	Note	2018 £'000	2017 £'000
Operating income	2	**3,705**	4,166
Operating costs	3	**(3,923)**	(4,119)
Operating (loss)/profit		**(218)**	47
Finance Income	4	**19,687**	20,029
Bank interest	4	**105**	100
Finance costs	4	**(16,618)**	(16,623)
Profit before taxation		**2,956**	3,553
Income taxation charge	5	**(515)**	(546)
Profit attributable to equity shareholders		**2,441**	3,007

The notes on pages 49 to 68 form part of these financial statements.

The results reported above relate to continuing operations.

Consolidated Statement of comprehensive income

For the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Profit attributable to equity shareholders		**2,441**	3,007
Other comprehensive (expense)/income:		-	-
Amounts to be reclassified subsequently to the income statement when specific conditions are met		-	-
Net (loss) taken to equity in respect of cash flow hedges	16	**1,381**	(9,648)
Deferred taxation on cash flow hedges	8	**(235)**	2,149
Total other comprehensive (expense)		**1,146**	(7,499)
Total comprehensive (expense) for the year attributable to equity shareholders		**3,587**	(4,492)

	Note	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Non-current assets					
Investment in subsidiaries	6	-	-	51	51
Transmission owner asset	7	304,854	311,458	-	-
Derivative financial asset	13	8,730	7,349	-	-
Total non-current assets		313,584	318,807	51	51
Current assets					
Financial asset	9	16,488	-	-	-
Trade and other receivables	9	7,562	5,313	-	-
Transmission owner asset	7	6,347	5,419	-	-
Cash and cash equivalents	10	2,513	19,494	-	-
Total current assets		32,910	30,226	-	-
Total		346,494	349,033	51	51
Current Liabilities					
Borrowings	11	(12,675)	(10,837)	-	-
Trade and other payables	12	(7,263)	(6,320)	-	-
Total current liabilities		(19,938)	(17,157)	-	-
Net current assets		12,972	13,069	-	-
Non-current liabilities					
Borrowings	11	(303,101)	(313,001)	-	-
Deferred taxation liability	8	(3,869)	(3,119)	-	-
Decommissioning Provision	14	(3,551)	(3,308)		
Total non-current liabilities		(310,521)	(319,428)	-	-
Total liabilities		(330,459)	(336,585)	-	-
Net asset		16,035	12,448	51	51
Equity					
Called-up share capital	15	51	51	51	51
Retained earnings	16	8,739	6,298	-	-
Cash flow hedge reserve	16	7,245	6,099	-	-
Total Equity		16,035	12,448	51	51

These financial statements, comprising accounting policies, the Group Income Statement, Group Statement of Comprehensive Income,Group and Company Statements of Financial Position, Group and Company Statements of Changes in Equity, Group and Company Cash Flow Statements and Notes to the financial statements, on pages 34 to 68 for Greater Gabbard OFTO Holdings Limited, company registered number 08180558 were approved by the Board of Directors and authorised for issue on 30 July 2018 and were signed on its behalf by:

Director

Statement of changes in equity

For the year ended 31 March 2018

Group	Called-up share capital £'000	Cash flow hedge reserve £'000	Retained earnings £'000	Total shareholders' funds £'000
At 1 April 2016	51	13,598	3,291	16,940
Recognised profit for the year	-	-	3,007	3,007
Net loss taken to equity in respect of cash flow hedges	-	(9,648)	-	(9,648)
Deferred taxation on cash flow hedges	-	2,149	-	2,149
Total comprehensive (expense)/ income	-	(7,499)	3,007	(4,492)
Dividend Paid	-	-	-	-
At 31 March 2017	51	6,099	6,298	12,448
Recognised profit for the year	-	-	2,441	2,441
Net loss taken to equity in respect of cash flow hedges	-	1,381	-	1,381
Deferred taxation on cash flow hedges	-	(235)	-	(235)
Total comprehensive (expense)/ income	-	1,146	2,441	3,587
Dividend Paid	-	-	-	-
At 31 March 2018	51	7,245	8,739	16,035
Note	**15**	**16**	**16**	

Company	Called-up share capital £'000	Retained earnings £'000	Total shareholders' funds £'000
At 1 April 2016	51	-	51
Dividends Received	-	1,900	1,900
Total comprehensive income	-	1,900	1,900
Dividend Paid	-	(1,900)	(1,900)
At 31 March 2017	51	-	51
Dividends Received	-	-	-
Total comprehensive income	51	-	51
Dividend Paid	-	-	-
At 31 March 2018	51	-	51

The Group 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, and a requirement to use all reasonable endeavours to maintain an investment grade credit rating.

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

There were no recognised gains or losses for the current and preceding year for the parent Company.

