

**REGISTERED NO.**  
**6985529**

**SSE Interconnector Limited**

**Financial statements for the year ended 31 March 2013**

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## **SSE Interconnector Limited**

### **Report of the Director**

The Director presents his report together with the audited Financial statements for the period ended 31 March 2013

#### **1. Principal Activities**

On 1st February 2011, SSE Interconnector Limited signed a co-operation agreement in respect of Northconnect KS, with Agder Energi AS, Lyse Produksjon AS, E-CO Vannkraft AS and Vattenfall AB to examine the technical and economic viability of developing, building and operating an HVDC (High Voltage Direct Current) interconnector, to be designed so that electricity can flow in both directions between GB and Norway. SSE Interconnector Ltd has a 25% shareholding in Northconnect AS, which is a limited liability company registered in Norway.

On 5 March 2013 SSE announced that it will no longer have a financial involvement in the NorthConnect project, the interconnector development company seeking to build a subsea electricity cable between Great Britain and Norway.

The purpose of SSE Interconnector Ltd was to own SSE's equity holding in Northconnect AS and be the funding vehicle for SSE's equity contribution obligations under the Co-operation Agreement dated 1st February 2011.

The Company's principal activity was to participate in the development of an electricity interconnector between GB and Norway. As the Directors do not intend to acquire a replacement trade the financial statements have not been prepared on a going concern basis. The effect of this is explained in Note 1.

#### **2. Business Review**

SSE's decision to no longer have a financial involvement in the NorthConnect project is in line with its intention to focus on its core markets (Great Britain and Ireland) in order to develop the broad portfolio of investment options held in both jurisdictions.

Following an internal review of the project it was deemed that a combination of the need to focus on core markets, the number of alternative investment opportunities available (particularly in network and generation assets) and the lack of short-term clarity on the regulatory regime around interconnectors meant that continuing the project was not in SSE's strategic interest. SSE continues to be supportive of the project itself, as well as increased (commercially developed) interconnection, and will retain contact with the other owners should priorities change.

NorthConnect partners (Vattenfall UK, E-CO Energi, Agder Energi (AE), and Lyse) remain fully committed to developing the interconnector. The decision by SSE does not affect the deliverability of the project.

#### **Principle risks and uncertainties**

The Director acknowledges that he has responsibility for the Company's systems of internal control and risk management and for monitoring their effectiveness. The purposes of these systems are to manage, rather than eliminate, the risk of failure to achieve business objectives, to provide reasonable assurance as to the quality of management information and to maintain proper control over the income, expenditure, assets and liabilities of the Company.

No system of control can, however, provide absolute assurance against material misstatement or loss. Accordingly, the Director has regard to what controls, in his judgement, are appropriate to the Company's business and to the relative costs and benefits of implementing specific controls.

The main financial risks that the Company could face have been considered by the Director and the Group's Risk and Trading Committee. These include competition, economic regulation and government policies and other factors.

The Company transacts with other companies within the SSE plc group and is a key part of the Group's business and strategies. The principal risks and uncertainties faced by the Group are set out in the Group's annual report.

**SSE Interconnector Limited****Report of the Director (continued)****3. Results and Dividends**

During the year the Company made a £1,004,200 loss (2012 - £nil) The Director does not propose payment of a final dividend (2012 - £nil)

**4. Director**

The Director who served during the year was as follows

Derrick Allan

**5. Political and Charitable Donations**

During the year, no charitable or political donations were made

**6. Auditor**

The director who held office at the date of approval of this director's report confirm that, so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware, and the director has taken all the steps that ought to have been taken as a director to be aware of any relevant audit information and to establish that the company's auditor is aware of that information

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

ON BEHALF OF THE BOARD



Derrick Allan  
Director  
3 October 2013

## **SSE Interconnector Limited**

### **Statement of director's responsibilities in respect of the Director's Report and the Financial statements**

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year. Under that law he has elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **Independent Auditor's Report to the Members of SSE Interconnector Limited**

We have audited the financial statements of SSE Interconnector Limited for the year ended 31 March 2013 as set out on pages 5 to 10. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice). These financial statements have not been prepared on the going concern basis for the reason set out in note 1 to the financial statements.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of director and auditors**

As explained more fully in the Director's Responsibilities Statement set out on page 3, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its result for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Emphasis of matter – non going concern basis of preparation**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to these revised financial statements which explains that the financial statements are now not prepared on the going concern basis for the reasons set out in that note.

