GridLink Interconnector Limited

Annual Report and Audited Financial Statements

For the year ended 31 December 2020

Company number: 10181689

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COMPANY INFORMATION

Directors	Gary John Eade David James Hewling Luson *(appointed on 1 January 2020)* Sarah Elizabeth Johnson *(appointed on 16 February 2021)* Ivana Semeraro *(resigned on 16 February 2021)*
Company secretary	Doran & Minehane UK Limited *(from 17 January 2020)* 25 East Street Bromley BR1 1QE United Kingdom Intertrust Corporate Services (UK) Limited *(until 29 February 2020)* 1 Bartholomew Lane London EC2N 2AX United Kingdom
Registered office	c/o Doran & Minehane UK Limited 25 East Street Bromley BR1 1QE United Kingdom
Company number	10181689
Accountants	Doran & Minehane UK Limited 25 East Street Bromley BR1 1QE United Kingdom
Auditors	Cohen & Co. Chartered Accountants Limited 59/60 O'Connell Street Limerick V94 E95T Ireland
Bank	Lloyds Bank Plc 25 Gresham Street London EC2V 7HN United Kingdom

DIRECTORS' REPORT

The Directors present their annual report together with the audited financial statements of GridLink Interconnector Limited (the "Company") for the year ended 31 December 2020.

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 year and future developments

The loss for the year after taxation amounted to £144,086 (2019: £24,914). The Company's total assets at 31 December 2020 amounted to £15,700,114 (2019: £12,833,446).

Dividends

During the year ended 31 December 2020, the Company did not declare any dividends (2019: Nil).

Political donations

The Company did not make any political donations during the year (2019: Nil).

Small companies exemption

In accordance with Section 414B of the Companies Act 2006, the Company has taken advantage of the exemption for small companies from preparing a strategic report.

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.

On 11 March 2020, the World Health Organisation ("WHO") officially declared COVID-19, the disease caused by the novel coronavirus, a pandemic. The outbreak of COVID-19 has increased the volatility in financial markets. The Board of Directors are monitoring COVID-19 and its potential impact on the Company's future, including the impact of COVID-19 on the Company and its operations.

Prior to Brexit, the Company's status as a Project of Common Interest ("PCI") entitled it to regulatory processes enshrined in the TEN-E regulation, including a process for national regulators to jointly determine an appropriate cross border cost allocation within specified timescales. The TEN-E regulation was repealed in the United Kingdom ("UK") as of 1 January 2021 as part of the removal of European Union ("EU") legislation. However, the Company has maintained a constructive dialogue with both of the relevant authorities (Ofgem in the UK and the Commission de Régulation de l'Energie ("CRE") in France). With regard to electricity trading arrangements, the Trade and Cooperation Agreement signed in December 2020 places an obligation on the signatories to put in place a replacement mechanism by April 2022. These new arrangements are not yet in place and therefore the Company faces ongoing uncertainty with regard to future electricity trading arrangements. The Directors are monitoring the developments in this area, but at present, based on the information available, expect that the electricity transmission interconnector will be successfully developed and will deliver the planned future economic benefits.

DIRECTORS' REPORT (continued)

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 they are obliged to take in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the audited financial statements in accordance with 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 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 judgments 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 audited 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:

Gary Eade

Gary John Eade
Director

28 September 2021

Company number: 10181689

Cohen & Co

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF GRIDLINK INTERCONNECTOR LIMITED

Opinion

We have audited the financial statements of GridLink Interconnector Limited (the "Company") for the year ended 31 December 2020, which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is the Companies Act 2006 and International Financial Reporting Standards ("IFRS") and interpretations issued by the International Accounting Standards Board ("IASB"), as adopted in the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020, and of its total comprehensive income for the year then ended;
- have been properly prepared in accordance with IFRS; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the Financial Reporting Council's ("FRC") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorized for issue. Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

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Other information *(continued)*
Our opinion on the financial statements does not cover the other information, and except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report. We have nothing to report in respect of the following matters in relation to which 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; 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.

Responsibilities of Directors
As explained more fully in the Directors' responsibilities statement on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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.

