan; and
- controlling costs and seeking efficiency improvements.

Future Developments

The Company's sole purpose is to hold and operate its offshore electricity transmission system and comply with the Licence which it has been awarded; no changes to this objective are likely in the future.

The Company's operating model

The company's business model is to outsource all operational, maintenance ("**O&M**") activities and management. O&M activities are outsourced to Renewable Energy Services Limited ("**RES**") and management and financial services are in-house through a Management & Financial Services Agreement ("**MFSA**") with Diamond Transmission Corporation Limited ("**DTC**"), a shareholder of DTPBBEH. As part of its general asset management responsibilities DTC fulfils the role of an 'informed buyer' to ensure that the outsourced O&M services are of the required quality to ensure that the Company meets its Licence obligations and complies with good industry practice. The Company mitigates the performance risk of its outsourced service providers through contract.

The Company's approach to managing the business

The Company's general approach to the management and operation of its business is based on ensuring that the right balance is achieved between cost, quality, performance, innovation and financial returns in order to optimise the cost of its services to the consumer. In doing so the Company:

- has a focus on transmission system availability;
- recognises the inherently hazardous nature of the Company's assets and operations requires a focus on Health Safety and the Environment ("**HS&E**");
- has the right people working safely to standards using the right processes, technology and systems;
- has implemented a risk management approach that ensures that risks are assessed, managed and reported appropriately; and
- has adopted a governance framework that enforces compliance with law, regulations and licence conditions.

Principal regulatory, industry contracts and industry code matters

The Company is subject to a number of regulatory and contractual obligations arising from and including: the Licence; the OTSDUW Completion Report and associated documents with NGET and NGESO and the System Operator – Transmission Owner Code ("**STC**"). The Company's operations are also subject to a range of industry-specific legal requirements.

Summaries of some of the major features of the Licence, industry contracts and electricity code matters are described as follows:

Licence obligations

Under the terms of the Licence the Company is required to carry out its licenced activities and have in place governance arrangements that ensure (amongst other obligations) that the Company does not provide cross-subsidies to or receive cross-subsidies from any other business of the Licensee or of any affiliate. In addition, the Licence places restrictions on the Company's activities, and how it conducts its transmission activities. In carrying out its transmission activities it must do so in a manner that does not confer upon it an unfair commercial advantage, in particular, in relation to any activity that does not relate to the operation of the offshore transmission business.

A failure by the Company to materially comply with the terms of the Licence could ultimately lead to the revocation of the Licence. The Directors take very seriously their obligations to comply with the terms of the Licence and has processes, procedures and controls in place to ensure compliance.

Regulated revenue and incentives

The Licence awarded by the Authority to the Company determines how much the Company may charge for the OFTO services that it provides to NGESO in any relevant charging year in accordance with a regulatory formula. The charging year is from 1 April to 31 March. The Licence also provides the Company with an incentive to ensure that the offshore transmission assets are available to transmit electricity by reference to the actual availability of the Company's transmission system in any given calendar year versus the regulatory target. The regulatory target availability is 98% of the total megawatt hour capacity of the Company's electricity transmission system (as determined by the Company's Services Capability Specification) in any given calendar year, or part thereof.

Transmission charges are based on the target transmission system availability of 98% and increase on 1 April following any given calendar year end by reference to the rate of increase in the UK retail price index ("**RPI**") in the 12-month period through to the previous September. The revenue derived from charges based on this target availability represents the Company's "base revenue". For the avoidance of doubt, the Company's transmission charges are not exposed to commodity risk and are not exposed to any generation risk.

As previously noted, the Licence contains mechanisms to incentivise the Company to provide the maximum possible transmission system availability, having regard to the safe running of the system. The Licence includes incentives to maximise availability on a monthly basis with higher targets and higher potential penalties in the winter months and lower targets and lower penalties, in the summer months. These incentive mechanisms are designed to encourage the Company to proactively manage transmission system availability by focusing maintenance activities, which lower transmission system availability, into those months with the lowest targets and related penalties.

If the achieved transmission system availability is different to the target availability, then there is a mechanism contained within the Licence that could potentially affect the Company's charges and hence its revenue in future periods. The Licence provides for adjustments to "base revenue" where the OFTO's system availability performance is different from the target system availability. If transmission system availability in any given calendar year is in excess of the target availability level, then credits are "earned" and if availability is less than target then penalties accrue. These availability credits and penalties are measured in megawatt hours ("**MWhrs**"). The Company is then required under the Licence, to change its prices to convert the availability credits earned or penalties accrued into a financial adjustment to "base revenue". The maximum availability credits the Company can "earn" and then collect in charges in any one charging year, is 5% of base revenue for the immediately preceding charging year. The maximum availability penalty in charges for any one charging year is 10% of base revenue for the immediately preceding charging year. Any net availability penalties not converted as adjustment to base revenue i.e. penalties over 10% up to a maximum of 50% of base revenue are carried forward on a cumulative and notional basis and aggregated with additional availability credits and penalties arising in subsequent years. Net availability penalties that arise in any one calendar year can only be carried forward for a maximum of five charging years.

Availability credits and penalties that arise in the first and final period of operations reflect a partial period of operations and the financial impact on charges is apportioned accordingly.

There are a number of risks that the Company faces that affect the level of transmission system availability and thus the incentive credits and penalties.

The principal factors governing transmission system availability include the following:

- the inherent design of the transmission system e.g. system redundancy;
- the management of maintenance activities so that the assets are maintained to good industry practice, thereby avoiding unnecessary equipment failure and where possible the Company seeks to carry out such maintenance without the need for planned outages whilst having regard to the safe operation of those assets; and
- the management of planned outages of the transmission system having regard to the activities of other interested parties and to bias such outages towards periods with the lowest system availability targets and related penalties.

The Company mitigates the risk of system unavailability due to equipment failure through the maintenance regime described above, the holding of strategic spares and robust contingency plans to respond to any unplanned system outage.

In certain circumstances and in respect of certain costs, such as non-domestic rates relating to the Company's onshore electricity network and costs charged by the Authority associated with running the OFTO tender regime, the Company is permitted under the terms of its Licence to pass these costs to its customer by altering charges as required.

Transmission system capability (capacity)

As described above, the Company is incentivised to provide the maximum transmission system availability as is possible having regard to the safe running of the system. The maximum availability of the system is defined in the Licence and is expressed in megawatt hours.

The Company has provided 98.26% transmission capacity based on the operational maximum capacity of the system for the performance year ended 31 December 2018– see "Transmission System Availability" below.

Actual transmission availability for the performance year ended 31 December 2018 of 98.26% was impacted by planned outages required to complete the commissioning of the SCADA system. The Company will be compensated for the loss of all transmission availability performance credits arising from the SCADA outages by the generator through the terms of the Sale and Purchase Agreement. The transmission availability for the performance year ended 31 December 2018 would have been 100% if the SCADA outages are removed.

The Company manages the risk of unexpected outages (and incurring related performance penalties) or incurring unexpected repair costs by carrying out appropriate maintenance in accordance with good industry practice.

Transmission system quality of supply

The STC sets out the minimum technical, design, operational and performance criteria that Offshore Transmission Owners must ensure that their transmission system can satisfy. For the Company's transmission system, the most significant requirements are in respect of the reactive power capability, voltage control and the quality of the power (as measured by harmonic performance) deliverable at the connection point of the Company's transmission system with NGET's transmission system.

The Company has met its requirements to transmit electricity in accordance with the parameters agreed with NGESO during the year under review and through to the date of this report.

Key performance indicators ("KPIs")

The Company has identified the following KPIs as being instrumental to the management of the transmission business. Such KPIs include financial and non-financial KPIs:

	Definition	Objective
Financial KPIs		
Operating profit plus interest income	Profit before costs of financing and taxation: £74k.	To increase^{+}.
Cash available for debt service	Net cash inflows from operating activities plus cash inflows from investing activities: £10,553k	To increase^{+}.
Non-Financial KPIs		
Maximise transmission availability	Making the transmission system available to transmit electricity over the performance year to 31 December 2018: 98.26%	To exceed the Licence target availability 98%.
Ensure that the quality of electricity at the export connection point is compliant with Security and Quality of Supply Standard ("**SQSS**") and the STC	To meet the standards set by the SQSS and the STC in relation to voltage control, reactive power and harmonic distortion.	To be compliant. This has been achieved for 2018/19.
HS&E	1) Zero lost time accidents ("**LTIs**"); 2) Zero reportable environmental incidents; 3) Zero enforcement actions by Marine Management Organisation ("**MMO**") and Natural Resource Wales ("**NRW**") in relation to Marine Licences; 4) Zero unauthorised access incidents in accordance with Electricity Safety, Quality and Continuity Regulations ("**ESQR**").	1) Zero LTIs; 2) Zero reportable environmental incidents; 3) Compliance with MMO Licence; 4) Zero unauthorised access incidents in accordance with ESQR. All of the above objectives have been met for 2018/19.

$^{+}$ After making appropriate adjustments for part years and where events give rise to unusual patterns of income, expenditure and/or one-off events.

The Company's operational performance

The Company's prime operational objectives are to maximise transmission system availability and to ensure that the quality of electricity at the onshore connection point is compliant with the SQSS and the STC having regard in all respects to the safety of employees, contractors and the general public at large.

In support of these objectives the Company has developed a comprehensive asset management policy and framework that is consistent with good industry practice. The policy and framework are derived by applying a risk assessment model that considers the probability and consequences, of failure to determine overall risk to components within the generic asset classes that comprise the OFTO assets: offshore platform; offshore substation; offshore cable; onshore cables and onshore substation.

During the year, the Company has continued the successful application of its asset management policy and framework and has carried out its asset management activities in accordance with the resulting Asset Operating Plan. Maintenance activities have been successfully carried out in accordance with the maintenance plan and the Company has developed its network outage plan and this has been submitted to and approved by, NGESO.

Transmission system availability

The performance of the Company's transmission system for the performance year ended 31 December 2018 was as tabulated below:

MWhrs	Note	Performance Year ended 31 December 2018
Maximum system availability(capability – MWhrs)	a	2,198,537
Actual system availability (MWhrs)	b	2,160,341
Actual system availability (%)	b	98.26%
Regulatory target system availability (%)		98%
Availability credits (MWhrs)		
Availability credits at 01 April 2018		-
Availability credits recovered in charges during financial year		-
Net availability credits for the performance year		5,775
Net availability credits at 31 March 2019 MWhrs	c	5,775

a) The maximum system availability of the Company's transmission system as declared to NGESO during the relevant performance year.

b) Actual availability as reported takes into account any relief permitted by the Licence or otherwise approved by the Authority. Actual system availability for the performance year ended 31 December 2018 has been adversely impacted by the impact of the SCADA outages – see "Transmission system capability (capacity)" earlier in this Strategic Report.

c) Net availability credits at 31 March 2019 represent "banked" availability credits through to 31 December 2018. Consequently, this excludes any potential credits that have arisen between 1 January 2019 and 31 March 2019 as these potential availability credits are not eligible to be "banked" until 31 December 2019.

Quality of supply

The quality of supply constraints agreed with NGESO (See "Transmission system quality of supply" above) require the Company to transmit electricity within certain parameters in relation to: voltage control; reactive power; and harmonic distortion. A failure to meet the quality of supply constraints could result in NGESO requiring the Company's transmission system to be disconnected from its electricity transmission system, resulting in loss of transmission availability and reduced incentive credits or performance penalties. The Company closely monitors compliance with the quality of supply constraints and carries out appropriate maintenance activities consistent with good industry practice to allow the Company to meet the quality of supply obligations.

During the year ended 31 March 2019 the Company has met its obligations to transmit electricity compliant with these operational obligations. The Company has continued to comply with these obligations through to the date of this report.

Health, safety and environmental performance

The Board recognises that the nature of its business requires a clear focus on health, safety and the environment. Safety is critical both to business performance and to the culture of the Company. The operation of the Company's assets gives rise to the potential risk that they could injure people and/or damage property if these risks are not properly controlled. Our objective is to eliminate or minimise those risks to achieve zero injuries or harm and to safeguard members of the general public.

The Board is pleased to report that, during the year under review there were no health or safety incidents that required reporting under applicable legislation and that contractor "lost days" arising from safety incidents that required reporting under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 were zero.

The Company is committed to reducing the environmental impact of its operations to as low as practically possible. The Company does so by reducing the effect its activities has on the environment by: respecting the environmental status and biodiversity of the area where the Company's assets are installed; considering whole life environmental costs and benefits in making business decisions; looking for ways to use resources more efficiently through good design, use of sustainable materials, responsibly refurbishing existing assets and reducing and recycling waste; and continually improving management systems to prevent pollution and to reduce the risk of environmental incidents.

The Board is also pleased to report that during the year under review there were no environmental incidents or matters that required reporting to any relevant competent authority and that it has continued to comply with the Marine licence obligations that were transferred to it by since the transmission assets were acquired by the Company.

Stakeholder relationships

The potentially hazardous nature of Company's operations and the environmentally sensitive nature of the locations where its assets are located require the Company to engage and communicate with a wide audience of stakeholders and to establish good relationships with them. As well as industry participants and local and national government bodies this audience includes: Port Authorities; the emergency services; the maritime community; environmental agencies and organisations; landowners and the general public. Accordingly, the Company has implemented a stakeholder engagement and communications plan. The Directors consider that stakeholder relationships are satisfactory.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company have been discussed and referenced in this Strategic Report alongside a discussion of the operational and financial performance of the Company.

The Company's financial performance

Summary

The financial performance of the Company for the year ended 31 March 2019 and its financial position as at 31 March 2019, was satisfactory and is summarised below. In this report, all numbers have been rounded to the nearest £1,000 where each £1,000 is represented by the symbol £k or £'000.

The Company reports its results in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the European Union; the currency used in reporting these regulatory financial statements is Great British Pounds ("**GBP**").

	2019
	£'000
Operating profit	6,145
Finance costs	(6,071)
Profit before taxation	74
Taxation	(155)
Loss after taxation	**(81)**
Net cash inflow from operating activities and interest income	**10,553**
Net cash flows used in servicing debt	**(10,375)**

Operating and finance income

Operating and finance income is derived from the Company's activities as a provider of transmission services. The vast majority of the Company's income is derived from NGESO.

Finance income for the year amounted to £5,844k and represents the finance income that would have been generated from an efficient standalone "transmission owner". The finance income has been recorded in accordance with the principal accounting policies adopted by the Company. A discussion of the critical accounting policies adopted by the Company is shown in the accounting policies section of the regulatory financial statements commencing on page 31.

