

Company registration number 15968947 (England and Wales)

SEAGREEN PHASE 1 OFTO PROJECT LIMITED
REGULATORY ACCOUNTS
FOR THE PERIOD ENDED 31 MARCH 2025

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

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SEAGREEN PHASE 1 OFTO PROJECT LIMITED

OPERATING AND FINANCIAL REVIEW

FOR THE PERIOD ENDED 31 MARCH 2025

A description of these regulatory accounts

Introduction

Seagreen Phase 1 OFTO Project Limited ("the Company" and "the licensee"), is a holder of an Offshore Electricity Transmission Licence ("the licence") granted under the Electricity Act 1989. The licence was awarded to the Company on 5th March 2025 by The Gas and Electricity Markets Authority ("the Authority"). Under standard condition E2 of this licence, we are required to prepare and publish annual regulatory accounts setting out the financial position and performance of the regulatory business covered by the licence.

Scope of the regulatory accounts

These regulatory accounts are prepared in respect of the licensee's regulatory transmission business. The Company only has one activity – that being the operation of its regulated transmission business; consequently, the regulatory financial statements contained herein reflect the same scope as that reported in the Company's statutory accounts for the period ended 31 March 2025 as prepared in accordance with section 396 of the Companies Act 2006.

Relationship of regulatory accounting statements with statutory accounts

The financial information contained in these regulatory accounting statements does not constitute statutory accounts within the meaning of section 396 of the Companies Act 2006. Statutory accounts for the Company for the period ended 31 March 2025, to which the financial information relates, will be delivered to the registrar of Companies.

The auditor has made a report under Section 495 of the Companies Act 2006 on those statutory accounts which was unqualified and did not contain a statement under Section 498(2) or (3) of the Act. The auditor's opinion on the Company's statutory accounts is addressed to, and for the benefit of, the members of the Company and not for any other person or purpose. The auditor has clarified, in giving their opinion on those statutory accounts, that it has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. In giving their opinion, they do not accept or assume responsibility for any other purposes or to any other person to whom their audit report on the statutory accounts is shown or into whose hands it may come save where expressly agreed by their prior consent in writing.

The Electricity and Gas (Internal Markets) Regulations 2011 require all transmission system operators such as the Company to be certified as complying with the unbundling requirements of European Parliament Directive concerning common rules for the internal market in electricity ("the third package"). This is essentially a separation of control between the electricity generators and transmission owners. On 27 February 2025, the Company was issued a certificate pursuant to section 10D of the Electricity Act 1989 by the Authority confirming its compliance with the third package requirements. The Company has ongoing obligations and is required to make certain ongoing declarations to the Authority to ensure compliance with the terms of the certificate which it has met through to the date of this report.

The statutory accounts of the Company can be obtained from the website of the Company at www.sgofto.co.uk.

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

OPERATING AND FINANCIAL REVIEW (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2025

Introduction

This Operating and Financial Review explains the operations of Seagreen Phase 1 OFTO Project Limited ("Company") and the main trends and factors underlying the development and performance of the Company during the period ended 31 March 2025, as well as those matters which are likely to affect its future development and performance.

The ultimate parent company of the Company is Seagreen Phase 1 OFTO HoldCo Limited, a company registered in England and Wales, United Kingdom. Seagreen Phase 1 OFTO HoldCo Limited is an investment holding company whose sole business is the holdings of investments in its wholly owned subsidiaries, Seagreen Phase 1 OFTO Limited and Seagreen Phase 1 OFTO Project Limited, which together form the Seagreen Phase 1 OFTO Group ("the Group").

The Company's principal activity is to provide an electricity transmission service to National Electricity System Operator Ltd ("NESO"), the electricity transmission system operator for Great Britain. The Company owns and operates a transmission system that electrically connects an offshore wind farm generator to the onshore transmission system operated by National Grid Electricity Transmission ("NGET").

Background

The Company holds the Licence, awarded by the Authority on 5th March 2025. The asset transfer date was the 21st March 2025. The asset was purchased by the use of senior secured debt and subordinated debt. This Licence, amongst other matters, permits and requires the Company to maintain and operate the Seagreen offshore electricity transmission assets in perpetuity with a revenue entitlement period of 24 years from the date funds were drawn on 19 March 2025. The Company's offshore electricity transmission system exports the output of the Seagreen wind farm to NGET's onshore electricity transmission system.

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The Company's offshore electricity transmission system

Seagreen offshore wind farm (OWF) is located 27km off the coast of Angus, Scotland, in the North Sea. The wind farm will have a maximum export capacity of 1075MW and an installed capacity of 1140MW, comprising 114 10MW Vestas wind turbine generators (WTGs).

The Seagreen OFTO assets broadly consist of:

- An Offshore Substation Platform (OSP) supported by a six-legged jacket substructure,
- An Onshore Substation (ONSS) located near Tealing, Scotland,
- Three circuits comprising three 220kV 63.5km subsea cables, three 220kV 0.5km landfall cables, three 220kV onshore export cables (19.5-21km), and three 275kV onshore export cables (180-710m).

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

OPERATING AND FINANCIAL REVIEW (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2025

The Company's long term business objectives

The Company is a special purpose vehicle formed to hold the Licence. Its non-financial objectives are, therefore, consistent with the objectives of the Licence. The Company will achieve these objectives by ensuring its compliance with the Licence, industry codes and legislation and by operating and maintaining its transmission system in accordance with good industry practice.

The Company's financial objective is to provide financial returns to shareholders consistent with, or in excess of, the business plan that supported its tender offer for the Seagreen OFTO offshore transmission system. The Company will achieve this objective by:

- meeting its revenue targets by operating the transmission system at availability levels equal to, or higher than, the Licence target;
- adopting and maintaining a financing structure that is, as a minimum, as efficient as that contemplated by the business plan; and
- controlling costs and seeking efficiency improvements.

The Company's operating model

The Company's operating model is to contract all operational and maintenance ("O&M") activities including asset management capability. O&M activities are outsourced to EDS HV Management Limited ("EDS"). Equitix Management Services Limited ("EMS") performs certain financial and management services to the Company through a Management Services Agreement ("MSA"). As part of MSA service management responsibilities EMS, amongst other things, oversees some of the activities of the O&M contractor to ensure that the Company meets its Licence obligations and complies with good industry practice. The Company has managed the performance risk of its outsourced service providers through the O&M Contractor and MSA contract.

The Company's approach to managing the business

The Company's general approach to the management and operation of its business is based on ensuring that the right balance is achieved between cost, quality, performance, innovation and financial returns so as to optimise the cost of its services to the end consumer. In doing so the Company:

- has a relentless focus on transmission system availability;
- recognises that the inherently hazardous nature of the Company's assets and operations requires an extraordinary focus on Health, Safety and the Environment ("HS&E");
- has the right contractors / subcontractors working safely to standards using the right processes, technology and systems;
- has implemented a risk management approach that ensures that risks are assessed, managed and reported appropriately; and
- has adopted a governance framework that enforces compliance with law, regulations and licence conditions.

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

OPERATING AND FINANCIAL REVIEW (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2025

Principal regulatory, industry contracts and industry code matters

The Company enjoys benefits and is subject to a number of regulatory and contractual obligations arising from and including: the Licence; the Transmission System User Development Works (OTSDUW) Completion Report with NESO as System Operator - Transmission Owner Code ("STC"). The Company's operations are also subject to a range of industry specific legal requirements.

A summary of some of the major features of the Licence, industry contracts and electricity code matters are described below.

Licence obligations

Under the terms of the Licence the Company is required to carry out its licenced activities and have in place governance arrangements that ensure (amongst other obligations) that the Company does not provide cross-subsidies from any other business of the Licensee or of any affiliate. In addition, the Licence places restrictions on the Company's activities and how it conducts its transmission activities. In carrying out its transmission activities it must do so in a manner that does not confer upon it an unfair commercial advantage, in particular, in relation to any activity that does not relate to the operation of the offshore transmission business.

A failure by the Company to materially comply with the terms of the Licence could ultimately lead to the revocation of the Licence. The Board of Directors take very seriously its obligations to comply with the terms of the Licence and has processes, procedures and controls in place to ensure compliance. Including the appointment of a Compliance Officer who undertakes a review of The Company's Compliance arrangements.

Regulated revenue and incentives

The Licence awarded by the Authority to the Company determines how much the Company may charge for the OFTO services that it provides to NESO in any relevant charging year in accordance with a regulatory formula. The charging period is from 21 to 31 March. The Licence also provides the Company with an incentive to ensure that the offshore transmission assets are available to transmit electricity by reference to the actual availability of the Company's transmission system in any given calendar year versus the regulatory target. The regulatory target availability is 98% of the total megawatt hour capacity of the Company's electricity transmission system (as determined by the Company's System Capability Statement) in any given calendar year, or part thereof.

Transmission charges are based on the target transmission system availability of 98%, and increase on 1 April following any given year by reference to the average rate of increase in the UK consumer price index ("CPI") in the year to the previous September. The revenue derived from charges based on this target availability represents the Company's "base revenue". For the avoidance of doubt, the Company's transmission charges are not exposed to commodity risk and are not exposed to any generation risk.

