

**SEABANK POWER LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2014**

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## **SEABANK POWER LIMITED**

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**SEABANK POWER LIMITED**

**COMPANY INFORMATION**

**DIRECTORS**

A J Hunter  
N D McGee  
D N Macrae  
P R Smith  
M J Pibworth  
J A Sutherland  
C Tsai  
W Tong Barnes

**COMPANY SECRETARY**

L J Pittam

**REGISTERED NUMBER**

02591188

**REGISTERED OFFICE**

Severn Road  
Hallen  
Bristol  
BS10 7SP

**INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
31 Great George Street  
Bristol  
BS1 5QD

**BANKERS**

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

## **SEABANK POWER LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014**

#### **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 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 generator rotor replacements on Module 1 and an extended minor outage on Module 2 that included statutory pressure part inspections.

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 2014, 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 2015.

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 2014, electricity market conditions led to increased running hours although there were still long periods of time in which the plant did not run. This resulted in a reduction in both operational based revenue and costs. However, overall operational revenue was reduced due to a lower number of plant start ups. This type of plant operation is expected to continue through 2015 though with slightly longer generation runs.

At the end of 2014, the Company successfully secured a Capacity Agreement with National Grid for the period 1 October 2018 to 30 September 2019.

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 2014

#### 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.

#### KEY PERFORMANCE INDICATORS (KPIs)

The principal KPIs used by the Board are as follows:

	2014	2013	Definition and analysis
Availability %	94.7	96.5	There is a reduction in the percentage of time availability for 2014 against 2013. This is due to an increase in planned maintenance periods in 2014.
PBIT £m	55.0	56.4	Profit Before Interest and Tax was lower in 2014 mainly due to increased maintenance costs.
Absence %	1.54	2.57	Percentage of time absent in 2014 was lower than 2013 due to lower cases of doctor certified absences.

This report was approved by the Board on 1 April 2015 and signed on its behalf by:



**L J Pittam**  
Company Secretary

## **SEABANK POWER LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014**

The directors present their annual report and the financial statements of Seabank Power Limited ("the Company") for the year ended 31 December 2014.

### **PRINCIPAL ACTIVITIES**

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, 769 megawatts, and Module 2, 369 megawatts.

### **RESULTS, DIVIDENDS AND TRANSFERS TO RESERVES**

The profit for the financial year amounted to £40,604,000 (2013: £43,630,000) and turnover of £124,779,000 (2013: £124,135,000). The Company has net debt of £1,198,000 (2013: £25,220,000). Net cash flow from operating activities for 2014 was £69,067,000 (2013: £72,120,000).

The directors have paid interim dividends of £23,500,000 (2013: £24,000,000) which is equivalent to £4,450.76 per share (2013: equivalent to £4,545.45 per share) and the retained profit for the year of £17,104,000 (2013: £19,630,000) will be transferred to the reserves. No final dividends are proposed (2013: £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 entire 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  
M J Pibworth  
J A Sutherland  
C Tsai  
W Tong Barnes

## **SEABANK POWER LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014**

#### **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 (2013: 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.

#### **DONATIONS**

During 2014, the Company made charitable donations amounting to £2,050 (2013: £2,300).

#### **COMPANY'S POLICY FOR PAYMENT OF CREDITORS**

The Company's current policy concerning the payment of its trade creditors is to:

- (a) settle the terms of payment with suppliers when agreeing the terms of each transaction;
- (b) ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- (c) pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments to creditors for turnover and capital supplies of goods and services without exception.

## **SEABANK POWER LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014**

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

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 the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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;
- 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 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.

#### **STATEMENT OF 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 that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that 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 and signed on its behalf by:



**L J Pittam**  
Company Secretary  
Date: 1 April 2015



## **SEABANK POWER LIMITED**

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

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

##### **Our opinion**

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 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.

This opinion is to be read in the context of what we say in the remainder of this report.

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

The financial statements, which are prepared by Seabank Power Limited, comprise:

- the Balance Sheet as at 31 December 2014;
- the Profit and Loss Account for the year then ended;
- the Cash Flow Statement 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 their preparation comprises applicable law and United Kingdom Accounting Standards (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.

