DIAMOND TRANSMISSION PARTNERS GALLOPER LIMITED

REGULATORY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

Company registration number 10726070 (England and Wales)

DIAMOND TRANSMISSION PARTNERS GALLOPER LIMITED

COMPANY INFORMATION

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DIAMOND TRANSMISSION PARTNERS GALLOPER LIMITED

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DIAMOND TRANSMISSION PARTNERS GALLOPER LIMITED

A DESCRIPTION OF THESE REGULATORY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

Diamond Transmission Partners Galloper Limited ("DTPG", “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 February 2020 by The Gas and Electricity Markets Authority (“the Authority”). Under standard condition E2 of this Licence, the Company is required to prepare and publish annual regulatory financial statements setting out the financial position and performance of the regulatory business covered by the Licence

Scope of the regulatory financial statements

These regulatory financial statements 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 financial statements for the year ended 31 March 2024 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 financial statements also reflect the same activities as reported in the Company’s annual report and financial statements 2023/24.

Content of the regulatory financial statements

In accordance with the Licence these regulatory financial statements comprise:

- a Strategic Report commencing on page 2;
- a Directors’ Report commencing on page 17;
- a Directors’ responsibilities statement in respect of the regulatory financial statements commencing on page 19;
- a Corporate governance statement commencing on page 20;
- the Independent auditor’s report on the regulatory financial statements commencing on page 24;
- the regulatory financial statements commencing on page 28; and
- 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 22 Related party transactions.

Relationship of regulatory financial statements with statutory financial statements

The financial information contained in these regulatory financial statements does not constitute statutory financial statements within the meaning of Section 396 of the Companies Act 2006. Statutory financial statements for the Company for the year ended 31 March 2024, to which the financial information relates, will be delivered to the registrar of Companies.

The auditor has made a report under Section 495 of the Companies Act 2006 on those statutory financial statements which was unqualified and did not contain a statement under Section 498(2) or (3) of the Act. The auditor’s opinion on the Company’s statutory financial statements is addressed to, and for the benefit of, the members of the Company and not for any other person or purpose. The auditor has clarified, in giving their opinion on those statutory financial statements, 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 financial statements is shown or into whose hands it may come save where expressly agreed by their prior consent in writing.

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

DIAMOND TRANSMISSION PARTNERS GALLOPER LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2024

Introduction

This Strategic Report explains the operations and the performance of the Company during the year ended 31 March 2024, as well as those matters which are likely to affect its future performance.

The Company is a private company limited by shares, whose principal activity is to provide an electricity transmission service to National Grid Electricity System Operator Limited ("**NGESO**"), being 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 National Grid Electricity Transmission plc ("**NGET**").

The ultimate parent company of the Company is Diamond Transmission Partners Galloper (Holdings) Limited ("**DTPGH**"), a Company incorporated and registered in England and Wales, Company Number 10725390.

Background

The Office of Gas and Electricity Markets ("**Ofgem**") 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 transmission assets are owned and operated by an Offshore Transmission Owner ("**OFTO**"). The OFTO is subject to the conditions of a transmission licence.

The Company was awarded a transmission licence by Ofgem, which came into force on 25 February 2020. This licence permits and requires the Company to maintain and operate the Galloper offshore transmission assets for a 20-year revenue period.

The Electricity and Gas (Internal Markets) Regulations 2011 require all transmission system operators to be certified as complying with the unbundling requirements 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 Ofgem confirming its compliance with the Third Package requirements. The Company has on-going obligations and is required to make certain periodic declarations to Ofgem 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 Galloper wind farm from the offshore connection point of the Company's transmission assets to the onshore connection point of the Company's assets. The roles and responsibilities of parties at connection points are governed through interface agreements and industry codes.

The Galloper offshore wind farm comprises 56 turbines, with a combined capacity of 352.8 megawatts ("**MW**") and is located approximately 27km from the shore of Suffolk, southeast of Sizewell to the east of the operational Greater Gabbard wind farm.

At the offshore electricity substation, 33kV array cables connect the wind farm turbines to the Company's transmission system at the offshore substation. The voltage is "stepped up" to 132kV by electrical transformers and the electrical power transported to land by two high voltage submarine cables with a route length of approximately 43km. At landfall the submarine cables are joined to land cables that run for approximately 0.85km to the Company's onshore substation. At the onshore substation, the power factor of the electricity is corrected using reactive compensation equipment. The onshore substation is located adjacent to the National Grid Leiston 132kV substation and then connects into NGET's electricity transmission system.

The Company's long-term business objectives

The Company is a special purpose vehicle. Its non-financial objectives are 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 Galloper offshore transmission system. The Company will achieve this objective by:

- meeting its revenue targets by operating the transmission system at availability levels 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; no changes to this objective are likely in the future.

The Company's operating model

Operation and Maintenance ("**O&M**") activities and management and financial services are outsourced. As part of its asset management responsibilities Diamond Transmission UK Limited ("**DTUK**") ensures that the outsourced services are of the required quality to ensure that the Company meets its licence obligations and complies with good industry practice.

The Company's approach to managing the business

The Company's 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. In doing so the Company:

- has a strong 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 regulatory and contractual obligations arising from and including: the licence; the Offshore Transmission System Development User Works ("**OTSDUW**") Completion Report; and the System Operator – Transmission Owner Code ("**STC**"). The Company's operations are also subject to a range of industry specific legal requirements.

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 have processes, procedures and controls in place to ensure compliance.

Regulated revenue and incentives

The licence determines how much the Company may charge for the OFTO services that it provides to NGESO. In any relevant charging year which runs from 1 April through to the following 31 March all such charges are determined in accordance with the requirements of the licence. The licence also provides the Company with an incentive to ensure that the 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, being 98% of the total megawatt hour capacity of the Company's electricity transmission system in any given calendar year.

Transmission charges increase on 1 April 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 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, if the transmission system availability in any given calendar year is in excess of 98%, credits are "earned" and if availability is less than 98% penalties accrue, 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" in any one charging year, is 5% of base revenue for the immediately preceding charging year. The maximum availability penalty in charges for anyone 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 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.

The licence also contains mechanisms to incentivise the Company to maximise availability on a monthly basis with higher targets and higher potential penalties in the winter months compared to the summer months. These incentive mechanisms are designed to encourage the Company to proactively manage transmission system availability across the year by focusing maintenance activities, which lower transmission system availability, into those months with the lowest related penalties.

There are a number of risks that face the Company affecting the level of transmission system availability.

The factors governing transmission system availability include:

- the inherent design of the transmission system e.g. system redundancy;
- the management of maintenance so that the assets are maintained to good industry practice, thereby avoiding unnecessary equipment failure; and
- the management of necessary planned outages of the transmission system having regard to the activities of other interested parties and to bias outages towards periods with the lowest system availability targets.

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

The Company is permitted under its licence to pass costs such as non-domestic rates and costs charged by Ofgem associated with running the OFTO tender regime to its customer.

Transmission system capability (capacity)

The Company has reported 100% transmission availability based on the maximum capacity of the system for the performance year ended 31 December 2023 (31 December 2022: 99.98%) – see "Transmission System Availability" below.

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 OFTOs must ensure that their transmission systems 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		
Cash available for debt service	Net cash inflows from operating activities plus cash inflows from investing activities: £16,545k (2023: £15,489k).	To exceed debt service lock up ratios. This has been achieved for both 2024 and 2023.
Non-Financial KPIs		
Maximise transmission availability	Making the transmission system available to transmit electricity over the performance year to 31 December 2023: 100% (31 December 2022: 99.98%).	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 both 2024 and 2023.
HS&E	1) Zero lost time accidents ("**LTIs**"); 2) Zero reportable environmental incidents; 3) Zero enforcement actions by Marine Management Organisation ("**MMO**"); 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 HS&E KPIs as they applied to 2024 and 2023 have been met.

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 continued to maintain 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 successfully carried out its asset management activities in accordance with its asset operating plan and maintenance plan. The Company also submitted and had its network outage plan accepted by NGESO.

Transmission system availability

The performance of the Company's transmission system is reported to Ofgem on a calendar year basis between 1 January and 31 December. The performance for the calendar year ended 31 December 2023 and 31 December 2022 is tabulated below:

MWhrs	Note	Performance Year ended 31 December 2023	Performance Year ended 31 December 2022
Maximum system availability (capability – MWhrs)	a	3,047,645	3,047,645
Reported system availability (MWhrs)	b	3,047,645	3,046,783
Reported system availability (%)	b	100%	99.98%
Regulatory target system availability (%)		98%	98%

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

b) After taking into account any relief permitted by the licence or otherwise approved by Ofgem.

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 2024 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 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.

During the year ended 31 March 2024 there were no lost time incidents (2023: there were no lost time incidents).

The Company is committed to reducing the environmental impact of its operations to as low as practically possible by reducing the effect its activities have 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 pleased to report that, during the year under review there were no health, safety or environmental 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 has also continued to comply with the Marine Licence obligations that were transferred to it since the transmission assets were acquired.

