



AQUIND Limited

AQUIND INTERCONNECTOR

Funding Statement

The Planning Act 2008

Document Ref: 4.2

PINS Ref.: EN020022

AQUIND Limited

AQUIND INTERCONNECTOR

Funding Statement

PINS REF.: EN020022

DOCUMENT: 4.2

DATE: DECEMBER 2020

WSP

WSP House

70 Chancery Lane

London

WC2A 1AF

+44 20 7314 5000

www.wsp.com

DOCUMENT

Document	4.2 Funding Statement
Revision	002
Document Owner	WSP UK Limited
Prepared By	HSF
Date	22 December 2020
Approved By	HSF
Date	22 December 2020

AQUIND Interconnector Order 202[X]

Funding Statement

Planning Act 2008

Document Ref: 4.2, Rev 002

PINS Reference: EN20022

**Infrastructure Planning (Applications: Prescribed Forms and Procedure)
Regulations 2009 (SI 2009/2264) (Regulation 5(2)(h))**

Author: Herbert Smith Freehills LLP

TABLE OF CONTENTS

	Page
1. INTRODUCTION	1
2. PURPOSE OF THIS STATEMENT	2
3. THE PROPOSED DEVELOPMENT	3
4. CORPORATE STRUCTURE AND ASSETS	4
5. ESTIMATED PROJECT COST	5
6. PROJECT FINANCING	7
7. FUNDING CLAIMS FOR COMPENSATION	9
8. REGULATORY STATUS.....	11
9. CONCLUSION.....	13
APPENDIX 1 AUDITED ACCOUNTS FOR AQUIND LIMITED FOR THE YEAR ENDED 30 JUNE 2018.....	14
APPENDIX 2 AUDITED ACCOUNTS FOR AQUIND LIMITED FOR THE YEAR ENDED 30 JUNE 2019.....	15

1. **INTRODUCTION**

- 1.1 This funding statement (Statement) relates to an application by AQUIND Limited (the 'Applicant') to the Secretary of State ('SoS') under the Planning Act 2008 (as amended) (the 'Act') for the AQUIND Interconnector Order (the 'Order') (the 'Application').
- 1.2 The Application is submitted to the Secretary of State pursuant to section 37 of the Act. This statement has been prepared in accordance with the requirements provided for by section 37(3)(d) of the Act and regulation 5(2)(h) of the Infrastructure Planning (Applications: Prescribed Forms and Procedures) Regulations 2009 (the '2009 Regulations'), and with relevant guidance issued by the Department for Communities and Local Government.
- 1.3 The Application seeks development consent for those elements of AQUIND Interconnector (the 'Project') located in the UK and the UK Marine Area (the 'Proposed Development').

2. **PURPOSE OF THIS STATEMENT**

- 2.1 This Statement has been submitted as it will be necessary to acquire land and rights over land in order to construct, operate and maintain the Proposed Development and therefore powers of compulsory acquisition have been sought in the Order. This Statement explains how the shareholders of the Applicant and their parent companies expect that the construction of the Proposed Development and, as necessary, the acquisition compulsorily of land and rights over land as are required in connection with the Proposed Development and authorised by the Order will be funded.
- 2.2 This Statement forms part of a suite of documents accompanying the Application, submitted in accordance with section 37 of the Act and regulation 5 of the 2009 Regulations, and should be read together with those documents, in particular the Statement of Reasons (Application Document Reference 4.1) which justifies the powers of compulsory acquisition that are sought.

3. THE PROPOSED DEVELOPMENT

- 3.1 The Project is a new 2,000 MW subsea and underground High Voltage Direct Current ('HVDC') bi-directional electric power transmission link between the South Coast of England and Normandy in France. By linking the British and French electric power grids it will make energy markets more efficient, improve security of supply and enable greater flexibility as power grids evolve to adapt to different sources of renewable energy and changes in demand trends such as the development of electric vehicles. The Project will have the capacity to transmit up to 16,000,000 MWh of electricity per annum, which equates to approximately 5% and 3% of the total consumption of the UK and France respectively.
- 3.2 The Application seeks development consent for those elements of the Project located in the UK and the UK Marine Area (the 'Proposed Development'). The Proposed Development includes:
 - 3.2.1 HVDC marine cables from the boundary of the UK exclusive economic zone to the UK at Eastney in Portsmouth;
 - 3.2.2 Jointing of the HVDC marine cables and HVDC onshore cables;
 - 3.2.3 HVDC onshore cables;
 - 3.2.4 A Converter Station and associated electrical and telecommunications infrastructure;
 - 3.2.5 High Voltage Alternating Current ('HVAC') onshore cables and associated infrastructure connecting the Converter Station to the Great Britain electrical transmission network, the National Grid, at Lovedean Substation; and
 - 3.2.6 Smaller diameter fibre optic cables ('FOC') to be installed together with the HVDC and HVAC cables and associated infrastructure.
- 3.3 Chapter 3 (Description of the Proposed Development) of the Environmental Statement ('ES') (Application Document Reference 6.1.3) contains a detailed description of the Proposed Development for which development consent is sought by the Applicant.
- 3.4 On 19 June 2018 the Applicant submitted a request to the SoS for a direction pursuant to section 35 of the PA 2008 that the Proposed Development is to be treated as development for which development consent is required.
- 3.5 The SoS, being satisfied that the relevant legal requirements were met and of the view that the Proposed Development is by itself nationally significant, issued a direction on 30 July 2018 directing that the Proposed Development, together with any development associated with it, is to be treated as development for which development consent is required.

