

**SEABANK POWER LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**



## **SEABANK POWER LIMITED**

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# **SEABANK POWER LIMITED**

## **COMPANY INFORMATION**

### **DIRECTORS**

A J Hunter  
N D McGee  
D N Macrae  
J A Sutherland  
C Tsai  
W Tong Barnes  
A H Honeyman  
I R Morgan

### **Company Secretary**

S M Mayer

### **Registered number**

02591188

### **REGISTERED OFFICE**

Severn Road  
Hallen  
Bristol  
BS10 7SP

### **INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
2 Glass Wharf  
Bristol  
BS2 0FR

### **BANKERS**

Royal Bank of Scotland  
5 - 10 Great Tower Street  
London  
EC3P 3HX

## **SEABANK POWER LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **STRATEGY**

The Company's overriding objective is to return dividends to the shareholders through achieving high levels of availability and efficiency from its power plant, whilst maintaining high standards in terms of health, safety, environment, and impact on other stakeholders.

The three elements to achieving the Company's objectives are a well-trained and motivated team, effective processes, and a well maintained and developed plant.

#### **People**

At the year end all priority one and the majority of priority two training activities had taken place. All core skills needed to operate and ensure effective maintenance of the plant are kept in house.

The Company considers health and safety for employees and care for the environment as priorities, and invests time and resources to improve performance in these areas.

The Company regards the level of absence as a key performance indicator of successful people management (see "Key performance indicators").

#### **Processes**

One of the Company's key strengths is the integrated management system held on the Intranet, which, in addition to training, development projects, and environmental compliance sections, contains electronic procedures for all processes. This allows rapid access to the relevant documents, which are clear and concise through the use of flowcharts and photographs.

#### **Plant**

The Company has a long term maintenance agreement for gas turbines with the manufacturer, Siemens. The Company has extended both the duration and scope of this agreement. In addition to this comprehensive planned major maintenance program, the Company invests in projects of varying sizes designed to improve the performance of the plant, health, safety and the environment.

During the year, the Company completed planned major maintenance on Module 1 and lifetime extension/planned major maintenance on Module 2.

The Company regards the level of availability as a key performance indicator of successful plant operation and maintenance (see "Key performance indicators").

#### **BUSINESS REVIEW AND FUTURE OUTLOOK**

During 2016, the Company's turnover was mainly earned by delivering availability to a single customer under two Power Purchase Agreements (PPAs). Other revenue is earned from participation in the electricity balancing market, but this is passed on to the Customer and has no effect on profit. This will continue throughout 2017.

In accordance with the terms of the PPAs, the main effect of the business environment is the type of plant loading that the Customer requires. The Customer decides, within set limits, the length and frequency of generation runs. This can vary from continuous base load operation, to several starts and stops per day.

During 2016, electricity market conditions led to increased running hours. This resulted in an increase in both operational based revenue and costs. This type of plant operation is expected to continue through 2017.

During 2016, the Company successfully secured a Capacity Agreement with National Grid for the period 1 October 2020 to 30 September 2021. This supplements the existing agreements for the periods 1 October 2018 to 30 September 2019 and 1 October 2019 to 30 September 2020.

The Company will continue to invest in projects that improve performance of plant, health, safety and environment. The Company's results for the financial year are outlined in the Directors' Report on page 4.

## SEABANK POWER LIMITED

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

#### PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy are subject to a number of risks. Risks are documented in the Company's risk register, with key risks formally reviewed by the Board. The key business risks affecting the Company are set out below.

##### Plant unavailability

A power plant is a complex engineering system with many potential points of failure. The Company mitigates the risk of unavailability through engineering solutions, well trained operations and maintenance personnel, comprehensive predictive monitoring, and appropriate maintenance routines. Property damage and business interruption insurance is purchased where possible.

##### Loss of an effective team

The Company's performance depends upon retaining a motivated and competent team. The Company seeks to motivate the team through adherence to a set of values and aims, through training and development, and by adequate remuneration levels.

Recruitment, retention, and succession planning is undertaken, including potential opportunities with shareholders as appropriate.

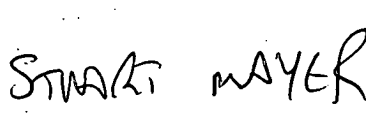
#### FINANCIAL KEY PERFORMANCE INDICATORS

The principal KPIs used by the Board are as follows:

	2016	2015	Definition and analysis
Availability %	86.4	98.8	There is a decrease in the percentage of time availability for 2016 against 2015. This is due to higher planned maintenance periods in 2016.
PBIT £m	38.1	57.3	Profit Before Interest and Tax was lower in 2016 mainly due to increased maintenance costs and lower availability.
Absence %	1.88	3.32	Percentage of time absent in 2016 was lower than 2015 due to fewer cases of long term doctor certified absences.

