

Registration number: 10053342

# Humber Gateway OFTO Intermediate Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2022



## **Humber Gateway OFTO Intermediate Limited**

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# **Humber Gateway OFTO Intermediate Limited**

## **Strategic Report for the Year Ended 31 March 2022**

The Directors present their strategic report for the year ended 31 March 2022.

### **Principal activity**

Humber Gateway OFTO Intermediate Limited (the "Company") is a financing company whose sole purpose is investing in Humber Gateway OFTO Limited by means of secured subordinated loan stock. The Company and Humber Gateway OFTO Limited are wholly owned subsidiaries of Humber Gateway OFTO Holdings Limited which together form the Humber Gateway OFTO Group ("Humber Group").

On 7 September 2016 Humber Gateway OFTO Limited ("Humber Limited") was granted a licence (the "Licence") under the Electricity Act 1989 by the Gas and Electricity Markets Authority ("Ofgem"). Its principal activity is to provide an electricity transmission service to National Grid Electricity Transmission Plc ("NGET") - the electricity transmission system operator for Great Britain. It owns and operates a transmission system for a period of 20 years that electrically connects the offshore wind farm generator off the coast of East Yorkshire to the onshore transmission system operated by NGET.

The secured loan stock was issued by the Company to the shareholders of Humber Gateway OFTO Holdings Limited in proportion to their equity shareholding in Humber Gateway OFTO Holdings Limited. The proceeds received were on identical terms and conditions invested in secured subordinated loan stock issued by Humber Gateway OFTO Limited.

### **Review of the business**

The results for the year are set out on page 10. The result for the year after taxation was £Nil (2021: £Nil). The net assets position as at 31 March 2022 was £Nil (2021: £Nil).

The Directors expect the Company to continue its operations for the foreseeable future and the Directors are not aware, at the date of this report, of any major changes in the Company's activities in the next year.

### **Key Performance Indicators**

As part of their stewardship of the project, the Directors regularly consider Board reports related to the performance of the Company and the information and Key Performance Indicators ("KPIs") contained therein. These include, amongst other things, variance against budget in the financial statements, forward cash flow forecasting and other qualitative and quantitative indicators of performance that, as a whole, provide the basis for the management of the Company.

The KPIs for the Company are:

#### *Cash flow*

As at 31 March 2022, the net cash flow was in line with the forecast. For the year ended 31 March 2022, the net cash inflow before financing was £Nil (2021 : £Nil).

#### *Financial Performance*

The Directors have modelled the anticipated financial outcome of the concession across its full term. The Directors monitor actual performance against the anticipated performance. As at 31 March 2022, the Company's performance against this measure was satisfactory and in line with modelled expectations.

## Humber Gateway OFTO Intermediate Limited

### Strategic Report for the Year Ended 31 March 2022 (continued)

#### Principal risks and uncertainties

The Directors do not believe that the Company is exposed to any significant Financial Risk. The Company's principal activity is as an investment company. The Company's asset is a loan to a Private Finance Initiative ("PFI") entity and the Directors believe that Humber Gateway OFTO Limited will have sufficient cash flows to repay the interest and principal on the Company's investment. In turn Humber Gateway OFTO Limited derives income from NGET. NGET is the Transmission Operator ("TO") for Great Britain and is deemed to be low risk.

#### Brexit

The Directors have considered the consequences to the Company of the United Kingdom having exited the European Union and, as at the date of signing the report, this has not had a significant impact on the Company and it is not anticipated that this will have a significant impact in the future. This is primarily because the Company's contractual agreements, including those which cover its financing, are unlikely to be affected.

#### Economic Conditions

The Directors have considered the consequences to the Company of the current economic conditions, including the high rate of inflation, increasing energy costs and the impact of the war in Ukraine. As at the date of signing this report, this has not had a significant impact on the Company, and it is not currently anticipated that this will have a significant impact in the future. This is primarily due to the contractual nature of most of the Company's cash flows, including those which cover financing, which ensures that any inflationary changes to expenditure will be largely offset by equivalent changes to the Company's revenue.

#### COVID-19

The Directors have considered the potential impacts on the Company of the COVID-19 emergency and, as at the date of signing the report, do not anticipate that this will have a significant impact on the Company's ability to continue as a going concern.

The purpose of the Company is for the raising of finance and onward loan of the proceeds, with identical terms for payments of interest and principal, to a fellow group subsidiary, Humber Gateway OFTO Limited, which operates the Licence and invoices NGET for the monthly revenue receipts.