4. **CORPORATE STRUCTURE AND ASSETS**

- 4.1 AQUIND Limited, the Applicant, is a company registered in England and created in accordance with the laws of England and Wales, with company number 06681477 and registered at OGN House, Hadrian Way, Wallsend, NE28 6HL.
- 4.2 The Applicant was incorporated with the sole purpose of promoting and developing AQUIND Interconnector, the Project, and will be the undertaker for the purposes of the Order.
- 4.3 The sole shareholder (100%) of AQUIND Limited is AQUIND Energy Sarl, a company registered in Luxembourg with company number B 229924 and registered at 26, boulevard de Kockelscheuer, L-1821 Luxembourg.
- 4.4 As at 30 June 2018 the total company assets of the Applicant were £13.3m according to the annual audited account, mainly consisting of the capitalised development costs £12.2m.
- 4.5 A copy of the audited accounts for the year ended 30 June 2018 are contained at **Appendix 1** to this Statement.
- 4.6 The updated audited accounts for the year ended 30 June 2019 were submitted into the Examination at Deadline 1 (REP1-095).
- 4.7 As at 30 June 2019 the total company assets of the Applicant were £25m according to the annual audited account, mainly consisting of the capitalised development costs £23.3m.
- 4.8 A copy of the audited accounts for the year ended 30 June 2019 are contained at **Appendix 2** to this Statement.

5. ESTIMATED PROJECT COST

- 5.1 The Applicant continues to work with its delivery partners to understand the costs of implementing the Order, which includes costs associated with obtaining development consent, construction and land acquisition.
- 5.2 The current cost estimate for the Project is approximately €1.4bn (£1.24bn), with this estimate being undertaken at beginning of 2019 following two rounds of market engagement with potential contractors in respect of the design, engineering, supply and installation of converters and cables.
- 5.3 The cost estimate has been forecasted in both real and nominal terms, with the inflation for the future period taken at a rate of 2%, which is broadly considered a target inflation rate by the modern monetary policy¹. Whilst this rate of inflation has been applied, the Applicant is confident that inflation rates will not significantly affect the feasibility of the Project, either in the case of lower inflation or higher inflation than the target inflation rate of 2%.
- 5.4 The current capital cost estimate for the Proposed Development, based on an equal split of the estimated cost of the Project between the elements in France and in the UK, is approximately £623m. For the purposes of the Application an equal split of capital costs between the French and UK parts of the Project is assumed. Whilst there may be some variance in practice, the elements of the Project and the costs associated with delivery of the Project in both countries are broadly similar.
- 5.5 A broad breakdown of the estimated costs is included in the table below.

Works/Costs	Estimate
Development costs (including professional and other fees)	£19m
Construction costs	£599m
Land acquisition costs	£4.97m
Estimated Total Capital Cost	£623m

- 5.6 With regard to estimated land acquisition costs, a breakdown of how these have been calculated is as follows:

Land Acquisition	£1,277,000.00
Acquisition of Rights and Restrictions	£1,973,775.21
Disturbance Compensation	£664,980.33
Injurious Affection	£645,000.00
Professional Fees	£410,000.00
Estimated Total	£4,970,755.54

¹ <https://www.bankofengland.co.uk/monetary-policy>

- 5.7 The cost of interest and other debt servicing will be met from revenues generated by the Project. The Applicant's financial forecasts shows that the Project will generate sufficient operating profits to ensure that Debt Service Cover Ratio and Interest Cover Ratio are at an acceptable level. In addition, generally low interest rates have been a feature of the economic situation over the past decade², which creates favourable conditions for securing infrastructure financing. Other debt servicing costs, in addition to interest, typically include a commitment fee of around 2% of the respective debt facility and a reserve fee between 0.5% and 1%.

² The history of Bank of England official rates is available here:
<https://www.bankofengland.co.uk/boeapps/database/Bank-Rate.asp>

6. PROJECT FINANCING

- 6.1 The Applicant has secured from its current investors financing sufficient to support the Project until the completion of the development stage, which includes obtaining all necessary permissions and authorisations, including the DCO. The Applicant has invested approximately £35m in the development of the Project as of 30 June 2020. The residual cost of completing the pre-construction stage of the Project is forecasted at £15m. This amount has been revised taking into account delays as a consequence of the Covid-19 pandemic extending the pre-consent stage, and the resultant changes in the processes to obtain the required consents.
- 6.2 Post the development stage the Proposed Development, and more broadly the Project, is to be funded through project finance secured against the operational profits (revenues) of the Project.
- 6.3 Typically interconnectors have the following streams of revenues:
- 6.3.1 Congestion charges - up to 75% of total revenues: Congestion charges are charges collected by the interconnector operator for access to the interconnector's capacity from parties wishing to transmit electricity from one country to another³.
 - 6.3.2 Capacity market payments – up to 20% of total revenues: GB interconnectors have been able to participate in the GB capacity market since 2018. These are the payments for interconnectors providing a security of supply services at the time of high demand and/or low supply as a stand-by capacity⁴.
 - 6.3.3 Ancillary services – up to 5% of total revenues: These revenues arise from provision of various services to National Grid and RTE, which they require in order to ensure the stability of national transmission systems⁵.
- 6.4 In addition, the revenues from the commercial use of the FOC within the Project may contribute an additional 5% of total revenues.
- 6.5 The cost of regular operation and maintenance of the Project are very low comparing to most of other types of energy infrastructure and are expected to be at the level of around 1% of the capital costs, or nearly 2% of capital costs if business rates in England and local land-related taxes in France are included.
- 6.6 Accordingly, it is expected the revenues to be generated will leave sufficient cash flows available to repay project finance debt and provide adequate returns to investors.
- 6.7 The Applicant expects that the financing will be arranged on the basis of project finance debt with the tenure of 15 to 25 years constituting circa 70% of the total capital costs of the Project, with the remainder to be financed with equity.
- 6.8 It is anticipated that equity capital will be derived from leading international infrastructure funds, and that project debt financing will be secured from various