Auditor's 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 auditor's 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
4. Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ian Doran (Senior Statutory Auditor)
For and on behalf of Cohen & Co. Chartered Accountants Limited
59/60 O'Connell Street
Limerick
Ireland

Date: 28 September 2021

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	**2020** **£**	2019 £ *(unaudited)*
Income			
Bank interest income		**10,355**	20,274
Total income		**10,355**	20,274
Expenses			
Administration expenses		**(109,995)**	(20,031)
Foreign exchange loss		**(28,317)**	(22,147)
Auditor's remuneration		**(12,875)**	-
Bank charges		**(3,254)**	(3,010)
Total expenses		**(154,441)**	(45,188)
Loss on ordinary activities before taxation		**(144,086)**	(24,914)
Tax on loss on ordinary activities	*4*	**-**	-
Loss for the year after taxation		**(144,086)**	(24,914)

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

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	**31 December 2020 £**	31 December 2019 £ *(unaudited)*
Assets			
Non-current assets			
Property, plant and equipment	*5*	**12,689,275**	9,068,203
Total non-current assets		**12,689,275**	9,068,203
Current assets			
Capital grant	*8*	**1,406,491**	-
Recoverable VAT		**564,525**	446,559
Cash at bank		**950,226**	3,318,684
Prepayment		**89,597**	-
Total current assets		**3,010,839**	3,765,243
Total assets		**15,700,114**	12,833,446
Equity and liabilities			
Capital and reserves			
Called up share capital	*6*	**52,867**	5,237
Share premium		**15,347,133**	10,631,763
Retained deficit		**(260,735)**	(116,649)
Shareholder's funds		**15,139,265**	10,520,351
Non-current liabilities			
Capital grant	*8*	**-**	1,246,875
Total non-current liabilities		**-**	1,246,875
Current liabilities			
Trade and other payables	*7*	**560,849**	1,066,220
Total current liabilities		**560,849**	1,066,220
Total liabilities		**560,849**	2,313,095
Total equity and liabilities		**15,700,114**	12,833,446

The accounts have been prepared in accordance with the special provisions applicable to companies subject to the small companies regime.

The audited financial statements were approved and authorised for issue by the Board of Directors of GridLink Interconnector Limited (company number 10181689) on 28 September 2021 and were signed on its behalf by:

Gary Eade

Gary John Eade
Director

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

2019	**Called up share capital**	**Share premium account**	**Retained deficit**	**Shareholder's funds**
	£	**£**	**£**	**£**
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
At 1 January 2019	4,637	4,632,363	(91,735)	4,545,265
Issue of share capital	600	5,999,400	-	6,000,000
Loss for the year	-	-	(24,914)	(24,914)
At 31 December 2019	5,237	10,631,763	(116,649)	10,520,351

2020	**Called up share capital**	**Share premium account**	**Retained deficit**	**Shareholder's funds**
	£	**£**	**£**	**£**
At 1 January 2020	**5,237**	**10,631,763**	**(116,649)**	**10,520,351**
Issue of share capital	**47,630**	**4,715,370**	**-**	**4,763,000**
Loss for the year	**-**	**-**	**(144,086)**	**(144,086)**
At 31 December 2020	**52,867**	**15,347,133**	**(260,735)**	**15,139,265**

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

STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	2020	2019
	£	£
		(unaudited)
Operating activities		
Loss for the year after taxation	**(144,086)**	(24,914)
Adjusted for:		
(Decrease)/increase in trade and other payables	**(505,371)**	1,004,741
Increase in recoverable VAT	**(117,966)**	(364,430)
Increase in prepayments	**(89,597)**	-
Net cash flows (used in)/generated from operating activities	**(857,020)**	615,397
Investing activities		
Purchase of property, plant and equipment*	**(6,274,438)**	(9,087,984)
Net cash flows used in investing activities	**(6,274,438)**	(9,087,984)
Financing activities		
Proceeds from issue of shares	**4,763,000**	6,000,000
Net cash flows generated from financing activities	**4,763,000**	6,000,000
Net decrease in cash for the year	**(2,368,458)**	(2,472,587)
Cash at the beginning of the year	**3,318,684**	5,791,271
Cash at the end of the year	**950,226**	3,318,684

**This amount includes payments of £2,653,366 (2019: £3,480,432) which have been offset in the statement of financial position within capital grants line items and deducted in arriving at the carrying amount of the property, plant and equipment.*

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

1. INCORPORATION AND PRINCIPAL ACTIVITY

GridLink Interconnector Limited (the "Company") was incorporated on 16 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.