This report was approved by the Board on 2 March 2017 and signed by its order by:

  
**S M Mayer**  
Company Secretary

  
**STUART MAYER**

## **SEABANK POWER LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016**

The directors present their annual report and the audited financial statements of Seabank Power Limited (the "Company") for the year ended 31 December 2016.

#### **PRINCIPAL ACTIVITY**

The Company has been formed to generate electricity and meet the other requirements of its Customer, as specified in Power Purchase Agreements (PPAs). The Company owns a gas pipeline and gas compression station, and a power station consisting of two modules. The power station's operational capacities are, Module 1, 766 megawatts, and Module 2, 376 megawatts.

#### **RESULTS AND DIVIDENDS**

The profit for the financial year amounted to £31,033,000 (2015: £47,231,000). At 31 December 2016 the Company has net assets of £148,215,000 (2015: £163,182,000).

The directors have paid interim dividends of £46,000,000 (2015: £27,000,000) which is equivalent to £8,712.12 per share (2015: equivalent to £5,113.64 per share) and the loss for the financial year net of dividends of £14,967,000 (2015: profit of £20,231,000) will be transferred to the reserves. No final dividends are proposed (2015: £Nil).

#### **FUTURE DEVELOPMENTS**

The future of the Company is discussed within the business review and future outlook within the Strategic Report on page 2.

#### **DIRECTORS**

The directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, were:

A J Hunter  
N D McGee  
D N Macrae  
P R Smith (resigned 16 June 2016)  
J A Sutherland  
C Tsai  
W Tong Barnes  
A H Honeyman  
I R Morgan (appointed 16 June 2016)

## **SEABANK POWER LIMITED**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **FINANCIAL RISK MANAGEMENT**

The Company's operations do not expose it to significant financial risks. In order to ensure stability of cash outflows and hence manage interest rate risk, the Company has a policy of maintaining 100 percent of its debt (2015: 100 percent) at fixed rates. The Company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

##### **Price risk**

Due to the nature of the PPAs, the Company is not significantly exposed to commodity price risk. The Company has no exposure to equity securities price risk, as it holds no listed or other equity investments.

##### **Credit risk**

Due to the nature of the PPAs and the ownership of the Company there is no significant credit risk.

##### **Liquidity risk**

Agreements are in place with the shareholders to provide long-term and short-term debt finance as required.

##### **Interest rate cash flow risk**

The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances, which earn interest at variable rate. The Company has a policy of maintaining debt at fixed rate to ensure certainty of future interest cash outflows.

#### **DIFFERENCES BETWEEN MARKET AND BALANCE SHEET VALUE OF THE LAND AND BUILDINGS**

In the opinion of the directors, the difference between the market value and balance sheet value of land and buildings is not significant.

#### **DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the Annual 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 the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**SEABANK POWER LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**DISCLOSURE OF INFORMATION TO AUDITORS**

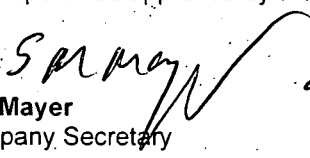
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**INDEPENDENT AUDITORS**

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board on 2 March 2017 and signed by its order by:

  
S M Mayer  
Company Secretary

STUART MAY 6-2



## **SEABANK POWER LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SEABANK POWER LIMITED**

#### **Report on the financial statements**

##### **Our opinion**

In our opinion, Seabank Power Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

##### **What we have audited**

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2016;
- the Statement of Income and Retained Earnings for the year then ended;
- the Statements of Cash Flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

##### **Opinions 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 which the financial statements are prepared is consistent with the financial statements and have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

##### **Other matters on which we are required to report by exception**

###### **Adequacy of accounting records and information and explanations received**

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

###### **Directors' remuneration**

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

## **SEABANK POWER LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SEABANK POWER LIMITED**

#### **Responsibilities for the financial statements and the audit**

##### **Our responsibilities and those of the directors**

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 & Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

##### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Katharine Finn (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol

2 March 2017

# SEABANK POWER LIMITED

## STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 DECEMBER 2016


	Note	2016 £000	2015 £000
Turnover	4	111,331	123,291
Cost of sales	5	(62,595)	(49,637)
<b>Gross profit</b>		<b>48,736</b>	<b>73,654</b>
Administrative expenses	6	(10,646)	(16,392)
<b>Operating profit</b>	7	<b>38,090</b>	<b>57,262</b>
Interest receivable and similar income	11	136	88
Interest payable and similar charges	12	(108)	(870)
<b>Profit on ordinary activities before taxation</b>		<b>38,118</b>	<b>56,480</b>
Tax on profit on ordinary activities	13	(7,085)	(9,249)
<b>Profit for the financial year</b>		<b>31,033</b>	<b>47,231</b>
Retained earnings at the beginning of the year		113,182	92,951
Profit for the financial year		31,033	47,231
Dividends declared and paid	14	(46,000)	(27,000)
<b>Retained earnings at the end of the year</b>		<b>98,215</b>	<b>113,182</b>


