

BritNed Development Limited

Annual Report

and Financial Statements

For the year ended 31 December 2022

Company registration number: 4251409



BritNed Development Limited

Strategic Report

for the year ended 31 December 2022

The Directors present their strategic report on BritNed Development Limited ('the Company', 'BritNed') for the year ended 31 December 2022.

The Company is a single entity, domiciled in the UK and registered in England and Wales. The address of the registered office is:

1-3 Strand
London
WC2N 5EH

Review of the business

The Company's principal activity is the operation of a sub-sea interconnector link between the electricity networks of Great Britain and the Netherlands.

The revenue of the Company is generated based on the price spread between the two countries. This is one of the Company's principal risks, as when the price spread between the two countries converges, the revenue will also decrease.

The unprecedented events that took place in 2022 has caused a global energy crisis. Electric and gas prices have spiked worldwide with straining systems and economies still struggling to recover from COVID-19, high inflation, and supply chain issues. Electricity consumption in Europe decreased slightly compared to 2021 levels with the mild winter being one reason for this decrease. At the same time, the UK witnessed a rise in energy costs. Many businesses have re-opened fully after COVID-19, which alongside the UK becoming a net exporter of electricity, resulted in an increase of total energy consumption. Renewables in EU were faced with high seasonality impacts. Solar and wind power production recorded higher levels in summer compared to 2021 levels. On the other hand, severe droughts in multiple regions of Europe between January and August 2022 induced a massive decrease in hydropower production. Nuclear power generation was also much lower in 2022 compared to 2021. Maintenance on the French nuclear power reactors forced an immense decrease to its nuclear power production, which in return had a large influence on the energy prices in the EU. In the UK, wind power production accounted for a quarter of total electricity generation and low-carbon power sources produced more electricity than fossil fuels.

The Ukraine invasion and Russia withholding gas supplies has exposed consumers to higher energy bills and supply shortages over the winter season. High fuel prices were the main reason for upward pressure on global electricity prices. The high cost of natural gas-fired power – typically the marginal source of generation – was the main factor behind a huge rise in EU and UK wholesale electricity prices, with trends also abetted by higher coal, oil and CO2 prices, reduced availability of nuclear power and a poor year for hydropower.

Towards the end of 2022, Russian gas deliveries to the EU were down by 80% compared to where they have been in recent years. Due to demand for heating, EU gas demand was roughly twice as high during the winter months as during the summer, and is met by a combination of domestic production, imports by pipeline and liquefied natural gas (LNG), and withdrawals from storage. Additionally, there was a sharp increase in EU demand for LNG imports. However, the UK has sourced LNG which alleviated some of the Russian supply pressure. As a result, the arbitrage opportunity cost was in favor of exporting capacity from the UK to the Netherlands during several periods of 2022, specifically the summer period.

In conclusion on the price developments, a combination of the Ukraine crisis and the French nuclear outages have caused extreme market volatility, which increased significantly compared to 2021 levels, and energy prices soared to all time high levels. As a result, during the summer period, market spreads were in favor of transporting energy from the UK to the Netherlands, which contributed to the unexpected increase in BritNed's revenue in this direction during the summer period. The Winter period, specifically Q4, saw the highest energy and gas prices of the year. At this point the electricity prices were higher in the UK than in EU, driven mainly by higher gas prices in the UK, which were in favor of exporting capacity from the Netherlands to the UK.

BritNed Development Limited

Strategic Report (continued) for the year ended 31 December 2022

Regarding the revenue of BritNed deriving from the Capacity Market mechanism and considering that the delivery year covers the period from 1 October to 30 September, BritNed secured decreased revenue in 2022 compared to 2021 mainly due to clearing prices for delivery years 2021/22 and 2022/23 being lower than for delivery year 2020/21.

The principal risk facing the Company remains the failure of the cable and therefore no flow of electricity would be possible, and no revenue would be generated. An asset management and replacement plan are in place to mitigate the risk of this reoccurring. The business continues to take out property damage and business interruption to enable the business to recover any financial losses incurred if an event of this kind was to happen.

In 2022, following the long period of unplanned outage due to two cable faults which occurred in 2020 and 2021, the lessons learnt from both cable faults and the repair operation have been built into the controls and action has been taken for the mitigation of risks identified for the operation of the cable. In addition, the asset has been in full operation since then and there was not any financial consequence from the outages mentioned above and reported in 2022. The management of the Company continues to monitor the condition of the asset which is currently in operation.

During the post COVID-19 pandemic period, the Company has managed to and continues to ensure that the asset and required commercial frameworks remain operational. The Company remains highly cash generative and debt free, hence the impact of COVID-19 has not led to liquidity issues.

Consequently, revenue has increased to €273.3 million compared to €117.7 million in 2021. The financial position of the Company continues to be strong, with profits continuing to be projected for the foreseeable future in line with the current market spread trends.

BritNed Development Limited
Strategic Report (continued)
for the year ended 31 December 2022

Post Balance Sheet Event

Since 2021, BritNed has submitted insurance claims under the offshore property damage policy and the business interruption policy to the Insurers (National Grid Insurance Company (Isle of Man) Limited). BritNed received in 2021 compensation for the costs of the repairs, amounting to €34.3m, which has been recognised in the income statement of 2021 as other income. No financial movement was recorded in 2022. The discussions with the Insurers about the final compensation were finalised in the first quarter of 2023, with the concluding amount of €21.8m received by BritNed in the second quarter of 2023.

Results

The profit for the financial year was €201.6m (2021: €70.4m).

Financial position

The financial position of the Company is presented in the balance sheet. Total equity funds as at 31 December 2022 were €455.2m (2021: €430.1m) comprising total non-current assets of €457.6m (2021: €468.1m), other non-current liabilities of €1.5m (2021: €1.5m), the lease liability based on IFRS 16 of €35.4m (2021: €34.4m), the estimation of the decommissioning provision in 2022 of €51.3m (2021: €49.6m), deferred tax liabilities of €11m (2021: €12m) and net current assets of €96.8m (2021: €59.5m).

BritNed Development Limited

Strategic Report (continued)

for the year ended 31 December 2022

Progress against objectives 2022

BritNed has a range of metrics against which overall performance is measured. The key metrics in this section are aligned to our strategy and reflect a consistent set of metrics against 2021.

Safety

The safety of our employees is paramount. Each year we undertake a safety survey with our employees to gauge attitudes to safety, how effective our safety culture is and where employees believe we can improve. The score for 2022 was 84.5% which was an increase of 1.5% on 2021.

We also measure safety using the Lost Time Injury Frequency Rate metric. This industry standard approach measures the number of lost time injuries occurring for every 100,000 hours worked.