	Note	2018 £'000	2017 £'000
Group			
Cash flows from operating activities			
Operating (loss)/profit for the year		(218)	47
Adjustments for:			
Income recognised in respect of financial asset		(3,121)	(3,594)
Interest paid		(15,730)	(15,799)
Decrease in debtors		425	10,998
(Decrease) in creditors		(16,654)	(9,061)
		(35,080)	(17,456)
Net cash flow used in operating activities		(35,298)	(17,409)
Cash flows from investing activities			
Cash receivable on the finance asset		27,475	26,818
Interest received		105	100
Net cash flow generated from investing activities		27,580	26,918
Cash flows from financing activities			
Repayment of senior debt		(9,263)	(8,471)
Dividends paid		-	-
Net cash flow used in financing activities		(9,263)	(8,471)
Net (decrease)/increase in cash and cash equivalents	17	(16,981)	1,038
Cash and cash equivalents at the start of the year		19,494	18,456
Cash and cash equivalents at the end of the year		2,513	19,494
		2018 £'000	**2017 £'000**
Company			
Dividend Received		-	-
Net cash flow generated from investing activities		-	-
Dividend paid		-	-
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at the start of the year		-	-
Cash and cash equivalents at the end of the year		-	-

1 Operating segment

The Board of Directors is the Group's chief operating decision-making body. The Board of Directors has determined that there is only one operating segment – electricity transmission. The Board of Directors evaluates the performance of this segment on the basis of profit before and after taxation, and cash available for debt service (net cash inflows from operating activities less net cash flow used in investing activities). The Group and segmental results, Statement of Financial Position and relevant cash flows can be seen in the Group Income Statement, the Statement of Financial Position and cash flow statement on page 44, 47 and 48 respectively. Additional notes relating to the Group and segment are shown in the notes to the financial statements on pages 49 to 68.

The electricity transmission operation of the Group comprises the transmission of electricity from a wind farm located approximately 26km off the coast of Suffolk within the Thames Estuary, and then connecting directly into the national grid at an electricity substation near Sizewell.

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

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

2 Operating income

Operating income of £3,705k (2017: £4,166k) relates primarily to the subsidary's activity as a provider of electricity transmission services to the subsidary's principal customer – NGET. The vast majority of the subsidary's income is derived from NGET.

3 Operating costs

Operating costs are analysed below:

	2018 £'000	2017 £'000
Operations and maintenance	**2,387**	2,297
Insurance costs	**795**	1,112
Non-domestic rates	**536**	497
Professional services fees	**101**	83
Auditors' remuneration	**15**	18
Other professional services	**41**	37
Directors' Remuneration[1]	**-**	-
Other	**48**	75
Total	**3,923**	4,119
Auditors' remuneration [2]	**15**	18
Other services supplied pursuant to legislation [3]	**7**	7
Total	**22**	25

[1] Directors do not receive remuneration from Greater Gabbard OFTO Plc as they are paid by the fund managers of the shareholders.

2. Auditors remuneration for audit services of GGOHL was £2k (2017: £2k) and the Company's subsidaries is £13k (2017: £16k) which was borne by Greater Gabbard OFTO plc. This includes fees for audit reports on regulatory returns.

3. These represent fees payable for services in relation to engagements which are required to be carried out by the compliance officer. In particular this includes fees for the compliance audit and report on the licencee's compliance statement.

3 Operating costs (continued)

The Directors received no salary, fees or other benefits in the performance of their duties during the current or preceding year. There were no Directors' fees paid by the subsidary to the shareholders. The Group had no employees in the current or preceding year. All salary, fees or other benefits of the Directors and other staff are borne by the shareholders who second their employees to the subsidiary.

4 Net interest income

Net interest income is tabulated below:

	2018	2017
	£'000	£'000
Interest income and other financial income		
Interest on bank accounts and deposits	105	100
Finance income	19,687	20,029
	19,792	20,129
Interest expense and other financial costs		
Interest on senior debt	(11,439)	(11,796)
Interest on subordinated debt	(4,808)	(4,806)
Other financial costs	(371)	(21)
	(16,618)	(16,623)
Net interest income	3,174	3,506

5 Income taxation charge

a) Taxation on items included in the Income Statement

The net taxation charge for the year is £515k (2017: £546k), and the composition of that charge is shown in the table below.

The taxation charge on current year profits arising in the year represents deferred taxation, and has been computed at 19% (2017: 20%) and adjusted to re-measure at 17% (2017: 18%). There is no current taxation included in the Income Statement (2017: nil).

The taxation charge for the year differs from the standard rate of corporation tax in the UK of 19% (2017: differs 20%) for the reasons outlined below:

	2018	2017
	£'000	£'000
Profit before taxation	2,956	3,553
Taxation at 19% (2017: 20%) on profit before taxation		
Effects of:	562	711
- permanent differences	12	(59)
- effect of change of tax rate	(59)	(106)
Total tax charge	515	546

5 Income taxation charge (continued)

b) Taxation on items included in other comprehensive income

The net taxation credit on items included in other comprehensive income for the year is 235k (2017: 2149k) and comprises a credit on items arising in the current year computed at 19% (2017: 20%) of 235k (2017: 2149k).

c) Rates of taxation - current and future years

In the Finance Act 2016, the rate of corporation tax was reduced to 17% from 1 April 2020. This change was enacted on 15 September 2016 and as such, deferred tax at the balance sheet date has been recognised at the rate of 17% on the basis that all temporary differences are expected to reverse after 1 April 2020.