Commitment to ethical business practices

The Company is committed to ethical business practices in the way that the Company carries out its business and is committed to complying with all laws and regulations that apply to the Company at all times. The Company is subject to its own policies, which include:

- a code of conduct that governs the activities of those persons directly involved in the business, which applies in particular to the Directors and contractors in the provision of services to the Company;
- a Modern Slavery policy;
- a consideration of the implications of the Criminal Finances Act 2017; and
- an Anti-bribery and Anti-corruption policy.

The Company respects the rights of those persons who work directly or indirectly in the business and does not condone in any way modern slavery within its business or that of its supply chain.

The Company has identified no instances of non-compliance with any of the above polices for the year ended 31 March 2024 and through to the date of this report.

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, which it has continued to apply during the year and through to the date of this report.

The Directors consider that stakeholder relationships are satisfactory.

Principal and emergent risks and uncertainties

The principal and emerging 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 2024 and 2023, was satisfactory and is summarised below:

	2024 £'000s	2023 £'000s
Operating profit	7,261	6,865
Net Finance costs	(6,524)	(6,793)
Profit before taxation	737	72
Taxation	(420)	(232)
Profit/(loss) after taxation	**317**	**(160)**
Net cash inflow from operating activities and interest income	**16,545**	**15,489**
Net cash flows used in servicing debt	**(15,828)**	**(15,146)**

Operating profit

Operating profit comprises operating income, finance income and operating costs.

Finance income represents the finance income that would have been generated from an efficient standalone "transmission owner".

Operating income primarily represents the operating income that would be generated by an efficient provider of operating services to NGESO. Finance and operating income have been recorded in accordance with the principal accounting policies adopted by the Company – see "Accounting policies - 1.6 Operating and finance income" - and the respective amounts are detailed in note 3 of the regulatory financial statements.

Operating costs cover operations and maintenance fees, insurance fees, management service fees and non-domestic rates associated with the transmission network, are detailed in note 4 of the regulatory financial statements.

Net finance costs

Net finance costs, comprise other finance income and finance costs. Further details are discussed in notes 6 and 7 of the regulatory financial statements.

Taxation

There was no current taxation arising in the year as the Company has no taxable profit.

The carrying value of the deferred taxation balances included in these regulatory financial statements at 31 March 2024 and 2023 has been calculated at 25%.

A net taxation charge of £897k (2023: £2,221k) has been recognised in the Statement of comprehensive income relating to pre-taxation gains arising on marking the Company's cash flow hedges to market at the balance sheet date. The net taxation charge included within the Statement of comprehensive income relates solely to deferred taxation.

Cash flows

Net cash flows generated from operations primarily reflect the amounts invoiced and received from NGESO up to 31 March 2024 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 £208k (2023: £73k).

Cash available for debt servicing is defined as net cash inflows from operations plus net cash generated from investing activities.

No income taxes were paid in the year (2023: £nil).

Balance sheet and consideration of financial management

Balance sheet

The Company's balance sheet at 31 March 2024 and 2023 is summarised below:

	Assets	Liabilities	Net Assets/ (Liabilities)
	£'000s	**£'000s**	**£'000s**
Non-current transmission owner asset	248,915	-	248,915
Non-current deferred taxation	2,533	-	2,533
Current assets and liabilities+	10,695	(1,016)	9,679
Non-current decommissioning provision	-	(6,024)	(6,024)
Total before net debt	262,143	(7,040)	255,103
Net debt	-	(266,212)	(266,212)
Total at 31 March 2024	**262,143**	**(273,252)**	**(11,109)**
Total at 31 March 2023	271,150	(285,266)	(14,116)

+ Including current transmission owner asset and 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 Galloper offshore transmission system at the date of acquisition, plus finance income and adjusted for any amounts that have been invoiced to NGESO, 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 as discussed in the accounting policies section of the regulatory financial statements commencing on page 33.

The transmission owner asset at the date of acquisition included an estimate of the costs of decommissioning the transmission owner asset at the end of its useful economic life in 2040. At 31 March 2024, the carrying value of the transmission owner asset was £258,571k (2023: £267,658k) including amortisation of £9,087k (2023: £8,407k) and the decommissioning provision amounted to £6,024k (2023: £5,858k) including discount unwound of £166k (2023: £135k).

Non-current deferred taxation

A net deferred taxation 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), as detailed in note 17; and Infrastructure lease liabilities, less cash and deposits which is discussed further in note 15 of the regulatory financial statements.

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, lease liabilities 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.

The senior debt consists of a) loans from a consortium of lenders linked to the Sterling Overnight Index Average ("**SONIA**") rate calculated on a daily basis for a 3 month period with related interest rate swap; b) a fixed rate loan from a single provider. The senior debt and interest rate swaps require servicing on a quarterly basis.

The other borrowing is in the form of unsecured loan notes issued to two related parties at a fixed rate coupon.

No change was made to ordinary equity share capital in the year.

Further details of the carrying value of the senior debt and the related swaps are discussed in note 14 and note 17, respectively. The details of the funding structure are also disclosed in notes 24 and 25 of the regulatory financial statements. Swaps are explained in more detail below under "Hedging arrangements" in this Strategic Report.

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 compliance with all debt covenants and servicing of debt holders, as those obligations fall due.

The Directors note that total shareholders' equity at 31 March 2024 is a deficit of £11,109k (2023: £14,116k), which includes 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 cash flow reserve deficit of £11,493k (2023: £14,183k).

The existence of a cash flow reserve deficit 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 Company 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 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 Similar to the Company NGESO is also regulated by Ofgem.

The Board has continued proactively to execute a plan to identify the potential key impact areas and put in place measures to address and manage those risks as necessary, while following all governmental requirements and guidelines.

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 Ofgem 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 as to the likely cash flows that are expected to occur over the life of the project.

The hedging arrangements are explained in more detail below under "Hedging arrangements".

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 £10,000k (2023: £10,000k) that it can access in the event that it has an insurable event, 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 are settled. As at the date of signing these regulatory financial statements, the liquidity facility remains undrawn.

Finally, under the terms of the other borrowing agreement, absent certain matters of default, the loan notes do not have to be redeemed until 2040.

Credit rating

The Company has complied with standard licence condition E11: Credit Rating of Licensee, for the year ended 31 March 2024 and through to the date of this report.

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.

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

At 31 March 2024, the Company held £3,029k (2023: £2,390k) cash and cash equivalents of which £214k (2023: £104k) 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, £2,815k (2023: £2,286k) requires the consent of the Company's lenders prior to use but are held for general corporate purposes. 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

It is the policy of the Directors that the Company will only enter into derivative financial instruments for the purpose of hedging an economic risk. No speculative positions are entered into.

RPI swaps

The Company has RPI swaps with third parties. The use of these RPI swaps has the effect of exchanging the vast majority of variable cash inflows derived from the Company's transmission services it provides to NGESO (impacted by changes in actual RPI) in exchange for a known and predetermined stream of cash inflows over the period which the Company has exclusive rights to operate the offshore transmission system under the licence and the period over which the vast majority of future cash flows from the project are expected to be generated.

Under the terms of the licence, regulatory and other contractual agreements, the Company is permitted to charge NGESO, 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 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 2024 was £40,564k (2023: £43,603k).

Further information relating to these derivative financial instruments is contained within notes 17, 24 and 25 to the regulatory financial statements.

Interest rate swaps

The Company also has interest rate swaps with third parties. 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 assets at 31 March 2024 was £25,241k (2023: £24,693k).

Further information relating to these derivative financial instruments is contained within notes 17, 24 and 25 to the regulatory financial statements.

Lending covenants and other restrictions

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 swap providers to monitor compliance by the Company with the conditions of the lending agreements. 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. The covenants and conditions of the lending agreements include (but are not limited to) the following:

1) 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;

2) The Company is required to deliver financial and other information at specified intervals (typically quarterly) to the global agent;

3) 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;

4) The Company is required to maintain certain financial ratios in respect of debt service cover (both historical and forward looking); loan life cover; and in respect of incremental investments it cannot exceed a specified gearing ratio;

5) 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;

6) The Company is required to maintain adequate insurances at all times; and

7) 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 UK-adopted International Accounting Standards ("IAS") and the applicable legal requirements of the Companies Act 2006. UK IAS 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 hedge accounting in place 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 33.

Section 172 Statement

The Board of Directors, in line with their duties under s172 of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long term. Key decisions and matters that are of strategic importance to the Company are appropriately informed by s172 factors.

Through an open and transparent dialogue with our key stakeholders, we have been able to develop a clear understanding of their needs, assess their perspectives and monitor their impact on our strategic ambition and culture. As part of the Board's decision-making process, the Board and its Committees consider the potential impact of decisions on relevant stakeholders whilst also having regard to a number of broader factors, including the impact of the Company's operations on the community and environment, responsible business practices and the likely consequences of decisions in the long term.