The Company is entitled to an exemption from audit under Section 477 of the Companies Act 2006 relating to small companies. For the year ended 31 December 2020, the Directors of the Company waived their right to this exemption and elected to prepare audited financial statements for the Company.

For the year ended 31 December 2019, the shareholder had 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.

Comparative information presented for the year ended 31 December 2019 has not been audited, however was prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

2. BASIS OF PREPARATION

(a) Statement of compliance
The financial statements have been prepared in accordance with 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. There were no material departures from the standard. These financial statements represent the Company only and are not consolidated.

(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.

The Company obtains its capital from other group entities. iCON Infrastructure Partners III, L.P. (the "Fund"), the ultimate parent entity, will monitor the performance (financial and otherwise) of the Company. The Fund may inject further capital into the Company and/or will ultimately receive funds upon the realisation of its underlying project.

(d) Significant accounting estimates and judgments
The preparation of the financial statements requires the Directors to make certain judgments, 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

2. BASIS OF PREPARATION (continued)

(d) Significant accounting estimates and judgments (continued)

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 judgment or complexity, or areas where assumptions and estimates are significant to the financial statements of the Company are presented in note 3 and below.

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

(ii) Electricity trading arrangements
As disclosed in the Directors' Report, the Directors are monitoring developments with regard electricity trading arrangements. At the reporting date, and based on the information available, the Directors expect that the electricity transmission interconnector will be successfully developed and will deliver the planned future economic benefits.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial instruments

i) Classification
The Directors determine the classification of the Company's financial assets and liabilities at initial recognition or where applicable, at the time of reclassification. The Company classifies the financial assets based on both the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

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, capital grant, recoverable VAT and cash at bank are designated as held-to-collect and 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, trade and other payables are designated as held-to-collect and 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial instruments (continued)

ii) Recognition, derecognition and measurement (continued)

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 method.

The Directors apply the simplified approach to impairment of held-to-collect financial assets permitted by IFRS 9 *Financial Instruments* ("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 values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values 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 IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* ("IAS 20") (see note 3 (h)).

(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) Bank interest income
Bank interest income is recognised in the Statement of Comprehensive Income on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) 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 in 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.

(i) Forthcoming accounting standards and interpretations – issued but not effective
At 31 December 2020, 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.

4. TAXATION

No corporation tax liability arose for the year ended 31 December 2020 (2019: Nil).

Factors affecting the tax expense
The tax charge on the loss for the year was as follows:

	2020 £	2019 £
Loss on ordinary activities before taxation	**(144,086)**	(24,914)
Tax on loss on ordinary activities at standard corporation tax rate of 19%	(27,376)	(4,734)
Effects of:		
Deferred tax not recognised	27,376	4,734
Tax expense	-	-

The Company's total unrecognised deferred tax asset, as at 31 December 2020, is £49,477 (2019: £19,774). The deferred tax asset arises from unutilised tax losses carried forward.

Factors that may affect future tax charges
On 3 March 2021, the government announced its intention to increase the corporation tax rate from 1 April 2023. This rate will taper from 19% for businesses with profits of less than £50,000 to 25% for businesses with profits over £250,000. This is anticipated to be substantively enacted once the Finance Bill 2021 passes the House of Commons. The unrecognised deferred tax asset at the reporting date has been measured using the currently enacted tax rate being 19%.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

5. PROPERTY, PLANT AND EQUIPMENT

	31 December 2020 £	31 December 2019 £
At 1 January	**9,068,203**	3,460,651
Additions	**6,274,438**	9,087,984
Grant utilised	**(2,653,366)**	(3,480,432)
Net book value at 31 December	**12,689,275**	9,068,203

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 £6,274,438 (2019: £9,087,984) 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 the capital grant recognised.