6 Investment in subsidiaries

	2018	2017
	£'000	£'000
1 April	51	51
Additions	-	-
31 March	51	51

The called-up share capital consists of 51,000 ordinary shares of £1.00 each

GGOHL has 100% investments in the following subsidiary undertakings:

	Activity	Country of Operation	Shareholding of ordinary shares
Greater Gabbard OFTO Plc	Concession Company	England	100%
Greater Gabbard OFTO intermediate Limited	Financing Company	England	100%

Both Greater Gabbard OFTO Plc and Greater Gabbard OFTO Intermediate Limited were incorporated in the United Kingdom and registered in England and Wales at EMS, Welken House, 10-11 Charterhouse Square, London, EC1M 6EH.

7 Transmission owner asset

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

	2018 £'000	2017 £'000
At 1 April	**316,877**	321,307
[1] Adjustment to the carrying value	**(5,676)**	(4,430)
At 31 March	**311,201**	316,877
Comprising:		
Amounts falling due within one year	**6,347**	5,419
Amounts falling due after more than one year	**304,854**	311,458
	311,201	316,877

1 Arising from the application of the effective ineterst rate method and reflected through finance income in the income statement

The Transmission owner asset is carried at amortised cost. The estimated fair value of the Transmission owner asset at 31 March 2018 was £361,592k (2017: £385,769k). The basis for estimating the fair value of the Transmission owner asset was 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, representing an equivalent gilt rate plus a risk premium as estimated by the Board to apply to the asset of 3.79% (2017: 3.58%) per half year.

8 Deferred taxation liability

The net deferred taxation liability recognised in the Statement of Financial Position arises as follows:

	Fair value losses on derivatives	Accelerated capital allowances	Tax losses	Total
	£'000	£'000	£'000	£'000
At 1 April 2016	(3,398)	(19,852)	18,527	(4,723)
Additions	1,639	(4,207)	3,588	1,020
Effect of change in tax rate	510	1,103	(1,029)	584
At 31 March 2017	(1,249)	(22,956)	21,086	(3,119)
Additions	(235)	6,405	(6,920)	(750)
Effect of change in tax rate	-	-	-	-
At 31 March 2018	(1,484)	(16,551)	14,166	(3,869)

The deferred tax liability of £3,869k (2017 : £3,119k) calculated at 17% (2017 : 17%) and is due after more than 1 year.

The deferred tax asset is derived from tax losses in previous accounting years which will be used against future profits as currently forecast.

There were no unrecognized deferred tax assets in the year.

9 Trade and other receivables

	2018	2017
	£'000	£'000
Financial Asset	16,488	-
Prepayments and Accrued Income	7,227	5,290
Other receivables	335	23
	24,050	5,313

Financial Asset comprises of amounts held within deposit accounts with a maturity of not less than 3 months from the initial deposit.

10 Cash and cash equivalents

Cash and cash equivalents comprise short term deposits of £nil (2017 : £nil). Short-term deposits are made for various periods of between one day and six months, depending on immediate cash requirements, and earn interest at the respective short-term deposit rates.

Cash and cash equivalents include amounts of £2,073k (2017 : £18,286k) that the Group can only use for specific purposes and with the consent of the Group's lenders. Of the remaining cash and cash equivalents £440k (2017 : £1,208k) require the consent of the Group's lenders prior to use, but are held for general corporate purposes.

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

11 Borrowings

The following table analyses borrowings:

	2018	2017
	£'000	£'000
Current		
Bonds – fixed rate	10,172	9,263
Less arrangement fees	(417)	(438)
Accrued interest on subordinated debt loans	2,920	2,012
	12,675	10,837
Non-current		
Bonds – fixed rate	259,376	269,550
Less arrangement fees	(2,264)	(2,538)
Subordinated debt loans	45,989	45,989
	303,101	313,001
Total borrowings	315,776	323,838

Total borrowings are repayable as follows:

	2018	2017
	£'000	£'000
In one year or less	13,092	11,275
In more than one year, but not more than two years	11,820	10,173
In more than two years, but not more than three years	12,914	11,820
In more than three years, but not more than four years	13,849	12,914
In more than four years, but not more than five years	15,486	13,849
In more than five years other than by instalments	251,296	266,783
Less arrangement fees	(2,681)	(2,976)
	315,776	323,838

£305,140,000 4.137 per cent Secured Indexed Bonds due November 2032 were issued on 29 November 2013 and listed on the Irish Stock Exchange. and are secured over all of the assets of the Group.

The secured subordinated loan stock has been subscribed by Equitix Transmission 2 Limited and Equitix Capital Investors UK Cable Limited. The loan stock bears interest at 10% per annum and is repayable in instalments between 2032 and 2034.

All borrowings are carried at amortised cost. Fair value information in relation to borrowings is shown in note 18.

There have been no instances of default or other breaches of the terms of the financing agreements during the year in respect of all borrowings outstanding at 31 March 2018.

12 Trade and other payables

Trade and other payables are as tabulated below.

	2018	2017
	£'000	£'000
Trade payables	855	504
Other taxes	658	648
Accrued expenses	5,750	5,168
	7,263	6,320

Due to their short maturities, the fair value of all financial instruments included within trade and other payables approximates to their book value. All trade and other payables are recorded at amortised cost.