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

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements 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.

##### **Opinions on matter prescribed by the Companies Act 2006**

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

## **SEABANK POWER LIMITED**

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

#### **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.

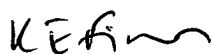
#### **Responsibilities for the financial statements and the audit**

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

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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 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.



Katharine Finn (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol  
April 2015

# SEABANK POWER LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £000	2013 £000
<b>TURNOVER</b>	1	<b>124,779</b>	124,135
Cost of sales	2	<u>(54,892)</u>	<u>(53,809)</u>
<b>GROSS PROFIT</b>		<b>69,887</b>	70,326
Administrative expenses	3	<u>(14,909)</u>	<u>(13,969)</u>
<b>OPERATING PROFIT</b>	4	<b>54,978</b>	56,357
Interest receivable and similar income	7	<b>74</b>	72
Interest payable and similar charges	8	<u>(2,736)</u>	<u>(4,684)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>52,316</b>	51,745
Tax on profit on ordinary activities	10	<u>(11,712)</u>	<u>(8,115)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>40,604</b>	43,630
Dividends paid	21	<u>(23,500)</u>	<u>(24,000)</u>
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>		<u><b>17,104</b></u>	<u>19,630</u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than the profit shown above and therefore no separate Statement of Total Recognised Gains and Losses has been presented.

There is no material difference between profit on ordinary activities before taxation and the profit for the financial years, stated above, and their historical cost equivalents.

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

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2014**

	Note	£000	2014 £000	2013 £000
<b>FIXED ASSETS</b>				
Tangible assets	11		162,055	172,212
<b>CURRENT ASSETS</b>				
Stocks	12	6,525		6,041
Debtors	13	25,038		20,604
Cash at bank and in hand		16,935		14,513
		<u>48,498</u>		<u>41,158</u>
<b>CREDITORS: amounts falling due within one year</b>	14	<u>(32,655)</u>		<u>(39,558)</u>
<b>NET CURRENT ASSETS</b>			<u>15,843</u>	<u>1,600</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>177,898</u>	<u>173,812</u>
<b>CREDITORS: amounts falling due after more than one year</b>	15		(3,666)	(18,133)
<b>PROVISIONS FOR LIABILITIES</b>				
Deferred taxation	16	(26,371)		(28,311)
Other provisions	16	<u>(8,677)</u>		<u>(5,288)</u>
			<u>(35,048)</u>	<u>(33,599)</u>
<b>NET ASSETS</b>			<u>139,184</u>	<u>122,080</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	17		5	5
Share premium account	18		49,995	49,995
Profit and loss account	19		89,184	72,080
<b>TOTAL SHAREHOLDERS' FUNDS</b>	20		<u>139,184</u>	<u>122,080</u>

The financial statements on pages 9 to 25 were approved and authorised for issue by the Board and were signed on its behalf on 1 April 2015 by:

*P R Smith*

**P R Smith**  
Director

*N D McGee*  
**N D McGee**  
Director

The notes on pages 12 to 25 form part of these financial statements.

# SEABANK POWER LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £000	2013 £000
Net cash flow from operating activities	22	69,067	72,120
Returns on investments and servicing of finance	23	(2,662)	(4,616)
Taxation paid		(14,275)	(15,228)
Capital expenditure and financial investment	23	(4,608)	(134)
Equity dividends paid		(23,500)	(24,000)
<b>CASH INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING</b>		<b>24,022</b>	<b>28,142</b>
Management of liquid resources	23	(2,422)	202
Financing	23	(21,600)	(21,600)
<b>INCREASE IN CASH IN THE YEAR</b>		<b>-</b>	<b>6,744</b>

## RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT FOR THE YEAR ENDED 31 DECEMBER 2014

		2014 £000	2013 £000
Increase in cash in the year		-	6,744
Cash outflow/(inflow) from decrease in liquid resources		2,422	(202)
Cash outflow from decrease in debt and lease financing		21,600	21,600
<b>MOVEMENT IN NET DEBT IN THE YEAR</b>		<b>24,022</b>	<b>28,142</b>
Net debt at 1 January 2014	24	(25,220)	(53,362)
<b>NET DEBT AT 31 DECEMBER 2014</b>		<b>(1,198)</b>	<b>(25,220)</b>

## **SEABANK POWER LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

#### **1. PRINCIPAL ACCOUNTING POLICIES**

##### **1.1 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 the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been consistently applied throughout the year, are set out below.

