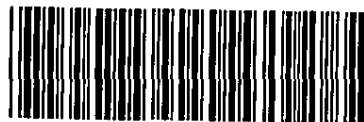


# **Interconnector Construction Company Limited**

## **Financial Statements for the year ended 30 September 2011**

Registered Number 2989830

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# **Interconnector Construction Company Limited**

## **Financial statements for the year ended 30 September 2011**

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# **Interconnector Construction Company Limited**

## **Company information**

**Directors**            Gavin Crozier  
                             Steve Turner  
                             Sean Waring

**Company  
Secretary**            Mary Simmons

**Registered  
Office**                41 Vine Street  
                             London EC3N 2AA  
                             United Kingdom

**Auditors**            PricewaterhouseCoopers LLP  
                             Chartered Accountants and Statutory Auditors  
                             1 Embankment Place  
                             London WC2N 6RH  
                             United Kingdom

**Solicitors**            Field Fisher Waterhouse LLP

# **Interconnector Construction Company Limited**

## **Directors' report for the year ended 30 September 2011**

The directors present their report and the audited financial statements of the company for the year ended 30 September 2011

### **Business review and principal activities**

The company's principal activity during the year was to operate as an investment holding company.

The results for the company show a pre-tax profit of £1,372,207 (2010 £5,287,044). The balance sheet as detailed on page 8 shows net liabilities of £20,298,346 (2010 £22,564,885)

### **Going concern**

The directors of the company have received confirmation from the directors of the parent company, Interconnector (UK) Limited ("IUK"), that they intend to financially support the company to enable it to meet its liabilities as they fall due and carry on its business without curtailment of its operations

Thus they continue to adopt the going concern basis in preparing these financial statements. Further details regarding the adoption of the going concern basis can be found in Note 1

### **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 Interconnector Group (the "group") and are not managed separately. Accordingly, the principal risks and uncertainties of the group, which include those of the company, are discussed on pages 2 to 4 of the group's financial statements which do not form part of this report

### **Key performance indicators**

The company's performance is dependent upon the performance of IUK and for this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of the company. The development, performance and position of the group are discussed on pages 2 to 6 of the group's financial statements which do not form part of this report

### **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 page 6 of the group's financial statements which do not form part of this report

# **Interconnector Construction Company Limited**

## **Directors' report for the year ended 30 September 2011 (continued)**

### **Results and dividends**

The company's profit after tax for the financial year was £2,266,539 (2010 £4,762,303)

During the year, no interim dividends were declared and paid (2010: nil)

No final dividend is proposed (2010 nil)

### **Directors**

The directors who held office during the year and up to the date of signing the financial statements are given below

Gavin Crozier

Steve Turner

Sean Waring

### **Directors during the year**

John Stone (resigned 7 October 2011)

# **Interconnector Construction Company Limited**

## **Directors' report for the year ended 30 September 2011 (continued)**

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 period.

In preparing these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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. They 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.

### **Disclosure of information to auditors**

In accordance with Section 418 of the Companies Act 2006, the directors who held office at the date of approval of the Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**By order of the board**



Mary Simmons  
**Company Secretary**  
14 December 2011

# **Interconnector Construction Company Limited**

## **Independent auditors' report to the members of Interconnector Construction Company Limited**

We have audited the financial statements of Interconnector Construction Company Limited for the year ended 30 September 2011 which comprise the profit and loss account, the balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion, the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

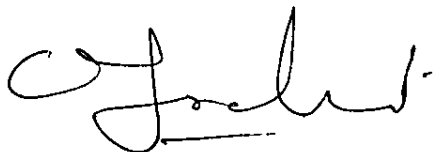
# **Interconnector Construction Company Limited**

## **Independent auditors' report to the members of Interconnector Construction Company Limited (continued)**

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



Charles Joseland  
(Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London, United Kingdom

