

# SSEPG (Operations) Limited

Directors report and financial statements

Year ended 31 March 2017

*Registered No.: 02764438*

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# SSEPG (Operations) Limited

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# SSEPG (Operations) Limited

## Directors and Other Information

### Directors

R Stanwix (Resigned 15th February 2017)  
M Hayward  
J Smith (Appointed 1st November 2016)

### Registered office

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

### Secretary

S. Fairbairn

### Auditor

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

### Registered number

02764438

# SSEPG (Operations) Limited

## Strategic Report

The directors submit their report and audited financial statements of the company for the year ended 31 March 2017.

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 directors have performed their duty to promote the success of SSEPG (Operations) Limited.

The Strategic and Financial Review sets out the main trends and factors underlying the development and performance of SSEPG (Operations) Limited (the "Company") during the year ended 31 March 2017, as well as those matters which are likely to affect its future development and performance.

### 1 Business review

The profit and loss account for the year ended 31 March 2017 is set out on page 7. The loss for the year after taxation amounted to £5.4m (2016: loss of £7.7m). The balance sheet at 31 March 2017 is set out on page 8 and indicates net liabilities of £49.5m (2016: net liabilities of £44.1m).

There were a number of factors that contributed to the overall loss for the year. A delayed return to service following an outage at the Barkip site contributed £1.8m to the overall loss. No embedded benefit revenue was achieved at the Chickereil site due to a late return to service following an outage, this contributed £2.3m to the loss. The remaining loss was attributable to market conditions and the operation of the assets, particularly Townsend Hook which made a loss of £1.4m.

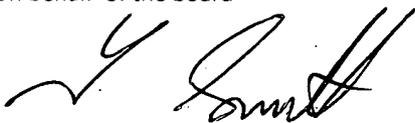
### 2 Key performance indicators

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

Financial	2017	2016
Gross loss - £m	(2.7)	(5.5)
Turnover - £m	34.0	32.8
Operating loss - £m	(2.7)	(5.2)
Net liabilities - £m	(49.5)	(44.1)

The principal risks and uncertainties affecting the company have been disclosed with the Directors' Report on page 3.

On behalf of the board



Jim Smith  
Director

24 November 2017

# SSEPG (Operations) Limited

## Directors' Report

The directors present their report together with the audited financial statements for the year ended 31 March 2017.

### 1 Principal activities

The Company's principal activity is the development, construction and operation of small-scale power plants. The company operates as a merchant producer of power and sells its output to a related SSE company, SSE EPM Limited. The company also supplies steam and electricity to meet third party contracts.

### 2 Principal risks and uncertainties

The Directors acknowledge that they have 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 Directors have regard to what controls, in their 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 Directors and the Group's Risk and Trading Committee. These include mechanical failure at the Company's power plants, competition, availability of fuel, wholesale market prices of electricity, gas and other commodities, economic regulation and government policies and other factors. To mitigate these risks, regular maintenance work is performed at the power plants to avoid unplanned outage; competitor activity is monitored; and effectiveness of performance in all key risk areas is regularly reviewed by management.

The Company transacts with other companies within the SSE plc group and is a key part of the Group's business and strategies.

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 2017.

### 3 Directors

The directors 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.

### 4 Political and charitable donations

The company did not make any political or charitable donations during the year (2016: *£nil*).

### 5 Post balance sheet events

On 1st April 2017 the Company transferred CEP assets to SSE Heat Networks Ltd. The assets were transferred at book value therefore no gain or loss was realised on disposal. The combined net book value of the assets transferred was £1.1m.

### 6 Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### 7 Going concern

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

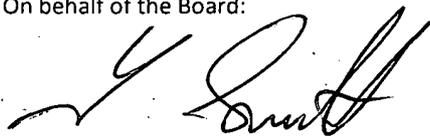
# SSEPG (Operations) Limited

## Directors' Report *(continued)*

### 8 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.

On behalf of the Board:

A handwritten signature in black ink, appearing to read 'J. Smith', is written over the printed name.

