

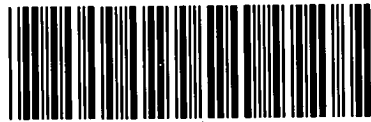
COMPANY REGISTRATION NUMBER 03039100

InterGen (UK) Ltd.

Annual report and financial statements

For the year ended 31 December 2019

WEDNESDAY



S9D80WBF

SCT

09/09/2020

#108

COMPANIES HOUSE

InterGen (UK) Ltd.

Annual report and financial statements

Contents	Page
Officers and professional advisers	1
The strategic report	2
Directors' report	4
Independent auditors' report	6
Statement of comprehensive income	8
Balance sheet	9
Statement of changes in equity	10
Notes to the financial statements	11

InterGen (UK) Ltd.

Officers and professional advisers

The board of directors

John Proctor (appointed 22 January 2020)
Christopher Elder
Lisa Mackay
Paul Teague

Registered office

30 Crown Place
Earl Street
London
United Kingdom
EC2A 4ES

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

InterGen (UK) Ltd.

The strategic report

The directors present their strategic report of the InterGen (UK) Ltd. (the "company") for the year ended 31 December 2019.

Principal activities, position at the end of the year, and business review

The principal activities of the company during the year were to provide certain administrative services and other assistance for the development, construction and management of major energy projects. During the year, the company completed the implementation of a new Energy Trade and Risk Management ("ETRM") software, which began development in 2018.

Net assets at the year-end were £4,747,000 (2018: £2,567,000). The company has a healthy working capital position, with net current assets of £1,607,000 as of 31 December 2019, (2018: £300,000). Additionally long-term assets have increased to £4,847,000 as of 31 December 2019 (2018: £2,267,000). This increase of £2,580,000 is related to the completion of the ETRM software as well as the right-of-use asset recognised as part of the adoption of IFRS 16.

Key performance indicators

The directors do not believe that key performance indicators are a relevant measure, as performance is measured on a group wide basis. The key performance indicators of the group are available in the financial statements of the ultimate parent company, InterGen N.V.

Future prospects

The company will continue to provide management services under its existing service agreements. The company will maintain its focus on improving the quality of services provided to its customers.

Results

The profit for the financial year amounted to £1,683,000 (2018: £1,662,000).

Brexit

As of January 31, 2020, the UK has withdrawn from the European Union ("EU"). As part of the withdrawal agreement, there is a transition period until December 31, 2020, while the UK and EU negotiate additional trade arrangements. During this transition period, the current rules on trade, travel and business for the UK and EU will continue to apply. At this time, the planned withdrawal has not had a material impact on this company's operations. The withdrawal may have both risks and opportunities for InterGen (UK) Ltd, and until the terms of the exit and the nature of the future relationship are clear, it is not possible to conclude on any potential impact. These risks may include currency fluctuations, the effect of any import tariffs, market volatility on commodities and general volatility across the UK economy.

Covid-19

The Director General of the World Health Organization declared the novel coronavirus, COVID-19, a global pandemic on 11 March 2020. As the principal activity of the company is to act as an intermediary to support the group's administrative services, the impact of COVID-19 is deemed to be limited. Based on a review of the risks, and the evolving nature of the virus, a variety of mitigating actions and contingency plans have been implemented at a Group level, however this is an evolving area and further risks may arise which could have a potential impact on the business.

Credit risk

The company's principal financial assets are receivables from other group companies. The company's credit risk is therefore primarily attributable to its intercompany receivables. An allowance for impairment is made where there is an expected credit loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company sources additional funding from its immediate parent company if necessary.