Illustrations of how s172 factors have been applied by the Board can be found throughout the 2023/2024 Annual Report and Regulatory Financial Statements. For example, the following information can be found within the Strategic Report;

- information on how the Company manages its business and compliance with regulatory requirement;
- details on how the Company has considered the impact of its operations on the community and environment;
- non-financial KPIs information and Commitment to Ethical Business Practice details on how the Company maintains high standards of business conduct; and
- information on how the Company engaged with key stakeholder groups throughout the year and the effectiveness of the engagement.

Approved on behalf of the Board

Gary Thornton
Director
23 July 2024

DIAMOND TRANSMISSION PARTNERS GALLOPER LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2024

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:

Gary Thornton
Matthew Pitts
Elizabeth Jo Beswetherick
James Heath

Qualifying third party indemnity provisions

Third-party indemnity provisions for the benefit of its Directors have been in place throughout the year and were in force at the reporting date. These indemnity provisions were provided for by other related parties for which a fee was not charged to the Company.

Principal activities and business review

The Company is incorporated and registered in England and Wales, Company Number 10726070. A full description of the Company's principal activities, business and principal risks and uncertainties is contained in the Strategic Report on pages 2 - 16, which is incorporated by reference into this report.

Material interests in shares

The Company is a wholly owned subsidiary undertaking of the ultimate parent company, DTPGH.

Returns to related party undertakings

During the year ended 31 March 2024 the Company repaid £593k (2023: £465k) of principal and paid £1,601k (2023: £1,636k) of interest in relation to the unsecured loan notes to its related party undertakings. The principal outstanding on these loans amounted to £22,451k at 31 March 2024 (2023: £23,044k).

No dividends were paid during the year (2023: £nil).

Donations and research and development

No charitable or political donations were made during the year (2023: £nil) and expenditure on research and development activities was £nil (2023: £nil).

Financial instruments

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

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".

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

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. For information regarding climate change and greenhouse emissions, please see the Corporate Governance Statement.

Future developments

Details of future developments are contained in the Strategic Report.

Employee involvement and Directors' emoluments

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.

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

Statement of disclosure to auditor

Each of the persons who is a Director at the date of approval of this Directors' Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Approved on behalf of the Board

Gary Thornton
Director
23 July 2024

DIAMOND TRANSMISSION PARTNERS GALLOPER LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT IN RESPECT OF THE REGULATORY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

The Directors of the Company are required by standard condition E2 of the Licence to prepare regulatory financial statements 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 financial statements is described under "A description of these regulatory financial statements".

The Directors consider that, in preparing the regulatory financial statements, 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 have the same form and content as the equivalent statutory accounts of the Company and that they comply in all material respects with UK-adopted international accounting standards as applicable to companies reporting under UK-adopted IAS 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 auditor 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
23 July 2024

DIAMOND TRANSMISSION PARTNERS GALLOPER LIMITED

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 MARCH 2024

Introduction

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.
The Company is a wholly owned subsidiary undertaking of DTPGH ("the **Group**"), and consequently operates within the corporate governance framework. An understanding of the governance framework is required to understand the Company's position within that framework.

None of the members of the Group have a premium listing of equity shares and therefore they are not subject to the UK Corporate Governance code. The Company is a private company limited by shares and is incorporated and registered in England and Wales.

Appointments to the board of directors of the Group are governed by a shareholders' agreement ("the **Agreement**") between the two shareholders of DTPGH, Diamond Transmission UK Limited ("**DTUK**", a subsidiary of Diamond Transmission Corporation Limited ("**DTC**")) and Infrastructure Investment OFTO 1 Limited ("**IIO1L**", a subsidiary of Infrastructure Investments PPP OFTO LLP ("**IIPOLLP**")), that jointly control that company through a common class of ordinary shares and indirectly DTPG. 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 all boards within the Group are balanced, with no one shareholder having majority representation. 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 Group so as to meet its respective objectives and to generate or preserve value over the longer term. The Directors regularly review the effectiveness of the 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.

The Company

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 Board is accountable to both its own shareholder and the shareholders of the immediate parent company DTPGH for the good conduct of the Group's affairs, including those of the Company.

Board activity

The Board is responsible for leadership and the setting of objectives and targets to ensure that its business objectives are met and monitors performance against those targets, which it has continued to do so during the year under review. Amongst other matters, the Directors have monitored the operational and financial performance of the Company during Board meetings. In doing so, the Directors have due regard to the objectives of the Company and the business plan that is being executed. In addition, the Directors have attended regular operational review meetings during the financial year where the operations and financial performance of the Company have been scrutinised in detail and the performance of third-party suppliers in managing the assets of the Company were assessed accordingly.

The Board is satisfied with operational and financial performance of the Company during the year ended 31 March 2024 and a discussion of the operational and financial performance of the business is included in the Strategic Report.

The Board has satisfied itself that there has been compliance with all of its policies during the year ended 31 March 2024 and a discussion is included in the Strategic Report.

The Board recognises that the Company, in carrying out its activities, has to do so in the context of an environment that is subject to risk. The Board is responsible for managing those risks and maintains a risk register which is updated regularly and actively monitored. The principal and emergent risks faced by the Company are discussed in the Strategic Report.

Directors and their attendance at Company board meetings

Board meetings were held on 6 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:

Gary Thornton	6 of 6
Matthew Pitts	3 of 6
Elizabeth Jo Beswetherick	5 of 6
James Heath	5 of 6

Certain licence related compliance activities are delegated for detailed consideration by the Compliance Committee set up by the Board. Certain other matters are considered by committees, where it is efficient and effective for certain activities and policies to be considered. Matters discussed at these committee meetings are then considered by the Board on a regular basis and endorsed accordingly. The activities of these committees are discussed below.

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. Dr Graeme Hutchinson is the Company's Compliance Officer. Dr Graeme Hutchinson is not 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 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 licence 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:

Gary Thornton	1 of 1
Matthew Pitts	1 of 1
Elizabeth Jo Beswetherick	1 of 1
James Heath	1 of 1

Compliance statement and annual compliance report

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. In addition, the Company's "Separation and Independence of the Transmission Business Compliance Statement" was revised to Issue 8, due to organisational changes and issued to Ofgem for approval on 4 December 2023 and was approved by Ofgem on 17 May 2024.

The Company's last annual compliance report dated 7 November 2023 concluded that the Company, as licensee, had been compliant with the relevant duties of the licensee through to 7 November 2023 and has been approved by Ofgem. The Committee is not aware of any instance of non-compliance with the relevant duties of the Licensee since 7 November 2023 through to the date of this report.

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. DTPGH has an Audit Committee. The purpose of the Audit Committee is to assist the board of DTPGH 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 regulatory 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 33 to 41);
- reviewing and approving the internal control and risk management policies applicable to the Group;
- maintaining an appropriate relationship with the external auditor; and
- assessing the objectivity and independence of the external auditor by considering: the nature and extent of non-audit services; a consideration of the effectiveness of the audit process including a recommendation to the Board of DTPGH as to the reappointment of the auditor to the Company.

In carrying out the above activities, the Audit Committee has noted in particular the following:

- the Audit Committee has considered carefully the disclosures contained within the Company's annual report and regulatory financial statements generally and in particular disclosures relating to "going concern" and climate change and have concluded that the information provided is proportionate and appropriate to the activities and experiences of the Company.

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

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

Health, Safety and Environment Advisory Committee

The Board of DTPGH and the Company recognises that the nature of the Company's business requires a focus on health, safety and the environment. Accordingly, the Board of Company has set up a Health, Safety and Environmental Advisory Committee, which considers health, safety and environment matters relating to the Company. 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;
- setting the health, safety and environmental plan for the year, including the carrying out health and safety audits of O&M providers and monitoring the performance 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, DTUK, and the Company's O&M providers and all other sub-contractors to the Company that have the day to day responsibility for the management of health, safety and environment.

Members of the Health, Safety and Environment Advisory 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:

Gary Thornton	2 of 2
Matthew Pitts	2 of 2
Elizabeth Jo Beswetherick	2 of 2
James Heath	2 of 2

Climate Change and greenhouse gas emissions

The Board acknowledges that the impact of climate change is apparent, through climate and weather extremes and environmental events that are increasing in frequency and intensity. The Board is proud to be managing a business that is fundamental to the UK's efforts to achieve net zero emissions by 2050 in line with the Paris Agreement and the UK Government's target.

The Company operates facilities that have the potential to emit harmful greenhouse gases. In particular, the Company uses Sulphur Hexafluoride (SF_6) in the operation of some of the Company's electrical equipment including electrical transformers. SF_6 is an inorganic, colourless, odourless and non-flammable greenhouse gas and the Company has an active maintenance regime in place to monitor equipment for gas leaks and, where necessary, take appropriate actions to repair equipment to prevent the escape of SF_6.

The operation of the Company's facilities, which are necessary to allow for the transmission of clean energy, also requires the consumption of electricity, which maybe a source of greenhouse gas emissions.