Jim Smith  
Director

24 November 2017

## SSEPG (Operations) Limited

### Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The directors are responsible for preparing the Strategic report, the Directors' 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 they have 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 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 these financial statements, the directors are 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; 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 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. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

On behalf of the Board:



Jim Smith  
Director

24 November 2017

## Independent Auditor's Report to the Members of SSEPG (Operations) Limited

We have audited the financial statements of SSEPG (Operations) Limited for the year ended 31 March 2017 as set out on pages 7 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS101 Reduced Disclosure Framework.

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 directors and auditor

As explained more fully in the Directors' Responsibilities 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. 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 2017 and of its loss 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.

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

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

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; 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

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.



**Gordon Herbertson (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
319 St Vincent Street  
Glasgow  
G2 5AS

30 November 2017

## SSEPG (Operations) Limited

### Profit and Loss Account for the year ended 31 March 2017

	Note	2017 £m	2016 £m
Turnover		34.0	32.8
Cost of sales		(36.7)	(38.3)
Gross loss		(2.7)	(5.5)
Other operating income		-	0.3
Operating loss	2	(2.7)	(5.2)
Interest payable and similar charges	4	(3.2)	(3.0)
Loss before taxation		(5.9)	(8.2)
Tax on loss	5	0.5	0.5
Loss for the financial year		(5.4)	(7.7)

#### 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.

# SSEPG (Operations) Limited

Balance Sheet  
as at 31 March 2017

	Note	2017 £m	2016 £m
<b>Fixed assets</b>			
Tangible assets	6	<u>5.6</u>	<u>5.0</u>
		<u>5.6</u>	<u>5.0</u>
<b>Current assets</b>			
Stock		0.6	0.6
Debtors: amounts falling due within one year	7	<u>11.9</u>	<u>11.8</u>
<b>Total current assets</b>		<u>12.5</u>	<u>12.4</u>
<b>Current liabilities</b>			
<b>Creditors:</b> amounts falling due within one year	8	<u>(7.2)</u>	<u>(7.1)</u>
<b>Net current assets</b>		<u>5.3</u>	<u>5.3</u>
<b>Total assets less current liabilities</b>		<u>10.9</u>	<u>10.3</u>
<b>Creditor:</b> amounts falling due after more than one year	9	<u>(58.9)</u>	<u>(52.9)</u>
Provisions for liabilities and charges	12	<u>(1.5)</u>	<u>(1.5)</u>
<b>Net liabilities</b>		<u>(49.5)</u>	<u>(44.1)</u>
<b>Capital and reserves</b>			
Called up share capital	11	1.2	1.2
Profit and loss account		<u>(50.7)</u>	<u>(45.3)</u>
<b>Equity Shareholders' deficit</b>		<u>(49.5)</u>	<u>(44.1)</u>

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

These financial statements were approved by the Directors on 24 November 2017 and signed on their behalf by:



Jim Smith  
Director

Company registered number: 02764438

## SSEPG (Operations) Limited

### Statement of Changes in Equity for the year ended 31 March 2017

	Share capital £m	Retained earnings £m	Total equity £m
Balance at 1 April 2015	1.2	(37.6)	(36.4)
Profit for the financial year	-	(7.7)	(7.7)
<b>Balance at 31 March 2016</b>	<b>1.2</b>	<b>(45.3)</b>	<b>(44.1)</b>
Balance at 1 April 2016	1.2	(45.3)	(44.1)
Loss for the financial year	-	(5.4)	(5.4)
<b>Balance at 31 March 2017</b>	<b>1.2</b>	<b>(50.7)</b>	<b>(49.5)</b>

# SSEPG (Operations) Limited

## Notes on the Financial statements for the year ended 31 March 2017

### 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.

#### Basis of preparation

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 and intangible 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 *IAS 36 Impairment of assets*, in respect of the impairment of goodwill and life intangible assets; and
- Certain disclosures required by *IFRS 13 Fair value measurement* and the disclosures required by *IFRS 7 Financial instrument* disclosures.

During the year, the Group and company reviewed the presentation of information in the financial statements in order to improve the clarity, relevance and understandability of the statements. This review resulted in the removal of employee share based payments disclosures on the basis of materiality.

#### Going concern

The company has net liabilities and is dependent on ongoing financial support from a fellow group company. The financial statements have been prepared on a going concern basis which assumes adequate finance will be available for the foreseeable future. A fellow group company has given an undertaking not to demand repayment of monies advanced to the company for the foreseeable future.

