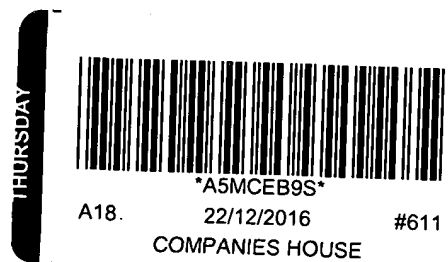


Greater Gabbard Offshore Winds Limited

Directors' report and financial statements

Year ended 31 March 2016

Registered No.: 04985731



Greater Gabbard Offshore Winds Limited

Contents

	Page No.
Directors and other information	1
Strategic report	2
Directors' report	4
Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements	5
Independent auditor's report to the members	6
Income statement	7
Statement of other comprehensive income	8
Balance sheet	9
Statement of changes in equity	10
Cash flow statement	11
Notes on the financial statements	12

Greater Gabbard Offshore Winds Limited

Directors and Other Information

Directors

J. Smith
P. Smith (resigned 7 July 2016)
R. Escott (appointed 7 July 2016)
P. Cowling
R. Sandford

Registered office

55 Vastern Road
Reading
Berkshire
RG1 8BU
England

Secretary

G. Dosanjh-Pahil
M. McEwen (appointed 27 January 2016)

Auditor

KPMG LLP
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

Banker

National Westminster Bank
13 Market Place
Reading
RG1 2EG

Registered number

04985731

Greater Gabbard Offshore Winds Limited

Strategic Report

The directors submit their report and audited financial statements of the company for the year ended 31 March 2016.

This Strategic Report has been prepared in accordance with the requirements of Section 414 of the Companies Act 2006. Its purpose is to inform shareholders and help them assess how the directors have performed their duty to promote the success of Greater Gabbard Offshore Winds Limited.

The Strategic and Financial Review sets out the main trends and factors underlying the development and performance of Greater Gabbard Offshore Winds Limited (the "Company") during the year ended 31 March 2016, as well as those matters which are likely to affect its future development and performance.

1 Principal activities

The company is engaged in the operation of a 504MW offshore wind farm at the Inner Gabbard and Galloper sites, off the coast of Suffolk. The company is a joint venture of SSE Renewables Holdings (UK) Limited and Innogy Renewables UK Limited (formerly known as RWE Innogy UK Limited). The electricity output generated is sold to SSE EPM Ltd and Innogy Renewables UK Limited on an equal basis via a Power Purchase Agreement (PPA).

2 Business review

The income statement for the year ended 31 March 2016 is set out on page 7. The profit for the year after taxation amounted to £87.0m (2015: profit of £47.7m). The balance sheet at 31 March 2016 is set out on page 9 and indicates net assets of £1,094.5m (2015: net assets of £1,192.5m).

Business performance overview

Generated output has increased by 19% from 1,709 GWH in 2015 to 2,039 GWH in 2016. The increase in output has arisen through increased wind speeds and improvements to scheduling of maintenance work. The average aggregate price per mega watt hour decreased by 6% compared to the prior year, primarily due to the cessation of the Levy Exemption Certificate (LEC) subsidy from August 2015. Despite the decrease in sales price, revenue has increased by £26.3m from £206.6m in 2015 to £232.9m in 2016 due to the significant increase in output volumes.

3 Key performance indicators

Results & performance

The Directors believe that the following indicators will provide shareholders with sufficient information to assess how effectively the company is performing.

Financial / Operational	2016	2015
Gross profit - £m	100.9	74.2
Revenue - £m	232.9	206.6
Operating profit - £m	97.2	64.2
Net assets - £m	1,094.5	1,192.5

Greater Gabbard Offshore Winds Limited

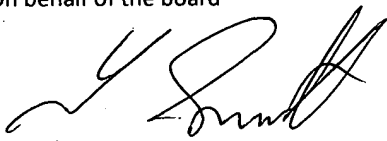
Strategic Report *(continued)*

Principal risks and uncertainties

The principal risk facing the company is lower wind speeds than anticipated. There is also a risk where technical issues with plant and machinery will result in down-time of turbines and grid connection equipment. Both risks will result in less electricity generation, resulting in lower revenue. To mitigate these risks, the company has a team of experienced and competent operators to monitor wind farm performance, identifying trends to foresee any potential adverse impact on future electricity output. They also plan and schedule maintenance programs to keep wind farm generation efficiency at optimum levels. Adequate stocks of essential parts and having access to professional resources are also maintained.