The Licence contains mechanisms to incentivise the Company to provide the maximum possible electricity transmission system availability, having regard to the safe running of the system. The company is incentivised on a monthly basis with higher targets, and higher potential penalties or credits, in the winter months, and lower targets, and lower potential penalties or credits, in the summer months. These incentive mechanisms help drive the management of the Company to manage proactively the transmission system availability across the year by focusing maintenance activities, which could lower transmission system availability, into those months with the lowest targets and related penalties or credits.

If the achieved transmission system availability is different to the target availability then there is a mechanism contained within the Licence that could potentially affect the Company's charges and hence its revenue in future periods. The Licence provides for adjustments to "base revenue" where the OFTO's system availability performance is different to the target system availability. If transmission system availability in any given year is in excess of the target availability level then credits are "earned" and if availability is less than target then penalties accrue. The Company is then permitted or required to change its prices to reflect the credits earned or penalties accrued as necessary. The maximum credit which the Company can "earn" and collect in charges amounts to around 5% of base revenue for that year and the maximum penalty that can be reflected in charges is around 10% of base revenue for that year. The detailed mechanism that is used to adjust charges to reflect these credits and penalties in charges is described below.

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

OPERATING AND FINANCIAL REVIEW (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2025

Principal regulatory, industry contracts and industry code matters (continued)

The penalties and credits are recorded on a monthly, but notional basis, during each calendar year. Individual net monthly penalties are first offset against any brought forward net cumulative credits from the previous calendar year. Thereafter, individual monthly net penalties are eligible for offset against credits arising in the current calendar year. If at the end of any calendar year there is a cumulative net credit, this net credit is eligible for collection in charges as an adjustment to charges at the beginning of the sixth financial year following the end of the calendar year in which the first credit arose. The maximum amount of credit that is eligible to be reflected in charges in the sixth financial year is the lesser of the credit that arose in the first calendar year and the cumulative net credit outstanding at the end of the preceding calendar year.

In respect of net penalties which are outstanding at the end of the calendar year then, in principle, the charges in respect of the following financial year are lowered by an amount that would reduce the charges for that financial year by the amount of the net penalty. However, the reduction in charges can never exceed 10% of the base revenue for that year.

To the extent that the cumulative net penalty, if applied, to the Company's charges would result in those charges being reduced by more than 10% of the base revenue for that year, the excess net penalty is carried forward on a cumulative and notional basis and aggregated with additional credits and penalties arising in the subsequent period. The maximum period that penalties relating to a particular calendar year can be carried forward is five years.

As a result of the arrangements described above, there are a number of risks that the Company faces that affect the level of transmission system availability and therefore affect potential incentive credits and penalties. The principal risks associated with transmission system availability stem from the following:

- 1) The inherent design of the transmission system e.g. system redundancy;
- 2) The management of maintenance activities so that the assets are maintained to good industry practice, and where possible, the Company seeks to carry out such maintenance without the need for planned outages whilst having regard to the safe operation of those assets; and
- 3) The management of planned outages of the transmission system having regard to the activities of other interested parties and to bias such outages towards those periods during the year with the lowest system availability targets and related penalties or credits.

As the end of the 24 year Licence period approaches the agreed regulatory formula relating to the Company's ability to collect credits as explained above changes. There is an acceleration of the Company's ability to collect such credits in its invoicing.

In certain circumstances, and in respect of certain costs, such as non-domestic rates relating to the Company's onshore electricity network and costs charged by the Authority associated with running the OFTO tender regime, the Company is permitted under the terms of its Licence to pass these costs to its customer by altering charges as required.

Transmission system capability (capacity)

As described above, the Company is incentivised to provide the maximum transmission system availability as is possible having regard to the safe running of the system. The maximum availability of the system is defined in the Licence and is expressed in megawatt hours (MWhr).

Under the terms of the OTSDUW Completion Report with NESO, the Company provides a transmission service on the basis of a declared maximum capacity of the transmission system. The declared maximum capacity for performance period ended 31 March 2025 was 1,075 MW. The practical significance of the declared maximum capacity is that the maximum declared capacity of the transmission system determines the maximum MWhr availability of the transmission system for the purpose of comparing with the Company's actual transmission availability during any performance year - which in turn determines the Company's performance credits or penalties as described under Regulated revenue and incentives earlier in this Operating and Financial Review.

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

OPERATING AND FINANCIAL REVIEW (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2025

Principal regulatory, industry contracts and industry code matters (continued)

The Company has provided 100% transmission capacity based on the declared maximum capacity of the transmission system since asset transfer in late March 2025 to the performance period ended 31 March 2025 - see Transmission System Availability below. The Company minimises the risk of unexpected outages (and incurring related performance penalties) or incurring unexpected repair costs by carrying out appropriate maintenance in accordance with good industry practice.

Transmission system quality of supply

The STC sets out the minimum technical, design and operational and performance criteria that Offshore Transmission Owners must ensure that their transmission system can satisfy. For the Company's transmission system the most significant requirements are in respect of the reactive power capability, voltage control and the quality of the power (as measured by harmonic performance) deliverable at the connection point of the Company's transmission system with NESO's transmission system.

The Company has met its requirements to transmit electricity in accordance with the parameters agreed with NESO during the period under review.

Key performance indicators ("KPIs")

The Company has identified the following KPIs as being instrumental to the management of the transmission business. Such KPIs include financial and non-financial KPIs:

	Definition	Objective
Financial KPI's		
Profit before taxation	Profit before taxation: £734k	To increase profit through cost control measures and driving efficiency.
Cash available for debt service	Net cash outflow from operating activities less net cash inflow from investing activities £(623,176)k	To increase.
Non-Financial KPI's		
Maximise transmission availability	Making the transmission system available to transmit electricity over the performance period 21 March 2025 to 31 March 2025: 100%	To continue exceeding the Licence target availability 98%.
Ensure that the quality of electricity at the export connection point is compliant with SQSS and the STC	To meet the standards set by the SQSS and the STC in relation to voltage control, reactive power and harmonic distortion.	To be compliant. This has been achieved for the period ended March 2025.
HS&E	1) Zero lost time accidents ("LTIs") for contractors; 2) Zero reportable environmental incidents; 3) Compliance with transferred obligations under SGOWL's Marine Management Organisation ("MMO") Licence.	1) Zero LTIs; 2) Zero reportable environmental incidents; 3) Compliance with MMO Licence All of the above objectives have been met for the period ended March 2025.

Where appropriate adjustments will be made where events give rise to unusual patterns of income, expenditure and/or one-off events.

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

OPERATING AND FINANCIAL REVIEW (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2025

The Company's operational performance

The Company's prime operational objectives are to maximise transmission system availability and to ensure that the quality of electricity at the onshore connection point is compliant with the SQSS and the STC having regard in all respects to the safety of employees, contractors and the general public.

The OFTO has a fully wrapped O&M contract with EDS HV Management Limited that contains requirements to effectively operate and maintain the assets in accordance with the OFTO Operating Approvals. Maintenance is required to be delivered taking into account Statutory obligations, the requirements and recommendations of the Original Equipment manufacturer (OEM) plus condition, age and service duty of the asset. The OFTO regularly monitors O&M delivery performance.

The Company achieved 100% availability during the period to 31 March 2025.

Transmission system availability

The performance of the Company's transmission system for the performance period ended 31 March 2025:

MW Hours	Note	Performance Period ended 31 March 2025	
Maximum system availability (capability - MWhrs)	(a)	52,800	
Actual system availability (MWhrs)		52,800	
Actual system availability (%)		100%	
Regulatory target system availability (%)		98%	
Availability credits (MWhrs)			
Availability credits at 1 January		-	
Net availability / credits for the performance period		-	
Net availability credits at 31 December		-	

The performance of the Company's transmission system for the performance quarter ended 31 March 2025:

MW Hours	Note	Performance Quarter to 31 March 2025	
Maximum system availability (capability - MWhrs)	(a)	52,800	
Actual system availability (MWhrs)		52,800	
Actual system availability (%)		100%	
Regulatory target system availability (%)		98%	
Availability credits (MWhrs)			
Availability credits at 1 January		-	
Net availability / credits for the performance quarter		-	
Net availability credits at 31 March		-	

(a) The maximum system availability of the Company's transmission system as declared to NESO during the performance period.

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

OPERATING AND FINANCIAL REVIEW (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2025

Quality of supply

The quality of supply constraints agreed with NESO (see “Transmission system quality of supply” above) requires the Company to transmit electricity within certain parameters in relation to: voltage control; reactive power; and harmonic distortion. A failure to meet these qualities of supply constraints could result in NESO requiring the Company’s transmission system to be disconnected from NESO’s electricity transmission system, resulting in loss of transmission availability and reduced incentive credits or performance penalties. The Company closely monitors compliance with these qualities of supply constraints and carries out appropriate maintenance activities consistent with good industry practice to allow the Company to meet these qualities of supply obligations.

During the financial period the Company has met its obligations to transmit electricity compliant with these operational obligations. The Company has continued to comply with these obligations through to the date of this report.