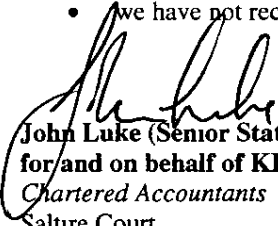
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

  
**John Luke (Senior Statutory Auditor)**  
**for and on behalf of KPMG Audit Plc, Statutory Auditor**  
*Chartered Accountants*  
 Saltire Court  
 20 Castle Terrace  
 Edinburgh  
 EH1 2EG

3 October 2013

**SSE Interconnector Limited**
**Profit and Loss Account  
for the year ended 31 March 2013**

	Note	2013 £m	2012 £m
Turnover		-	-
Cost of sales		-	-
<b>Gross profit</b>		<b>-</b>	<b>-</b>
Exceptional Items	2	(1,267.3)	-
<b>Operating loss</b>	3	<b>(1,267.3)</b>	<b>-</b>
Net interest payable	4	(54.3)	-
<b>Loss on ordinary activities before taxation</b>		<b>(1,321.6)</b>	<b>-</b>
Tax on profit on ordinary activities	5	317.4	-
<b>Loss for the financial year</b>	11	<b>(1,004.2)</b>	<b>-</b>

There are no other recognised gains or losses other than the reported profit above

The accompanying notes are an integral part of these Financial statements

**SSE Interconnector Limited****Balance Sheet as at 31 March 2013**

	Note	2013 £000	2012 £000
<b>Fixed Assets</b>			
Intangible assets	6	-	770 4
<b>Current Assets</b>			
Debtors	7	319.9	74 5
Cash at bank		1.1	-
<b>Creditors:</b>			
Amounts falling due within one year	8	(264.3)	(844 9)
<b>Net current assets/(liabilities)</b>		<u>56.7</u>	<u>(770 4)</u>
<b>Creditors:</b>			
Amounts falling due in greater than one year		(1,060.9)	-
<b>Total assets less current liabilities</b>		<u>(1,004.2)</u>	<u>-</u>
<b>Net liabilities</b>		<u>(1,004.2)</u>	<u>-</u>
<b>Capital and reserves</b>			
Called up share capital	10	-	-
Profit and loss reserve	11	(1,004.2)	-
<b>Shareholders' deficit</b>		<u>(1,004.2)</u>	<u>-</u>

These financial statements were approved by the Director on 3 October 2013 and signed on his behalf by



Derrick Allan, Director

Company Registered Number 6985529

## **SSE Interconnector Limited**

### **Notes on the Financial statements for the year ended 31 March 2013**

#### **1. Principal accounting policies**

##### **Basis of accounting**

The Financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The principal accounting policies are summarised below and have been applied consistently.

On 5 March 2013 the Directors took the decision to cease trading. As they do not intend to acquire a replacement trade, the Directors have not prepared the Financial statements on a going concern basis. No adjustments were necessary to the amounts at which the remaining net assets are included in these financial statements.

Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent undertaking includes the Company in its own published consolidated Financial statements.

As the Company is a wholly owned subsidiary of SSE plc, it has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the SSE Group.

##### **Taxation**

The charge for taxation is based on the profit for the period and takes into account deferred taxation.

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted, or substantially enacted, by the balance sheet date.

Deferred taxation arises in respect of items where there are timing differences between their treatment for accounting and taxation purposes. This is recognised where an obligation to pay more tax in the future has originated but not reversed at the balance sheet date. A deferred tax asset is recognised only when it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

##### **Intangible assets**

###### **(i) Development assets**

Costs capitalised as development intangibles represent the costs incurred in bringing individual projects to the consented stage. Costs associated with reaching the consent stage include options over land rights, planning applications costs and environmental impact studies. At the time the project reaches the consent stage and is approved by the Director, the carrying value of the project is transferred to property, plant and equipment as assets under construction. Depreciation will then be charged over the expected useful life of the related operational assets. The asset is derecognised on disposal, or when no future economic benefits are expected from their use.