Operating income for the year amounted to £3,161k and primarily represents the operating income that would be generated by an efficient provider of operating services to NGESO, our primary customer. Such services include those activities that result in the efficient and safe operation of the transmission assets and are reflective of the costs incurred in providing those services, including the cost of insuring those assets on behalf of a standalone transmission owner. Operating income has been recorded in accordance with the principal accounting policies adopted by the Company.

Operating costs

Operating costs for the year amounted to £2,860k.

This cost covers operations and maintenance fees, insurance fees, management service fees and non-domestic rates associated with the transmission network.

Operating profit

Operating profit, being the residual of operating income, finance income and operating costs, amounted to £6,145k.

Other finance income

Other finance income of £22k relates solely to interest earned on bank deposits.

Finance costs

Finance costs amounted to £6,093k. The vast majority of the finance costs relates to the interest cost of bank loans and other borrowing amounting to £4,749k and £1,107k respectively. Interest expense and other financial costs principally arise from the cost of debt used to finance the initial acquisition of the Transmission owner asset.

Taxation

The net taxation charge on profit before taxation for the year is £155k and comprises two elements deferred taxation £117k and £38k, being cost of selling losses to consortium partners in line with shareholders' agreement. There was no current taxation arising in the year as the Company has no taxable profit. The net taxation charge for the year ended 31 March 2019 has been computed at 19% and was adjusted to 17% (2018: 17%) following a re-measurement of deferred taxation balances at the balance sheet date.

A net taxation charge of £2,288k (2018: net credit of £nil) has been recognised in other comprehensive income relating to pre-taxation losses arising on marking the Company's cash flow hedges to market at the balance sheet date. The net taxation charge included within other comprehensive income relates solely to deferred taxation. This net taxation charge has been computed at 19% and adjusted to 17% following a re-measurement of deferred taxation balances at the balance sheet date.

Loss after taxation

Loss for the year after taxation amounted to £81k (2018: Loss £32k). The increase in loss after taxation over 2018 reflects the impact of the commencement of trade.

Cash flows

Net cash flows from operations amounted to £10,531k primarily reflecting the amounts invoiced and received from NGET up to 31 March 2019 and NGESO from 01 April 2019 in relation to the provision of transmission services in the year net of cash outflows relating to operating activities incurred during the year.

Net cash flows generated from investing activities amounted to £22k, reflecting the receipt of interest income.

Cash available for debt servicing, defined as net cash inflows from operations plus net cash inflows generated from investing activities amounted to £10,553k. Net cash outflows from financing activities amounted to £10,375k.

No income taxes were paid in the year.

Balance sheet and consideration of financial management

Balance sheet

The Company's balance sheet at 31 March 2019 is summarised below:

	Assets £'000	Liabilities £'000	Net assets/ (liabilities) £'000
Non-current Transmission owner asset	192,135	-	192,135
Non-current deferred taxation	1,791	-	1,791
Current assets and liabilities+	5,372	(1,643)	3,729
Non-current deferred income	-	(1,543)	(1,543)
Non-current decommissioning provision	-	(3,427)	(3,427)
Total before net debt	199,298	(6,613)	192,685
Net debt	-	(203,071)	(203,071)
Totals at 31 March 2019	**199,298**	**(209,684)**	**(10,386)**
Totals at 31 March 2018	1,044	(176)	868

+ Excluding those current assets and liabilities included within net debt.

Transmission owner asset and decommissioning provision

The Transmission owner asset is a financial asset and is carried at the cost directly attributable to the acquisition of the Burbo Bank Extension offshore transmission system at the date of acquisition, plus finance income and adjusted for any amounts that have been invoiced to NGET to 31 March 2019 and NGESO from 01 April 2019, which are deemed to be attributable to the carrying value of that asset. The net result being that the carrying value of the Transmission owner asset reflects the application of the effective interest rate method and is determined in accordance with the principal accounting policies adopted by the Company. A discussion of the critical accounting policies adopted by the Company that give rise to this balance is shown in the accounting policies section of the regulatory financial statements commencing on page 31.

The Transmission owner asset includes an estimate of the costs of decommissioning the Transmission owner asset at the end of its useful economic life in 2038. At 31 March 2019, the carrying value of the Transmission owner asset was £196,155k less amortisation of £3,516k and the decommissioning provision amounted to £3,321k plus discount unwound of £106k.

Non-current deferred taxation

The Company has recognised a net deferred taxation asset of £1791k which reflects the recognition, in full, of the deferred taxation impact of all temporary differences existing at the balance sheet date, including the fair valuing of all derivative financial instruments.

Net debt

Net debt is defined as all borrowings plus any interest accruals, the carrying value of all financial derivative contracts that are marked to market (interest rate swaps and UK Retail Price Index ("**RPI**") related swaps less cash and deposits.

At 31 March 2019 net debt stood at £203,071k and included £13,461k of net liabilities relating to the carrying value of financial derivatives that were marked to market at that date.

A discussion of the capital structure and the use of financial derivatives is provided below.

Current funding structure

The Company is funded by a combination of senior debt, other borrowing and equity in accordance with the Directors' objectives of establishing an appropriately funded business consistent with that of a prudent offshore electricity transmission operator and the terms of all legal and regulatory obligations including those of the Licence and the Utilities Act 2000. All forms of senior debt rank pari-passu with all other forms of senior debt, are secured and rank above all other debt and unsecured creditors.

Senior debt comprises loans from a syndicate of commercial lenders. All senior debt is serviced on a quarterly basis and is expected to amortise through to 25 January 2038. The total principal carrying value of commercial lenders loans outstanding at 31 March 2019 net of unamortised issue costs amounted to £173,825k.

The loans from the syndicate of commercial lenders are at variable rates linked to the 3 month Libor rate and in each case, require servicing on a quarterly basis. The Company has also entered into a series of interest rate swaps with fellow or subsidiary undertakings of the commercial lenders. The commercial lenders loans and related interest rate swaps amortise at the same rate over the life of the loan/swap arrangements. Further details of the interest rate swaps are shown below.

The other borrowing is in the form of unsecured loan notes issued to two related parties. These are DTC and Infrastructure Investments Limited Partnership ("**IILP**"). The other borrowing carries a fixed rate coupon. At 31 March 2019, the total principal carrying value of the other borrowing outstanding amounted to £17,644k.

Ordinary equity share capital amounted to £900k at 31 March 2019 (2018 £900k).

Going concern, liquidity and treasury management

The Directors have confirmed that after due enquiry they have sufficient evidence to support their conclusion that the Company is a going concern and has adequate resources in the foreseeable future to meet its on-going obligations, including the servicing of debt holders, as those obligations fall due.

The Directors note that total shareholders' equity at 31 March 2019 is negative (2018: £868k) but this position arises as a consequence of the application of certain technical accounting rules associated with hedge accounting which requires the mark-to-market of derivative financial instruments which has resulted in the recognition of a negative cash flow reserve. The existence of a negative cash flow reserve implies derivative net cash outflows will arise in future periods (based on the conditions prevailing at the balance sheet date). However, when these cash flows are considered together with the expected cash flows to be derived from the underlying position being hedged, then the net cash flow is as expected by the Board and is factored into the financial plans of the Company. Further information regarding the Company's "Hedging arrangements" is discussed later in this Strategic Report. Consequently, they have formed the opinion that it is reasonable to adopt the going concern basis in preparing the regulatory financial statements. The other evidence considered to arrive at these conclusions is based on a number of factors which are summarised below.

The expected cash inflows that are likely to accrue to the Company over the foreseeable future from its electricity transmission operations are highly predictable and would not be expected to fall below a certain level as explained above under "Principal regulatory, industry contracts and industry code matters - Regulated revenue and incentives". In addition, NGET to 31 March 2019 and NGESO from 01 April 2019, as a condition of its regulatory ring-fence is required to use its reasonable endeavours to maintain an investment grade credit rating and therefore, the likelihood of payment default by NGET or NGESO is very low.

The Company enjoys certain protections afforded under the Licence granted to the Company. In particular, provided that the Company can demonstrate that it has applied good industry practice in the management of the Company and its assets, then in the event that an unforeseen incident results in the Company suffering a loss in excess of £1,000k (in so far as it relates to its activities under the Licence) it can apply to the Authority for an income adjusting event. In these circumstances the Company can recover any loss it has suffered.

The Company has also put in place prudent insurance arrangements in relation to property damage and third-party liabilities, such that it can make claims in the event that an insurable event takes place and thereby continue in business.

The licence protections together with the insurance arrangements put in place reduce uncertainties and address certain risks regarding potential loss of income and/or loss/destruction of assets that arise from remote and/or catastrophic events.

The Company has also entered into certain hedging and other contractual arrangements that have been put in place to achieve a high degree of certainty (and thereby reduce uncertainty) as to the likely cash out-flows that are expected to occur over the life of the project.

The hedging arrangements are explained in more detail below under "Hedging arrangements". In summary: 1) the net cash flows that arise in relation to the combined effect of the interest rate swap arrangements and the commercial lenders variable rate loans means that the Company can forecast with a high degree of certainty the net impact of these cash outflows over the life of the project; and 2) the RPI swaps have the impact of effectively converting a high proportion of the variable cash flows arising from the Company's transmission services activities into a known and rising series of cash flows over the life of the project. The highly certain cash inflows arising from 2) are available to meet the highly certain cash outflows arising from 1).

Other contractual arrangements with third parties have been entered into that have a pricing mechanism that features linkages to RPI or other indices, which has the effect of reducing the uncertainty as to the quantum and frequency of cash outflows arising. As a consequence, it is the opinion of the Directors that the costs and related cash flows associated with these arrangements are more likely than not to vary in a similar manner with the principal cash inflows generated by the Company in relation to its transmission services that are not subject to the RPI swaps arrangements.

The Company also has access to a liquidity facility of £8,000k that it can access in the event that it has an insurable, income adjusting event or unforeseen costs. This covers the possible liquidity requirements of the Company while the insurance claim, income adjusting event, or unforeseen costs is settled.

Finally, under the terms of the other borrowing agreement, absent certain matters of default, the loan notes do not have to be redeemed until 2038. Therefore, there is no requirement for the Company to service this debt earlier than this date, although it is expected that it will do so.

Credit rating

In accordance with Licence Condition E11 and the alternative credit rating arrangements open letter, dated 22 October 2014, Mizuho Bank Ltd (Standard & Poor's A, Moody's A1) will provide the Company with a letter of credit to the value equal to six months' cash operating costs and six months' asset replacement costs as financial security. The letters of credit will be renewed every six months.

On-going funding requirements

The Company does not expect to have any significant funding requirements over the expected life of the project that will require additional external funding. Loan servicing and other obligations of the Company are expected to be met by the cash inflows generated by the Company. Consequently, based on the current capacity of the existing transmission system operated by the Company there is minimal refinancing risk.

To the extent that a requirement for significant expenditure is required in the future as a result of additional capital works being required to provide incremental capacity, there is a mechanism in the Company's transmission Licence to allow the Company to increase its charges in respect of such expenditure. The Directors expect that additional funding would be made available based on the increased cash inflows that would be expected to arise from such additional expenditure. No such additional expenditure is planned or expected in the foreseeable future.

Surplus funds

The Company invests surplus funds in term deposits with banks that have a short-term senior debt rating of at least A-1 or better issued by Standard & Poor's, or P-1 or better issued by Moody's, such short-term deposit periods typically mature at the end of each quarter. At 31 March 2018, the Company held £199 on deposit of which £199 was held in bank accounts that restrict the use of the monies contained in those accounts for specific purposes. Of the remaining cash and cash equivalents, £2,479k requires the consent of the Company's lenders prior to use but are held for general corporate purposes and the remaining £nil is unencumbered. A description of the restrictions applied to certain deposits and other matters are referred to below under "Lending covenants and other restrictions".

The Company has some variability of cash flows in relation to the interest it earns on its investments, as typically these investments are held in deposits with a typical maturity of 3 months or less and earn variable rates of interest. However, in the context of the other cash flows generated by the Company these amounts are insignificant.

Hedging arrangements

General

It is the policy of the Board that the Company will only enter into derivative financial instruments for the purpose of hedging an economic risk. No derivative financial instruments will be entered into unless there is an underlying economic position to be hedged. No speculative positions are entered into.

RPI swaps

The Company has entered into arrangements with third parties for the purpose of exchanging the vast majority (approximately 86.10%) of variable cash inflows arising from the electricity transmission service it provides to NGET to 31 March 2019 and NGESO from 01 April 2019 in exchange for a pre-determined stream of cash inflows with the final payment date expected on 31 March 2038. The period through to 31 March 2038 matches the remaining period over which the Company enjoys exclusive rights to operate the offshore transmission system under the Licence and closely reflects the period over which the vast majority of future cash flows from the project are expected to be generated.

As previously described (see "Principal regulatory, industry contracts and industry code matters - Regulated revenue and incentives"), under the terms of the Licence, regulatory and other contractual agreements, the Company is permitted to charge its principal customer, NGET to 31 March 2019 and NGESO from 01 April 2019, an agreed amount for the transmission services it provides, the price of which is uplifted each year commencing 1 April by a sum equivalent to the percentage change in RPI over the previous 12-month period measured from September to September. The use of derivative arrangements ("**RPI swaps**") has the effect of exchanging the vast majority of variable cash inflows derived from the Company's transmission services (impacted by changes in actual RPI) in exchange for a known and predetermined stream of rising cash flows over the same period.

The Directors believe that the use of these RPI swaps is consistent with the Company's risk management objective and strategy for undertaking the hedge. The vast majority of the Company's cash outflows relate to borrowings that substantially carry a fixed coupon (after interest rate swaps – see below) so that both the resultant principal repayments and coupon payments are largely predetermined. The purpose of the RPI swap arrangements is to generate highly certain cash inflows (thereby reducing uncertainty) so that the Company can meet its obligations under the terms of the Company's borrowing arrangements and therefore reduce the risk of default. The Directors believe that the RPI swaps continue to have a highly effective hedging relationship with the forecast cash inflows that are considered to be highly probable and as a consequence have concluded that these derivatives meet the definition of a cash flow hedge and have formally designated them as such.

The carrying value of the RPI swap liabilities at 31 March 2019 was £5,165k.

Further information relating to these derivative financial instruments is contained within notes 13 and 19 to the regulatory financial statements.

<u>Interest rate swaps</u>

The Company has also entered into a series of interest rate swaps with fellow or subsidiary undertakings of the same commercial lenders as provided the commercial loan financing. The Directors believe that the use of these interest rate swaps is consistent with the Company's risk management objective and strategy for undertaking the hedge. The net commercial effect of these arrangements is to convert 100% of the nominal amount of commercial lenders' variable rate borrowings into fixed rate borrowings.