Health, safety, and environmental performance

The Board recognises that the nature of its business requires an exceptional focus on health, safety, and the environment. Safety is critical both to business performance and to the culture of the Company. The operation of the Company’s assets gives rise to the potential risk that they could injure people and/or damage property if these risks are not properly controlled. Our objective is to eliminate or minimise those risks to achieve zero injuries or harm, and to safeguard members of the general public. The Board is pleased to report that there has been no reportable health and safety incidents in this reporting period.

The Company is committed to reducing the environmental impact of its operations to as low as practically possible. The Company will do so by reducing the effect its activities have on the environment by: respecting the environmental status and biodiversity of the area where the Company’s assets are installed; considering whole life environmental costs and benefits in making business decisions; looking for ways to use resources more efficiently through good design, use of sustainable materials, responsibly refurbishing existing assets, and reducing and recycling waste; and continually improving management systems to prevent pollution and to reduce the risk of environmental incidents.

The Board is pleased to report that during the period under review there were no environmental incidents or matters raised by the Company’s Operations and Maintenance contractor that required reporting to any relevant competent authority and that it had complied with the Marine licence obligations transferred under the Sale and Purchase Agreement (“SPA”) by Seagreen Offshore Wind Farm Limited and the O&M Marine Licence noted to the OFTO when the transmission assets were acquired by the Company.

Stakeholder relationships

The potentially hazardous nature of Company’s operations and the environmentally sensitive nature of the locations where its assets are located require the Company to engage and communicate with a wide audience of stakeholders and to establish good relationships with them. As well as industry participants and local and national government bodies this audience includes: Port Authorities; the emergency services; the maritime community; environmental agencies and organisations; landowners and the general public. Accordingly the Company has established good working relationships with a number of stakeholders, including the wind farm generator and communications have been progressed with a number of parties that intend to cross the Company’s assets in the future. The Directors consider that stakeholder relationships are satisfactory.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company have been discussed and referenced in this Operating and Financial Review, alongside a discussion of the operational and financial performance of the Company.

The Company’s financial performance

Summary

The financial performance of the Company for the period ended 31 March 2025, and its financial position as at 31 March 2025, was satisfactory and is summarised below. In this report all numbers have been rounded to the nearest £1,000 where each £1,000 is represented by the symbol £k.

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

OPERATING AND FINANCIAL REVIEW (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2025

The Company's financial performance (continued)

The Company reports its results in accordance with FRS102. The financial reporting standard applicable in the UK and Republic of Ireland and those parts of the Companies Act 2006 relevant to companies preparing their financial statements in accordance with UK FRS 102.

	2025
	£'000
Operating profit/(loss)	280
Net finance income	454
	<hr/>
Profit before Taxation	734
Taxation	-
	<hr/>
Profit after taxation	734
	<hr/>
	2025
	£'000
Net cash outflow from operating activities and investing activities	(623,176)
	<hr/>

Turnover

Turnover represents the element of income attributable to the Company's provision of asset management services.

Operating and finance income is derived from the Company's activities as a provider of transmission services. The vast majority of the Company's income is derived from NESO.

Other than in relation to movements in the Consumer Price Index ("CPI") or for the recovery of certain expenditure, income under the licence is largely fixed for the duration of the revenue generating period providing the transmission assets are available for us. The regulatory regime does not require periodic determinations of maximum allowed revenues/prices (as is the case for other utility businesses such as those following regulatory asset base models for determining prices). Availability income is not affected by changes in the amount of electricity transmitted. Charges for transmission availability are made to NESO.

Operating profit

Operating profit for the period was £280k reflecting the profit making position on the provision of asset management services.

Net interest receivable

Net interest receivable was £454k for the period reflecting senior debt interest and subordinated debt net of interest income on cash deposits and interest income on the financial asset. Over the 24 year revenue period interest expense caused by CPI movements are expected to be offset through CPI related changes in revenue.

Taxation

The net taxation charge on profit before taxation for the period is £0k. The taxation charge for the period has been computed at 25%.

Profit after taxation

Profit for the period after taxation amounted to £734k.

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

OPERATING AND FINANCIAL REVIEW (CONTINUED) ***FOR THE PERIOD ENDED 31 MARCH 2025***

The Company's financial performance (continued)

Cash flows

Net cash inflow from operating activities amounted to £11,446k primarily reflecting the cash inflows relating to operating activities incurred during the period to 31 March 2025.

Net cash outflows used in investing activities amounted to £(634,318)k.

Cash available for debt servicing defined as net cash flows from operations less (or add) net cash flows used in (or generated from) investing activities (after adjustment for the exclusion of the cost of acquiring the Transmission owner asset) and includes interest income received of £11,142k.

Net cash inflows from financing activities amounted to £630,077k.

Payments to service senior debt holders during the period amounted to £nil. Payments to subordinated debt holders during the period amounted to £nil.

No corporation tax was paid in the period.

No dividend was paid in the period.

There were no undisclosed dividends proposed between the period end and the date of the approval of the financial statements.

Balance sheet position and consideration of financial management

Going concern

The Directors consider that the Company has adequate resources to continue in business for the foreseeable future, and that is therefore appropriate to adopt the going concern basis in preparing the financial statements of the Company. More details of the Company's funding and liquidity position are provided under the headings "Current funding structure" and "Going concern, Liquidity and treasury management" below.

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

OPERATING AND FINANCIAL REVIEW (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2025

Statement of Financial Position

The Company's Statement of Financial Position as at 31 March 2025 is summarised below:

	Assets £'000	Liabilities £'000	Net assets £'000
Non-current Transmission owner assets	635,391	-	635,391
Non-current deferred taxation		-	3,097
	3,097		
Decommissioning provision	-	(9,538)	(9,538)
Current assets and liabilities (1)	6,901	(1,871)	5,030
	<u>645,389</u>	<u>(11,409)</u>	<u>633,979</u>
Borrowings	-	(630,148)	(630,148)
Derivatives financial liabilities	-	(12,386)	(12,386)
Totals at 31 March 2025	<u>645,389</u>	<u>(653,943)</u>	<u>(8,554)</u>

(1) Excluding borrowing

Financial asset and decommissioning

Non-current debtors relates to a financial asset and is carried at the costs incurred, and directly attributable to the acquisition of the Seagreen offshore transmission system at the date of acquisition, plus finance income less receipts attributable to the carrying value of that asset and is carried at amortised cost. The net result being that the carrying value of the Transmission owner asset reflects the application of the effective interest rate method, and is determined in accordance with the principal accounting policies adopted by the Company. A discussion of the critical accounting policies adopted by the Company that give rise to this balance is shown in the accounting policies section of the financial statements.

The Transmission owner asset was acquired on 21 March 2025 from Seagreen Wind Energy Limited. The total costs of acquisition of this asset amounted to £627,131k. The estimate of the costs of decommissioning the Transmission owner asset as at 31 March 2025 amounted to £9,538k.

Deferred taxation

The Company has recognised a deferred tax asset of £3,097k which reflects the recognition, in full, of the deferred taxation impact of all temporary differences arising to March 2025.

Net debt

Net debt is defined as all borrowings (senior and subordinated debt) less Cash and Cash equivalents less the carrying value of all financial derivative contracts that are marked to market (UK Consumer Price Index (CPI) and SONIA related swaps).

At 31 March 2025 net debt stood at £(635,584)k.

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

OPERATING AND FINANCIAL REVIEW (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2025

A discussion of the capital structure and the use of financial derivatives is provided below.

Current funding structure

The Company is funded through 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.

All long-term senior debt is serviced on a three monthly basis and is expected to amortise over the life of the project through to December 2048. The total carrying value of the loans outstanding at 31 March 2025 amounted to £558,301k. The loans carry a variable interest which requires servicing on a quarterly basis.

The subordinated loan ranks behind the senior debt and is held by the Company's intermediate holding Company, Seagreen Phase 1 OFTO Limited ("SP10"). The subordinated loan was issued by SP10 on a commercially priced basis, and carries a fixed rate coupon. At 31 March 2025 the total principal carrying value of the subordinated loan outstanding amounted to £74,702k. It is currently recognised as part of amounts owed to group undertakings.

Ordinary equity share capital amounted to £1k at 31 March 2025.

Going concern, liquidity, and treasury management

As indicated previously, the Directors have confirmed that after due enquiry they have sufficient evidence to support their conclusion that the Company is a going concern, and has adequate resources in the foreseeable future to meet its ongoing obligations, including the servicing of debt holders, as those obligations fall due. This conclusion is based on a number of factors which are summarised below.

The expected cash in-flows that are likely to accrue to the Company over the foreseeable future from its electricity transmission operations are highly predictable, and will not fall below a certain level as explained above under "Regulated revenue and incentives". In addition, NESO, as a condition of its regulatory ring-fence, is required to use its reasonable endeavours to maintain an investment grade credit rating and, therefore, the likelihood of payment default by NESO is very low. As at 31 March 2025 there were no sums outstanding from NESO and from 31 March to the date of this report all amounts due from NESO had been received on time.