2022 result was strong again, with no injuries causing lost time during 2022 and BritNed reaching 4,292 days without an LTI, since the start of operation.

Availability

In 2022 the Company experienced only short outages mainly relating to the valve cooling system which have been successfully resolved. During 2022 BritNed experienced 7 outages in total, 5 bipole and 2 monopole. During the year there were two planned to maintenance periods. All of this led to asset available for the year of 97% vs 64% in 2021. In 2021 the Company experienced two long outages due to a cable fault, which led to the much lower availability in that year.

Financial Performance

Revenues increased in the year by €155.6m compared to 2021 which was an increase of 132%. This was largely due to the increased auction revenue as a result of the increased auction prices during 2022 compared to 2021 which is discussed in more detail on pages 1-2. Further information is set out within the financial review later in this report.

Employee Engagement

Our employees are our biggest asset and the best advocates for our business and for what we aim to achieve. They are at the heart of everything we do, so it is vital for us to be aware of their thinking on a wide range of issues about our business: what it's like to work for us; things we do well; things we could do better and much more. In 2022 our employee engagement score was in line with 2021 at 87% which was in line with the target to maintain this high score year on year.

Customer

We set out a vision of Trade Tomorrow that drives all of our customer activities. Everything we do is aimed at improving the customer journey and making transacting business with us as easy as possible. That is why we use Customer Effort Score as our survey methodology to identify and remove blockers that our customers experience. In 2021, customers told us that our Intraday platform was no longer suitable which supported the Empire business case. In 2022, our overall CES score was 4.25, up from 3.80 in 2021, and 90% of respondent were either satisfied or very satisfied when asked about interacting with BritNed. In 2023 we will be focused on launching Empire, the new BritNed auction platform and ensuring our customers are ready for the transition. We will continue to refine the customer experience and work towards our vision of new customers being able to Trade Tomorrow.

BritNed Development Limited**Strategic Report (continued)
for the year ended 31 December 2022**

The following key performance indicators are noted:

	2022	2021	Definition, method of calculation and analysis
Revenue and / increase in revenue (€m / %)	€273.3 / 132%	€117.7 / 39%	Year on year sales growth expressed as a percentage. The year-on-year increase is mainly deriving from the losses in 2021 due to the cable faults and from the increased auction revenue as a result of the increased auction prices during 2022 compared to 2021.
Number of unplanned outages Bipole / Monopole	5 / 2	4 / 1	Number of outages in one year for Bipole and Monopole. 2022 asset availability including planned and unplanned outages was 97% vs 64% in 2021. In 2022 the company experienced only short outages mainly relating to the valve cooling system which have been successfully resolved. On the other hand, in 2021 the company experienced two long outages due to cable faults, which had led to significantly lower availability in that year.
Safety, Health, Environment & Security (SHES) Lost time injuries (LTIs)	nil	nil	Number of safety incidents in one year. In both years there were no reportable incidents.

Strategic Review**Our people**

Our people are fundamental to BritNed's success and achieving our ambitions. BritNed's success will be built on our sustained ability to attract, retain, train, motivate and engage our people.

Diversity, Equity and Inclusion (DEI)

In 2022 BritNed gender split and % from ethnicity minorities was as follows:

BritNed	Gender split (Female/Total)	Ethnic Diversity (Ethnicity minorities out of Total in %)
Workforce	14/42	12%
Management team	4/10	10%
Board	2/4	25%

Diversity, Equity and Inclusion (DEI) our diversity metrics have continued to improve, since 2021 the workforce diversity has increased from 27% to 33% for women, and from 5% to 12% for ethnicity minorities (as at 31st December 2022).

In order to improve diversity and inclusion at BritNed we remain committed to:

- Monitoring the number of hires from diverse backgrounds and aiming to appoint a greater proportion;
- Continuing to build an inclusive Company culture.

Employee engagement

We engage and consult regularly with employees to make sure they are up-to-date on the Company's performance, plans and priorities and give them the opportunity to raise questions or concerns. We also conduct an annual employee engagement survey, providing an opportunity for all our employees to share their views on the employee experience, providing the Board with a barometer of the workforce's confidence in the strategic direction, optimism for the future, overall engagement and pride in the

BritNed Development Limited

Strategic Report (continued)

for the year ended 31 December 2022

Employee engagement (continued)

organisation. The Management Team has continued with initiatives to improve engagement, remove barriers and create a positive working environment for all.

New initiatives include improvements in IT support, ensuring everyone in the team is having regular development conversations and knowledge sharing session to encourage more cross team collaboration and provide opportunities teams to learn more on topics outside of their day to day work.

Wellbeing

The safety of our employees is of paramount importance. This includes mental and physical health and wellbeing of our employees as they work from home, in the office, work shifts and operate in a challenging industry. At the beginning of 2022 we started regular wellbeing surveys to gather employee insights so that we can target what will work well for our different employees across multiple locations. We also appointed a wellbeing team with wellbeing champions from across all teams in the organisation who meet monthly to help raise awareness of topics, facilitate campaigns and cascade key messages across the business.

Our commitment to being a responsible business

The environment

We will play our part in the energy transition and reduce our own CO2 impact. We measure our scope 1 and scope 2 emissions of the six primary Kyoto greenhouse gases.

Scope 1 emissions are direct emissions owned or controlled by the Company. For BritNed, scope 1 greenhouse gas emissions for 2022 equate to 465 tonnes (2021: 432 tonnes) of carbon dioxide which is based on SF6 leakage at our convertor stations in Grain, UK and Maasvlakte, NL.

Scope 2 emissions are indirect emissions owned or controlled by the Company. For BritNed, scope 2 emissions equate to 1,283 tonnes (2021: 2,736 tonnes) which is based on electrical energy use at both convertor sites and from the offices in Solihull and Arnhem.

This is a total of 1,749 tonnes (2021: 3,168 tonnes) of carbon dioxide equivalent for Scope 1 and 2 emissions. This equates to 0.20 kgs per MWh (2021: 0.54 kgs per MWh).

In addition, we have measured a baseline of scope 3 emissions which are indirect emissions not covered in scope 1 or 2. For BritNed this is based on employees travel to our place of work or for work related travel to other locations either nationally or internationally. This was 21 tonnes of carbon dioxide for 2022 and close to zero for 2021 given the pandemic year.

In 2022 BritNed reduced emissions by 44% compared to 2021. In 2022 the convertor site at Maasvlakte used a Green Energy contract which resulted in scope 2 emissions for 2022.