14 December 2011



# Interconnector Construction Company Limited

## Profit and loss account for the year ended 30 September 2011

	Note	2011 £	2010 £
Income from shares in investments		4,369,484	3,412,969
<b>Operating Profit</b>		<b>4,369,484</b>	<b>3,412,969</b>
Interest receivable and similar income	4	2,049,734	14,360,343
Interest payable and similar charges	5	(6,911,822)	(12,486,268)
Exceptional profit on early repayment of loan	6	1,864,811	-
<b>Profit on ordinary activities before taxation</b>		<b>1,372,207</b>	<b>5,287,044</b>
Tax on profit on ordinary activities	7	894,332	(524,741)
<b>Profit for the financial year</b>	13	<b>2,266,539</b>	<b>4,762,303</b>

The company had no recognised gains or losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above, and their historical cost equivalents

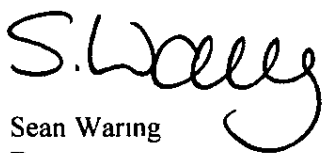
The results above all arise from continuing operations

# Interconnector Construction Company Limited

## Balance sheet as at 30 September 2011

	Note	2011 £	2010 £
<b>Fixed assets</b>			
Investments	8	100,394,672	240,824,730
<b>Current assets</b>			
Debtors amounts falling due within one year	9	11,595,395	17,744,514
		11,595,395	17,744,514
Creditors: amounts falling due within one year	10	(4,778,983)	(12,644,500)
Net current assets		6,816,412	5,100,014
Total assets less current liabilities		107,211,084	245,924,744
Creditors: amounts falling due after more than one year	11	(127,509,430)	(268,489,629)
Net liabilities		(20,298,346)	(22,564,885)
<b>Capital and reserves</b>			
Called-up share capital	12	2	2
Profit and loss reserve	13	(20,298,348)	(22,564,887)
Total shareholders' deficit	14	(20,298,346)	(22,564,885)

The financial statements on pages 7 to 16 were approved by the Board of Directors on 14 December 2011 and were signed on its behalf by



Sean Waring  
Director

# **Interconnector Construction Company Limited**

## **Notes to the financial statements for the year ended 30 September 2011**

### **1 Accounting policies**

These financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

#### **Going concern**

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review, which forms part of the Directors' report.

The company has earned a profit for the financial year of £2,266,539 (2010 £4,762,303) and has net current assets of £6,816,412 (2010 £5,100,014) but is in a net liabilities position as at 30 September 2011. The directors of the company have received confirmation from the directors of the parent company and controlling party, IUK, that they intend to financially support the company to enable it to meet its liabilities as they fall due and to carry on its business without curtailment of its operations.

The directors have satisfied themselves of IUK's ability to support the company. Thus they continue to adopt the going concern basis in preparing the financial statements.

#### **Consolidation exemption**

The company is a wholly owned subsidiary undertaking of IUK and is therefore exempt under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated accounts.

#### **Cash flow statement**

The company is a wholly owned subsidiary of IUK and is included in the consolidated financial statements of IUK. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 'Cash Flow Statements' (revised 1996).

#### **Fixed asset 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.

Interest receivable in respect of financial fixed asset investments is allocated across the life of the investment at a constant periodic rate of return on the investment. The carrying value of financial fixed asset investments is reduced by any payments received in respect of the investment.

# Interconnector Construction Company Limited

## Notes to the financial statements for the year ended 30 September 2011 (continued)

### 1 Accounting policies (continued)

#### Foreign currencies

Transactions in foreign currencies are recorded at the exchange rate at the beginning of the month for that month's transactions. Monetary assets and liabilities denominated in foreign currencies are reported at rates of exchange effective at the year-end and any differences are recognised in the profit and loss account.

#### Taxation

The charge for tax is based on the profit or loss for the period and takes into account deferred tax. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

A deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates or laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

### 2 Operating profit

Administrative expenses, including auditors' remuneration, were borne by the 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.