Principal risks and uncertainties

InterGen (UK) Ltd. is a wholly owned subsidiary of InterGen N.V. and the business activities entered into are primarily with other InterGen entities. The directors recognise that the principal risks to InterGen (UK) Ltd. primarily lie with the ultimate parent company. Therefore as a member of the wider InterGen group, There are a number of risks that could impact adversely the financial results and cash flows of the company. These risks include, but are not limited to, the following items:

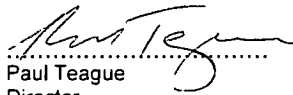
- Health and safety – given the nature of the company's operating activities, the company's systems, processes and controls around the health and safety of contractors, suppliers, the public and employees of affiliated companies is of paramount importance to the company;
- operation risks associated with operating the plants, including the breakdown or failure of power generation equipment, transmission lines, or other necessary equipment leading to unplanned outages or other operational issues, operator error, performance below expected output or efficiency levels, labor disputes,

InterGen (UK) Ltd.

The strategic report

- force majeure or other catastrophic events;
- non-performance by third parties of their respective contractual obligations, including the impact of any such non-performance on our ability to perform our contractual obligations, non-renewal or exercise of contract extension options, and/or termination of power purchase contracts;
- disruption of fuel supply to the power projects or termination of fuel supply and transportation agreements; and
- the effect of emissions reduction programs or legislation in Europe and the United Kingdom;
- further effects of climate change, including the potential for increases in extreme weather events and increased sea levels;
- our marketing and trading activities of un-contracted capacity do not fully remove the exposure to market risks;
- the concentration of operating assets in the United Kingdom and thus exposure to adverse developments in the power industry in this regions;
- our ability to obtain adequate insurance coverage for all losses we might incur in the event of loss or damage to a power project; and
- fluctuations in currency exchange and interest rates – the company seeks to hedge where appropriate its foreign exchange and interest rate exposure upon contractual commitment.

On behalf of the Board by



Paul Teague
Director

Approved by the directors on 30 June 2020

InterGen (UK) Ltd.

Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 December 2019.

Business review, results and future developments

The results for the year to 31 December 2019 are set out in the statement of comprehensive income on page 8. The business review, financial risk management and results and future developments have been discussed in the strategic report on page 2. The directors have reviewed the activities of the business, the financial results and after making enquiries, have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements.

Directors

The directors who served the company during the year and up to the date of this report are listed on page 1.

Dividends

The directors have not recommended a dividend (2018: £nil).

In accordance with s234 of the Companies Act 2006 the company has purchased and maintains insurance against liabilities arising from claims against directors' and officers' actions taken in connection with the company's business.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, 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 accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

InterGen (UK) Ltd.

Directors' report (*continued*)

Independent auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will not be deemed to be reappointed and PricewaterhouseCoopers LLP will not therefore continue in office. A proposed motion will be put before the members at the next general meeting to appoint Ernst & Young LLP as auditors in respect of the accounts for the year ended 31 December 2020.

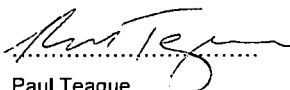
Statement of disclosure of information to auditors

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

On behalf of the Board by



Paul Teague
Director

Approved by the directors on 30 June 2020

InterGen (UK) Ltd.

***Independent auditors' report to the members of
InterGen (UK) Ltd.***

Report on the audit of the financial statements

Opinion

In our opinion, InterGen (UK) Ltd.'s financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); 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 2019; the statement of comprehensive income, 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

InterGen (UK) Ltd.

Independent auditors' report to the members of InterGen (UK) Ltd. (continued)

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 2019 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.

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.


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 received 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.



Michael Timar (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
30 June 2020

InterGen (UK) Ltd.

Statement of comprehensive income

For the year ended 31 December 2019

	Note	2019 £000	2018 £000
Revenue	4	15,920	13,101
Administrative expenses		(13,765)	(10,970)
Operating profit	5	2,155	2,131
Finance costs	9	(96)	(43)
Profit before taxation		2,059	2,088
Tax on profit	10	(376)	(426)
Profit for the financial year		1,683	1,662
Total comprehensive income		1,683	1,662

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

The notes on page 11 to 24 form part of these financial statements.

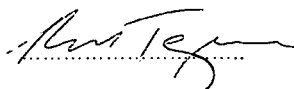
InterGen (UK) Ltd.