**SEABANK POWER LIMITED**  
**REGISTERED NUMBER:02591188**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2016**

	Note	2016 £000	2016 £000	2015 £000	2015 £000
<b>Fixed assets</b>					
Tangible assets	15		154,998		151,214
<b>Current assets</b>					
Stocks	16	5,699		6,817	
Debtors	17	34,589		25,583	
Cash at bank and in hand	18	15,270		33,594	
		<u>55,558</u>		<u>65,994</u>	
Creditors: Amounts falling due within one year	19	(18,651)		(21,825)	
<b>Net current assets</b>			<u>36,907</u>		<u>44,169</u>
<b>Total assets less current liabilities</b>			<u>191,905</u>		<u>195,383</u>
<b>Provisions for liabilities</b>					
Deferred taxation	21	(19,158)		(22,622)	
Other provisions	22	(24,532)		(9,579)	
			<u>(43,690)</u>		<u>(32,201)</u>
<b>Net assets.</b>			<u>148,215</u>		<u>163,182</u>
<b>Capital and reserves</b>					
Called up share capital	23		5		5
Share premium account	24		49,995		49,995
Profit and loss account	24		98,215		113,182
<b>Total shareholders' funds</b>			<u>148,215</u>		<u>163,182</u>

The financial statements on pages 9 to 30 were approved and authorised for issue by the Board and were signed on its behalf on 2 March 2017 by:

 NEIL  
McGeer  
Director

 Iwan Morgan  
Director

Iwan Morgan

The notes on pages 12 to 30 form part of these financial statements.

# SEABANK POWER LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £000	2015 £000
<b>Cash flows from operating activities</b>		
Profit for the financial year	31,033	47,231
<b>Adjustments for:</b>		
Tax on profit on ordinary activities	7,085	9,249
Interest paid	108	870
Interest received	(136)	(88)
Depreciation of tangible assets	16,916	15,785
Loss on disposal of tangible assets	3,666	-
Decrease / (increase) in stocks	1,118	(292)
Increase in debtors	(9,006)	(545)
Increase / (decrease) in creditors	1,768	(631)
Increase in other provisions	9,953	902
Corporation tax paid	(11,825)	(13,338)
<b>Net cash generated from operating activities</b>	<b>50,680</b>	<b>59,143</b>
<b>Cash flows used in investing activities</b>		
Purchase of tangible assets	(19,366)	(235)
Interest received	136	88
<b>Net cash used in investing activities</b>	<b>(19,230)</b>	<b>(147)</b>
<b>Cash flows used in financing activities</b>		
Repayment of other loans	(3,666)	(14,467)
Dividends paid	(46,000)	(27,000)
Interest paid	(108)	(870)
<b>Net cash used in financing activities</b>	<b>(49,774)</b>	<b>(42,337)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(18,324)</b>	<b>16,659</b>
Cash and cash equivalents at the beginning of the year	33,594	16,935
<b>Cash and cash equivalents at the end of the year</b>	<b>15,270</b>	<b>33,594</b>
Cash at bank and in hand	15,270	33,594

## **SEABANK POWER LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **1. GENERAL INFORMATION**

Seabank Power Limited (the "Company") owns a gas pipeline and gas compression station, and a power station consisting of two modules.

The Company is a private company limited by shares and is incorporated in the United Kingdom. The address of its registered office is: Severn Road, Hallen, Bristol, BS10 7SP.

#### **2. ACCOUNTING POLICIES**

##### **2.1 STATEMENT OF COMPLIANCE**

The financial statements of Seabank Power Limited have been prepared in compliance with the Companies Act 2006 and applicable accounting standards including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") in the United Kingdom.

##### **2.2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The principal accounting policies, which have been consistently applied throughout the year, are set out below:

##### **2.3 GOING CONCERN**

The Company meets its day-to-day working capital requirements through its contracted operations. The Company's forecasts and projections, taking account of reasonably possible changes to market conditions and plant performance, show that the Company should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

##### **2.4 TURNOVER**

Turnover which excludes value added tax, is recognised in the period it is earned in accordance with the terms of the Power Purchase Agreements (PPAs). Turnover is mainly earned in respect of the availability to generate electricity under the Company's contract with its Customer. Ancillary and Balancing Market income is recognised based on power generated, and is recorded within turnover.