Our target is to reduce our own emissions by 5% in 2023 and by a further 2.5% in 2023 and 1.5% in 2024.

This data complies with the UK government's Streamlined Energy and Carbon Reporting (SECR) requirements.

Our communities

We support our communities with the time and expertise of our people, and through a matched giving scheme. In 2022 we increased to €4,000 the level of funding we would give to matched giving and in November 2022 we made donations to fund a project at Walderslade Primary school close to our convertor station in Kent with many of our employees providing time to help to build a roof garden and refurbish a pond at the school. We also continue to make donations to local communities in the Netherlands and supported 75th year Airborne celebrations in 2022 and also made donations to the Netherlands Royal British Legion.

BritNed Development Limited
Strategic Report (continued)
for the year ended 31 December 2022

Future developments

For the foreseeable future the Directors believe the Company will continue its principal activity of the operation of a sub-sea interconnector link between the electricity networks of Great Britain and the Netherlands.

National Grid and TenneT are working together to develop a multi purpose interconnector to connect offshore wind between Great Britain and the Netherlands known as LionLink. LionLink will support decarbonisation, energy independence and strengthen British, Dutch and European security of supply. Great Britain and Netherlands power markets will gain access to additional offshore wind generation, putting downward pressure on power prices as a greater volume of close to zero short run marginal renewables feeds into both markets. This is likely to impact BritNed's revenues from 2030's.

BritNed continues to undertake innovative activities and is currently preparing a new project named "Empire". The Empire project aims to deliver a new Allocation and Nomination Platform for BritNed. The platform will replace the current systems in use and will handle all commercial processes related to allocation, nomination and settlement of Transmission Rights sold on the BritNed interconnector. The Empire platform will allow BritNed additional flexibility in product offering and handling of operational process to be able to better respond to market needs in the UK and The Netherlands. The platform is delivered in cooperation with BritNed's business partner Supercharge Ltd. who will also delivery a 24/7 helpdesk and support team as part of the project for the platforms ongoing operation.

BritNed Development Limited

Strategic Report (continued) for the year ended 31 December 2022

S172 Statement

The Directors of the Company, as those of all UK companies, must act in accordance with section 172 of the UK Companies Act 2006. The Directors are of the opinion that they have acted fairly and in good faith to promote the success of the Company for the benefits of its members.

The Directors have carried out these duties and have made decisions and undertaken short- and long-term strategies to maintain its financial performance and position.

The Board delegates day to day management and decision making to the Management Team. Both the Board and the Management Team comprise an equal mix of personnel from the parent companies. Each year a review of the Company's strategy and business plan for the following three years is undertaken by the Management Team for challenge, review and approval by the Board. This plan includes the medium to long-term direction for the Company taking account of the internal and external environment, as well as setting the performance targets for the three years ahead. Once approved by the Board, this plan underpins the day-to-day operation of the business actively managed through embedded governance structures. Outside of the formal Board meetings the Directors maintain oversight of the Company's performance through the receipt of monthly performance reports to ensure management is acting in accordance with the strategy and plans agreed by the Board, and its delegated authorities.

The Board operates a forward agenda of standing items appropriate to the Company's operating reporting cycles and commensurate with the operational challenges facing the business. Items requiring approval by the Board are clearly defined within the Joint Venture Agreement.

Engaging with stakeholders to deliver long-term success is a key area of focus for the Board and all decisions take into account the impact on stakeholders. The following paragraphs summarise how this is carried out:

Engaging with our employees

The wellbeing and safety of our employees from the parent companies is a primary consideration in how we do business. To do this we ensure the Company has one set of values to inform and guide behaviour so we can achieve the goals of the Company in the right way. A focus on people has been included in the Company performance framework and will be actively managed / reported as a result. All team members within BritNed are involved in the periodic refresh of those values.

Business Relationships

The Board members regularly promote the benefits of interconnection within industry and government.


Shareholders

The Directors also understand the importance of the need to act fairly between the shareholders of the Company with fair representation from each parent company.

The Directors are of the opinion that the remaining details of how they meet their duty is in line with those reflected by the Directors of National Grid plc in their Annual Report. Please refer to pages 74-75 of the National Grid plc Annual Report and Accounts (available at: www.nationalgrid.com/investors) for more information on how the Group Directors meet their duty.

This data complies with the UK government's Streamlined Energy and Carbon Reporting (SECR) requirements.

The Strategic Report was approved by the Board and signed by its order by

DocuSigned by:

882598C639FF40A...
Lawrence Hagan
Company Secretary
22 June 2023

BritNed Development Limited
Directors' Report
for the year ended 31 December 2022

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2022.

Future developments

Details of future developments have been included within the Strategic Report on page 7.

Dividends

The Directors approved and paid dividends of €176.5m (2021: €79.7m) during the year.

Financial risk management

The management of the Company and the execution of the Company's strategy are subject to a number of risks. The Directors have identified the need to manage the Company's material financial risks, including liquidity, credit and foreign exchange risks.

Liquidity risk

The Company finances its operations through a combination of retained profits and cash generated by the business to ensure that the Company has sufficient funds available for current operations and future activities.

Credit risk

Credit risk is defined as the risk that a counterparty will not meet its obligations, leading to a financial loss for the Company. The credit risk on trade receivables is very limited as all material credit risks are secured by means of Letters of Credit or cash deposits in business accounts.

Foreign exchange risk

To the extent that the Company enters into transactions in currencies different to that of the Company's functional currency, there is an exposure to movement in exchange rates. The Company does not participate in economic hedging but does perform currency swaps with National Grid Holdings One plc, an entity wholly owned by National Grid plc (referred to as National Grid).

Directors

The Directors of the Company during the year and up to the date of signing of the financial statements were:

Jan-Paul Dijckmans
Thorsten Dietz
Nicola Medalova (resigned 1 April 2023)
Rebecca Sedler (appointed 1 April 2023)
Julie Taylor (resigned 7 July 2022)
Sandeep Lalli (appointed 7 July 2022)

BritNed Development Limited

Directors' Report (continued) for the year ended 31 December 2022

Directors' indemnities and insurance

National Grid has arranged, in accordance with the Companies Act 2006 and the Articles of Association, qualifying third party indemnities against financial exposure that National Grid Directors may incur in the course of their professional duties. Alongside these indemnities, National Grid places Directors' and Officers' liability insurance for each National Grid Director.

Qualifying third party indemnity was in force during the financial year and at the date of approval of the financial statements.

