

REGISTERED NO.
174142

Slough Heat and Power Limited

Financial Statements for the year ended 31 March 2012

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Slough Heat and Power Limited

Report of the Directors

The Directors present their report together with the audited Financial Statements for the year ended 31 March 2012

1. Principal Activities

Slough Heat and Power Limited's principal activity is the holding company of the Slough Heat and Power group of companies. The company is also responsible for the maintenance and administration functions of the SHP group and recharges these costs to the operating companies.

The principal risks and uncertainties of the company remain consistent with the principal risks of its subsidiaries and are managed as one business. The key business risks and uncertainties affecting the SHP group, and therefore the company, are considered to relate to fuel supply and potential shortages, plant availability and the resulting impact on ROC revenue, carbon trading, ROC prices and the market of electricity and fuel.

2. Business Review

Development and performance review of the business

The SHP group of companies is a wholly-owned part of the SSE plc Group ('the Group'). The power station owned and operated by the SHP group is primarily a multifuelled combined heat and power plant, focusing on renewable fuels. The station has two primary generators, one 40MW unit fuelled wholly on Biomass (wood products), and a second 12MW unit fuelled by waste or waste wood. Much of the excess heat from the process is supplied to over 30 industrial users of process heat distributed across the Slough Estates Trading estate. SHP also supplies drinking quality water to over 700 domestic and industrial customers.

In the prior year the SHP group has supplied steam & water customers and has sold on power to SSE Energy Supply Ltd, a related party and a wholly owned subsidiary of SSE plc. In the year to 31 March 2011, a review was carried out of the historic intra-Group indebtedness in the Slough Heat and Power group, of which the company is part. As a consequence of this review, the Company waived internal receivables and consequently recorded an exceptional charge of £32,200,000 in the prior year.

Priorities for 2012/13

During 2012/13, the SHP group of companies' key objectives will be continue to ensure that its generation plant is available to generate electricity while complying fully with all safety standards and environmental regulations. The continued provision of network services to the customers of the SHP group in an efficient and customer-focussed manner in compliance with applicable regulations is another key priority. The plant's future operations are under review but a decision on the longer-term prospects for the plant has not yet been reached.

Principal risks and uncertainties

The Directors acknowledge that they have responsibility for the Company's systems of internal control and risk management and for monitoring their effectiveness. The purposes of these systems are to manage, rather than eliminate, the risk of failure to achieve business objectives, to provide reasonable assurance as to the quality of management information and to maintain proper control over the income, expenditure, assets and liabilities of the Company.

No system of control can, however, provide absolute assurance against material misstatement or loss. Accordingly, the Directors have regard to what controls, in their judgement, are appropriate to the Company's business and to the relative costs and benefits of implementing specific controls.

The main financial risks that the Company could face have been considered by the Directors and the Group's Risk and Trading Committee. These include mechanical failure at the Company's power stations, competition, availability of fuel, wholesale market prices of electricity, gas and other commodities, economic regulation and government policies and other factors.

Slough Heat and Power Limited

Report of the Directors (continued)

2. Business Review (continued)

Principal risks and uncertainties (continued)

The Company transacts with other companies within the SSE plc group and is a key part of the Group's business and strategies. The principal risks and uncertainties faced by the Group are set out in the Group's annual report.

3. Results and Dividends

The loss for the year amounted to £3.5m (2011 – £27.8m loss). The directors do not recommend the payment of a dividend, (2011 – £nil).

4. Directors

The Directors who served during the year were as follows:

Brandon Rennet
Paul Smith

5. Political and Charitable Donations

During the year no charitable or political donations were made (2011 – £nil).

6. Employment Policies

Staff are actively encouraged to be involved in Company affairs in a wide variety of ways. These include monthly team meetings, briefing documents and internal videos. Policies on such matters as Equal Opportunities and Health and Safety are regularly communicated to staff and involvement is supported through local committees. New staff joining the Company receive induction training.