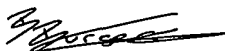
The Directors expect that NGET will continue to make payments in accordance with the Licence and, as a result, the cash flows of Humber Gateway OFTO Limited, and therefore of the Company, are unlikely to be affected. Additionally, the Directors have considered the contingency plans that Humber Gateway OFTO Limited's supply chain has in place and consider that, taking account of reasonably possible counterparty performance, this will enable services to be maintained.

Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements.

#### Future developments

There has been no indication of any significant future developments in the business.

Approved by the Board on 29 July 2022 and signed on its behalf by:



B M Burgess  
Director

Registered office      Q14 Quorum Business Park  
Benton Lane  
Newcastle upon Tyne  
NE12 8BU

## **Humber Gateway OFTO Intermediate Limited**

### **Directors' Report for the Year Ended 31 March 2022**

The Directors have pleasure in presenting their Annual Report together with the Financial Statements for the year ended 31 March 2022.

The following information has been disclosed in the Strategic Report:

- Principal risks and uncertainties
- Indication of likely future developments in the business
- Key performance indicators

#### **Results and Dividends**

The audited financial statements for the year ended 31 March 2022 are set out on pages 10 to 19. The result for the year after taxation was £Nil (2021: £Nil).

The Directors do not propose to declare a dividend in respect of the year ended 31 March 2022 (2021: £Nil).

#### **Share Capital**

The issued share capital at 31 March 2022 was £1 (2021: £1).

#### **Directors' of the Company**

The Directors, who held office during the year, were as follows:

B M Burgess

P E Gill

J Sinclair

B R Walker

#### **Going concern**

The assessment of going concern is linked to that of the Humber Gateway OFTO Group, as its ability is dependent upon the financial performance of Humber Gateway OFTO Limited.

The Humber Gateway OFTO Group has substantial financial resources to cover its obligations to NGET, having arranged senior debt facilities and subordinated debt funding having been received from its shareholders at the start of the contract.

Accordingly, after making enquiries with the Humber Gateway OFTO Group, as further elaborated in the Strategic Report, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in note 1 of the statement of accounting policies in the financial statements.

#### **Disclosure of Information to the Auditor**

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all steps that they ought to have taken to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

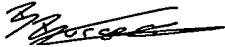
**Humber Gateway OFTO Intermediate Limited**

**Directors' Report for the Year Ended 31 March 2022 (continued)**

**Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board on ..... 29 July 2022 ..... and signed on its behalf by:



.....  
B M Burgess  
Director

## **Humber Gateway OFTO Intermediate Limited**

### **Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements**

The Directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Humber Gateway OFTO Intermediate Limited**

### **Independent Auditor's Report to the Members of Humber Gateway OFTO Intermediate Limited**

#### **Opinion**

We have audited the financial statements of Humber Gateway OFTO Intermediate Limited (the "Company") for the year ended 31 March 2022, which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### **Going concern**

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.



## **Humber Gateway OFTO Intermediate Limited**

### **Independent Auditor's Report to the Members of Humber Gateway OFTO Intermediate Limited (continued)**

#### **Fraud and breaches of laws and regulations - ability to detect**

##### ***Identifying and responding to risks of material misstatement due to fraud***

To identify risks of material misstatement due to fraud (fraud risks) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and management as to the Company's high-level policies and procedures to prevent and detect fraud, and the Company's channel for whistleblowing, as well as whether they have knowledge of any actual, suspected or alleged fraud; and
- Reading Board meeting minutes;
- Using analytic procedures to identify unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no revenue transactions.

We did not identify any additional fraud risks.

We performed procedures including agreeing all accounting entries in the period to supporting documentation.

##### ***Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations***

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation) and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

This Company, as a financing company, is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

## **Humber Gateway OFTO Intermediate Limited**

### **Independent Auditor's Report to the Members of Humber Gateway OFTO Intermediate Limited (continued)**

#### **Context of the ability of the audit to detect fraud or breaches of law or regulation**

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Financial Statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

#### **Strategic Report and Directors' Report**

The Directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover those reports that report, and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with 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.

We have nothing to report in these respects.