Balance sheet

As at 31 December 2019

	Note	2019 £000	2018 £000
Fixed assets			
Intangible assets	13	2,302	1,104
Property, plant and equipment	12	960	1,163
Right-of-use assets	8	1,585	-
		<u>4,847</u>	<u>2,267</u>
Current assets			
Trade and other receivables	14	15,752	6,215
Cash and cash equivalents		139	196
		<u>15,891</u>	<u>6,411</u>
Creditors: Amounts falling due within one year	15	<u>(14,284)</u>	<u>(6,111)</u>
Net current assets		<u>1,607</u>	<u>300</u>
Total assets less current liabilities		<u>6,454</u>	<u>2,567</u>
Creditors: Amounts falling due after more than one year	16	<u>(1,707)</u>	<u>-</u>
Net assets		<u>4,747</u>	<u>2,567</u>
Capital and reserves			
Called up share capital	18	-	-
Share premium account		3,951	3,454
Profit and loss account		796	(887)
Total shareholder's funds		<u>4,747</u>	<u>2,567</u>

These financial statements on pages 8 to 24 were approved by the directors and authorised for issue on 30 June 2020 and are signed on their behalf by:



Paul Teague
Director

Company Registration Number: 03039100

The notes on page 11 to 24 form part of these financial statements.

InterGen (UK) Ltd.

Statement of changes in equity

For the year ended 31 December 2019

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total shareholder's surplus/(deficit) £000
Balance as at 1 January 2018	-	2,441	(2,549)	(108)
Profit for the financial year	-	-	1,662	1,662
Total comprehensive income for the year	-	-	1,662	1,662
Share capital issued during the year	-	1,013	-	1,013
Balance as at 31 December 2018	<u>-</u>	<u>3,454</u>	<u>(887)</u>	<u>2,567</u>
Adjusted balance as at 1 January 2019	-	3,454	(887)	2,567
Profit for the financial year	-	-	1,683	1,683
Total comprehensive income for the year	-	-	1,683	1,683
Share capital issued during the year	-	497	-	497
Balance as at 31 December 2019	<u>-</u>	<u>3,951</u>	<u>796</u>	<u>4,747</u>

The notes on page 11 to 24 form part of these financial statements.

InterGen (UK) Ltd.

Notes to the financial statements

Year ended 31 December 2019

1. General information

The principal activities of the company during the year were to provide certain administrative services and other assistance for the development, construction and management of major energy projects.

The company is a private company and is incorporated and domiciled in the UK.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation and going concern

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and FRS 101. The directors have reviewed the activities of the business, the financial results and after making enquiries, have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, thus they continue to adopt the going concern basis in preparing the financial statements.

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework', requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements. The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- (a) the requirements of paragraphs 33-34 of IFRS 7 Financial Instruments: Disclosures;
- (b) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1; and
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment.
- (c) the following paragraphs of IAS 1 Presentation of Financial Statements:
 - (i) 10(d) (statement of cash flows);
 - (ii) 10(f) (a statement of financial position as at the beginning of the preceding year when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
 - (iii) 16 (statement of compliance with all IFRS);
 - (iv) 38A (requirement for minimum of two primary statements including cash flow statements);
 - (v) 38B-D (additional comparative information);
 - (vi) 40A-D (requirements for a third statement of financial position); and
 - (vii) 134-136 (capital management disclosure).
- (d) IAS 7 'Statement of cash flows';
- (e) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- (f) the requirements of paragraph 17 of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- (g) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.
- (h) Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- (i) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15, Revenue from Contracts with Customers; and

InterGen (UK) Ltd.

Notes to the financial statements

Year ended 31 December 2019

2. Summary of significant accounting policies (continued)

2.2 New standards, amendments and IFRIC interpretations

IFRS 16 is a new accounting standard that is effective for the year ended 31 December 2019 and has had a material impact on the company's financial statements – see Note 8. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 that have had a material impact on the company's financial statements.

2.3 Revenue

Revenue consists of fees and costs recharged to other group undertakings after deducting value added tax and other taxes. Revenue also includes a management services fee and reimbursable costs recharged to Coryton Energy Company Ltd, Spalding Energy Company Ltd, Rocksavage Power Company Ltd and Spalding Energy Expansion Ltd under a management services agreement. Revenue is recognised on an accruals basis.

