

INVESTOR REPORT FOR GREATER GABBARD OFTO Plc

As at MARCH 2015

General Overview

Present Status:

Investors: AMP Capital Investors UK Cable Limited, Balfour Beatty OFTO Holdings Limited and Equitix Transmission 2 Limited

O&M Contractor: Balfour Beatty Balfour Beatty Utility Solutions Limited

O&M Guarantor: Balfour Beatty Group Limited

Security Trustee: Deutsche Trustee Company Limited

Principal Paying Agent: Deutsche Bank London Branch

Technical Adviser: Mott MacDonald Limited

Insurance Adviser: Willis Limited

Ratings by Moodys Investors Services Limited: A3

Outstanding Principal Amount: £294,808,437.82 as at 31 March 2015 (after a principal repayment of £3,155,082.83 on 31 March 2015). The undrawn PBCE amount as at 31 March 2015 after the senior debt principal payment is £44,221,266.

General Performance

The OFTO has achieved very good availability over the period, recording 100.0% availability in the in the six months since September 2014.

There are a number of outstanding technical improvements relating to the SVC HVAC, offshore fire systems and upgrade of engineering records that are being addressed; these are being managed and although not yet resolved are receiving full attention.

The planned offshore inspections and maintenance campaigns in 2014 were completed successfully.

Most of the works that the Developer was required to complete after FC, as set out in the SPA, have been completed to the OFTO's satisfaction. Variations are being agreed at present as both parties agree that it is not necessary to operate a helideck on both platforms, and OFTO will be reimbursed for costs to complete some painting work offshore in 2015.

Spares procurement is progressing and detailed specifications have been compiled'. The order for phase 1 spares will be placed soon.

The expenditure on reactive maintenance in the half year has been around £50k higher than budgeted because of small individual incidents. In one case, as an example, a SF6 pressure monitoring system was found to be operating incorrectly and was replaced.

Expenditure on projects to improve performance has been deferred till 2015/16 because of a combination of delays in resource availability and access to the OSPs during the winter.

Monitored Operating Costs remain between the 80% and 120% band as required by the project agreements.

SSE continues to provide HSE management protocols for the OFTO assets. HSE performance to date has been good; few incidents have been recorded and follow up has been in accordance with expectations. An internal HSEQ audit has also returned positive results.

The OFTO is managing and discharging its obligations under the Marine Licence successfully and is taking appropriate action to mitigate risks associated with proximal developments. There has been some marine survey work undertaken for East Anglia One Wind Farm and by Sizewell C (both at the planning stage) The Galloper Wind Farm construction was suspended following satisfactory completion of enabling civil works at the Leiston sub station. OFTO is waiting to hear if the project will be resumed.

The Sizewell shoreline user group (SSUG) have requested that the OFTO no longer attend as they wish to limit the number of members. The OFTOs attendance at the SSUG is currently linked to compliance with the Marine Licence condition to monitor beach levels. The OFTO will notify the MMO that attendance will no longer be possible and will agree whether any alternative arrangement on the part of the OFTO for monitoring beach levels will be required.

Regulatory and business update

1. There have been no new significant regulatory and business and performance developments since the previous Investor Report in September 2014.
2. There have been no significant announcements/publications by the Authority by or relating to the Security Group since the previous Investor Report in September 2014.
3. There has been no changes to the Board of Directors and one changes to senior management since the previous Investor Report in September 2014. Mr Nigel Marshall has been replaced as Company Secretary by Mr Patrick McCarthy.

Current Hedging Position

4. A hedging agreement is in place to swap c64% of revenue over the life of the senior debt term on a pari passu basis to mitigate risks associated with lower than expected RPI.

Current availability / drawn amounts under the PBCE

5. The European Investment Bank (the PBCE Provider) has provided a letter of credit for an amount of £44,221,266 (the PBCE Letter of Credit) as at 31 March 2015 as a form of subordinated credit enhancement for the Issuer in relation to the bonds and the hedging arrangements. No amounts have been drawn from the letter of credit as at 31 March 2015.

Ratios

6. We confirm that the ratios (together the **Ratios**) are as detailed in the tables below:

Ratio	Ratio for Relevant Period/Date (excluding undrawn PBCE)	Lock-Up Ratio Level (excluding undrawn PBCE)	Ratio for Relevant Period/Date (including undrawn PBCE)	Default Ratio Level (includes undrawn PBCE)
Projected DSCR:	1.20x	1.10x	3.45x	1.05x
Historic DSCR:	1.30x	1.10x	3.84x	1.05x
Debt Life Cover Ratio:	1.34x	1.15x	1.49x	1.10x

7. We confirm that the Ratios have been calculated using the most recently available financial information required to be provided by the Obligors under Schedule 2 (Obligor Covenants) of the Common Terms Agreement.

8. We set out below the computation of the Ratios for your information:

The numerator excludes the PBCE letter of credit facility

Senior Debt excludes mark-to-market liabilities under hedging agreements

(a) Projected DSCR - 1.20

<u>Net Cashflow (Apr 15 – Mar 16)</u>	23,556
Debt Service (Apr 15 – Mar 16)	19,644

Net Cashflow is comprised of Gross Revenue less Operating Costs, Capital Costs and Taxes

Gross Revenue is net of RPI swap payments and movements in and out of the Emergency Reserve Account (ERA), Decommissioning Reserve Account (DRA) and Working Capital Reserve Account (WCRA)

Debt Service includes all scheduled payments of interest and principal payable in respect of senior debt and any termination payments then due and payable under any hedging agreement

(b) Historic DSCR – 1.30

Net Cash flow (Apr 14 – Mar 15) 22,975

Debt Service (Apr 14 – Mar 15) 17,720

(c) Debt Life Cover Ratio (DLCR) – 1.34

NPV of Net Cash flow plus DSRA, ERA, WCRA 394,945
plus residual balance of operating account

Senior Debt 294,809


We confirm that:

(d) No Default has occurred and is continuing,

(e) the statements set out in this Investor Report are accurate in all material respects;

(f) No Restricted Payment has been made since the previous Investor Report in September 2014.

Yours faithfully,


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Director

Signing without personal liability, for and on behalf of **Greater Gabbard OFTO Plc** for and on behalf of each Obligor

Date... 31/3/15