³ Baringa, February 2014, New electricity interconnection to GB – operation and revenues, for Department of Energy and Climate Change, available here

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/322005/new_electricity_interconnection_to_gb_operation_and_revenues_baringa.pdf

⁴ Ibid, also BEIS, Capacity Market, Five-year Review (2014-2019), available here

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/81976/cm-five-year-review-report.pdf

⁵ National Grid SO Submission to Cap and Floor, June 2017, available here

https://www.ofgem.gov.uk/system/files/docs/2018/01/nget_report_to_ofgem_-_quantified_interconnector_impacts.pdf

banking sources and/or institutional investors. Possibilities of export financing by export agencies of the countries of origin of key components of the Project are also being considered as part of the public tender process.

- 6.9 The Applicant has been engaging with a number of potential investors since the start of the Project directly, including British and international investment funds and international energy companies. The engagement with a group of debt providers and equity investors completed for the Applicant by KPMG in 2019 showed that subject to obtaining necessary and appropriate consents, permissions and approvals, investors consider interconnectors to be an attractive type of future investment and therefore the Project is considered to be bankable.
- 6.10 Financing for the Project is therefore expected to be subject to grant of the development consent order and the settlement of regulatory status of the Project (see section 8 of this statement for further information in this regard).

7. FUNDING CLAIMS FOR COMPENSATION

7.1 Compulsory acquisition

7.2 The Order contains powers to enable the acquisition of land, new rights over land and the imposition of restrictions that are necessary in connection with the construction, operation and maintenance of the Proposed Development. Such powers will be necessary to be used where the necessary land or rights over land cannot be acquired by voluntary agreement.

7.3 In summary, the following land and rights over land are sought for the purposes of the Proposed Development:

7.3.1 Acquisition of all freehold and leasehold interests over land required for the construction of a Converter Station at Lovedean;

7.3.2 Rights to plant and maintain landscaping, including maintaining existing hedgerows, on parcels of land necessary to mitigate the visual and ecological impact of the Proposed Development;

7.3.3 Easements authorising the laying, operation and maintenance of the HVAC onshore cables between the converter station and the existing National Grid substation at Lovedean;

7.3.4 Easements authorising the laying, operation and maintenance of the HVDC onshore cables between the Converter Station at Lovedean and the landfall site at Eastney;

7.3.5 Temporary use of land in connection with the construction and maintenance of the Proposed Development;

7.3.6 Easements of access necessary to construct and maintain the Proposed Development;

7.3.7 Acquisition of all freehold and leasehold interests over land required for construction of two optical regeneration stations near to the landfall at Eastney.

7.4 Further details of the rights and interests over land sought for the purpose of the Proposed Development are set out in section 6 of the Statement of Reasons (Application Document Reference 4.2).

7.5 Professional advice and landowner negotiations

7.6 The total estimated maximum costs to acquire the land and rights required in connection with the Proposed Development and for which powers of acquisition in the Order are sought in relation to are approximately £5m. It should be noted that this is an estimated valuation of the worst case land and rights required for the Project, and excludes the valuation of the Crown Estate's seabed interest (discussed below at paragraph 7.8) and professional fees and stamp duty land tax. The Applicant considers that the actual cost of acquiring land and rights required will be less than the above sum.

7.7 The current position regarding negotiations with landowners and those with interest in land affected by the Proposed Development is summarised in the Statement or reasons (Application Document Reference 4.1).

7.8 The Applicant has signed an option agreement with the Crown Estate for the licencing of a corridor of the seabed being 1,000 metres in width and lying inside the territorial limit. Within this seabed area, the Applicant may carry out site investigations and / or install temporary works during the option period. The

Applicant may elect to exercise the option to draw down the licence within the option period (being six years) and once granted, the licence grants the Applicant rights to lay, bury, protect and use the section of the cable system for the Proposed Development within a certain designated area for a period of 49 years. The Applicant is negotiating a further option agreement with the Crown Estate for the leasing of a corridor of the foreshore and bed of the river at Eastney, Portsmouth. This lease contains similar rights to the aforementioned seabed licence.

7.9 Blight

- 7.10 The current cost estimate (see section 5 of this Statement) includes an amount to cover the total costs of the payment of compensation for the compulsory acquisition of land and rights included in the Order and required in connection with the Proposed Development.
- 7.11 It is not anticipated that any claims for blight will arise. Should any claims for blight arise as a consequence of the Application the cost of meeting such claims will be met from the sources of funding described above at section 6 to this Statement.