##### **1.2 Tangible fixed assets and depreciation**

Tangible fixed 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 assets.
- 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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

**1. PRINCIPAL ACCOUNTING POLICIES (continued)**

**1.3 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 emission 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.

**1.4 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.

**1.5 Operating leases**

Costs under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

**1.6 Current and deferred taxation**

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

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated using the tax rates expected to be effective at the time the timing differences are expected to reverse, based on the tax rates and laws that have been enacted, or substantively enacted, by the balance sheet date.

Deferred tax assets and liabilities are not discounted.

**1.7 Pensions**

The Company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the fund in respect of the year.

## **SEABANK POWER LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

#### **1. PRINCIPAL ACCOUNTING POLICIES (continued)**

##### **1.8 Turnover**

Turnover, which excludes value added tax, is recognised in the period the revenue is earned in accordance with the PPAs. Revenue is earned in respect of the availability to generate electricity under the Company's contract with its Customer. Ancillary income is recognised based on power generated, and is recorded within turnover.

All turnover related to sales within the United Kingdom.

##### **1.9 Stock**

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.

##### **1.10 Decommissioning provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that a transfer of economic benefits will be required to settle the obligation.

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 three years to evaluate the appropriateness of the provision and will be subject to review of amounts provided for significant change during the intervening years. Provisions have not been discounted as the impact is not considered to be material.

#### **2. COST OF SALES**

Cost of sales includes £4,668,287 (2013 - £2,709,928) in respect of emissions emitted, offset by an amount of £4,647,506 (2013 - £2,709,793) in respect of European Emissions Trading Scheme credits transferred from the Customer in line with the supplemental agreement signed in 2007.

Cost of sales also includes £8,615,741 (2013 - £2,611,758) in respect of Climate Change Levy liable under the Finance Act 2000 offset by an amount of £8,568,256 (2013 - £2,611,758) recovered from the Customer in line with an agreed side letter to the PPA signed in 2013.



# SEABANK POWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 3. ADMINISTRATIVE EXPENSES

	2014 £000	2013 £000
Administration costs	599	450
Other operating costs	14,310	13,519
	<u>14,909</u>	<u>13,969</u>

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

	2014 £000	2013 £000
<b>SSE Plc</b>		
Operational management and administrative support services	<u>8</u>	<u>8</u>

### 4. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2014 £000	2013 £000
Depreciation of tangible fixed assets:		
- owned by the Company	15,269	15,410
Operating lease rentals:		
- land and buildings	1,830	1,804
- other operating leases	20	36
(Profit)/loss on disposal of tangible fixed assets	<u>(504)</u>	<u>8</u>

### 5. DIRECTORS' EMOLUMENTS

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 2014 (2013 - £Nil) and no payments were made for directors' services (2013 - £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.

# SEABANK POWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 6. STAFF COSTS

Staff costs were as follows:

	2014 £000	2013 £000
Wages and salaries	3,589	3,361
Social security costs	421	395
Other pension costs	380	367
	<u>4,390</u>	<u>4,123</u>

The average monthly number of employees during the year was as follows:

	2014 Number	2013 Number
Operation and maintenance	49	48
Administration	6	6
	<u>55</u>	<u>54</u>

As explained in Note 5, 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.

### 7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2014 £000	2013 £000
Interest receivable and similar income	<u>74</u>	<u>72</u>

### 8. INTEREST PAYABLE AND SIMILAR CHARGES

	2014 £000	2013 £000
On bank loans and overdrafts	9	11
On other loans	2,727	4,673
	<u>2,736</u>	<u>4,684</u>

Interest payable and similar charges on 'other loans' includes interest payable and similar charges to SSE Plc of £1,361,045 (2013 - £2,333,303), and Electricity First Limited of £1,361,045 (2013 - £2,333,303).