In accordance with IAS 16, depreciation of the asset will commence when it is available for use.

6. CALLED UP SHARE CAPITAL

	31 December 2020 £	31 December 2019 £
Allotted, called up and fully paid		
52,867 (2019: 5,237) ordinary shares of par value of £1 each	**52,867**	5,237
Total	**52,867**	5,237

During the year ended 31 December 2020, a total of 47,630 shares were issued by the Company (2019: 600 shares).

The sole shareholder of the Company is the Fund.

All shares in issue carry equal voting and dividend rights.

Capital policy
The Directors periodically review the capital structure of the Company considering the cost of capital and the risks associated. The Directors consider capital to comprise long-term equity. The Directors will approve any material adjustments to the capital structure. The Directors' policy is to maintain a strong capital base to sustain future development of the business.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

7. TRADE AND OTHER PAYABLES

	31 December 2020 £	31 December 2019 £
Creditors and accruals	**(560,849)**	(1,066,220)
Total trade and other payables	**(560,849)**	(1,066,220)

8. CAPITAL GRANT

	31 December 2020 £	31 December 2019 £
At 1 January	**(1,246,875)**	(4,727,307)
Grant recognised	**2,653,366**	3,480,432
At 31 December	**1,406,491**	(1,246,875)

The Grant Agreement was executed on 5 December 2018. The purpose of the funding is for a specific action (the "Action") that the Company agreed to complete by 30 September 2021 (the "Completion Date"). An application to extend the Completion Date beyond September 2021 has been submitted and is expected to be granted.

On 14 December 2018, the Company received a pre-funding amount of £5,438,862 (€6,064,881), representing 40% of the maximum amount of the total grant (€15,162,203). The residual portion of the grant is payable within 12 months of the Completion Date and is contingent on the successful completion of the Action. At the reporting date, it is the Directors' assessment that the majority of the Action is proceeding substantially in line with the schedule as set out in the application that is expected to be granted.

During the year, the Company has recognised £2,653,366 (2019: £3,480,432) of the grant against the carrying amount of the property, plant and equipment.

As of 31 December 2020, total recognised costs from inception of the capital grant amounts to £6,845,353, which exceeds the pre-funding amount received to date. As a result, an amount of £1,406,491 is recognised as a receivable by the Company at 31 December 2020.

9. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. Ultimate responsibility for setting risk appetite and the effective management of risk rests with the Directors and the 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

9. FINANCIAL RISK MANAGEMENT (continued)

(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 2020, the Company's capital grant-asset amounting to £1,406,491 is denominated in Euro (2019: capital grant-liability amounting to £1,246,875). At 31 December 2020, had the £ strengthened/weakened by 5% in relation to Euro, with all other variables held constant through statement of comprehensive income and shareholder's funds would have decreased/increased by £70,325 (2019: £62,344) as a result of foreign exchange gains/losses on translation on capital grant balances.

In addition to the above, at 31 December 2020 and 2019, a portion of the Company's net assets are denominated in currencies other than Great British Pound. The Company has determined that this results in no material additional exposure to non-Great British Pound currencies at the reporting date and has not been included in the above sensitivity analysis.

(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. 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 an 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 2020, 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 2020, £950,226 (2019: £Nil) of the Company's cash is held with Lloyds Bank Plc which is rated A. At 31 December 2019, the Company held cash with Barclays Bank Plc, which was rated A, in the amount of £3,318,684. The ratings are determined by Standard and Poor's rating agency.

At 31 December 2020, the Company has a capital grant of £1,406,491 and recoverable VAT of £564,525 (2019: 446,559). The Directors have determined that the credit risk relating to these items is minimal.

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. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Directors
The directors of the Company during the year are listed on page 1 of these financial statements.

11. ULTIMATE CONTROLLING PARTY

At the reporting date, the ultimate controlling party of the Company is the Fund, 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

On 16 February 2021, the Company received a subscription from the Fund of £4,000,000.

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