13 Derivative financial asset

Derivatives are financial instruments that derive their value from the price of an underlying item, such as interest rates or other indices. The Group's use of derivative financial instruments is described below.

RPI swaps

The subsidary has entered into arrangements with third parties for the purpose of exchanging the majority (approximately 63.5%) of variable cash inflows arising from the operation of the subsidary'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 subsidary entered into these derivative arrangements on 26 November 2013 with a forward start date for the calculation of the relevant rates commencing on 31 March 2012 and ending on 29 November 2032.

Under the terms of the Licence, regulatory and other contractual agreements, the subsidary is permitted to charge its principal customer, NGET, an agreed amount for the services it provides. This amount is uplifted each year commencing 1 April by an amount computed by reference to the average increase in RPI over the previous 12-month period measured from 1 January through to 31 December. Where there is a reduction, or no increase, in the retail price index over the relevant period, then the charges remain unaltered from the previous year. These derivative arrangements (RPI swaps) have the effect of exchanging variable cash inflows (impacted by changes in RPI) in exchange for a known and predetermined stream of cash flows expected to arise over the same period.

The Directors believe that the use of these RPI swaps is consistent with the Group's risk management objective and strategy for undertaking these hedges. The vast majority of the Group's cash outflows relate to borrowings that carry a fixed coupon so that both the principal repayments, and coupon payments are predetermined. The purpose of these hedges is to generate highly certain cash inflows so that the Group can meet its obligations under the terms of its borrowing 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.

Carrying value of all derivative financial instruments

All of the subsidiary's derivative financial instruments are carried at market value. The carrying value of all derivative financial assets at 31 March 2018 was £8,730k (2017: 7,349k). All of the movement in the fair value of these derivative financial instruments have been recorded in the cash flow hedge reserve amounting to a charge of 1381k (2017: charge of -£9,648k). The change in the carrying value is a result of changes in the RPI assumptions used for valuation purposes.

Ineffective portion of cash flow hedge recognised in the income statement was £nil (2017: £nil).

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

14 Decommissioning Provision

	£'000
At 1 April 2016	3,109
Unwinding of discount on provision	199
At 31 March 2017	3,308
Unwinding of discount on provision	243
At 31 March 2018	**3,551**

The provision for decommissioning relates to the decommissioning and related management costs for the necessary removal of transmission cables and equipment expected to occur at the of the 20 year licence period.

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

• the timing of decommissioning is contingent upon any re-powering of the offshore wind farm and therefore the potential for the transmission assets to be used beyond the initial licence revenue. In such circumstance, the cost for decommissioning would be expected to be deferred until such time as would be agreed in any subsequent term. However, current assumption is that it is too uncertain to assume the wind farm would be repowered and therefore, decommissioning costs have been assumed to be incurred a thee earliest most likely date.

• the amounts of costs to be incurred at the time of decommissioning have been estimated based upon expected costs of decommissioning. However, given the time frame for the incurring of such costs, the level of provision is reviewed on an annual basis. The current decommissioning provision represents the present value of expected future cash flows which are estimated to settle the entity's future obligations in relation to decommissioning.

15 Called-up share capital

Called-up share capital is as analysed below

	Group		Company	
	No. Thousands	£'000	No. Thousands	£'000
Authorised, allotted, called-up and fully paid at 1 April 2017 and 31 March 2018	51	51	51	51

The Group 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 Group.

16 Reserves

The Group's reserves are analysed below.

	Retained earnings	Cash flow hedge reserve	Total
	£'000	£'000	£'000
1 April 2016	3,291	13,598	16,889
Profit after tax	3,007	-	3,007
Dividends	-	-	-
Loss on cash flow hedges taken to equity	-	(9,648)	(9,648)
Deferred taxation on cash flow hedges	-	2,149	2,149
31 March 2017	6,298	6,099	12,397
Profit after tax	2,441	-	2,441
Dividends	-	-	-
Loss on cash flow hedges taken to equity	-	1,381	1,381
Deferred taxation on cash flow hedges	-	(235)	(235)
31 March 2018	8,739	7,245	15,984

16 Reserves (continued)

The Company's reserves are analysed below.

	Retained earnings £'000	Total £'000
31 March 2017	-	-
Profit after tax	-	-
Dividends	-	-
31 March 2018	-	-

17 Cash flow statement

(a) 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:

	2018 £'000	2017 £'000
Movement in cash and cash equivalents	(16,980)	754
Net decrease in borrowings	8,061	5,878
Change in net debt resulting from cash flows	(8,919)	6,632
Non-cash net interest expense included in net debt	908	1,106
Change in fair values of derivatives	1,381	(9,648)
Movement in net debt in the year	(6,630)	(1,910)
Net debt at start of year	(314,161)	(312,251)
Net debt at end of year	(320,791)	(314,161)

(b) Analysis of changes in net debt

	Cash and cash equivalents £'000	Borrowings £'000	Derivatives £'000	Interest accruals £'000	Totals £'000
1 April 2016	18,456	(331,458)	16,997	1,106	(294,899)
Cash flow	1,038	7,620	-	-	8,658
Change in fair values	-	-	(9,648)	-	(9,648)
Non-cash net interest	-	-	-	906	906
31 March 2017	19,494	(323,838)	7,349	2,012	(294,983)
Cash flow	(16,981)	8,061	-	-	(8,920)
Change in fair values	-	-	1,381	-	1,381
Non-cash net interest	-	-	-	908	908
31 March 2018	2,513	(315,777)	8,730	2,920	(301,614)

18 Related party transactions

The following information relates to material transactions with related parties during the year. These transactions were carried out in the normal course of business.

