

Interconnector Leasing Company Limited

Annual Report and Financial Statements for the year ended 31 December 2018

Registered Number: 2426011



Interconnector Leasing Company Limited

Financial statements for the year ended 31 December 2018

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Interconnector Leasing Company Limited

Company information

Directors	Steve Turner
	Steven De Ranter
	Mark Kenton
Company Secretary	Mary Simmons
Registered Office	10 Furnival Street London, EC4A 1AB United Kingdom
Country of incorporation	England and Wales, United Kingdom
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH United Kingdom

Interconnector Leasing Company Limited

Strategic report

The directors present the Strategic report for the year ended 31 December 2018.

Business review and principal activities

Interconnector Leasing Company Limited ("the company") leases plant and equipment to its sole shareholder, Interconnector (UK) Limited ("IUK"). The company is a private company limited by shares, registered and domiciled in England & Wales, United Kingdom.

The primary period of the lease of assets to IUK expired in September 2018. In September 2018 the lease was extended for 5 years for £1,000 p.a.

During the year, the Interconnector Group ("the group") undertook a group restructuring. As part of the restructuring, the company acquired 1% of the issued share capital of Interconnector Zeebrugge Terminal S.C. / CVBA ("IZT") from another group company, Interconnector Construction Company Limited. IZT is a 48% subsidiary of the company's parent company, IUK.

The results for the company show a turnover of £2,629,906 for the year ended 31 December 2018 (2017: £5,822,504) and a profit before taxation of £1,865,648 for the year ended 31 December 2018 (2017: £4,056,921). The primary period of the lease of assets to IUK ended in September 2018 resulting in a decrease in turnover and interest income of the company.

The balance sheet as detailed on page 10 shows net assets of £5,324,086 as at 31 December 2018 (31 December 2017: £3,875,386).

Principal risks and uncertainties

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks and uncertainties of the group, headed by IUK - the company's immediate parent, and are not managed separately. Accordingly, the principal risks and uncertainties of the group, which include those of the company, are discussed on pages 3 to 5 of the group's financial statements, which do not form part of these financial statements.

Key performance indicators

The company's performance is dependent upon the performance of IUK, its immediate parent company. For this reason, the company's directors believe that analysis using key performance indicators is not necessary or appropriate for an understanding of the development, performance or position of the company's business. The development, performance and position of the group are discussed on pages 3 to 6 of the group's financial statements, which do not form part of these financial statements.

Financial risk management

The financial risk management policies of the company are aligned with the policies of the group and are not managed separately. Financial risk management policies of the group, which include those of the company, are discussed on page 5 of the group's financial statements which do not form part of this report.

Interconnector Leasing Company Limited

Strategic report (continued)


Future developments

It is anticipated the legal title to the leased assets will be transferred to IUK during the lease extension period and the company will be substantially dormant after that.

Financial instruments

The company did not transact in any derivative financial instruments during the year. Full details of the group's policies and procedures surrounding financial instruments and details of such transactions can be found on pages 28 to 32 of the group's financial statements, which do not form part of these financial statements.

On behalf of the board



Steve Turner
Managing director
16th April 2019



Mark Kenton
Director
16th April 2019

Interconnector Leasing Company Limited

Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 December 2018.

Going concern

The company leases plant and equipment to its sole shareholder, Interconnector (UK) Limited ("IUK"). The lease under which the company's revenues are earned matured in September 2018. The lease was extended for 5 years at a peppercorn rent with the view to transfer the title to the assets to IUK and terminate the lease during the extension period.

The company's profit for the year ended 31 December 2018 was £1,448,699 (2017: £3,187,951). At 31 December 2018 the company has net assets of £5,324,086 (31 December 2017: £3,875,386).

Going forward the income of the company will be significantly reduced and will be limited to the peppercorn rent and sublease income receivable from IUK. However, the company does not have any outstanding liabilities and the directors do not anticipate any new liabilities to be incurred in the future. The directors have a reasonable expectation that any future costs and liabilities will not exceed the available resources. Thus, the directors continue to adopt the going concern basis in preparing the financial statements.

Results and dividends

The company's profit for the year ended 31 December 2018 was £1,448,699 (2017: £3,187,951). The profit during the year arises from the leasing interest received from IUK.

No interim dividends (2017: nil) were declared during the year. A final dividend of £1,496,174 per ordinary share amounting to £4,488,522 is proposed (2017: nil). The proposed dividend was not recognised in these financial statements as it was not approved by the year end.