The vast majority of the Company's cash inflows (after RPI swaps) can be predicted with a high degree of certainty (thereby reducing uncertainty) for the reasons explained above under RPI swaps. Consequently, the Company is able to service, with a high degree of confidence, all of the highly certain fixed senior debt cash outflows (after interest rate swaps) from the highly predictable cash inflows (after RPI swaps). Therefore, the risk that the senior debt cash outflows required to be serviced cannot be met from the cash inflows generated is significantly reduced.

The effect of using interest rate swaps in the manner utilised by the Company substantially eliminates the interest rate risk that the Company might otherwise have been subject to.

The Directors believe that the interest rate swap hedging relationship is highly effective and that the forecast cash inflows are highly probable and as a consequence, have concluded that these interest rate derivatives meet the definition of a cash flow hedge and have formally designated them as such.

The carrying value of the interest rate swap liabilities at 31 March 2019 was £8,296k.

Further information relating to these derivative financial instruments is contained within notes 13 and 19 to the regulatory financial statements.

Lending covenants and other restrictions

The Company is subject to certain covenants and conditions under lending agreements with the senior debt holders. The Company entered into the lending agreements to allow it to fund the acquisition of the Transmission owner asset. Under these lending agreements, a Global Agent has been appointed to represent the senior debt holders and to monitor compliance by the Company with the conditions of the lending agreements it has entered into. In addition, a Technical Adviser and an Insurance Adviser have also been appointed under the terms of the lending agreements to support the Global Agent in the discharge of the Agent's duties. The covenants and conditions of the lending agreements include (but are not limited to) the following:

- the Company is required to operate on the basis of a financial plan while the lending agreements are in place (20 years) which the Global Agent has approved and subject to certain allowances; any deviation from that plan requires the approval of the Global Agent. The financial plan is refreshed on a quarterly basis and revised on an annual basis as required;
- the Company is required to deliver financial and other information at specified intervals (typically quarterly) to the Global Agent;
- the lending agreements specify the bank accounts that the Company is permitted to operate and in addition, restrict the way in which those accounts should be operated – this includes, in respect of certain accounts, requiring those accounts to be funded for specific purposes and only allowing access to those accounts for that specified purpose. Most withdrawals from bank accounts require the consent of the Global Agent;
- the Company is required to maintain certain financial ratios (both historical and forward looking) in respect of debt service cover; loan life cover; and in respect of incremental investments it cannot exceed a specified gearing ratio;
- the Company is restricted under the lending agreements as to its ability to invest its surplus funds such that it is only permitted to invest those surplus funds in investments with maturities that are allowed under the terms of those agreements. Typically, this results in the Company investing in term deposits with maturities not exceeding three months;
- the Company is required to maintain adequate insurances at all times; and
- the Company is required to meet all the conditions contained within the lending agreements before any servicing of the other borrowing can take place or any distributions can be made to shareholders.

If the Company materially fails to comply with the terms of the lending agreements or has failed to apply one of the specified remedies, then the Company is in default of the lending agreements. In these circumstances the amounts due under the lending agreements are immediately due and payable or are repayable on demand.

Since entering into the lending agreements the Company has materially complied with all of the lending covenants and conditions and has continued to do so through to the date of this report.

Accounting policies

The regulatory financial statements present the results of the Company using the accounting policies outlined in the regulatory financial statements and are in accordance with IFRS as endorsed by the European Union. IFRS permits certain choices and the following material choices have been made as follows:

Presentation of regulatory financial statements

The Company uses the nature of expense method for the presentation of its income statement and presents its balance sheet showing net assets and total equity.

In the income statement the Company presents a sub-total of operating profit, being the total of operating income, finance income and operating costs. Finance income represents the income derived from the operation of the Company's Transmission owner asset and is included within operating profit to reflect the fact that this is one of the principal revenue generating activities of the Company and relates to the Company's principal operating activity as a provider of electricity transmission availability services.

Financial Instruments

The Company has elected to apply hedge accounting to its standalone derivative financial instruments.

Critical accounting policies

The application of accounting principles requires the Directors of the Company to make estimates, judgements and assumptions that are likely to affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities in the regulatory financial statements. Better information, or the impact of an actual outcome, may give rise to a change as compared with any estimates used and consequently the actual results may differ significantly from those estimates. The impact of revised estimates, or the impact of actual outcomes, will be reflected in the period when the better information or actual outcome is known.

A discussion of critical accounting policies is contained within the accounting policies section of the regulatory financial statements together with a discussion of those policies that require particularly complex or subjective decisions or assessments. The accounting policies section of the regulatory financial statements commences on page 31.

Approved on behalf of the Board

Gary Thornton

Director

16 July 2019

Directors' Report

For the year ended 31 March 2019

The information in this Directors' Report does not comprise a directors' report within the meaning of the Companies Act 2006; the following sections describe the matters that are required by the Licence for inclusion in the Directors' Report and were approved by the Board. Further details of matters required to be included in the Directors' Report are incorporated by reference into this report, as detailed below.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the regulatory financial statements were:

Elizabeth Jo Beswetherick (appointed 23 July 2018
David Alexander John Foot (appointed 19 April 2018)
Kwansoo Lee
Gary Thornton
Stewart Orrell (appointed on 19 April 2018 and resigned on 23 July 2018)
Yasushi Umemura (resigned on 19 April 2018)

Qualifying third party indemnity provisions

The Company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Principal activities and business review

A full description of the Company's principal activities, business and principal risks and uncertainties is contained in the Strategic Report on pages 9 to 17, which is incorporated by reference into this report.

Material interests in shares

Diamond Transmission Partners BBE Limited is a wholly owned subsidiary undertaking of the ultimate parent company Diamond Transmission Partners BBE (Holdings) Limited.

Returns to related party undertakings

During the year ended 31 March 2019 the Company repaid £379k of principal and paid £515k of interest in relation to the unsecured loan notes 2038 to its related party undertakings. The principal outstanding on these loans amounted to £17,644k at 31 March 2019.

Interim ordinary dividends amounting to £nil (2018: £nil) were paid during the year. The Directors are not proposing a final dividend (2018: £nil).

Donations and research and development

No charitable or political donations were made during the year (2018: £nil) and expenditure on research and development activities was £nil (2018: £nil).

Financial instruments

Details on the use of financial instruments and financial risk management ("Hedging Arrangements") are included on pages 15 to 16 in the Strategic Report.

Greenhouse gas emissions

The operation of the Company's facilities requires the consumption of electricity. The Directors have estimated that 84,556kg of CO_2 (equivalent) has been emitted during year ending 31 March 2019 (2018: nil).

Going concern

Having made enquiries, the Directors consider that the Company has adequate resources to continue in business for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the regulatory financial statements of the Company. More details of the Company's funding and liquidity position is provided in the Strategic Report under the headings "Current funding structure" and "Going concern, liquidity and treasury management".

The Company's strategy, long-term business objectives and operating model

The Company's strategy, long-term business objectives and operating model are set out in the Strategic Report and include an explanation of how the Company will generate value over the longer term.

Future developments

Details of future developments are contained in the Strategic Report.

Employee involvement, Directors' emoluments and fees

The Company does not have any employees and does not expect to engage any employees in the foreseeable future – see "The Company's Operating Model" in the Strategic Report on page 4.

The Directors receive no emoluments from the Company, consequently, there is no linkage between service standards and Directors' emoluments, fees and/or benefits.

During the year ended 31 March 2019 Directors' fees paid or payable to DTC and IILP for services provided to the Company amounted to £98k (2018: £nil).

Approved on behalf of the Board

Gary Thornton

Director

16 July 2019

Diamond Transmission Partners BBE Limited

Mid City Place

71 High Holborn

London, WC1V 6BA

Corporate governance statement

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 and which has the same content as the statement a quoted company is required to prepare.

As a subsidiary undertaking of DTPBBEH, the Company operates within the corporate governance framework of DTPBBEH and its subsidiary undertakings ("the **Group**"). Consequently, an understanding of the Group's governance framework is required to understand the Company's position within that framework.

The Company is a private company limited by shares and is incorporated and registered in England.

Appointments to the board of directors of DTPBBEH and its subsidiary undertakings are governed by a shareholders' agreement ("the **Agreement**") between the two shareholders of DTPBBEH that jointly control that Company through a common class of ordinary shares and indirectly DTPBBE by way of its majority shareholding in the company, DTC - a subsidiary of Mitsubishi Corporation) and IIO1 Limited a subsidiary of IILP Infrastructure Company Limited. The Agreement requires that all boards within the Group comprise four directors, with two directors appointed by each shareholder. Consequent upon these arrangements between the shareholders, no Group Company has a nomination committee and the performance of the boards is not evaluated.

The Agreement ensures that boards are balanced, with no one shareholder having majority representation and allows the Company to draw on the respective financial and operational expertise of each of its shareholders. Accordingly, the Directors have the relevant expertise and experience, drawn from their involvement in a wide range of infrastructure companies, to define and to develop the strategy of the Company so as to meet its objectives and to generate or preserve value over the longer term. The Directors regularly review the effectiveness of the Company's risk management and internal control framework and are satisfied that they are effective.

None of the Directors has declared a conflict of interest, as would be required by Section 175 of the Companies Act 2006 and the Company's Articles of Association.

Appointments to the board are made in accordance with the shareholders' agreement and do not include a policy on the diversity of board members.

DTPBBE

Meetings of the board of DTPBBE

DTPBBE is governed by a board of four directors, none of whom are independent. The DTPBBE board does not have a separately appointed chairman. Meetings are chaired by a member of the DTPBBE board and are convened as required, but usually not less than four times per annum. The DTPBBE board is accountable to both its own shareholder and the shareholders of the immediate parent company DTPBBEH for the good conduct of the Group's affairs, including those of the Company.

Audit committee

The Company does not have an internal audit function. The Directors have concluded that the cost of such a function would be disproportionate to the benefits. The Company has an Audit Committee. The purpose of the Audit Committee is to assist the board of the Company in the effective discharge of their responsibilities for the consideration of financial and regulatory reporting and for internal control principles in order to ensure high standards of probity and transparency. In so doing, the Audit Committee acts independently of the management of the Company and seeks to safeguard the interests of its shareholders by:

- monitoring the integrity of financial and financial regulatory reports issued by the board of Directors on behalf of the Company with the objective of ensuring that these reports present a fair, clear and balanced assessment of the position and prospects of the Company;
- reviewing the economy, efficiency and effectiveness of the Company's operations and internal controls, the reliability and integrity of information and accounting systems and the implementation of established policies and procedures;
- considering any significant issues and the extent to which they have been disclosed in the relevant annual report and financial statements of the Company, including a consideration of the critical accounting policies adopted by the Company (a discussion of which is included on pages 31 to 38);
- reviewing and approving the internal control and risk management policies applicable to the Group;
- maintaining an appropriate relationship with the external auditors; and
- assessing the objectivity and independence of the external auditors by considering: the nature and extent of non-audit services; a consideration of the effectiveness of the audit process including a recommendation to the Boards of DTPBBEH and other Group Companies as to the reappointment of the auditors to the Company (who were appointed at or prior to the commencement of operations in 2018).

A representative of the auditors is normally invited to attend meetings of the Committee; the auditors also have unrestricted access to the Audit Committee.

The Committee is satisfied as to the auditors' objectivity and independence following enquiry and discussion with the auditors and with management.

<u>The Company</u>

Board and management meetings

The Company is governed by a Board of four Directors, none of whom are independent. The Board does not have a separately appointed chairman. Meetings are chaired by a member of the Board and are convened as required, but usually not less than four times per annum. The Company Board is responsible for monitoring the effectiveness of the day to day operation and management of the Company's regulated transmission business.

The Company's operating model is to outsource all O&M activities. DTC provides asset management capability and other services, through a MFSA with DTPBBE. DTC holds regular management meetings which review the operational and financial performance of the Company and risk issues. DTC submits a monthly management report to the Directors of the Company.

Corporate governance statement continued

Directors and their attendance at Company board meetings

The Directors of the Company are as shown below. Board meetings were held on 8 occasions during the year under review. Attendance by the Directors at Board meetings, expressed as a number of meetings attended out of a number eligible to attend are shown below:

Elizabeth Jo Beswetherick[1]	3 of 3
David Alexander John Foot[2]	6 of 6
Kwansoo Lee	7 of 8
Gary Thornton	8 of 8
Stewart Orrell[3]	0 of 3
Yasushi Umemura[4]	2 of 2

[1] appointed 23 July 2018, [2] appointed 19 April 2018, [3] appointed on 19 April 2018 and resigned on 23 July 2018,[4] resigned on 19 April 2018

Compliance Committee

The Company has a Compliance Committee. The Compliance Committee is a permanent internal body having an informative and consultative role, without executive functions, with powers of information, assessment and presentations to the Board. Mr Michael Walbank was the Company's Compliance Officer from 26 April 2018 until his resignation on 06 February 2019. Dr Graeme Hutchinson was appointed on 06 February 2019 as his successor neither Mr Walbank nor Dr Hutchinson were/are engaged in the management nor operation of the Company's licensed transmission business system, nor the activities of any associated business. The Compliance Officer is required to report to the Compliance Committee, Audit Committee and the Board of the Directors at least once annually.

The principal role of the Compliance Officer is to provide relevant advice and information to Directors of the Company, the compliance committee and consultants and other third parties providing services to the Company. The Compliance Officer is required to facilitate compliance with the Licence as regards the prohibition of cross subsidies; restriction of activities and financial ring fencing; the conduct of the transmission business and restriction on the use of certain information. In addition, the Compliance Officer is required to monitor the effectiveness of the practices, procedures and systems adopted by the Company in accordance with the compliance statement required by amended standard condition E12 - C2 of the Licence (Separation and Independence of the Transmission Business).

Members of the Compliance Committee and their attendance, expressed as a number of meetings attended out of a number eligible to attend during the year under review were as follows:

Elizabeth Jo Beswetherick[1]	1 of 1
David Alexander John Foot[2]	2 of 2
Kwansoo Lee	2 of 2
Gary Thornton	2 of 2
Stewart Orrell[3]	1 of 0

[1] appointed 23 July 2018, [2] appointed 19 April 2018, [3] appointed on 19 April 2018 and resigned on 23 July 2018

Compliance statement

The Company has published a compliance statement and code of conduct "Separation and Independence of the Transmission Business Compliance Statement" (copy available from www. diamondtransmissionpartners.com) that addresses how the Company has addressed its Licence obligations.