# SEABANK POWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 9. AUDITORS' REMUNERATION

	2014 £000	2013 £000
Fees payable to the Company's auditors for the audit of the Company's financial statements	37	37
Fees payable to the Company's auditors in respect of: Other services	59	14
	<u>96</u>	<u>51</u>

In addition to the amounts above the auditors of the Company received remuneration of £13,250 (2013 - £13,250) from Electricity First Limited in respect of group reporting procedures.

### 10. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2014 £000	2013 £000
<b>Analysis of tax charge in the year</b>		
<b>Current tax</b>		
UK corporation tax charge on profit for the year	13,664	14,826
Adjustments in respect of previous years	(12)	(40)
<b>Total current tax</b>	<u>13,652</u>	<u>14,786</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(1,951)	(2,450)
Adjustments in respect of previous years	11	-
Effect of change in tax rate on closing deferred tax provision	-	(4,221)
<b>Total deferred tax (see Note)</b>	<u>(1,940)</u>	<u>(6,671)</u>
<b>Tax on profit on ordinary activities</b>	<u>11,712</u>	<u>8,115</u>

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2013 - higher than) the standard rate of corporation tax in the UK of 21.50% (2013 - 23.25%). The differences are explained below:

	2014 £000	2013 £000
Profit on ordinary activities before taxation	52,316	51,745
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.50% (2013 - 23.25%)	11,248	12,031
<b>Effects of:</b>		
Permanent differences	320	345
Depreciation in excess of capital allowances	2,095	2,450
Adjustments to tax charge in respect of previous years	(12)	(40)
Other timing differences	1	-
<b>Current tax charge for the year</b>	<u>13,652</u>	<u>14,786</u>

# SEABANK POWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 10. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

#### Factors that may affect future tax charges

In the March 2014 Budget Statement announced on 19 March 2014, no further changes to future tax rates were announced. The March 2013 Budget Statement announced changes to the UK Corporation tax rates that were substantively enacted as part of the Finance Bill 2013 on 2 July 2013. These reduced the main rate of corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015. As the changes have been substantively enacted at the balance sheet date their effects are included in these financial statements. Accordingly, the deferred tax balance has been calculated using a rate of 20%.

### 11. TANGIBLE FIXED ASSETS

	Land & buildings £000	Plant & machinery £000	Pipeline compress- ion station £000	Other fixed assets £000	Decomm- issioning costs £000	Assets under construct- ion £000	Total £000
<b>Cost</b>							
At 1 January 2014	35,668	368,667	40,619	4,327	1,500	109	450,890
Additions	-	5,100	-	34	-	44	5,178
Disposals	-	(2,909)	(160)	(2,044)	-	-	(5,113)
Transfer between classes	153	-	-	-	-	(153)	-
At 31 December 2014	35,821	370,858	40,459	2,317	1,500	-	450,955
<b>Accumulated depreciation</b>							
At 1 January 2014	22,011	226,265	25,552	4,139	711	-	278,678
Charge for the year	1,378	12,271	1,488	53	79	-	15,269
Disposals	-	(2,843)	(160)	(2,044)	-	-	(5,047)
At 31 December 2014	23,389	235,693	26,880	2,148	790	-	288,900
<b>Net book value</b>							
At 31 December 2014	12,432	135,165	13,579	169	710	-	162,055
At 31 December 2013	13,657	142,402	15,067	188	789	109	172,212

Included within the net book value at 31 December 2014 is capitalised interest of £4,665,997 (2013 - £5,184,442).

# SEABANK POWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 12. STOCKS

	2014 £000	2013 £000
Raw materials and consumables	20	38
Engineering stores	6,505	6,003
	<u>6,525</u>	<u>6,041</u>

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

### 13. DEBTORS

	2014 £000	2013 £000
Trade debtors	-	83
Emissions credits recoverable	5,471	2,957
Carbon price support recoverable	1,706	831
Prepayments and accrued income	17,861	16,733
	<u>25,038</u>	<u>20,604</u>

Included in prepayments and accrued income due within one year is an amount of £9,027,978 (2013 - £8,958,134) owed by SSE Plc or its subsidiaries.