	Parent undertakings		Other		Total	
	2018	2017	**2018**	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Interest[1] (including indexation)	4,808	4,806	-	-	4,808	4,806
Services received[2]	-	-	119	134	119	134
	4,808	4,806	119	134	4,927	4,940
Outstanding balances at 31 March:						
Borrowings payable[(1)] (principle)	45,989	45,989	-	-	45,989	45,989
Interest accrual[(1)]	2,919	2,011	-	-	2,919	2,011
Other	-	-	20	10	20	10
	48,908	48,000	20	10	48,928	48,010

[1] Relates to funding related transactions and balances between the intermediate undertaking (GGOIL) and Greater Gabbard OFTO Plc ('the subsidiary').

[2] The other services rendered at 31 March 2018 of £119k (2017: £134k) relates to amounts due to Equitix Management Services Limited from Greater Gabbard OFTO Plc ('the subsidiary').

A summary of funding transactions with the intermediate undertaking is shown below:

	2018	2017
	£'000	£'000
Borrowings from intermediate undertaking (principal and accrued interest)		
At 1 April	**48,000**	47,094
Advances	-	-
Interest	**(3,900)**	(3,900)
Non-cash interest	**4,808**	4,806
At 31 March	**48,908**	48,000

Borrowings from the intermediate undertaking (GGOIL) to Greater Gabbard OFTO Plc ('the subsidiary') were negotiated on normal commercial terms and are repayable in accordance with the terms of the secured 10% loan notes 2033 ("the notes"). Payments of interest were made during the year which amounted to £3,900k (2017: £3,900k). Non-cash interest of £4,808k (2017: £4,806k) relates to accrued interest on the secured 10% loan notes. Absent to any non-compulsory repayment of the notes, the notes are contractually repayable by 28 November 2033.

18 Related party transactions (continued)

Equitix Management Services Limited ("EMS") was a related party of the Company during the year ended 31 March 2018 by virtue of it being a related party to Equitix Transmission 2 Ltd and Equitix Capital Investors UK Cable Limited through to 31 March 2018. The services provided to the Company by EMS, started on 1 February 2016, were under normal commercial terms and related to professional management and financial services as described in the amended PSA.

Equitix Limited ("Equitix") was a related party to Equitix Transmission 2 Ltd and Equitix Capital Investors UK Cable Limited through to 31 March 2018. The services provided to the Company by Equitix were under normal commercial terms and related to professional management and financial services.

No amounts have been provided at 31 March 2018 (2017: £nil), and no expense was recognised during the year (2017: £nil) in respect of bad or doubtful debts for any related party transactions.

19 Information relating to financial instruments and the management of risk

a) Fair value disclosures

The following is an analysis of the Group's financial instruments at the Statement of Financial Position date comparing the carrying value included in the Statement of Financial Position with the fair value of those instruments at that date. None of the Group's financial instruments have listed 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 net 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 fixed rate bonds and subordinated debt based on the net present value of discounted cash flows;
- Derivative financial asset – based on the net present value of discounted cash flows; and
- Financial instrument receivables and payables - approximates to the carrying value because of the short maturity of these instruments.

The table on the following page compares the carrying value of the Group's financial instruments with the fair value of those instruments at the Statement of Financial Position date, using the techniques described above. The table excludes those instruments where the carrying value of the financial instrument approximates to its fair value because the carrying value approximates to 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.

19 Information relating to financial instruments and the management of risk (continued)

a) Fair value disclosures (continued)

	Carrying Value		Fair Value		Valuation Method
	2018	2017	**2018**	2017	
	£'000	£'000	**£'000**	£'000	(see as follows)
Assets					
Non-current					
Transmission owner asset	304,854	311,458	361,592	385,769	Level 3
Derivative financial instruments	8,730	7,349	8,730	7,349	Level 2
	313,584	318,807	370,322	393,118	
Liabilities					
Non-current					
Fixed rate bank bond	259,376	269,550	301,738	334,579	Level 2
Loan notes 2033	45,989	45,989	95,295	102,966	Level 2
Decommissioning Provision	3,551	3,308	3,551	3,308	Level 3
	308,916	318,847	400,584	440,853	

The best evidence of fair value is a listed price in an actively traded market; where this data is available then the instrument is classified as having been determined using a level 1 valuation. In the event that the market for a financial instrument is not active, alternative valuation techniques are used. The Group does not have any financial instruments where it is eligible to apply a level 1 valuation technique.

With the exception of the Transmission owner asset and decommissioning provision, all of the other fair values have been valued using Level 2 valuation techniques as identified in the preceding table which means that in respect of the Company's financial instruments these have been valued using models where all significant inputs are based directly or indirectly on observable market data. The valuation is sensitive to RPI changes and underlying changes in costs for decommissioning.