Health, safety and environment advisory committee

The Board recognises that the nature of the Company's business requires a focus on health, safety and the environment. Accordingly, the Board of DTPBBE has a Health, Safety and Environmental Advisory Committee which considers health, safety and environment matters relating to Diamond Transmission Partners BBE Limited. The committee is responsible for:

- ensuring that the Company's health and safety policy statement and environmental policy statement, are being adhered to;
- setting of health, safety and environmental targets for the Company;
- monitoring health, safety and environmental performance of the Company against planned targets;
- encouraging greater awareness throughout the Company of the importance of health, safety and the environment and higher achievement in health, safety and environmental performance; and
- providing a link between the Board, the management services company, DTC and the Company's O&M providers that have the day to day responsibility for the management of health, safety and environment**.**

Members of the Health, Safety and Environment Supervisory Committee and their attendance, expressed as a number of meetings attended out of a number eligible to attend during the period under review were as follows:

Elizabeth Jo Beswetherick[1]	1 of 1
David Alexander John Foot[2]	2 of 2
Kwansoo Lee	2 of 2
Gary Thornton	2 of 2
Stewart Orrell[3]	1 of 0

[1] appointed 23 July 2018, ,[2] appointed 19 April 2018, [3] appointed on 19 April 2018 and resigned on 23 July 2018

Approved on behalf of the Board

Gary Thornton

Director

16 July 2019

Statement of Directors' responsibilities

For the year ended 31 March 2019

The Directors of the Company are required by standard condition E2 of the Licence to prepare regulatory accounts for each financial year which comply with the requirements set out in that condition. The Directors' believe that, based on enquiry and the information available to them, that they have complied with these requirements. The content of the regulatory accounts is described under "A description of these regulatory accounts" on page 2.

The Directors consider that, in preparing the regulatory financial statements included in the regulatory accounts, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and all applicable accounting and financial reporting standards have been followed.

The Directors have responsibility for preparing the regulatory financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business. Therefore, these regulatory financial statements have been prepared on the going concern basis.

The Directors have responsibility for ensuring that the Company keep accounting records in such form that revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to, the transmission business of the licensee are distinct from any other activity of the Company.

The Directors have responsibility for ensuring that the regulatory financial statements fairly present the financial position, financial performance and cash flows of, or reasonably attributable to, the transmission business.

The Directors have responsibility to ensure that, so far as reasonably practicable, the regulatory financial statements included in the regulatory accounts have the same form and content as the equivalent statutory accounts of the Company and that they comply in all material respects with all applicable International Financial Reporting Standards as adopted by the European Union, subject to any material departures being disclosed and explained in the regulatory financial statements.

The Directors have responsibility to ensure that the regulatory financial statements include an income statement, a statement of changes in equity and, if appropriate, a statement of comprehensive income, a balance sheet and a cash flow statement, including notes thereto. The Directors also have responsibility to ensure that the regulatory financial statements include a statement of accounting policies adopted, a corporate governance statement, a Directors' Report and a Strategic Report.

The Directors have responsibility to ensure that the regulatory financial 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 the ultimate controller (or that of its subsidiaries other than the Company) of the Company, or that have been determined by allocation or apportionment to the transmission business or between any other business of the licensee or affiliate or related undertaking together with a description of the basis of apportionment or allocation.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and to detect fraud and irregularities.

The Directors, having prepared the regulatory financial statements, have requested the auditors to take whatever steps and to undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

Approved on behalf of the Board

Gary Thornton

Director

16 July 2019

Independent auditors' report to the Gas and Electricity Markets Authority (the "Regulator") and the directors of Diamond Transmission Partners BBE Limited

For the year ended 31 March 2019

Report on the audit of the regulatory accounts (the "regulatory financial statements")

Opinion

In our opinion, Diamond Transmission Partners BBE Limited's non-statutory regulatory financial statements for the year ended 31 March 2019 have been properly prepared, in all material respects, in accordance with standard condition E2 of the company's Regulatory Licence, and the Accounting Policies.

We have audited the regulatory financial statements, included within the regulatory accounts which comprise: the balance sheet as at 31 March 2019; the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; the accounting policies; and the notes to the regulatory financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800, and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the regulatory financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter - Basis of preparation

Without modifying our opinion, we draw attention to the Accounting Policies, which describes the basis of preparation of the regulatory financial statements. The regulatory financial statements are separate from the statutory financial statements of the company and are prepared in accordance with standard condition E2 of the regulatory licence. Where consistent with standard condition E2 of the regulatory licence, the regulatory financial statements have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRS), interpretations issued by the IFRS Interpretations Committee (IFRS IC) and with the requirements of the Companies Act 2006 applicable to companies reporting under IFRS. Financial information other than that prepared on the basis of IFRSs does not necessarily represent a true and fair view of the financial performance or financial position of a company. As a result, the regulatory financial statements may not be suitable for another purpose.

The nature, form and content of the regulatory financial statements are determined by the regulator. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable for the regulator's purposes. Accordingly, we make no such assessment.

In addition, we draw attention to the fact that these regulatory financial statements have not been prepared under section 394 of the Companies Act 2006 and are not the company's financial statements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the regulatory financial statements is not appropriate; or
- the directors have not disclosed in the regulatory financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the regulatory financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Regulatory Accounts other than the regulatory financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the regulatory financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the regulatory financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the regulatory financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the regulatory financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

<u>The directors' report, strategic report and corporate governance statement</u>

The company's Regulatory Licence, standard condition E2, requires the regulatory financial statements and the directors' report, strategic report and corporate governance statement to be prepared as if the company were a quoted company and as if the regulatory financial statements were the company's statutory financial statements prepared in accordance with Part 15 of the Companies Act 2006. The directors have therefore prepared a directors' report, strategic report, and corporate governance statement accompanying the regulatory financial statements. Under the terms of our contract we have assumed responsibility to provide those opinions that would be provided if this were the statutory annual report of a quoted company, in accordance with the Companies Act 2006.

In our opinion, based on the responsibilities described above and our work undertaken in the course of the audit:

- the information given in the directors' report and strategic report for the financial year for which the regulatory accounts are prepared is consistent with the regulatory accounts and has been prepared in accordance with applicable legal requirements

- in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the directors' report and strategic report; and
- the information given in the corporate governance statement with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the regulatory accounts and has been prepared in accordance with applicable legal requirements.

Responsibilities for the regulatory financial statements and the audit

<u>Responsibilities of the directors for the regulatory financial statements</u>

As explained more fully in the Statement of Directors' Responsibilities set out on page 25 and 26, the directors are responsible for the preparation of the regulatory financial statements in accordance with standard condition E2 of the company's Regulatory Licence and the Accounting Policies and for determining that the basis of preparation and accounting policies are acceptable in the circumstances. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of regulatory financial statements that are free from material misstatement, whether due to fraud or error.

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

<u>Auditors' responsibilities for the audit of the regulatory financial statements</u>

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

A further description of our responsibilities for the audit of financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

<u>Use of this report</u>

This report, including the opinion, has been prepared for and only for the company's directors as a body for the company to meet its obligation included in standard condition E2 of the company's Regulatory Licence dated 25 April 2018 and to facilitate the carrying out by the Regulator of its regulatory functions in accordance with our engagement letter dated 14 June 2019 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the company, save where expressly agreed by our prior consent in writing.

Our opinion on the regulatory financial statements is separate from our opinion on the statutory financial statements of the company for the year ended 31 March 2019 on which we reported on 16 July 2019 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.

Other required reporting

Opinion on matters prescribed by standard condition E2 of the Regulatory Licence

Under the terms of our contract we have assumed responsibility to report to you in respect of matters specified by standard condition E2. We are therefore required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the company, or returns adequate for our audit have not been received from operating locations not visited by us; or
- the regulatory financial statements are not in agreement with the accounting records and returns retained for the purpose of preparing the regulatory financial statements.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Edinburgh

16 July 2019

Accounting policies

For the year ended 31 March 2019

A. Basis of preparation of regulatory financial statements under IFRS

These regulatory financial statements have been prepared on a going concern basis in accordance with standard condition E2 of the Licence. In addition, these regulatory financial statements, where consistent with standard condition E2 of the Licence, have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRS), interpretations issued by the IFRS Interpretations Committee (IFRS IC) and with the requirements of the Companies Act 2006 applicable to companies reporting under IFRS. The regulatory financial statements have been prepared using consistent accounting policies updated, where necessary, to ensure that the accounting policies adopted reflect all IFRS accounting standards that have been endorsed by the EU and any related interpretations issued by the IFRS IC that are mandatory for the year ended 31 March 2019. The regulatory financial statements have been prepared on an historical cost basis except for the revaluation of derivative financial instruments. The regulatory financial statements are presented in pounds sterling, which is the functional currency of the Company and are rounded to the nearest £1,000.

The preparation of regulatory financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

B. Transmission availability arrangements

The Company owns and operates an electricity transmission network which electrically connects an offshore wind farm generator to the onshore electricity transmission network. The ownership of this transmission network is subject to regulatory and contractual arrangements that permit it to charge for making its transmission network available ("transmission availability charges") to the wind farm generator thereby allowing the wind farm generator to transmit its electricity.

The characteristics of the regulatory, legal and contractual arrangements that give rise to the transmission availability charges referred to above are consistent with the principles contained within IFRIC 12 an interpretation issued by the IFRS Interpretations Committee ("**IFRS IC**"). Consequently, the accounting for charges made by the Company for transmission network availability is consistent with that interpretation.

The major characteristics that result in the application of IFRIC 12 include the following:

- the regulatory arrangements determine the price charged by the Company for its transmission availability services; and
- the regulator has granted a licence to operate the transmission system which provides the Company with the right to charge for the provision of transmission services for an exclusive period of around 20 years and retains the rights to grant a transmission licence to a future operator.

A Transmission owner asset has been recognised at cost in accordance with the principles of IFRIC 12 and IFRC15. The Transmission owner asset includes: the cost of acquiring the Transmission network asset from the constructor of the network; those costs incurred that are directly attributable to the acquisition of the transmission network; and the estimated cost of decommissioning the transmission network at the end of its estimated useful life. The Transmission owner asset has been classified as a contract asset under IRFS 15 and is accounted for as described below – see C – Financial Instruments.

In accordance with IFRIC 12, transmission availability charges are recognised in the regulatory financial statements in three ways:

- as an adjustment to the carrying value of the Transmission owner asset – see C. Financial Instruments below;
- as finance income - see F. Operating and finance income below; and
- as operating income - see F. Operating and finance income below.

Transmission availability payments are recognised at the time the transmission service is provided.

The value of amounts invoiced for transmission availability services in any one year is determined by a regulatory agreement that allows the transmission system operator to invoice an amount primarily relating to the expected availability of the transmission system during that year, together with the recovery of certain costs. Where the level of availability of the transmission system or the costs that are permitted to be recovered is different to that expected this might result in an adjustment to charges in a subsequent accounting period. Such potential adjustments to future charges are not recognised in the regulatory financial statements as assets or liabilities, until such time as the value and basis of the adjustment are agreed with the Authority, consequently the adjustments these adjustments are reflected in these Financial Statements.

C. Financial instruments

The Company commenced trading on the 27 April 2018 as IFRS 9 and IFRS 15 were already applicable for this accounting period. The Company has adopted the provisions of these standards for the current and all future accounting periods.

Financial assets are measured at amortised cost or at fair value through profit and loss.

Trade receivables are classified at amortised cost as they are held within a business model to collect contracted cash flows. Such receivables are initially recognised at their transaction price, being the expected amount of any consideration receivable. Trade receivables continue to be measured at their transaction price less any lifetime expected credit losses using the simplified approach for determine such losses as permitted by IFRS 9 "Financial Instruments".

Loan receivables, including time deposits and demand deposits, are initially recognised at fair value, which would normally be the transaction price and subsequently measured at amortised cost, less any lifetime expected credit losses.

The Transmission owner asset is classified as a contract asset under IFRS 15 and is carried at amortised cost using the effective interest rate method less any lifetime expected credit losses and reflecting adjustments to its carrying value as referenced above – see B. Transmission availability arrangements. Finance income relating to the Transmission owner asset is recognised in the income statement as a separate line item – "Finance income", see F. Operating and finance income below.

Lifetime expected credit losses are considered at each reporting date. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

D. Hedge accounting

The Company has entered into a number of transactions, which the company has determined as qualifying for Hedge accounting as permitted by IFRS 9. This position has been accomplished by preparing documentation to specifying the hedging strategy, the component transactions, the methodology used for measuring the effectiveness of the instrument and the creditworthiness of the parties involved.

The Company has entered into an arrangement with third parties that is designed to hedge future cash receipts arising from its activities as a provider of transmission availability services (RPI swaps). The Company has designated that this arrangement is a hedge of another (non-derivative) financial instrument, to mitigate the impact of potential volatility on the Company's net cash flows.

The Company has also entered into an arrangement with third parties that is designed to hedge future cash flows arising on variable rate interest loan arrangements, with the net effect of exchanging the cash flows arising under those arrangements for a stream of fixed interest cash flows ("interest rate swaps").

To qualify for hedge accounting, documentation is prepared specifying the hedging strategy, the component transactions and methodology used for effectiveness measurement.

Changes in the carrying value of financial instruments that are designated and effective as hedges of future cash flows ("cash flow hedges"), including any change in the fair value of those hedges that result from a change in the credit risk of these hedges, are recognised directly in a hedging reserve in equity and the Statement of Other Comprehensive Income. Any ineffective portion is recognised immediately in the income statement. Amounts deferred in equity in respect of cash flow hedges are subsequently recognised in the income statement in the same period in which the hedged item affects net profit or loss or the hedging relationship is terminated, and the underlying position being hedged has been extinguished.

E. Income taxation

Income taxation comprises current and deferred taxation. Income taxation is recognised where a taxation asset or liability arises that is permitted to be recognised under generally accepted accounting principles. All identifiable taxation assets or liabilities are recognised in the income statement except to the extent that the taxation arising relates to other items recognised directly in equity, in which case such taxation assets or liabilities are recognised in equity.

i. Current taxation

Current taxation assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount of taxation are those that are enacted, or substantively enacted, by the balance sheet date.

ii. Deferred taxation

Deferred taxation is provided using the balance sheet liability method and is recognised on temporary differences between the carrying amounts of assets and liabilities in the regulatory financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred taxation liabilities are generally recognised on all taxable temporary differences and deferred taxation assets are recognised to the extent that is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised, based on the tax rates (and tax laws) that have been enacted, or substantively enacted, by the balance sheet date.

Unrecognised deferred taxation assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred taxation asset to be recovered.