The company is aware of the political uncertainty following the announcement of Brexit. This is being closely monitored by the company but is not considered to have a significant impact on the accounts for the year ended 31 March 2016.

On behalf of the board

A handwritten signature in black ink, appearing to read 'J. Smith', is written over a horizontal line.

J. Smith
Director

12 December 2016

Greater Gabbard Offshore Winds Limited

Directors' Report

The directors present their report together with the audited financial statements for the year ended 31 March 2016.

Reporting requirements on the Company's principal activities and future developments, its principal risks and uncertainties and its key performance indicators can be found in the Strategic Report on page 2.

1 Results and dividends

Dividends paid during the year comprise interim dividends of £127.5m (2015: £95.2m) and a final dividend of £57.0m (2015: £36.6m) in respect of the current financial year ended 31 March 2016.

2 Directors

The directors and secretaries who served during the year are as listed on page 1. In accordance with the Articles of Association of the company the directors are not required to retire by rotation.

3 Political and charitable donations

The company did not make any political or charitable donations during the year (2015: *£nil*).

4 Post balance sheet events

There have been no significant events since the balance sheet date.

5 Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

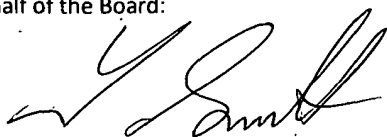
6 Going concern

The directors have assessed that the company will prepare its financial statements on a going concern basis, see note 1 for details.

7 Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will, therefore, continue in office.

On behalf of the Board:



J. Smith
Director
12 December 2016

Greater Gabbard Offshore Winds Limited

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

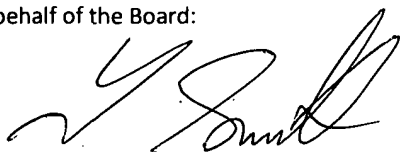
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

On behalf of the Board:



J. Smith
Director

12 December 2016

Independent Auditor's Report to the Members of Greater Gabbard Offshore Winds Limited

We have audited the financial statements of Greater Gabbard Offshore Winds Limited for the year ended 31 March 2016 as set out on pages 7 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report 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 company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Gordon Herbertson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

16 December 2016

Greater Gabbard Offshore Winds Limited

Income Statement for the year ended 31 March 2016

	Note	2016 £m	2015 £m
Revenue	2	232.9	206.6
Cost of sales		(132.0)	(132.4)
Gross profit		100.9	74.2
Administrative costs - recurring		(6.6)	(5.5)
Administrative costs - exceptional items	3	-	(4.5)
Other operating income		2.9	-
Operating profit	4	97.2	64.2
Financial income	5	0.1	0.1
Financial expenses	6	(3.1)	(4.6)
Profit before taxation		94.2	59.7
Taxation	7	(7.2)	(12.0)
Profit for the financial year		87.0	47.7

Continuing operations

The above results are derived from continuing activities.

The accompanying notes are an integral part of these financial statements.

Greater Gabbard Offshore Winds Limited

Statement of Other Comprehensive Income for the year ended 31 March 2016

	2016 £m	2015 £m
Profit for the financial year	87.0	47.7
(Loss)/gain on effective portion of cash flow hedges (net of tax)	(0.5)	0.3
Total other comprehensive income relating to the financial year	86.5	48.0

Greater Gabbard Offshore Winds Limited

Balance Sheet as at 31 March 2016

	Note	2016 £m	2015 £m
Non-current assets			
Property, plant and equipment	8	1,267.4	1,316.2
Derivative financial assets	16	-	0.3
		<u>1,267.4</u>	<u>1,316.5</u>
Current assets			
Inventories	9	1.0	-
Trade and other receivables	10	71.0	79.8
Cash and cash equivalents	11	5.6	19.5
		<u>77.6</u>	<u>99.3</u>
Total assets		<u>1,345.0</u>	<u>1,415.8</u>
Current liabilities			
Trade and other payables	12	(9.7)	(7.0)
Income tax liability		-	(0.7)
		<u>(9.7)</u>	<u>(7.7)</u>
Non-current liabilities			
Derivative financial liabilities	16	(0.2)	-
Provisions	13	(125.6)	(108.5)
Deferred tax liabilities	14	(115.0)	(107.1)
Total liabilities		<u>(250.5)</u>	<u>(223.3)</u>
Net assets		<u>1,094.5</u>	<u>1,192.5</u>
Equity			
Share capital	15	-	-
Retained Earnings		1,094.7	1,192.2
Hedge reserve		(0.2)	0.3
Total equity		<u>1,094.5</u>	<u>1,192.5</u>

The accompanying notes form an integral part of this balance sheet.