8. REGULATORY STATUS

- 8.1 The Applicant continues to work to secure regulatory arrangements for the Project which would enable it to operate in the UK and France. In this regard, the Applicant presently has two separate ongoing applications for an “exemption” from certain regulations which are being considered by the relevant authorities.
- 8.2 An application for an exemption under the Electricity Regulation needs to meet six criteria set out in the Electricity Regulation. In its decision of 2018, the Agency for the Cooperation of Energy Regulators (‘ACER’) assessed the Applicant’s exemption request against all six criteria and confirmed that the Applicant passed five of the six tests set out in the Electricity Regulation. In relation to the element that ACER deemed the Applicant not to have passed, the General Court of the European Union has ruled that ACER acted unlawfully as it wrongly created a hierarchy between two EU regulations and wrongly sought to create a further conditionality for the exemption for which the Applicant had applied. On the basis that this approach by ACER was held to be unlawful and given that the Applicant had met all other criteria for the exemption, the Applicant has a pathway to an exemption in 2021.
- 8.3 In respect of the ongoing exemption applications:
- 8.3.1 the first application relates to an exemption for the entire Project. This application was submitted in December 2017 and was rejected by the Agency for the Cooperation of Energy Regulators (‘ACER’). Following an unsuccessful appeal to the Board of Appeal of ACER, the Applicant brought an appeal before the General Court of the European Court of Justice. On 18 November 2020, the General Court annulled the decision of the Board of Appeal and this exemption application has therefore been remitted to the Board of Appeal to reconsider in light of the judgment; and
- 8.3.2 the second application relates to a partial exemption, which was submitted to the national regulatory authorities for the UK and France (Ofgem and CRE) in June 2020. This application only seeks an exemption for the portion of the project in French territory. The application is progressing and a public consultation on the application was launched by the regulators on 18 December 2020⁶ and which will continue until 29 January 2021.
- 8.4 The grant of either of these exemption applications would allow the Project to operate in France. If the second ‘partial’ exemption is granted, further regulatory arrangements would be required for the UK portion of the Project. In this regard, the Applicant intends to apply for a cap and floor regime, or its equivalent/replacement, as soon as applications are invited following the conclusion of Ofgem’s present interconnector policy review and the Applicant has advised Ofgem of this intention.
- 8.5 In this regard the Energy White Paper: Powering our net zero future published by the Department for Business, Energy and Industrial Strategy on 14 December 2020⁷ identifies that Ofgem will work with developers and the UK’s European partners to realise at least 18GW of interconnector capacity by 2030⁸, and it is

⁶<https://www.ofgem.gov.uk/publications-and-updates/joint-consultation-aquind-s-exemption-request>

⁷https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945899/201216_BEIS_EWP_Command_Paper_Accessible.pdf

⁸ *ibid*, page 80.

anticipated an appropriate policy mechanism will be introduced to ensure the realisation of this increase at least cost to consumers.

9. **CONCLUSION**

- 9.1 Whist the Project does not have the benefit of full funding at this stage, this is not unusual for a project where the securing of funding is dependent on the securing of a development consent order. It is not anticipated that there will be any funding shortfalls for the Project in terms of its principal project cost, financing or land acquisition at the time of when such finance is required.
- 9.2 The explanation set out in this Statement provides a basis for concluding that the compensation arising from the potential exercise of compulsory acquisition powers under the Order will be met, and that the necessary funding for the development of the Project will be secured.

APPENDIX 1

AUDITED ACCOUNTS FOR AQUIND LIMITED FOR THE YEAR ENDED 30 JUNE 2018

COMPANY REGISTRATION NUMBER: 06681477

Aquind Limited

Financial Statements

**For the year ended
30 June 2018**



Aquind Limited

Directors' Report

For the year ended 30 June 2018

The directors present their report and the audited financial statements of the company for the year ended 30 June 2018.

Principal activities

The principal activity of the company during the year was the development of the Aquind Interconnector - a 2000MW high voltage direct current power transmission line between the UK and France.

On June 23, 2016, the United Kingdom (UK) held a referendum in which voters approved an exit from the European Union (EU) referred to as "Brexit". As a result of the referendum, it was expected that the UK would leave the EU by 29 March 2019 although at the time of this report the terms and timing of any final Brexit negotiations remain unknown. The Directors anticipate that Brexit could cause disruption and uncertainties around AQUIND's business and relationships with both future users of the interconnector and create a short term uncertainty in respect of the regulatory treatment of AQUIND Interconnector by the UK, French and EU electricity market regulators. Brexit is unlikely to have a direct impact on environmental, planning and consenting activities, which are being currently undertaken by the company. Nevertheless, since construction of the interconnector is not planned earlier than 2020 and its commissioning planned for after 2022, we consider that the interconnector's business model will remain viable. Any short-term immediate disruptions arising from Brexit are unlikely to undermine the fundamental, long-term conditions of energy markets in the UK and France, which suggest significant economic benefits of the transmission of electricity between the two markets.

Subsequent events

Subsequent to the year end, on 15 February 2019 100% shares of the Company were sold to Aquind Energy SARL, a company registered in Luxemburg and the transaction has been registered with the UK tax authorities.

Directors

The directors who served the company during the year, and up to the date of signing were as follows:

Mr R D Glasspool
Mr K Glukhovskoy
Mr A Temerko

The Company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Donations

£34,000 was paid to the Conservative party for attendance at various events and conferences during the year. A proportion of the cost of these events are treated as donations by the recipient. It has not been possible to split this out. Further purchases of £8,000 were also made from the Conservative party during the year.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

Small company provisions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

This report was approved by the board of directors on 27 March 2019 and signed on behalf of the board by:


Mr R D Glasspool
Director



Aquind Limited

Directors' Responsibilities Statement

For the year ended 30 June 2018

The directors are responsible for preparing the Annual 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 judgments 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. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Aquind Limited

Independent Auditor's Report to the Members of Aquind Limited

For the year ended 30 June 2018

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Aquind Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 12.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 in the UK, including the Financial Reporting Council's (the 'FRC's') 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

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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 these matters.