Included in Emissions credits recoverable is an amount of £5,471,291 (2013 - £2,956,446) owed by SSE Plc or its subsidiaries.

Included in Carbon price support recoverable is an amount of £1,706,222 (2013 - £831,056) owed by SSE Plc or its subsidiaries.

### 14. CREDITORS:

#### Amounts falling due within one year

	2014 £000	2013 £000
Short term loan	14,467	21,600
Trade creditors	1,315	808
Corporation tax	5,778	6,409
Other taxation and social security	2,222	3,077
Consortium relief	600	592
Accruals and deferred income	8,273	7,072
	<u>32,655</u>	<u>39,558</u>

Included within trade creditors are balances of £34,333 (2013 - £12,575) owed to SSE Plc or its subsidiaries and £58,524 (2013 - £Nil) owed to Electricity First Limited or its subsidiaries.

Included within accruals and deferred income is a balance of £3,190,470 (2013 - £2,074,922) owed to SSE Plc or its subsidiaries.

Gross consortium relief of £10,574,710 (2013 - £9,600,532) has been received from Electricity First Limited. This was settled at the standard rate of tax.

# SEABANK POWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 14. CREDITORS:

#### Amounts falling due within one year (continued)

The short term loan represents the elements repayable within one year of a £7,133,333 loan (2013 - £21,400,000) and a £11,000,000 loan (2013 - £18,333,333). Both loans were arranged with Electricity First Limited and SSE Plc and are secured over the assets of the Company. Interest is charged at 9.95% and 7.25% respectively.

### 15. CREDITORS:

#### Amounts falling due after more than one year

	2014 £000	2013 £000
Long term loan	3,666	18,133

Included within the above are amounts falling due as follows:

	2014 £000	2013 £000
<b>Between one and two years</b>		
Long term loan	3,666	18,133

The long term loan represents the elements repayable after more than one year of a £7,133,333 loan (2013 - £21,400,000) and a £11,000,000 loan (2013 - £18,333,333). Both loans were arranged with Electricity First Limited and SSE Plc and are secured over the assets of the Company. Interest is charged at 9.95% and 7.25% respectively.

### 16. PROVISIONS FOR LIABILITIES

	2014 £000	2013 £000
Deferred tax	26,371	28,311
CO2 Emissions	5,471	2,957
Decommissioning costs	1,500	1,500
Carbon Price Support Provision	1,706	831
<b>Total</b>	<b>35,048</b>	<b>33,599</b>

**SEABANK POWER LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

**16. PROVISIONS FOR LIABILITIES (continued)**

**Deferred tax**

	2014 £000	2013 £000
At 1 January	28,311	34,982
Credited to the Profit and Loss Account	(1,940)	(6,671)
At 31 December	<u>26,371</u>	<u>28,311</u>

The provision for deferred tax is made up as follows:

	2014 £000	2013 £000
Tax effect of timing differences because of:		
Excess of capital allowances over depreciation	26,382	28,321
Short term timing differences	(11)	(10)
	<u>26,371</u>	<u>28,311</u>

**CO2 Emissions**

	2014 £000	2013 £000
At 1 January	2,957	2,958
Settlement of obligations	(2,957)	(2,958)
Charge to Profit and Loss Account	4,668	2,710
Mark to Market adjustment	803	247
At 31 December	<u>5,471</u>	<u>2,957</u>

**Decommissioning costs**

	2014 £000	2013 £000
At 1 January and 31 December	<u>1,500</u>	<u>1,500</u>

**Carbon Price Support Provision**

	2014 £000	2013 £000
At 1 January	831	-
Settlement of obligations	(7,741)	(1,781)
Charge to Profit and Loss Account	8,616	2,612
At 31 December	<u>1,706</u>	<u>831</u>

**SEABANK POWER LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

**17. CALLED UP SHARE CAPITAL**

	2014 £000	2013 £000
Allotted, called up and fully paid		
5,280 (2013 - 5,280) Ordinary shares of £1(2013 - £1) each	5	5
	<u>5</u>	<u>5</u>

**18. RESERVES**

	Share premium account £000
At 1 January 2013 and 31 December 2014	49,995
	<u>49,995</u>

