

INVESTOR REPORT FOR GWYNT Y MOR OFTO Plc

As at MARCH 2015

General Overview

Present Status:

Investors: Balfour Beatty OFTO Holdings Limited and Equitix Transmission 2 Limited

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

O&M Guarantor: Balfour Beatty Group Limited

Security Trustee: Deutsche Trustee Company Limited

Principal Paying Agent: Deutsche Bank London Branch

Technical Adviser: Mott MacDonald Limited

Insurance Adviser: Willis Limited

Ratings by Moodys Investors Services Limited: A3

Outstanding Principal Amount: £335,167,568 as at 31 March 2015 (after a principal repayment of £4,047,432 on 31 March 2015). The undrawn PBCE amount as at 31 March 2015 is £50,275,135.

General Performance

The OFTO took over responsibility for the Gwynt Y Mor Transmission assets on 17 February 2015.

On Monday 2 March export cable 1 failed due to an electrical fault (short-circuit inside the cable). The automatic system protection operated correctly to safely isolate the fault and ensure that none of the other circuit elements were affected. Asset availability due to this fault is current reduced by 25% and will remain so until the cable circuit is restored.

The fault has been located 15km offshore, in 14m of water, where the cable crosses a gas pipeline. Until the faulty section of cable can be recovered from the seabed, the exact cause of the failure remains unknown.

The existing OFTO marine licence granted by NRW prior to asset transfer has provisions for a cable repair and OFTO is organising the relevant vessels and logistics to carry out a repair, supported by the developer RWE, who is still mobilised in the area.. The OFTO has notified NRW and will submit method statements for approval prior to the works, as per the marine licence requirements.

OFTO is in touch with the pipeline owner ENI, to ensure that during the repair the technical, commercial and operational aspects of the pipeline crossing agreement are understood and complied with. ENI is being very co-operative.

Arrangements are in hand to employ a laboratory with experience in this area to conduct forensic tests. It is unlikely that anything more will be known about the cause of the fault until their report is available. Failed piece of cable is planned to be recovered from the sea bed and delivered to the laboratory in late May. The laboratory will require 4- 6 weeks to do the work and issue a report.

NGET, NETSO, NRW, ENI, Insurers, the Developer and Ofgem have all been formally notified.

In the view of GyMOWL ongoing works on SSEC3 it is not feasible to offset the decreased availability on SSEC1. The OFTO continues to monitor the temperature anomaly on SSEC3 and has ensured the fibre temperature remains below the fibre design limits. The OFTO is waiting on the proposal for the works from GyMOWL to review and approve if appropriate.

All other equipment is working as normal.

Regulatory and business update

1. There have been no new significant regulatory, business or performance developments since financial close on 17 February 2015.
2. There have been no significant announcements/publications by the Authority by or relating to the Security Group since financial close on 17 February 2015.
3. There has been one change to the Board of Directors and no changes to senior management since financial close on 17 February 2015. Mr Hugh Crossley has been replaced as director by Mr Sion Jones.

Current Hedging Position

4. A hedging agreement is in place to swap c58.5% of revenue over the life of the senior debt term on a pari passu basis to mitigate risks associated with lower than expected RPI.

Current availability / drawn amounts under the PBCE

5. The European Investment Bank (the PBCE Provider) has provided a letter of credit for an amount of £50,275,135 (the PBCE Letter of Credit) as at 31 March 2015 as a form of subordinated credit enhancement for the Issuer in relation to the bonds. No amounts have been drawn from the letter of credit as at 31 March 2015.

Ratios

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

Ratio	Ratio Relevant Period/Date (excluding undrawn PBCE)	for Lock-Up Level (excluding undrawn PBCE)	Ratio	for Default Level (includes undrawn PBCE)	Ratio
Projected DSCR:	1.066x	1.10x	3.648x	1.05x	
Historic DSCR:	1.613x	1.10x	11.403x	1.05x	
Debt Life Cover Ratio:	1.268x	1.15x	1.4137x	1.10x	

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

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

The numerator excludes the PBCE letter of credit facility

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

(a) Projected DSCR - 1.066

<u>Net Cashflow (April 15-March 16)</u>	20,160
Debt Service (April 15-March 16)	18,910

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

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

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

Projected DSCR falls into lock up in March 2016 because the model includes a provision for unrecovered costs from the fault repair. This will be reviewed in September when the cause of the fault is known and the financial impact better understood.

(b) Historic DSCR – 1.1637

<u>Net Cash flow (February 15–March 15)</u>	8,281
Debt Service (February 15–March 15)	5,135

(c) Debt Life Cover Ratio (DLCR) – 1.268

NPV of Net Cash flow plus DSRA, ERA, WCRA plus residual balance of operating account	425,008
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Senior Debt 335,168

We confirm that:

- (d) No Default has occurred and is continuing,
- (e) the statements set out in this Investor Report are accurate in all material respects;
- (f) No Restricted Payment has been made since financial close on 17 February 2015.

Yours faithfully,


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Director

Signing without personal liability, for and on behalf of **Gwynt y Mor OFTO Plc** for and on behalf of each Obligor

Date... 31/3/15