The Company enjoys certain protections afforded under the Licence granted to the Company. In particular, provided that the Company can demonstrate that it has applied good industry practice in the management of the Company and its assets, then in the event that an unforeseen incident results in the Company suffering a loss in excess of £1,000k (in so far as it relates to its activities under the Licence) it can apply to the Authority for an income adjusting event and recover the lost amount.

The Company has also put in place prudent insurance arrangements primarily in relation to property damage such that it can make claims in the event that an insurable event takes place and thereby continue in business.

The Licence protections together with the insurance arrangements reduce uncertainties and address certain risks regarding loss/destruction of assets that arise from remote and/or catastrophic events.

The Company has also entered into certain hedging and other contractual arrangements that have been put in place to achieve a high degree of certainty (and thereby reduce uncertainty) as to the likely cash out-flows that are expected to occur over the life of the project.

The hedging arrangements are explained in more detail below under Hedging arrangements. In summary the CPI swaps have the impact of effectively converting a proportion of the CPI variable cash flows arising from the Company's transmission services activities into a known series of cash flows over the life of the project.

Other contractual arrangements with third parties have been entered into that have a pricing mechanism that features linkages to CPI or other indices, which has the effect of reducing the uncertainty as to the quantum and frequency of cash outflows arising. As a consequence, it is the opinion of the Directors that the costs and related cash flows associated with these arrangements are more likely than not to vary in a similar manner with the principal cash inflows generated by the Company in relation to its transmission services that are not subject to the CPI swaps arrangements.

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

OPERATING AND FINANCIAL REVIEW (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2025

Going concern, liquidity, and treasury management (continued)

The company entered into a number of loan agreement with external lenders to fund the purchase of the Transmission Asset. These loan agreements come with covenants the OFTO must comply with. At the date of signing of these accounts, the OFTO was in compliance with all lender covenants.

Credit rating

It is a condition of the regulatory ring-fence around the Company that it uses reasonable endeavours to maintain an investment grade credit rating in respect of its senior debt. The rating agency carries out regular and periodic reviews of the rating. The Company has maintained an investment grade credit rating of A3 in respect of its senior debt consistent with its obligations under the Licence.

During the rating agency's assessment of the Company's credit rating, amongst other matters, the rating agency will and has considered: actual and expected cash flows over the term of the project; the regulatory environment within which the Company operates; the nature of the principal contractual arrangements in place; the insurance arrangements; and the credit risk of all material counterparties in arriving at their assessment of the appropriate credit rating.

It is the Directors' assessment, that having regards to the principal risks and uncertainties regarding cash flows, the creditworthiness of counterparties, the regulatory environment, the insurance arrangements and other matters that are discussed in this Operating and Financial Review, that there are reasonable grounds to believe that the rating agency will continue to confirm that the Company's bonds are investment grade status in the foreseeable future based on the information available to the Directors at the date of this annual report.

Ongoing funding requirements

The Company does not expect to have any significant funding requirements over the expected life of the project that will require additional external funding. Debt servicing and other obligations of the Company are expected to be met by the cash inflows generated by the Company. Consequently, based on the current capacity of the existing transmission system operated by the Company, there is minimal refinancing risk.

To the extent that a requirement for significant expenditure is required in the future as a result of additional capital works being required to provide incremental transmission capacity, there is a mechanism in the Company's Licence to allow the Company to increase its charges in respect of such expenditure. The Directors would expect that such additional expenditure would be capable of being funded based on the increased cash flows arising from such additional expenditure. No such additional expenditure is planned or expected in the foreseeable future.

Hedging arrangements

General

It is the policy of the Board that the Company will only enter into derivative financial instruments for the purpose of hedging an economic risk. No derivative financial instruments will be entered into unless there is an underlying economic position to be hedged. No speculative positions are entered into.

Interest rate swaps

The Company has entered into three arrangements with third parties for the purpose of minimising the risk of changing SONIA regarding the Senior secured debt interest payments with the final payment date expected on 26 December 2048. These arrangements meet the definition of derivative financial instruments. The period covered by these arrangements closely matches the period over which the Company enjoys exclusive rights to operate the offshore transmission system under the Licence, and closely reflects the period over which the majority of cash flows from the project are expected to be generated.

CPI swaps

The Company has entered into arrangements with third parties for the purpose of exchanging the majority (approximately 53.8%) of variable cash inflows arising from the electricity transmission service it provides to NESO in exchange for a pre-determined stream of cash inflows with the final payment date expected on Q4 2048. This arrangement meets the definition of a derivative financial instrument. The period covered by these arrangements closely matches the period over which the Company enjoys exclusive rights to operate the offshore transmission system under the Licence, and closely reflects the period over which the vast majority of cash flows from the project are expected to be generated.

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

OPERATING AND FINANCIAL REVIEW (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2025

Hedging arrangements (continued)

The Directors believe that the use of these CPI swaps is consistent with the Company's risk management objective and strategy for undertaking the hedge. The majority of the Company's cash outflows relate to borrowings that effectively carry a fixed coupon so that both the resultant principal repayments and coupon payments are predetermined. The purpose of the CPI swap arrangements is to generate highly certain cash inflows (thereby reducing uncertainty) so that the Company can meet its obligations under the terms of the Company's borrowing arrangements and therefore reduce the risk of default. The Directors believe that CPI swaps have a highly effective hedging relationship with the forecast cash inflows that are considered to be highly probable, and as a consequence have concluded that these derivatives meets the definition of a cash flow hedge and have formally designated them as such.

The carrying value of the interest rate and CPI swap liabilities at 31 March 2025 was £(2,815)k and £(9,571)k respectively. A corresponding entry has been recorded in other comprehensive income.

Lending covenants and other restrictions

The Company is subject to certain covenants and conditions under lending agreements with the senior debt holders. The Company entered into the lending agreements to allow it to fund the acquisition of the Transmission owner asset. Under these lending agreements, a Security and Bond Trustee has been appointed to represent the senior debt holders and to monitor compliance by the Company with the conditions of the lending agreements it has entered into. In addition, a Technical Adviser and an Insurance Adviser have also been appointed under the terms of the lending agreements to support the Security and Bond Trustee in the discharge of their duties. The covenants and conditions of the lending agreements include (but are not limited to) the following:

- 1) The Company is required to operate on the basis of a financial plan while the lending agreements are in place (24 years) which the Security and Bond Trustee has approved and subject to certain allowances; any deviation from that plan requires the approval of the Security and Bond Trustee. The financial plan is refreshed on a six monthly basis and revised on an annual basis as required;
- 2) The Company is required to deliver financial and other information at specified intervals (typically three monthly) to the Security and Bond Trustee;
- 3) The lending agreements specify the bank accounts that the Company is permitted to operate and in addition, restrict the way in which those accounts should be operated – this includes, in respect of certain accounts, requiring those accounts to be funded for specific purposes and only allowing access to those accounts for that specified purpose. With the exception of one bank account, all withdrawals from bank accounts require the consent of the Security and Bond Trustee;
- 4) The Company is required to maintain certain financial ratios (both historical and forward looking) in respect of debt service cover; loan life cover; and in respect of incremental investments it cannot exceed a specified gearing ratio;
- 5) The Company is restricted under the lending agreements as to its ability to invest its surplus funds such that it is only permitted to invest those surplus funds in investments with maturities that are allowed under the terms of those agreements. Typically this results in the Company investing in term deposits with maturities not exceeding six months;
- 6) The Company is required to maintain adequate insurances at all times; and
- 7) The Company is required to meet all the conditions contained within the lending agreements before any servicing of the subordinated debt holders can take place or any distributions can be made to shareholders.

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

OPERATING AND FINANCIAL REVIEW (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2025

There is a risk that if the Company materially fails to comply with the terms of the lending agreements, or has failed to apply one of the specified remedies, the Company would be in default of the lending agreements. In these circumstances the amounts due under the lending agreements are immediately due and payable or are repayable on demand. The Company monitors and has put in place controls and procedures to ensure material compliance with the terms of the lending agreement at all times.

Since entering into the lending agreements the Company has complied with all of the lending covenants and conditions and has continued to do so through to the date of this report.

Accounting policies

These financial statements were prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law). The presentation currency of these regulatory accounts is sterling. All amounts in the regulatory accounts have been rounded to the nearest £1,000.

Critical accounting policies

The application of accounting principles requires the Directors of the Company to make estimates, judgements, and assumptions that are likely to affect the reported amounts of assets, liabilities, revenue, and expenses, and the disclosure of contingent assets and liabilities in the financial statements. Better information, or the impact of an actual outcome, may give rise to a change as compared with any estimates used, and consequently the actual results may differ significantly from those estimates. The impact of revised estimates, or the impact of actual outcomes, will be reflected in the period when the better information or actual outcome is known.

A discussion of critical accounting policies is contained within the accounting policies section of the financial statements together with a discussion of those policies that require particularly complex or subjective decisions or assessments.

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 31 MARCH 2025

The directors present the strategic report for the Period ended 31 March 2025.

Principal activities and business review

A full description of the Company’s principal activities, business, and principal risks, and uncertainties is contained in the Operating and Financial Review on pages 1 to 15, which are incorporated by reference into this report.