These financial statements were approved by the Directors on 12 December 2016 and signed on their behalf by:



J. Smith
Director

Company registered number: 04985731

Greater Gabbard Offshore Winds Limited

Statement of Changes in Equity for the year ended 31 March 2016

	Share Capital £m	Hedge reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2014	-	-	1,276.3	1,276.3
Profit for the financial year	-	-	47.7	47.7
Other comprehensive income	-	0.3	-	0.3
Total comprehensive income for the year	-	0.3	47.7	48.0
Dividends paid	-	-	(131.8)	(131.8)
Balance at 31 March 2015	-	0.3	1,192.2	1,192.5
Balance at 1 April 2015	-	0.3	1,192.2	1,192.5
Profit for the financial year	-	-	87.0	87.0
Other comprehensive income	-	(0.5)	-	(0.5)
Total comprehensive income for the year	-	(0.5)	87.0	86.5
Dividends paid	-	-	(184.5)	(184.5)
Balance at 31 March 2016	-	(0.2)	1,094.7	1,094.5

Greater Gabbard Offshore Winds Limited

Cash flow statement for the year ended 31 March 2016

	Note	2016 £m	2015 £m
Net cash inflow from operating activities	19	173.4	123.9
Cash flows from investing activities			
Acquisition of property, plant and equipment		(2.9)	(5.6)
Interest received		0.1	0.2
Net cash outflow from investing activities		<u>(2.8)</u>	<u>(5.4)</u>
Cash flows from financing activities			
Equity dividends paid		<u>(184.5)</u>	<u>(131.8)</u>
Net cash outflow from financing activities		<u>(184.5)</u>	<u>(131.8)</u>
Decrease in cash and cash equivalents in the year		<u>(13.9)</u>	<u>(13.3)</u>
Reconciliation of net cash flow to movement in net funds			
Decrease in cash and cash equivalents in the year		(13.9)	(13.3)
Net cash and cash equivalents at start of the year		<u>19.5</u>	<u>32.8</u>
Net cash and cash equivalents at end of the year		<u>5.6</u>	<u>19.5</u>

Greater Gabbard Offshore Winds Limited

Notes on the Financial statements for the year ended 31 March 2016

1 Significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The company is preparing its financial statements in accordance with Adopted IFRS for the first time and consequently has applied IFRS1. An explanation of how the transition to Adopted IFRSs has affected the reported financial position, financial performance and cash flows of the company is provided in note 21.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements, and in preparing an opening IFRS balance sheet at 1 April 2014 for the purposes of the transition to Adopted IFRSs.

Going concern

The financial statements have been prepared on a going concern basis which assumes adequate finance will be available for the foreseeable future.

The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting liabilities as they fall due for payment.

Debt and debt finance costs

Debt is initially stated at the amount of the net proceeds after the deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting year and reduced by payments made in the year. Debt finance costs are recognised in the profit and loss account over the terms of the related instruments on a straight line basis.

Revenue

Revenue comprised the income from the generation of electricity.

Revenue consists of sales of renewable energy, exclusive of Value Added Tax together with revenue earned under the Renewable Obligation Certificates ("ROCs") regime. Electricity sales are based on meter readings and include an estimate of the fair value of units supplied between the date of the last meter reading and year end. "ROCs" revenue is based on units generated during the period times estimated selling price.

Greater Gabbard Offshore Winds Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2016

1 Significant accounting policies *(continued)*

Taxation

The credit for taxation is based on the profit for the year and takes into account deferred taxation.

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted, or substantially enacted, by the balance sheet date.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable profits from which future reversals of the underlying temporary differences can be deducted.

Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to these financial statements.

Property, plant and equipment

(i) Property, plant and equipment disclosure

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairments. Where an item of property, plant and equipment comprises major components having different useful lives, the components are accounted for as separate items of property, plant and equipment, and depreciated accordingly.

Assets under construction are recorded at cost. Interest on borrowings related to the financing of major capital projects is capitalised during the construction period as part of the cost of the project.