All turnover related to sales within the United Kingdom.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**2. ACCOUNTING POLICIES (CONTINUED)**

**2.5 TANGIBLE ASSETS**

Tangible assets are measured at historical cost less accumulated depreciation. Cost is defined as the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is charged from commencement of commercial operations at rates which will write down the assets to their estimated residual value over the expected useful lives as follows:

- Power Station (excluding gas turbine blades), Gas Pipeline, Compression Station and related costs over 23 years or the remaining expected life of the power station whichever is shorter, on a straight line basis.
- Finance costs that are directly attributable to the construction of the power station and related gas supply assets have been capitalised and are depreciated over 23 years on a straight line basis.
- Other fixed assets - over 5 years on a straight line basis.
- Turbine Blades - The costs of major overhaul and maintenance of turbine blades undertaken under a cyclical program are capitalised as part of plant and machinery assets and depreciated on an hours usage basis. This results in an estimated useful life of approximately 5 years.
- Assets under construction are not depreciated until they are ready for use when they are transferred to the most applicable category of asset.
- Land is not depreciated.

Estimated costs for decommissioning the Company's power station and remediation of the site are capitalised and depreciated over the estimated residual life of the station. The costs represent the directors' best estimates of the costs of demolition and site clearance expected to be incurred and will be subject to review of amounts provided for significant change during the intervening years.

As per paragraph 17.7 of FRS 102, expenditure on major inspection and overhauls of production plant is capitalised as part of the underlying asset, when it meets the asset recognition criteria and is depreciated over the period of its estimated useful life.

Costs of the day-to-day servicing of the asset are expensed as incurred.

**2.6 OPERATING LEASES: LESSEE**

Costs under operating leases are charged to the Statement of Income and Retained Earnings on a straight line basis over the lease term.

**2.7 STOCKS**

Stock primarily comprises engineering stores which are valued at the lower of cost and net realisable value. Cost is determined on an average cost basis. Net realisable value is defined as estimated selling price less selling costs.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**2. ACCOUNTING POLICIES (CONTINUED)**

**2.8 IMPAIRMENT OF NON-FINANCIAL ASSETS**

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. Any impairment loss is recognised in the Statement of Income and Retained Earnings.

**2.9 FINANCIAL INSTRUMENTS**

**a) Financial assets**

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

Short term debtors are measured at transaction price, less any impairment.

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**b) Financial liabilities**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank and other loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

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

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

The Company does not hold or issue derivative financial instruments.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**2. ACCOUNTING POLICIES (CONTINUED)**

**2.8 FINANCIAL INSTRUMENTS (continued)**

**c) Offsetting**

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**2.10 DIVIDENDS**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders.

**2.11 PENSIONS**

**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Income and Retained Earnings when they fall due. Amounts not paid are shown in creditors as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

**2.12 INTEREST INCOME**

Interest income is recognised in the Statement of Income and Retained Earnings using the effective interest method.

**2.13 BORROWING COSTS**

General and specific borrowing costs directly attributable to the acquisition construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in Statement of Income and Retained Earnings in the period in which they are incurred. The capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the interest rate applicable to the Company's general borrowings during the year.

## **SEABANK POWER LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **2. ACCOUNTING POLICIES (CONTINUED)**

##### **2.14 PROVISIONS FOR LIABILITIES**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

With the exception of the decommissioning provision, provisions are charged to the Statement of Income and Retained Earnings in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

The decommissioning provision is capitalised within tangible assets and depreciated over the useful economic life of the plant.

##### **2.15 CURRENT AND DEFERRED TAXATION**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Income and Retained Earnings.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**2. ACCOUNTING POLICIES (CONTINUED)**

**2.16 EMISSIONS RIGHTS**

The Company has been subject to the European Union (EU) emissions trading scheme since 1 January 2005. IFRIC 3 'Emissions Rights' has been followed in the absence of guidance under UK Financial Reporting Standards. IFRIC 3 was withdrawn by the IASB in June 2005, and has not yet been replaced by definitive guidance. The IASB confirmed that IFRIC 3 is an appropriate interpretation of existing International Financial Reporting Standards.

On 4 May 2007 a supplemental agreement to the Power Purchase Agreement was signed to transfer the title and risks and rewards of ownership of the emissions rights to the Customer. From this date, the Customer has agreed to transfer the credits to the Company based on the level of emissions incurred.

Annual emissions at the balance sheet date are posted in accordance with the rules and regulations of the EU emissions trading scheme and the day's European Energy Exchange Carbon Index. Emissions credits are transferred from the Customer and surrendered to Government post balance sheet date.

**2.17 CARBON PRICE SUPPORT**

From 1 April 2013, the Company became liable under the Finance Act 2000 (the Act), schedule 6 (as amended by Finance Act 2012, Schedule 32) to account for Climate Change Levy (CCL) in respect to gas supply.