Other information

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

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

Aquind Limited

Independent Auditor's Report to the Members of Aquind Limited (continued)

For the year ended 30 June 2018

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.

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 auditor's report.

Report on other legal and regulatory requirements

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.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Use of our report

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.



27 March 2019

Aquind Limited

Statement of Comprehensive Income

For the year ended 30 June 2018

	Note	2018 £	2017 £
Administrative expenses		(1,023,130)	(579,725)
Operating loss		<u>(1,023,130)</u>	<u>(579,725)</u>
Interest payable and similar expenses		(363,565)	(87,060)
Loss before taxation		(1,386,695)	(666,785)
Tax on loss		-	-
Loss for the financial year and total comprehensive income		<u>(1,386,695)</u>	<u>(666,785)</u>

All the activities of the company are from continuing operations.

The notes on pages 8 to 10 form part of these financial statements.

Aquind Limited**Statement of Financial Position****As at 30 June 2018**

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	6	12,169,613	3,225,247
Tangible assets	7	8,109	—
		<u>12,177,722</u>	<u>3,225,247</u>
Current assets			
Debtors	8	1,014,452	254,383
Cash at bank and in hand		50,666	420,064
		<u>1,065,118</u>	<u>674,447</u>
Creditors: amounts falling due within one year	9	(15,092,991)	(4,363,150)
Net current liabilities		<u>(15,092,991)</u>	<u>(3,688,703)</u>
Total assets less current liabilities		<u>(1,850,151)</u>	<u>(463,456)</u>
Net liabilities		<u>(1,850,151)</u>	<u>(463,456)</u>
Capital and reserves			
Called up share capital		330,001	330,001
Profit and loss account		(2,180,152)	(793,457)
Shareholders deficit		<u>(1,850,151)</u>	<u>(463,456)</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

These financial statements were approved by the board of directors and authorised for issue on 27 March 2019 and are signed on behalf of the board by:



Mr R D Glasspool
Director

Company registration number: 06681477

The notes on pages 8 to 10 form part of these financial statements.

Aquind Limited

Statement of Changes in Equity

For the year ended 30 June 2018

	Called up share capital £	Profit and loss account £	Total £
At 1 July 2016	330,001	(126,672)	203,329
Loss for the year		(666,785)	(666,785)
Total comprehensive loss for the year	<u>-</u>	<u>(666,785)</u>	<u>(666,785)</u>
At 30 June 2017	330,001	(793,457)	(463,456)
Loss for the year		(1,386,695)	(1,386,695)
Total comprehensive loss for the year	<u>-</u>	<u>(1,386,695)</u>	<u>(1,386,695)</u>
At 30 June 2018	<u>330,001</u>	<u>(2,180,152)</u>	<u>(1,850,151)</u>

The notes on pages 8 to 10 form part of these financial statements.

Aquind Limited

Notes to the Financial Statements

For the year ended 30 June 2018

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is OGN House, Hadrian Way, Wallsend, NE28 6HL.

2. Statement of compliance

These financial statements have been prepared in compliance with Section 1A of FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis and in sterling, which is the functional currency of the entity.

Going concern

The company has been and is dependent upon the shareholder in providing funding to cover the initial project development costs. A number of shareholder loans have been provided to the company which are for a fixed term of one year. The shareholder has agreed to roll-over each loan and to extend for one further year. A budget has been prepared covering one years required project development and overhead costs to 31 March 2020. The shareholder has provided a letter of comfort to the company that the budget will be funded by additional shareholder loans and that all individual loans made to date to the company will be extended for one further year. The shareholder is therefore committed to provide continued funding to the company for the current project development phase. The directors are also investigating alternative sources of finance, including commercial banks, other financial institutions and strategic partners to fund subsequent project stages.

Taking into account the above and the ongoing financial support demonstrated by the shareholder, the directors continue to adopt the going concern basis in preparing the financial statements.

Development costs

Expenditure to establish the Project is recognised in the Profit and Loss Account on an accruals basis. Expenditure on the development of the Project is capitalised when its future recoverability can be reasonably assured and both its technical feasibility and commercial viability can be demonstrated. Costs capitalised include costs incurred in bringing the Project to the consented stage, including costs associated with obtaining all material permits, authorisations and financing. At the point where the future economic benefit from its use or disposal does not exceed the carrying value of the Project it is impaired. At the point that the Project reaches the consent stage and is approved for construction by the Board the carrying value will be transferred to property, plant and equipment as assets under construction.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Amortisation will be charged once the related asset is available for use.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

4. Auditor's remuneration

	2018	2017
	£	£
Fees payable for the audit of the financial statements	7,550	7,550

Aquind Limited

Notes to the Financial Statements (continued)

For the year ended 30 June 2018

5. Employee numbers

The average number of persons (based on the monthly average number in line with Companies Act requirements) employed by the company during the year amounted to 7 (2017: 7).