In the case of the Transmission owner asset and decommissioning provision, these have been valued using a valuation technique where significant inputs such as the assumed discount rate are based on unobservable market data. This means that these financial instruments have been classified as having been valued using a level 3 valuation and have been identified as such in the previous table.

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

19 Information relating to financial instruments and the management of risk

a) Fair value disclosures (continued)

Group and Company has the following financial instruments at fair value:

	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
Financial assets				
Derivative financial instruments	8,730	-	7,349	-
	8,730	-	7,349	-
Loans and receivables at amortised costs				
Transmission owner asset	361,592	-	385,769	-
	361,592	-	385,769	-
Financial liabilities measured at amortised costs				
Fixed rate bank bond	301,738	-	334,579	-
Loan notes 2033	95,295	-	102,966	-
Loan note interest	2,920	-	2,012	-
Trade creditors	855	-	504	-
Decommissioning Provision	3,551	-	3,308	-
	404,359	-	443,369	-

19 Information relating to financial instruments and the management of risk (continued)

b) Management of risk

The Board has overall responsibility for the Group's risk management framework. This risk framework is discussed further in the Operating and Financial Review.

The Group'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 Group by using financial instruments, including the use of derivative financial instruments – being the RPI swaps described in note 13 that are appropriate to the circumstances and economic environment within which the Group 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.

i) 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 Group operates in the UK and has no significant exposure to foreign currency, and therefore this has an immaterial impact on market risk. Short-term financial assets and liabilities, such as 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 and cash equivalents.

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

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

All of the Group's borrowings have been issued at fixed 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 Statement of Financial Position.

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 Group's activities.

The cash flows arising from the Transmission owner financial asset fluctuates with positive changes in RPI. The Group 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 note 13. For the reasons outlined in note 13, the Directors have designated the RPI swaps as cash flow hedging derivatives and these are carried at fair value in the Statement of Financial Position. The RPI swaps are considered to be effective cash flow hedges.

19 Information relating to financial instruments and the management of risk (continued)

b) Management of risk (continued)

ii) Credit risk

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

Credit risk primarily arises from the Group's normal commercial operations that actually, or potentially, arises from the Group's exposure to: a) NGET in respect of invoices submitted by the Group for transmission services; b) the counterparties to the RPI swaps described in note 13; and c) short term deposits. There are no other significant credit exposures to which the Group is exposed. The maximum exposure to credit risk at 31 March 2018 and 31 March 2017 is the fair value of all financial assets held by the Group. Information relating to the fair value of all financial assets is given above – note 18 (a). None of the Group's financial assets are past due or impaired.

NGET is the Group's principal customer and income derived from NGET represents the vast majority of the Group's income. NGET operates a low risk monopoly business within the UK, and the regulatory regime under which they operate results in a highly predictable, and stable, revenue stream. The regulatory regime is managed by The Authority and is considered by the Directors to have a well-defined regulatory framework, which is classified as a predictable and a supportive regime by the major rating agencies. NGET has an obligation to maintain an investment grade credit rating, which it has currently maintained. It is also subject to a regulatory financial 'ring fence' that restricts NGET's ability to undertake transactions with other National Grid subsidiaries, which includes the paying of dividends, lending or the levying of charges. Even in the very unlikely circumstance of NGET's insolvency, it is probable that any amounts outstanding would still be recovered. This arises because NGET is also a 'protected energy Group' under the terms of the Energy Act 2004, which allows the Secretary of State to apply for an energy administration order which would give priority to the rescue of NGET as a going concern.

The Directors consider credit quality of financial assets and other financial instruments are neither past due nor impaired.

Having considered the credit risks arising in respect of the exposures to NGET, the Directors consider that those risks are extremely low, given the evidence available to them. At 31 March 2018 amounts due from NGET amounted to £nil (2017: £nil).

In respect of the counterparties to the cash flow derivative hedges (RPI swaps) these arrangements have been entered into with banks. At 31 March 2018, the fair values attributable to these positions were assets amounting to £8,730k (2017: £7,349k), and as a consequence there is no credit risk to the Group at this date.

Cash and cash equivalents comprise cash in hand and deposits which are readily convertible to cash. It is the Group's policy, and requirement under the Group's lending agreements, that such investments can only be placed with banks and other financial institutions with 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.

19 Information relating to financial instruments and the management of risk (continued)

b) Management of risk (continued)

iii) Liquidity risk and Going Concern

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

As a result of the regulatory environment under which the Group operates; the credit worthiness of the Group's principal customer (NGET); and the RPI swaps that has been put in place, the cash inflows generated by the Group are highly predictable and stable. In addition, all of the Group's senior debt carry a fixed coupon, and based on the forecasts prepared by the Group, all of these debt service costs are expected to be met from the cash inflows the Group is expected to generate over the whole period of the project. During the year ending 31 March 2018, senior debt-service costs amounted to £11,439k (2017: £11,796k). There is no contractual obligation on the Group to service the secured borrowing until 28 November 2032, although it is the Group's intention to service this borrowing when cash flows are sufficient, and it is prudent to do so. Cash outflows in respect of the secured borrowings amounted to £11,439k (2017: £11,796k).

