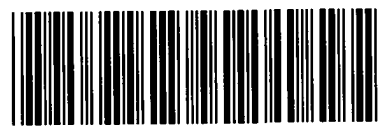

Abernedd Power Company Limited

Annual report and financial statements

Year ended 31 March 2018

Registered No.: 06383166

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Abernedd Power Company Limited

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Abernedd Power Company Limited

Directors and Other Information

Directors Alasdair MacSween

Registered office No.1 Forbury Place
43 Forbury Road
Reading
RG1 3JH

Secretary Sally Fairbairn

Auditor KPMG LLP
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

Registered number 06383166

Abernedd Power Company Limited

Strategic Report

The director submits his report and audited financial statements of the company for the year ended 31 March 2018.

This Strategic Report has been prepared in accordance with the requirements of Section 414 of the Companies Act 2006. Its purpose is to inform shareholders and help them assess how the director has performed his duty to promote the success of Abernedd Power Company Limited.

1 Business review

The profit and loss account for the year ended 31 March 2018 is set out on page 8. The loss for the year after taxation amounted to £0.9m (2017: *loss of £4.6m*). The balance sheet at 31 March 2018 is set out on page 9 and indicates net liabilities of £25.1m (2017: *net liabilities of £24.2m*).

Abernedd Power Company Limited owns rights associated with the construction and operation of a proposed gas fired power plant. Abernedd entered a bid into the capacity auction but was unsuccessful. The company is considering whether to apply for a variation to the planning consent that has been granted, which would allow it the option of building either a CCGT or an OCGT on the site.

Despite experiencing challenges in recent years, and despite expected longer-term changes in the way electricity is generated and used, it is still anticipated that gas-fired power stations will eventually play an increasingly important role in electricity generation. As a result, SSE will continue to maintain an option for a power station. It will not, however, make any significant additional commitments to the project unless it is entered into and is successful in the Capacity Market auction process.

The principal risks and uncertainties affecting the Company have been disclosed within the Director's Report on page 3.

2 Key performance indicators

The Director believes that the following indicators will provide shareholders with sufficient information to assess how effectively the company is performing.

Financial / Operational	2018	2017
Operating profit/(loss) - £m	0.4	(0.9)
Net liabilities - £m	(25.1)	(24.2)

On behalf of the board



Alasdair MacSween
Director
16 December 2018

Abernedd Power Company Limited

Director's Report

The director presents his report together with the audited financial statements for the year ended 31 March 2018.

1 Principal activities

Abernedd Power Company Limited owns rights associated with the construction and operation of a proposed gas fired power plant. The company was established to develop, construct and eventually operate a proposed gas-fired power plant at its site in South Wales.

The company's immediate parent company is SSE Generation Limited. The company is a wholly owned subsidiary of SSE plc.

2 Principal risks and uncertainties

The main financial risks that the Company could face have been considered by the Director and the Group's Risk and Trading Committee.

The company is aware of the political uncertainty following the announcement of Brexit. This is being closely monitored by the company but is not considered to have a significant impact on the accounts for the year ended 31 March 2018.

3 Results and dividends

The loss for the financial year amounted to £0.9m (2017: loss of £4.6m). The Director does not recommend the payment of a dividend (2017: £nil).

4 Directors

The director and secretary who served during the year are as listed on page 1. In accordance with the Articles of Association of the company the directors are not required to retire by rotation.

5 Political and charitable donations

The Company did not make any political or charitable donations during the year (2017: £nil).

6 Post balance sheet events

There have been no significant events since the balance sheet date.

7 Disclosure of information to auditor

The director who held office at the date of approval of this Director's Report confirms 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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

8 Going concern

The director has assessed that the company will prepare its financial statements on a going concern basis, see note 1 for details.

Abernedd Power Company Limited

Director's Report (Continued)

9 Auditor

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

A handwritten signature in black ink, appearing to read 'Alasdair MacSween', written in a cursive style.

On behalf of the Board:
Alasdair MacSween
Director
16 December 2018

Abernedd Power Company Limited

Statement of director's responsibilities in respect of the Strategic report, the Director's report and the financial statements

The Director is responsible for preparing the Strategic report, the Director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law he has elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS101 Reduced Disclosure Framework.

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 year. In preparing these financial statements, the Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The 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 is responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement; whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to 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 Abernedd Power Company Limited

Opinion

We have audited the financial statements of Abernedd Power Company Limited ("the company") for the year ended 31 March 2018 which comprise the profit & loss account, the balance sheet, the statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Independent Auditor's Report to the Members of Abernedd Power Company Limited (continued)

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

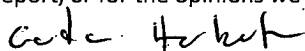
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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



Gordon Herbertson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

319 St Vincent Street

Glasgow

G2 5AS

18 December 2018

Abernedd Power Company Limited

Profit and Loss Account for the year ended 31 March 2018

	Note	2018 £m	2017 £m
Exceptional items	3	0.4	(0.9)
Operating profit/(loss)	2	0.4	(0.9)
Interest payable and similar expenses	5	(1.3)	(1.1)
Loss before taxation		(0.9)	(2.0)
Tax on loss	6	-	(2.6)
Loss for the financial year		(0.9)	(4.6)

Continuing operations

The above results are derived from continuing activities.

The accompanying notes are an integral part of these financial statements.

Total other comprehensive income

The company had no other comprehensive income in the current or prior financial years.