#### **2. Exceptional items**

In the year to 31 March 2013 exceptional charges of £1,267,300 were recognised in relation to the write-off of intangible fixed asset, following SSE's decision to no longer have a financial involvement in the NorthConnect project in line with its intention to focus on its core markets (Great Britain and Ireland) in order to develop the broad portfolio of investment options held in both jurisdictions.

#### **3. Staff, director's and auditors' remuneration**

There were no staff employed by the Company during the period. The Director did not receive remuneration in respect of his service to the Company.

The Company's audit fee £180 (2012 £250) for the year was borne by the Parent Company.



# SSE Interconnector Limited

## Notes on the Financial statements for the year ended 31 March 2013

### 4. Net interest payable

	2013 £000	2012 £000
Interest payable to group undertakings	(54.3)	-

### 5. Taxation

	2013 £000	2012 £000
Current tax		
United Kingdom corporation tax on profits for the year	(315.1)	-
Adjustments in respect of previous years	(2.3)	-
	<u>(317.4)</u>	-
Deferred tax		
Origination and reversal of timing differences	-	-
Adjustments in respect of previous years	-	-
Effect of change in UK corporation tax	-	-
	<u>-</u>	-
Total tax on loss on ordinary activities	<u>(317.4)</u>	-

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows

	2013 £000	2012 £000
Loss before tax	(1,321.6)	-
Tax on loss on ordinary activities at standard UK corporation tax rate of 24% (2012 – 26%)	(317.2)	-
Expenses non deductible for tax purposes	2.1	-
Adjustment in respect of previous periods	(2.3)	-
Current tax credit for year	<u>(317.4)</u>	-

The March 2013 Budget announced a 1% reduction in the tax rate, from 1 April 2013 to 23% This was substantively enacted before March 2013 It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction (the rate now being reduced to 20% over the next two years), although this will further reduce the Company's future current tax charge and reduce the Company's deferred tax liabilities accordingly

# SSE Interconnector Limited

## Notes on the Financial statements for the year ended 31 March 2013

### 6. Intangible fixed assets

	Development costs £000
<b>Cost:</b>	
At 1 April 2012	770 4
Additions	496 9
<b>At 31 March 2013</b>	<b><u>1,267.3</u></b>
<b>Depreciation:</b>	
At 1 April 2012	-
Impairment charge	1,267 3
<b>At 31 March 2013</b>	<b><u>1,267.3</u></b>
<b>Net book value:</b>	
<b>At 31 March 2013</b>	<b><u>-</u></b>
At 1 April 2012	<u>770 4</u>

On 5 March 2013 the Company announced that it will no longer have a financial involvement in the NorthConnect project, the interconnector development company seeking to build a subsea electricity cable between Great Britain and Norway, as a result an impairment of £1,267,300 has been recorded above

### 7 Debtors: Amounts falling due within one year

	2013 £000	2012 £000
Trade debtors	-	74 5
Corporation tax recoverable	315.1	-
Amounts owed by group undertakings	4.8	-
	<b><u>319.9</u></b>	<b><u>74 5</u></b>

### 8. Creditors: amounts falling due within one year

	2013 £000	2012 £000
Amounts owed to group undertakings	204.0	844 9
Accruals and other deferred income	0.1	-
Other creditors	60.2	-
	<b><u>264.3</u></b>	<b><u>844 9</u></b>

### 9. Creditors: amounts falling due in greater than one year

	2013 £000	2012 £000
Amounts owed to group undertakings	<b><u>1,060.9</u></b>	<b><u>-</u></b>

## SSE Interconnector Limited

### Notes on the Financial statements for the year ended 31 March 2013

#### 10. Share capital

The authorised and called up share capital was

	2013 £	2012 £
Authorised		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
1 ordinary shares of £1 each	<u>1</u>	<u>1</u>

#### 11. Profit and loss account

	£000
Balance at 1 April 2012	-
Loss for the year	<u>(1,004.2)</u>
<b>Balance at 31 March 2013</b>	<b><u>(1,004.2)</u></b>

#### 12. Ultimate holding company

The Company is a subsidiary of SSE plc, which is the ultimate parent company and is registered in Scotland. The largest and smallest group in which the results of the Company are consolidated is that headed by SSE plc. The consolidated financial statements of the group (which include those of the Company) are available from Corporate Communications, Inveralmond House, 200 Dunkeld Road, Perth PH1 3AQ.