Material interests in shares

Seagreen Phase 1 OFTO Project Limited is a wholly-owned subsidiary undertaking of Seagreen Phase 1 OFTO Limited and Seagreen Phase 1 OFTO HoldCo Limited.

Review of the business

The Directors have performed a full review of the Company's results for the period as part of the Operating and Financial review section on pages 1 to 15.

Future developments of the business

No change in the Company’s future developments is anticipated.

Key Financial Performance Indicators

The Company has set specific business objectives, which are monitored using key performance indicators (“KPIs”). The relevant KPIs for this report are detailed below.

	31 March
	2025
	£'000
Profit before taxation	734
Cash available for debt service	6,901

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2025

Principal risks and uncertainties

The Company recognises that effective risk management is fundamental to achieving its business objectives in order to meet its commitments in fulfilling the contract and in delivering a safe and efficient service. Risk management contributes to the success of the business by identifying opportunities and anticipating risks in order to enable the business to improve performance and fulfil its contractual obligations.

Licence obligations

The Company has ongoing obligations and is required to make certain ongoing declarations to the Authority to ensure compliance with the terms of the certificate issued in relation to the European Parliament Directive.

Financial risks

Credit and cash flow risks to the Company arise from its client, NESO. NESO 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.

Contractual relationships

The Company operates within a contractual relationship with its principal customer, NESO. A significant impairment of this relationship could have a direct and detrimental effect on the Company's results and could ultimately result in termination of the concession. To manage this risk the Company has regular meetings with NESO.

Liquidity risk

The company maintains a prudent approach to liquidity and maintains cash reserves to meet its obligations. The nature of the concession provides largely predictable long-term cash flows which reduces the risk of insufficient liquidity.

Interest rate risk

The financial risk management objective of the Company is to ensure that the financial risks are mitigated by the use of financial instruments where they cannot be addressed by means of contractual provisions. Financial instruments are not used for speculative purposes. Interest rate swaps are in place until 2046 for notional principle amounts equating to the full value of the expected bank debt that is at a variable rate of interest to give an effective fixed interest rate payable on the debt.

Section 172 statement

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

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

Illustrations of how s172 factors have been applied by the Board. For example;

- Information on how the Company managing its business and compliance with regulatory requirement can be found on pages 4-6;
- Details on how the Company has considered the impact of its operations on the community and environment see page 8;
- Non-Financial KPIs information on page 6;
- The Company has anti bribery and corporate criminal act policies as part of its commitment to ethical business practice to maintain high standards of business conduct; and
- Information on page 8 sets out how the Company engaged with key stakeholder groups, throughout the and the effectiveness of the engagement.

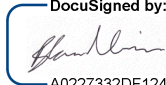
SEAGREEN PHASE 1 OFTO PROJECT LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2025

On behalf of the board

DocuSigned by:



.....A0227332DE1248C.....

Blair Nimmo

Director

31-Jul-2025 | 5:28 PM BST

Date:

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 MARCH 2025

The directors present their annual report and financial statements for the Period ended 31 March 2025.

The following information has been disclosed in the strategic report:

- Principal activities and business review
- Key performance indicators
- Indication of likely future developments in the business

Results and dividends

The results for the Period are set out on page 28.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Share Capital

The issued share capital of the Company at 31 March 2025 was £1000 consisting of 1000 ordinary shares of £1 each.

Directors

The directors who held office during the Period and up to the date of signature of the financial statements were as follows:

Jemma Sherman	(Appointed 20 September 2024 and resigned 17 January 2025)
Tarkan Pulur	(Appointed 11 February 2025)
Kyoko Okuhara	(Appointed 20 September 2024)
Blair Nimmo	(Appointed 20 September 2024)
Shinya Fujiwara	(Appointed 20 September 2024)

Supplier payment policy

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of and abide by the terms of the payment. Trade creditors of the Company at 31 March 2025 were equivalent to 12 days of purchases, based on the average daily amount invoiced by suppliers during the period.

Donations and research and development

No charitable or political donations were made during the period and expenditure on research and development activities was £nil.

Financial instruments

Financial instruments and risk management

Details on the use of financial instruments are included within the Operating and Financial review on pages 1 to 15 and details of financial risk management included in the Strategic report of these Financial statements.

Post reporting date events

There are no post balance sheet events to disclose up to the date of signing these financial statements.

Company Information

Seagreen Phase 1 OFTO Project Limited is incorporated in the United Kingdom, registered in England and Wales and domiciled in the United Kingdom.

Registered Office

The registered address is 3rd Floor (South Building), 200 Aldersgate Street, London, England, EC1A 4HD.

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2025

Statement of disclosure to auditor

Having made the requisite enquiries, so far as the Directors in office at the date of the signing of this report are aware, there is no relevant audit information of which the auditor are unaware, and each Director has taken all reasonable steps to make themselves aware of any relevant audit information, and to establish that the auditor are aware of that information. The confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

MHA were appointed during the period and this is the first year the Company has been subject to audit.

MHA have indicated their willingness to be appointed and appropriate arrangements have been put in place for them to be deemed reappointed as auditor at the forthcoming Annual General Meeting. This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Internal Controls and Corporate Governance

The Directors are responsible for the Company's system of internal control and for reviewing its effectiveness. They recognise the importance of a robust control environment to mitigate the key risks of the Company and whilst they consider that the material risks are managed adequately, they have elected to appoint an Audit committee as part of its corporate governance. The responsibilities of the audit committee are mentioned in the Corporate Governance Statement on page 22 to 23.

There are no significant issues for the period ended 31 March 2025 that have required the Board to deal with any related material internal control issues.

The Directors confirm that the Board has reviewed the effectiveness of the system of internal control as described during the period and confirm that the system of internal controls that are currently in place are considered sufficient that all key risks to the business are adequately managed and mitigated.

Going concern

Having made enquiries, the Directors consider that the Company has adequate resources to continue in business for the next 12 months, and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements of the Company. More details of the Company's funding and liquidity position are provided in the Operating and Financial Review under the headings "Current funding structure" and "Going concern, liquidity and treasury management".

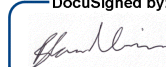
The Company's strategy, long term business objectives and operating model

The Company's strategy, long term business objectives and operating model are set out in the Operating and Financial Review and includes an explanation of how the Company will generate value over the longer term.

Employee involvement

The Company does not have any employees, and does not expect to engage any employees in the foreseeable future – see "The Company's operating model" in the Operating and Financial Review on page 4.

On behalf of the board

DocuSigned by:

 A0227332DF124BC...
 Blair Nimmo
Director

31-Jul-2025 | 5:28 PM BST

Date:

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE PERIOD ENDED 31 MARCH 2025

The Directors acknowledge their responsibilities for preparing the Annual Report, Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulation.

Company Law requires the directors to prepare financial statements for each financial year. Under the law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', 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 the profit or loss for the period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the regulatory accounts;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transaction 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 and Standard condition E2 of the Electricity Transmission Licence as applicable. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company to prevent and detect fraud and other irregularities.

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

CORPORATE GOVERNANCE STATEMENT

FOR THE PERIOD ENDED 31 MARCH 2025

The Company does not have a premium listing of equity share and is therefore not subject to the UK Corporate Governance Code but seeks to apply the principles of the Code.

As a subsidiary undertaking of Seagreen Phase 1 OFTO HoldCo Limited and Seagreen Phase 1 OFTO Limited, the Company operates within the corporate governance framework of Seagreen Phase 1 OFTO HoldCo Limited and Seagreen Phase 1 OFTO Limited and its subsidiary undertakings ("the Group"). Consequently, an understanding of the Group's governance framework is required to understand the Company's position within that framework.

Appointments to the Board of Directors of Seagreen Phase 1 OFTO HoldCo Limited and Seagreen Phase 1 OFTO Limited and its subsidiary undertakings are governed by a shareholders' agreement ("the Agreement") between the shareholders of Seagreen Phase 1 OFTO HoldCo Limited that jointly control this Company through a common class of ordinary shares, Equitix Fund 6 OFTO Sector HoldCo Limited, Equitix Fund VII OFTO Master HoldCo Limited, Kyuden International Corporation and Kyuden T&D Global CO., INC. The Directors receive no emoluments from the Company, consequently there is no link to the service standards of the Company. In accordance with the Agreement, all Boards within the Group comprises one Director appointed by each shareholder. Consequent upon these arrangements between the shareholders, no Group company has a nomination committee and the performance of the Boards is not evaluated.

The Agreement ensures that Boards are balanced, with no one shareholder having majority representation, and allows the Group to draw on the respective financial and operational expertise of each of its shareholders. Accordingly, the Directors have the relevant expertise and experience, drawn from their involvement in a wide range of infrastructure companies, to define and to develop the strategy of the Company so as to meet its objectives and to generate or preserve value over the longer term. The Directors regularly review the effectiveness of the Group's risk management and internal control framework and are satisfied that they are effective.