2.4 Tangible assets

Property, plant and equipment are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

2.5 Intangible assets

Development expenditure relates to costs incurred in customising and installing new software for use within the business. This software will be used to analyse business information and assist in decision making. The software was assessed to have a useful life of 10 years and commence amortisation upon implementation during 2019.

2.6 Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold Improvements – straight line method over 10 years.
Equipment, Fixtures & Fittings – straight line method over 3 to 7 years.

2.7 Leases

The company holds a lease contract in relation to the rental of commercial office premises at 81 George Street, Edinburgh, Scotland, for a fixed contractual term of 10 years.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of rental property for which the company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Until the 2018 financial year, the company classified the rental lease as an operating lease under IAS 17. From 1 January 2019, leases are recognised as a Right-Of-Use Asset ("ROU" Asset) and a corresponding liability on the Balance Sheet at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments less any lease incentives receivable. The measurement of the lease liability includes lease payments for the remaining term of the contracted 10 year period.

InterGen (UK) Ltd.

Notes to the financial statements

Year ended 31 December 2019

2. Summary of significant accounting policies (continued)

2.7 Leases (continued)

Lease payments are discounted using either the rate implicit in the lease or the company's incremental borrowing rate. The lease does not provide an implicit rate, therefore we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

The company is exposed to potential future increases in lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or 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 comprising the amount of the initial measurement of lease liability, along with lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated over the lease term on a straight-line basis.

Information about critical accounting estimates and judgements in the application of lease accounting is disclosed in Note 3.

2.8 Pension costs

The company operates a defined contribution pension scheme. The amount charged in respect of pensions is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2.9 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholder's funds, respectively.

The current income tax charge is calculated on the basis of the United Kingdom tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.10 Foreign currencies

Assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

InterGen (UK) Ltd.

Notes to the financial statements

Year ended 31 December 2019

2. Summary of significant accounting policies (continued)

2.11 Financial Instruments

a) Financial assets

The company classifies its financial assets at amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at amortised cost

The company classifies its financial assets as at amortised cost only if both of the following criteria are met:

(a) the asset held within a business model whose objective is to collect the contractual cash flows, and

(b) the contractual terms give rise to cash flows that are solely payments of principal and interest.

b) Financial liabilities

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.12 Trade and other receivables

Trade and other receivables are amounts due from related parties for services performed in the ordinary course of business. Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.14 Long Term Incentive Plan

The company maintains a long-term incentive plan to provide additional cash-based incentives to key employees. Under the plan, Performance Units are granted to eligible employees and vest over three cycle periods. During January 2018, a new plan was initiated representing three cycles for the years 2018, 2019 and 2020. Cycle One vested in January 2019, with Cycle Two and Cycle Three vesting in January 2020 and 2021, respectively.

InterGen (UK) Ltd.

Notes to the financial statements

Year ended 31 December 2019

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Impairment of trade receivables:

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of receivables, management considers factors including the ageing profile and historical experience.

Taxation:

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon a number of temporary and timing differences including the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Intangible assets:

Intangible assets are amortised on a straight-line basis over the assets useful economic life. The ETRM software, on which construction completed during the year, has been capitalised and is being amortised over an economic useful life of 10 years, resulting in an annual amortisation charge expensed to the statement of comprehensive income included within administration expenses. This charge is sensitive to changes in the estimated useful economic lives and the residual value, if any, of the underlying asset. This estimation will be amended, as necessary to reflect current circumstances based on technological advancement, future investment and economic utilisation.

Leases

Lease payments are discounted using the interest rate implicit in the lease. Our leases do not provide an implicit rate, therefore we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. To determine the incremental borrowing rate, the company uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received. This results in a discount rate of 4.5%. A 100-basis point increase/(decrease) in the rate would cause the lease liability to increase/(decrease) by £93k and a corresponding decrease/increase in the right-of-use asset by the same amount.