It is Company policy, where possible, to provide employment opportunities for disabled people. Staff who become disabled are supported in continuing employment through identification of suitable jobs and the provision of necessary retraining.

7. Auditors

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

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

ON BEHALF OF THE BOARD



Brandon Rennet
Director
05 October 2012

55 Vastern Road
Reading
Berkshire
RG1 8BU

Slough Heat and Power Limited

Statement of directors' responsibilities in respect of the Directors' Report and the Financial Statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Slough Heat and Power Limited

We have audited the financial statements of Slough Heat and Power Limited for the year ended 31 March 2012 as set out on pages 5 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

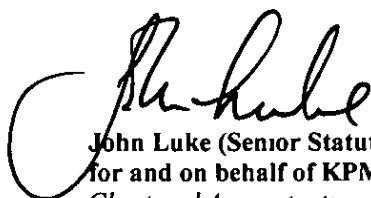
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



John Luke (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

05 October 2012

Slough Heat and Power Limited

Profit and Loss Account for the year ended 31 March

	Note	2012 £m	2011 £m
Turnover		13.5	22 8
Cost of Sales		(14.6)	(13 9)
Gross (loss)/profit		(1.1)	8 9
Exceptional charge	2	-	(32 2)
Operating loss	3	(1 1)	(23 3)
Net interest (payable)	6	(3.5)	(2 8)
Loss on ordinary activities before taxation		(4.6)	(26 1)
Tax on profit on ordinary activities	7	1.1	(1 7)
Loss for the financial year	15	(3.5)	(27 8)

The above results are derived from continuing activities

Other than the retained profit for the financial year, there are no other recognised gains or losses

The accompanying notes form part of these Financial Statements

Slough Heat and Power Limited

Balance Sheet as at 31 March

	Note	2012 £m	2011 £m
Fixed assets			
Tangible Fixed Assets	8	4.1	4.6
Fixed Asset Investments	9	0.4	0.4
		<u>4.5</u>	<u>5.0</u>
Current assets			
Debtors	11	15.6	18.4
		<u>15.6</u>	<u>18.4</u>
Creditors:			
Amounts falling due within one year	12	(2.0)	(3.9)
Net current assets		<u>13.6</u>	<u>14.5</u>
Total assets less current liabilities		<u>18.1</u>	<u>19.5</u>
Creditors			
Amounts falling due after more than one year	13	(39.9)	(38.0)
Deferred taxation	10	(0.2)	-
Net liabilities		<u>(22.0)</u>	<u>(18.5)</u>
Capital and reserves			
Called up share capital	14	90.5	90.5
Profit and loss account	15	(112.5)	(109.0)
Shareholders' deficit		<u>(22.0)</u>	<u>(18.5)</u>

The accompanying notes form part of these Financial Statements

These Financial Statements were approved by the Directors on 05 October 2012 and signed on their behalf by



Brandon Rennet, Director
Slough Heat and Power Limited
Registered no 174142

Slough Heat and Power Limited

Reconciliation of Movements in Shareholders' Deficit

	31March 2012 £m	31March 2011 £m
Loss for the financial year	<u>(3.5)</u>	<u>(27.8)</u>
Net reduction in shareholders' (deficit)/funds	<u>(3.5)</u>	<u>(27.8)</u>
Opening shareholders' (deficit)/funds	<u>(18.5)</u>	<u>9.3</u>
Closing shareholders' deficit	<u>(22.0)</u>	<u>(18.5)</u>

Slough Heat and Power Limited

Notes on the Financial Statements for the year ended 31 March 2012

1. Principal accounting policies

Basis of preparation

The Financial Statements have been prepared in accordance with all applicable United Kingdom accounting standards. The principal accounting policies are summarised below and have been applied consistently. The Financial Statements have been prepared under the historical cost convention.