#### Turnover

Turnover comprised the income from the generation of electricity, and the supply of steam and electricity.

#### Decommissioning provision

The estimated cost of decommissioning at the end of the useful lives of certain assets is reviewed periodically. Provision is made for the net present value of the estimated cost of decommissioning power stations at the end of the useful life of the facilities. The estimates are based on technology and prices at the balance sheet date. A corresponding decommissioning asset is recognised and is included within property, plant and equipment when the provision gives access to future economic benefits. Changes in these provisions are recognised prospectively. The unwinding of the discount on the provision is included in finance costs and the depreciation for the asset is straight-line over the expected useful life of the asset.

# SSEPG (Operations) Limited

## Notes on the Financial statements *(continued)* for the year ended 31 March 2017

### 1 Significant accounting policies *(continued)*

#### 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.

#### Tangible fixed assets

##### *Owned assets*

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairments. Where an item of property, plant and equipment comprises major components having different useful lives, the components are accounted for as separate items of property, plant and equipment, and depreciated accordingly.

##### *Depreciation*

Depreciation is provided on tangible fixed assets to write off cost, less residual values, on a straight-line basis over their estimated operational lives. The estimated operational lives are as follows:

	Years
Generation assets	20

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

#### Employee benefit obligations

##### Pensions

Contributions to pension schemes on behalf of the employees of the Company are charged to the profit and loss account in accordance with the contributions incurred in the year.

Some of the Company's employees are members of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the plan is recognised fully by the sponsoring employer, which is another member of the group. The Company recognises a cost equal to its contribution payable for the period. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

### 2 Expenses and auditor's remuneration

Operating loss is arrived at after charging:

	2017 £m	2016 £m
Depreciation of tangible fixed assets (note 6)	1.4	1.0

The audit fee in the year and the previous year was borne by the Parent company, £4,500 of this was in relation to the audit of SSEPG (Operations) (2016: £4,500).

# SSEPG (Operations) Limited

## Notes on the Financial statements *(continued)* for the year ended 31 March 2017

### 3 Staff costs and numbers

	2017 £m	2016 £m
Staff costs:		
Wages and salaries	1.6	1.6
Social security costs	0.2	0.2
Contributions to defined contributions plans	0.3	0.3
	<u>2.1</u>	<u>2.1</u>

None of the directors received any emoluments in respect of fees or services to the company in the year ended 31 March 2017 (2016: *£nil*).

#### Employee numbers

	2017 Number	2016 Number
Numbers employed at 31 March	<u>30</u>	<u>31</u>
	2017 Number	2016 Number
The monthly average number of people employed by the Company during the year	<u>30</u>	<u>34</u>

### 4 Interest payable and similar charges

	2017 £m	2016 £m
Interest payable to group companies	3.1	3.0
Foreign exchange translation of monetary assets and liabilities	0.1	-
	<u>3.2</u>	<u>3.0</u>

### 5 Taxation

	2017 £m	2016 £m
UK corporation tax		
Current tax on income for the period	(0.6)	(0.3)
Adjustment in respect of prior periods	-	(0.4)
<b>Total current tax credit</b>	<u>(0.6)</u>	<u>(0.7)</u>
Deferred tax (see note 10):		
Origination and reversal of temporary differences	-	0.1
Change in applicable tax rate	-	0.1
Adjustment in respect of prior periods	0.1	-
<b>Total deferred tax</b>	<u>0.1</u>	<u>0.2</u>
<b>Total tax on loss</b>	<u>(0.5)</u>	<u>(0.5)</u>

# SSEPG (Operations) Limited

## Notes on the Financial statements *(continued)* for the year ended 31 March 2017

### 5 Taxation *(continued)*

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:

	2017 £m	2016 £m
Loss before taxation	<u>(5.9)</u>	<u>(8.2)</u>
Tax on loss on ordinary activities at standard UK corporation tax rate of 20% (2016: 20%)	(1.2)	(1.6)
Effects of:		
Expenses not deductible for tax purposes	0.6	1.4
Corporation tax adjustment in respect of previous periods	-	(0.4)
Deferred tax adjustment in respect of previous periods	0.1	-
<b>Total tax credit for year</b>	<u>(0.5)</u>	<u>(0.5)</u>

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly.