TenneT's Directors & Officers (D&O) policy contains a so-called Outside Directorship Liability (ODL) coverage. The ODL is applicable for persons which are explicitly appointed by TenneT as a director/officer of 'outside' entities, such as BritNed. This ODL cover shall be excess of any indemnification provided by the 'outside' entity and any valid and collectible D&O insurance where such payment is made in respect of the 'outside' entity.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements 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 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 keeping adequate 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.

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

BritNed Development Limited
Directors' Report (continued)
for the year ended 31 December 2022

Directors' confirmations

In the case of each Director in office at the date the Directors' report is approved:

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

Going concern

The going concern basis presumes that the Company has adequate resources to remain in operation and that the Directors intend it to do so. Although, the economic conditions due to high inflation rates and volatility in prices in the UK and the EU, deriving from the war in Ukraine which started in 2022 continue to create uncertainty, particularly over (a) the level of demand for the Company's services and (b) the impact on electricity price spreads which determine the Company's revenues, the Company continues to perform well and the Directors confirm that to the best of their knowledge, the Company has adequate resources to remain in operation and consequently the financial statements have been prepared on a going concern basis.

The Company meets its day-to-day working capital requirements through its bank facilities and the Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facilities. The Directors review the Cash flow forecast regularly which is prepared for Dividend distribution purposes and take immediate action in order to mitigate possible liquidity risks.

Modern Slavery Act

In accordance with The Modern Slavery Act 2015, the Company has adopted and approved the Statement on the prevention of slavery and human trafficking. A copy of the Statement is available on the Company's website.

Statement on engagement with suppliers, customers and others in a business relationship with the company

Details of stakeholder engagement have been included within the Strategic Report on page 4.

Disclosure of information to auditors

Having made the requisite enquiries, so far as the Directors in office at the date of the approval of this report are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors themselves are aware of that information.

BritNed Development Limited

Directors' Report (continued) for the year ended 31 December 2022

Independent Auditors

During the year, the Board of BritNed Development Limited appointed PricewaterhouseCoopers LLP as its auditors who are deemed to be reappointed in accordance with Section 487(2) of the Companies Act 2006.

The Directors' Report was approved by the Board and signed by its order by:

DocuSigned by:

882598C639FF40A...
Lawrence Hagan
Company Secretary

22 June 2023

Registered office:
1-3 Strand
London
WC2N 5EH
Registered in England and Wales
Company registration number: 4251409

BritNed Development Limited

Independent auditors' report to the members of BritNed Development Limited

Report on the audit of financial statements

Opinion

In our opinion, BritNed Development Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: Balance Sheet as at 31 December 2022; Income statement, Statement of changes in equity and Cash flow statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

BritNed Development Limited**Independent auditors' report to the members of BritNed Development Limited
(continued)****Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit***Responsibilities of the Directors for the financial statements***

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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.

Auditors' 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 auditors' 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.

BritNed Development Limited**Independent auditors' report to the members of BritNed Development Limited
(continued)**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment regulations, health and safety legislation and the industry regulators in the UK and the Netherlands, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and applicable tax legislation in the UK and the Netherlands. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of journal entries to improve revenue performance and profits, and management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Evaluation of management's controls designed to prevent and detect irregularities in financial reporting;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations which result in an increase to revenue or profit, or journal entries posted with unusual descriptions;
- Challenging estimates and judgements made by management, in particular in relation to the assessment of decommissioning obligations, the useful economic lives of right-of-use assets and the capped return on investment;
- Considerations of the policies of revenue recognition and obtaining supporting evidence to ensure compliance with those policies and fulfilment of obligations before revenue is recognised;
- Review of meeting minutes with the board and those charged with governance;
- Consideration of any changes to the control environment; and
- Discussions with management and the Company's legal counsel, including consideration of known or suspected instances or non-compliance with laws and regulation and fraud;

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

BritNed Development Limited

Independent auditors' report to the members of BritNed Development Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Mark Kingsbury (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Birmingham

22 June 2023

BritNed Development Limited

Income statement
for the year ended 31 December 2022

	Note	2022 (€m)	2021 (€m)
Revenue	4	273.3	117.7
Administrative expenses	5	(10.3)	(64.5)
Other income	4	-	34.3
Operating profit		263.0	87.5
Finance income and expenses	5.3	(2.7)	(2.5)
Profit before income tax		260.3	85.0
Income tax expense	6	(58.7)	(14.6)
Profit for the year		201.6	70.4

The results reported above relate to continuing activities.

There is no other comprehensive income for the financial years. Accordingly, no separate statement of comprehensive income is presented.

The notes on pages 21 to 39 form part of these financial statements.

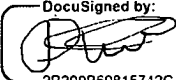
BritNed Development Limited

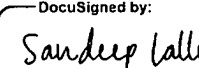
Balance Sheet as at 31 December 2022

	Note	2022 (€m)	2021 (€m)
Assets			
Non-current assets			
Property, plant and equipment	7	422.4	433.8
Right of use assets	14	33.4	33.0
Intangible assets	8	1.8	1.3
		457.6	468.1
Current assets			
Trade and other receivables	9	23.3	26.0
Cash and cash equivalents		139.7	56.2
		163.0	82.2
Total assets		620.6	550.3
Equity and liabilities			
Non-current liabilities			
Other non-current liabilities	11	1.5	1.5
Lease liabilities	14	35.4	34.4
Provision	16	51.3	49.6
Deferred tax liabilities	12	11.0	12.0
		99.2	97.5
Current liabilities			
Trade and other payables	10	65.1	22.1
Current Tax liabilities	10	0.7	0.3
Lease liabilities	14	0.4	0.3
		66.2	22.7
Total liabilities		165.4	120.2
Equity			
Share capital	13	113.8	113.8
Retained earnings	13	341.4	316.3
Total equity		455.2	430.1
Total equity and liabilities		620.6	550.3

The notes on pages 21 to 39 form part of these financial statements.

The financial statements on pages 17 to 39 were approved by the Board of Directors on 22 June 2023 and signed on its behalf by:

DocuSigned by:

 2B299869815742C...
Jan-Paul Dijkman
 Director

DocuSigned by:

 170E5BAFC2A423...
Sandeep Lalli
 Director

BritNed Development Limited

Statement of changes in equity
for the year ended 31 December 2022

				2022 (€m)			2021 (€m)
	Note	Share capital	Retained earnings	Total Equity	Share capital	Retained earnings	Total Equity
Balance as at 1 January	13	113.8	316.3	430.1	113.8	325.6	439.4
Profit for the year		-	201.6	201.6	-	70.4	70.4
Dividends	13	-	(176.5)	(176.5)	-	(79.7)	(79.7)
Balance as at 31 December		113.8	341.4	455.2	113.8	316.3	430.1

The notes on pages 21 to 39 form part of these financial statements.

