

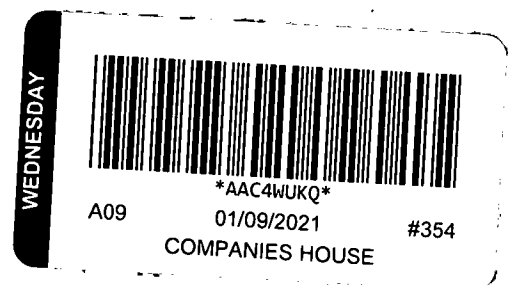
BritNed Development Limited

Annual Report

and Financial Statements

For the year ended 31 December 2020

Company registration number: 4251409



BritNed Development Limited
Strategic Report
for the year ended 31 December 2020

The Directors present their strategic report on BritNed Development Limited ('the Company', 'BritNed') for the year ended 31 December 2020.

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 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.

During 2020, significant fluctuations of GBP prices have been reported. The main reason derived from the concerns on the global financial stability during the challenging times of the COVID-19 pandemic, which led to the emergency interest rates cuts in March 2020 by the UK Government.

In addition, due to the restrictive measures installed by all European countries in response to the COVID-19 pandemic fuel prices decreased on demand for fuel which led to a decrease in wholesale electricity prices across Europe. Coal and Natural Gas prices decreased compared to 2019 for both the industrial sector and the electricity sector and concurrently, because of coal-to-gas switching. The tough restriction measures resulted in a decrease in demand for electricity and gas, which pushed down the marginal cost for generators which in return lead to a significant drop in average Day-Ahead prices. This had a negative impact to the revenue generated by BritNed.

The Capacity Market is a mechanism introduced by the UK Government to ensure that electricity supply continues to meet demand as more volatile and unpredictable renewable generation plants come on stream. BritNed secured revenue from the capacity mechanism across the whole period of the accounts, compared to only three months of revenue in 2019.

Consequently, revenue has increased to €84.8 million compared to €82.8 million in 2019. The financial position of the Company continues to be strong, with profits continuing to be projected for the next few years in line with the current market spread trends.

A large focus for BritNed over the last couple of years has been around Brexit planning to ensure contingency plans are in place to ensure that regulators and other involved authorities will not take decisions that are detrimental to the unique situation of BritNed. The Directors continue to monitor the developments of the UK exiting the European Union.

Although, the UK left the European Union on 31 January 2020, from that moment until 31 December 2020 (so-called transition period), the UK and all relevant parties in the energy sector were still bound by EU law.

After the end of the transition period, it was expected that the UK would not be part of the Internal Energy Market (IEM) and therefore would not participate in single day-ahead market coupling and single intraday coupling on UK electricity interconnectors.

BritNed Development Limited
Strategic Report (continued)
for the year ended 31 December 2020

In preparation for the end of the transition period, BritNed amended their Access Rules, which are needed in order to facilitate operation. In December 2020 the concerned Regulatory Authorities in the Netherlands and in UK published their joint positive opinion regarding the latest version of Access Rules of the BritNed interconnector in the event that UK no longer participates in single day-ahead market coupling and which would come into effect at the end of the transition period, i.e. after 31 December 2020.

Considering all the changes which followed from the end of the transition period, BritNed have been prepared and continue to adapt to the changes of the new structure of the European energy market in order to ensure business continuity.

During 2020, BritNed have been investigating the potential solutions for managing to sell day ahead capacity after 2020, under the assumption that the UK would not be part of the Internal Energy Market (IEM) after 31 December 2020 and the sale of day ahead capacity through implicit auctions as facilitated by Market Coupling, would no longer be available. Finally, BritNed focused on the solution of explicit day ahead system capability through the Single Allocation Platform (SAP) which was implemented before 1 January 2021.