Assets under construction that are commissioned and enter operation in the financial year are transferred to the appropriate category of assets in the table. Capital additions in the year comprise additions to assets still in construction, additions to commissioned operational assets and other directly incurred capital costs.

(ii) Depreciation

Depreciation is charged to the income statement to write off cost, less residual values, on a straight line basis over their estimated useful lives. Heritable and freehold land is not depreciated. Depreciation policy, useful lives and residual values are reviewed at least annually, for all asset classes to ensure that the current method is the most appropriate. Depreciation commences following the asset commissioning period and when the asset is available for commercial operation. The estimated useful lives for assets depreciated on a straight line basis are as follows:

Operating wind farms

Years
23

Greater Gabbard Offshore Winds Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2016

1 Significant accounting policies *(continued)*

(iii) Subsequent expenditure

Expenditure incurred to replace a component of property, plant and equipment that is accounted for separately is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits of the tangible fixed asset to which it relates.

Capitalised interest

Interest directly attributable to the acquisition, construction or production of major capital projects, which are projects that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use, and depreciated as part of the total cost over the useful life of the asset.

Finance income and costs

Finance income comprises interest receivable on funds invested in short term deposits. Finance costs comprise the release of discounting on provisions.

Interest income and costs are recognised in the income statement as they accrue, on an effective interest method.

Foreign currency

The financial statements are presented in pounds sterling, which is the functional currency of the Company.

Transactions denominated in foreign currencies are recorded in sterling at actual exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the rates of exchange prevailing at the balance sheet date or, where appropriate, the rates of exchange in related forward exchange contracts.

Any gain or loss arising on the restatement of such items is taken to the income statement with the exception of exchange gains or losses on foreign currency borrowings that provide a hedge against a net investment in a foreign entity or exchange gains or losses incurred as part of a qualifying cash flow hedge.

Provisions and contingencies

The assessments undertaken in recognising provisions and contingencies have been made in accordance with IAS 37. The provisions are calculated based on estimations. The evaluation of the likelihood of the contingent events has required best judgement by management regarding the probability of exposure to potential loss. Should circumstances change following unforeseeable developments, this likelihood could alter.

A provision is made for the decommissioning of the company's offshore wind farm. A provision is recognised when the company has an obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation. The amount recognised is the net present value of the estimated cost of decommissioning, discounted using a risk free rate; a corresponding amount is added to the carrying value of the related asset. As the discount applied to the decommissioning provision is unwound this will be recognised as a financing charge under interest payable in the profit and loss account of the company.

Decommissioning provision

Provision is made for the estimated cost of decommissioning certain assets at the end of their useful lives. A corresponding decommissioning asset is recognised and is included within property, plant and equipment. The unwinding of the discount on the provision is included in finance costs and the depreciation for the asset is straight-line over the expected useful life of the asset. The estimated cost of decommissioning at the end of the useful lives of certain assets is reviewed periodically. Changes in the decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to the related asset.

Greater Gabbard Offshore Winds Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2016

1 Significant accounting policies *(continued)*

Derivative financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the provisions of the instrument.

Financial instruments

i) Cash flow derivatives

A derivative classified as a 'cash flow' hedge recognises the portion of gains or losses on the derivative which are deemed to be effective directly in equity in the hedge reserve. Any ineffective portion of the gains or losses is recognised in the profit and loss account. The gains or losses that are recognised directly in equity are transferred to the profit and loss account in the same year in which the forecast transaction actually occurs.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point, any cumulative gain or loss on the hedging instrument recognised in equity remains in equity until the forecast transaction occurs. If the transaction is no longer expected to occur, the cumulative gain or loss recognised in equity is recognised in the profit and loss account.

ii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

iii) Trade and other receivables

Trade and other receivables do not carry any interest and are measured at cost (less an appropriate allowance for irrecoverable balances).

iv) Share capital

Ordinary shares are accounted for as equity. Costs associated with the issue of new shares are deducted from the proceeds of issue.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Adopted IFRS not yet applied:

The following issued standards have not yet been adopted by the Company:

- i) IFRS 16 'Leases' is effective on 1 January 2019 (1 April 2019 to the Company), subject to EU endorsement;
- ii) IFRS 9: 'Financial instruments' which will be effective on 1 January 2018 (1 April 2018 to the Company), subject to EU endorsement;
- iii) IFRS 15 'Revenue from contracts with customers' is effective on 1 January 2018 (and thus to the Group from 1 April 2018), subject to European Union (EU) endorsement

The Company has commenced initial assessment of the impact of these standards on the statements. However, at this stage, it is not yet practicable to quantify the impact these standards will have. The assessment of IFRS 15 will consider matters such as bundled goods and services, the allocation of transaction price to performance obligations, treatment of customer acquisition costs and contracts with variable consideration. The assessment of IFRS 16 will require, with certain exceptions, obligations associated with contracts currently designated as operating leases to be recognised on balance sheet as lease liabilities. The definition of a lease has also been modified which may impact which contracts the Company accounts for as leases.