BritNed Development Limited

Cash flow statement
for the year ended 31 December 2022

	Note(s)	2022 (€m)	2021 (€m)
Cash flows from operating activities			
Profit before tax		260.3	85.0
<i>Adjustment for:</i>			
Depreciation and amortisation of assets	7,8,14	18.1	17.6
Loss from writing off fixed asset		-	1.3
Loss from Reassessment of Right-of-use Asset		-	0.1
Interest payable/paid	5	2.5	2.3
<i>Changes in working capital:</i>			
Decrease in trade and other receivables	9	2.7	0.3
Increase in trade and other payables	10, 11	43.0	3.6
Cash generated from operations		326.6	110.2
Tax paid		(59.4)	(24.6)
Net cash generated from operating activities		267.2	85.6
Cash flows from investment activities			
Purchase of tangible and intangible fixed assets	7,8	(6.1)	(2.1)
Net cash flows used in investing activities		(6.1)	(2.1)
Cash flows from finance activities			
Dividends paid to equity holders of the company	13	(176.5)	(79.7)
Cash payments for the principal portion of the lease liability	14	(1.1)	(1.0)
Net cash flows used in financing activities		(177.6)	(80.7)
Net increase in cash and cash equivalents		83.5	2.8
Cash and cash equivalents at beginning of year		56.2	53.4
Cash and cash equivalents at end of year		139.7	56.2

The notes on pages 21 to 39 form part of these financial statements. Cash and cash equivalents are cash on hand and on demand deposits.

BritNed Development Limited

Notes to the financial statements for the year ended 31 December 2022

1 Accounting policies

(a) Basis of preparation

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Company transitioned to UK-adopted International Accounting Standards in its company financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

These financial statements have been prepared on the going concern basis in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006. They have been prepared on a historical cost basis and are presented in Euros and rounded to the nearest million (€000,000) with 1 decimal point, except when otherwise indicated. The Euro is the currency of the primary economic environment in which the Company operates. Accounting policies have been applied consistently.

The preparation of financial statements requires management to make accounting estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

The Company is a private company, limited by shares, domiciled in the UK and registered in England and Wales. The address of the registered office is:

1-3 Strand
London
WC2N 5EH

(b) Going concern

The going concern basis presumes that the Company has adequate resources to remain in operation and that the Directors intend it to do so. Although, the economic conditions due to high inflation rates and volatility in prices in the UK and the EU, deriving from the war in Ukraine which started in 2022 continue to create uncertainty, particularly over (a) the level of demand for the Company's services and (b) the impact on electricity price spreads which determine the Company's revenues, the Company continues to perform well and the Directors confirm that to the best of their knowledge, the Company has adequate resources to remain in operation and consequently the financial statements have been prepared on a going concern basis.

The Company meets its day-to-day working capital requirements through its bank facilities and the Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facilities. The Directors review the Cash flow forecast regularly which is prepared for Dividend distribution purposes and take immediate action in order to mitigate possible liquidity risks.

BritNed Development Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

1 Accounting policies (continued)

(c) Revenue recognition

Revenue comprises the value of interconnector capacity sold excluding value added tax and other sales taxes. It largely comprises explicit revenue net of curtailment amounts and implicit revenues net of use it or sell it compensations. Implicit revenue is also shown as the net of sales and purchases of energy as the Company is deemed to be acting as an agent rather than principal. Other revenue reflects the value of the frequency response service, participation in the GB Capacity Market and other minor ancillary services such as Intertrip services excluding value added tax and other sales taxes.

BritNed provide capacity to flow electricity capacity between the Netherlands and the UK. This is a distinct service and the customer benefits from the capacity provided, allowing flows between the UK and the Netherlands. No other service or goods are provided with the capacity. The price is set through an auction and sold per MWH, therefore there is no variable consideration, and no adjustment would be made to the price sold through the auction.

Explicit Auction Revenue is recognised over time for annual/quarterly/monthly/multi-day/weekend auctions and is recognised over the period when the capacity is delivered. In addition, as from 01 January 2021 explicit auction revenue includes the day ahead revenue and is recognised on the day it is sold for. Explicit Auction Revenue is also sold for intraday products which is also recognised on the day it is sold for.

The Capacity Mechanism is a yearly agreement BritNed sign up to provide capacity in any stress event during that year. The revenue from this is recognised over the period of the year it relates to.

(d) Property, plant and equipment and depreciation

Property, plant and equipment are included in the balance sheet at cost less accumulated depreciation. Cost includes payroll and other costs incurred which are directly attributable to the construction of tangible fixed assets including an estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

No depreciation is provided on assets in the course of construction. Property, plant and equipment are depreciated on a straight-line basis at the rate estimated to write off the book value over the estimated useful economic life, which is reviewed on a regular basis. Estimated useful economic lives are between 15 and 40 years for plant and machinery, 3 years for fixtures and fittings and 40 years for freehold property.

(e) Intangible fixed assets and amortisation

Intangible assets are included in the balance sheet at cost less accumulated amortisation. Intangible assets include software and work in progress expenditure, with the latter being held here until the project it relates to is considered ready for use.

Software consists of capitalised development expenditure being an internally generated intangible asset. Development expenditure is recognised as an intangible fixed asset where the project is considered to be technically and commercially viable, resources exist to complete the development and the recovery of project costs is reasonably assured. Such development expenditure is amortised on a straight-line basis over the expected period of benefit commencing from when the development is brought into use. The amortisation period for development assets is 7 years.

Work in Progress includes costs deriving from projects which are not considered completed until the reporting date and are held in intangible assets without being amortised.

BritNed Development Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

1 Accounting policies (continued)

(f) Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to ensure the Company continues to operate with no debt.

The Company manages cash as capital and can adjust the capital structure by adjusting the amount of dividends paid to shareholders.

The Company monitors capital on the basis of retained cash. During 2022, the Company's strategy, which has remained unchanged from 2021, was to maintain a consistent level of cash to meet its obligations.

(g) Collateral

Cash and cash equivalents include cash deposits held at call with banks. In the balance sheet, cash collateral held by third parties is shown within other amounts receivable in current assets.

(h) Foreign currencies

Transactions in currencies other than the functional currency of the Company are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign exchange currencies are retranslated at closing exchange rates. Gains and losses arising on retranslation of monetary assets and liabilities are included in the income statement.

(i) European Union Grant Funding

The Company received project funding from the European Union during the construction phase of the interconnector. European Union grant funding that relates to specific capital expenditure is treated as deferred income which is then credited to the income statement over the useful life of the interconnector.