Following the decision of Ofgem on the approach to cost recovery under the Capacity Allocation and Congestion Management (CACM) Regulation in August 2019, BritNed submitted a cost recovery claim to Ofgem in March 2020 for the historic costs, incurred under the European Commission Regulation (EU) 2015/1222 on CACM, in relation to establishing, amending and operating SDAC (Single Day-ahead Coupling) and SIDC (Single Intraday Coupling). This covers the period of both the CACM pilot project (costs before 14 February 2017) and the period of enduring arrangements (14 February 2017 – 30 August 2019: Ofgem decision).

Ofgem published a consultation on 1st December 2020 regarding their assessment of these costs that are intended be recovered to BritNed through the 2021 cycle of Transmission Network Use of System ("TNUoS") charges. The amount included in the consultation was £4.1m to be recovered by BritNed. BritNed considered the receipt of this amount to be virtually certain at the year end, and therefore have recognised this in other income. In January 2021, the final decision of Ofgem was published, confirming the information included in their consultation in December 2020.

The other principal risk facing the Company is 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 occurring. In addition, property damage and business interruption insurance are held to enable the business to recover financial losses.

On 8 December 2020 BritNed experienced a bi-pole trip attributed to a cable fault. The cable response plan was enacted immediately, and an incident team formed. After collating sufficient evidence of the location being offshore, supplier discussions were undertaken and the contract for fault pinpoint, cut & seal, and repair was established. As at 31 December 2020, the cable fault was still under investigation. Concurrently, in accordance with the REMIT requirements, BritNed communicated the necessary information to the public.

Considering the insurance coverage in place, all necessary actions were taken from the first day in order to ensure a smooth process of submitting an insurance claim under the offshore property damage policy. As at 31st December 2020, costs of €500,000 had been incurred and recognised in the income statement, which represented the value of work undertaken for planning of the repair. The repair work mobilised in January 2021.

The Business interruption policy has a 60 day waiting period, therefore losses as a result of lost revenue from day ahead and intraday auctions and curtailment compensation paid to customers for long term capacity rights from the date of the incident to 31st December 2020 have been included in the profit and loss statement. This resulted in a loss of €6.7m to 31st December 2020.

BritNed Development Limited
Strategic Report (continued)
for the year ended 31 December 2020

The risk of the ongoing COVID-19 pandemic is being actively managed by the company, ensuring the asset and required commercial frameworks remain operational and that employees remain safe. At this time, no significant issues have occurred as a result of COVID 19 however, engagement with the supply chain and scenario planning continues to ensure any risks are identified and remediated. The company is highly cash generative and remains debt free, hence the impact of COVID 19 has not led to liquidity issues.

Post Balance Sheet Event

The investigation of the cable failure started from the day of the incident (i.e. 8 December 2020). In January 2021, the physical cable works commenced and were completed on 5 February 2021 with return to full market availability on 9 February 2021, 62.5 days after the cable fault commenced. BritNed has performed all controls required and captured in detail all information from lessons learned during this experience. Total losses from this cable fault were €13.6m, including the impact in fiscal year 2020.

On 9 March 2021, BritNed experienced another unplanned outage. Further investigation and testing confirmed that this outage was also due to a cable fault. In April 2021, the physical cable works commenced and were completed on 1 June 2021 with return to full market availability on 7 June 2021, 89.7 days after the cable fault commenced. At this time, the cause of the fault is still under investigation. Total estimated losses from this cable fault were €18.7m. A claim will be submitted based on the Business interruption insurance policy for losses over 60 days.

Regarding Brexit, as from 1 January 2021, the transition period ended, and new interim regulatory and trading arrangements are implemented between EU and UK. Concurrently, BritNed is working in line with TCA (Trade and Cooperation Agreement) on a new trading arrangement. Given the steps and actions taken by BritNed to prepare, there has been limited impact to the business.

Results

The profit for the financial year was €43.6 m (2019: €50.4m).

Financial position

The financial position of the Company is presented in the balance sheet. Total equity funds at 31 December 2020 were €439.4m (2019: €447.0m) comprising total non-current assets of €485.0m (2019: €454.2m), other non-current liabilities of €1.6m (2019: €1.7m), the lease liability based on IFRS 16 of €36.5m (2019: €36.9m), the impact from the updated estimation of the decommissioning provision in 2020 of €46.2m, deferred tax liabilities of €10.4m (2019: €10.2m) and net current assets of €49.1m (2019: €41.7m).

