

Abernedd Power Company Limited

Director's report and financial statements

Year ended 31 March 2019

Registered No.: 06383166



Abernedd Power Company Limited

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Abernedd Power Company Limited

Director and other information

Director	A. MacSween
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	06383166

Abernedd Power Company Limited

Strategic report

The director submits his report and the audited financial statements of Abernedd Power Company Limited (the 'Company') for the year ended 31 March 2019.

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 2019 is set out on page 8. The loss for the year after taxation amounted to £1.3m (2018: loss of £0.9m). The balance sheet at 31 March 2019 is set out on page 9 and indicates net liabilities of £0.1m (2018: net liabilities of £25.1m).

The Company owns rights associated with the construction and operation of a proposed gas-fired power plant and 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.

Flexible thermal generation will play a critical role in the transition to a low carbon economy and decarbonised electricity system, providing the reliable capacity at scale in response to market changes and events. Therefore, the Company 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.

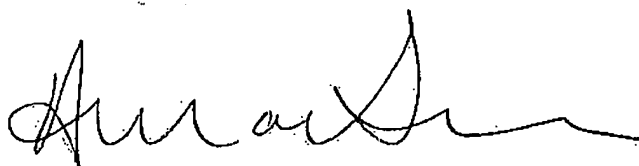
The principal risks and uncertainties affecting the Company have been disclosed within the director's report on page 3.

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	2019	2018
Operating profit - £m	-	0.4
Net liabilities - £m	(0.1)	(25.1)

On behalf of the board



A. MacSween

Director

30 September 2019

Abernedd Power Company Limited

Director's report

The director presents his report together with the audited financial statements for the year ended 31 March 2019.

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 near Port Talbot, South Wales. The Company is part of the SSE plc Group (the 'Group').

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 director is aware of the political uncertainty as a result of Brexit. This is being closely monitored by him but, given the activities of the Company, is not expected to have a significant impact on the financial statements for the year ended 31 March 2020.

3 Results and dividends

The loss for the financial year amounted to £1.3m (2018: loss of £0.9m). The director does not recommend the payment of a dividend (2018: £nil).

4 Director

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 director is not required to retire by rotation.

5 Political and charitable donations

The Company did not make any political or charitable donations during the year (2018: £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

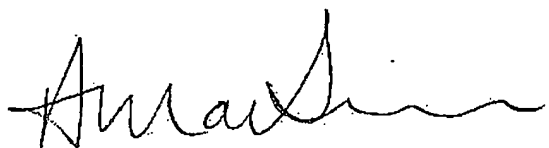
The director has assessed that the Company will prepare its financial statements on a going concern basis; see note 1 for details.

Abernedd Power Company Limited

Director's report (Continued)

9 Auditor

In accordance with Section 489 of the Companies Act 2006, Ernst and Young LLP were appointed as SSE Group's External Auditor for the year ending 31 March 2020 at the Annual General Meeting held on 18 July 2019. Following their appointment as External Auditor of the Group, it is the intention of the directors to appoint Ernst & Young LLP as External Auditor of the Company.



On behalf of the Board;

A. MacSween

Director

30 September 2019

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 2019 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 2019 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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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 Abernethy Power Company Limited (continued)

Director's responsibilities

As explained more fully in their statement set out on page 5, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as he determines 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 he either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

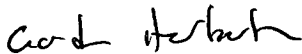
Auditor's responsibilities

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

4 October 2019

Abernedd Power Company Limited

Profit and loss account for the year ended 31 March 2019

	Note	2019 £m	2018 £m
Exceptional items	3	-	0.4
Operating profit	2	-	0.4
Interest payable and similar expenses	5	(1.3)	(1.3)
Loss before taxation		(1.3)	(0.9)
Tax on loss	6	-	-
Loss for the financial year		(1.3)	(0.9)

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 2019

	Note	2019 £m	2018 £m
Current liabilities			
Creditors: amounts falling due within one year	7	(0.1)	(0.2)
Net current liabilities		(0.1)	(0.2)
Total assets less current liabilities		(0.1)	(0.2)
Creditors: amounts falling due after more than one year	8	-	(24.9)
Net liabilities		(0.1)	(25.1)
Capital and reserves			
Called up share capital	9	0.2	0.2
Profit and loss account		(26.6)	(25.3)
Capital contribution		26.3	-
Equity Shareholders' deficit		(0.1)	(25.1)

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

These financial statements were approved by the director on



A. MacSwéen.

Director

Company registered number: 06383166

Abernedd Power Company Limited

Statement of changes in equity for the year ended 31 March 2019

	Share capital £m	Capital contribution	Profit and Loss Account £m	Total equity £m
Balance at 1 April 2017	0.2	-	(24.4)	(24.2)
Profit for the financial year	-	-	(0.9)	(0.9)
Balance at 31 March 2018	0.2	-	(25.3)	(25.1)
Balance at 1 April 2018	0.2	-	(25.3)	(25.1)
Loss for the financial year	-	-	(1.3)	(1.3)
Capital contribution	-	26.3	-	26.3
Balance at 31 March 2019	0.2	26.3	(26.6)	(0.1)

During the year, the parent company made a capital contribution of £26.3m by way of writing-off intercompany debt payable by the Company (note 8).

Abernedd Power Company Limited

Notes to the financial statements for the year ended 31 March 2019

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 Company adopted IFRS 9 and IFRS 15 on 1 April 2018 under the modified retrospective method of adoption. The adoption of IFRS 9 and IFRS 15 had no impact on the presentation of the financial statements for the year ended 31 March 2019.

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 to the financial statements *(continued)* for the year ended 31 March 2019

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 £nil (2018: £8,000) and had been borne by another Group company in both the current and prior year.

3 Exceptional items

	2019 £m	2018 £m
Restructuring expenditure	-	0.4
	-	0.4

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

4 Staff costs and numbers and director's remuneration

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

The total remuneration received by the director for qualifying and non-qualifying services during the year was £0.1m (2018: £0.1m). The above value is for 1 director (2018: 1), 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

	2019 £m	2018 £m
Interest payable to Group companies	1.3	1.3

Abernedd Power Company Limited

Notes to the financial statements *(continued)*

for the year ended 31 March 2019

6 Taxation

	2019 £m	2018 £m
UK corporation tax - total current tax charge	-	-
Deferred tax	-	-
Total tax on loss	-	-

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:

	2019 £m	2018 £m
Loss before taxation	(1.3)	(0.9)
Tax on loss at standard UK corporation tax rate of 19% (2018: 19%)	(0.2)	(0.2)
Effects of:		
Expenses not deductible for tax purposes	0.2	0.2
Total tax charge for year	-	-

A reduction in the UK corporation tax rate from 19% 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.

7 Creditors: amounts falling due within one year

	2019 £m	2018 £m
Amounts owed to Group undertakings	0.1	0.2
	0.1	0.2

8 Creditors: amounts falling due after more than one year

	2019 £m	2018 £m
Amounts owed to Group undertakings	-	24.9

The amounts owed to Group undertakings in the prior year were in respect of amounts advanced to the Company by its ultimate parent SSE plc. Interest was charged at 5.23% (2018: 5.52%)

During the year, SSE plc wrote off intercompany debt of £26.3m payable by the Company by way of a capital contribution.

Abernedd Power Company Limited

Notes to the financial statements *(continued)*
for the year ended 31 March 2019

9 Share capital

	2019 £m	2018 £m
Equity:		
Allotted, called up and fully paid:		
243,303 ordinary shares of £1.00 each	0.2	0.2

10 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.