Future developments and financial risk management

Likely future developments in the company's business and financial risk management policies are covered in the Strategic report.

Directors

The directors who held office during the year and up to the date of signing the financial statements are as follows:

Steve Turner

Steven De Ranter (appointed 25 May 2018)

Mark Kenton (appointed 25 May 2018)

Directors during the year:

Sean Waring (resigned 25 May 2018)

Interconnector Leasing Company Limited

Directors' report (continued)

Directors' indemnities

Fluxys SA, the ultimate parent company, maintains liability insurance for its directors and officers and for the directors and officers of all its subsidiaries. IUK provides an indemnity for its directors, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. The qualifying third party indemnity was in place during the year ended 31 December 2018 and as at the date of the approval of these financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to the auditors

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



Steve Turner

Managing director

16th April 2019



Mark Kenton

Director

16th April 2019

Interconnector Leasing Company Limited

Independent auditors' report to the members of Interconnector Leasing Company Limited

Report on the audit of the financial statements

Opinion

In our opinion, Interconnector Leasing Company Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the profit and loss account, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements 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 the 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.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 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.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Interconnector Leasing Company Limited

Independent auditors' report to the members of Interconnector Leasing Company Limited

Reporting on other information (continued)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the 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 Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the 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 financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

A further description of our responsibilities for the audit of the 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 opinions, 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. We do not, in giving these opinions, 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 save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Kevin McGhee (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

17 April 2019

Interconnector Leasing Company Limited

Profit and loss account for the year ended 31 December 2018

	Note	For the year ended 31 December 2018	For the year ended 31 December 2017
		£	£
Turnover	3	2,629,906	5,822,504
Administrative expenses		(52,899)	(65,580)
Operating profit	4	2,577,007	5,756,924
Interest receivable and similar income	6	16,198	18,963
Interest payable and similar expenses	7	(727,557)	(1,718,966)
Profit before taxation		1,865,648	4,056,921
Tax expense	8	(416,949)	(868,970)
Profit for the financial year		1,448,699	3,187,951

The Company has no recognised other comprehensive income other than those included in the results above, and therefore no separate statement of Comprehensive Income has been presented.

The results above all arise from continuing operations.

The notes to the financial statements on pages 12 to 22 form an integral part of these financial statements.

Interconnector Leasing Company Limited

Balance sheet as at 31 December 2018

	Note	31 December 2018 £	31 December 2017 £
Fixed assets			
Investments	10	1,040	-
Current assets			
Debtors: amounts falling due within one year	11	4,483,838	63,986,562
Deferred tax asset	14	839,208	-
Total assets		5,324,086	63,986,562
Creditors: amounts falling due within one year	12	-	(52,204,069)
Total assets less current liabilities		5,324,086	11,782,493
Provisions for liabilities	13	-	(7,907,107)
Net assets		5,324,086	3,875,386
Capital and reserves			
Called up share capital	14	3	2
Profit and loss account		5,324,083	3,875,384
Total shareholders' funds		5,324,086	3,875,386

The notes to the financial statements on pages 12 to 22 form an integral part of these financial statements.

The financial statements on pages 9 to 22 were approved by the Board of Directors on 16 April 2019 and were signed on its behalf by:



Steve Turner
Managing director

16th April 2019



Mark Kenton
Director

16th April 2019

Company Registration Number: 2426011

Interconnector Leasing Company Limited

Statement of changes in equity for the year ended 31 December 2018

	Called up share capital	Profit and loss account	Total shareholders' funds
	£	£	£
1 January 2018	2	3,875,384	3,875,386
Profit for the financial year	-	1,448,699	1,448,699
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	1,448,699	1,448,699
Transactions with owners			
Proceeds from shares issued	1	-	1
31 December 2018	3	5,324,083	5,324,086

The notes to the financial statements on pages 12 to 22 form an integral part of these financial statements.

Interconnector Leasing Company Limited

Notes to the financial statements

1 General information

Interconnector Leasing Company Limited ("the company") leases plant and equipment to its sole shareholder, Interconnector (UK) Limited ("IUK"). The company is a private company limited by shares, registered and domiciled in England & Wales, United Kingdom. The address of its registered office is 10 Furnival Street, London, EC4A 1AB.

2 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements of the company have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework ("FRS 101"), under the historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

The following exemptions from the requirements of International Financial Reporting Standards as adopted by the European Union ("IFRS") have been applied in the preparation of these financial statements; in accordance with FRS 101:

- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10 (d) (statement of cash flows)
 - 16 (statement of compliance with all IFRS)
 - 38A (comparative statement of changes in equity)
 - 111 (cash flow statement information)
 - 134 to 136 (capital management)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- IFRS 7, 'Financial Instruments: Disclosures'.