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

At 31 March 2018, cash and cash equivalents included £2,073k (2017: £18,286k) and Financial Asset included £16,488 (2017: £nil) that are held for specific purposes in the manner described above and additional amounts of cash and cash deposits amounting to £440k (2017: £1,208k) which requires the consent of the Company's lenders but are available for general corporate purposes.

The Group prepares both short-term and long-term cash flow forecasts on a regular basis to assess the liquidity requirements of the Group. 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 Group's policy to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Group's reputation.

Future costs are potentially at risk due to the cost of decommissioning. To mitigate this risk a Decommissioning Reserve Account has been opened and will start to be funded from year 11.

19 Information relating to financial instruments and the management of risk (continued)

b) Management of risk (continued)

iii) Liquidity risk and Going Concern (continued)

In addition to the existing borrowings of the Group, the Group has secured committed credit facilities with the European Investment Bank through the Project Bond Credit Enhancement amounting to £40,432k at 31 March 2018 (2017: £41,822k) which expire in 2032. These facilities were undrawn at 31 March 2018 (2017: £nil) and are available to theGroup under certain conditions laid down within the Group's lending agreements.

During the year the Group has continued to meet its contractual obligations as they have fallen due and based on the forecasts prepared the Directors expect that the Group will continue to do so for the foreseeable future. The Group has complied with its financial covenants in relation to the obligations that it has to senior debt holders and the forecasts continue to support that these will continue to be complied. In addition, further liquidity is also available in the form of committed facilities, as referenced above. All of these factors have allowed the Directors to conclude that the Group has sufficient headroom to continue as a going concern. The statement of going concern is included in the Operating and Financial Review.

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 Statement of Financial Position date.

In determining the interest element of contractual cash flows in cases where the Group 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 Group 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 following tables have been included in the Group's cash flow forecasts for the purposes of considering Liquidity Risk as noted above. The table on the following page shows the undiscounted contractual maturities of financial assets and financial liabilities, including interest.

19 Information relating to financial instruments and the management of risk (continued)

b) Management of risk (continued)

iii) Liquidity risk and Going Concern (continued)

Liquidity risk	2018 Weighted Average Effective Interest Rate	Total contractual cash flows £'000	2018 0-1 years £'000	2018 1-2 years £'000	2018 2-5 years £'000	2018 >5 years £'000
Non-derivative financial asset						
Transmission owner asset		542,954	27,801	28,524	90,678	395,951
Cash and cash equivalents		2,513	2,513	-	-	-
		545,467	30,314	28,524	90,678	395,951
Non-derivative financial liabilities						
Borrowings +	4.19%	(366,987)	(21,261)	(22,428)	(70,896)	(252,402)
Trade and other non-interest bearing liabilities		(7,263)	(7,263)	-	-	-
		(374,250)	(28,524)	(22,428)	(70,896)	(252,402)
Derivative financial asset						
RPI swaps		**12,752**	**591**	**683**	**2,283**	**9,195**
Net total		183,969	2,381	6,779	22,065	152,744

Liquidity risk	2017 Weighted Average Effective Interest Rate	Total contractual cash flows £'000	2017 0-1 years £'000	2017 1-2 years £'000	2017 2-5 years £'000	2017 >5 years £'000
Non-derivative financial asset						
Transmission owner asset		565,161	26,927	27,560	87,313	423,361
Cash and cash equivalents		19,494	19,494	-	-	-
		584,655	46,421	27,560	87,313	423,361
Non-derivative financial liabilities						
Borrowings +	4.19%	(387,652)	(20,702)	(21,223)	(68,864)	(276,863)
Trade and other non-interest bearing liabilities		(6,320)	(6,320)	-	-	-
		(393,972)	(27,022)	(21,223)	(68,864)	(276,863)
Derivative financial asset						
RPI swaps		**16,127**	**612**	**745**	**2,665**	**12,105**
Net total		206,810	20,011	7,082	21,114	158,603

+ Including interest payments.

19 Information relating to financial instruments and the management of risk (continued)

b) Management of risk (continued)

iv) Sensitivities

Changes in RPI affect the carrying value of those financial instruments that are recorded in the Statement of Financial Position at fair value. The only financial instruments that are carried in the Statement of Financial Position at fair value are the stand-alone derivative financial instruments - RPI as described in note 11 above. As explained in note 13, the Directors believe that these derivative financial instruments have a highly effective hedging relationship with the underlying cash flow positions they are hedging, and they expect this relationship to continue into the foreseeable future. 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 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 are carried at amortised cost. Consequently, any change in the fair value of the underlying hedged positions would not be recorded in the 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 Group has no substantive economic impact on the Group because of the corresponding economic impact on the underlying derivative financial instruments it is hedging.

