

GridLink Interconnector Limited

Annual Report and unaudited financial statements

For the year ended 31 December 2018

Company number: 10181689

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GridLink Interconnector Limited

CONTENTS

	Page
Company Information	1
Directors' Report	2 - 3
Statement of Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 14

GridLink Interconnector Limited

COMPANY INFORMATION

Directors	Gary John Eade Ivana Semeraro
Company secretary	Intertrust Corporate Services (UK) Limited 35 Great St. Helen's London EC3A 6AP United Kingdom
Registered office	35 Great St. Helen's London EC3A 6AP United Kingdom
Company number	10181689
Accountants	Doran & Minehane UK Limited Office 1 3 rd Floor, Wm Promus 132-144 High Street Bromley BR1 1EZ United Kingdom
Bank	Barclays Bank PLC P.O. Box 41 Le Marchant House Le Truchot, St. Peter Port Guernsey GY1 3BE Channel Islands

GridLink Interconnector Limited

DIRECTORS' REPORT

The Directors present their annual report together with the unaudited financial statements of GridLink Interconnector Limited (the "Company") for the year ended 31 December 2018.

Principal activities

The Company is a private company, limited by shares registered in England and Wales. The Company's registered number and registered office can be found on the Company Information page. The Company's main activity is the development of an electricity transmission interconnector between the United Kingdom and France.

Results for the period and future developments

The loss on ordinary activities before taxation amounted to £63,292 (2017: profit of £383,232). The Company's total assets at 31 December 2018 amounted to £9,334,051 (2017: £2,213,343).

Dividends

The Directors do not recommend the payment of a dividend for the year ended 31 December 2018 (2017: £Nil).

Political donations

The Company did not make any political donations during the year.

Going concern

The financial statements have been prepared on a going concern basis. The Directors have made an assessment of the Company's ability to continue in operation and are satisfied that the Company has the resources to continue in business for the foreseeable future.

Disclosure of information to the Auditors

As far as each Director is aware, there is no relevant information needed by the auditor in connection with preparing its report of which the auditor is unaware. Each Director has taken all steps that he is obliged to take in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

DIRECTORS' REPORT (continued)

Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the unaudited financial statements in accordance with United Kingdom ("UK") law and regulations.

UK company law requires the Directors to prepare financial statements for the Company for each financial period. Under that law, the Directors have elected to prepare the financial statements in accordance with the International Financial Reporting Standards ("IFRS") and interpretations issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("EU") and the Companies Act 2006. Under UK company law, the Directors must not approve the financial statements unless they are satisfied that the financial statements give a true and fair view of the assets, liabilities and financial position of the Company as at the financial period end date; give a true and fair view of the profit or loss of the Company for the financial period; and otherwise comply with the Companies Act 2006.

In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a 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 unaudited financial statements comply with IFRS and 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.

On behalf of the Board of Directors:



Director

__ September 2019

Company number: 10181689

GridLink Interconnector Limited

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 £	2017 £ (Note 10)
Income			
Bank interest income		978	1,148
Total income		978	1,148
Expenses			
Administration fees		(54,646)	382,929
Foreign exchange loss		(8,067)	-
Bank charges		(1,557)	(845)
Total expenses		(64,270)	382,084
(Loss)/profit on ordinary activities before taxation		(63,292)	383,232
Tax on (loss)/profit on ordinary activities	4	-	-
(Loss)/profit for the year after taxation		(63,292)	383,232
Total comprehensive (loss)/income for the year		(63,292)	383,232

All of the activities of the Company are classed as continuing.

The accompanying notes form an integral part of these unaudited financial statements.