The Directors have estimated that 382.16kg of CO_2 (equivalent) has been emitted during the year ending 31 March 2024 (2023: 0kg).

Approved on behalf of the Board

Gary Thornton
Director
23 July 2024

DIAMOND TRANSMISSION PARTNERS GALLOPER LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE GAS AND ELECTRICITY MARKETS AUTHORITY (THE REGULATOR) AND THE DIRECTORS OF DIAMOND TRANSMISSON PARTNERS GALLOPER LIMITED

FOR THE YEAR ENDED 31 MARCH 2024

Report on the audit of the regulatory financial statements

Opinion

We have audited the regulatory financial statements of Diamond Transmission Partners Galloper Limited ("the Company") for the year ended 31 March 2024, which comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and notes to the related notes to the Regulatory financial statements. The financial reporting framework that has been applied in their preparation is condition E2 of the Company's Regulatory Licence and the accounting policies set out in note 1.

In our opinion the regulatory financial statements are properly prepared, in all material respects, in accordance with condition E2 of the Company's Regulatory Licence and the accounting policies set out in note 1.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ISA (UK) 800 and having regard to the guidance contained in ICAEW Technical Release 02/16AAF (Revised) Reporting to regulators on regulatory accounts. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the regulatory financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the regulatory financial statements in the UK, including the Financial Reporting Council's (FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Basis of accounting

We draw attention to the fact that the regulatory financial statements have been prepared in accordance with a special purpose framework, condition E2 of the Company's Regulatory Licence and the accounting policies set out in the statement of accounting policies. The nature, form and content of regulatory 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 or appropriate for the Regulator's purposes. Accordingly we make no such assessment.

The regulatory financial statements are separate from the statutory financial statements of the Company and the accounting policies used and disclosures made are not intended to, and do not, comply with all the requirements of UK-adopted international accounting standards ("UK IAS"). Financial information other than that prepared on the basis of UK IAS does not necessarily represent a true and fair view of the financial performance or financial position of a company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

In auditing the regulatory financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial regulatory statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included with the regulatory financial statements, other than the regulatory financial statements and our auditor's report thereon. Our opinion on the regulatory financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the 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 in this regard.

The Directors' Report, Strategic Report and Corporate governance statement

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;
- the information given in the Corporate governance statement set out on pages 20 to 23 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 of the Directors

As explained more fully in the Directors' Responsibility Statement set out on page 19, the directors are responsible for the preparation of the regulatory financial statements and for such internal control as the directors 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.

Auditors' responsibilities for the audit of the regulatory financial statements

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 auditor's 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 financial statements.

A further description of our responsibilities for the audit of the regulatory financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance, and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and the sector in which it operates, focusing on those provisions that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- Specific legal requirements pertaining to the Company's licence to operate, including the Electricity Act 1989;
- Health and Safety at Work etc. Act 1974;
- Companies Act 2006;
- UK tax legislation; and
- UK-adopted international accounting standards.

We gained an understanding of how the Company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of submitted returns, relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. In areas of the regulatory financial statements where the risks were considered to be higher, we performed procedures to address each identified risk. We identified a heightened fraud risk in relation to:

- management override of controls; and
- revenue recognition.

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- reviewing the level of and reasoning behind the Company's procurement of legal and professional services;
- performing audit procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias;
- performing audit procedures over the accuracy and classification of revenue recognition;
- completion of appropriate checklists and use of our experience to assess the Company's compliance with the Companies Act 2006 and Regulatory Licence; and
- agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements in the regulatory financial statements,

Recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the regulatory financial statements, the less likely we would become aware of it.

Use of this report

This report is made, on terms that have been agreed, solely to the Company and the Regulator in order to meet the requirements of the Regulatory Licence. Our audit work has been undertaken so that we might state to the Company and the Regulator those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under the Regulatory Licence to procure such a report and (b) to facilitate the carrying out by the Regulator of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Regulator, for our audit work, for this report or for the opinions we have formed.

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 2024 on which we reported on 23 July 2024, 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.

The statutory auditor on the audit resulting in this independent auditor's report is William King.

Johnston Carmichael LLP

William King (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP
Chartered Accountants
Edinburgh, United Kingdom
25 July 2024

DIAMOND TRANSMISSION PARTNERS GALLOPER LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2024

	Notes	2024 £'000s	2023 £'000s
Operating income	**3**	3,743	3,952
Finance income	**3**	5,994	6,045
Total income		9,737	9,997
Operating costs	**4**	(2,476)	(3,132)
Operating profit		7,261	6,865
Other finance income	**6**	208	166
Finance costs	**7**	(6,732)	(6,959)
Profit before taxation		737	72
Taxation	**8**	(420)	(232)
Profit/(loss) attributable to equity shareholders		**317**	**(160)**

The notes on pages 33 to 62 form part of these regulatory financial statements.
The results reported above relate to continuing operations.

DIAMOND TRANSMISSION PARTNERS GALLOPER LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2024

	Notes	2024 £'000s	2024 £'000s	2023 £'000s	2023 £'000s
Profit/(loss) attributable to equity shareholders			**317**		**(160)**
Other comprehensive income					
Items that may be subsequently reclassified to profit and loss:					
Deferred taxation on cash flow hedges	**11**	(897)		(2,221)	
Net gains taken to equity in respect of cash flow hedges	**20**	3,587		8,878	
Total other comprehensive income for the year			**2,690**		**6,657**
Total comprehensive income for the year attributable to equity shareholders			**3,007**		**6,497**

DIAMOND TRANSMISSION PARTNERS GALLOPER LIMITED

BALANCE SHEET

AS AT 31 MARCH 2024

	Notes	2024 £'000s	2023 (restated) £'000s
Non-current assets			
Derivative financial assets	**17**	25,241	24,693
Transmission owner asset	**9**	248,915	258,549
Deferred tax asset	**11**	2,533	3,850
Total non-current assets		**276,689**	**287,092**
Current assets			
Transmission owner asset	**9**	9,656	9,109
Trade and other receivables	**12**	1,039	1,361
Cash and cash equivalents	**13**	3,029	2,390
Total current assets		13,724	12,860
Total assets		**290,413**	**299,952**
Current liabilities			
Trade and other payables	**16**	(1,445)	(1,911)
Borrowings	**14**	(9,957)	(9,242)
Infrastructure financial liabilities	**15**	(21)	(22)
Total current liabilities		**(11,423)**	**(11,175)**
Non-current liabilities			
Derivative financial liabilities	**17**	(40,564)	(43,603)
Borrowings	**14**	(243,088)	(252,976)
Infrastructure financial liabilities	**15**	(423)	(456)
Decommissioning provision	**18**	(6,024)	(5,858)
Total non-current liabilities		**(290,099)**	**(302,893)**
Total liabilities		**(301,522)**	**(314,068)**
Net liabilities		**(11,109)**	**(14,116)**
Equity			
Called up share capital	**19**	1	1
Hedging reserve	**20**	(11,493)	(14,183)
Retained earnings	**21**	383	66
Total shareholders' equity		**(11,109)**	**(14,116)**

The regulatory financial statements set out on pages 28 - 62 were approved by the Board of Directors and authorised for issue on 23 July 2024 and are signed on its behalf by:

Gary Thornton
Director
Company registration number 10726070

DIAMOND TRANSMISSION PARTNERS GALLOPER LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2024

	Called up share capital	Hedging reserve	Retained earnings	Total
	£'000s	£'000s	£'000s	£'000s
Balance at 1 April 2022	1	(20,840)	226	(20,613)
Balance at 1 April 2022	1	(20,840)	226	(20,613)
Year ended 31 March 2023:				
Loss for the year	-	-	(160)	(160)
Other comprehensive income:				
Cash flow hedges gains:	-	8,878	-	8,878
Deferred taxation on cash flow hedges	-	(2,221)	-	(2,221)
Total comprehensive income for the year	-	6,657	(160)	6,497
Balance at 31 March 2023	**1**	**(14,183)**	**66**	**(14,116)**
Year ended 31 March 2024:				
Profit for the year	-	-	317	317
Other comprehensive income:				
Cash flow hedges gains:	-	3,587	-	3,587
Deferred taxation on cash flow hedges	-	(897)	-	(897)
Total comprehensive income for the year	-	2,690	317	3,007
Balance at 31 March 2024	**1**	**(11,493)**	**383**	**(11,109)**

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 Ofgem 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.