New and amended standards adopted by the company

The company has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2018:

Interconnector Leasing Company Limited

Notes to the financial statements

2 Accounting policies (continued)

New and amended standards adopted by the company (continued)

- IFRS 9 'Financial Instruments';
- IFRS 15 'Revenue from Contracts with Customers'.

The company had to change certain accounting policies following the adoption of IFRS 9, which are discussed in the respective accounting policy. There was no financial impact of adopting the standard in either the current or prior periods.

The adoption of IFRS 15 has not had any impact on the amounts recognised in the prior period or in the current period, and is not expected to affect future periods.

Going concern

The company leases plant and equipment to its sole shareholder, Interconnector (UK) Limited ("IUK"). The lease under which the company's revenues are earned matured in September 2018. The lease was extended for 5 years at a peppercorn rent with the view to transfer the title to the assets to IUK and terminate the lease during the extension period.

The company's profit for the year ended 31 December 2018 was £1,448,699 (2017: £3,187,951). At 31 December 2018 the company has net assets of £5,324,086 (31 December 2017: £3,875,386).

Going forward the income of the company will be significantly reduced and will be limited to the peppercorn rent receivable from IUK. However, the company does not have any outstanding liabilities and the directors do not anticipate any new liabilities to be incurred in the future. The directors have a reasonable expectation that any future costs and liabilities will not exceed the available resources. Thus, the directors continue to adopt the going concern basis in preparing the financial statements.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The critical accounting estimates and judgements in relation to the company's accounting policies relate to the carrying value of deferred tax asset. The deferred tax asset is recognised on the basis that tax credits can be used to offset taxable profits elsewhere in the group.

Investments

Fixed asset investments are recorded at cost, less provision for impairment. An assessment is made on an annual basis whether a provision for any permanent diminution in value is required and if so, the carrying value of the fixed asset investment is reduced.

Notes to the financial statements (continued)

2 Accounting policies (continued)

Net investment in finance leases

Net investment in finance leases is included in debtors and represents total minimum lease payments less finance charges allocated to future periods.

Financial assets

(a) Classification

From 1 January 2018, the company classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss); and
- those to be measured at amortised cost

The classification depends on the company's business model for managing financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.

All of the company's assets are classified as financial assets at amortised cost.

(b) Recognition & derecognition

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

(c) Measurement

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Loans and receivables are recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Financial liabilities

The company classifies its financial liabilities as either financial liabilities at fair value through profit or loss, or other financial liabilities.

All of the company's financial liabilities are currently classified as other financial liabilities. Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Interconnector Leasing Company Limited

Notes to the financial statements (continued)

2 Accounting policies (continued)

Foreign currencies

(a) Functional and presentational currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The company's functional currency is pound sterling. The company's financial statements are presented in pound sterling, which is the company's presentation currency.

(b) Transactions and balances

The company does not have any foreign currency transactions and balances.

Turnover

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services provided to customers, net of United Kingdom Value Added Tax. The company recognises revenue when performance obligations have been satisfied and for the company this is when services are provided to customers.

(a) Income from finance leases

Income from finance leases, which excludes United Kingdom Value Added Tax, is recognised over the primary period of the lease so as to produce a constant rate of return on the net cash investments.

(b) Agency services

Until February 2018 the company provided an out of hours agency services under a fixed price contract. Revenue from providing services is recognised in the accounting period in which the services are rendered.

(c) Other turnover

Other turnover relates to rents received for a sub-lease of the land at Bacton to IUK and is recognised based on the price specified in the contract.

Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Interconnector Leasing Company Limited

Notes to the financial statements (continued)

Taxation (continued)

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the year in which the dividends are approved by the company's shareholders.

3 Turnover

	For the year ended 31 December 2018	For the year ended 31 December 2017
	£	£
Income from finance leases	2,575,330	5,753,598
Other turnover	40,000	40,000
Income from agency services	14,576	28,906
	<u>2,629,906</u>	<u>5,822,504</u>

All of the company's turnover arises from UK operations.