Greater Gabbard Offshore Winds Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2016

2 Revenue

The Company's revenue, which is derived from the sale of renewable energy to SSE EPM Limited and Innogy Renewables UK Limited, arises in the United Kingdom.

3 Exceptional items

	2016 £m	2015 £m
Impairment of offshore wind farm assets	-	4.5
	<u>-</u>	<u>4.5</u>

During the prior period 140 davit cranes attached to each of the wind turbines were fully impaired due to being unfit for purpose. A campaign to replace the cranes was completed during the current period.

4 Expenses and auditor's remuneration

Operating profit is arrived at after charging:

	2016 £m	2015 £m
Depreciation of tangible fixed assets (note 8)	65.6	64.6
Operating lease rentals - Land and Buildings	0.6	0.7
Net management fees in respect of services provided by group companies	<u>5.8</u>	<u>5.5</u>

The audit fee in the year and the previous year was borne by the Parent company.

5 Financial income

	2016 £m	2015 £m
Interest received from Money Market Fund	0.1	0.1
	<u>0.1</u>	<u>0.1</u>

6 Financial expenses

	2016 £m	2015 £m
Decommissioning provision - unwind of discount (note 13)	3.1	4.6
	<u>3.1</u>	<u>4.6</u>

Greater Gabbard Offshore Winds Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2016

7 Taxation

	2016 £m	2015 £m
Recognised in the income statement		
Current tax expense		
Adjustment in respect of prior periods	(0.7)	0.6
Total current tax expense	(0.7)	0.6
Deferred tax (see note 14):		
Recognition of previously unrecognised tax losses	19.9	13.5
Reduction in tax rate	(12.7)	-
Adjustment in respect of prior periods	0.7	(2.1)
Total deferred tax expense	7.9	11.4
Total tax expense	7.2	12.0

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2016 £m	2015 £m
Reconciliation of effective tax rate		
Profit before taxation	94.2	59.7
Tax on profit on ordinary activities at standard UK corporation tax rate of 20% (2015: 21%)	18.8	12.5
Effects of:		
Expenses not deductible for tax purposes	1.1	1.0
Effect of rate change	(12.7)	-
Adjustment in respect of prior periods	-	(1.5)
Total tax expense	7.2	12.0

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly and reduce the deferred tax liability at 31 March 2016 by £6.4m.

Greater Gabbard Offshore Winds Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2016

8 Property, plant and equipment

	Generation Assets £m	Decommissioning Assets £m	Total £m
Cost:			
At 1 April 2015	1,405.5	100.1	1,505.6
Additions	2.9	14.0	16.9
Disposals	(0.1)	-	(0.1)
At 31 March 2016	1,408.3	114.1	1,522.4
Accumulated depreciation:			
At 1 April 2015	182.6	6.8	189.4
Charge for the year	60.3	5.3	65.6
At 31 March 2016	242.9	12.1	255.0
Net book value:			
At 31 March 2016	1,165.4	102.0	1,267.4
At 31 March 2015	1,222.9	93.3	1,316.2

The above items of property, plant and equipment include £65.8m (2015: £65.8m) of capitalised interest, of which none was capitalised in the current year (2015: *£nil*). It also includes a capitalised amount of £114.1m for future decommissioning costs (2015: £100.1m) and pre-commissioned revenue of £31.6m (2015: £31.6m) which is offset against the capital cost of assets.