BritNed Development Limited

Strategic Report (continued)
for the year ended 31 December 2020

Key performance indicators

The following key performance indicators are noted:

	2020	2019	Definition, method of calculation and analysis
Revenue and increase / (decrease) in revenue (€m / %)	€84.8 / 2%	€82.8 / (22 %)	Year on year sales growth expressed as a percentage. The year on year increase is a result of the revenue received through the capacity market mechanism in 2020 being offset by the reduced revenues due to the cable fault that occurred in December 2020.
Number of unplanned outages Bipole / Monopole	5 / 2	2 / 2	Number of outages in one year for Bipole and Monopole. Although the issues identified in 2020 relating to the circuit breakers and filters were mitigated the cable fault that occurred in December 2020 and continued until early February 2021 lead to lower availability in 2020. 2020 asset availability including planned and unplanned outages was 92% vs 98.6 % in 2019.
SHES incidents (LTIs)	nil	nil	Number of safety incidents in one year. In both years none to be reported.

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.

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:

BritNed Development Limited
Strategic Report (continued)
for the year ended 31 December 2020

S172 Statement (continued)

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 46-51 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.

Climate Change – scope 1 and 2 emissions.

This is a measure of 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 2020 equate to 279 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 3,358 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 3,637 tonnes of carbon dioxide equivalent for Scope 1 and 2 emissions. This equates to 0.42 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 close to zero for 2020 given the pandemic year but our baseline emissions are 42 tonnes of carbon dioxide which is based on 2019 data.

We take ownership for reducing our own emissions by 10% in 2021 and a further 5% in 2022 and 2023. In order to deliver this, we are looking at the possibility to enter into a Green Energy contract for our Maasvlakte convertor site and once business travel resumes, we will significantly reduce our carbon intensity from travel.

This data complies with the UK government's Streamlined Energy and Carbon Reporting (SECR) requirements and is our first disclosure to comply with SECR.

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



Megan Barnes
Company Secretary
30 June 2021

BritNed Development Limited
Directors' Report
for the year ended 31 December 2020

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2020.

Future developments

Details of future developments have been included within the Strategic Report on page 4.

Dividends

The Directors approved and paid dividends of €51.2m (2019: €56.9m) 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 Dijkmans

Nick Sides

Guido Fricke (resigned 1 July 2020)

Jonathan Butterworth (resigned 1 May 2021)

Thorsten Dietz (appointed 1 July 2020)

Nicola Medalova (appointed 1 May 2021)

BritNed Development Limited
Directors' Report (continued)
for the year ended 31 December 2020

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.

To extend a similar indemnity to the Directors of BritNed Development Limited not employed by National Grid, BritNed Development Limited has placed its own third party Directors' and Officers' insurance.

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 2020

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 current economic conditions due to COVID-19 pandemic 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 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 2020

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:



Megan Barnes
Company Secretary
30 June 2021

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 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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: the balance sheet as at 31 December 2020; the income statement, the cash flow statement, and the statement of changes in equity 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.

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.

BritNed Development Limited

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

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 2020 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, 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.

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.

BritNed Development Limited

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to applicable tax legislation 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. 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 recognition and valuation of lease liabilities and going concern;
- 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, including as a result of the impact of the Covid-19 pandemic; 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.



Richard French (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Crawley
15 July 2021

BritNed Development Limited

Income statement
for the year ended 31 December 2020

	Note	2020 (€m)	2019 (€m)
Revenue	4	84.8	82.8
Administrative Expenses	5	(30.6)	(26.9)
Other income	4	4.5	8.0
Operating profit		58.7	63.9
Finance income and expenses	5.3	(0.9)	(0.6)
Profit before income tax		57.8	63.3
Income Tax expense	6	(14.2)	(12.9)
Profit for the year		43.6	50.4

The results reported above relate to continuing activities.