#### **Directors' responsibilities**

As explained more fully in their statement set out on page 5, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## **Humber Gateway OFTO Intermediate Limited**

### **Independent Auditor's Report to the Members of Humber Gateway OFTO Intermediate Limited (continued)**

#### **Auditor responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

#### **The purpose of our audit work and to whom we owe 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.



Dan Gibson (Senior Statutory Auditor)  
For and on behalf of KPMG LLP, Statutory Auditor

Quayside House  
110 Quayside  
Newcastle Upon Tyne  
United Kingdom  
NE1 3DX

Date: 29 July 2022

## Humber Gateway OFTO Intermediate Limited

### Profit and Loss Account for the Year Ended 31 March 2022

	Note	2022 £ 000	2021 £ 000
Turnover		-	-
Operating profit/(loss)		-	-
Interest receivable and similar income	6	1,580	1,760
Interest payable and similar charges	7	(1,580)	(1,760)
<b>Profit/(loss) before tax</b>		-	-
<b>Profit/(loss) for the year</b>		-	-

All activities are from continuing operations in the United Kingdom.

There are no items of other comprehensive income in either period other than those reflected in the Profit and Loss Account. Accordingly no separate Statement of Other Comprehensive Income is presented.

The notes on pages 13 to 19 form an integral part of these financial statements.

# Humber Gateway OFTO Intermediate Limited

(Registration number: 10053342)

## Balance Sheet as at 31 March 2022

	Note	2022 £ 000	2021 £ 000
<b>Non current assets</b>			
Debtors	8	21,799	20,589
<b>Current assets</b>			
Debtors	8	900	2,015
<b>Creditors: Amounts falling due within one year</b>	9	<u>(900)</u>	<u>(2,015)</u>
<b>Net current assets/(liabilities)</b>		<u>-</u>	<u>-</u>
<b>Total assets less current liabilities</b>		21,799	20,589
<b>Creditors: Amounts falling due after more than one year</b>	9	<u>(21,799)</u>	<u>(20,589)</u>
<b>Net assets/(liabilities)</b>		<u>-</u>	<u>-</u>
<b>Capital and reserves</b>			
Called up share capital	10	-	-
Profit and loss account		<u>-</u>	<u>-</u>
<b>Shareholders' funds/(deficit)</b>		<u>-</u>	<u>-</u>

Approved by the Board on 29 July 2022 and signed on its behalf by:



.....  
B M Burgess  
Director

The notes on pages 13 to 19 form an integral part of these financial statements.

# Humber Gateway OFTO Intermediate Limited

## Statement of Changes in Equity for the Year Ended 31 March 2022

	<b>Called up share capital £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
At 1 April 2020	1	-	1
Profit/(loss) for the year	-	-	-
At 31 March 2021	<u>1</u>	<u>-</u>	<u>1</u>
	<b>Called up share capital £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
At 1 April 2021	1	-	1
Profit/(loss) for the year	-	-	-
At 31 March 2022	<u>1</u>	<u>-</u>	<u>1</u>

The notes on pages 13 to 19 form an integral part of these financial statements.

## **Humber Gateway OFTO Intermediate Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2022**

#### **1 Accounting policies**

Humber Gateway OFTO Intermediate Limited (the "Company") is a company limited by shares and incorporated, domiciled and registered in England and Wales in the UK. The registered number is 10053342 and the registered address is Q14 Quorum Business Park, Benton Lane, Newcastle upon Tyne, NE12 8BU.

A summary of the principal accounting policies of the Company, all of which have been applied consistently throughout the current and preceding year, is set out below.

#### **Basis of preparation**

The financial statements were prepared in accordance with the Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS101") and the Companies Act 2006. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000, unless otherwise stated.

The Company's immediate parent undertaking, Humber Gateway OFTO Holdings Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Humber Gateway OFTO Holdings Limited are available to the public and may be obtained from the address in note 13.

The Financial Statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Certain disclosures regarding revenue;
- Certain disclosures regarding leases;
- Comparative period reconciliations for share capital and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel;
- Disclosures of transactions with a management entity that provides key management personnel services to the Company; and

## **Humber Gateway OFTO Intermediate Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)**

#### **1 Accounting policies (continued)**

- Disclosures required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations.

As the consolidated financial statements of Humber Gateway OFTO Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

#### **Going concern**

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Directors' Report & Strategic Report.

Despite the Company recording a £Nil profit in the year, the Company's projections show that the Company expects to be able to continue to operate for the foreseeable future. The structure of the company results in matching finance income and expenses.

The Company is a special purpose vehicle formed to act as financing conduit for the activities of a fellow subsidiary, Humber Limited.