(j) Provisions

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

a. Decommissioning

Provision for decommissioning costs is based on the estimated costs of dismantling and removing a fixed asset and restoring the site on which it is located. For the computation of the decommissioning present cost, liabilities and provision, the expected inflation to the time of actual decommissioning the asset and a discount rate have been considered. The provision is recognised at a present value of these costs are discounted, given the time horizon of the useful file of the asset. In addition, unwinding of discount is presented as finance costs.

(k) Taxation

Current tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amounts are those that have been enacted or substantively enacted by the reporting date.

BritNed Development Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

1 Accounting policies (continued)

(k) Taxation (continued)

Deferred tax is provided for using the balance sheet liability method and is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised on all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction (other than a business combination) that affects neither the accounting nor the taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

(l) Leases

a. The company's leasing activities and how these are accounted for

The company leases the land on which the interconnector cable is situated, its administrative offices, and vehicles.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date which the leased asset is available for use by the group.

Assets and liabilities arising from the lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments
- Variable lease payments that are based on an index or a rate, initially measured using the rate as at the commencement date

Lease payments to be made under extension options are also included in the measurement of the liability as mentioned in the table above.

The lease payments are discounted using the company's incremental borrowing rate. This has been based on the average cost of debt from both parent companies.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost based on the amount of the initial measurement of the lease liability.

BritNed Development Limited

**Notes to the financial statements (continued)
for the year ended 31 December 2022**

1 Accounting policies (continued)

(l) Leases (continued)

a. The company's leasing activities and how these are accounted for (continued)

Right-of-use assets are depreciated over the asset's useful life.

Payments associated with short-term leases are recognised as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(m) New and amended standards adopted by the company

The company has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16;
- Onerous contracts – Cost of Fulfilling a Contract – Amendments to IAS 37;
- Annual Improvements to IFRS Standards 2018-2020; and
- Reference to the Conceptual Framework – Amendments to IFRS 3.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(n) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the company. None of these are expected to have a material impact on the company in the current or future reporting periods and on foreseeable future transactions

BritNed Development Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

2 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

a) Critical judgements

Capped return on investment

The Company is subject to a capped return on its investment in the interconnector asset in relation to the exemption from article 6(6) of the EC regulation 1228/2003.

In 2021, after 10 years of operation BritNed submitted a financial report, providing the NRAs with a forecast of the company's return on investment. The NRAs concluded that profits are below the capped level and will not exceed the maximum allowed return in the future.

At this time, as no present obligation exists and there is no certainty surrounding a future obligation, no adjustments have been made. This judgemental area will continue to be reviewed and updated annually.

b) Key accounting estimates

Useful economic life

Depreciation is calculated using the straight-line depreciation method to allocate costs to the assets' residual values over their estimated useful lives. The depreciation of the cable is calculated over a 40-year useful economic life.

Depreciation of Right-of-use assets is calculated based on the most realistic point at which the lease may end. This can be the end of the life of the longest depreciating asset (the cable over 40 years to 2051) or a different date the business is expected to exist until. Considering the above factors, the following lease end dates have been considered as the end of useful economic lives with the commencement date on 01/01/2019:

<u>Lease</u>	<u>Proposed end date for IFRS16</u>
Land at Maas	2051 (in line with end cable depreciation period)
Land at Isle of Grain	2055 (first possible break after end of cable depreciation period)
Rent & Services MCE Building	2051 (in line with end cable depreciation period)
Isle of Grain car	2023 (end of the fixed term contract)

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any changes is accounted for prospectively.

BritNed Development Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

2 Critical accounting judgements and estimation uncertainty (continued)

b) Key accounting estimates (continued)

Decommissioning Provision

BritNed has not amended the decommissioning estimate for year-end 31 December 2022. The decommissioning provision as at 31 December 2022 is €51.3m and the asset amount is €44.8m which will be depreciated over the remaining useful life of the assets. The remaining expected cable lifespan is 28 years i.e. until the decommissioning obligations are expected to crystallise. The provision includes all the associated costs relating to any obligation of the company to decommission the physical assets present in the future.

This cost is being discounted using a risk-free rate of 0.5% and the long-term expected RPI which is used for the calculation of the provision value is 3%.

If the pre-tax discount rate applied to the cash flow projections in the calculation of the decommissioning provision had been 1% higher than management's estimates (1.5% instead of 0.5%) considering 2021 as a base year, the Company would have had to recognise a lower provision for €13.2m.

No adjustments were recognised in the balance sheet on 31 December 2022:

Decommissioning – Asset: increase/decrease by nil (2021: increase by €1.8m)

Decommissioning – Liability: increase/decrease by nil (2021: increase by €1.8m)

3 Directors and employees

The emoluments of the Directors are not paid to them in their capacity as Directors of the Company and are payable for services wholly attributable to other National Grid or TenneT group undertakings. Accordingly, no details in respect of their emoluments have been included in these financial statements.

There were no employees of the Company during the year (2021: none).

BritNed Development Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

4 Revenue and other income

	2022 (€m)	2021 (€m)
Net explicit revenue	263.6	95.9
Net implicit revenue	-	-
Other revenue	9.7	21.8
Total Revenue	273.3	117.7
Other income	-	34.3
Total Other income	-	34.3

Other revenue resulted mainly from the revenue deriving from capacity market mechanism.

Other income was nil in 2022. During 2021 the insurance proceeds were received and reported as Other income. This was as a result of the claims submitted to the insurers (National Grid Insurance Company (Isle of Man) Limited) to recover costs for the cable repairs as a result of the two cable faults which commenced on 8 December 2020 and on 9 March 2021 respectively.

BritNed Development Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

5 Administrative expenses

5.1 Expenses by nature

Administrative expenses can be broken down as follows:

	Note	2022 (€m)	2021 (€m)
Depreciation	7	15.3	15.1
Depreciation – Decommissioning provision	7, 16	1.6	1.5
Loss from write off of asset		-	1.3
Amortisation	8	0.1	0.1
Personnel costs		5.4	5.7
General rates and taxes		1.2	1.2
Foreign exchange losses/(gains)		0.3	(0.4)
Insurance		9.1	4.3
Depreciation - IFRS16	14	1.1	0.9
Other costs		(23.8)	34.8
Total Administrative Expenses		10.3	64.5

Personnel costs relate to recharges from the parent companies for the services provided through the personnel seconded to the company as there are no employees in the company.