GridLink Interconnector Limited

STATEMENT OF FINANCIAL POSITION

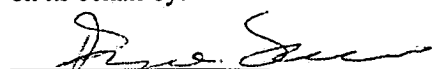
As at 31 December 2018

	Note	31 December 2018 £	31 December 2017 £ (Note 10)	1 January 2017 £ (Note 10)
Assets				
Non-current assets				
Property, Plant and Equipment	5	<u>3,460,651</u>	<u>1,694,896</u>	<u>-</u>
Current assets				
Debtors and other receivables		<u>82,129</u>	<u>30,467</u>	<u>38,020</u>
Cash at bank		<u>5,791,271</u>	<u>487,980</u>	<u>73,923</u>
Total current assets		<u>5,873,400</u>	<u>518,447</u>	<u>111,943</u>
Total assets		<u>9,334,051</u>	<u>2,213,343</u>	<u>111,943</u>
Equity and liabilities				
Capital and reserves				
Called up share capital	6	<u>4,637</u>	<u>1,930</u>	<u>450</u>
Share premium	6	<u>4,632,363</u>	<u>1,928,070</u>	<u>449,550</u>
Retained deficit		<u>(91,735)</u>	<u>(28,443)</u>	<u>(411,675)</u>
Shareholder's funds		<u>4,545,265</u>	<u>1,901,557</u>	<u>38,325</u>
Non-current liabilities				
Capital grant	8	<u>4,727,307</u>	<u>-</u>	<u>-</u>
Total non-current liabilities		<u>4,727,307</u>	<u>-</u>	<u>-</u>
Current liabilities				
Creditors and other payables	7	<u>61,479</u>	<u>311,786</u>	<u>73,618</u>
Total current liabilities		<u>61,479</u>	<u>311,786</u>	<u>73,618</u>
Total liabilities		<u>4,788,786</u>	<u>311,786</u>	<u>73,618</u>
Total equity and liabilities		<u>9,334,051</u>	<u>2,213,343</u>	<u>111,943</u>

For the financial year ended 31 December 2018 the Company was entitled to an exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The Shareholder has not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006. These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The unaudited financial statements were approved and authorised for issue by the Board of Directors of GridLink Interconnector Limited (company number 10181689) on __ September 2019 and were signed on its behalf by:



Director

The accompanying notes form an integral part of these unaudited financial statements.

GridLink Interconnector Limited

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

2017	Called up share capital £	Share premium account £	Retained deficit £ (note 10)	Shareholder's funds £
At 1 January 2017	450	449,550	(411,675)	38,325
Issue of share capital	1,480	1,478,520	-	1,480,000
Profit for the year	-	-	383,232	383,232
At 31 December 2017	1,930	1,928,070	(28,443)	1,901,557
2018				
At 1 January 2018	1,930	1,928,070	(28,443)	1,901,557
Issue of share capital	2,707	2,704,293	-	2,707,000
Loss for the year	-	-	(63,292)	(63,292)
At 31 December 2018	4,637	4,632,363	(91,735)	4,545,265

Share capital

The share capital comprises of the nominal value share capital issued for cash and non-cash consideration.

Share Premium

The share premium reserve comprises of the excess consideration received in respect of share capital over the nominal value of shares issued.

Retained deficit

This reserve represents the accumulated losses absorbed by the Company to the statement of financial position date.

The accompanying notes form an integral part of these unaudited financial statements.

GridLink Interconnector Limited

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 £	2017 £ (note 10)
Operating activities		
(Loss)/profit for the year	(63,292)	383,232
<i>Adjusted for:</i>		
(Decrease)/increase in creditors and other payables	(250,307)	238,168
(Increase)/decrease in debtors and other receivables	(51,662)	7,553
Net cash flows (used in)/provided by operating activities	(365,261)	628,953
Investing activities		
Cash invested in property, plant and equipment*	(2,477,310)	(1,694,896)
Net cash flows used in investing activities	(2,477,310)	(1,694,896)
Financing activities		
Proceeds from issue of shares	2,707,000	1,480,000
Grant advanced from Connecting Europe Facility	5,438,862	-
Net cash flows generated from financing activities	8,145,862	1,480,000
Net increase in cash for the year	5,302,291	414,057
Cash at the beginning of the year	487,980	73,923
Cash at the end of the year	5,791,271	487,980

*Included is an amount of £711,555 of grants related to assets recognised and deducted in arriving at the carrying amount of the property, plant and equipment.

The accompanying notes form an integral part of these unaudited financial statements.

GridLink Interconnector Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. INCORPORATION AND PRINCIPAL ACTIVITY

GridLink Interconnector Limited (the “Company”) was incorporated on 6 May 2016 as a private company, limited by shares registered in England and Wales. The Company’s registered number and registered office can be found on the Company Information page. The Company’s main activity is the development of an electricity transmission interconnector between the United Kingdom and France.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (“IFRS”) and interpretations issued by the International Accounting Standards Board (“IASB”), as adopted by the European Union (“EU”), and the Companies Act 2006. These are the Company’s first IFRS financial statements and IFRS 1, *First-Time Adoption of International Financial Reporting Standards* (“IFRS 1”), has been applied in the preparation thereof. The Company’s most recent previous financial statements, for the year ended 31 December 2017, were prepared in accordance with Financial Reporting Standards 102 “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland”.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 10.

(b) Basis of measurement

The financial statements are prepared under the historical cost convention.