F. Operating and finance income

i. General

As indicated above, see B. Transmission availability arrangements, amounts invoiced in respect of transmission availability charges, net of value added tax, are attributed to operating income, finance income or as an adjustment to the carrying value of the Transmission owner asset in the manner described below. Finance and operating income reflect the principal revenue generating activity of the Company, that being revenue associated with the provision of transmission availability services and consequently, are presented as separate line items within the Income statement before other costs and net interest costs.

ii. Operating income

An estimate has been made as to the appropriate revenue that should be attributable to a standalone operator with responsibility for operations, maintenance and insurance.

Operating income represents the income derived from the provision of operating services, principally to the Great Britain electricity system operator. Such services include those activities that result in the efficient and safe operation of the Company's transmission assets and are reflective of the costs incurred in providing those services, including the cost of insuring the transmission assets on behalf of a standalone transmission owner.

iii. Finance income

Finance income arising from the provision of transmission availability services represents the return that an efficient standalone "transmission owner" would expect to generate from the holding of the Transmission owner asset and an estimate has been made as to the appropriate return that such an owner would generate having regard to the risks associated with those arrangements. The return that is generated on this asset is allocated to each period using the effective interest rate method.

G. Cash and cash equivalents

Cash and cash equivalents include cash held at bank and in hand, together with short-term highly liquid investments with an original maturity of less than three months that are readily convertible to known amounts of cash and subject to an insignificant change in value.

H. Decommissioning costs

Provision is made for costs expected to be incurred at the end of the useful life of the offshore transmission network associated with the safe decommissioning of that network. Provision for these costs is based on future estimated expenditures, discounted to present values. Changes in the provision arising from revised estimates or discount rates, or changes in the expected timing of expenditures, are recognised in the income statement. The unwinding of the discount and changes arising from revisions to the discount rate are included within the income statement as a component of the net interest charge. Changes in estimates arising from revised cost assessments are included within operating costs.

I. Critical accounting judgements, key assumptions and sources of estimation uncertainty

The preparation of regulatory financial statements requires management to make accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Assumptions and estimates are reviewed on an on-going basis and any revisions to them are recognised in the period the revision occurs. The following is a summary of the critical accounting policies adopted by the Company together with information about the key judgements, estimations and assumptions that have been applied.

i. Transmission availability arrangements – income and related asset recognition

The Directors after due enquiry have identified that the characteristics of the regulatory, legal and contractual arrangements that give rise to transmission availability charges are consistent with the principles contained within IFRIC 12 and IFRS 15 where appropriate. Consequently, the accounting for charges made by the Company for transmission network availability is consistent with IFRIC 12 and IFRS 15.

As a consequence of this decision, the following outcomes follow:

- a Transmission owner asset has been recognised at cost in accordance with the principles of IFRIC 12 and IFRS 15; and
- in accordance with IFRIC 12, transmission availability charges are recognised in the regulatory financial statements in three ways: as finance income, as operating income and as an adjustment to the carrying value of the Transmission owner asset.

An alternative accounting analysis could result in a significantly different accounting outcome which would affect the amounts and classification of asset and liabilities in the balance sheet and alter the income recognition and presentation of amounts included within the income statement.

The Company has determined that the Transmission owner asset will be recovered over a period of 20 years from the date the Licence came into force (26 April 2018), being the principal period over which the Company is permitted to levy charges for transmission availability. This assumption has the effect of determining the amount of finance income and carrying value of the Transmission owner asset that is recognised in any one year over the life of the project.

ii. Operating and finance income

Operating income

Operating income represents the income derived from the provision of operating services, principally to the Great Britain electricity system operator. Such services include those activities that result in the efficient and safe operation of those assets and are reflective of the costs incurred in providing those services, including the cost of insuring those assets on behalf of a standalone transmission owner. Estimates and judgements have been made by management to estimate the appropriate amount of revenue that would be attributable to this income classification as if this service were provided by an independent standalone operator with responsibility for operations, maintenance and insurance. To the extent that an alternative judgement or estimate was made as to the reasonable level of revenue attributable to such an operator, then in the case of the Company, the level of income attributed to finance income (see below) would be amended.

Finance income

Finance income arising from the provision of transmission availability services represents an estimate of the return that an efficient standalone and independent "transmission owner" would expect to generate from the holding of the Transmission owner asset. Estimates and judgements have been exercised by management to determine an appropriate return to the owner of such an asset having regard to the risks associated with those arrangements. The return that is generated on this asset is allocated to each period using the effective interest rate method. To the extent that an alternative judgement or estimate was made as to the reasonable level of return attributable to such a transmission asset owner, then in the case of the Company, the level of income attributed to operating income (see above) would be amended.

iii. Hedge accounting and consideration of the fair value of derivative financial instruments

The Company uses derivative financial instruments to hedge certain economic exposures in relation to movements in interest rates and movements in RPI as compared with the position that was expected at the date the underlying transaction being hedged was entered into. The Company fair values its derivative financial instruments and records the fair value of those instruments on its balance sheet.

Movements in the fair values of the Company's derivative financial instruments may be accounted for using hedge accounting where the requirements of hedge accounting are met under IFRS as adopted by the EU including the creation of compliant documentation and meeting the effectiveness testing requirements. If a hedge does not meet the criteria for hedge accounting, which may include a consideration of whether there has been a substantial modification to the terms of the hedge, or where there is some degree of ineffectiveness identified in respect of the hedging relationship, then the change in fair value in relation to these items will be recorded in the income statement. If a hedging relationship is judged to be discontinued for hedge accounting, then any amounts previously deferred in other comprehensive income must immediately be recognised in the income statement. Otherwise, in respect of the Company's derivative financial instruments, these changes in fair value are recognised in other comprehensive income.

The Company's derivative financial instruments currently meet the stringent hedge accounting criteria under IFRS and all movements in fair value of these instruments have been recognised in other comprehensive income. If these hedging criteria had not have been met these movements would have been recognised in the income statement.

As referred to above, the Company carries its derivative financial instruments in its balance sheet at fair value. No market prices are available for these instruments and consequently the fair values are derived using financial models developed by the shareholders of DTPBBEH based on counterparty information that is independent of the Company but use observable market data in respect of RPI and interest rates as an input to valuing those derivative financial instruments. Where observable market data is not available, as in the case of valuing the Transmission owner asset, unobservable market data is used which requires the exercise of management judgement.

iv. Income taxation

<u>Current taxation</u>

The taxation charge or credit arising on profit before taxation and in respect of gains or losses recognised through other comprehensive income reflect the tax rates in effect or substantially enacted at the balance sheet date as appropriate. The determination of appropriate provisions for taxation requires the Directors to take into account anticipated decisions of HM Revenue and Customs which inevitably requires the Directors to use judgements as to the appropriate estimate of taxation provisions.

<u>Deferred taxation</u>

Deferred taxation is provided using the balance sheet liability method and is recognised on temporary differences between the carrying amounts of assets and liabilities in the regulatory financial statements and the corresponding taxation bases used in the computation of taxable profit.

Judgements are required to be made as to the calculation and identification of temporary differences and in the case of the recognition of deferred taxation assets, the Directors have to form an opinion as to whether it is probable that the deferred taxation asset recognised is recoverable against future taxable profits arising. This exercise of judgement requires the Directors to consider forecast information over a long-time horizon having regard to the risks that the forecasts may not be achieved and then form a reasonable opinion as to the recoverability of the deferred taxation asset.

v. Lifetime expected credit losses

The carrying value of those financial assets recorded in the Company's balance sheet at amortised cost could be materially reduced if the value of those financial assets were assessed to have been impaired. Lifetime expected credit losses arise as a result of all possible default events over the expected life of a financial instrument. At each reporting date, the company performs an assessment as to whether the credit risk on a financial instrument has increased and depending upon the outcome of that assessment then the Company will make an appropriate allowance for expected credit losses in accordance with the requirements of IFRS 9. This assessment involves considering reasonable and supportable information that is available to allow appropriate judgements to be formed but still involves the significant use of assumptions.

Any reduction in value arising from such a review would be recorded in the income statement.

vi. Decommissioning Provision

Provisions are made for certain liabilities where the timing and amount of the liability is uncertain. The Company's only provision relates to the estimated costs of decommissioning the Company's offshore transmission system at the end of its expected economic life – being 20 years. These estimated costs have then been discounted at an appropriate rate and the resultant liability reflected in the balance sheet. The plan for decommissioning these assets was approved by the Department for Business, Energy and Industrial Strategy and published on the Company's web site (https://www.diamondtransmissionpartners.com) and include many assumptions.

The estimates and judgements used in determining the carrying value of this provision include, but are not limited to, the following:

- the estimated useful economic life of the transmission system is assumed to be 20 years being the period the Company has exclusive rights to charge for the provision of transmission services under the Licence and the period which is expected to generate the vast majority of cash flows relating to the ownership of the system;
- estimates of costs relating to the appropriate and safe removal, disposal, recycling and making safe of the transmission system having regard to market prices and access to the appropriate level of technology; and
- discount rate appropriate to the 20-year life of the assets being decommissioned. The Company has adopted the practice (absent a significant unforeseen event taking place) of considering the appropriate discount rate to apply to the decommissioning provision every five years, reflective of the long-term nature of this liability, rather than re-evaluating the discount rate over a shorter time period.

The estimates are based on management estimates with the use of technical consultants and are subject to periodic revision. The initial estimated discounted cost of decommissioning the offshore transmission system is included within the carrying value of the Transmission owner asset. All subsequent changes to estimates in relation to estimated gross cost of decommissioning or the appropriate discount rate are reflected in the income statement.

J. Accounting developments

i. Accounting standards as applied to these regulatory financial statements

In preparing these regulatory financial statements the Company has complied with all relevant IFRS and/or International Accounting Standards ("**IAS**") and Interpretations applicable either for accounting periods starting by 01 April 2018 or ending by 31 March 2019 and have been endorsed by the EU. No new accounting standards, amendments to standards or interpretations that have been issued and endorsed by the EU and are applicable to these regulatory financial statements for the first time have had any significant effect on the measurement of assets and/or liabilities or any of the disclosures included herein. On the basis that the company commenced trading on the 27 April

2018, the financial position and the results have been reported in line with the new standards.

ii. New accounting standards, amendments to standards and interpretations issued that may be relevant to the Company's activities but are not effective in these regulatory financial statements

IFRS 16 Leases

IFRS 16 is applicable to the Company's regulatory financial statements commencing 01 April 2019. The Company is evaluating this new accounting standard, and it is expected to have an impact on the measurement and disclosure of lease liabilities and related right-of-use assets within the balance sheet presented by the Company. In addition, there is likely to be an impact on income statement geography and the timing and recognition of lease related expenses. The evaluation is not yet complete and so quantification of the impact is not yet available.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC23 provides guidance in determining taxable profit or losses and potential tax credits. As the company is in its first year of trading and has not filed any tax computations there is expected to be a degree of uncertainty over the relevant tax authority's acceptance of the company's initial tax filings. IFRIC 23 is applicable to the company's regulatory financial statements commencing on 01 April 2019. The company is evaluating the impact of this new recommendation of the company's financial statements, however currently the company can see no benefit or impact from adopting this recommendation.

Income statement
For the year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Operating income	2	3,161	-
Finance income	2	5,844	-
Total income		**9,005**	**-**
Operating costs	3	(2,860)	(32)
Operating Profit/(Loss)		**6,145**	**(32)**
Other finance income	4	22	-
Finance costs	4	(6,093)	-
Net Finance expense	4	(6,071)	-
Profit/(Loss) before taxation		**74**	**(32)**
Income taxation charge	5	(155)	-
Loss attributable to equity shareholders		**(81)**	**(32)**

The notes on pages 44 to 60 form part of these regulatory financial statements.

The results reported above relate to continuing operations.

Statement of comprehensive income

For the year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Loss attributable to equity shareholders		**(81)**	**(32)**
Other comprehensive income / (loss)			
<u>Items that may be subsequently reclassified to Profit and Loss:</u>			
Net gains / (losses) taken to equity in respect of cash flow hedges	13	(13,461)	-
Deferred taxation on cash flow hedges	5	2,288	-
Total other comprehensive income / (loss)		**(11,173)**	-
Total comprehensive income / (loss) for the year attributable to equity shareholders		**(11,254)**	**(32)**

Balance sheet
As at 31 March 2019

Company number: 10122057

	Notes	2019 £'000	2018 £'000
Non-current assets			
Transmission owner asset	7	192,135	-
Deferred taxation asset	8	1,791	-
Total non-current assets		193,926	-
Current assets			
Transmission owner asset	7	4,020	-
Trades and other receivables	9	1,352	451
Cash and cash equivalents	10	2,479	593
Total current assets		7,851	1,044
Total assets		201,777	1,044
Current liabilities			
Borrowings	11	(4,643)	-
Trade and other payables	12	(2,263)	(176)
Total current liabilities		(6,906)	(176)
Non-current liabilities			
Borrowings	11	(186,826)	-
Derivative financial liabilities	13	(13,461)	-
Deferred revenue	12	(1,543)	-
Decommissioning provision	14	(3,427)	-
Total non-current liabilities		(205,257)	-
Total liabilities		(212,163)	(176)
Net (liabilities)/ assets		**(10,386)**	**868**
Equity			
Called up share capital	15	900	900
Retained earnings	16	(113)	(32)
Cash flow hedge reserve	16	(11,173)	-
Total shareholders' equity		**(10,386)**	**868**

The regulatory financial statements set out on pages 31 to 60 were approved by the Board of Directors on 16 July 2019 and were signed on its behalf by:

Gary Thornton
Director

Statement of changes in equity
For the year ended 31 March 2019

	Note	Called up share capital	Cash flow hedge reserve	Retained earnings	Total equity
		£'000	£'000	£'000	£'000
At 1 April 2017		450	-	-	450
Total comprehensive loss for the year		-	-	(32)	(32)
Issue of Shares	15	450	-	-	450
At 31 March 2018		900	-	(32)	868
Total comprehensive loss for the year		-	(11,173)	(81)	(11,254)
At 31 March 2019		**900**	**(11,173)**	**(113)**	**10,386)**

The Company is prohibited from declaring a dividend or other distribution unless it has certified that it is in compliance in all material respects with certain regulatory and borrowing obligations, including a requirement to ensure it has sufficient resources and facilities to enable it to carry on its business, plus a requirement to use all reasonable endeavours to maintain alternative credit rating arrangements to which the Authority has given its consent in writing.

The cash flow hedge reserve recognises the effective portion of cash flow hedges whilst any ineffectiveness is taken to the income statement.