Slough Heat and Power Limited is a wholly owned subsidiary of SSE plc, and therefore relies upon group facilities to support its activities. The group's facilities and the rationale for preparing the group financial statements under the going concern basis are disclosed in full in the annual report and accounts of SSE plc. For this reason, the going concern basis has been adopted in preparing the financial statements of Slough Heat and Power Limited.

Under Financial Reporting Standard 1 (FRS 1), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent undertaking includes the Company in its own published consolidated Financial Statements.

As the Company is a wholly owned subsidiary of SSE plc, it has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the SSE plc Group.

Turnover

Turnover comprises the recharge of maintenance and administration costs incurred in connection with the supply and generation of electricity, steam and water and is recognised as services are discharged and upon title passing.

Research and development

Expenditure on research and development is charged to the profit and loss account as incurred.

Customer contributions and capital grants

Customer contributions and capital grants are recorded as deferred income and released to the profit and loss account over the estimated life used in calculating contributions.

Interest

Interest on the funding attributable to major capital projects is capitalised during the period of construction and written off as part of the total cost over the operational life of the asset.

Foreign currencies

Transactions in currencies other than sterling are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on retranslation are included in the profit and loss account.

Operating leases

Leases in which the group does not have substantially all risks and rewards of ownership are classified as operating leases. Payments, including prepayments, made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Slough Heat and Power Limited

Notes on the Financial Statements for the year ended 31 March 2012

1. Principal accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the period and takes into account deferred taxation

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

Deferred taxation arises in respect of items where there are timing differences between their treatment for accounting and taxation purposes. This is recognised where an obligation to pay more tax in the future has originated but not reversed at the balance sheet date. A deferred tax asset is recognised only when 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.

Tangible fixed assets

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	Years
Plant & Equipment	4-10

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's net book value is written down immediately to its recoverable value if the net book value is greater than its estimated recoverable value. Gains and losses on disposals are determined by comparing the proceeds with the net book value and are recognised in the profit and loss account.

Expenditure incurred to replace a component of a tangible fixed asset that is accounted for separately is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits of the tangible fixed asset to which it relates.

Investments

Fixed asset investments are stated at cost. Current asset investments are stated at the lower of cost and net realisable value.

Employee benefit obligations: Pensions

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

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to these Financial Statements.

Slough Heat and Power Limited

Notes on the Financial Statements for the year ended 31 March 2012

2. Exceptional Items

In the year ended 31 March 2011, as part of a review of internal indebtedness by the Directors of the Slough Heat and Power group, of which the company is part, certain historic balances were waived. As a consequence, an exceptional charge of £32,200,000 was recognised in the prior financial year.

3. Operating profit

The operating profit is arrived at after charging / (crediting)

	2012 £000	2011 £'000
Depreciation of tangible fixed assets	1,266	460
Auditor's remuneration for		
- audit of these financial statements	3	3
- audit of subsidiaries	10	10

4. Staff costs and numbers

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Staff costs		
Wages and salaries	4.2	4.5
Social security costs	0.4	0.4
Other pension costs	0.6	0.6
	5.2	5.5

The company bears the cost of all employees of the Slough Heat & Power Group with the exception of Fibre Fuel Limited which bears its own staff costs.

	31 March 2012 Number	31 March 2011 Number
The monthly average number of people employed by the Company during the year / period	89	95

5. Directors' remuneration

In the year to 31 March 2012, no director received remuneration in respect of their service to the Company.

6. Net interest payable

	2012 £m	2011 £m
Interest receivable		
Interest receivable from group undertakings	(1.0)	-
	(1.0)	-
Interest payable		
Interest payable to group undertakings	4.5	2.8
	4.5	2.8
Net Interest payable	3.5	2.8

Slough Heat and Power Limited

Notes on the Financial Statements (continued) for the year ended 31 March 2012

7. Taxation

	2012 £m	2011 £m
Current tax		
UK corporation tax at 26% (2011- 28%)	<u>1.7</u>	<u>(1 0)</u>
	<u>1.7</u>	<u>(1 0)</u>
Deferred tax		
Origination and reversal of timing differences	<u>(0.6)</u>	<u>(0 7)</u>
Total Deferred Tax	<u>(0.6)</u>	<u>(0 7)</u>
Total tax charge on profit on ordinary activities	<u>1.1</u>	<u>(1 7)</u>