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts covering a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides including the impact of COVID-19, the Company will have sufficient funds to meet its liabilities as they fall due for that period. The Company lent the proceeds raised from these borrowings to Humber Limited, a fellow group company with common Directors, on the same terms. Therefore, to meet its liabilities the Company is dependent on Humber Limited, generating sufficient cashflows to settle the payments of principal and interest on the loans made to Humber Limited by the Company.

In making this assessment the Directors have reviewed the cashflow forecasts for Humber Limited covering a period of at least 12 months from the date of approval of these financial statements. These forecasts also take account of severe but plausible downside scenarios, including the impact of COVID-19 on Humber Limited operations. Specifically, the directors have considered if, in modelled severe but plausible downside scenarios, the level of operational performance of Humber Limited would lead to service failure points being awarded against Humber Limited in accordance with the terms of Humber Limited's contract with National grid transmission plc sufficient to cause an event of default under the terms of the Company's external borrowings. To date, taking into account the effect of COVID-19, there has been no material adverse impact on Humber Limited's cashflows, or the service levels provided and no indication of heightened risk of subcontractor failure and the cashflow forecasts indicate that, even in downside scenarios, Humber Limited will be able to make all required payments of principal and interest throughout the forecast period.



## **Humber Gateway OFTO Intermediate Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)**

#### **1 Accounting policies (continued)**

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Humber Limited's operating cash inflows are largely dependent on transmission service receipts from National Grid Electricity Transmission plc ("NGET") in its capacity as National Electricity Transmission Systems Operator ("NETSO"). NETSO is a statutory role granted by the Secretary of State. The regulatory regime concerning the insolvency of the NETSO/NGET and the strength of the underlying covenant is governed by the Energy Act 2004. NGET's transmission licence contains certain conditions. These include:

- Prohibiting NGET from carrying on activities other than those permitted by its licence;
- Requiring that the business of NGET has sufficient managerial and financial resources available to it to conduct licenced activities;
- Requiring NGET to maintain an investment grade issuer credit rating;
- Prohibiting the creation of 'cross-default' obligations; and
- Prohibiting NGET from giving or receiving any cross-subsidy from any other group business.

The Directors expect transmission revenues to be received even in reasonably possible downside scenarios. Throughout the COVID-19 pandemic NGET has continued to pay for the transmission services in full and in a timely manner.

Humber Limited continues to provide the asset in accordance with the Licence and has achieved availability levels in line with expectations. As a result, the Directors do not believe there is any likelihood of a material impact to its revenue stream.

The Directors have assessed the viability of Humber Limited's main sub-contractors and reviewed the contingency plans of the sub-contractors and are satisfied in their ability to provide the services in line with the contract without significant additional costs to Humber Gateway OFTO Limited, even in downside scenarios, due to the underlying contractual terms. To date, there has been no adverse impact on the services provided by the Humber Gateway OFTO Limited or its sub-contractors arising from COVID-19. However, in the unlikely event of a subcontractor failure, Humber Limited has its own business continuity plans to ensure that service provision will continue.

The Directors believe Humber Limited has sufficient funding in place and expect the Company to be in compliance with its debt covenants even in downside scenarios.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### **Finance income & costs**

Finance income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Finance income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

The finance costs on the debt are recognised at a constant rate in accordance with the value of the debt.

## **Humber Gateway OFTO Intermediate Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)**

#### **1 Accounting policies (continued)**

##### **Financial instruments**

###### **Classification**

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Secured subordinated debt is initially stated at the amount of the net proceeds after deduction of related issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in that period.

###### **Impairment**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### **2 Critical accounting judgements and key sources of estimation uncertainty**

##### **Judgements**

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

In the opinion of the Directors, no critical judgements or estimates were made in the application of the accounting policies.

#### **3 Auditors' remuneration**

The audit fee for the Company was borne by Humber Gateway OFTO Limited in both the current and preceding period and amounted to £1,115 (2021: £820).

## Humber Gateway OFTO Intermediate Limited

### Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)

#### 4 Directors' remuneration

The Directors received no salary, fees, or other benefits in the performance of their duties in respect of the Company in the current or prior year.

#### 5 Staff costs

The company had no employees in the current or preceding year. All costs of staff are borne by the shareholders of the parent company, who second their employees.