Where there is a movement in long term RPI assumptions, the following changes in valuation and equity are likely to occur with no impact on the income statement:

Sensitive	Future RPI Rate	Valuation	Movement
-	2.885%	7,150	-
0.50%	3.385%	3,975	(3,175)
(0.50%)	2.385%	10,224	6,249

Any changes in future cash flows in relation to the derivative financial instruments held by the Group, arising from future changes in RPI, are expected to be matched by substantially equal and opposite changes in cash flows arising from or relating to the underlying revenues and costs.

v) Capital management

The Group is funded by a combination of senior debt, subordinated debt 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 is comprised of fixed bonds credit enhanced by the European Investment Bank through the Project Bond Credit Enhancement Instrument (PBCE) and carries an interest rate of 4.14% per annum. All of the senior debt and related interest rate derivatives is serviced on a six monthly basis and is expected to amortise over the life of the project through to November 2032. At 31 March 2018, the total carrying value of senior debt amounted to £266,867k (2017: £275,837k).

19 Information relating to financial instruments and the management of risk (continued)

b) Management of risk (continued)

v) Capital management (continued)

Subordinated debt has been issued to the Group's intermediate undertaking, GGOIL and carries a fixed rate coupon. At 31 March 2018 the total principal value of the subordinated debt outstanding amounted to £48,908k (2017: £48,000k).

Ordinary equity share capital issued during the year amounted to £nil (2017: £nil) and at 31 March 2018 amounted to £51k (2017: £51k).

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

20 Ultimate parent companies and controlling parties

The only Group in which the results of Greater Gabbard OFTO Holdings Limited are consolidated is Greater Gabbard OFTO Holdings Limited.

The Group's ultimate parent companies and controlling parties are Equitix Transmission 2 Ltd and Equitix Capital Investors UK Cable Limited (which are incorporated in the UK and registered in England and Wales).

A

The Agreement

The Shareholders Agreement.

Annual General Meeting (AGM)

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

AMP

AMP Capital Investors UK Cable Limited.

The Authority

The Gas and Electricity Markets Authority.

B

Board

The Board of Directors of the Company.

BBI

Balfour Beatty Investments Limited – supplier of management services to the Group.

BBOHL

Balfour Beatty OFTO Holdings Limited.

BBUS

Balfour Beatty Utility Services Limited – supplier of Operator services to the Company.

C

called up share capital

Shares that have been issued and have been fully paid for.

carrying value

The amount at which an asset or liability is recorded in the Statement of Financial Position.

charging year

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

Cash Flow Hedges

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

the Company, Greater Gabbard OFTO Plc, GGO, we, our, or us

The terms 'the Company', 'Greater Gabbard OFTO Plc', GGO, 'we', 'our', or 'us' are used to refer to Greater Gabbard OFTO Plc, depending on context.

contingent liabilities

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

D

DECC

The Department of Energy & Climate Change, the UK Government Department responsible for those respective fields.

deferred tax

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

derivative

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

E

EIB

The European Investment Bank, the European Union's long term lending institution, established by the Treaty of Rome in 1958, with the aim of furthering European integration.

Equitix Transmission 2 Limited

Equitix Capital Investors UK Cable Limited

Equitix Management Services Limited ("EMS")

Equity
In financial statements, the amount of net assets attributable to shareholders.

EU
The European Union, consisting of 27 member European national states.

F
financial year
For Greater Gabbard OFTO Plc this is the accounting year ending on 31st March.

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

GGO
Greater Gabbard OFTO Plc.

GGOHL
Greater Gabbard OFTO Holdings Limited.

GGOIL
Greater Gabbard OFTO Intermediate Limited.

The Group
Greater Gabbard OFTO Holdings Limited and its subsidiary undertakings.

GOWL
Greater Gabbard Offshore Winds Limited.

H
HS&E
Health, Safety, and the Environment.

I
IAS or IFRS
An International Accounting Standard, or International Financial Reporting Standard, as issued by the International Accounting Standards Board (IASB). IFRS is also used as a term to describe international generally accepted accounting principles as a whole.

IASB
International Accounting Standards Board.

IFRIC 12
Service Concessions Arrangements.

IFRS
See IAS.

K
KPIs
Key performance indicators.

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

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

L
LIBOR
London Interbank Offered Rate.

the Licence
The Offshore Electricity Licence held by Greater Gabbard OFTO Plc.

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

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

M

MMO

Marine Management Organisation.

MW

Megawatts – an amount of power equal to one million watts.

MWh

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

N

NGET

National Grid Electricity Transmission plc .

the Notes (see also subordinated loan, subordinated loan agreement, subordinated debt)

Secured fixed rate Loan Notes 2033.

O

Ofgem

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

OFTO(s)

Offshore Transmission Owner (S).

O&M

Operations and Maintenance.

P

Performance year

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

PSA

Professional Services Agreement.

R

RPI

The UK retail price index as published by the Office for National Statistics.

RPI Swaps

A derivative financial instrument that is a binding agreement between counterparties to exchange cash flows relating to RPI on a predetermined principal amount. The Company pays variable cash flows arising from changes in RPI on a predetermined notional amount in exchange for receipt of fixed amounts.

S

Senior Debt

All borrowings except those arising under the subordinated loan agreement.

SPA

Sale and Purchase Agreement.

STC

System Operator - Transmission Owner Code.

SQSS

Security and Quality of Supply Standard Subordinated loan, subordinated loan agreement, subordinated debt (see also the Notes).

Amounts borrowed by the Company from GGOIL which ranks behind the senior debt.

T

TEC

Transmission Entry Capacity.

TOCA

Transmission Owner Construction Agreement.

U

UK

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