6. Intangible assets

	Development costs £	Intellectual property rights £	Other intangibles £	Total £
Cost				
At 1 July 2017	3,195,998	5,850	23,399	3,225,247
Additions	8,944,366	-	-	8,944,366
At 30 June 2018	<u>12,140,364</u>	<u>5,850</u>	<u>23,399</u>	<u>12,169,613</u>
Amortisation				
At 1 July 2017 and 30 June 2018	-	-	-	-
Carrying amount				
At 30 June 2018	<u>12,140,364</u>	<u>5,850</u>	<u>23,399</u>	<u>12,169,613</u>
At 30 June 2017	<u>3,195,998</u>	<u>5,850</u>	<u>23,399</u>	<u>3,225,247</u>

7. Tangible assets

	Fixtures and fittings £	Total £
Cost		
At 1 July 2017	-	-
Additions	9,018	9,018
At 30 June 2018	<u>9,018</u>	<u>9,018</u>
Depreciation		
At 1 July 2017 and 30 June 2018	909	909
Carrying amount		
At 30 June 2018	<u>8,109</u>	<u>8,109</u>
At 30 June 2017	<u>-</u>	<u>-</u>

8. Debtors

	2018 £	2017 £
Prepayments and accrued income	16,028	20,480
Other debtors	795,184	114,814
VAT	203,240	119,089
	<u>1,014,452</u>	<u>254,383</u>

Aquind Limited

Notes to the Financial Statements (continued)

For the year ended 30 June 2018

9. Creditors: amounts falling due within one year

	2018	2017
	£	£
Trade creditors	1,542,026	530,401
Amounts owed to group undertakings	12,596,004	3,517,404
Accruals and deferred income	921,426	307,532
Social security and other taxes	32,063	–
Other creditors	1,472	7,813
	<u>15,092,991</u>	<u>4,363,150</u>

Amounts owed to group undertakings have been advanced at an interest rate of 4.5% above the Barclays bank base rate.

10. Related party transactions

During the year, the Company received marketing services from a relative of the company director in the amount of £6,300 (2017: £Nil). The services were provided under the normal market conditions. During the year the costs of these services were included in administrative expenses.

The outstanding amount at the reporting date was £Nil (2017: £Nil).

11. Controlling party

The company's immediate parent undertaking was OGN Enterprises Limited, a company registered in the British Virgin Islands. The directors regarded the ultimate controlling party to be TMF (BVI) Limited, a company registered in the British Virgin Islands.

12. Subsequent events

Subsequent to the year end, on 15 February 2019 100% shares of the Company were sold to Aquind Energy SARL, a company registered in Luxemburg and the transaction has been registered with the UK tax authorities.

APPENDIX 2

AUDITED ACCOUNTS FOR AQUIND LIMITED FOR THE YEAR ENDED 30 JUNE 2019

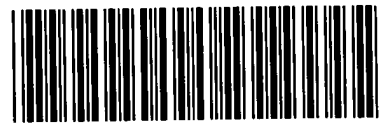
COMPANY REGISTRATION NUMBER: 06681477

Aquind Limited

Financial Statements

**For the year ended
30 June 2019**

WEDNESDAY



A95YU801

A09

27/05/2020

#213

COMPANIES HOUSE

Aquind Limited

Directors' Report

Year ended 30 June 2019

The directors present their report and the financial statements of the company for the year ended 30 June 2019.

Principal activities

The principal activity of the company during the year was the development of the Aquind Interconnector - a 2000MW high voltage direct current power transmission line between the UK and France.

On 23 June, 2016, the United Kingdom (UK) held a referendum in which voters approved an exit from the European Union (EU) (referred to as "Brexit"). Following a general election held on 12 December 2019, the elected government moved forward with seeking Parliamentary approval of a new Withdrawal Agreement which was considered and agreed by the European Council on 17 October 2019. The Withdrawal Agreement was approved in January 2020. The new Withdrawal Agreement sets out the terms of the UK's exit from the EU. In addition, the UK and EU also agreed upon a new Political Declaration which sets out the framework for the future relationship between the EU and the UK, and reflects the Government's ambition to conclude an ambitious, broad, deep and flexible partnership across trade and economic co-operation across a number of sectors, including energy, with a free trade agreement with the EU at its core. As the outcome, the UK left the EU on 31 January 2020. There is currently a transition period during which the UK and the EU should agree on post-Brexit trading arrangements. The transition period is currently due to expire on 31 December 2020, but might be extended in order to complete negotiations.

Accordingly, uncertainty still remains over the future nature and timing over agreement on the future economic and trading relationship between the UK and EU. This may lead to ongoing disruptions and uncertainties around AQUIND's business and relationships with both future users of the interconnector and in respect of the regulatory treatment of AQUIND Interconnector by the UK, French and EU electricity market regulators.

However, Brexit is unlikely to have a direct impact on environmental, planning and consenting activities, which are being currently undertaken by the company. Nevertheless, since construction of the interconnector is not planned earlier than 2021 and its commissioning planned for after 2023, we consider that the interconnector's business model will remain viable. Any short-term immediate disruptions arising from Brexit are unlikely to undermine the fundamental, long-term conditions of energy markets in the UK and France, which suggest significant economic benefits of the transmission of electricity between the two markets.

The Directors have considered the current economic uncertainty reflecting the Covid 19 outbreak and the associated economic uncertainties and implications for delays to ongoing political dialogue associated with Brexit and the operation of the power markets for the future. Whilst short term delays are expected the underlying economic requirements supporting the need for greater interconnector capacity and the value of this project specifically are considered to remain strong.