4. Revenue

The revenue and profit before tax are attributable to the principal activities of the company. A geographical analysis of revenue is given below:

	2019 £000	2018 £000
United Kingdom	15,920	12,847
Europe	-	254
	<u>15,920</u>	<u>13,101</u>

InterGen (UK) Ltd.

Notes to the financial statements

Year ended 31 December 2019

5. Operating profit

Operating profit is stated after charging/(crediting):

	2019 £000	2018 £000
Depreciation of property, plant and equipment	459	318
Operating lease charges: Land and buildings	-	335
Net loss on foreign currency translation	7	24
Auditors' remuneration	38	38
	<u> </u>	<u> </u>

6. Particulars of employees

The average monthly number of staff employed by the company during the financial year amounted to:

	2019 No.	2018 No.
Information Technology	7	5
Commercial Operations & Trading	15	11
Asset Management & Commercial	2	4
Accounting, Human Resources & Risk Management	25	20
Development	4	3
Administration	8	6
	<u> </u>	<u> </u>
	61	49

The aggregate payroll costs of the above were:

	2019 £000	2018 £000
Wages and salaries	8,310	5,699
Social security costs	1,059	467
Other pension costs	376	306
	<u> </u>	<u> </u>
	9,745	6,472

Employee costs in 2019 and 2018 include amounts accrued in respect of the company's Long-term Incentive Plan.

InterGen (UK) Ltd.

Notes to the financial statements

Year ended 31 December 2019

7. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were:

	2019 £000	2018 £000
Remuneration receivable	765	422
Amounts receivable under long-term incentive schemes	275	233
Company pension contributions to money purchase schemes	59	45
	<u>1,099</u>	<u>700</u>

The number of directors who accrued benefits under company pension schemes was as follows:

	2019 No.	2018 No.
Money purchase schemes	<u>3</u>	<u>3</u>

The emoluments in 2019 relate to three (2018: three) directors. The emoluments of the highest paid director amounted to £330,492 (2018: £182,577). The amounts received by the highest paid director in respect of the long term incentive plan amounted to £160,543 (2018: £56,213). Company pension contributions of the highest paid director amounted to £22,315 (2018: £19,811).

InterGen (UK) Ltd.

Notes to the financial statements

Year ended 31 December 2019

8. Right-of-use asset

The company holds a lease contract in relation to the rental of commercial office premises. The amounts recognised in the financial statements in relation to the lease are as follows:

(a) Amounts recognised on the Balance Sheet

	2019 £000	2018 £000
Other Assets		
Right-of-Use Assets	<u>1,585</u>	<u>-</u>
Lease Liabilities		
Current	236	-
Non-Current	<u>1,707</u>	<u>-</u>

(b) Amounts recognised in the statement of comprehensive income

	2019 £000	2018 £000
Depreciation charge of right-of-use asset	221	-
Interest expense included in finance costs	<u>97</u>	<u>-</u>

Future minimum lease payments as at 31 December 2019 are as follows:

	2019 £000
Within one year	323
2 to 5 years	1,292
Greater than 5 years	<u>700</u>
Total gross payments	<u>2,315</u>
Impact of finance expenses	<u>-</u>
Total future minimum lease payments	<u>2,315</u>

The company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. Thus, the comparative future minimum lease payments presented are based on IAS 17 while the current year are based on IFRS 16.

The total cash outflow for leases in 2019 was £323,000 (2018: £77,000).

9. Finance costs

	2019 £000	2018 £000
Interest on loans from group undertakings	(1)	43
Interest on lease liability	<u>97</u>	<u>-</u>

InterGen (UK) Ltd.