DIAMOND TRANSMISSION PARTNERS GALLOPER LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2024

	Notes	2024 £'000s	2023 £'000s
Cash flows generated from operating activities			
Profit for the year before income tax		737	72
Adjustments for:			
Interest received	**6**	(208)	(73)
Finance costs	**7**	6,732	6,959
Amortisation of transmission owner asset	**9**	9,087	8,407
Increase in provisions	**18**	166	135
Movements in working capital		(177)	(84)
Net cash generated from operating activities		**16,337**	**15,416**
Investing activities			
Interest received	**6**	208	73
Net cash generated from investing activities		**208**	**73**
Financing activities			
Repayment of borrowings	**22**	(593)	(465)
Repayment of bank loans	**22**	(8,708)	(7,922)
Repayment of infrastructure financial liabilities	**22**	(37)	(35)
Interest paid	**22**	(6,490)	(6,724)
Other finance charges		(78)	(78)
Net cash used in financing activities		**(15,906)**	**(15,224)**
Net increase in cash and cash equivalents		**639**	**265**
Cash and cash equivalents at beginning of year	**13**	2,390	2,125
Cash and cash equivalents at end of year	**13**	**3,029**	**2,390**

DIAMOND TRANSMISSION PARTNERS GALLOPER LIMITED

ACCOUNTING POLICES

FOR THE YEAR ENDED 31 MARCH 2024

1 Accounting policies

1.1 Basis of preparation of regulatory financial statements

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 UK-adopted International Accounting Standards ("IAS") and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. These regulatory financial statements have been prepared under the historic cost modified by revaluation of derivative financial assets and liabilities held at fair value through profit and loss.

The regulatory financial statements have been prepared using consistent accounting policies updated, where necessary, to ensure that the accounting policies adopted reflect all UK adopted IAS and any related interpretations that are mandatory for the year ended 31 March 2024. 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.

1.2 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 NGESO 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 are consistent with the principles contained within IFRIC 12 an interpretation issued by the IFRS Interpretations Committee.

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 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 IFRS 15. 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; the estimated cost of decommissioning the transmission network at the end of its estimated useful life, and other contract assets which are fundamental to the operation of transmission owner asset. The transmission owner asset has been classified as a contract asset under IFRS 15 and is accounted for as described below – see 1.3 – 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 1.3 - Financial Instruments below;
- as finance income - see 1.6 - Operating and finance income below; and
- as operating income - see 1.6 - Operating and finance income below.

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

1 Accounting policies **(Continued)**

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 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 Ofgem, consequently these adjustments are reflected in these regulatory Financial Statements.

1.3 Financial instruments

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, where material, 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, where material.

The transmission owner asset is classified as a contract asset and is carried at amortised cost using the effective interest rate method less any lifetime expected credit losses, where material, and reflecting adjustments to its carrying value as referenced above – see 1.2 - 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 1.6 - 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.

Borrowings, which include interest-bearing loans, are recorded at their initial fair value which reflects the proceeds received, net of direct issue costs. Subsequently all borrowings are stated at amortised cost, using the effective interest rate method. Any difference between the proceeds after direct issue costs and the redemption value is recognised over the term of the borrowing in the income statement using the effective interest rate method.

Derivative financial instruments are measured at fair value through profit and loss and where the fair value of a derivative is positive, it is carried as a derivative asset and where negative, as a derivative liability. Gains and losses arising from the changes in fair value are included in the income statement in the period they arise unless there is a hedge relationship in place – see 1.4 - Hedge accounting below.

No adjustment is made with respect to derivative clauses embedded in financial instruments or other contracts that are closely related to those instruments or contracts.

There are no embedded derivatives in host contracts that are not considered to be closely related; consequently, no embedded derivatives are separately accounted for as derivative financial instruments.

Classification of derivative financial instruments is considered at each reporting date. The Company has elected to present the derivative financial instrument maturity at the contract level as opposed to the individual cash flows. Undiscounted contractual cash flows are disclosed within note 25.

1.4 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.

1 Accounting policies **(Continued)**

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.

1.5 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.

1 Accounting policies **(Continued)**

1.6 Operating and finance income

i. General

As indicated above, see 1.2 - 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 NGESO. 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.

1.7 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.

1.8 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.

1.9 Infrastructure financial liabilities

The Company recognises a financial liability under IFRS 9 for its obligation to pay the lease rentals to the lessor. It is initially measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease, if readily determinable. If the implicit interest rate cannot be readily determined, an estimate of the Company's incremental borrowing rate has been used. Thereafter, these liabilities are remeasured at each balance sheet date to reflect the finance costs on these liabilities and reduced by any payments made in respect of these liabilities. Finance charges relating to these liabilities are recognised in the income statement over the period of the lease using the effective interest rate method.

1 Accounting policies **(Continued)**

1.10 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 judgements adopted by the Company together with information about the key judgements, estimations and assumptions that have been applied.

i. Transmission availability arrangements including a consideration of the judgements applied to recognise income and a transmission owner asset

The Directors after due enquiry have identified that 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.

As a consequence of this decision:

- 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 giving rise to an alternative judgement 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 also determined that the transmission owner asset is expected to be recovered over a period of 20 years from the date the licence came into force on 25 February 2020, being the principal period over which the Company is permitted to levy charges for transmission availability and therefore the expected useful life of the transmission owner asset. This judgement 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.

1 Accounting policies **(Continued)**

ii. Operating and finance income

Operating income, as described in 1.6 - Operating and finance income – including identification of key estimates

Operating income represents the income derived from the provision of operating services, principally to the Great Britain electricity system operator, and following the application of the judgements referenced above – see "1.10 Transmission availability arrangements –the identification of the judgements applied to recognise income and a transmission owner asset."

Such operating services include those activities that result in the efficient and safe operation of those assets and the value attributable to these services are reflective of an estimate of costs incurred in providing those services, including the cost of insuring those assets on behalf of a standalone transmission owner.

Estimates were made by management with effect from the date that the Licence came into force on 25 February 2020, to determine 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. The principles attributable to these estimates determined with effect from the date that the Licence came into force continue to apply to the charges made by the Company for transmission network availability in each financial year over the expected useful life of the transmission owner asset. To the extent that an alternative estimate could have been made at the date that the Licence came into force as to a reasonable level of revenue attributable to this income classification then the estimate of income attributable to finance income (see below) may have been amended.

Finance income, as described in 1.6 - Operating and finance income – including identification of key estimates

Following the application of the judgements referenced earlier – see "1.10 Transmission availability arrangements – the identification of the judgements applied to recognise income and a transmission owner asset." - 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. An estimate of an appropriate return to the owner of such an asset having regard to the risks associated with those arrangements was carried out by the Company from the date the Licence came into force on 25 February 2020 and applies over the expected useful life of the transmission owner asset accordingly. 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 estimate could have been made as to a reasonable level of return attributable to such a transmission asset owner from the date the Licence came into force, then the estimate of income attributed to operating income (see above) would have been amended accordingly.

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

General

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.

Application of judgements to hedge accounting

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 including the creation of compliant documentation and meeting the effectiveness testing requirements. In principle, while the application of the requirements of IFRS hedge accounting rules do not require the exercise of judgement – consideration and judgements need to be made from time to time to determine if a hedge continues to 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.

1 Accounting policies **(Continued)**

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 been met these movements would have been recognised in the income statement.

Application of estimates to hedge accounting

As referred to above, the Company carries its derivative financial instruments in its balance sheet at fair value. IFRS 13 requires a company to account for both counterparty and own credit risk when determining the fair value of derivative instruments. The credit risk is calculated using the simplified calculation method based on market-observable data in respect of RPI and interest rates as an input to valuing those derivative financial instruments. Where counterparty-specific market data is not observable, as in the case of valuing the transmission owner asset, unobservable market data is used.

iv. Income taxation

Current taxation - including a consideration of the judgements and estimates used in determining current taxation liabilities

Current taxation is based on taxable profit for the year. Taxable profit is different from accounting profit due to temporary differences between accounting and tax treatments, and due to items that are never taxable or tax deductible. The Company is required to estimate the current tax liability based on its understanding of taxation law and the anticipated decisions of HM Revenue and Customs.

However, actual tax liabilities could differ from any recorded current taxation liability and in such event the Company would be required to make an adjustment in a subsequent period which could have a material impact on the reported profit for subsequent reporting periods.

Deferred taxation - including a consideration of the judgements and estimates used in determining deferred taxation liabilities and assets

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.

The recognition of deferred taxation reflects the expected manner of recovery of deferred taxation assets or the settlement of a deferred taxation liabilities, using the basis of taxation enacted or substantively enacted by the balance sheet date. Deferred taxation assets are not recognised where it is more likely than not that the assets will not be realised in the future.

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.

The main rate of corporation tax in the UK in the prior year was 19% and the current rate of corporation tax is 25%. As a result, the carrying value of the deferred taxation balances included in these regulatory financial statements at 31 March 2024 and 2023 has been calculated at 25%.

v. (Lifetime) Expected credit losses

General

The carrying value of those financial assets recorded in the Company's balance sheet at amortised cost, including the transmission owner asset, could be materially reduced if the value of those financial assets were assessed to have been impaired.

1 Accounting policies **(Continued)**

Expected credit losses arise as a result of all possible default events over the expected life of a financial instrument. Allowances for expected credit losses are made based on the risk of non-payment taking into account ageing, previous experience, economic conditions and forward-looking data. Such allowances are measured as either 12-months expected credit losses or lifetime expected credit losses depending on changes in the credit quality of the counterparty.