On 14 October 2013 a side letter to the PPA was signed agreeing the reimbursement, by the Customer, of this levy to the Company.

The CCL at the balance sheet date is posted in accordance with the rules and regulations of the Act.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION  
UNCERTAINTY**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

**Decommissioning provisions**

Decommissioning provisions represent provision for the Company's estimated costs of decommissioning the Company's power station and remediation of the site. The provisions represent the director's best estimates of the costs expected to be incurred. This judgement will be revisited every five years to evaluate the appropriateness of the provision and will be subject to review of amounts provided for significant change during the intervening years.

The costs of decommissioning the power station have been estimated on the basis of ongoing technical assessments of the processes and methods likely to be used for decommissioning under the current regulatory regime. The estimates are designed to reflect the cost of making the sites of the power stations available for alternative use in accordance with the Company's decommissioning strategy.

**CO2 emission provision**

A provision is recognised to cover the financial obligation to submit CO2 emission allowances to the respective authorities. This provision is measured at the carrying amount of the CO2 allowances.

**Carbon Price Support Provision**

A provision is recognised to cover the obligation to pay a levy to the respective authorities. This provision is measured at the carrying value of the CO2 emissions based on published levy rates.

**Useful economic life**

Based on estimated future market conditions and engineering judgements of plant life the current useful economic life remains unchanged at December 2023. Further plant investment would be required to operate economically beyond this date.

**Lease classifications**

The Power Purchase Agreements (PPAs) are treated as operating leases as the term of the existing PPAs do not exceed 75% of the economic life of the plant. This will be re-assessed if the term of each PPA is extended. Minimum lease payments are deemed to be zero as a material plant breakdown could result in zero receipts.

**Major overhauls (LTMA)**

As per paragraph 17.7 of FRS 102, expenditure on major inspection and overhauls of production plant is capitalised as part of the underlying asset, when it meets the asset recognition criteria and is depreciated over the period of its estimated useful life. Major inspection and overhauls will include inspection, revalidation, replacement, dismantling and reassembling of significant plant items that may include gas and steam turbines and generators, heat recovery steam generators, steam condenser and cooling towers.

## SEABANK POWER LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 4. TURNOVER

An analysis of turnover by class of business is as follows:

	2016 £000	2015 £000
Contractual Receipts	102,840	106,697
BETTA & Ancillary Income	8,491	16,594
	<u>111,331</u>	<u>123,291</u>

As noted in Note 2.4 all turnover arose within the United Kingdom.

#### 5. COST OF SALES

Cost of sales includes £7,231,619 (2015: £4,081,315) in respect of emissions emitted, offset by an amount of £7,195,458 (2015: £4,080,621) in respect of European Union (EU) emissions trading scheme credits transferred from the Customer in line with the supplemental agreement signed in 2007.

Cost of sales also includes £29,869,806 (2015: £11,789,761) in respect of Climate Change Levy liable under the Finance Act 2000 offset by an amount of £29,736,639 (2015: £11,787,435) recovered from the Customer in line with an agreed side letter to the PPA signed in 2013.

#### 6. ADMINISTRATIVE EXPENSES

	2016 £000	2015 £000
Administrative expenses	699	447
Other operating costs	16,900	15,945
Other operating income	(6,953)	-
	<u>10,646</u>	<u>16,392</u>

Other operating income represents a business rates rebate, following a successful appeal assented by the Valuation Office Agency (VOA) in January 2016. The gas storage pipeline is now treated as part of the main power station for business rates purposes.

During the year a payment was made to SSE Plc, or its subsidiaries, as follows relating to the provision of services described:

	2016 £000	2015 £000
SSE Plc		
Operational management and administrative support services	-	8

# SEABANK POWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 7. OPERATING PROFIT

The operating profit is stated after charging:

	2016 £000	2015 £000
Depreciation of tangible assets	16,916	15,785
Operating lease rentals	1,907	1,880
Loss on disposal of tangible assets	3,666	-
Stocks write offs	274	197
	<u>22,763</u>	<u>17,862</u>

### 8. AUDITORS' REMUNERATION

	2016 £000	2015 £000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	40	37
<b>Fees payable to the Company's auditors in respect of:</b>		
Other services relating to taxation	8	-
All other services	10	10
	<u>18</u>	<u>10</u>

### 9. EMPLOYEES

Staff costs were as follows:

	2016 £000	2015 £000
Wages and salaries	3,994	3,649
Social security costs	464	416
Other pension costs	430	415
	<u>4,888</u>	<u>4,480</u>

The average monthly number of employees, expressed as full time equivalents, during the year was as follows:

	2016 Number	2015 Number
Operation and maintenance	49	49
Administration	7	7
	<u>56</u>	<u>56</u>

As explained in Note 10, the directors of Seabank Power Limited are appointed by the parent companies to sit on the Seabank Power Limited Board. Consequently, they are not included in the average monthly numbers above.