Cash flow statement

For the year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Cash flows from operating activities			
Loss attributable to equity shareholders		(81)	(32)
Adjustments for:			
Net finance expense	4	6,071	-
Taxation charge	5	155	-
Amortisation of transmission owner asset	7	3,516	-
Credit loss provision	19	12	-
Non cash movement of provisions		106	-
Net changes in working capital		752	(179)
		10,612	(179)
Net cash inflow/(outflow) from operating activities		**10,531**	**(211)**
Cash flows (used in)/generated from investing activities			
Acquisition of Transmission Owner Asset and additions	7	(199,671)	-
Decommissioning provision at acquisition	14	3,321	-
Deferred revenue at acquisition		1,600	-
Interest received		22	-
Cash flow from investing activities		**(194,728)**	**-**
Cash flows (used in)/generated from financing activities			
Proceeds from new senior loans	17	178,435	-
Proceeds From new unsecured loans	17	18,023	-
Issuance of share capital		-	450
Partial repayment of senior loans	17	(4,734)	-
Partial repayment of other borrowing	17	(379)	-
Interest paid		(5,262)	-
Net cash flow used in financing activities		**186,083**	**450**
Net increase / (decrease) in cash and cash equivalents		**1,886**	**239**
Cash and cash equivalents at the start of the year		593	354
Cash and cash equivalents at the end of the year	17	**2,479**	**593**

1. Operating segment

The Board of Directors is the Company's chief operating decision-making body. The Board of Directors has determined that there is only one operating segment – electricity transmission. The Board of Directors evaluates the performance of this segment on the basis of profit before and after taxation and cash available for debt service (net cash inflows from operating activities less net cash flow used in investing activities). The Company and segmental results, balance sheet and relevant cash flows can be seen in the income statement, the balance sheet and cash flow statement on page 39, 41 and 43 respectively. Additional notes relating to the Company and segment are shown in the notes to the regulatory financial statements on pages 44 to 60.

All of the Company's sales and operations take place in the UK.

All of the assets and liabilities of the Company arise from the activities of the segment.

2. Operating and finance income

Operating income of £3,161k (2018: £nil) and finance income of £5,844k (2018: £nil) primarily relates to the Company's activity as a provider of electricity transmission services to the Company's principal customer – NGET to 31 March 2019 and NGESO from 01 April 2019. The vast majority of the Company's income is derived from NGET or NGESO.

3. Operating costs

Operating costs are analysed below:

	2019 £'000	**2018 £'000**
Operations, maintenance and management[1]	2,700	-
Auditors' remuneration	42	28
Decommissioning - unwind of discount	106	-
Credit loss provision	12	-
Other	-	4
Total	**2,860**	**32**

Auditors' remuneration comprises:		
Audit services	11	15
Tax services	23	13
Other services supplied pursuant to legislation[2]	8	-
Total	**42**	**28**

[1] This represents costs associated with the provision of operating, maintenance and management to the OFTO, which covers operation and maintenance costs, insurance premiums, management service fees and non-domestic rates related to the transmission network.

[2] These represent fees payable for services in relation to engagements which are required to be carried out by the auditors. In particular, this includes fees for audit reports on regulatory returns.

4. Net finance expense and EBITDA

a) Net finance expense is as tabulated below:

	2019 £'000	2018 £'000
Interest income		
Interest on bank deposits	22	-
Interest expense and other financial costs		
Interest on bank loans	(4,748)	-
Interest on other borrowings	(1,107)	-
Other financial costs	(238)	-
	(6,093)	-
Net finance expense	**(6,071)**	**-**

b) EBITDA and EBIDA

The company calculates these as follows:

EBITDA & EBIDA:	**2019 £'000**	**2018 £'000**
Profit/(Loss) before Tax	74	(32)
Less: Interest on bank deposits	(22)	-
Less: Finance income	(5,844)	-
	(5,792)	(32)
Add: Interest expense		
Interest on bank loans	4,748	-
Interest on other borrowings	1,107	-
	5,855	-
EBITDA	**63**	**(32)**
Tax	(155)	-
EBIDA	**(92)**	**(32)**

5. Income taxation charge

i. Taxation on items included in the income statement

The net taxation charge for the year is £155k (2018: £nil) and the composition of that charge is shown in the table below.

The taxation charge on current year profit/(loss) arising in the year represents deferred taxation and has been computed at 19% (2018: 19%). There is no current taxation included in the income statement (2018: £nil).

The taxation charge for the year differs from (2018: differs from) the main rate of corporation tax in the UK of 19% (2018: 19%) for the reasons outlined below:

	2019 £'000	2018 £'000
Profit /(Loss) before taxation	74	(32)
Taxation at 19% (2018: 19%) on profit /(loss) before taxation	14	(6)
Effects of:		
- expenses not deductible for tax purposes	117	-
- change in tax rates on deferred tax[1]	(14)	-
- tax cost of consortium relief	38	-
Taxation charge for the year	**155**	**-**

[1] Reflecting a corporation tax rate of 17% (2018: 17%), being the rate of corporation tax expected to apply when all temporary differences are expected to reverse.

ii. Taxation on items included in other comprehensive income

The net taxation credit on items included in other comprehensive income for the year is £2,288k (2018: £nil) and comprises a credit on items arising in the current year computed at 19% of £13,461k equal to £2,558k (2018: £nil) and a charge of £270k (2018: £nil) arising from a change in corporation taxation rates from 19% to 17%. The net taxation charge (2018: £nil) on items arising in the year represents deferred taxation. There is no current taxation included in other comprehensive income (2018: £nil).

iii. Taxation – future years

Future tax charges, and therefore the Company's future effective tax rate, could be impacted by changes in legislation or the interpretation of existing legislation by the Company and or the relevant tax authorities.

6. Ordinary dividends

Interim ordinary dividends were approved by the Board and paid during the year as follows:

	2019 £'000	2018 £'000
Interim ordinary dividends	-	-

No interim ordinary dividends were paid during either the year ended 31 March 2019 or 31 March 2018 to the Company's immediate parent undertaking DTPBBEH.

7. Transmission owner asset

The movement in the carrying value of the transmission owner asset is shown in the table below:

	Gross £'000	Provision £'000	Net £'000
At 1 April 2018			-
Acquisition at Financial Close 26 April 2018	199,656	(60)	199,596
Additions	75	-	75
Adjustment to the carrying value	(3,517)	1	(3,516)
At 31 March 2019	**196,214**	**(59)**	**196,155**
At 31 March 2017 and 2018	-	-	-

	2019 £'000
Comprising:	
Amounts falling due within one year	4,020
Amounts falling due after more than one year	192,135
	196,155

The Transmission owner asset is carried at amortised cost. The estimated fair value of the Transmission owner asset at 31 March 2019 was £200,138k (2018: £nil) see note 19.i. The basis for establishing the fair value of the Transmission owner asset is to estimate the net cash flows arising over the estimated economic life of the project and to discount those expected net cash flows at a discount rate of 3.44% (2018: nil) per annum.

The provision relates to an Expected Credit Loss provision calculated in line with IFRS 9 see accounting policies note C. The company evaluated the credit rating of NGET at the time of acquisition and employed that rating to create the provision, there is nothing to suggest that rating has changed subsequently for either NGET or NGESO, so the provision is retained on the same basis other recognising the reduced future credit period.

8. Deferred taxation asset

The net deferred taxation asset recognised in the balance sheet arises as follows:

	Fair value losses / (gains) on derivatives £'000	Accelerated capital allowances £'000	Total £'000
At 1 April 2017	-	-	-
Movements	-	-	-
At 31 March 2018	-	-	-
Movements - current year	2,288	(497)	1,791
At 31 March 2019	**2,288**	**(497)**	**1,791**

No portion of the deferred tax balance is likely to be recovered or settled in the 12 months following the balance sheet date.

The carrying value of all deferred taxation balances have been computed at 17% - being the rate of corporation tax that is expected to apply when the temporary differences reverse and reflects the latest enacted legislation in force at the balance sheet date.

Currently the Company has accounted for tax in the financial statements on the basis that the company will claim capital allowances to create a tax loss of £2,000k, which is the estimated loss capacity of its consortium partners. The company has not accounted for the tax value of the remainder of the capital allowances as the determination of the value of these allowances has yet to be confirmed with Her Majesty's Revenue and Customs ("**HMRC**"). The net liability position of company would remain unchanged as the accounting for any additional capital allowances would give rise to a deferred tax liability, which is matched by a deferred tax asset of equal value in respect of corporation tax losses carried forward.

9. Trade receivables

Trade and other receivables are as tabulated below.

Amounts receivable in less than 1 year	2019 £'000	2018 £'000
Accrued income	565	-
Amounts due from related parties (Note 18)	342	-
Amounts prepaid to related parties	320	-
Other prepayments	63	-
Other current assets	62	432
Other receivable	-	19
	1,352	**451**

10. Cash and cash equivalents

Cash and cash equivalents comprise amounts held in bank accounts amounting to £2,479k (2018: £593k).

Cash and cash equivalents include amounts of £0.199k (2018: £nil) which the Company can only use for specific purposes and with the consent of the Company's lenders. Of the remaining cash and cash equivalents, £2,479k (2018: £ nil) requires the consent of the Company's lenders prior to use but are held for general corporate purposes and the remaining £nil (2018: £593k) is unencumbered. A description of the restrictions applied to certain deposits and other matters are referred to below under "Lending covenants and other restrictions".

The estimated fair value of cash and cash equivalents approximates to their carrying value.

11. Borrowings

The following table analyses borrowings:

	2019 £'000	2018 £'000
Current		
Unsecured loan notes from related parties – fixed rate	470	-
Bank loans – variable rate	4,173	-
	4,643	-
Non-current		
Unsecured loan notes from related parties – fixed rate	17,174	-
Bank loans – variable rate	169,652	-
Other borrowing	-	-
	186,826	-
Total borrowings	**191,469**	-

Total borrowings are repayable as follows:	2019 £'000	2018 £'000
In one year or less	4,643	-
In more than one year, but not more than two years	5,620	-
In more than two years, but not more than three years	6,037	-
In more than three years, but not more than four years	6,403	-
In more than four years, but not more than five years	7,197	-
In more than five years other than by instalments	161,569	-
Total borrowings	**191,469**	**-**

All the variable rate bank loans are with a consortium of banks under a commercial facility agreement and carry an interest rate linked to the three-month LIBOR rate. All of these loans amortise over the period through to 31 March 2038.

The bank loans under the commercial facility taken together comprise the "senior debt" and are secured, by means of a debenture, over all of the assets of the Company via fixed and floating charges, as required under the terms of a debenture document.

The unsecured loan notes from related parties refers to amounts owed to DTC and IILP. This related party borrowing is unsecured, carries a fixed coupon of 6.70% per annum and is contractually repayable on 31 December 2035.

All borrowings are carried at amortised cost. Fair value information in relation to borrowings is shown in note 19.

As at 31 March 2019, the Company had a committed credit facility of £8,000k which was undrawn (2018: £nil).

There have been no instances of default or other breaches of the terms of the loan agreements during the year in respect of all loans outstanding at 31 March 2019 (2018: none).

12. Trade and other payables

Trade and other payables are as tabulated below.

Amounts payable in less than 1 year	2019 £'000	2018 £'000
Trade payables	31	-
Deferred revenue	30	-
Amounts due to parent undertaking	-	47
Amounts due to related parties (note 18)	610	-
Other taxes	507	-
Accrued expenses	1,085	129
	2,263	**176**
Amounts payable in more than 1 year		
Deferred revenue	1,543	-
	1,543	-

Amounts payable in less than one year, due to their short maturities, the fair value of all financial instruments included within this category approximates to their book value.

Amounts payable in more than one year, deferred revenue, relates to monies received at financial close that is in respect of future costs that will be incurred in relation to oil leak maintenance. The company is amortising this income over the life of the project.

13. Derivative financial assets / (liabilities)

Derivative financial instruments are recorded in the balance sheet at market value and the carrying value of these derivative financial instruments may result in assets and/or liabilities being recognised at the balance sheet date. Derivative financial instruments derive their market value from the price of an underlying item, such as interest rates or other indices.

The Company's use of derivative financial instruments is described below.

i. RPI swaps

The Company has entered into arrangements with third parties for the purpose of exchanging the vast majority (approximately 86.10%) of variable cash inflows arising from the operation of the Company's transmission assets in exchange for a pre-determined stream of cash inflows from these third parties. These arrangements meet the definition to be classified as derivative financial instruments.

The Company's use and strategy relating to RPI swaps is described in more detail in the "Strategic Report - Hedging Arrangements".

The Directors believe that the hedging relationship is highly effective and that the forecast cash inflows are highly probable and as a consequence have concluded that the RPI swap derivatives meet the definition of a cash flow hedge and have formally designated them as such.

ii. Interest rate swaps

The Company has entered into a series of interest rate swaps with third parties which has the commercial effect of swapping the variable rate interest coupon on approximately 100% of the nominal value of all commercial loans held by the Company for a fixed rate coupon. The bank loans and related interest rate swaps amortise at the same rate over the life of the loan/swap arrangements.

The Company's use and strategy relating to interest rate swaps is described in more detail in the "Strategic Report - Hedging Arrangements".

The Directors believe that the hedging relationship between the interest rate swaps and related variable rate bank loans is highly effective and as a consequence have concluded that these derivatives meet the definition of a cash flow hedge and have formally designated them as such.

iii. Carrying value of all derivative financial instruments

The net carrying value of all derivative financial instruments at 31 March 2019 amounted to net liabilities of £13,461k (2018: £nil) comprising liabilities of £8,296k (2018: £nil) for interest rate swaps and assets of £5,165k (2018: liabilities of £nil) for RPI swaps. All of the movements during the year in the fair value of these derivative financial instruments have been recorded in the cash flow hedge reserve amounting to a net credit of £13,461k (2018: net charge of £nil).

Further details regarding derivative financial instruments and their related risks are given in note 19.

14. Decommissioning provision

The movement in the Decommissioning provision is analysed below.

	2019 £'000	2018 £'000
At 1 April	-	-
Addition at 26 April 2018	3,321	-
Unwinding of discount	106	-
At 31 March	**3,427**	**-**

The decommissioning provision is all non-current.

The decommissioning provision of £3,427k at 31 March 2019 (2018: £nil) represents the net present value of the estimated expenditure expected to be incurred at the end of the economic life of the project to decommission the Burbo Bank Extension transmission assets.

The decommissioning expenditure relates to the removal and scrapping of all transmission assets above the level of the seabed and the burial of all cable ends. The gross expenditure expected to be incurred on decommissioning amounts to £6,627k (2018: £nil) and is expected to be incurred in 2038.

