

INVESTOR REPORT FOR GREATER GABBARD OFTO Plc

As at MARCH 2016

General Overview

Present Status:

Investors: Equitix Capital Investors UK Cable Limited and Equitix Transmission 2 Limited

O&M Contractor: 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: £287,283,310.97 as at 31 March 2016 (after a principal repayment of £3,774,241.93 on 31 March 2016). The undrawn PBCE amount as at 31 March 2016 after the senior debt principal payment is £43,092,600.

General Performance

The OFTO has achieved excellent availability over the period, recording 100.0% availability in the six months since September 2015.

The planned onshore and offshore inspections and maintenance activities have been completed successfully. The next planned outages (i.e. those affecting availability) are scheduled for 2016 as part of the planned maintenance activities.

Post-close Developer completion works are complete with the exception of:

- Business records including technical drawings and documents. Although the OFTO has adequate records to safely operate the asset, there are a number of gaps in the records. The OFTO has agreed to undertake that work at the Developer's cost. Works will complete summer 2016.
- The Helideck on GASUB Offshore Substation Platform is to be reclassified to a Heli-Hoist Only Platform (HHOP). The Developer was required to certify the Helideck to landing use but technical problems prevented this from being possible. Both parties agree that it is not necessary to operate a helideck on both platforms (IGSUB & GASUB). Gabbard is the only Transmission Offshore asset to have helidecks. Variations have been prepared and TA consent obtained to enable reclassification. Works will complete summer 2016 subject to commercial/contractual approval.

Spares procurement is underway.

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

The construction of the Galloper Windfarm development (led by RWE) adjacent to Greater Gabbard is under construction. The windfarm connects into the same National Grid Substation as Greater Gabbard and there are works that interface with the Greater Gabbard OFTO as follows:

- Galloper Windfarm Export Cable Crossing
- Galloper Windfarm Feeder Circuits proximity works
- National Grid Licenced connection works

These works are managed under existing agreements with appropriate protections and consents in place. The OFTO continues to be fully consulted and involved with these works which are being managed well by Galloper (RWE) and National Grid.

Export Cable 2 has suffered fibre losses since monitoring began in June 2014. At the last measurement on 20th February 2016 all fibres were broken at 1.3km from the Onshore Substation which is in the nearshore area approximately 400m-500m from the land/subsea transition joint bay. There are 3 export circuits each with 48 core fibre connections to the IGSUB Offshore Substation. Fibre services from Circuit 2 have been transferred to the other two circuits which remain healthy and stable. Ongoing period monitoring of healthy fibres is being undertaken every 3 months. No loss of export power has been experienced and therefore availability has been unaffected. The OFTO is aware of instances where failure of the fibre optic circuits have been associated with a failure of the power core on other OFTO assets. Greater Gabbard OFTO is therefore undertaking enhanced monitoring of the affected circuit and reviewing its emergency response procedures.

A review of the fire systems has been carried out and the result is that there are a few modifications to be carried out none of which are of serious concern.

Regulatory and business update

1. There have been no new significant regulatory and business and performance developments since the previous Investor Report in Sept 2015.
2. There have been no significant announcements/publications by the Authority by or relating to the Security Group since the previous Investor Report in Sept 2015.
3. There was a significant announcement from the OFTO regarding change of ownership. Balfour Beatty Holdings sold its 33.3% share in Greater Gabbard OFTO to Equitix Transmission 2 Limited and AMP Capital Investors UK Cable Limited has been purchased by Equitix Infrastructure 4 Limited in December 2015. Notice to this effect was published on the bondholders website.
4. There has been a number of changes to the Board of Directors, one change to senior management and one change to Company Secretary since the previous Investor Report in September 2015.

The number of directors on the Board reduced from 6 to 4 due to change in ownership resulting the resignation as Director of Mr. Manish Aggarwal and Mr Tauno Sillanpaa without replacement. Mr Sean McLachlan has been replaced as Director by Ms Jennifer Crouch, Mr Brian Walker has been replaced as Director by Richard Knight and Mr John Sinclair has been replaced as OFTO Representative by Mr David Phillips. Patrick McCarthy was replaced as Company Secretary by Kirti Shah.

Current Hedging Position

5. 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

6. The European Investment Bank (the PBCE Provider) has provided a letter of credit for an amount of £43,092,600 (the PBCE Letter of Credit) as at 31 March 2016 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 2016.

Ratios

7. 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:	1.21x	1.10x	3.34x	1.05x
Historic DSCR:	1.21x	1.10x	3.47x	1.05x
Debt Life Cover Ratio:	1.36x	1.15x	1.52x	1.10x

8. 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.

9. 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 - 1.21

<u>Net Cashflow (Apr 16 ó March 17)</u>	24,546
Debt Service (Apr 16 ó March 17)	20,267

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 – 1.21

Net Cash flow (Oct 14 – Sept 15)	23,645
Debt Service (Oct 14 – Sept 15)	19,570

(c) Debt Life Cover Ratio (DLCR) – 1.36

NPV of Net Cash flow plus DSRA, ERA, WCRA plus residual balance of operating account	393,107
Senior Debt	287,284

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 Sept 2015.

Yours faithfully,



Director

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

Date 31.3.2016...