	Generation Assets £m	Decommissioning Assets £m	Total £m
Cost:			
At 1 April 2014	1,405.0	100.1	1,505.1
Additions	5.5	-	5.5
Disposals	(5.0)	-	(5.0)
At 31 March 2015	1,405.5	100.1	1,505.6
Accumulated depreciation:			
At 1 April 2014	123.0	2.3	125.3
Charge for the year	60.1	4.5	64.6
Disposals	(0.5)	-	(0.5)
At 31 March 2015	182.6	6.8	189.4
Net book value:			
At 31 March 2015	1,222.9	93.3	1,316.2
At 31 March 2014	1,282.0	97.8	1,379.8

9 Inventories

	2016 £m	2015 £m
Fuel, spares and consumables	1.0	-
	1.0	-

Greater Gabbard Offshore Winds Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2016

10 Trade and other receivables

	2016 £m	2015 £m
Amounts falling due within one year:		
Amounts due from related party:		
- SSE EPM Ltd	33.4	36.9
- Innogy Renewables UK Ltd	33.4	36.9
Prepayments and accrued income	2.6	3.9
Other receivables	1.6	2.1
	<u>71.0</u>	<u>79.8</u>

11 Cash and cash equivalents

	2016 £m	2015 £m
Cash at bank and in hand	5.6	19.5
	<u>5.6</u>	<u>19.5</u>

12 Trade and other payables

	2016 £m	2015 £m
Trade payables	1.6	0.1
Accruals and deferred income	8.1	6.9
	<u>9.7</u>	<u>7.0</u>

13 Provisions

	Decommissioning Costs £m
At 1 April 2015	108.5
Unwind of discounted amount	3.1
Provisions made during the year	14.0
At 31 March 2016	<u>125.6</u>

In accordance with the company's accounting policy a provision has been made for the decommissioning of the company's wind farms. A discount rate of 2.5% (2015: 4.5%) has been applied to discount the decommissioning cost provision to present values. The unwinding of discount rate in relation to decommissioning costs is charged to interest payable in the profit and loss account.

During the period the Company undertook a review of the discount rate and inflation rate used in the decommissioning provision calculation. This resulted in a decrease in the discount rate from 4.5% to 2.5% and a decrease in the inflation rate from 3.3% to 2%, both of these changes were made to better reflect the current market rates and economic conditions. The change in rates resulted in a £14.0m addition to the decommissioning provision.

Greater Gabbard Offshore Winds Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2016

14 Deferred taxation

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
	£m	£m	£m	£m	£m	£m
Accelerated tax depreciation	-	-	(113.0)	(115.6)	(113.0)	(115.6)
Losses carried forward	4.5	15.9	-	-	4.5	15.9
Other timing differences	-	-	(6.5)	(7.4)	(6.5)	(7.4)
Net tax liabilities	4.5	15.9	(119.5)	(123.0)	(115.0)	(107.1)

Movement in deferred tax during the year

	1 April 2015	Recognised in income	Recognised in equity	31 March 2016
	£m	£m	£m	£m
Accelerated tax depreciation	(115.6)	2.6	-	(113.0)
Losses carried forward	15.9	(11.4)	-	4.5
Other timing differences	(7.4)	0.9	-	(6.5)
	(107.1)	(7.9)	-	(115.0)

Movement in deferred tax during prior year

	1 April 2014	Recognised in income	Recognised in equity	31 March 2015
	£m	£m	£m	£m
Accelerated tax depreciation	(100.4)	(15.2)	-	(115.6)
Losses carried forward	16.3	(0.4)	-	15.9
Other timing differences	(11.6)	4.2	-	(7.4)
	(95.7)	(11.4)	-	(107.1)

15 Share capital

	2016	2015
	£	£
Allotted, called up and fully paid:		
240 ordinary shares of £1 each	240.0	240.0
	240.0	240.0

16 Derivatives and financial instruments

The SSE Group's treasury department is responsible for managing the banking and liquidity requirements of the Company, foreign-exchange exposures, and for managing the credit risk relating to the banking counterparties with which it transacts. The department's operations are governed by policies determined by the Group's Executive Committee and any breaches of these policies are reported to the Risk and Trading Committee and Group's Audit Committee.

Greater Gabbard Offshore Winds Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2016

16 Derivatives and financial instruments *(continued)*

(i) Risk

Foreign exchange risk

Foreign exchange risk derives from the Company's exposure to changes in value of an asset or liability or future cash flows through changes in foreign currency rates.

To mitigate against foreign exchange risk the Company has entered into foreign currency hedges.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Any gain or loss arising on the restatement of such items is taken to the income statement with the exception of exchange gains or losses incurred as part of a qualifying cash flow hedge.