Application of judgements to the recognition of expected credit losses

At each reporting date, the Company performs an assessment as to whether the credit risk on a financial instrument has increased. Depending upon the outcome of that assessment, which requires the application of judgement, the Company will determine if there is any requirement for any expected credit losses to be applied and that assessment will also determine whether credit losses are determined by reference to a 12-month period or by reference to expected credit losses over the lifetime of the financial instrument

Application of estimates to the recognition of expected credit losses

Having applied judgement as to whether there should be any adjustment to the carrying value of financial assets the Company estimates an appropriate allowance for expected credit losses in accordance with the requirements of IFRS 9, recognising any material allowance for credit losses using the 12-month expected credit losses where there has been no significant change in credit risk or on the basis of lifetime credit losses where there has been a significant change in the credit risk. This assessment involves considering reasonable and supportable information involving the significant use of assumptions.

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

vi. Decommissioning Provision, as per 1.8 – Decommissioning Costs

General

These estimated costs have then been discounted at an appropriate rate and the resultant liability reflected in the balance sheet. The carrying amounts of provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. 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).

Application of judgement to determine the carrying value of the decommissioning provision

Significant 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. To the extent that the expected useful life is reduced or increased – this could materially change the carrying value of the decommissioning provision with a corresponding impact on the income statement; and
- the carrying value of the decommissioning reflects the decommissioning assumptions contained in any approved decommissioning programme. These assumptions reflect the application of judgements and if those judgements change over time or the execution of the decommissioning programme in accordance with those judgements is not possible – then this could change the carrying value of the decommissioning provision with a corresponding impact on the income statement.

Application of estimate to determine the carrying value of the decommissioning provision

The carrying value of the decommissioning provision has required the extensive use of estimates, which include but are not limited to, the following:

- the estimate 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.

1 Accounting policies **(Continued)**

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.

vii. Infrastructure financial liabilities

General

Infrastructure financial liabilities are initially recognised in the balance sheet at the present value of the future lease payments to which these liabilities relate. A corresponding amount was recognised as an addition to the cost of the transmission owner asset at the date of acquisition.

Application of estimates to determine infrastructure financial liabilities

Management was required to estimate the incremental borrowing cost to the Company at the date the lease arrangements giving rise to infrastructure financial liabilities were entered into as a proxy for the interest rate implicit in those lease arrangements. This interest rate was then used to discount the expected future cash flows to derive the present value of the future lease payments.

Application of judgements to determine infrastructure financial liabilities

Management applied judgements to both determine the period over which payments would be made that are the subject of discounting to arrive at a present value and also to determine the incremental borrowing cost to apply to the discounting of those cash flows.

Any future change to the period over which payments are expected to be made would result in the remeasurement of the infrastructure financial liabilities with any such remeasurement being reflected in the income statement.

Lease expenses for leases with duration of one year or less and of low-value assets are not recognised in the balance sheet and are charged to the income statement when incurred. Low-value assets are determined based on quantitative criteria.

1.11 Accounting developments

i. Accounting standards, amendments to accounting standards and interpretations as applied to these* regulatory *financial statements

In preparing these regulatory financial statements the Company has complied with all relevant UK adopted IAS and interpretations applicable either for accounting periods starting by 1 April 2023 or ending by 31 March 2024.

There are no new accounting standards, amendments to standards, interpretations or other pronouncements that have been issued and are effective in respect of these regulatory financial statements, including "Definition of Material Accounting Policies (Amendments to IAS 1 and IAS 8)" and the revised "Conceptual Framework for Financial Reporting" that have had any significant impact on the measurement of assets and/or liabilities or any of the disclosures included herein.

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

No new accounting standards, amendments to standards, interpretations or other pronouncements that have been issued, which are not effective in these regulatory financial statements are likely to have any significant impact on the measurement of assets and/or liabilities or any of the disclosures included herein.

2 Operating segment

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 statement of cash flows on pages 28 - 32. Additional notes relating to the Company and segment are shown in the notes to the regulatory financial statements on pages 33 - 62.

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.

3 Operating and finance income

Operating income of £3,743k (2023: £3,952k) and finance income of £5,994k (2023: £6,045k) primarily relates to the Company's activity as a provider of electricity transmission services to the Company's principal customer – NGESO. Finance income is calculated using the effective interest rate method – consistent with the Company's accounting policy – see "Accounting policies - 1.6. Operating and finance income".

4 Operating costs

Operating costs are analysed below:	2024 £'000s	2023 £'000s
Operations, maintenance and management +	2,274	2,962
Auditor's remuneration	35	35
Decommissioning - unwind of discount	167	135
Total	**2,476**	**3,132**
Auditor's remuneration comprises:		
Audit services ++	20	21
Other services supplied pursuant to legislation +++	15	14
Total	**35**	**35**

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

++ The Audit services represent the statutory audit of financial statements of the Group for the year ending 31 March 2024 with the amount of £16k for DTPG and £4k DTPGH (2023: £17k for DTPG and £4k for DTPGH).

+++ These represent fees payable for services in relation to engagements which are required to be carried out by the auditor. In particular, this includes fees for audit reports on regulatory financial statements.

5 Directors' remuneration

	2024 £'000s	2023 £'000s
Remuneration for qualifying services	122	108

The Directors receive no emoluments directly from the Company or Group and their remuneration is paid directly by their employers.

During the year ended 31 March 2024, the Company incurred the above Directors' fees paid or payable to DTUK and Infrastructure Investments Limited Partnership ("**IILP**") for services provided to the Company.

6 Other finance income

	2024 £'000s	2023 £'000s
Interest income and other finance income		
Interest on bank deposits	208	73
Other finance income	-	93
Total other finance income	**208**	**166**

7 Finance costs

	2024 £'000s	2023 £'000s
Interest on bank loans	4,930	5,088
Interest on other borrowings	1,594	1,628
Other finance costs	208	243
Total finance costs	**6,732**	**6,959**

8 Taxation

i. Taxation on items included in the income statement

The net taxation charge for the year is £420k (2023: £232k) and the composition of that charge is described below.

The taxation charge on current year profit arising in the year represents deferred taxation and has been computed at 25% (2023: 25%). There is no current taxation included in the income statement (2023: £nil).

	2024 £'000s	2023 £'000s
Profit before taxation	737	72
Expected tax charge based on a corporation tax rate of 25% (2023: 19%)	184	14
Expenses not deductible for tax purposes	236	167
Changes in tax rates on deferred tax	-	57
Prior year tax adjustment	-	(6)
Taxation charge for the year	**420**	**232**

ii. Taxation on items included in the Statement of comprehensive income

The net taxation charge on items included in the Statement of comprehensive income for the year is £897k (2023: £2,221k) and comprises a charge computed at 25% of the derivatives movement of £3,587k (2023: 19% of £8,878k equal to a charge of £1,687k plus a charge of £534k arising from a change in corporation taxation rates from 19% to 25% from 1 April 2023).

The net taxation charge of £420k (2023: £232k) on items arising in the year represents deferred taxation. There is no current taxation included in other comprehensive loss (2023: £nil).

The carrying value of the deferred taxation balances included in these regulatory financial statements at 31 March 2024 and 31 March 2023 has been calculated at 25%.

9 Transmission owner asset

	2024	2023 (restated)
	£'000s	£'000s
At 1 April	267,658	276,065
Adjustment to the carrying value +	(9,087)	(8,407)
At 31 March	**258,571**	**267,658**

	2024	2023
	£'000s	£'000s
Comprising:		
Amounts falling due within one year	9,656	9,109
Amounts falling due after more than one year	248,915	258,549
	258,571	**267,658**

+ Arising from the application of the effective interest rate method.

The transmission owner asset is carried at amortised cost. The estimated fair value of the transmission owner asset at 31 March 2024 was £264,374k (2023: £272,493k) see note 24. 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 c.3% (2023: c.3%) per annum.

Included in the transmission owner asset is £439k (2023: £466k) contract assets that have been recognised under IFRIC12 per Accounting Policy 1.9.

The Directors have considered expected credit losses in relation to the carrying value of the transmission owner assets and have concluded that these are expected to be immaterial and as a result no provision for expected credit losses has been recognised at 31 March 2024 (2023: £nil).

During the year there has been a prior year adjustment. Further details are provided in note 10.

10 Prior year adjustment

A prior year restatement has been made following the identification that the decommissioning provision contained amounts related to residual values during the year ended 31 March 2023. Under IAS 37, gains from the expected disposals of assets shall not be taken into account in measuring a provision. As such a reclassification has been made to correct this error. The affected financial statement line items for the prior period are non-current transmission owner asset and non-current decommissioning provision. The impact is a decrease to both line items of £1,719k. This subsequently results in a residual value of £248,915k within the future non-current transmission owner asset calculation. There is no impact on the opening retained earnings position at 1 April 2022 and 1 April 2023.