(c) Going concern

The financial statements have been prepared on a going concern basis. The Directors have made an assessment of the Company’s ability to continue in operation and are satisfied that the Company has the resources to continue in business for the foreseeable future.

(d) Significant accounting estimates and judgements

The preparation of the financial statements requires the Directors to make certain judgements, estimates and assumptions that affect the application of policies and reporting amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and expectation of future events. Actual results may differ from these estimates.

Estimates and the underlying assumptions therein are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements of the Company are presented below.

(i) Functional and presentation currency

The functional and presentation currency of the Company is the Great British Pound (“GBP” or “£”), rounded to the nearest £. The Directors consider that the Great British Pound reflects the primary economic environment in which the Company operates.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial instruments

i) Classification

Financial assets that are designated as held-to-collect are non-derivative financial assets where the contractual cash flows are solely principal and interest. Accordingly, they are measured at amortised cost. At the reporting date, debtors and other receivables and cash at bank are classified as financial assets measured at amortised cost.

Financial liabilities are classified as held-to-collect and are measured at amortised cost. At the reporting date, capital grant and creditors and other payables are classified as financial liabilities measured at amortised cost.

ii) Recognition, derecognition and measurement

The Company recognises held-to-collect financial assets and liabilities on the date when they are originated. All other financial assets are initially recognised on the trade date (the date on which the Company becomes a party to the contractual provisions of the instrument). All financial instruments are initially measured at fair value, plus in the case of financial assets or liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished. A financial liability is extinguished when the obligation is discharged, cancelled or expires.

Held-to-collect financial assets and liabilities are subsequently carried at amortised cost using the effective interest method. Any difference between the proceeds net of directly attributable transaction costs and the redemption value of financial liabilities is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

The Directors apply the simplified approach to impairment of held-to-collect financial assets permitted by IFRS 9, which requires lifetime expected credit losses to be recognised from initial recognition of the held-to-collect financial assets.

(b) Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Additions to property, plant and equipment are recognized when it is probable that expected future economic benefits attributable to the assets will flow to the entity. Depreciation of an asset commences when it is available for use. The carrying value of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Per paragraph 28 of IAS 16 *Property, Plant and Equipment* ("IAS 16"), the carrying amount of an item of property, plant and equipment may be reduced by government grants in accordance with paragraph 28 of IAS 20 *Accounting for Grants and Disclosure of Government Assistance* ("IAS 20")

GridLink Interconnector Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Expenses

All expenses are recognised in the Statement of Comprehensive Income on an accruals basis.

(d) Taxes

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the period end date. Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the period end date, except that the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

(e) Cash

Cash comprises cash on hand.

(f) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(h) Government grant

Grants related to assets are grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. Grants shall only be recognised when there is reasonable assurance that (a) the entity will comply with the conditions attaching to them and (b) the grants will be received. In accordance with IAS 20.13, the Company has elected to apply the capital approach whereby the grant is recognised on a systematic basis on the Statement of Financial Position. When the grant is recognised it is deducted from the carrying value of the related plant, property and equipment in accordance with IAS 20.27.

(g) Forthcoming accounting standards and interpretations – issued but not effective

At 31 December 2018, a number of accounting standards, interpretations and amendments had been issued by the IASB, which are not yet effective for the Company's financial statements, and none of which are expected to have a material effect on the Company's financial statements in future years.

GridLink Interconnector Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

4 TAXATION

No corporation tax liability arose for the year ended 31 December 2018.

Factors affecting the tax expense

The tax charge on the profit for the year was as follows:

	2018 £	2017 £
(Loss)/profit before taxation	(63,292)	383,232
Tax on (loss)/profit at standard corporation tax rate of 19% (2017: 19.25%)	(12,025)	73,759
<i>Effects of:</i>		
Expenses not deductible for tax purposes	63	-
Deferred tax not recognised	11,962	(73,759)
Tax expense	-	-

The Company's total unrecognised deferred tax asset as at 31 December 2018 is £15,539 (2017: £4,835). The deferred tax asset arises from fixed asset timing differences and unutilised tax losses carried forward.

Factors that may affect future tax charges

During the accounting period, the UK corporation tax rate was 19%. Legislation has been enacted to reduce the corporation tax rate to 17% from 1 April 2020.

5. PROPERTY, PLANT AND EQUIPMENT

	2018 £	2017 £
At 1 January	1,694,896	-
Additions	2,477,310	1,694,896
Grant utilised	(711,555)	-
Net book value at 31 December	3,460,651	1,694,896

Property, Plant and Equipment is comprised of costs capitalised for the development of an electricity transmission interconnector project between the United Kingdom and France.