Notes to the financial statements

Year ended 31 December 2019

10. Tax on profit

(a) Analysis of charge in the year

	2019 £000	2018 £000
Current tax:		
UK Corporation tax based on the results for the year at 19% (2018: 19%)	350	476
Adjustments in respect of prior years	(138)	6
Tax charge on profit	<u>212</u>	<u>482</u>
Deferred tax:		
Origination and reversal of timing differences	47	(54)
Adjustments in respect of prior years	117	(2)
Total deferred tax	<u>164</u>	<u>(56)</u>
Tax charge on profit	<u><u>376</u></u>	<u><u>426</u></u>

(b) Factors affecting tax charge

The tax assessed on the profit for the year is lower than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019 £000	2018 £000
Profit before taxation	2,059	2,088
Tax on profit at standard rate	391	397
Deferred tax rate differences	(6)	6
Expenses not deductible for tax purposes	12	19
Adjustment in respect of previous years	(21)	4
Total tax charge	<u><u>376</u></u>	<u><u>426</u></u>

(c) Factors that may affect future tax charges

A change to the future UK corporation tax rate was announced in the March 2020 Budget. The rate will no longer drop to 17% with effect from 1 April 2020 but will remain at the previous rate of 19%. This change had not been substantively enacted at the balance sheet date and therefore is not recognised in these financial statements. The effect of this change, if it applied to the deferred tax balance at 31 December 2019, would be to increase the deferred tax liability by £19,000.

InterGen (UK) Ltd.

Notes to the financial statements

Year ended 31 December 2019

11. Deferred taxation

	2019 £000	2018 £000
As at 1 January	296	240
Profit and loss account movement	(164)	56
As at 31 December	<u>132</u>	<u>296</u>

	2019 £000	2018 £000
Deferred tax assets due after more than 12 months	132	296
Deferred tax liabilities due after more than 12 months	-	-
Total asset	<u>132</u>	<u>296</u>

	Other timing differences £000	Accelerated capital allowances £000
Deferred tax asset		
At 1 January 2019	18	278
Charged to profit and loss	(86)	(78)
At 31 December 2019	<u>(68)</u>	<u>200</u>

	Other timing differences £000	Accelerated capital allowances £000
Deferred tax asset		
At 1 January 2018	7	233
Charged to profit and loss	11	45
At 31 December 2018	<u>18</u>	<u>278</u>

12. Property, plant and equipment

	Leasehold improvements £000	Equipment, fixtures and fittings £000	Total £000
Cost			
At 1 January 2019	740	3,124	3,864
Additions	-	256	256
At 31 December 2019	<u>740</u>	<u>3,380</u>	<u>4,120</u>
Accumulated depreciation			
At 1 January 2019	168	2,533	2,701
Charge for the year	29	430	459
At 31 December 2019	<u>197</u>	<u>2,963</u>	<u>3,160</u>
Net book value			
At 31 December 2019	<u>543</u>	<u>417</u>	<u>960</u>
At 31 December 2018	<u>572</u>	<u>591</u>	<u>1,163</u>

InterGen (UK) Ltd.

Notes to the financial statements

Year ended 31 December 2019

13. Intangible Assets

	Software £000	Total £000
Cost		
At 1 January 2019	1,104	1,104
Additions	1,307	1,307
At 31 December 2019	<u>2,411</u>	<u>2,411</u>
Accumulated amortisation		
At 1 January 2019	-	-
Charge for the year	109	109
At 31 December 2019	<u>109</u>	<u>109</u>
Net book value		
At 31 December 2019	<u>2,302</u>	<u>2,302</u>
At 31 December 2018	<u>1,104</u>	<u>1,104</u>

During the year the company capitalised software development costs of £1,307,000 (2018: £1,104,000) in accordance with IAS 38 (see note 2.5). Intangible assets amortisation is recorded in administrative expenses in the income statement.

14. Trade and other receivables

	2019 £000	2018 £000
Amounts owed by group undertakings	14,727	4,860
Other debtors	258	569
Deferred taxation (note 11)	132	296
Prepayments and accrued income	635	490
	<u>15,752</u>	<u>6,215</u>

Amounts due from group undertakings are unsecured, interest free, have no fixed repayment date and are repayable on demand.

As of 31 December 2019, the company had receivables from related parties of £10,217,000 (2018: £3,500,000) that were past due but not impaired. These relate to related parties for which there is no history of default.

15. Creditors: Amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	221	732
Amounts owed to group undertakings	8,485	2,328
Taxation and social security	476	265
Other creditors	5,102	2,786
	<u>14,284</u>	<u>6,111</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed repayment date and are payable on demand.