Seagreen Phase 1 OFTO Limited and Seagreen Phase 1 OFTO Holdco Limited

Meetings of the Board of Seagreen Phase 1 OFTO Limited and Seagreen Phase 1 OFTO Holdco Limited

Seagreen Phase 1 OFTO Limited and Seagreen Phase 1 OFTO Holdco Limited are governed by a Board of four executive Directors. There are no non-executive or independent Directors. The Board does not have a separately appointed chairman. The Board is accountable to the shareholders of Seagreen Phase 1 OFTO Holdco Limited for the good conduct of the Group's affairs, including those of the Company.

Audit committee

The Company does not have an internal audit function or Audit Committee as the Directors have concluded that the cost of such a function would be disproportionate to the benefits. Duties normally fulfilled by an Audit Committee are fulfilled by the Board and include the following:

- monitoring the integrity of financial and financial regulatory reports issued by Seagreen Phase 1 OFTO Holdco Limited and its subsidiary undertakings with the objective of ensuring that these reports present a fair, clear, and balanced assessment of the position and prospects of the Group including the Company, as the case may be;
- reviewing the economy, efficiency and effectiveness of the Group's operations and internal controls, the reliability and integrity of information and accounting systems, and the implementation of established policies and procedures;
- reviewing and approving the internal control and risk management policies applicable to the Group;
- maintaining an appropriate relationship with the external auditors.

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2025

The Company

Board and management meetings

The Company is governed by a Board of four executive Directors, none of whom are independent. The Board does not have a separately appointed chairman. Meetings are chaired by a member of the Board and are convened as required. The Company Board is responsible for monitoring the effectiveness of the day-to-day operation and management of the Company's regulated transmission business.

The Company's operating model is to outsource all O&M activities and asset management capability. EMS Ltd provides certain financial and management services to the Company through an MSA.

Directors and their attendance at Company Board meetings

There were no Board meeting held during the period. The first Board meeting took place shortly after the period end, due to the short first period.

Compliance committee

The Company has a Compliance Committee. The Compliance Committee is a permanent internal body having an informative and consultative role to fulfil the compliance requirements of the Licence, without executive functions, with powers of information, assessment, and presentations to the Board. Following consultation with the Gas and Electricity Markets Authority, in March 2025 the Board appointed Henderson Loggie as Compliance Officer. Henderson Loggie is not engaged in the management or operation of the Company's Licensed transmission business system, or the activities of any associated business. The Compliance Officer is required to report to the Compliance Committee and the Boards of the Group at least once annually.

The principal role of the Compliance Officer is to provide relevant advice and information to Directors of the Company, the Compliance Committee and consultants and other third parties providing services to the Company. The Compliance Officer is required to facilitate compliance with the Licence as regards: the prohibition of cross subsidies; restriction of activities and financial ring fencing; the conduct of the transmission business and restriction on the use of certain information. In addition, the Compliance Officer is required to monitor the effectiveness of the practices, procedures and systems adopted by the Company in accordance with the compliance statement required by amended standard condition E12 - C2 of the Licence (Separation and Independence of the Transmission Business).

There were no Compliance Committee meetings held during the period. The first Compliance Committee meeting took place shortly after the period end, due to the short first period.

Compliance statement

The Company has published a compliance statement and code of conduct "Separation and Independence of the Transmission Business Compliance Statement" (copy available from www.sgofto.co.uk) that addresses how the Company has addressed its Licence obligations.

Health, Safety and Environment

The Board recognises that the nature of the Company's business requires an exceptional focus on health, safety and the environment (HSE). The OFTO General Manager provides the Board with a monthly report that shows HSE performance through the month and period to date.

The OFTO Board has a Health and Safety Committee that meets at least bi-annually and comprises the Director Responsible for Health and Safety, the "OFOT Representative", OFTO General Manager and co-opted members as appropriate, with the following objectives:

In addition, the monitoring of HSE issues relating to the Company has been kept under routine review as part of the monthly Economic Infrastructure Support Services meetings, chaired by Company's HSE Director.

The Company is also part of an HSE forum with some other offshore transmission operators to provide a mechanism for sharing and learning. The HSE Forum meets quarterly.

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SEAGREEN PHASE 1 OFTO PROJECT LIMITED

Opinion

For the purpose of this report, the terms “we” and “our” denote MHA in relation to UK legal, professional and regulatory responsibilities and reporting obligations to the members of Seagreen Phase 1 OFTO Project Limited (“the company”).

Opinion

We have audited the regulatory financial statements, included within the regulatory accounts which comprise:

- Accounting policies
- the Statement of Comprehensive Income for the period then ended;
- the Balance Sheet as at 31 March 2025;
- the Statement of Changes in Equity for the period then ended;
- the Cash Flow Statement for the period ended, and
- Notes 1 to 19 of the regulatory financial statements

In our opinion, Seagreen Phase 1 OFTO Project Limited's non-statutory regulatory financial statements for the period ended 31 March 2025 have been properly prepared, in all material respects, in accordance with standard condition E2 of the company's Regulatory Licence and the Accounting Policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800, and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the regulatory accounts section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of regulatory financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter

Without modifying our opinion, we draw attention to the Accounting Policies, which describes the basis of preparation of the regulatory financial statements. The regulatory financial statements are separate from the statutory financial statements of the company and are prepared in accordance with standard condition E2 of the regulatory licence. Where consistent with standard condition E2 of the regulatory licence, the regulatory financial statements have been prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice) with the requirements of the Companies Act 2006 applicable to companies reporting under United Kingdom Generally Accepted Accounting Practice. Financial information other than that prepared on the basis of United Kingdom Generally Accepted Accounting Practice does not necessarily represent a true and fair view of the financial performance or financial position of a company. As a result, the regulatory financial statements may not be suitable for another purpose.

The nature, form and content of the regulatory financial statements are determined by the Regulator. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable for the Regulator's purposes. Accordingly, we make no such assessment.

In addition, we draw attention to the fact that these regulatory financial statements have not been prepared under section 394 of the Companies Act 2006 and are not the company's statutory financial statements.

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SEAGREEN PHASE 1 OFTO PROJECT LIMITED (CONTINUED)

Conclusions relating to going concern

We have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- The consideration of inherent risks to the company's operations and specifically its business model.
- The evaluation of how those risks might impact on the company's available financial resources.
- Where additional resources may be required the reasonableness and practicality of the assumptions made by the Directors when assessing the probability and likelihood of those resources becoming available.

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Regulatory Accounts other than the regulatory financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the regulatory financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the regulatory financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the regulatory financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the regulatory financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

The Directors' report, strategic report and corporate governance statement

The company's Regulatory Licence, standard condition E2, requires the regulatory financial statements and the directors' report, strategic report, and corporate governance statement to be prepared as if the company were a quoted company and as if the regulatory financial statements were the company's statutory financial statements prepared in accordance with Part 15 of the Companies Act 2006. The directors have therefore prepared a directors' report, strategic report, and corporate governance statement accompanying the regulatory financial statements. Under the terms of our contract we have assumed responsibility to provide those opinions that would be provided if this were the statutory annual report of a quoted company, in accordance with the Companies Act 2006.

In our opinion, based on the responsibilities described above and our work undertaken in the course of the audit:

- the information given in the directors' report and strategic report for the financial period for which the regulatory financial statements are prepared is consistent with the regulatory financial statements and has been prepared in accordance with applicable legal requirements;
- in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the directors' report and strategic report;
- the information given in the corporate governance statement set out on pages 22 to 23 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the regulatory financial statements and has been prepared in accordance with applicable legal requirements.

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SEAGREEN PHASE 1 OFTO PROJECT LIMITED (CONTINUED)

Responsibilities of directors

Responsibilities for the regulatory financial statements and the audit

Responsibilities of the directors for the regulatory financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on pages 30 and 31, the directors are responsible for the preparation of the regulatory financial statements in accordance with standard condition E2 and the company's Regulatory Licence, and the Accounting Policies and for determining that the basis of preparation and accounting policies are acceptable in the circumstances. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of regulatory financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the regulatory financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so. Auditors' responsibilities for the audit of the regulatory financial statements.

Our objectives are to obtain reasonable assurance about whether the regulatory financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these regulatory financial statements.

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

Use of this report

This report, including the opinion, has been prepared for and only for the company's directors as a body for the company to meet its obligation included in standard condition E2 of the company's Regulatory Licence and to facilitate the carrying out by the Regulator of its regulatory functions in accordance with our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the company, save where expressly agreed by our prior consent in writing.

Our opinion on the regulatory financial statements is separate from our opinion on the statutory financial statements of the company for the period ended 31 March 2025, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "statutory audit") was made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our statutory audit work was undertaken so that we might state to the company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Opinion on matters prescribed by standard condition E2 of the Regulatory Licence

Under the terms of our contract we have assumed responsibility to report to you in respect of matters specified by standard condition E2. We are therefore required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- the regulatory financial statements are not in agreement with the accounting records and returns retained for the purpose of preparing the regulatory financial statements. We have no exceptions to report arising from this responsibility.

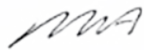
SEAGREEN PHASE 1 OFTO PROJECT LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SEAGREEN PHASE 1 OFTO PROJECT LIMITED (CONTINUED)

Use of this report

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.