#### 6 Interest receivable and similar income

	2022 £ 000	2021 £ 000
Interest receivable on secured subordinated loan stock	<u>1,580</u>	<u>1,760</u>

#### 7 Interest payable and similar charges

	2022 £ 000	2021 £ 000
Interest payable on secured subordinated loan stock	<u>1,580</u>	<u>1,760</u>

#### 8 Debtors

	2022 £ 000	2021 £ 000
<b>Due within one year</b>		
Accrued interest on subordinated loan stock	<u>900</u>	<u>2,015</u>

	2022 £ 000	2021 £ 000
<b>Due after one year</b>		
Secured subordinated loan stock	19,415	19,415
Accrued interest on subordinated loan stock	<u>2,384</u>	<u>1,174</u>
	<u>21,799</u>	<u>20,589</u>

The secured subordinated loan stock bears interest at a fixed rate of 5.5% plus the greater of 1% or  $((RPI_d/RPI_{d-1}) - 1) \times 100$  per cent where  $RPI_d$  is the value of  $RPI_x$  published or determined for the March which is the last month prior to the beginning of the financial period and  $RPI_{d-1}$  is the value of  $RPI_x$  for the March which is the last month prior to the beginning of the previous financial period. For the current financial year 6.97% (2021: 8.23%) was used to accrue interest. The secured subordinated loan stock is repayable in instalments, with the final instalment due in 2037.

## Humber Gateway OFTO Intermediate Limited

### Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)

#### 9 Creditors

	2022 £ 000	2021 £ 000
<b>Due within one year</b>		
Accrued interest on subordinated loan stock	<u>900</u>	<u>2,015</u>
	2022 £ 000	2021 £ 000
<b>Due after one year</b>		
Loan stock (repayable after more than five years)	19,415	19,415
Accrued interest on subordinated loan stock	<u>2,384</u>	<u>1,174</u>
	<u>21,799</u>	<u>20,589</u>

The loan stock is issued by the Company to Balfour Beatty OFTO Holdings Limited and Equitix Infrastructure 4 Limited in proportion to their equity share holdings in Humber Gateway OFTO Holdings Limited. The loan stock bears interest at a fixed rate of 5.5% plus the greater of 1% or  $((RPI_d/RPI_{d-1}) - 1) \times 100$  per cent where  $RPI_d$  is the value of RPIx published or determined for the March which is the last month prior to the beginning of the financial period and  $RPI_{d-1}$  is the value of RPIx for the March which is the last month prior to the beginning of the previous financial period. For the current financial year 6.97% (2021: 8.23%) was used to accrue interest. The loan stock is repayable in instalments, with the final instalment due in 2037.

#### 10 Share capital

##### Allotted, called up and fully paid shares

	2022		2021	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

## **Humber Gateway OFTO Intermediate Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)**

#### **11 Reserves**

The following describes the nature and purpose of each reserve within equity:

<b>Reserve</b>	<b>Description and purpose</b>
Profit and loss account	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.
Share capital	Nominal value of share capital subscribed for.

#### **12 Related party transactions**

At 31 March 2022, subordinated loan stock totalled £19,415k (2021: £19,415k) split 20%/80% between Balfour Beatty OFTO Holdings Limited and Equitix Infrastructure 4 Limited. The accrued interest on the subordinated loan stock totalled £3,284k (2021: £3,189k) and the interest charge for the year totalled £1,580k (2021: £1,760k) divided in line with the loan stock split between Balfour Beatty OFTO Holdings Limited and Equitix Infrastructure 4 Limited. The loan stock was issued on normal commercial terms.

#### **13 Parent and ultimate parent undertaking**

The Company's immediate parent is Humber Gateway OFTO Holdings Limited, incorporated in the United Kingdom and registered in England and Wales, with registered office of Q14 Quorum Business Park, Benton Lane, Newcastle upon Tyne, NE12 8BU.

The ultimate parents are Balfour Beatty plc and Equitix Fund IV LP which are incorporated in the United Kingdom and registered in England and Wales, with registered offices of 5 Churchill Place, Canary Wharf, London, E14 5HU and 3rd Floor (South), 200 Aldersgate Street, London, United Kingdom, EC1A 4HD respectively.

The largest and smallest group in which these financial statements are consolidated is Humber Gateway OFTO Holdings Limited, copies of whose financial statements are available from Q14 Quorum Business Park, Benton Lane, Newcastle upon Tyne, NE12 8BU.

#### **14 Subsequent events**

As at the date of the approval of these accounts, there were no material post balance sheet events arising after the reporting date.