Directors

The directors who served the company during the year were as follows:

Mr R D Glasspool
Mr K Glukhovskoy
Mr A Temerko

The company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

£13,000 (2018: £34,000) was paid to the Conservative party for attendance at various events and conferences during the year. A proportion of the cost of these events are treated as donations by the recipient. It has not been possible to split this out. Further political donations of £70,600 (2019: £8,000) were also made to the Conservative party during the year.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

Small company provisions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

Aquind Limited

Directors' Report *(continued)*

Year ended 30 June 2019

This report was approved by the board of directors on 20 May 2020 and signed on behalf of the board by:



Mr R D Glasspool
Director

Registered office:
OGN House
Hadrian Way
Wallsend
NE28 6HL

Aquind Limited

Directors' Responsibilities Statement

Year ended 30 June 2019

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 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 judgments and accounting estimates that are reasonable and prudent.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Aquind Limited

Independent Auditor's Report to the Members of Aquind Limited (*continued*)

Year ended 30 June 2019

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Aquind Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and the Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 in the UK, including the Financial Reporting Council's (the FRC's) 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

We are required by ISAs (UK) to report in respect of the following matters where:

- 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 these matters.

Other information

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

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

Aquind Limited

Independent Auditor's Report to the Members of Aquind Limited (continued)

Year ended 30 June 2019

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Use of our report

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 work, for this report, or for the opinions we have formed.


Anthony Matthews (Senior Statutory Auditor)

For and on behalf of
Deloitte LLP
Statutory Auditor

20 May 2020

Aquind Limited

Statement of Comprehensive Income

Year ended 30 June 2019

	Note	2019 £	2018 £
Administrative expenses		(1,390,077)	(1,023,130)
Operating loss		(1,390,077)	(1,023,130)
Interest receivable and similar income		753	-
Interest payable and similar expenses		(929,732)	(363,565)
Loss before taxation	6	(2,319,056)	(1,386,695)
Tax on loss		-	-
Loss for the financial year and total comprehensive income		(2,319,056)	(1,386,695)

All the activities of the company are from continuing operations.

The notes on pages 9 to 11 form part of these financial statements.

Aquind Limited**Statement of Financial Position****30 June 2019**

	Note	2019 £	2018 £
Fixed assets			
Investments	7	894	-
Intangible assets	8	23,355,679	12,169,613
Tangible assets	9	5,591	8,109
		<u>23,362,164</u>	<u>12,177,722</u>
Current assets			
Debtors	10	651,710	1,014,452
Cash at bank and in hand		1,049,684	50,666
		<u>1,701,394</u>	<u>1,065,118</u>
Creditors: amounts falling due within one year	11	(3,796,950)	(15,092,991)
Net current liabilities		<u>(2,095,556)</u>	<u>(14,027,873)</u>
Total assets less current liabilities		<u>21,266,608</u>	<u>(1,850,151)</u>
Creditors: amounts falling due after more than one year	11	(25,435,815)	-
Net liabilities		<u>(4,169,207)</u>	<u>(1,850,151)</u>
Capital and reserves			
Called up share capital		330,001	330,001
Profit and loss account		(4,499,208)	(2,180,152)
Shareholders deficit		<u>(4,169,207)</u>	<u>(1,850,151)</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

These financial statements were approved by the board of directors and authorised for issue on 20 May 2020, and are signed on behalf of the board by:


Mr R D Glasspool
Director

Company registration number: 06681477

The notes on pages 9 to 11 form part of these financial statements.

Aquind Limited

Statement of Changes in Equity

Year ended 30 June 2019

	Called up share capital £	Profit and loss account £	Total £
At 1 July 2018	330,001	(2,180,152)	(1,850,151)
Loss for the year		(2,319,056)	(2,319,056)
Total comprehensive income for the year	-	(2,319,056)	(2,319,056)
At 30 June 2019	330,001	(4,499,208)	(4,169,207)
Profit for the year		-	-
At 30 June 2019	<u>330,001</u>	<u>(4,499,208)</u>	<u>(4,169,207)</u>

The notes on pages 9 to 11 form part of these financial statements.

Aquind Limited

Notes to the Financial Statements

Year ended 30 June 2019

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is OGN House, Hadrian Way, Wallsend, NE28 6HL.

2. Statement of compliance

These financial statements have been prepared in compliance with Section 1A of FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis and in sterling, which is the functional currency of the entity.

Going concern

OGN Enterprises Limited has provided a number of shareholder loans to the company over the years. OGN Enterprises Limited has confirmed its commitment to provide funding to cover the initial project development costs irrespective of the sale of 100% of shares of the company to Aquind Energy S.a.r.l.. OGN Enterprises Limited has agreed to roll-over each loan and to extend them until 1 June 2021. OGN Enterprises Limited has provided a letter of comfort to the company that the budget will be funded by additional loans and that all individual loans made to date to the company is extended to 1 June 2021. OGN Enterprises Limited is therefore committed to provide continued funding to the company for the current project development phase. The directors are also investigating alternative sources of finance, including commercial banks, other financial institutions and strategic partners to fund subsequent project stages.

In addition to the above the Directors have also considered the current economic uncertainty reflecting the Covid 19 outbreak as set out in the Directors' Report. Reflecting that the company is not currently reliant on revenues, and has secured funding to manage its spending plans for the next 12 months which has been reconfirmed as available in the light of the Covid 19 developments. Whilst there could be some delays to the progress of the plans for the project this is not considered to have a significant impact on the going concern assumption.