InterGen (UK) Ltd.

Notes to the financial statements

Year ended 31 December 2019

16. Creditors: Amounts falling due after more than one year

	2019 £000	2018 £000
Long-term lease liability	<u>1,707</u>	<u>-</u>

17. Post-employment benefits

The company provides a defined contribution scheme for its employees. The amount recognised as an expense during the year was:

	2019 £000	2018 £000
Current year contributions	<u>376</u>	<u>306</u>

18. Called up share capital

Called up and fully paid:

	2019		2018	
	No	£000	No	£000
Ordinary shares of £1 each	<u>7</u>	<u>-</u>	<u>6</u>	<u>-</u>

In 2019 the company issued 1 Ordinary share for a total consideration of £497,000. In 2018 the company issued 1 Ordinary share for a total consideration of \$1,364,999 (£1,012,740 GBP equivalent).

19. Financial instruments

The company has no financial instruments held at fair value through profit or loss.

20. Reserves

The share premium reserves represents amounts paid per ordinary share in excess of the nominal value of the share.

The profit and loss reserves represent the cumulative profit or loss of the company since incorporation offset by any dividend distributions.

21. Commitments under operating leases

At 31 December the company had the following future minimum lease payments under non-cancellable operating leases as set out below.

	Land and buildings	
	2019 £000	2018 £000
Not later than one year	-	397
Later than one year and not later than five years	-	1,590
Later than five years	-	1,204
	<u>-</u>	<u>3,191</u>

InterGen (UK) Ltd.

Notes to the financial statements

Year ended 31 December 2019

22. Guarantees

Spalding Energy Company Limited entered into an operations and maintenance agreement and a management services agreement with InterGen Operating Company (UK) Limited (the "Operator") and InterGen Management Services (UK) Limited (the "Manager") respectively. On 15 May 2002, InterGen (UK) Ltd. entered into a guarantee whereby InterGen (UK) Ltd. guarantees the due performance of the Operator (in respect of the Operation and Maintenance Agreement) and the Manager (in respect of the Management Services Agreement). Given the operational and financial results of both InterGen Operating Company (UK) Limited and InterGen Management Services (UK) Limited, it is unlikely that there will be any transfer of benefits under the guarantees.

23. Ultimate parent company

The immediate parent company is InterGen Projects (UK) Limited, a company incorporated in the United Kingdom.

The ultimate parent undertaking and controlling party is InterGen N.V., a company incorporated in the Netherlands which is the parent company of the smallest and largest group in which these financial statements are consolidated. Financial statements of the parent undertaking, and the ultimate parent undertaking, can be obtained from 81 George Street, Edinburgh, EH2 3ES.

24. Effect of adoption of IFRS 16: Leases

As indicated in notes 2.2 and 8, the company has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting year, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.7.

The company holds a lease contract in relation to the rental of commercial office premises at 81 George Street, Edinburgh, Scotland, for a fixed contractual term of 10 years, for which the company is a lessee.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.5%.

i. Practical expedients applied

The company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

InterGen (UK) Ltd.

Notes to the financial statements

Year ended 31 December 2019

24. Effect of adoption of IFRS 16: Leases

ii. Measurement of lease liabilities

	£000
Operating lease commitments disclosed as at 31 December 2018	3,191
Discounted using incremental borrowing rate as at date of initial application	(472)
Less: excluded service costs	(551)
Lease liability recognised as at 1 January 2019	<u>2,168</u>
Of which are:	
Current lease liabilities	225
Non-current lease liabilities	<u>1,943</u>

iii. Adjustments recognised in the statement of financial position on 1 January 2019

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- Right-of-use assets – increase by £1,806,000
- Lease liabilities – increase by £2,168,000

There was no impact on retained earnings as of 1 January 2019.

25. Post Balance sheet events

Coronavirus was declared after the year end in March 2020 and therefore has been classified as a non-adjusting post balance sheet event. As disclosed in the Strategic Report, the directors have considered the future financial impact on the Company of the Coronavirus. As is described, although the likely full impact is unknown, it is expected to have minimal impact on the Company.