5.2 Auditors' remuneration

During the year the Company obtained the following services from the independent auditors:

	2022 (€'000)	2021 (€'000)
Audit of the financial statements	69.7	64.2
Non-audit services - tax compliance	5.5	19.5
Total auditors' remuneration	75.2	83.7

5.3 Finance Income and Expenses

	2022 (€m)	2021 (€m)
Interest payable/paid for lease liabilities	(0.8)	(0.7)
Interest payable/paid for decommissioning provision	(1.7)	(1.6)
Interest payable and similar charges	(0.2)	(0.2)
Net finance expense	(2.7)	(2.5)

BritNed Development Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

6 Income Tax Expense

	2022 (€m)	2021 (€m)
Current tax:		
UK corporation tax	25.2	8.7
UK corporation tax adjustment in respect of prior years	1.9	(4.0)
Overseas corporation tax	32.6	8.3
Total current tax	59.7	13.0
Deferred tax:		
UK deferred tax	(1.5)	(1.3)
UK deferred tax adjustment in respect of prior years	0.5	-
Impact of change in tax rate	-	2.9
Total deferred tax (note 12)	(1.0)	1.6
Total Tax charge	58.7	14.6

The tax charge for the year is higher (2021: lower) than the standard rate of corporation tax in the UK for the year of 19% (2021: 19%).

	2022 (€m)	2021 (€m)
Profit before income tax	260.3	85.0
Profit before income tax multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	49.5	16.1
Effect of:		
Permanent items	1.0	1.1
Deferred tax impact of change in UK tax rate	(0.4)	2.9
Unrelieved foreign tax	6.1	(1.5)
Adjustments in respect of prior years	2.5	(4.0)
Total tax charge for the year	58.7	14.6

Legislation to increase the UK corporation tax rate from 19% to 25% from 1 April 2023 was enacted during 2022. The closing deferred tax balance has been calculated using the 25% tax rate as it was enacted at the balance sheet date.

BritNed Development Limited

Notes to the financial statements (continued) **for the year ended 31 December 2022**

7 Property, plant and equipment

	Freehold property	Plant and Machinery	Fixtures and fittings	Total
	(€m)	(€m)	(€m)	(€m)
Cost				
At 1 January 2022	73.9	521.8	0.1	595.8
Transfers from Intangible Assets	0.1	5.4	-	5.5
Additions	-	-	-	-
Disposals	-	-	-	-
Decommissioning - Asset	-	-	-	-
At 31 December 2022	74.0	527.2	0.1	601.3
Accumulated Depreciation				
At 1 January 2022	19.8	142.1	0.1	162.0
Depreciation for the year	1.9	15.0	-	16.9
Disposals	-	-	-	-
At 31 December 2022	21.7	157.1	0.1	178.9
Net Book value:				
At 31 December 2021	54.1	379.7	-	433.8
At 31 December 2022	52.3	370.1	-	422.4

8 Intangible assets

	Software (€m)	Work in Progress (€m)	Total (€m)
Cost:			
At 1 January 2022	4.8	1.0	5.8
Additions	-	6.1	6.1
Transfers from Work in Progress	-	-	-
Transfers to Software	-	-	-
Transfers to Property, plant and equipment	-	(5.5)	(5.5)
At 31 December 2022	4.8	1.6	6.4
Accumulated Amortisation			
At 1 January 2022	4.5	-	4.5
Amortisation for the year	0.1	-	0.1
At 31 December 2022	4.6	-	4.6
Net Book value:			
At 31 December 2021	0.3	1.0	1.3
At 31 December 2022	0.2	1.6	1.8

BritNed Development Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

9 Trade and other receivables

Trade and other receivables can be broken down as follows:

	2022 (€m)	2021 (€m)
Trade receivables	0.4	0.5
Amounts owed by group undertakings	8.3	6.2
Other amounts receivable	2.5	2.6
Prepayments and accrued income	12.1	16.7
Total	23.3	26.0

Amounts owed by group undertakings are unsecured, interest free and due on demand.

Included within Prepayments and accrued income is €8.8m (2021: €16.1m) of contract assets relating to services delivered in the year.

10 Trade and other payables

Trade and other payables can be broken down as follows:

	2022 (€m)	2021 (€m)
Trade payables	0.6	0.6
Other creditors	-	-
Amounts owed to group undertakings	1.3	1.6
Corporation tax payable	0.7	0.3
Other taxes payable	(0.5)	0.3
Accruals and deferred income	63.7	19.6
Total	65.8	22.4

Amounts owed to group undertakings are unsecured, interest free and due on demand.

Included within Accruals and deferred income is €62.9m (2021: €12m) of contract liabilities relating to services to be delivered in the next financial year.

BritNed Development Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

11 Other non-current liabilities

	2022 (€m)	2021 (€m)
Deferred grant income	1.5	1.5
Total	1.5	1.5

The Company received project funding from the European Union during the construction phase of the interconnector. European Union grant funding that relates to specific capital expenditure is treated as deferred income which is then credited to the income statement over the useful life of the interconnector.

12 Deferred tax liabilities

	Accelerated tax depreciation 2022 (€m)	Accelerated tax depreciation 2021 (€m)
Deferred tax liabilities		
Deferred tax liabilities at 1 January	12.0	10.4
(Credited)/Charged to income statement	(1.0)	1.6
At 31 December	11.0	12.0

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

13 Equity attributable to owners of the Company

	2022 (€m)	2021 (€m)
Called up and fully paid		
1 (2021: 1) "A" share of £1	-	-
1 (2021: 1) "B" share of £1	-	-
284,500,000 (2021: 284,500,000) "C" shares of 0.2 euro each	56.9	56.9
284,500,000 (2021: 284,500,000) "D" shares of 0.2 euro each	56.9	56.9
	113.8	113.8
Retained earnings		
Reserves	139.8	245.9
Profit for the year	201.6	70.4
	341.4	316.3
	455.2	430.1

The A and B shares are equity shares and rank pari passu in all respects. The C and D shares are also equity shares and rank pari passu in all respects.

BritNed Development Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

13 Equity attributable to owners of the Company (continued)

Dividend distribution

In 2022, the Company distributed a €176.5 million common dividend (€0.31 per share) to its ordinary shareholders.