4 Operating profit

Operating profit is stated after charging:

	For the year ended 31 December 2018	For the year ended 31 December 2017
	£	£
Operating lease charge	<u>40,000</u>	<u>40,000</u>

Interconnector Leasing Company Limited

Notes to the financial statements (continued)

4 Operating profit (continued)

Other administrative expenses, including auditors' remuneration, have been borne by the immediate parent undertaking, IUK, and have not been recharged to the company. The value of audit fees charged for the audit of the company is outlined below:

	For the year ended 31 December 2018	For the year ended 31 December 2017
	£	£
Fees payable to the company's auditors for the audit of the company's financial statements	4,900	4,800
	<u>4,900</u>	<u>4,800</u>

5 Directors' emoluments and employee information

None of the directors received any emoluments in respect of their services to the company for the year ended 31 December 2018 (2017: nil). The company did not employ any staff during the year (2017: nil).

6 Interest receivable and similar income

	For the year ended 31 December 2018	For the year ended 31 December 2017
	£	£
Loan interest receivable from parent undertaking	16,198	18,963
	<u>16,198</u>	<u>18,963</u>

7 Interest payable and similar expenses

	For the year ended 31 December 2018	For the year ended 31 December 2017
	£	£
Loan interest payable to parent undertaking	727,557	1,718,966
	<u>727,557</u>	<u>1,718,966</u>

Interconnector Leasing Company Limited

Notes to the financial statements (continued)

8 Tax expense

	For the year ended 31 December 2018	For the year ended 31 December 2017
	£	£
Current tax:		
UK corporation tax on profit for the year	9,163,264	11,797,623
Adjustments in respect of prior periods	-	(147)
Total current tax	9,163,264	11,797,476
Deferred tax:		
Origination and reversal of timing differences	(8,746,315)	(10,928,506)
Total deferred tax (see note 14)	(8,746,315)	(10,928,506)
Tax expense	416,949	868,970

The tax assessed for the year is higher (2017: higher) than the standard rate of corporation tax in the UK for the year (19%) (2017: 19.25%). The differences are explained below:

	For the year ended 31 December 2018	For the year ended 31 December 2017
	£	£
Profit before taxation	1,865,648	4,056,921
Profit multiplied by standard rate in the UK 19% (2017: 19.25%)	354,473	780,957
Effects of:		
- Income not chargeable for tax purposes	(1,712)	(2,330)
- Other timing differences	64,188	90,490
- Adjustments in respect of prior periods	-	(147)
Tax expense	416,949	868,970

There was a change in the UK main corporation tax rate from 20% to 19%, effective from 1 April 2017.

Interconnector Leasing Company Limited

Notes to the financial statements (continued)

8 Tax expense (continued)

Further changes in the UK tax rates were substantively enacted as part of Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have not been re-measured using these enacted tax rates as the temporary differences that they relate to are anticipated to be settled before the new tax rate comes into effect.

9 Dividends

	For the year ended 31 December 2018	For the year ended 31 December 2017
Equity – ordinary	£	£
Final paid: £nil (2017: £1,500,000) per £1 ordinary share	-	3,000,000
	<u>-</u>	<u>3,000,000</u>
	<u>-</u>	<u>3,000,000</u>

10 Investments

	Shares in IFC	Shares in IZT	Total
	£	£	£
Cost			
At 1 January 2018	-	-	-
Additions	1	1,040	1,041
Disposals	(1)	-	(1)
	<u>-</u>	<u>1,040</u>	<u>1,040</u>
At 31 December 2018	-	1,040	1,040

Other investment

Name	Place of incorporation	Description of shares held	% ownership of shares held
Interconnector Zeebrugge Terminal S.C. / CVBA – other investment	Belgium	Class “C” share of €1,239	1

Investment comprises 1% of equity shares in Interconnector Zeebrugge Terminal S.C. / CVBA (2017: 0%). The shares were acquired as part of a restructuring of the IUK group for the nominal value of £1,040. The principal activity of IZT is the operation of gas terminal facilities at Zeebrugge, Belgium. The registered address is Rue Guimard 4, BE – 1040 Brussels.

Interconnector Leasing Company Limited

Notes to the financial statements (continued)

10 Investments (continued)

The directors believe that the carrying value of the investment is supported by the underlying net assets and the present value of the estimated future cash flows.

Subsidiary

Name	Place of incorporation	Description of shares held	% ownership of shares held
Interconnector Finance Company	Jersey	2 ordinary €0.08 A shares	100
Unlimited ("IFC") – subsidiary		294,955 ordinary €0.000003356444 B shares	100

As part of the same restructuring the company received from IUK shares of another group company, Interconnector Finance Company Unlimited (IFC) in a share for share exchange. IFC was subsequently wound up and the investment was written off.