(ii) Fair values

The fair values of the Company's financial assets and financial derivatives, and the carrying amounts in the balance sheet are analysed below. Balances included in the analysis of primary financial assets and liabilities include cash and cash equivalents, loans and borrowings, trade and other receivables, trade and other payables and provisions, all of which are disclosed separately. Own use commodity contracts are not considered to be financial instruments.

Summary fair values

The fair values of the primary financial assets and liabilities together with their carrying values are as follows:

	2016 Carrying value £m	2016 Fair Value £m	2015 Carrying value £m	2015 Fair Value £m
Financial Assets				
Trade and other receivables	71.2	71.2	79.8	79.8
Derivative financial assets	-	-	0.3	0.3
Financial Liabilities				
Trade and other payables	(9.7)	(9.7)	(7.0)	(7.0)
Derivative financial liabilities	(0.2)	(0.2)	-	-

Fair values have been determined with reference to closing market prices.

Unless otherwise stated, carrying value approximates fair value.

Financial derivative instruments - disclosure

For disclosure purposes, derivative financial instruments are classified into two categories, operating derivatives and financing derivatives. The company only utilise financing derivatives. Financing derivatives include all fair value and cash flow interest rate hedges, non-hedge accounted (mark-to-market, noted as MTM) interest rate derivatives, cash flow foreign exchange hedges and non-hedge accounted (MTM) foreign exchange contracts. Non-hedge accounted contracts are treated as held for trading (MTM). The carrying value is the same as the fair value for all instruments. All balances are stated gross of associated deferred taxation.

Basis of determining fair value

Closing rate market values have been used to determine the fair values of the interest rate and foreign currency contracts and denominated long-term fixed rate debt. Estimates applied reflect the management's best estimates of these factors.

Greater Gabbard Offshore Winds Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2016

17 Capital commitments

	2016 £m	2015 £m
Contracted but not provided for:	13.3	23.5

An agreement has been entered into for the service and warranty of the turbines by the turbine provider lasting until April 2017.

18 Operating lease commitments

Total commitments under non-cancellable operating leases are as follows:

	2016 Land & Buildings £m	2015 Land & Buildings £m
Operating leases which expire:		
Less than one year	0.6	0.6
Between one and five years	2.4	2.4
More than five years	2.4	3.0
	5.4	6.0

During the year £0.6m was recognised as an expense in the income statement in respect of operating leases (2015: £0.7m)

19 Reconciliation of profit to operating cash flow

	2016 £m	2015 £m
Reconciliation of profit to operating cash flows		
Profit for the year	87.0	47.7
<i>Adjustments for:</i>		
Depreciation	65.6	64.6
Financial income	(0.1)	(0.1)
Financial expense	3.1	4.6
Taxation	7.2	12.0
Non cash exceptional expense	-	4.5
	162.8	133.3
(Increase)/decrease in inventories	(1.0)	-
Decrease/(increase) in trade and other receivables	8.8	(3.3)
Increase/(decrease) in trade and other payables	3.5	(5.5)
Tax paid	(0.7)	(0.6)
Net cash inflow from operating activities	173.4	123.9

Greater Gabbard Offshore Winds Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2016

20 Related party transactions

The company is a joint venture of SSE Renewables Holdings (UK) Limited and Innogy Renewables UK Limited (formerly known as RWE Innogy UK Limited) who each have a 50% shareholding. To the extent not disclosed elsewhere in these financial statements, details of related party transactions and balances are summarised below.

- (i) Recharges have been made by SSE Generation Limited during the year, for the services provided by their employees who have worked on the Greater Gabbard project. During the year ended 31 March 2016, the company was charged £5.8m by SSE Generation Limited in respect of these costs (2015: £5.5m). At the year-end £nil was due to SSE Generation Limited (2015: £nil) and £nil was accrued (2015: £0.9m).
- (ii) Output sales of £115.5m have been recognised in the year (2015: £102.6m) for electricity, ROCs and LECs supplied to Innogy Renewables UK Limited. At the year end £6.0m (2015: £nil) was due from Innogy Renewables UK Limited and £27.4m was accrued (2015: £36.9m).
- (iii) Output sales of £115.5m have been recognised in the year (2015: £nil) for electricity, ROCs and LECs supplied to SSE EPM Limited. At the year end £6.0m (2015: £nil) was due from SSE EPM Limited and £27.4m was accrued (2015: £nil).
- (iv) Output sales of £nil have been recognised in the year (2015: £102.6m) for electricity, ROCs and LECs supplied to SSE Energy Supply Limited. At the year end £nil (2015: £nil), was due from SSE Energy Supply Limited and £nil was accrued (2015: £36.9m).