### 6 Tangible fixed assets

	Assets under the course of			Total £m
	Generation Assets £m	construction (AUC) £m	Decommissio ning Assets £m	
<b>Cost:</b>				
At 1 April 2016	123.8	2.5	1.5	127.8
Additions	-	2.0	-	2.0
Transfers from AUC to fully commissioned	2.6	(2.6)	-	-
<b>At 31 March 2017</b>	<u>126.4</u>	<u>1.9</u>	<u>1.5</u>	<u>129.8</u>
<b>Accumulated depreciation:</b>				
At 1 April 2016	122.8	-	-	122.8
Charge for the year	1.1	-	0.3	1.4
<b>At 31 March 2017</b>	<u>123.9</u>	<u>-</u>	<u>0.3</u>	<u>124.2</u>
<b>Net book value:</b>				
<b>At 31 March 2017</b>	<u>2.5</u>	<u>1.9</u>	<u>1.2</u>	<u>5.6</u>
At 31 March 2016	1.0	2.5	1.5	5.0

# SSEPG (Operations) Limited

Notes on the Financial statements *(continued)*  
for the year ended 31 March 2017

## 7 Debtors

	2017 £m	2016 £m
Amounts falling due within one year:		
Trade debtors	2.5	2.3
Prepayments and accrued income	1.9	2.3
Amounts owed by group undertakings	5.7	4.5
Deferred tax asset (note 10)	0.4	0.5
Corporation tax - group relief receivable	0.6	1.1
Other debtors	0.8	1.1
	<u>11.9</u>	<u>11.8</u>

## 8 Creditors: amounts falling due within one year

	2017 £m	2016 £m
Trade creditors	0.6	1.6
Amounts owed to group undertakings	3.5	2.5
Accruals and deferred income	3.1	3.0
	<u>7.2</u>	<u>7.1</u>

## 9 Creditors: amounts falling due after more than one year

	2017 £m	2016 £m
Amounts owed to group undertakings	58.9	52.9
	<u>58.9</u>	<u>52.9</u>

# SSEPG (Operations) Limited

Notes on the Financial statements *(continued)*  
for the year ended 31 March 2017

## 10 Deferred taxation

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
Tangible fixed assets	0.4	0.5	-	-	0.4	0.5
<b>Net tax assets</b>	<b>0.4</b>	<b>0.5</b>	<b>-</b>	<b>-</b>	<b>0.4</b>	<b>0.5</b>

*Movement in deferred tax during the year*

	1 April 2016	Recognised in	31 March 2017
	£m	income £m	£m
Tangible fixed assets	0.5	(0.1)	0.4
	<u>0.5</u>	<u>(0.1)</u>	<u>0.4</u>

*Movement in deferred tax during prior year*

	1 April 2015	Recognised in	31 March 2016
	£m	income £m	£m
Tangible fixed assets	0.7	(0.2)	0.5
	<u>0.7</u>	<u>(0.2)</u>	<u>0.5</u>

## 11 Share capital

	2017 £m	2016 £m
Equity:		
Allotted, called up and fully paid:		
1,200,002 ordinary shares of £1.00 each	<u>1.2</u>	<u>1.2</u>
	<u>1.2</u>	<u>1.2</u>

## 12 Provisions for liabilities and charges

	Decommissioning Costs £m
<b>At 1 April 2016 and 31 March 2017</b>	<u><b>1.5</b></u>

In accordance with the company's accounting policy a provision has been made for the decommissioning of the company's power plants during the year, a discount rate of 2.3% (2016: 2.3%) has been applied to discount the decommissioning cost provision to present values. The unwinding of discount rate in relation to decommissioning costs is charged to interest payable in the profit and loss account.

## **SSEPG (Operations) Limited**

Notes on the Financial statements *(continued)*  
for the year ended 31 March 2017

### **13 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, Inveralmond House, 200 Dunkeld Road, Perth, PH1 3AQ or by accessing the Company's website at [www.sse.com](http://www.sse.com).