There are no recognised gains and losses for the financial years other than those included above. Accordingly, no separate statement of comprehensive income is presented.

The notes on pages 18 to 35 form part of these financial statements.

BritNed Development Limited

Balance Sheet as at 31 December 2020

	Note	2020 (€m)	2019 (€m)
Assets			
Non-Current Assets			
Property, plant and equipment	7	448.8	417.4
Right of use asset	14	35.8	36.5
Intangible assets	8	0.4	0.3
		485.0	454.2
Current assets			
Trade and other receivables	9	26.3	22.2
Cash and cash equivalents		53.4	46.1
		79.7	68.3
Total assets		564.7	522.5
Equity and liabilities			
Non-current liabilities			
Other non-current liabilities	11	1.6	1.7
Lease liabilities	14	36.5	36.9
Provision	16	46.2	-
Deferred tax liabilities	12	10.4	10.2
		94.7	48.8
Current liabilities			
Trade and other payables	10	30.3	26.4
Lease liabilities	14	0.3	0.3
		30.6	26.7
Total liabilities		125.3	75.5
Equity			
Share capital	13	113.8	113.8
Retained earnings	13	325.6	333.2
Total equity		439.4	447.0
Total equity and liabilities		564.7	522.5

The notes on pages 18 to 35 form part of these financial statements.

The financial statements on pages 14 to 35 were approved by the Board of Directors on 30 June 2021 and signed on its behalf by:

Jan-Paul Dijckmans
Director



Nicola Medalova
Director



BritNed Development Limited

Statement of changes in equity
for the year ended 31 December 2020

	Note	Share capital (€m)	Retained earnings (€m)	Total Equity (€m)
Balance as at 1 January 2019	13	113.8	339.7	453.5
Profit for the year			50.4	50.4
Dividends	13		(56.9)	(56.9)
Balance as at 31 December 2019		113.8	333.2	447.0

	Note	Share capital (€m)	Retained earnings (€m)	Total Equity (€m)
Balance as at 1 January 2020	13	113.8	333.2	447.0
Profit for the year			43.6	43.6
Dividends	13		(51.2)	(51.2)
Balance as at 31 December 2020		113.8	325.6	439.4

The notes on pages 18 to 35 form part of these financial statements.

BritNed Development Limited

**Cash flow statement
for the year ended 31 December 2020**

	Note(s)	2020 (€m)	2019 (€m)
Cash flows from operating activities			
Profit before tax		57.8	63.3
<i>Adjustment for:</i>			
Depreciation and amortisation of assets	7,8,14	16.2	16.3
Gain from Reassessment of Right of Use Asset		(0.4)	
Interest paid/payable for lease liabilities	5	0.8	0.7
<i>Changes in working capital:</i>			
Increase in trade and other receivables	9	(4.1)	(4.3)
Increase / (Decrease) in trade and other payables	10, 11	7.2	(17.7)
Cash generated from operations		77.5	58.3
Tax paid		(17.4)	(13.7)
Net cash generated from operating activities		60.1	44.6
Cash flows from investment activities			
Purchase of tangible and intangible fixed assets	7,8	(0.4)	(0.2)
Net cash flows used in investing activities		(0.4)	(0.2)
Cash flows from finance activities			
Dividends paid to equity holders of the company	13	(51.2)	(56.9)
Cash payments for the principal portion of the lease liability	14	(1.2)	(1.0)
Net cash flows used in financing activities		(52.4)	(57.9)
Net increase/(decrease) in cash and cash equivalents		7.3	(13.5)
Cash and cash equivalents at beginning of year		46.1	59.6
Cash and cash equivalents at end of year		53.4	46.1

The notes on pages 18 to 35 form part of these financial statements.