Atul Kariya
Senior Statutory Auditor
For and on behalf of MHA

Date: 31/07/2025
.....

Chartered Accountants
Statutory Auditor

6th Floor
2 London Wall Place
London
EC2Y 5AU

MHA is the trading name of MHA Audit Services LLP, a limited liability partnership in England and Wales (registered number OC455542)

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2025

	Notes	PERIOD ended 31 March 2025 £'000
Turnover	3	633
Cost of sales		(230)
		<hr/>
Gross profit		403
Administrative expenses		(123)
		<hr/>
Operating profit	4	280
Interest receivable and similar income	5	1,614
Interest payable and similar expenses	6	(1,160)
		<hr/>
Profit before taxation		734
Tax on profit	7	-
		<hr/>
Profit for the financial Period		734
Other comprehensive income		
Cash flow hedges loss arising in the Period		(12,386)
Tax relating to other comprehensive income		3,097
		<hr/>
Total comprehensive income for the Period		<u><u>(8,555)</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The notes on pages 32 to 43 form part of these financial statements.

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

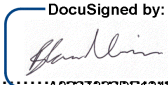
BALANCE SHEET

AS AT 31 MARCH 2025

	Notes	2025 £'000	£'000
Current assets			
Debtors falling due after more than one year	8	638,488	
Cash at bank and in hand		6,901	
		<u>645,389</u>	
Creditors: amounts falling due within one year	10	<u>(12,714)</u>	
Net current assets			632,675
Creditors: amounts falling due after more than one year	11		(631,691)
Provisions for liabilities			
Provisions	13	<u>9,538</u>	<u>(9,538)</u>
Net liabilities			<u><u>(8,554)</u></u>
Capital and reserves			
Called up share capital	14		1
Hedging reserve			(9,289)
Profit and loss reserves	15		<u>734</u>
Total equity			<u><u>(8,554)</u></u>

The notes on pages 32 to 43 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on and are signed on its behalf by:

DocuSigned by:

A0227332DF124BC.....
 Blair Nimmo
 Director

Company registration number 15968947 (England and Wales)

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 MARCH 2025

		Share capital	Hedging reserve	Profit and loss reserves	Total
	Notes	£'000	£'000	£'000	£'000
Balance at 20 September 2024		-	-	-	-
Period ended 31 March 2025:					
Profit		-	-	734	734
Other comprehensive income:					
Cash flow hedges gains		-	(12,386)	-	(12,386)
Tax relating to other comprehensive income		-	3,097	-	3,097
		<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income		-	(9,289)	734	(8,555)
Issue of share capital	14	1	-	-	1
		<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2025		<u>1</u>	<u>(9,289)</u>	<u>734</u>	<u>(8,554)</u>

The notes on pages 32 to 43 form part of these financial statements.

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 MARCH 2025

	Notes	2025 £'000	£'000
Cash flows from operating activities			
Cash generated from/(absorbed by) operations	19		11,142
Investing activities			
Acquisition of transmission asset		(638,488)	
Unitary charge		3,866	
Interest received		304	
Net cash used in investing activities			(634,318)
Financing activities			
Proceeds from group undertakings		74,703	
Proceeds from borrowings		559,732	
Interest paid		(22)	
Issue costs paid		(4,336)	
Net cash generated from/(used in) financing activities			630,077
Net increase in cash and cash equivalents			6,901
Cash and cash equivalents at beginning of Period			-
Cash and cash equivalents at end of Period			6,901

The notes on pages 32 to 43 form part of these financial statements.

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2025

1 Accounting policies

Company information

Seagreen Phase 1 OFTO Project Limited is a private company limited by shares incorporated in England and Wales. The registered office is 3rd Floor (South), 200 Aldersgate Street, London, United Kingdom, EC1A 4HD.

1.1 Reporting period

[FRS 102 3.10 An entity shall present a complete set of financial statements (including comparative information as set out in paragraph 3.14) at least annually. When the end of an entity's reporting period changes and the annual financial statements are presented for a period longer or shorter than one year, the entity shall disclose the following: (a) that fact; (b) the reason for using a longer or shorter period; and (c) the fact that comparative amounts presented in the financial statements (including the related notes) are not entirely comparable.]

1.2 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain financial instruments at fair value. The principal accounting policies adopted are set out below.

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2025

1 Accounting policies

(Continued)

1.3 Going concern

The Company had net liability of £(8,554)k as at 31 March 2025 and made a profit before taxation for the period of £734k.

The Directors have prepared cash flow forecasts covering a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period. Those forecasts are dependent on the underlying customer continuing to meet its obligations under the Licence.

The company's operating cash inflows are largely dependent on transmission service receipts from NESO in its capacity as National Electricity Transmission System Operator ("NETSO"). NETSO is a statutory role granted by the Secretary of State. The regulatory regime concerning the insolvency of the NETSO/NGET and the strength of the underlying covenant is governed by the Energy Act 2004. NESO recovers its costs (including payments it will be required to make to OFTOs) through charges met by users of the National Electricity Transmission System. These charges are passed on and ultimately paid for by electricity consumers in Great Britain. NESO's transmission licence contains certain conditions which have the effect of ring-fencing NESO's business, including:

- a prohibition on NESO carrying out activities other than those permitted by its licence;
- a requirement that the business of NESO has sufficient managerial and financial resources available to conduct its licensed activities;
- a requirement for NESO to maintain an investment grade issuer credit rating;
- a prohibition on assuming "cross-default" obligations;
- a prohibition on NESO granting or receiving any cross-subsidy from any other group business.

The Directors expect transmission revenues to be received even in reasonably possible downside scenarios.

The company continues to provide the asset in accordance with the Licence and has maintained 100% availability levels, this is above the target levels set out in its transmission licence. As a result, the Directors do not believe there is any likelihood of a material impact to its revenue stream.

The Directors have assessed the viability of its main sub-contractors and are satisfied in their ability to provide the services in line with the contract without significant additional costs to the company, even in downside scenarios, due to the underlying contractual terms. However, in the unlikely event of a subcontractor failure, the company has its own business continuity plans to ensure that service provision will continue.

The company has sufficient funding in place for the remaining life of the licensed revenue term and the Directors' expect the company to maintain compliance with its debt covenants even in downside scenarios.

Consequently, the Directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

The company entered into a number of loan agreement with external lenders to fund the purchase of the Transmission Asset. These loan agreements come with covenants the OFTO must comply with. At the date of signing of these accounts, the OFTO was in compliance with all major lender covenants.

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2025

1 Accounting policies

(Continued)

1.4 Turnover

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, VAT and other sales taxes or duty. Revenue is recognised in line with the following policies:

Asset management fees

Revenue from the provision of asset management services is recognised as contract activity progresses at a mark-up on related costs to reflect the value of work performed.

Asset management recharges

Revenue from asset management recharges is recognised for each service as it is provided.

1.5 Financial instruments

In accordance with FRS 102.22, financial instruments issued by the company are treated as equity only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Basic financial assets / liabilities

Trade and other debtors / creditors

Trade and other debtors are recognised at transaction price less attributable transaction costs. Trade and other creditors are recognised at transaction price plus attributable transaction costs. Any losses arising from impairment are recognised in the Statement of comprehensive income in administrative expenses.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Interest receivable and interest payable

Interest payable and similar charges includes interest and indexation payable on borrowings, the unwinding of the discount on provisions, and other financial charges. Bank interest receivable includes interest receivable on cash deposits. Interest income and interest payable are recognised in profit or loss using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2025

1 Accounting policies

(Continued)

Hedge accounting

The company has entered into variable to fixed CPI swaps and Interest rates swaps to manage its exposure to CPI and interest rates cash flow risk on its revenues and debt service. These derivatives are measured at fair value at each reporting date. Movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in profit or loss for the period.

Service concession accounting

Financial assets

Based on the contractual arrangements the company has classified the project as a service concession arrangement and has accounted for the principal assets of and income streams from the project in accordance with FRS 102, section 34.12 Service Concession Arrangement.

The arrangement is classified as a financial instrument and is carried at amortised cost using the effective interest rate method reflecting adjustments to its carrying value.

Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2025

1 Accounting policies

(Continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.6 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.7 Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle that obligation and it can be reliably estimated. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect of the time value of money is material.

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2025

2 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amount reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key sources of estimation uncertainty in the preparation of these financial statements is the decommissioning provision and the valuation of CPI swap.

Decommissioning provision

The key sources of estimation uncertainty are included in Note 12 which principally relate to timing of decommissioning, amount of cost to be incurred and present value of future cash flows.

Valuation of CPI & Interest rate swaps

The company carries the valuation of CPI & Interest rate swaps in its Balance Sheet at fair value. No market price is available for these instruments and consequently the fair values are provided by 3rd parties who use observable yield curves in respect of CPI & interest rates as an input to valuing these swaps.

Revenue recognition

Revenue is calculated with reference to costs incurred by the company plus an appropriate margin. Judgement is required in determining the cut off of costs around period ends and therefore revenue recognition.