	2011	2010
	£	£
Fees payable to the company's auditors for the audit of the company's financial statements	4,400	4,300

### 3 Directors' emoluments and employee information

None of the directors received any emoluments in respect of their services to the company (2010 nil).  
The company did not employ any staff during the year (2010 nil).

# Interconnector Construction Company Limited

## Notes to the financial statements for the year ended 30 September 2011 (continued)

### 4 Interest receivable and similar income

	2011	2010
	£	£
Interest receivable on loan to group undertaking	1,127,085	6,827,208
Interest receivable from group undertakings	123,452	138,263
Net exchange differences on foreign currency debt and deposits	799,197	7,394,872
	<u>2,049,734</u>	<u>14,360,343</u>

The loan to group undertaking represents the loan to Bacton Agency Services Luxembourg S A ("BAS Lux") (see note 8)

### 5 Interest payable and similar charges

	2011	2010
	£	£
Interest payable to group undertakings	6,911,822	12,486,268
	<u>6,911,822</u>	<u>12,486,268</u>

### 6 Exceptional profit on early repayment of loan

	2011	2010
	£	£
Profit on early repayment of loan with BAS Lux	1,549,748	-
Profit on early repayment of loan from parent undertaking	315,063	-
	<u>1,864,811</u>	<u>-</u>

In December 2010, as part of a process to simplify group financing arrangements

- BAS Lux repaid the loan owed to the company (see note 8) in full, earning the company an exceptional profit on early repayment of £1,549,748
- The company repaid the loan from IUK (see notes 10 and 11) and earned an exceptional profit on early repayment of £315,063

# Interconnector Construction Company Limited

## Notes to the financial statements for the year ended 30 September 2011 (continued)

### 7 Tax on profit on ordinary activities

	2011	2010
	£	£
<b>Current tax:</b>		
UK corporation tax on profits for the year at 27% (2010 28%)	(894,332)	524,741
	<u></u>	<u></u>
The tax assessed for the year is lower (2010 lower) than the average rate of corporation taxation in the UK for the year (27%) (2010 28%) The differences are explained below		
	2011	2010
	£	£
<b>Profit on ordinary activities before tax</b>	<b>1,372,207</b>	<b>5,287,044</b>
	<u></u>	<u></u>
Profit on ordinary activities multiplied by average rate in the UK 27% (2010 28%)	370,496	1,480,372
Effects of		
- Non taxable income	(1,264,828)	(955,631)
	<u></u>	<u></u>
<b>Current tax (credit)/charge for the year</b>	<b>(894,332)</b>	<b>524,741</b>
	<u></u>	<u></u>

During the year, a change in the UK main corporation tax rate from 28% to 26% was substantively enacted and was effective from 1 April 2011. A further reduction to 25% was also substantively enacted and will be effective from 1 April 2012.

Further reductions to the UK corporation tax rate were announced in the June 2010 Budget. The changes, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 23% by 1 April 2014.

# Interconnector Construction Company Limited

## Notes to the financial statements for the year ended 30 September 2011 (continued)

### 8 Investments

	Shares in IFC	Shares in IZT	Loan	Total
	£	£	£	£
<b>Cost</b>				
At 1 October 2010	111,115,681	1,040	140,430,058	251,546,779
Disposals	-	-	(137,219,099)	(137,219,099)
Translation of Euro denominated loan	-	-	(3,210,959)	(3,210,959)
<b>At 30 September 2011</b>	<b>111,115,681</b>	<b>1,040</b>	<b>-</b>	<b>111,116,721</b>
<b>Impairment</b>				
At 1 October 2010	(10,722,049)	-	-	(10,722,049)
<b>At 30 September 2011</b>	<b>(10,722,049)</b>	<b>-</b>	<b>-</b>	<b>(10,722,049)</b>
<b>Net book value</b>				
<b>At 30 September 2011</b>	<b>100,393,632</b>	<b>1,040</b>	<b>-</b>	<b>100,394,672</b>
At 30 September 2010	100,393,632	1,040	140,430,058	240,824,730