BritNed Development Limited

Notes to the financial statements for the year ended 31 December 2020

1 Accounting policies

(a) Basis of preparation

These financial statements have been prepared on the going concern basis in accordance with international 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) 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 single entity, domiciled in the UK and registered in England and Wales. The address of the registered office is:

1-3 the Strand

London

WC2 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 current economic conditions due to COVID-19 pandemic 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 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 2020

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 as the customer benefits from the capacity flowed 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 auctions and is recognised over the period when the capacity is delivered. Implicit Auction Revenue is sold for the day ahead therefore is 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 furniture 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 2020

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 2020, the Company's strategy, which has remained unchanged from 2019, 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 life 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 2020

1 Accounting policies (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.

(I) 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 2020

1 Accounting policies (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

The International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) have issued the following new or revised standards and interpretations, which are relevant to the Company, with an effective date for the financial periods beginning on or after the dates disclosed below.

Revised Conceptual Framework for Financial Reporting	<p>The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:</p> <ul style="list-style-type: none">• increasing the prominence of stewardship in the objective of financial reporting• reinstating prudence as a component of neutrality• defining a reporting entity, which may be a legal entity, or a portion of an entity• revising the definitions of an asset and a liability• removing the probability threshold for recognition and adding guidance on derecognition• adding guidance on different measurement basis, and• stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. <p>No changes will be made to any of the current accounting standards.</p>	1 January 2020
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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.

BritNed Development Limited

Notes to the financial statements (continued) for the year ended 31 December 2020

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.

The position of the Company in relation to the capped return on investment requires judgement. At this time, profits are below the capped level and there is no clear view that profits will exceed the maximum allowed returns in the future.

Long term performance forecasting is inherently difficult and subjective in any interconnector business. Revenue forecasts are dependent on factors such as the supply and demand for power across Europe, future levels of interconnection, generation mix and wider energy policies as well as legislative changes.

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 as and when necessary.

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:

Lease	Proposed end date for IFRS16
Land at Maas	2051 (in line with end cable depreciation period)
Land at IoG	2055 (first possible break after end of cable depreciation period)
Rent & Services MCE Building	2051 (in line with end cable depreciation period)
IoG 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 2020

2 Critical accounting judgements and estimation uncertainty (continued)

Decommissioning Provision

The reassessment of the decommissioning provision has been recognised on 31st December 2020, thus as the standard IAS 16 requires the estimate of decommissioning cost has been recognised within the cost of the related assets of €46.2m and according to standard IAS 37, the same amount has been booked as provision. Subsequently, from 2021 onwards the asset will be depreciated, and the interest on the provision due to discounted liability will be unwound each year.

The remaining expected cable lifespan is 30 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.

The current cost estimation of the decommissioning is €46.2m, which was conducted by the management of the Company based on information provided by other National Grid part owned interconnectors and will be reviewed before the next reporting date. 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%), the Company would have had to recognise a lower provision for €12,500,000.

Adjustments recognised in the balance sheet on 31 December 2020:

Decommissioning – Asset: increase by €42,600,000
Decommissioning – Liability: increase by €42,600,000

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 (2019: none).

4 Revenue and other income

	2020 (€m)	2019 (€m)
Net explicit revenue	49.7	54.8
Net implicit revenue	14.3	21.6
Other revenue	20.8	6.4
Total Revenue	84.8	82.8
Other income	4.5	8.0
Total Other income	4.5	8.0

BritNed Development Limited

Notes to the financial statements (continued) for the year ended 31 December 2020

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

Other income is relating to the expected receipt of the amount relating to the CACM cost recovery claim which was submitted to Ofgem by BritNed. Ofgem included the amount of £4.1m in their consultation which was published in December 2020 and mentioned that it is intended be recovered to BritNed in 2021.