The discount rate used to discount the gross expenditure expected to be incurred on decommissioning is a pre-taxation 'risk free' rate with a maturity similar to that of the: decommissioning liability. This reflects the best estimate of the time value of money risks specific to the liability, as the estimated gross decommissioning costs appropriately reflect the risks associated with that liability.

The decommissioning provision arises from the Company's obligations under S105 of the Energy Act 2004 and the contractual obligations relating to the lease of the Burbo Bank Extension sea bed granted by the Crown Estate Commissioners and assigned to the Company on 24 April 2018. The decommissioning plan was submitted for approval under S105 of the Energy Act 2004 and was subsequently approved by the Secretary for State for Energy and Climate Change under S106 of the Energy Act 2004 in April 2018.

The decommissioning provision is a financial instrument under IFRS and the fair value of the obligation equates to its carrying value, as the carrying value represents the net present value of the future expenditure expected to be incurred as described above.

15. Called up share capital

Share capital is as analysed below.

	No.	£'000
Allotted, called up and fully paid	(thousands)	
At 1 April 2017	450	450
Issued and fully paid for on 19 February 2018	450	450
At 31 March 2018 and 31 March 2019	**900**	**900**

The Company has one class of Ordinary Share with a nominal value of £1 each which carries no right to fixed income.

The holders of Ordinary Shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

16. Reserves

The Company's reserves are analysed below.

	Retained earnings £'000	Cash Hedge £'000	Total £'000
At 1 April 2017	-	-	-
(Loss) attributable to equity shareholders	(32)	-	(32)
At 31 March 2018	(32)	-	(32)
(Loss) attributable to equity shareholders	(81)	-	(81)
(Losses) on cash flow hedges taken to equity	-	(13,461)	(13,461)
Deferred taxation on cash flow hedges	-	2,288	2,288
At 31 March 2019	**(113)**	**(11,173)**	**(11,286)**

All reserves with the exception of the cash flow hedge reserve are distributable.

17. Cash flow statement

i. Reconciliation of net cash flow to movement in net debt

The reconciliation of net cash flow to movement in net debt is as analysed below:

	2019 £'000	2018 £'000
Movement in cash and cash equivalents	1,886	239
Net (increase) / decrease in borrowings	(191,469)	-
Change in net debt resulting from cash flows	(189,583)	239
Non-cash finance costs included in net debt	(621)	-
Change in fair values of derivatives	(13,461)	-
Movement in net debt in the year	**(203,665)**	**239**
Net debt at start of year	593	354
Net debt at end of year	**(203,072)**	**593**

ii. Analysis of changes in net debt

	Cash and Cash Equivalents £'000	Borrowing £'000	Derivatives £'000	Interest Accruals £'000	Total £'000
At 1 April 2017	354	-	-	-	354
Cash flow	239	-	-	-	239
Change in fair values	-	-	-	-	-
Non-cash finance costs	-	-	-	-	-
At 31 March 2018	593	-	-	-	593
Advanced	1,886	-	-	-	1,886
Advanced Senior debt	-	(178,435)	-	-	(178,435)
Advanced unsecured loans	-	(18,023)	-	-	(18,023)
Change in fair values	-	-	(13,461)	-	(13,461)
Amortisation of fees	-	(124)	-	-	(124)
Repaid Senior debt	-	4,734	-	-	4,734
Repaid Unsecured loans	-	379	-	-	379
Non-cash finance costs	-	-	-	(621)	(621)
At 31 March 2019	**2,479**	**(191,469)**	**(13,461)**	**(621)**	**(203,072)**

18. Related party transactions

The following information relates to material transactions with related parties during the year to 31 March 2019. These transactions were carried out in the normal course of business and at terms equivalent to those that prevail in arm's length transactions. Dividends paid to the immediate parent undertaking, DTPBBEH are shown in note 6 to the regulatory financial statements.

	Related party undertakings (excludes dividends)		Total	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Expenditure:				
Interest expense[1]	1,107	-	1,107	-
Services received[2]	246	-	246	-
	1,353	-	1,353	-
Borrowings payable[1] (principal)	17,644	-	17,644	-
Interest accrual[1]	593	-	593	-
Other liabilities/(assets)[3]	(325)	-	(325)	-
	17,912	**-**	**17,912**	**-**

[1] Relates to funding-related transactions and balances with related parties DTC & IILP; all interest has been directly attributed to the Company.

[2] Services received from related parties DTC & IILP were all directly attributable to the Company.

[3] Other liabilities/(assets) due to/(from) related parties DTC & IILP relate to net amounts due to/(from) those companies comprising accruals for outstanding Directors fees of £14k & £3k of letter of credit fees (2018: £nil) Payment for Corporation tax losses available for Group relief to DTC and/IILP of £342k (2018: £nil).

A summary of funding transactions with the related party undertakings is shown below:

	2019 £'000	2018 £'000
Borrowings from related undertaking (principal)		
At 1 April	-	-
Issue of unsecure loan notes 2038	18,023	-
Repayments	(379)	-
Capitalised interest	-	-
At 31 March	**17,644**	**-**

Borrowings from related parties DTC & IILP were negotiated on normal commercial terms and are repayable in accordance with the terms of the 6.70% Unsecured Loan Notes 2038. Repayments of interest and principal of £894k (2018: £nil) were made during the year. Absent any non-compulsory repayment of the loans, the loans are contractually repayable on 25 April 2038.

Transactions with related parties DTC & IILP are for administrative, company secretarial and other such services which are provided on an arm's length basis. All costs are directly attributable to the Company and charged as such.

Related party bad and doubtful debts

No amounts have been provided at 31 March 2019 (2018: £nil) and no expense was recognised during the year ended 31 March 2019 (2018: £nil) in respect of bad or doubtful debts for any related party transactions.

19. Information relating to financial instruments and the management of risk

i. Fair value disclosures

The following is an analysis of the Company's financial instruments at the balance sheet date comparing the carrying value included in the balance sheet with the fair value of those instruments at that date. None of the Company's financial instruments have quoted prices. Consequently, the following techniques have been used to determine fair values as follows:

- Cash and cash equivalents – approximates to the carrying value because of the short maturity of these instruments;
- Transmission owner asset – based on the net present value of discounted cash flows;
- Current borrowings – approximates to the carrying value because of the short maturity of these instruments;
- Non-current borrowings – based on the carrying amount in respect of variable rate loans repayable December 2038 and unsecured 6.70% loans repayable 2035 are based on the net present value of discounted cash flows;
- Derivative financial instruments – based on the net present value of discounted cash flows;
- Financial instrument receivables and payables - approximates to the carrying value because of the short maturity of these instruments; and
- Decommissioning provision – approximates to carrying value.

The table below compares the carrying value of the Company's financial instruments with the fair value of those instruments at 31 March 2019, using the techniques described above. The table excludes those instruments where the carrying value of the financial instrument approximates to its fair value as a result of the short maturity of those instruments. Consequently, no financial instruments which fall due within the next twelve months are included in this table.

	2019		
	Carrying value	**Fair value**	**Valuation method**
	£'000	**£'000**	**(see as follows)**
Assets			
Current / Non-current			
Transmission owner asset	**196,155**	**200,138**	Level 3
Liabilities			
Current / Non-current			
Floating rate bank loans	173,825	173,825	Level 2
6.70% Unsecured Loans 2035	17,643	18,811	Level 2
Derivative financial liabilities	13,461	13,461	Level 2
Provision	3,427	3,427	Level 3
	208,356	**209,524**	

Level 1 - The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active, alternative valuation techniques are used. The Company does not have any financial instruments where it is eligible to apply a level 1 valuation technique.

Level 2 – Items in this category have been valued using models where all significant inputs are based indirectly on observable market data.

Level 3 - these have been valued using a valuation technique where significant inputs such as the assumed discount rate are based on unobservable market data.

The valuation categories that have been assigned to the financial instruments in the forgoing table have been applied throughout the year and there have been no reclassifications or transfers between the various valuation categories during the year (2018: no reclassifications or transfers during the year).

ii. Management of risk

The Board has overall responsibility for the Company's risk management framework. This risk framework is discussed further in the Strategic Report.

The Company's activities expose it to a variety of financial risks, which arise in the normal course of business: market risk, credit risk and liquidity risk. The overall risk management programme seeks to minimise the net impact of these risks on the operations of the Company by using financial instruments, including the use of derivative financial instruments – being the RPI swaps and interest rate swaps described in note 13 that are appropriate to the circumstances and economic environment within which the Company operates. The objectives and policies for holding, or issuing, financial instruments and similar contracts and the strategies for achieving those objectives that have been followed during the year are explained below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Changes in market price are derived from: currency movements; interest rate changes; and changes in prices caused by factors other than those derived from currency or interest rate changes.

The Company operates in the UK and has no significant foreign currency exposure and therefore this has an immaterial impact on market risk. Short-term financial assets and liabilities, e.g. trade receivables and payables, are not subject to market risk. Interest rate risk arises from the use of following financial instruments: Transmission owner asset; borrowings; and cash/cash equivalents.

The Transmission owner asset is carried at amortised cost and the carrying value is affected by the rate of interest implicit within the calculation of finance income that has a consequential effect on the carrying value of the Transmission owner asset.

The fair value of the Transmission owner financial asset is subject to price risk caused by changes in RPI and/or changes in interest rates.

All of the Company's borrowings, net of the impact of the Company's interest rate swap arrangements (see note 13), have been issued at fixed rates which exposes the Company to fair value interest rate risk and as a result, the fair value of borrowings (net of the interest rate swap arrangements) fluctuate with changes in interest rates. All borrowings are carried at amortised cost and therefore changes in interest rates, in respect of those borrowings, do not impact the income statement or balance sheet.

The interest rate swaps used to hedge the Company's variable rate borrowings (see note 13) are considered highly effective hedges of those borrowings and are carried at fair value in the balance sheet. For the reasons outlined above, the Company is exposed to fair value interest rate risk in respect of the net fixed interest hedged position that has been achieved by the use of these derivatives. In the opinion of the Directors, these arrangements have reduced cash flow interest rate risk and further details of these arrangements are outlined in note 13 and in the "Strategic Report – Hedging Arrangements".

Cash and cash equivalents all attract interest at variable rates and therefore are subject to cash flow interest rate risk as cash flows arising from these sources will fluctuate with changes in interest rates. However, the interest cash flows arising from these sources are insignificant to the Company's activities. The cash flows arising from the Transmission owner financial asset fluctuate with positive changes in RPI. The Company has entered into a series of RPI swaps to significantly reduce this cash flow risk. Further details and an explanation of the rationale for entering into these arrangements are explained in the "Strategic Report – Hedging Arrangements".

For the reasons outlined in note 13, the Directors have designated the RPI swaps as cash flow hedging derivatives and these are carried at fair value in the balance sheet. The RPI swaps are considered to be effective cash flow hedges.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty fails to meet its contractual obligations.

Credit risk primarily arises from the Company's normal commercial operations that actually, or potentially, arises from the Company's exposure to: a) NGET up to 31 March 2019 and NGESO from 01 April 2019 in respect of invoices submitted by the Company for transmission services; b) the counterparties to the RPI swaps described in note 13; c) the counterparties to the interest rate swaps described in the "Strategic Report – Hedging Arrangements"; and d) short-term deposits. There are no other significant credit exposures to which the Company is exposed. The maximum exposure to credit risk at 31 March 2019 is the fair value of all financial assets held by the Company. Information relating to the fair value of all financial assets is given above – note 19.i. None of the Company's financial assets are past due or impaired.

Through to 31 March 2019 NGET was the Company's primary customer and income derived from NGET represents the vast majority of the Company's income. With effect from 01 April 2019, some of the functions previously carried out by NGET have been transferred to a fellow subsidiary undertaking NGESO within the National Grid group of companies, in particular, NGESO is now responsible for settling the Company's transmission services invoices. Both NGET and NGESO operates a low risk monopoly business within the UK and the regulatory regime under which they operate results in a highly predictable and stable, revenue stream. The regulatory regime is managed by The Authority and is considered by the Directors to have a well-defined regulatory framework which is classified as a predictable and a supportive regime by the major rating agencies. Both NGET and NGESO has an obligation to maintain an investment grade credit rating, which it has currently maintained. Both NGET and NGESO are subject to a regulatory financial 'ring fence' that restricts their ability to undertake transactions with other National Grid subsidiaries, which includes the paying of dividends, lending or the levying of charges.

Even in the very unlikely circumstance of NGET or NGESO's insolvency, it is probable that any amounts outstanding would still be recovered. This arises because NGET and NGESO is also a 'protected energy Company' under the terms of the Energy Act 2004, which allows the Secretary of State to apply for an energy administration order which would give priority to the rescue of NGET or NGESO as a going concern.

Having considered the credit risks arising in respect of the exposures to NGET and NGESO, the Directors consider that those risks are extremely low, given the evidence available to them.

The Company has accrued income from the generator in relation to compensation for reduced availability payments resulting from the SCADA outages in 2018, whilst the generator would be rated as performing and has an AA grade credit rating, the amount is due over 15 months from first recognition, the Company has recognised a credit risk provision of 0.33% and also recognised a provision for the embedded interest rate based on the Company's weighted average cost of capital on the average amount outstanding. This has created a credit loss provision of £12k.

In respect of the counterparties to the cash flow derivative hedges (RPI and interest rate swaps) these arrangements have been entered into with subsidiaries of the banks that have provided all of the variable rate borrowings to the Company. At 31 March 2019, the fair values attributable to these positions were liabilities amounting to £13,461k (2018: £nil). The derivative asset positions are with counterparties of good standing, the counterparties are subsidiaries of commercial banks that have provided the commercial senior debt and consequently the risk of default is considered to be very low.

Cash and cash equivalents comprise cash in hand and deposits which are readily convertible to cash. It is the Company's policy and a requirement under the Company's lending agreements, that such investments can only be placed with banks and other financial institutions with a short-term senior debt rating of at least A-1 or better issued by Standard & Poor's, or P-1 or better issued by Moody's. All of these deposits are subject to insignificant risk of change in value or credit risk.

Liquidity risk and Going Concern

Liquidity risk is the risk that the Company will have insufficient funds to meet its liabilities. The Board of Directors manages this risk.

As a result of: the regulatory environment under which the Company operates; the credit worthiness of the Company's principal customer NGET up to 31 March 2019 and NGESO from 01 April 2019; and the RPI swaps that have been put in place, the cash inflows generated by the Company are highly predictable and stable. In addition, net of the impact of the interest swap arrangements, substantially all of the Company's senior debt carries a fixed coupon and in the opinion of the Directors, based on the forecasts prepared by the Company, all of these debt service costs are expected to be met from the cash inflows the Company is expected to generate over the whole remaining period of the project. During the year ended 31 March 2019, senior debt-service costs amounted to £4,749k (2018: £nil). There is no contractual obligation on the Company to service the other borrowing until 25 January 2038 when it is committed to repay the entire balance. It is however the Company's intention to service this borrowing when cash flows are sufficient, and it is prudent to do so. Cash outflows in respect of the other borrowing amounted to £894k (2018: £nil).