Note 6 sets out details regarding early repayment of the Loan

The directors believe that the carrying value of the investments in the company is supported by the underlying net assets and/or the present value of the estimated future cash flows

### Subsidiary undertakings

Name	Place of incorporation	Description of shares held	% ownership of shares held
Interconnector Finance Company ("IFC")	Jersey	Ordinary €1,000 A shares	100
		Ordinary €501.9 B shares	100

The principal activity of IFC is to operate as a finance company IFC is an unlimited company The principal place of business of IFC is 8<sup>th</sup> floor, 61 Aldwych, London WC2B 4AE, United Kingdom

# Interconnector Construction Company Limited

## Notes to the financial statements for the year ended 30 September 2011 (continued)

### 8 Investments (continued)

#### Other investments

Name	Place of incorporation	Description of shares held	% ownership of shares held
Interconnector Zeebrugge Terminal SCRL/CVBA ("IZT")	Belgium	Ordinary € 1,239 shares	1

The principal activity of IZT is the operation of gas terminal facilities at Zeebrugge, Belgium

### 9 Debtors: amounts falling due within one year

	2011	2010
	£	£
Amounts owed by parent undertaking	10,346,663	10,884,843
Amounts owed by subsidiary undertaking	1,248,732	1,157,310
Loan interest owed by group undertaking	-	5,702,361
	<u>11,595,395</u>	<u>17,744,514</u>

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

### 10 Creditors: amounts falling due within one year

	2011	2010
	£	£
Loan interest owed to parent undertaking	-	5,532,048
Loan from parent undertaking	-	2,305,313
Loan interest owed to subsidiary undertaking	4,778,983	4,807,139
	<u>4,778,983</u>	<u>12,644,500</u>

Note 6 sets out details regarding the early repayment of the loan from parent undertaking and loan interest owed to parent undertaking



# Interconnector Construction Company Limited

## Notes to the financial statements for the year ended 30 September 2011 (continued)

### 11 Creditors: amounts falling due after more than one year

	2011	2010
	£	£
Loan from parent undertaking	-	140,228,972
Amounts owed to subsidiary undertaking	127,509,430	128,260,657
	<u>127,509,430</u>	<u>268,489,629</u>

Note 6 sets out details regarding the early repayment of loan from parent undertaking

The amounts owed to subsidiary undertaking represent a loan to IFC of €148,038,450, which is unsecured, repayable in annual instalments from November 2014 to November 2025 and bearing interest at a fixed rate of 4.5% per annum

### 12 Called-up share capital

	2011	2010
	£	£
Allotted, called-up and fully paid		
2 ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>

### 13 Profit and loss reserve

	£
At 1 October 2010	(22,564,887)
Profit for the financial year	2,266,539
At 30 September 2011	<u>(20,298,348)</u>

# Interconnector Construction Company Limited

## Notes to the financial statements for the year ended 30 September 2011 (continued)

### 14 Reconciliation of movements in shareholders' deficit

	2011	2010
	£	£
Opening shareholders' deficit	(22,564,885)	(27,327,188)
Profit for the financial year	2,266,539	4,762,303
Closing shareholders' deficit	<u>(20,298,346)</u>	<u>(22,564,885)</u>

### 15 Related party transactions

Under Financial Reporting Standard 8 "Related Party Disclosures", the company is exempt from the requirement to disclose transactions with entities wholly-owned by the group

### 16 Ultimate parent undertaking

The immediate and ultimate parent undertaking and controlling party is Interconnector (UK) Limited, a company registered in England and Wales, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Consolidated accounts for Interconnector (UK) Limited are available on [www.interconnector.com](http://www.interconnector.com) or from 8th floor, 61 Aldwych, London WC2B 4AE, United Kingdom