## SEABANK POWER LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 10. DIRECTORS' REMUNERATION

The directors of Seabank Power Limited are appointed by the parent companies to sit on the Seabank Power Limited Board. No directors received any emoluments from the Company during the year to 31 December 2016 (2015: £Nil) and no payments were made for directors' services (2015: £Nil) within the administration costs paid to SSE Plc. Services provided to Seabank Power Limited are not separable from those duties performed in their roles at the parent companies. Consequently, these are not disclosed here.

#### Key management compensation

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2016 £000	2015 £000
Short-term employee benefits	413	421
Post-employment benefits	52	51
	<u>465</u>	<u>472</u>

#### 11. INTEREST RECEIVABLE AND SIMILAR INCOME

	2016 £000	2015 £000
Other interest receivable	<u>136</u>	<u>88</u>

Other interest receivable includes interest receivable from SSE Generation Limited of £Nil (2015: £180).

#### 12. INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £000	2015 £000
Bank interest payable	8	9
Other loan interest payable	<u>100</u>	<u>861</u>
	<u>108</u>	<u>870</u>

Interest payable and similar charges on 'other loans' includes interest payable and similar charges to SSE Seabank Investments Limited of £49,707 (2015: £430,170), and Electricity First Limited of £49,707 (2015: £430,170).

# SEABANK POWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 13. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2016 £000	2015 £000
<b>Corporation tax</b>		
Current tax on profits for the year	10,549	14,023
Adjustments in respect of previous years	-	(83)
<b>Total current tax</b>	<b>10,549</b>	<b>13,940</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(2,597)	(2,281)
Adjustments in respect of previous years	-	105
Effect of change in tax rate on closing deferred tax provision	(867)	(2,515)
<b>Total deferred tax</b>	<b>(3,464)</b>	<b>(4,691)</b>
<b>Tax on profit on ordinary activities</b>	<b>7,085</b>	<b>9,249</b>

### FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2015: lower than) the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before taxation	38,118	56,480
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.25%)	7,624	11,437
<b>Effects of:</b>		
Expenses not deductible for tax purposes	326	305
Adjustments in respect of previous years	-	22
Effects of group relief / other reliefs	2	-
Difference in corporation tax and deferred tax rates	611	586
Effect of changes in tax rates	(1,478)	(3,101)
<b>Total tax charge for the year</b>	<b>7,085</b>	<b>9,249</b>

### FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The July 2015 Budget Statement announced changes (which were subsequently enacted) to the UK Corporation tax rate which will reduce the main rate of corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020. A further change was announced in the March 2016 Budget to further reduce the Corporation Tax rate to 17% by 1 April 2020, which has been substantively enacted.

Accordingly the deferred tax balance has been calculated using a rate of 17% (2015: 18%).



# SEABANK POWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 14. DIVIDENDS

	2016 £000	2015 £000
Dividends paid on equity capital equivalent to £8,712.12 per £1 share (2015: £5,113.64 per £1 share)	<u>46,000</u>	<u>27,000</u>

### 15. TANGIBLE ASSETS

	Land & buildings £000	Plant & machinery £000	Pipeline compression station £000	Decomm- issioning costs £000	Other fixed assets £000	Total £000
<b>Cost or valuation</b>						
At 1 January 2016	35,944	374,206	40,459	1,500	2,317	454,426
Additions	-	19,366	-	5,000	-	24,366
Disposals	-	(11,217)	-	-	-	(11,217)
<b>At 31 December 2016</b>	<u>35,944</u>	<u>382,355</u>	<u>40,459</u>	<u>6,500</u>	<u>2,317</u>	<u>467,575</u>
<b>Accumulated depreciation</b>						
At 1 January 2016	24,779	247,000	28,367	868	2,198	303,212
Charge for the year	1,396	13,903	1,488	79	50	16,916
Disposals	-	(7,551)	-	-	-	(7,551)
<b>At 31 December 2016</b>	<u>26,175</u>	<u>253,352</u>	<u>29,855</u>	<u>947</u>	<u>2,248</u>	<u>312,577</u>
<b>Net book value</b>						
<b>At 31 December 2016</b>	<u>9,769</u>	<u>129,003</u>	<u>10,604</u>	<u>5,553</u>	<u>69</u>	<u>154,998</u>
At 31 December 2015	<u>11,165</u>	<u>127,206</u>	<u>12,092</u>	<u>632</u>	<u>119</u>	<u>151,214</u>

The net book value of land and buildings may be further analysed as follows:

	2016 £000	2015 £000
Freehold	<u>9,769</u>	<u>11,165</u>

Included within the net book value at 31 December 2016 is capitalised interest of £3,629,109 (2015: £4,147,553).