Abernedd Power Company Limited

Balance Sheet as at 31 March 2018

	Note	2018 £m	2017 £m
Current assets			
Debtors:			
amounts falling due within one year	7	-	0.9
Total current assets		-	0.9
Current liabilities			
Creditors: amounts falling due within one year	8	(0.2)	(0.5)
Net current (liabilities)/assets		(0.2)	0.4
Total assets less current liabilities		(0.2)	0.4
Creditors: amounts falling due after more than one year	9	(24.9)	(24.6)
Net liabilities		(25.1)	(24.2)
Capital and reserves			
Called up share capital	10	0.2	0.2
Profit and loss account		(25.3)	(24.4)
Equity Shareholders' deficit		(25.1)	(24.2)

The accompanying notes form an integral part of this balance sheet.

These financial statements were approved by the Directors on 16 December 2018 and signed on their behalf by:



Alasdair MacSween
Director
Company registered number: 06383166

Abernedd Power Company Limited

Statement of Changes in Equity for the year ended 31 March 2018

	Share capital £m	Profit and Loss Account £m	Total equity £m
Balance at 1 April 2016	0.2	(19.8)	(19.6)
Profit for the financial year	-	(4.6)	(4.6)
Balance at 31 March 2017	0.2	(24.4)	(24.2)
Balance at 1 April 2017	0.2	(24.4)	(24.2)
Loss for the financial year	-	(0.9)	(0.9)
Balance at 31 March 2018	0.2	(25.3)	(25.1)

Abernedd Power Company Limited

Notes on the Financial statements for the year ended 31 March 2018

1 Significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Abernedd Power Company Limited ("the Company") is a private company limited by shares and incorporated, domiciled and registered in the United Kingdom.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101")

The financial statements have been prepared in accordance with all applicable United Kingdom accounting standards. The principal accounting policies are summarised below and have been applied consistently.

In preparing these financial statements, the Company has applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRS'), but has made amendments, where necessary, in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

- A cash flow statement and related notes;
- Comparative period reconciliations for tangible fixed assets
- The effect of new, but not yet effective, IFRSs;
- Disclosures in respect of the compensation of key management personnel;
- Disclosures in respect of capital management; and
- Related party disclosures.

As the consolidated financial statements of SSE plc include the equivalent disclosure, the Company has also taken advantage of the exemptions, under FRS 101, available in respect of the following disclosure:

- Certain disclosures required by *IFRS 13 Fair value measurement* and the disclosures required by *IFRS 7 Financial instrument* disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Taxation

The charge for taxation is based on the loss for the year 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 tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Abernedd Power Company Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2018

1 Significant accounting policies *(continued)*

Going Concern

The Company has net liabilities and is dependent on financial support provided by its ultimate parent, SSE plc. SSE plc has given a formal undertaking not to withdraw this support for a period of at least twelve months following the approval of these financial statements. Given this formal undertaking to support the company, the directors have considered it appropriate to prepare these financial statements on a going concern basis.

2 Expenses and auditor's remuneration

Auditor's remuneration in the year was £8,000 (2017: £5,000) and had been borne by another Group company in both the current and prior year.

3 Exceptional items

	2018 £m	2017 £m
Impairment of tangible asset	-	0.1
Restructuring expenditure	0.4	0.8
	<u>0.4</u>	<u>0.9</u>

During the year, the Company recognised a credit of £0.4m, which had previously been set aside for restructuring costs.

4 Staff costs and numbers and Directors remuneration

No staff were directly employed by the Company in either year.

The total remuneration received by the director for qualifying and non-qualifying services during the year was £0.1m (2017: £0.4m). The above value is for 1 director (2017: 2), who was remunerated via another Group company in the year. A value for allocation of services to the Company for this director cannot be determined, therefore the above value reflects the remuneration they received for services to the Group as a whole.

5 Interest payable and similar expenses

	2018 £m	2017 £m
Interest payable to group companies	<u>1.3</u>	<u>1.1</u>

Abernedd Power Company Limited

Notes on the Financial statements *(continued)*

for the year ended 31 March 2018

6 Taxation

	2018	2017
	£m	£m
UK corporation tax		
Adjustment in respect of prior periods	-	-
Total current tax charge	-	-
Deferred tax:		
Origination and reversal of temporary differences	-	0.7
Change in applicable tax rate	-	(0.1)
Adjustment in respect of prior periods	-	2.0
Total tax	-	2.6

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:

	2018	2017
	£m	£m
Loss before taxation	(0.9)	(2.0)
Tax on loss at standard UK corporation tax rate of 19% (2017: 20%)	(0.2)	(0.4)
Effects of:		
Expenses not deductible for tax purposes	0.2	1.1
Effect of rate change	-	(0.1)
Corporation tax adjustment in respect of previous periods	-	-
Deferred tax adjustment in respect of previous periods	-	2.0
Total tax charge for year	-	2.6

A reduction in the UK corporation tax rate to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 15 September 2016. This will reduce the company's future current tax charge accordingly.

Abernedd Power Company Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2018

7 Debtors

	2018 £m	2017 £m
Amounts falling due within one year:		
Other debtors	-	0.9

8 Creditors: amounts falling due within one year

	2018 £m	2017 £m
Trade creditors	-	-
Amounts owed to group undertakings	0.2	0.1
Other creditors	-	0.4
Accruals and deferred income	-	-
	<u>0.2</u>	<u>0.5</u>

9 Creditors: amounts falling due after more than one year

	2018 £m	2017 £m
Amounts owed to group undertakings	<u>24.9</u>	<u>24.6</u>

The amounts owed to Group undertakings are in respect of amounts advanced to the Company by its ultimate parent SSE plc. Interest is charged at 5.52% (2017: 5.84%)

10 Share capital

	2018 £m	2017 £m
Equity:		
Allotted, called up and fully paid:		
243,303 ordinary shares of £1.00 each	<u>0.2</u>	<u>0.2</u>

11 Ultimate parent 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 the Company Secretary, SSE plc, Inverlmond House, 200 Dunkeld Road, Perth, PH1 3AQ or by accessing the Company's website at www.sse.com.