5 Administrative expenses

5.1 Expenses by nature

Administrative expenses can be broken down as follows:

	Note	2020 (€m)	2019 (€m)
Depreciation	7	15.1	15.2
Amortisation	8	-	0.1
Personnel costs		4.8	4.8
General rates and taxes		1.2	0.9
Foreign exchange (gains)/losses		1.2	(0.6)
Insurance		3.2	3.2
Depreciation - IFRS16	14	1.1	1.0
Other costs		4.0	2.3
Total Administrative Expenses		30.6	26.9

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:

	2020 (€'000)	2019 (€'000)
Audit of the financial statements	74.2	54.5
Non audit services - tax compliance	22.9	4.0
Total auditors' remuneration	97.1	58.5

5.3 Finance Income and Expenses

	2020 (€m)	2019 (€m)
Interest receivable and similar income	-	0.2
Interest paid/payable for lease liabilities	(0.8)	(0.7)
Interest payable and similar charges	(0.1)	(0.1)
Net finance expense	(0.9)	(0.6)

BritNed Development Limited

Notes to the financial statements (continued) for the year ended 31 December 2020

6 Income Tax Expense

	2020 (€m)	2019 (€m)
Current tax:		
UK corporation tax	5.4	5.7
UK corporation tax adjustment in respect of prior years	-	-
Overseas corporation tax	8.6	7.9
Total current tax	14.0	13.6
Deferred tax:		
UK deferred tax	(1.0)	(0.8)
UK deferred tax adjustment in respect of prior years	-	-
Impact of change in tax rate	1.2	0.1
Total deferred tax (note 12)	0.2	(0.7)
Total Tax charge	14.2	12.9

The tax charge for the year is higher (2019: higher) than the standard rate of corporation tax in the UK for the year of 19% (2019: 19%).

	2020 (€m)	2019 (€m)
Profit before income tax	57.8	63.3
Profit before income tax multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	11.0	12.0
Effect of:		
Permanent items	0.4	0.4
Deferred tax impact of change in UK tax rate	1.2	0.1
Unrelieved foreign tax	1.6	0.4
Adjustments in respect of prior years	-	-
Total tax charge for the year	14.2	12.9

The UK government enacted the new corporation tax rate on the 17th March 2020. According to this legislation the corporation tax rate is set at 19% for the financial year beginning 1 April 2020. This maintains the rate at 19% rather than reducing it to 17% from 1 April 2020, as assumed for the calculation of the corporation tax charge in 2019. By maintaining the tax rate at 19%, the opening balance of Deferred Tax was restated at 19% rather than 17%, which resulted in an increase of deferred tax liabilities and higher tax charge in 2020.

BritNed Development Limited

Notes to the financial statements (continued) for the year ended 31 December 2020

7 Property, plant and equipment

	Freehold property	Plant and Machinery	Fixtures and fittings	Total
	(€m)	(€m)	(€m)	(€m)
Cost				
At 31 December 2019	73.8	474.2	0.1	548.1
Transfers from Intangible Assets	0.1	0.2	-	0.3
Additions	-	-	-	-
Decommissioning - Asset	-	46.2	-	46.2
At 31 December 2020	73.9	520.6	0.1	594.6
Accumulated Depreciation				
At 31 December 2019	16.1	114.5	0.1	130.7
Depreciation for the year	1.9	13.2	-	15.1
At 31 December 2020	18.0	127.7	0.1	145.8
Net Book value:				
At 31 December 2019	57.7	359.7	-	417.4
At 31 December 2020	55.9	392.9	-	448.8

8 Intangible assets

	Software (€m)	Work in Progress (€m)	Total (€m)
Cost:			
At 31 December 2019	4.6	0.1	4.7
Additions	-	0.4	0.4
Transfers to Property, plant and equipment	-	(0.3)	(0.3)
At 31 December 2020	4.6	0.2	4.8
Accumulated Amortisation			
At 31 December 2019	4.4	-	4.4
Amortisation for the year	-	-	-
At 31 December 2020	4.4	-	4.4
Net Book value:			
At 31 December 2019	0.2	0.1	0.3
At 31 December 2020	0.2	0.2	0.4

BritNed Development Limited

Notes to the financial statements (continued) for the year ended 31 December 2020

9 Trade and other receivables

Trade and other receivables can be broken down as follows:

	2020 (€m)	2019 (€m)
Trade receivables	4.5	-
Amounts owed by group undertakings	4.2	4.5
Other amounts receivable	12.5	11.6
Prepayments and accrued income	5.1	6.1
Total	26.3	22.2