## SEABANK POWER LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 16. STOCKS

	2016 £000	2015 £000
Raw materials and consumables	17	17
Engineering stores	5,682	6,800
	<u>5,699</u>	<u>6,817</u>

Stocks recognised as an expense during the year ended 31 December 2016 amounted to £2,849,564 (2015: £531,305). These were included in cost of sales.

The difference between purchase price or production cost of stocks and their replacement cost is not material.

#### 17. DEBTORS

	2016 £000	2015 £000
<b>Due within one year</b>		
Trade debtors	169	-
Other debtors	17,952	8,080
Prepayments and accrued income	16,468	17,503
	<u>34,589</u>	<u>25,583</u>

Included in prepayments and accrued income due within one year is an amount of £9,939,448 (2015: £7,935,097) owed by SSE Plc or its subsidiaries.

Included in other debtors is an amount of £9,089,429 (2015: £4,394,140) owed by SSE Plc or its subsidiaries for emissions credits recoverable.

Included in other debtors is an amount of £8,862,151 (2015: £3,684,685) owed by SSE Plc or its subsidiaries for carbon price support recoverable.

#### 18. CASH AND CASH EQUIVALENTS

	2016 £000	2015 £000
Cash at bank and in hand	<u>15,270</u>	<u>33,594</u>

# SEABANK POWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £000	2015 £000
Short term loan	-	3,666
Trade creditors	4,087	981
Corporation tax	3,896	5,775
Other taxation and social security	1,568	3,568
Other creditors	1,209	606
Accruals and deferred income	7,891	7,229
	<b>18,651</b>	<b>21,825</b>

Included within trade creditors are balances of £Nil (2015: £82,188) owed to SSE Plc or its subsidiaries and £Nil (2015: £Nil) owed to Electricity First Limited or its subsidiaries.

Included within accruals and deferred income is a balance of £2,697,245 (2015: £2,028,097) owed to SSE Plc or its subsidiaries and £6,699 (2015: £9,360) owed to Electricity First Limited or its subsidiaries.

Gross consortium relief of £11,912,810 (2015: £11,497,427) has been received from Electricity First Limited. This was settled at the standard rate of tax.

#### Secured loans

The short term loan was paid off in 2016. In the prior year the loan of £3,666,000 was arranged with SSE Seabank Investments Limited and Electricity First Limited and was secured over the assets of the Company. Interest was charged at 7.25%.

### 20. FINANCIAL INSTRUMENTS

	2016 £000	2015 £000
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	<b>18,121</b>	<b>8,080</b>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<b>(13,187)</b>	<b>(12,482)</b>

Financial assets measured at amortised cost comprise trade and other debtors.

Financial liabilities measured at amortised cost comprise loans, trade creditors, other creditors and accruals.

# SEABANK POWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 21. DEFERRED TAXATION

	2016 £000
1 January 2016	22,622
Charged to the profit or loss	(3,464)
<b>31 December 2016</b>	<b>19,158</b>

The provision for deferred taxation is made up as follows:

	2016 £000
Accelerated capital allowances	19,176
Short term timing differences	(18)
	<b>19,158</b>

There are no unused tax losses or unused tax credits.

### 22. OTHER PROVISIONS

	CO2 Emissions £000	Decomm- issioning costs £000	Carbon Price Support Provision £000	Total £000
At 1 January 2016	4,394	1,500	3,685	9,579
Charged to the profit or loss	7,232	-	29,870	37,102
Other movement (note 15)	-	5,000	-	5,000
Utilised in year	(2,537)	-	(24,612)	(27,149)
<b>At 31 December 2016</b>	<b>9,089</b>	<b>6,500</b>	<b>8,943</b>	<b>24,532</b>

#### CO2 Emissions

A provision is recognised to cover the obligation to submit CO2 emission allowances to the respective authorities each year. This provision is measured as the product of the total annual CO2 emissions and the market price of the emissions at the balance sheet date.

#### Decommissioning costs

The decommissioning provision is to provide for the future costs of decommissioning the electricity generation assets including the power station. A review and update of these costs was made in 2016. This provision has been calculated on a discounted basis.

#### Carbon Price Support Provision

A provision is recognised to cover the financial obligation to pay a levy to the respective authorities for quarterly CO2 emissions generated by the Company between 1 October 2016 and 31 December 2016. This provision is measured as the product of the CO2 emissions measured during this period and the published Carbon Price Support levy at the balance sheet date.