The principal activity of IFC was to operate as a finance company. The principal place of business of IFC was 10 Furnival Street, London EC4A 1AB, United Kingdom. The registered address was Ogier House, The Esplanade St Helier, Jersey, JE4 9WG.

11 Debtors: amounts falling due within one year

	31 December 2018	31 December 2017
	£	£
Net investment in finance leases	-	63,120,827
Accrued income	-	858,443
Other debtors	-	7,292
Amounts owed by parent undertaking	4,483,838	-
	<u>4,483,838</u>	<u>63,986,562</u>

The amounts owed by the parent undertaking are unsecured, repayable on demand and bear interest at a variable rate linked to the London Interbank Offered Rate ("LIBOR").

Amounts receivable for finance leases as of 31 December 2017 were paid in full in September 2018. The lease was extended for 5 years for a peppercorn rent of £1,000.

Accrued income as of 31 December 2017 related to the lease interest receivable from the parent company.

Interconnector Leasing Company Limited

Notes to the financial statements (continued)

12 Creditors: Amounts falling due within one year

	31 December 2018	31 December 2017
	£	£
Loan capital owed to parent undertaking	-	48,651,578
Loan interest payable to parent undertaking	-	245,184
Amounts owed to parent undertaking	-	3,307,307
		<u>52,204,069</u>

The loan payable as at 31 December 2017 was a loan from the immediate parent company, IUK. The loan and accrued interest were fully repaid in September 2018. The loan was unsecured, repayable in annual instalments by 30 September 2018 and bore a fixed interest rate of 1.9994% (2017: 1.9994%).

The amounts owed to the parent undertaking as at 31 December 2017 were unsecured, repayable on demand and bore interest at a variable rate linked to the London Interbank Offered Rate ("LIBOR").

13 Provisions for liabilities

The provision for deferred tax consists of the following deferred tax (assets) / liabilities:

	31 December 2018	31 December 2017
	£	£
Deferred tax assets due within 12 months	(839,208)	-
Deferred tax liabilities due within 12 months	-	7,907,107
Deferred tax liabilities due after more than 12 months	-	-
Total deferred tax (asset) / provision	(839,208)	7,907,107

Deferred taxation	31 December 2018	31 December 2017
	£	£
Capital allowances on finance lease receivables	(839,208)	7,907,107
	<u>(839,208)</u>	<u>7,907,107</u>
Movement on deferred taxation:		
Deferred tax at beginning of the year	7,907,107	18,835,613
Deferred tax credit in profit and loss account	(8,746,315)	(10,928,506)
Closing deferred tax (asset)/ provision balance	(839,208)	7,907,107

Interconnector Leasing Company Limited

Notes to the financial statements (continued)

14 Called up share capital

	2018	2017
	£	£
Allotted, called up and fully paid		
At 1 January (£2 ordinary shares of £1 each (2017: 2 ordinary shares of £1 each))	2	2
Issued during the year (1 ordinary share of £1, 2017: n/a)	1	-
	<hr/>	<hr/>
At 31 December (3 ordinary shares of £1 each (2017: 2 ordinary shares of £1 each))	3	2
	<hr/>	<hr/>

In January 2018 the company issued 1 ordinary share for £1. All shares rank pari passu in all respects.

15 Ultimate parent undertaking

The immediate parent undertaking and the smallest group to consolidate these financial statements is Interconnector (UK) Limited, a company registered in England and Wales, United Kingdom. Consolidated financial statements for Interconnector (UK) Limited are available from its registered office at 10 Funnival Street, London EC4A 1AB, United Kingdom.

The ultimate parent undertaking and the largest group to consolidate these financial statements is Fluxys SA, whose registered office is Avenue des Arts 31, B – 1040 Brussels, Belgium. Consolidated financial statements for Fluxys SA are available on www.fluxys.com.

16 Commitments and contingencies

There are no contingent liabilities as of 31 December 2018.

In September 2013, the company's sole shareholder, IUK, completed a refinancing, replacing certain pre-existing loans with a £115,000,000 secured five year term loan facility with the Royal Bank of Scotland (the "RBS loan"). The RBS loan was secured by a package, which included a floating charge on assets to which the company has legal title and which were leased to IUK under a finance lease (notes 11 and 12). The company also granted a guarantee and indemnity to RBS, guaranteeing the performance by IUK of all its obligations relating to the RBS loan. The refinancing enhanced the ability of IUK to meet its on-going commitments to the company. The loan was fully repaid by IUK in March 2018. The company was released of all the charges, guarantees and indemnities relating to the loan.