Additions totalling £2,477,310 (2017: £1,694,896) represents directly attributable legal and professional fees which have been capitalised and added to the cost of the asset in the Statement of Financial Position.

Refer to note 8 for details of grant recognised.

GridLink Interconnector Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

6. CALLED UP SHARE CAPITAL AND SHARE PREMIUM

<i>Allotted, called up and fully paid</i>	Issue date	Share capital £	Share premium £
Balance on 1 January 2018		1,930	1,928,070
930 ordinary shares	28 March 2018	930	929,070
1,000 ordinary shares	5 July 2018	1,000	999,000
350 ordinary shares	31 July 2018	350	349,650
427 ordinary shares	9 October 2018	427	426,573
Balance on 31 December 2018		4,637	4,632,363

The par value of the issued shares is £1 each. The sole shareholder of the Company is iCON Infrastructure Partners III, L.P.

7. CREDITORS AND OTHER PAYABLES

	31 December 2018 £	31 December 2017 £
Creditors and accruals	61,479	311,786
Total creditors and other payables	61,479	311,786

8. CAPITAL GRANT

	31 December 2018 £	31 December 2017 £
Grant received	5,438,862	-
Grant recognised	(711,555)	-
At 31 December	4,727,307	-

As per the Grant Agreement, grant funding will only be received in respect of specific actions that are to be completed by 21 September 2020. The full amount of the grant may be clawed back if the conditions pertaining to the grant are not met.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

8. CAPITAL GRANT (continued)

On 14 December 2018, a pre-funding amount of £5,438,862 (€6,000,000), representing 40% of the total grant was received by the Company on the signing and execution of the Grant Agreement. The remaining 60%, amounting to €9,100,000, is payable within 12 months of completion of the tasks associated with the grant and following a successful final review by INEA of the project.

During the year, the Company recognised £711,555 of the grant against the carrying amount of the property, plant and equipment.

9. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk. Ultimate responsibility for setting risk appetite and the effective management of risk rests with the Directors and the parent Fund. This note presents information about the Company's exposure to such financial risks, along with the Directors' objectives, policies and processes for measuring and managing risk and the Company's capital.

(a) Market risk

Market risk is the risk that changes in market prices, such as interest rates or foreign exchange rates will affect the Company's income or the fair value of its holdings in financial instruments.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. At 31 December 2018, a portion of the Company's liabilities are denominated in Euro. At 31 December 2018, all the rest of the Company's assets and liabilities are denominated in its functional currency, £, and therefore the Company has no material exposure to currency risk. As a result, a sensitivity analysis is not applicable.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the reporting date, a portion of the Company's financial assets consisted of cash which yields an immaterial amount of interest, if any. All other financial instruments comprise non-interest-bearing assets and liabilities. As a result, a sensitivity analysis is neither appropriate nor applicable.

(iii) Price risk

Price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. At 31 December 2018 the Company does not hold any investments and therefore is not subject to price risk.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. At 31 December 2018, £5,791,271 (2017: £487,980) of the Company's cash is held with Barclays Bank Plc which is rated A as determined by Standard and Poor's rating agency.

GridLink Interconnector Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

9. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can do so on terms that are materially disadvantageous.

The Company is primarily exposed to liquidity risk of being unable to meet its liabilities as they fall due. At the reporting date, the Company has sufficient cash resources to meet its short term payables.

10. EXPLANATION OF TRANSITION TO IFRS

As stated in note 2 (a), these are the Company's first financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening IFRS statement of financial position as at 1 January 2017 (the Company's date of transition to IFRS).

In preparing its opening IFRS statement of financial position the Company has adopted the same accounting policies that were adopted in preparing its financial statements in accordance with its previous accounting framework FRS102 since those accounting policies were in compliance with IFRS.

As a result, the transition to IFRS had no effect on the Company's reported financial position, financial performance and cash flows.

11. ULTIMATE CONTROLLING PARTY

At the reporting date, the ultimate controlling party of the Company is iCON Infrastructure Partners III, L.P., an English limited partnership domiciled in Guernsey, acting through its managing general partner, iCON Infrastructure Management III Limited. The principal place of business of this entity is Martello Court, Admiral Park, St. Peter Port, Guernsey, GY1 3HB.

12. SUBSEQUENT EVENTS

There were no material events subsequent to the reporting date which necessitate revision of the figures or disclosures included in the financial statements.