## SEABANK POWER LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 23. CALLED UP SHARE CAPITAL

	2016 £000	2015 £000
Allotted, called up and fully paid		
5,280 (2015: 5,280) Ordinary shares of £1 (2015: £1) each	5	5

#### 24. RESERVES

##### Share Premium Account

The share premium account represents the consideration received on the issue of shares in the company in excess of the nominal value of those shares, net of share issue costs, bonus issues of shares and any subsequent capital reductions.

##### Profit and Loss Account

The profit and loss account represents the accumulated profits, losses and distributions of the Company.

#### 25. CONTINGENT LIABILITIES

Contracts have been signed with a number of parties to gain access to their land for maintenance of the gas pipeline built by the Company to supply the power station. The contracts stipulate that if the landowners are refused planning permission for a future development, solely by reason of the position of the pipeline, the Company will either divert the pipeline, carry out works of protection at its own cost or pay the landowner compensation for the loss in value of the land. As at 31 December 2016, the Company is not aware of any circumstances that would give rise to claims by landowners under these contractual arrangements.

#### 26. PENSION COMMITMENTS

The Company contributes to a group personal pension plan. The assets of the scheme are held separately in an independently administered fund. The pension charge represents contributions payable by the Company amounting to £430,021 (2015: £414,649). Amounts outstanding at the balance sheet date were £60,830 (2015: £70,758).

## SEABANK POWER LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 27. COMMITMENTS UNDER OPERATING LEASES

At 31 December, the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £000	2015 £000
<b>Payments due:</b>		
Not later than 1 year	1,917	1,884
Later than 1 year and not later than 5 years	8,057	7,892
Later than 5 years	20,143	22,197
<b>Total</b>	<b>30,117</b>	<b>31,973</b>

#### 28. FINANCIAL COMMITMENTS

The Company has entered into a contract to purchase long term plant maintenance services for a period of 50,000 Equivalent Operating Hours (EOH) commencing in 2004. The value of future minimum payments under this contract is estimated at £1million (2015: £1million). The contract may be terminated as a result of force majeure events or if the standards of services by the provider fall short of those required. The term and scope of this contract was further extended in 2009 for another 50,000 EOH. The value of future minimum payments under this contract is £2million (2015: £2million).

#### 29. MORTGAGES AND CHARGES

Loans from Electricity First Limited and SSE Seabank Investments Limited of £Nil (2015: £1,833,334) each are secured by fixed and floating charges over the assets of the Company. The loans were fully repaid in the year.

## SEABANK POWER LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 30. RELATED PARTY TRANSACTIONS

The Company regards Electricity First Limited and SSE Plc and its subsidiary companies as related parties by virtue of their joint ownership of the Company's share capital. Electricity First Limited is jointly owned by Cheung Kong Infrastructure Holdings Limited and Power Assets Holdings Limited.

Transactions with related parties during the year included within turnover and cost of sales are as follows:

	2016 £000	2015 £000
<b>Sale of goods and services to:</b>		
SSE Generation Limited	<u>103,555</u>	<u>106,699</u>
<b>Purchase of goods and services from:</b>		
SSE Generation Limited	9,904	17,625
SSE Energy Supply Limited	282	248
Wales and West Utilities	342	105
	<u>10,528</u>	<u>17,978</u>
<b>Other transactions:</b>		
SSE Generation Limited (note 5)	36,932	15,868
SSE Seabank Investments Limited (note 12)	(50)	(430)
Electricity First Limited (note 12)	(50)	(430)
	<u>36,832</u>	<u>15,008</u>

Details of other transactions due to/from related parties are included within the body of the notes to these financial statements under the relevant headings.

As at 31 December 2016, a number of directors served as executive or non-executive directors in other group companies, and in some instances, held minor shareholdings. Where relevant, details of these external appointments and directors' shareholdings are disclosed within the consolidated financial statements of the parent companies. Consequently, the directors do not believe further disclosure is required in these financial statements.

During the year, a number of directors also served as executive or non-executive directors for companies that transact with Seabank Power Limited as either customers or suppliers, including Wales & West Utilities, SSE Energy Supply Limited and SSE Generation Limited. All transactions with these companies during the year are disclosed above and therefore no further disclosure is deemed necessary.

See note 10 for disclosure of the directors' remuneration and key management compensation.

## **SEABANK POWER LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **31. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The Company is a private company limited by shares and is incorporated in the United Kingdom. The address of its registered office is: Severn Road, Hallen, Bristol, BS10 7SP.

At 31 December 2016, the share capital of Seabank Power Limited was owned by SSE Seabank Investments Limited, a company incorporated in England and Wales, and Electricity First Limited, a company incorporated in England and Wales. Both of these companies owned 50% of the issued share capital, and exercised joint control over the Company.

In the directors' opinion, the Company has no ultimate controlling party.

SSE Seabank Investments Limited is a wholly owned and controlled subsidiary of SSE Plc.