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

Included within Prepayments and accrued income is €4.7m (2019: €5.7m) 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:

	2020 (€m)	2019 (€m)
Trade payables	0.6	0.6
Other creditors	0.3	0.5
Amounts owed to group undertakings	1.0	2.4
Corporation tax payable	11.9	15.3
Accruals and deferred income	16.5	7.6
Total	30.3	26.4

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

Included within Accruals and deferred income is €6.2m (2019: €2.4m) 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 2020

11 Other non-current liabilities

	2020 (€m)	2019 (€m)
Deferred grant income	1.6	1.7
Total	1.6	1.7

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 (€m)
Deferred tax liabilities	
Deferred tax liabilities at 1 January 2020	10.2
Charged to income statement	0.2
At 31 December 2020	10.4

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

	2020 (€m)	2019 (€m)
Called up and fully paid		
1 (2019: 1) "A" share of £1	-	-
1 (2019: 1) "B" share of £1	-	-
284,500,000 (2019: 284,500,000) "C" shares of 0.2 euro each	56.9	56.9
284,500,000 (2019: 284,500,000) "D" shares of 0.2 euro each	56.9	56.9
	113.8	113.8
Retained earnings		
Reserves	282.0	282.8
Profit for the year	43.6	50.4
	325.6	333.2
	439.4	447.0

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 2020

13 Equity attributable to owners of the Company (continued)

Dividend distribution

In 2020, the Company distributed a €51.2 million common dividend (€0.09 per share) to its ordinary shareholders.

	2020	2019
Dividend (€m)	51.2	56.9
Dividend Per Share (€)	0.09	0.10

14 Lease commitments

a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	as at 31/12/20	as at 31/12/19
	(€m)	(€m)
Right of use assets		
Buildings	35.8	36.5
Total	35.8	36.5
Lease Liabilities		
Current	0.3	0.3
Non-current	36.5	36.9
Total	36.8	37.2

b) Amounts recognised in the statement of profit or loss

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

	2020	2019
	(€m)	(€m)
Depreciation charge of right of use assets		
Buildings	1.1	1.0
Total	1.1	1.0
Interest cost (on right of use assets)	0.8	0.7

The total cash outflow for leases in 2020 was €2.08m (2019 – €2.04m).

c) Maturity Analysis – contractual undiscounted cash flows

	2020
	(€m)
Maturity analysis - contractual undiscounted cash flows	
Less than 1 year	1.1
One to five years	5.7
More than 5 years	48.8
Total	55.5

BritNed Development Limited

Notes to the financial statements (continued) for the year ended 31 December 2020

15 Financial assets and financial liabilities

Loans and receivables (€m)	2020 (€m)	2019 (€m)
Trade and other receivables excluding prepayments	21.2	16.1
Cash and cash equivalents	53.4	46.1
Total	74.6	62.2

Liabilities at amortised cost (€m)	2020 (€m)	2019 (€m)
Trade and other payables excluding non-financial liabilities	13.8	18.6
Discounted future lease payments	36.8	37.2
Total	50.6	55.8

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 2020

16 Decommissioning Provision

a) Amounts recognised in the balance sheet

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

Balance Sheet	as at 31/12/20 2020 (€m)	as at 31/12/19 2019 (€m)
Decommissioning - Liability		
Carrying amount as at 01/01/2020	-	-
Additional provisions recognised	46.2	-
Carrying amount as at 31/12/2020	46.2	-

In 2009 a provision was made to recognise the decommissioning costs of the Company's interconnector and converter station assets. Contractual arrangements were in place for all the related assets at this date, and the consideration of decommissioning provisions was made with this information available. In 2010 this provision was reversed, on the grounds that it was unlikely that the cable would be required to be removed and therefore the estimate was nil.

Since the introduction of other newer interconnectors which have very clear decommissioning obligations and have disclosed significant values associated with decommissioning in recent accounts, the management of BritNed have considered that a review was required to understand the current estimate for decommissioning of the assets held by the Company.