11 Deferred taxation

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

	ACAs	Other - unutilised tax losses	Fair value gains/ (losses) on derivatives	Total
	£'000s	£'000s	£'000s	£'000s
At 1 April 2022	(1,324)	679	6,947	6,302
Deferred tax movements in prior year				
Prior year adjustment	(68)	74	-	6
Movements	(778)	541	(2,221)	(2,458)
At 31 March 2023	**(2,170)**	**1,294**	**4,726**	**3,850**
Deferred tax movements in current year				
Movements	(606)	186	(897)	(1,317)
At 31 March 2024	**(2,776)**	**1,480**	**3,829**	**2,533**

Movements pertaining to capital allowances and unutilised tax losses are reflected in the income statement, whereas movements pertaining to derivatives are taken to other comprehensive income.

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 25% (2023: 25%) - that is to apply when the temporary differences reverse and reflects the latest enacted legislation in force at the balance sheet date.

12 Trade and other receivables

	2024 £'000s	2023 £'000s
Trade receivables	11	-
Other prepayments and accrued income	1,028	1,361
	1,039	**1,361**

13 Cash and cash equivalents

Cash and cash equivalents comprise amounts held in bank accounts amounting to £3,029k (2023: £2,390k).

Cash and cash equivalents include amounts of £214k (2023: £104k) 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, £2,815k (2023: £2,286k) requires the consent of the Company's lenders prior to use but are held for general corporate purposes. 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.

14 Borrowings

	Current		Non-current	
	2024	**2023**	**2024**	**2023**
	£'000s	**£'000s**	**£'000s**	**£'000s**
Bank loans – variable rate	9,176	8,582	221,418	230,593
Unsecured loan notes from related parties – fixed rate	781	660	21,670	22,383
Total borrowings	**9,957**	**9,242**	**243,088**	**252,976**

Total borrowings are repayable as follows:	**2024**	**2023**
	£'000s	**£'000s**
In one year or less	9,957	9,242
In more than one year, but not more than two years	10,540	9,890
In more than two years, but not more than three years	11,551	10,540
In more than three years, but not more than four years	12,108	11,551
In more than four years, but not more than five years	12,897	12,108
In more than five years	195,992	208,887
Total borrowings	**253,045**	**262,218**

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 Sterling Overnight Index Average ("**SONIA**") rate and calculated on a daily basis for a 3 month period. All of these loans amortise over the project life.

The bank loans under the commercial facility agreement 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.

Further details of the unsecured loan notes from related parties are discussed in note 23.

All borrowings are carried at amortised cost. Fair value information in relation to borrowings is shown in note 24.

As at 31 March 2024, the Company had a committed credit facility of £10,000k (2023: £10,000k) which was undrawn (2023: undrawn).

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 2024 (2023: none).

15 Infrastructure financial liabilities

	2024 £'000s	2023 £'000s
Current liabilities	21	22
Non-current liabilities	423	456
	444	**478**

	2024 £'000s	2023 £'000s
At 1 April	478	479
Repayment	(37)	(35)
Unwinding of discount	16	16
Foreign exchange remeasurement	(13)	18
At 31 March	**444**	**478**

The total cash outflow for leases in the year amounted is £37k (2023: £35k).

Under IFRIC12, infrastructure leases are accounted as a liability under IFRS 9. At the commencement date of a lease, the lease liability is measured at the present value of the lease payments that are unpaid on that date at a discount rate of c.3% (2023: c.3%) per annum.

The Infrastructure financial liability 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.

16 Trade and other payables

Trade and other payables are as tabulated below.

Amounts payable in less than 1 year	2024 £'000s	2023 £'000s
Trade payables+	4	21
Amounts owed to related parties +	481	480
Accrued expenses +	275	823
Other taxes	685	587
	1,445	**1,911**

+ Due to their short maturities, the fair value of all financial instruments included within trade and other payables approximates to their book value.

17 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 and have been entered into for the sole purpose of hedging the underlying economic activity of the Company. All such derivative financial instruments are classified under IFRS 9 at fair value through profit and loss.

All hedge accounting continues to be carried out in accordance with the hedge accounting requirements permitted by IFRS 9, and as a consequence, that part of the movement in the fair value of derivative financial instruments that is deemed to be hedge effective continues to be reflected through other comprehensive income in the cash flow hedge reserve.

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 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 for a fixed rate coupon. Interest rate swaps are linked to SONIA on 100% of the nominal value of all variable rate commercial loans held by the Company. 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 2024 amounted to net liabilities of £15,323k (2023: £18,909k) comprising assets of £25,241k (2023: £24,693k) for interest rate swaps, and liabilities of £40,564k (2023: £43,603k) 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 income of £3,587k (2023: £8,878k).

Further details regarding derivative financial instruments and their related risks are given in notes 24 and 25.

18 Decommissioning provision

The movement in the Decommissioning provision is analysed below.

	2024 £'000s	2023 (restated) £'000s
At 1 April	5,858	5,723
Unwinding of discount	166	135
At 31 March	**6,024**	**5,858**

The decommissioning provision is all non-current.

The decommissioning provision of £6,024k (2023: £5,858k) at 31 March 2024 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 Galloper offshore 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 £12,343k (2023: £12,870k) and is expected to be incurred in 2040.

The discount rate used to discount the gross expenditure expected to be incurred on decommissioning is a Weighted Average Cost of Capital rate. This reflects the directors 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.

If the expected nominal cost of decommissioning in 2040 was 10% higher or lower than that reflected in the decommissioning provision at 31 March 2024, this would have the effect of increasing or decreasing the carrying value of the decommissioning provision at 31 March 2024 by £33k (2023: £42k) and (£18k) (2023: (£4k)) respectively.

Similarly, a 10% increase or decrease in the expected nominal cost of decommissioning in 2040 would increase or decrease the unwind of the discount for the year ended 31 March 2024 by £34k (2023: £44k) and (£17k) (2023: (£18k)) respectively.

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 Galloper sea bed granted by the Crown Estate Commissioners and assigned to the Company on 6 September 2019. The decommissioning programme 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 May 2019.

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.

During the year there has been a prior year adjustment. Further details are provided in note 10.

19 Called up share capital

Ordinary share capital	2024 Number	2023 Number	2024 £'000s	2023 £'000s
Allotted, called up and fully paid				
Ordinary shares of £1 each of £1 each	1,000	1,000	1	1

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.

20 Hedging reserve

	2024 £'000s	2023 £'000s
At 1 April	(14,183)	(20,840)
Gains on cash flow hedges taken to equity	3,587	8,878
Deferred taxation on cash flow hedges	(897)	(2,221)
At 31 March	**(11,493)**	**(14,183)**

The net gains/(losses) amounts of £3,587k (2023: £8,878k) recognised in the statement of comprehensive income are made of : -

- the fair value changes of cash flow hedges credited/(debited) to the income statement of £3,727k (2023: £1,930k); and
- the effective portion of gains/(losses) in fair value of cash flow hedges of £7,314k (2023: £10,808k).

21 Retained earnings

	2024 £'000s	2023 £'000s
At 1 April	66	226
Profit/(Loss) attributable to equity shareholders	317	(160)
At 31 March	**383**	**66**

22 Reconciliation of net cash flow

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:

	2024 £'000s	2023 £'000s
Movement in cash and cash equivalents	639	265
Net increase in borrowings	15,791	15,111
Change in net debt resulting from cash flows	16,430	15,376
Non-cash finance costs included in net debt	(6,651)	(6,844)
Infrastructure financial liabilities	34	1
Change in fair values of derivatives	3,587	8,878
Movement in net debt in the year	**13,400**	**17,411**
Net debt at start of year	(279,612)	(297,023)
Net debt at end of year	**(266,212)**	**(279,612)**

22 Reconciliation of net cash flow **(Continued)**

ii. Analysis of changes in net debt

Prior year:	Cash and cash equivalents £'000s	Borrowings £'000s	Infrastructure financial liabilities £'000s	Derivatives £'000s	Interest accruals £'000s	Total £'000s
1 April 2022	**2,125**	**(270,476)**	**(479)**	**(27,787)**	**(406)**	**(297,023)**
Net Cash flow	265	-	-	-	-	265
Repayment of Senior debt	-	7,922	-	-	-	7,922
Repayment Unsecured Loans	-	465	-	-	-	465
Change in fair values	-	-	-	8,878	-	8,878
Lease repayment	-	-	35	-	-	35
Interest paid	-	6,724	-	-	-	6,724
Non-cash finance costs	-	(6,853)	(34)	-	9	(6,878)
31 March 2023	**2,390**	**(262,218)**	**(478)**	**(18,909)**	**(397)**	**(279,612)**
Net Cash flow	639	-	-	-	-	639
Repayment of Senior debt	-	8,708	-	-	-	8,708
Repayment Unsecured Loans	-	593	-	-	-	593
Change in fair values	-	-	-	3,587	-	3,587
Lease repayment	-	-	37	-	-	37
Interest paid	-	6,490	-	-	-	6,490
Non-cash finance costs	-	(6,617)	(3)	-	(34)	(6,654)
31 March 2024	**3,029**	**(253,045)**	**(444)**	**(15,321)**	**(431)**	**(266,212)**

23 Related party transactions

The following information relates to material transactions with related parties during the year to 31 March 2024. These transactions were carried out in the normal course of business and at terms equivalent to those that prevail in arm's length transactions.