Valuation of OFTO

The transmission owner asset is measured at cost, including directly attributable costs and the capitalised value of the estimated decommissioning provision. This valuation involves both judgement and estimation uncertainty.

Management has judged that the estimated future costs of dismantling and site restoration should be capitalised as part of the asset's cost, in accordance with FRS 102 Sections 17 and 21. The expected useful life of the asset, which influences the timing of decommissioning and depreciation, is based on technical assessments and regulatory expectations.

Future changes in environmental or energy regulations could significantly alter the scope or cost of decommissioning obligations.

3 Turnover

**2025
£'000**

Turnover analysed by class of business

Asset management fees	633
-----------------------	-----

All turnover is derived from operations in the United Kingdom.

4 Operating profit

**2025
£'000**

Operating profit for the period is stated after charging:

Exchange losses	20
Auditor's remuneration for statutory audit services	65

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2025

4 Operating profit

(Continued)

The Directors received no salary, fees or other benefits in the performance of their duties in respect of their services to the Company.

The Company has no employees and hence there were no staff costs for the period ended 31 March 2025.

The regulatory accounts do not include any revenues, costs, assets, liabilities, reserves or provisions that have been charged from or to any other business of INPP (other than the Licensee), or that have been determined by apportionment or allocation, where they relate to goods or services received or supplied for the purposes of the transmission business of their services to the Company.

5 Interest receivable and similar income

**2025
£'000**

Interest income

Interest on bank deposits 304

Financial asset income 1,310

Total income 1,614

**2025
£'000**

Investment income includes the following:

Bank interest receivable 304

6 Interest payable and similar expenses

**2025
£'000**

Interest on financial liabilities measured at amortised cost:

Interest payable to group undertakings 165

Other interest on financial liabilities 108

273

Other finance costs:

Unwinding of discount on provisions 49

Other interest 838

1,160

7 Taxation

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2025

7 Taxation

(Continued)

The actual charge for the Period can be reconciled to the expected charge/(credit) for the Period based on the profit or loss and the standard rate of tax as follows:

	2025 £'000
Profit before taxation	734
Expected tax charge based on the standard rate of corporation tax in the UK of 25.00%	184
Permanent capital allowances in excess of depreciation	(184)
Taxation charge for the period	-

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2025 £'000
Reclassifications from equity to profit or loss:	
Relating to cash flow hedges	(3,097)

8 Debtors

	2025 £'000
Amounts falling due after more than one year:	
Deferred tax	3,097
Finance Debtor	635,391
	638,488

Finance debtor relates to the transmission asset acquired during the period.

9 Cash at bank and in hand

Cash at bank and in hand include amounts of £6,901k that the company can only use for specific purposes and with the consent of the company's lenders.

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2025

10 Creditors: amounts falling due within one year

	2025 £'000
Bank loans	10,843
Trade creditors	99
Amounts owed to group undertakings	165
Taxation and social security	542
Other creditors	816
Accruals and deferred income	249
	<u>12,714</u>

11 Creditors: amounts falling due after more than one year

	2025 £'000
Debt arrangement fees prepaid	(4,107)
Bank loans	548,710
Amounts owed to group undertakings	74,702
Other creditors	12,386
	<u>631,691</u>

Senior loans relate to facilities granted by six financial institutions on 6 March 2025. The loan facilities are for a total value of £560 million and were fully drawdown in March 2025.

The senior loans are payable in quarterly instalments, in line with their repayment schedule, commencing on 26 June 2025 and ending on 26 December 2048. Details of the 3 tranches of secured bank loans are detailed below:

- £278,592,436.15, SONIA plus 0.80% margin Facility repayable by 26 December 2048.
- £250,000,000 indexed linked bond accruing interest at 3.193%, repayable by 26 December 2048.
- £29,709,039.10 SONIA plus 1.45% margin Facility repayable by 26 December 2048.

There are 3 charges recorded on the Companies House with Mizuho bank Ltd as Security Trustee.

Amount owed to group undertakings is £74,702k and represent a loan from the Company's immediate parent undertaking Seagreen Phase 1 OFTO Limited. The loan is subject to fixed interest rate of 7.35% and is repayable in line with repayment schedule, no later than 31 March 2049.

The maturity profile of the senior loans and amounts owed to group undertakings, included within creditors, is analysed as follows:

	2025 £'000
Wholly repayable within five years	60,529
Wholly repayable after more than five years	573,906
	634,435

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2025

12 Derivative financial instruments

	31-Mar-25 £'000
Derivative financial instruments	(12,386)
Total	(12,386)

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

CPI swaps

The Company has entered into arrangements with third parties for the purpose of exchanging the majority (approximately 53.8%) of variable cash inflows arising from the electricity transmission service it provides to NESO in exchange for a pre-determined stream of cash inflows with the final payment date expected on 26 December 2048. This arrangement meets the definition of a derivative financial instrument. The period covered by these arrangements closely matches the period over which the Company enjoys exclusive rights to operate the offshore transmission system under the Licence, and closely reflects the period over which the vast majority of cash flows from the project are expected to be generated.

As previously described (see "Regulated revenue and incentives"), under the terms of the Licence, regulatory and other contractual agreements, the Company is permitted to charge its customer, NESO, an agreed amount for the transmission services it provides, the price of which is uplifted each year commencing 1 April by a sum equivalent to the average increase in CPI over the previous 12-month period measured from January to December. Where there is a reduction or no increase in CPI over the relevant period, then the charges remain unchanged from the previous year. These derivative arrangements ("CPI swaps") have the effect of exchanging the vast majority of variable cash inflows derived from the Company's transmission services (impacted by changes in actual CPI) in exchange for a known and predetermined stream of rising cash flows over the same period.

Interest Rate swaps

The Company has entered into arrangements with third parties for the purpose of exchanging the interest rate cash flows, based on the notional amount of the Senior Loan from a floating rate of SONIA + CAS for the period to fixed rate 4.35650% from 06 March 2025 to 26 December 2048. The Directors believe that the use of these swaps is consistent with the Company's risk management objective and strategy for undertaking these hedges. The vast majority of the Company'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 Company can meet its obligations under the terms of its borrowing arrangements.

The Directors believe that these hedging relationships are highly effective and that the forecast cash inflows are highly probable and as a consequence have concluded that the CPI swap and Interest Rate 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 Company's derivative financial instruments are carried at fair value. The carrying value of the Interest rate and CPI swaps liability at 31 March 2025 was £(2,815)k and £(9,571)k respectively. A corresponding entry has been recorded in other comprehensive income. All of the movement in the fair value of these derivative instruments has been recorded in the cash flow hedge reserve amounting to an expense of £(9,290)k net of deferred tax.

The ineffective portion of the cash flow hedge recognised in the income statement was £nil.

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2025

13 Provisions for liabilities

2025
£'000

9,538

Movements on provisions:

£'000

Additional provisions in the year

9,538

The provision for decommissioning relates to the decommissioning and related management costs for the necessary removal of the transmission cables and equipment expected to occur at the end of the initial licence period in 2048.

The timing and amounts settled in respect of these provisions are uncertain and dependent on various factors that are not always within management's 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 term. In such circumstances, the costs for decommissioning would be expected to be deferred until such time as would be agreed in any subsequent term. However, the current assumption is that it is too uncertain to assume the wind farm will be repowered and, therefore decommissioning costs have been assumed to be incurred at the earliest most likely date.

The provision is in line with guidelines that are legally enacted at the balance sheet date.

14 Share capital

	2025 Number	2025 £'000
Ordinary share capital		
Issued and fully paid		
Ordinary shares of £1 each	1,000	1

15 Profit and loss reserves

Profit and loss account

The profit and loss account represents profits and losses retained in the current and previous periods.

Cash flow hedging reserve

The cash flow hedging reserve represents cumulative movements on the fair value of the CPI and interest rate swaps and the related tax effect.

16 Related party transactions

At 31 March 2025, subordinated loan stock totaling £74,702k and interest accrued of £165k was owed to Seagreen Phase 1 OFTO Limited, the Company's immediate parent company. The interest charge for the period totalled £165k. The loan stock was issued on normal commercial terms.

17 Ultimate controlling party

SEAGREEN PHASE 1 OFTO PROJECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2025

17 Ultimate controlling party

(Continued)

Ultimate parent companies and controlling parties

Seagreen Phase 1 OFTO Project Limited is a wholly-owned subsidiary of Seagreen Phase 1 OFTO Limited which is incorporated in the UK and registered in England and Wales.

The Company's ultimate parent companies and controlling parties are Equitix Fund VI LP & Equitix Fund VII LP (registered in England and Wales) and Kyuden International Corporation & Kyuden T&D Global CO., INC (registered in Japan).

18 Events after the reporting date

There were no post balance sheet events disclose up to the point of signing of these financial statements.

19 Cash generated from/(absorbed by) operations

2025
£'000

Profit for the Period after tax

734

Adjustments for:

Finance income

(1,614)

Finance expenses

1,160

Income recognised in respect of financial asset

(633)

Movements in working capital:

Increase in trade creditors

1,957

Increase in provisions

9,538

Cash generated from/(absorbed by) operations

11,142