**19. PROFIT AND LOSS ACCOUNT**

	£000
At 1 January 2014	72,080
Profit for the financial year	40,604
Dividends	(23,500)
	<u>89,184</u>
At 31 December 2014	<u>89,184</u>

**20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2014 £000	2013 £000
Opening shareholders' funds	122,080	102,450
Profit for the financial year	40,604	43,630
Dividends (Note 21)	(23,500)	(24,000)
	<u>139,184</u>	<u>122,080</u>
Closing shareholders' funds	<u>139,184</u>	<u>122,080</u>

**21. DIVIDENDS**

	2014 £000	2013 £000
Dividends paid on equity capital equivalent to £4,450.76 per share (2013 - £4,545.45 per share)	23,500	24,000
	<u>23,500</u>	<u>24,000</u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

## 22. NET CASH FLOW FROM OPERATING ACTIVITIES

	2014 £000	2013 £000
Operating profit	54,978	56,357
Depreciation of tangible fixed assets	15,269	15,410
(Profit)/loss on disposal of tangible fixed assets	(504)	8
Increase in stocks	(484)	(32)
Decrease in trade and other debtors	83	68
(Increase) in prepayments and accrued income	(1,128)	(1,025)
Increase/(decrease) in trade and other creditors	507	(382)
(Decrease) in other taxation and social security	(855)	(36)
Increase in accruals	1,201	1,752
<b>Net cash inflow from operating activities</b>	<b>69,067</b>	<b>72,120</b>

## 23. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2014 £000	2013 £000
<b>Returns on investments and servicing of finance</b>		
Interest received	74	72
Interest paid	(2,736)	(4,688)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(2,662)</b>	<b>(4,616)</b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(5,178)	(134)
Sale of tangible fixed assets	570	-
<b>Net cash outflow from capital expenditure</b>	<b>(4,608)</b>	<b>(134)</b>
<b>Management of liquid resources</b>		
Movement of cash placed on short-term deposit	(2,422)	202
<b>Financing</b>		
Repayment of other loans	(21,600)	(21,600)

# SEABANK POWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 24. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2014 £000	Cash flow £000	Other non-cash changes £000	31 December 2014 £000
Cash at bank and in hand	14,513	2,422	-	16,935
Less: deposits treated as liquid resources	(14,513)	(2,422)	-	(16,935)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Liquid resources:</b>				
Deposits included in cash	14,513	2,422	-	16,935
<b>Debt:</b>				
Debts due within one year	(21,600)	21,600	(14,467)	(14,467)
Debts falling due after more than one year	(18,133)	-	14,467	(3,666)
	<u>(25,220)</u>	<u>24,022</u>	<u>-</u>	<u>(1,198)</u>
<b>Net debt</b>	<u>(25,220)</u>	<u>24,022</u>	<u>-</u>	<u>(1,198)</u>

### 25. 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 £379,818 (2013 - £367,113) and £53,904 is included in trade creditors at 31 December 2014 (2013 - £48,810).

### 26. OPERATING LEASE COMMITMENTS

At 31 December the Company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2014 £000	2013 £000	2014 £000	2013 £000
<b>Expiry date:</b>				
After more than 5 years	1,855	1,850	-	-
	<u>1,855</u>	<u>1,850</u>	<u>-</u>	<u>-</u>

### 27. 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 (2013 - £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 (2013 - £2million).

### 28. MORTGAGES AND CHARGES

Loans from Electricity First Limited and SSE Plc of £9,066,667 (2013 - £19,866,667) each are secured by fixed and floating charges over the assets of the Company.

## SEABANK POWER LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 29. 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 2014, the Company is not aware of any circumstances that would give rise to claims by landowners under these contractual arrangements.

#### 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:

	2014 £000	2013 £000
Turnover	106,638	104,853
Purchases	20,155	21,308

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

As at 31 December 2014, 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 Contracting Limited and SSE Energy Supply Limited. All transactions with these companies during the year are disclosed above and therefore no further disclosure is deemed necessary.

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

At 31 December 2014, the share capital of Seabank Power Limited was owned by SSE Seabank Investments Limited and Electricity First Limited. 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.