	2022	2021
Dividend (€m)	176.5	79.7
Dividend Per Share (€)	0.31	0.14

14 Lease commitments

a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	as at 31/12/22	as at 31/12/21
	(€m)	(€m)
Right-of-use assets		
Buildings	33.4	33.0
Total	33.4	33.0
Lease Liabilities		
Current	0.4	0.3
Non-current	35.4	34.4
Total	35.8	34.7

b) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts related to leases:

	2022	2021
	(€m)	(€m)
Depreciation charge of right of use assets		
Buildings	1.1	0.9
Total	1.1	0.9
Interest cost (on right of use assets)	0.8	0.7

The total cash outflow for leases in 2022 was €2m (2021 – €1.9m).

c) Maturity Analysis – contractual undiscounted cash flows

	2022	2021
	(€m)	(€m)
Maturity analysis - contractual undiscounted cash flows		
Less than 1 year	1.1	1.0
One to five years	5.9	5.5
More than 5 years	39.3	45.0
Total	46.3	51.5

BritNed Development Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

15 Financial assets and financial liabilities

Financial assets at amortised cost	2022 (€m)	2021 (€m)
Trade and other receivables excluding prepayments	11.2	9.3
Cash and cash equivalents	139.7	56.2
Total	150.9	65.5

Liabilities at amortised cost	2022 (€m)	2021 (€m)
Trade and other payables excluding non-financial liabilities	2.1	2.8
Discounted future lease payments	35.8	34.7
Total	37.9	37.5

a) Trade and other receivables

Trade receivables and other receivables are amounts due from customers for services performed in the normal course of business.

Due to the short-term nature of the trade receivables, their carrying amount is assumed to be the same as their fair value.

Information about the exposure to credit risk, foreign exchange risk and liquidity risk can be found in the Directors' Report on page 6.

b) Trade and other payables

Trade payables are unsecured, interest free and due on demand.

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

c) Lease liabilities

After the implementation of IFRS 16 as from 1st January 2019, the company recognises current and non-current Lease liabilities which reflect discounted future lease payments.

BritNed Development Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

16 Provision

a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to decommissioning provision:

Balance Sheet	2022	2021
Decommissioning - Liability	(€m)	(€m)
Carrying amount as at 1 January	49.6	46.2
Interest on the provision	1.7	1.6
Additional provisions recognised	-	1.8
Carrying amount as at 31 December	51.3	49.6

BritNed has not amended the decommissioning estimate for year-end 31 December 2022. The decommissioning provision as at 31 December 2022 is €51.3m and the asset amount is €44.8m which will be depreciated over the remaining useful life of the assets. The remaining expected cable lifespan is 28 years i.e. until the decommissioning obligations are expected to crystallise. The provision includes all the associated costs relating to any obligation of the company to decommission the physical assets present in the future.

This cost is being discounted using a risk-free rate of 0.5% and the long-term expected RPI which is used for the calculation of the provision value is 3%.

If the pre-tax discount rate applied to the cash flow projections in the calculation of the decommissioning provision had been 1% higher than management's estimates (1.5% instead of 0.5%), considering 2021 as a base year, the Company would have had to recognise a lower provision for €13.2m.

b) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts related to decommissioning provision:

Profit or Loss	2022	2021
Depreciation charge of Asset	(€m)	(€m)
Decommissioning – Asset	1.6	1.5
	1.6	1.5

Finance cost - Interest Expense	2022	2021
	(€m)	(€m)
Decommissioning – Liability	1.7	1.6
	1.7	1.6

BritNed Development Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

17 Related parties

The Company has the following related parties:

Parent Companies

During the year, the Company was a joint venture between National Grid Interconnector Holdings Limited and NLink International B.V. with each party holding 50% of the issued share capital.

The ultimate parent undertaking of National Grid Interconnector Holdings Limited is National Grid plc which is incorporated in England and Wales, and the ultimate parent undertaking of NLink International B.V. is TenneT Holding B.V. which is incorporated in the Netherlands.

Balances with related parties at 31 December 2022, together with the aggregate recharge made to and from related parties during the year are shown in the table below.

BritNed Development Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

17 Related parties (continued)

	Recharged in the year to 31/12/22	Included within Creditor balance at the year-end 31/12/22	Included within Debtor balance at the year-end 31/12/22
	€m	€m	€m
Recharged from National Grid Interconnector Holdings Limited	-	-	-
Recharged from National Grid Electricity Transmission plc	1.1	2.4	0.5
Recharged from Thamesport Interchange Limited	1.1	-	-
Recharged from National Grid Insurance Company (Isle of Man) Limited	1.1	-	-
Recharged from Nlink International B.V.	-	-	-
Recharged from TenneT TSO B.V.	(14.3)	(1.1)	7.8
Total	(11.0)	1.3	8.3

	Recharged in the year to 31/12/21	Included within Creditor balance at the year-end 31/12/21	Included within Debtor balance at the year-end 31/12/21
	€m	€m	€m
Recharged from National Grid Interconnector Holdings Limited	-	-	-
Recharged from National Grid Electricity Transmission plc	(2.1)	1.8	0.5
Recharged from Thamesport Interchange Limited	0.9	-	-
Recharged from National Grid Insurance Company (Isle of Man) Limited	(30.3)	-	1.2
Recharged from Nlink International B.V.	-	-	-
Recharged from TenneT TSO B.V.	(3.9)	(0.2)	4.5
Total	(35.4)	1.6	6.2

BritNed perform currency swaps with National Grid Holdings One plc an entity wholly owned by National Grid plc. There are no open swaps at year end, the total value of swaps during 2022 was nil (2021: €12m).

National Grid plc has arranged qualifying third party indemnities against financial exposure that National Grid Directors may incur in the course of their professional duties. Alongside these indemnities, National Grid places Directors' and Officers' liability insurance for each National Grid Director. No recharges were made to National Grid for these services.

BritNed Development Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

18 Ultimate parent undertaking and controlling party

Copies of the consolidated financial statements which include the results of BritNed Development Limited can be obtained from the Company Secretary, National Grid plc, 1-3 Strand, London WC2N 5EH and TenneT Holding B.V., Utrechtseweg 310, PO Box 718, NL6800 AS Arnhem, the Netherlands. BritNed Development Limited is owned in equal shares by National Grid Interconnector Holdings Limited and NLink International B.V..

The ultimate parent and controlling Companies are National Grid plc and TenneT Holding B.V.. The immediate parent Companies are National Grid Interconnector Holdings Limited and NLink International B.V..

The largest and smallest groups which include the Company and for which consolidated financial statements are prepared are headed by National Grid plc which is registered in England and Wales and TenneT Holding B.V. and NLink International B.V. which are registered in the Netherlands.

19 Post Balance Sheet Event

Since 2021, BritNed has submitted insurance claims under the offshore property damage policy and the business interruption policy to the Insurers (National Grid Insurance Company (Isle of Man) Limited). BritNed received in 2021 compensation for the costs of the repairs, amounting to €34.3m, which has been recognised in the income statement of 2021 as other income. There was no movement recorded in 2022. The discussions with the Insurers about the final compensation were finalised in the first quarter of 2023 with the concluding amount of €21.8m received by BritNed in the second quarter of 2023.