21 Explanation of transition to Adopted IFRSs

As stated in note 1, the Company's financial statements are now prepared in accordance with Adopted IFRSs.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2016 and the comparative information presented in these financial statements for the year ended 31 March 2015 and in preparation of an opening IFRS balance sheet at 1 April 2014.

In preparing its opening IFRS balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to Adopted IFRS has affected the Company's financial position, financial performance and cash flow presentation is set out in the following tables and the notes that accompany the tables.

There are no material differences between the cashflow presented under adopted IFRSs and the cash flow presented under UK GAAP.

Greater Gabbard Offshore Winds Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2016

21 Explanation of transition to Adopted IFRSs *(continued)*

	Note	1 April 2014			31 March 2015		
		UK GAAP £m	Effect of transition to Adopted IFRS £m	Adopted IFRS £m	UK GAAP £m	Effect of transition to Adopted IFRS £m	Adopted IFRS £m
Non-current assets							
Property, plant and equipment		1,379.8	-	1,379.8	1,316.2	-	1,316.2
Derivative financial assets	(a)	-	-	-	-	0.3	0.3
		<u>1,379.8</u>	<u>-</u>	<u>1,379.8</u>	<u>1,316.2</u>	<u>0.3</u>	<u>1,316.5</u>
Current assets							
Trade and other receivables		76.4	-	76.4	79.8	-	79.8
Cash and cash equivalents		32.8	-	32.8	19.5	-	19.5
Total current assets		<u>109.2</u>	<u>-</u>	<u>109.2</u>	<u>99.3</u>	<u>-</u>	<u>99.3</u>
Total assets		<u>1,489.0</u>	<u>-</u>	<u>1,489.0</u>	<u>1,415.5</u>	<u>0.3</u>	<u>1,415.5</u>
Current liabilities							
Trade and other payables		(12.8)	-	(12.8)	(7.0)	-	(7.0)
Corporation tax payable		(0.2)	-	(0.2)	(0.7)	-	(0.7)
Provisions		(104.0)	-	(104.0)	(108.5)	-	(108.5)
Deferred liabilities		(95.7)	-	(95.7)	(107.1)	-	(107.1)
Total liabilities		<u>(212.7)</u>	<u>-</u>	<u>(212.7)</u>	<u>(223.3)</u>	<u>-</u>	<u>(223.3)</u>
Net assets		<u>1,276.3</u>	<u>-</u>	<u>1,276.3</u>	<u>1,192.2</u>	<u>0.3</u>	<u>1,192.5</u>
Equity							
Retained earnings		1,276.3	-	1,276.3	1,192.2	-	1,192.2
Hedge reserve	(a)	-	-	-	-	0.3	0.3
Shareholders' funds		<u>1,276.3</u>	<u>-</u>	<u>1,276.3</u>	<u>1,192.2</u>	<u>0.3</u>	<u>1,192.5</u>
Cash flow hedges							

(a) Cash flow hedges are contracts entered into to hedge a forecast transaction or cash flow risk generally arising from a change in interest rates or foreign currency exchange rates and which meet the effectiveness criteria prescribed by IAS 39. As part of the transition to IFRS the Company has recognised derivative financial assets of £0.3m and created a hedge reserve of £0.3m for the year ended 31 March 2015.

Greater Gabbard Offshore Winds Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2016

21 Explanation of transition to Adopted IFRS *(continued)*

	UK GAAP	2015 Effect of transition to Adopted IFRS	Adopted IFRS
Note	£m	£m	£m
Revenue	206.6	-	206.6
Cost of sales	(132.4)	-	(132.4)
Gross profit	<u>74.2</u>	<u>-</u>	<u>74.2</u>
Administrative costs - recurring	(5.5)	-	(5.5)
Administrative expense - exceptional	(4.5)	-	(4.5)
Operating profit	<u>64.2</u>	<u>-</u>	<u>64.2</u>
Financial income	0.1	-	0.1
Financial expense	(4.6)	-	(4.6)
Profit on ordinary activities before taxation	<u>59.7</u>	<u>-</u>	<u>59.7</u>
Taxation	(12.0)	-	(12.0)
Profit for the financial year	<u>47.7</u>	<u>-</u>	<u>47.7</u>