In accordance with the conditions of the various lending agreements, the Company is required to transfer funds to certain specified bank accounts and/or hold certain amounts on deposit for specified purposes. Access to these bank accounts by the Company is subject to the agreement of the lenders and in particular, access to amounts held on deposit held for specified purposes is restricted under the lending agreements. Such specific purposes include the holding of sufficient funds in restrictive bank accounts to meet senior debt servicing requirements for a period of 3 months in the future. The Company's use of these funds is restricted either to the specific purpose contemplated by the lending agreements, or until certain conditions are met or exceeded. Where these conditions are met or exceeded, then the use of any net cash generated in excess of the minimum necessary to meet the restrictive conditions is unfettered.

At 31 March 2019, cash and cash equivalents included £0.199k (2018: £nil) which are held for specific purposes in the manner described above and additional amounts of cash and cash deposits amounting to £2,479k (2018: £nil) whose disbursement requires the consent of the Company's lenders but are available for general corporate purposes. All remaining cash and cash equivalents are unencumbered.

The Company prepares both short-term and long-term cash flow forecasts on a regular basis to assess the liquidity requirements of the Company. These forecasts also include a consideration of the lending requirements including the need to transfer funds to certain bank accounts that are restricted as to their use. It is the Company's policy to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

In addition to the existing borrowings of the Company, the Company has committed secured credit facility with a consortium of banks amounting to £8,000k at 31 March 2019 (2018: £nil) that expires in 2038. This facility was undrawn at 31 March 2019 (2018: undrawn) and is available to the Company under certain conditions laid down within the Company's lending agreements

During the year, the Company has continued to meet all of its contractual obligations as they have fallen due and based on the forecasts prepared the Directors expect that the Company will continue to do so for the foreseeable future. The Company has met or exceeded its targets in relation to the obligations and lending covenants which it has to senior debt holders and the forecasts continue to support the reasonable view that these will continue to be exceeded. In addition, further liquidity is also available in the form of committed facilities, as referenced above. All of these factors have allowed the Directors to conclude that the Company has sufficient headroom to continue as a going concern. The statement of going concern is included in the Strategic Report.

The contractual cash flows shown in the table on the following page are the contractual undiscounted cash flows relating to the relevant financial instruments. Where the contractual cash flows are variable based on a price or index in the future, the contractual cash flows in the table have been determined with reference to the relevant price, interest rate or index as at the balance sheet date.

In determining the interest element of contractual cash flows in cases where the Company has a choice as to the length of interest calculation periods and the interest rate that applies varies with the period selected, the contractual cash flows have been calculated assuming the Company selects the shortest available interest calculation periods.

Where the holder of an instrument has a choice of when to redeem the following tables are prepared on the assumption the holder redeems at the earliest opportunity.

The numbers in the tables below have been included in the Company's cash flow forecasts for the purposes of considering Liquidity Risk as described above. The tables below show the undiscounted contractual maturities of financial assets and financial liabilities, including interest.

Liquidity risk	2019 Contractual cash flows £'000	2019 0-1 years £'000	2019 1-2 years £'000	2019 2-5 years £'000	2019 > 5 years £'000
Non-derivative financial assets					
Transmission owner asset	318,683	12,243	12,649	26,572	267,219
Cash and cash equivalents	2,479	2,479	-	-	-
	321,162	14,722	12,649	26,572	267,219
Non-derivative financial liabilities					
Borrowings +	(233,761)	(9,358)	(10,207)	(20,951)	(193,245)
Trade and other non-interest bearing liabilities	(661)	(661)	-	-	-
Provision	(6,624)	-	-	-	(6,624)
	(241,046)	(10,019)	(10,207)	(20,951)	(199,869)
Derivative financial instruments					
RPI and interest rate swaps	(13,461)	(1,434)	(1,263)	(2,110)	(8,654)
Net total	**66,655**	**3,269**	**1,179**	**3,511**	**58,696**

Liquidity risk	2018 Contractual cash flows £'000	2018 0-1 years £'000	2018 1-2 years £'000	2018 2-5 years £'000	2018 > 5 years £'000
Non-derivative financial assets					
Cash and cash equivalents	593	593	-	-	-
	593	593	-	-	-
Trade and other non-interest bearing liabilities	(176)	(176)	-	-	-
	(176)	(176)	-	-	-
Net total	**417**	**417**	**-**	**-**	**-**

+ Including interest payments.

Sensitivities

Changes in interest rates and/or RPI affect the carrying value of those financial instruments that are recorded in the balance sheet at fair value. The only financial instruments that are carried in the balance sheet at fair value are the standalone derivative financial instruments - RPI and interest rate swaps as described in note 13 above. As explained in note 13, the Directors believe that these derivative financial instruments have a highly effective hedging relationship with the underlying cash flow positions they are hedging, and they expect this relationship to continue into the foreseeable future. The vast majority of any movement in the fair value of these derivatives would be expected to be recorded in the cash flow hedge reserve and would not affect the income statement. Changes in the fair value of interest rate swaps and RPI swaps are expected to be substantially matched by changes in the fair values of the positions they are hedging, due to the highly effective hedging relationships. However, the underlying positions being hedged – in the case of RPI swaps a substantial proportion of the cash flows emanating from the Transmission owner asset and in the case of the RPI swaps all senior debt variable rate borrowings - are carried at amortised cost. Consequently, any change in the fair value of the underlying hedged positions would not be recorded in the regulatory financial statements. The Directors are of the opinion that the net impact of potential changes in the fair value of the derivative financial instruments held by the Company has no substantive economic impact on the Company because of the corresponding economic impact on the underlying cash flows they are hedging.

Any changes in future cash flows in relation to the derivative financial instruments held by the Company, arising from future changes in RPI and/or interest rates, are expected to be matched by substantially equal and opposite changes in cash flows arising from or relating to the underlying position being hedged.

Capital management

The Company is funded by a combination of senior debt, other borrowing and equity in accordance with the Directors' objectives of establishing an appropriately funded business consistent with that of a prudent offshore electricity transmission operator and the terms of all legal and regulatory obligations including those of the Licence and the Utilities Act 2000.

Senior debt comprises a syndicate of commercial lenders which carries a coupon linked to 3-month LIBOR. As referenced in the "Strategic Report – Hedging Arrangements", the Company has entered into interest rate swap agreements with fellow or subsidiary undertakings of the commercial lenders which has the net commercial effect of swapping the variable rate interest coupon on 100% of the nominal value of these loans for a fixed rate coupon. All of the senior debt and related interest rate derivatives are serviced on a quarterly basis and are expected to amortise over the remaining life of the project through to December 2038. At 31 March 2019, the total principal carrying value of senior debt net of unamortised issue costs excluding any accrued interest amounted to £173,825k (2018: £nil).

The company has also benefited from unsecured loan notes from related parties and carries a fixed rate coupon (see note 18). At 31 March 2019, the total value of the other borrowing principal outstanding, excluding accrued interest, amounted to £17,644k (2018: £nil).

Ordinary equity share capital at 31 March 2019 amounted to £900k (2018: £900k).

The Directors consider that the capital structure of the Company meets the Company's objectives and is sufficient to allow the Company to continue its operations for the foreseeable future based on current projections and consequently has no current requirement for additional funding.

20. Parent companies

Until 18 April 2018 the company's immediate parent undertaking was DTPBBEH, registered in England and Wales. The ultimate parent company of DTPBBEH and controlling party was Mitsubishi Corporation ("**MC**") which is incorporated in Japan. The largest and smallest group into which the Company was previously consolidated was MC. The group financial statements of MC are available from Mitsubishi Corporation, 3-1 Marunouchi 2-Chome, Chiyoda-Ku, Tokyo 100-8086, Japan.

As of 19 April 2018, DTPBBEH is jointly owned by DTC and IIO1 Limited, which is a wholly owned subsidiary of Infrastructure Investments Holdings Limited. The ultimate controlling party is of Infrastructure Investments Holdings Limited is IILP Infrastructure Company Limited, which is incorporated in Guernsey, Channel Islands and its accounts are available at East Wing, Trafalgar Court, Les Banques, St Peter Port, GY1 3PP, and Guernsey.

Currently the Company's immediate parent undertaking is DTPBBEH a company registered in the England (Company number 10121746) Group Financial Statements are either available from Diamond Transmission Partners BBE (Holdings) Limited, Mid City Place, 71 High Holborn, London, WC1V 6BA.

21. Capital commitments

The company has no capital Commitments at the year-end (2018 £nil).

22. Non-cancellable operating lease commitments

The company has non-cancellable lease commitments of £19k in respect of the ground rent for sub-station.

23. Contingent assets & liabilities

The company has no outstanding law suits at the end of the financial period.

Glossary

A

The Agreement

The Shareholders Agreement

Annual General Meeting (AGM)

Meeting of shareholders of the Company, held on an annual basis, to consider ordinary and special business, as detailed in the Notice of AGM.

Asset Transfer date

The date the Company acquired the transmission system assets on 26th April 2018.

The Authority

The Gas and Electricity Markets Authority

B

Base Revenue

Representing that revenue, in any one charging year, which reflects the Licence target availability of 98%.

Board

The Board of Directors of the Company

DTPBBEH

Diamond Transmission Partners BBE (Holdings) Limited

DTPBBE

Diamond Transmission Partners BBE Limited

C

called up share capital

Shares (ordinary) that have been issued and have been fully paid for.

carrying value

The amount at which an asset or liability is recorded in the balance sheet.

charging year

The period of time in between 1 April in one calendar year and 31 March, in the following calendar year.

Cash Flow Hedges

a hedge of the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognised asset or liability such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction and (ii) could affect profit or loss.

the Company, Diamond Transmission Partners BBE Limited, DTPBBE, we, our, or us

The terms 'the Company', 'Diamond Transmission Partners BBE Limited', DTPBBE, 'we', 'our', or 'us' are used to refer to Diamond Transmission Partners BBE Limited, depending on context

contingent liabilities

Possible obligations or potential liabilities arising from past events, for which no provision has been recorded, but for which disclosure in the regulatory financial statements is made.

D

deferred tax

For most assets and liabilities, deferred tax is the amount of tax that will be payable or received in respect of that asset or liability in future tax returns as a result of a difference between the carrying value for accounting purposes in the balance sheet and the value for tax purposes of the same asset or liability.

derivative

A financial instrument or other contract where the value is linked to an underlying index, such as exchange rates, interest rates, RPI or commodity prices.

DTC

Diamond Transmission Corporation Limited (wholly owned subsidiary of Mitsubishi Corporation)

E

EU

The European Union, consisting of 28-member European national states.

F

financial year

For Diamond Transmission Partners BBE Limited this is the accounting year ending on 31 March.

G

Great Britain

The island of Great Britain comprised of its constituent parts, namely: Wales, England and Scotland.

the Group

Diamond Transmission Partners BBE (Holdings) Limited and its subsidiary undertakings

H

HS&E

Health, Safety and the Environment

I

IILP

Infrastructure Investments Limited Partnership

IIO1

IIO1 Limited a shareholder of DTPBBEH

IIHL

Infrastructure Investments Holdings Limited, the parent company of IIO1Limited

IILP

IILP Infrastructure Company Limited, the parent Company of IIHL

IAS

An International Accounting Standard, as issued by the International Accounting Standards Board (IASB).

IFRS

An Accounting Standard or Standards issued by the IFRS Interpretations Committee and as endorsed by the EU.

IASB

International Accounting Standards Board

IFRIC 12

IFRIC 12 Service Concession Arrangements

Interest Rate Swaps

A derivative financial instrument that is a binding agreement between counterparties to exchange periodic interest payments on a predetermined principal amount. The Company pays fixed interest amounts in exchange for receipt of variable interest amounts linked to LIBOR.

K

KPIs

Key performance indicators

kV

Kilovolt – an amount of electrical force equal to 1,000 volts

kWh

Kilowatt hours – an amount of energy equivalent to delivering 1,000 watts of power for a period of one hour.

L

LIBOR

London Interbank Offered Rate.

the Licence

The Offshore Electricity Licence held by Diamond Transmission Partners BBE Limited

LTIs

Lost time injury – an incident arising out of Diamond Transmission Partners BBE Limited's operations which leads to an injury where the employee or contract normally has time off the following day, or shift following, the incident. It relates to one specific (acute) identifiable incident which arises as a result of Diamond Transmission Partners BBE Limited's premise, plant, or activities, which was reported to the supervisor at the time and was subject to appropriate investigation.

lost time injury frequency rate

The number of lost time injuries per 100,000 hours worked, over a 12-month period.

M

MC

Mitsubishi Corporation

MMO

Marine Management Organisation

MSA

Management Services Agreement

MW

Megawatts – an amount of power equal to one million watts

MWhrs

Megawatt hours – an amount of energy equivalent to delivering one million watts of power over a period of one hour

N

NGET

National Grid Electricity Transmission plc

NGESO

National Grid Electricity System Operator Limited

the Notes

Unsecured Loan Notes 2038

O

Ofgem

The UK Office of Gas and Electricity Markets, part of the UK Gas and Electricity Markets Authority (GEMA), which regulates the energy markets in the UK

Glossary

OFTO(s)
Offshore Transmission Owner(s)
OTSDUW Completion Report
A report detailing the agreement between the Company and NGET up to 31 March 2019 and NGESO from 01 April 2019.
Other borrowing (see also the Notes)
Amounts borrowed by the Company from immediate parent undertaking DTPBBEH
O&M
Operations and Maintenance

P
Performance year
The period or part thereof (in the case of the commencement and termination years) over which the Company's transmission availability performance is measured – 1 January through to 31 December (or part thereof).

R
RPI
The UK retail price index as published by the Office for National Statistics.
RPI Swaps
A derivative financial instrument that is a binding agreement between counterparties to exchange cash flows relating to RPI on a predetermined principal amount. The Company pays variable cash flows arising from changes in RPI on a predetermined notional amount in exchange for receipt of fixed amounts.

S
Senior Debt
All borrowings except the other borrowing.
SRA
Shared Resources Agreement
STC
System Operator Transmission Owner Code
SQSS
Security and Quality of Supply Standard

U
UK
The United Kingdom of Great Britain and Northern Ireland, comprising: Wales, England, Scotland and Northern Ireland