	Related party undertakings	
	2024	**2023**
	£'000s	**£'000s**
Interest expense +	1,638	1,671
Services received ++	288	278
	1,926	**1,949**
Liabilities:		
Borrowings payable + (principal)	(22,451)	(23,044)
Interest accrual +	(392)	(397)
Accounts payables & accruals +++	(89)	(82)
	(22,932)	**(23,523)**

+ Relates to funding-related transactions and balances with related parties DTC and IIPOLLP; all interest has been directly attributed to the Company.

++ Services received from related parties DTC, DTUK and IIPOLLP 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.

+++ Accounts payables & accruals include £59k due to DTUK (2023: £42k), £9k payable to DTC (2023: £23k), and £21k due to IIPOLLP (2023: £17k).

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

	2024	**2023**
	£'000s	**£'000s**
Borrowings from related undertaking (principal)		
At 1 April	(23,044)	(23,509)
Repayments	593	465
At 31 March	**(22,451)**	**(23,044)**

Borrowings from related parties DTC and IIPOLLP were negotiated on normal commercial terms and are repayable in accordance with the terms of the Unsecured Loan Notes. Repayments of principal of £593k (2023: £465k) were made during the year. Absent any non-compulsory repayment of the loans, the loans are contractually matured on 30 June 2040.

24 Fair value of financial instruments

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 and unsecured loans 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;
- decommissioning provision – approximates to carrying value; and
- infrastructure financial liabilities - 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 2024, 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.

	Valuation method (see as follows)	Carrying value		Fair value	
		2024 £'000s	2023 £'000s (restated)	2024 £'000s	2023 £'000s (restated)
Assets					
Current / Non-current					
Transmission owner asset	Level 3	258,571	267,658	264,374	272,493
Derivative financial assets	Level 2	26,960	26,412	26,960	26,412
		285,531	**294,070**	**291,334**	**298,905**
Liabilities					
Current / Non-current					
Floating rate bank loans	Level 2	230,594	239,175	230,594	239,175
Unsecured loans	Level 2	22,451	23,043	18,126	19,590
Derivative financial liabilities	Level 2	40,564	43,603	40,564	43,603
Infrastructure financial liabilities	Level 3	444	478	444	478
Decommissioning provision	Level 3	6,024	5,858	6,024	5,858
		300,077	**312,157**	**295,752**	**308,704**

24 Fair value of financial instruments **(Continued)**

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 foregoing table have been applied throughout the year and there have been no reclassifications or transfers between the various valuation categories during the year (2023: no reclassifications or transfers during the year).

25 Risk management arising from financial instruments

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 17 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 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 17), 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 17) 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 17 and in the "Strategic Report – Hedging Arrangements".

25 Risk management arising from financial instruments (Continued)

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 asset fluctuate with 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 17, 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.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the corresponding transmission owner asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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) NGESO in respect of invoices submitted by the Company for transmission services; b) the counterparties to the RPI swaps described in note 17; 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 2024 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 24. None of the Company's financial assets are past due or impaired.

NGESO within the National Grid group of companies is responsible for settling the Company's transmission services invoices. 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 Ofgem 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.

Even in the very unlikely circumstance of NGESO's insolvency, it is probable that any amounts outstanding would still be recovered. This arises because 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 NGESO as a going concern.

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

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 2024, the net fair values attributable to these positions were liabilities amounting to £15,323k (2023: £18,909k).

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.

25 Risk management arising from financial instruments (Continued)

Liquidity risk and Going Concern

Liquidity risk is the risk that the Company will have insufficient funds to meet its liabilities.

As a result of the regulatory environment under which the Company operates; the credit worthiness of the Company's principal customer (NGESO); 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 2024, senior debt-service costs amounted to £4,930k (2023: £5,088k). There is no contractual obligation on the Company to service the other borrowing until 30 June 2040 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 £593k (2023: £465k).

In accordance with the conditions of the various lending agreements, the Company is required to meet the restrictive conditions. Further details are outlined in the Strategic Report under the headings "Lending covenants and other restrictions".

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 £10,000k at 31 March 2024 (2023: £10,000k) that expires in 2040. This facility was undrawn at 31 March 2024 (2023: 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 a committed facility, 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 cash flows of financial assets and financial liabilities, including interest.

25 Risk management arising from financial instruments (Continued)

	2023 Contractual cash flows £'000s	2023 0-1 years £'000s	2023 1-2 years £'000s	2023 2-5 years £'000s	2023 >5 years £'000s
At 31 March 2023					
Non-derivative financial assets					
Transmission owner asset	427,080	16,594	18,692	59,729	332,065
Cash and cash equivalents	2,390	2,390	-	-	-
	429,470	18,984	18,692	59,729	332,065
Non-derivative financial liabilities					
Borrowings +	(305,872)	(14,882)	(13,673)	(43,542)	(233,775)
Trade and other non-interest bearing liabilities	(1,324)	(1,324)	-	-	-
Decommissioning provision	(12,870)	-	-	-	(12,870)
Infrastructure financial liabilities	(621)	(36)	(36)	(109)	(440)
	(320,687)	(16,242)	(13,709)	(43,651)	(247,085)
Derivative financial instruments					
RPI and interest rate swaps	(37,169)	(1,192)	(1,277)	(4,404)	(30,296)
Net total	**71,614**	**1,550**	**3,706**	**11,674**	**54,684**

+ Including interest payments.

25 Risk management arising from financial instruments (Continued)

	2024 Contractual cash flows £'000s	2024 0-1 years £'000s	2024 1-2 years £'000s	2024 2-5 years £'000s	2024 >5 years £'000s
At 31 March 2024					
Non-derivative financial assets					
Transmission owner asset	413,324	20,348	20,997	67,096	304,883
Cash and cash equivalents	3,029	3,029	-	-	-
	416,353	23,377	20,997	67,096	304,883
Non-derivative financial liabilities					
Borrowings +	(277,316)	(14,064)	(14,413)	(46,268)	(202,571)
Trade and other non-interest bearing liabilities	(760)	(760)	-	-	-
Decommissioning provision	(12,343)	-	-	-	(12,343)
Infrastructure financial liabilities	(589)	(37)	(74)	(184)	(294)
	(291,008)	(14,861)	(14,487)	(46,452)	(215,208)
Derivative financial instruments					
RPI and interest rate swaps	(35,314)	2,327	932	(1,129)	(37,445)
Net total	**90,031**	**10,843**	**7,442**	**19,515**	**52,230**

+ 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 17 above. As explained in note 17, 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 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 interest rate 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 have 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.

25 Risk management arising from financial instruments (Continued)

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 SONIA. As referenced in the "Strategic Report – Hedging Arrangements", the Company has entered into interest rate swap agreements 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. At 31 March 2024, the total principal carrying value of senior debt net of unamortised issue costs excluding any accrued interest amounted to £230,594k (2023: £239,175k).

The Company has unsecured loan notes from related parties that carry a fixed rate coupon (see note 23). At 31 March 2024, the total value of the other borrowing principal outstanding, excluding accrued interest, amounted to £22,451k (2023: £23,043k).

Ordinary equity share capital at 31 March 2024 amounted to £1k (2023: £1k).

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.

26 Parent companies

The Company is wholly owned by DTPGH, a Company incorporated in the United Kingdom. DTPGH is the largest and smallest group of undertakings for which Group financial statements are drawn up and of which the Company is a member. The Group Financial Statements are available from DTPGH, Mid City Place, 71 High Holborn, London, WC1V 6BA.

DTPGH is jointly owned 51% by DTUK and 49% by IIO1L under a joint control arrangement.

DTUK is a wholly owned subsidiary undertaking of DTC. The ultimate controlling party of DTC is Mitsubishi Corporation ("**MC**") which is incorporated in Japan. The group financial statements of MC are available from Mitsubishi Corporation, 3-1 Marunouchi 2-Chome, Chiyoda-Ku, Tokyo 100-8086, Japan.

IIO1L is a wholly owned subsidiary undertaking of IIPOLLP. The ultimate controlling party of IIPOLLP is Sun Life Financial Inc., incorporated in Canada and Charles II Realisation LLP. The financial statements of Sun Life Financial Inc and Charles II Realisation LLP are available online.

27 Capital commitments

The Company has no capital commitments at the year end (2023: £nil).

28 Contingent assets & liabilities

The Company has no outstanding lawsuits at the end of the financial year.