Taking into account the above and the ongoing financial support demonstrated by OGN Enterprises Limited, the directors continue to adopt the going concern basis in preparing the financial statements.

Investments

Fixed assets investments are shown at cost less provision for impairment in value.

Development costs

Expenditure to establish the Project is recognised in the Profit & Loss Account on an accruals basis. Expenditure on the development of the Project is capitalised when its future recoverability can be reasonably assured and both its technical feasibility and commercial viability can be demonstrated. Costs capitalised include costs incurred in bringing the Project to the consented stage, including costs associated with obtaining all material permits, authorisations and financing. At the point where the future economic benefit from its use or disposal does not exceed the carrying value of the Project it is impaired. At the point that the Project reaches the consent stage and is approved for construction by the Board the carrying value will be transferred to property, plant and equipment as assets under construction.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Amortisation will be charged once the related asset is available for use.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

4. Auditor's remuneration

	2019	2018
	£	£
Fees payable for the audit of the financial statements	11,750	7,550

Aquind Limited

Notes to the Financial Statements (continued)

Year ended 30 June 2019

5. Employee numbers

The average number of persons employed by the company during the year amounted to 7 (2018: 7).

6. Profit before taxation

Profit before taxation is stated after charging:

	2019 £	2018 £
Depreciation of tangible assets	3,145	909

7. Investments

	Subsidiary undertakings £	Total £
Cost		
Additions	894	894
At 30 June 2019	<u>894</u>	<u>894</u>

Aquind SAS (France) is a 100% subsidiary of the company and was registered on 31 May 2019 for the purposes of developing the Aquind interconnector in France. It is currently operating under the control of the company and was dormant as at 30 June 2019. The investment in the subsidiary company is carried at cost of £894 (2018: £nil).

8. Intangible assets

	Development costs £	Intellectual property rights £	Other intangibles £	Total £
Cost				
At 1 July 2018	12,140,364	5,850	23,399	12,169,613
Additions	11,176,066	10,000	-	11,186,066
At 30 June 2019	<u>23,316,430</u>	<u>15,850</u>	<u>23,399</u>	<u>23,355,679</u>
Amortisation				
At 1 July 2018 and 30 June 2019	-	-	-	-
Carrying amount				
At 30 June 2019	<u>23,316,430</u>	<u>15,850</u>	<u>23,399</u>	<u>23,355,679</u>
At 30 June 2018	<u>12,140,364</u>	<u>5,850</u>	<u>23,399</u>	<u>12,169,613</u>

9. Tangible assets

	Fixtures and fittings £	Total £
Cost		
At 1 July 2018	9,018	9,018
Additions	627	627
At 30 June 2019	<u>9,645</u>	<u>9,645</u>
Depreciation		
At 1 July 2018	909	909
Charge for the year	3,145	3,145
At 30 June 2019	<u>4,054</u>	<u>4,054</u>
Carrying amount		
At 30 June 2019	<u>5,591</u>	<u>5,591</u>
At 30 June 2018	<u>8,109</u>	<u>8,109</u>

Aquind Limited**Notes to the Financial Statements (continued)****Year ended 30 June 2019****10. Debtors**

	2019	2018
	£	£
Prepayments and accrued income	13,205	16,028
VAT	228,055	203,240
Other debtors	410,450	795,184
	<u>651,710</u>	<u>1,014,452</u>

11. Creditors

	2019	2018
	£	£
Amounts falling due within one year:		
Trade creditors	2,463,860	1,542,026
Amounts owed to group undertakings	-	12,596,004
Accruals and deferred income	1,200,962	921,426
Social security and other taxes	79,219	32,063
Other creditors	52,909	1,472
	<u>3,796,950</u>	<u>15,092,991</u>
	2019	2018
	£	£
Amounts falling due more than one year:		
Amounts owed to group undertakings	25,435,815	-

Amounts owed to group undertakings represent loans made by OGN Enterprises Limited and have been advanced at an interest rate of 4.5% above the Barclays bank base rate. OGN Enterprises Limited has agreed to roll-over each loan and to extend them until 1 June 2021.

12. Related party transactions

During the year, the company received loans from OGN Enterprises Limited £11,910,079 (2018: £8,678,425). The outstanding amount at the reporting date was £24,105,908 (2018: £12,195,829). Interest was charged on the loans from OGN Enterprises Limited at 4.5% above the Barclays bank base rate and amounted to £929,732 (2018: £563,007). Interest of £1,329,907 was outstanding at 30 June 2019 (2018: £400,175). OGN Enterprises Limited has agreed to roll-over each loan and to extend them until 1 June 2021.

During the year, the company received marketing services from a relative of the company director in the amount of £38,850 (2018: £6,300). The services were provided under the normal market conditions. During the year the costs of these services were included in administrative expenses. The outstanding amount at the reporting date was £Nil (2018: £Nil).

13. Controlling party

The parent of the company is Aquind Energy S.a.r.l., whose registered office is at 26, boulevard de Kockelscheuer, L-1821, Luxembourg. The Directors have the power to govern the financial and operating policies of the company.

14. Subsequent events

The Directors have considered the current economic uncertainty reflecting the Covid 19 outbreak and the associated economic uncertainties and implications for delays to ongoing political dialogue associated with Brexit and the operation of the power markets for the future. Whilst short term delays are expected the underlying economic requirements supporting the need for greater interconnector capacity and the value of this project specifically are considered to remain strong.