BritNed has updated the estimate for year-end 31st December 2020 in light of new information available from other interconnectors which have very clear obligations and provide a better way of estimating the costs for removal of the assets.

The reassessment of the decommissioning provision has been recognised on 31st December 2020. As standard IAS 16 requires the estimate of decommissioning cost has been recognised within the cost of the related assets of €46.2m and according to standard IAS 37, the same amount has been booked as a provision. Subsequently, from 2021 onwards the asset will be depreciated, and the interest on the provision due to discounted liability will be unwound each year.

The remaining expected cable lifespan is 30 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.

The current cost estimation of the decommissioning is €46.2m and 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%, the Company would have had to recognise a lower provision for €12,500,000.

Notes to the financial statements (continued)
for the year ended 31 December 2020

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

	2020 (€m)	2019 (€m)
Depreciation charge of Asset		
Decommissioning – Asset	-	-
	2020 (€m)	2019 (€m)
Finance cost - Interest Expense		
Decommissioning – Liability	-	-

The Company has the following related parties:

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 Great Britain, 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 2020, 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 2020

	Recharged in the year to 31/12/20	Included within Creditor balance at the year-end 31/12/20	Included within Debtor balance at the year-end 31/12/20
	€m	€m	€m
Recharged from National Grid Interconnector Holdings Limited	(1.1)	1.0	-
Recharged from National Grid Electricity Transmission plc	2.4	(0.5)	0.1
Recharged from Thamesport Interchange Limited	1.2	-	-
Recharged from National Grid Insurance Company (Isle of Man) Limited	3.0	-	0.8
Recharged from Nlink International B.V.	-	-	-
Recharged from TenneT TSO B.V.	2.3	0.3	3.3
Recharged from EPEX Spot S.E.	1.1	0.2	-
Total	8.9	1.0	4.2

	Recharged in the year to 31/12/19	Included within Creditor balance at the year-end 31/12/19	Included within Debtor balance at the year-end 31/12/19
	€m	€m	€m
Recharged from National Grid Interconnector Holdings Limited	(0.1)	-	-
Recharged from National Grid Electricity Transmission plc	1.4	2.0	0.5
Recharged from Thamesport Interchange Limited	1.1	-	-
Recharged from National Grid Insurance Company (Isle of Man) Limited	3.0	-	0.7
Recharged from Nlink International B.V.	-	-	-
Recharged from TenneT TSO B.V.	1.2	0.3	3.3
Recharged from EPEX Spot S.E.	0.8	0.2	-
Total	7.4	2.5	4.5

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 2020 was €202.3m (2019: €295.7m).

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 2020

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 Holdings 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 Holdings 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 Holdings B.V. and NLink International B.V. which are registered in the Netherlands.

19 Post Balance Sheet Event

The investigation of the cable failure started from the day of the incident (i.e. 8 December 2020). In January 2021, the physical cable works commenced and were completed on 5 February 2021 with return to full market availability on 9 February 2021, 62.5 days after the cable fault commenced. BritNed has performed all controls required and captured in detail all information from lessons learned during this experience. Total losses from this cable fault were €13.6m, including the impact in fiscal year 2020.

On 9 March 2021, BritNed experienced another unplanned outage. Further investigation and testing confirmed that this outage was also due to a cable fault. In April 2021, the physical cable works commenced and were completed on 1 June 2021 with return to full market availability on 7 June 2021, 89.7 days after the cable fault commenced. At this time, the cause of the fault is still under investigation. Total estimated losses from this cable fault were €18.7m. A claim will be submitted based on the Business interruption insurance policy for losses over 60 days.

Regarding Brexit, as from 1 January 2021, the transition period ended, and new interim regulatory and trading arrangements are implemented between EU and UK. Concurrently, BritNed is working in line with TCA (Trade and Cooperation Agreement) on a new trading arrangement. Given the steps and actions taken by BritNed to prepare, there has been limited impact to the business.