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	2012 £m	2011 £m
(Loss) / profit on ordinary activities before tax	<u>(4.6)</u>	<u>(26 1)</u>
Tax on (loss) / profit on ordinary activities at standard UK corporation tax rate of 26% (2011 - 28%)	(1.2)	(7 3)
Effects of		
Expenses not deductible for tax purposes	-	9 0
Capital allowances in excess of depreciation	0.1	(0 1)
Restriction on the deduction for pension contribution due to spreading	-	(0 6)
Other timing differences	<u>(0.6)</u>	<u>-</u>
Current tax (credit)/charge for year	<u>(1.7)</u>	<u>1 0</u>

The 2012 Budget on 21 March 2012 announced that the UK corporation tax will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 3 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the Company's future tax charge accordingly, and further reduce the deferred tax liability at 31 March 2012 (which has been calculated based on the 24% substantively enacted at the balance sheet date) by £13,000. It has not yet been possible to quantify the full anticipated effect of the announced further 1% rate reduction, although this will further reduce the Company's future tax charge and reduce the Company's deferred tax liability accordingly.

Slough Heat and Power Limited

Notes on the Financial Statements (continued)

8. Tangible fixed assets

	Plant and Equipment £m
Cost:	
At 1 April 2011	5.3
Additions	0.8
At 31 March 2012	6.1
Depreciation:	
At 1 April 2011	0.7
Charge for the year	1.3
At 31 March 2012	2.0
Net book value:	
At 31 March 2012	4.1
At 31 March 2011	4.6

9. Fixed asset investments

	Investment in subsidiary undertakings £m	Total £m
At 31 March 2012 and at 31 March 2011	0.4	0.4

Details of the principal subsidiary undertakings of the Company are as follows

Subsidiary undertakings	Holding	Proportion Held	Nature of Business
Slough Electricity Contracts Limited	Ordinary shares	100%	See (i) below
Slough Utility Services Limited	Ordinary shares	100%	See (ii) below
Slough Energy Supplies Limited	Ordinary shares	100%	See (iii) below
Slough Domestic Electricity Limited	Ordinary shares	100%	See (iii) below
Power from Waste Limited	Ordinary shares	100%	Investment in waste-to-energy projects

(i) Slough Electricity Contracts Limited's principal activity is the generation of electricity and the operation of out-of-area private electricity distribution networks

(ii) The principal activity of Slough Utility Services Limited remains the generation of electricity from licence-exempt plant and the distribution and supply of steam and heat to industrial and commercial customers

(iii) Both of these companies are no longer trading

Slough Heat and Power Limited

Notes on the Financial Statements (continued) for the year ended 31 March 2012

10. Deferred taxation asset

	2012 £m	2011 £m
Accelerated capital allowances	(0.2)	(0.2)
Other timing differences	-	0.6
(Liability) / asset for deferred tax	(0.2)	0.4
		2012 £m
Asset at 1 April 2011		0.4
Charged to profit and loss account		(0.6)
Liability at 31 March 2012		(0.2)

11. Debtors

	2012 £m	2011 £m
Other debtors	0.5	1.9
Group relief receivable	1.7	-
Deferred Tax (note 10)	-	0.4
Amounts owed by group undertakings	13.4	16.1
	15.6	18.4

12. Creditors: amounts falling due within one year

	2012 £m	2011 £m
Trade and other creditors	-	2.5
Other taxes and social security	-	1.4
Amounts owed to group undertakings	2.0	-
	2.0	3.9

13. Creditors: amounts falling after more than one year

	2012 £m	2011 £m
Amounts owed to group undertakings	1.9	-
7.0925% Loan stock due to SSE Generation Ltd repayable 31 March 2013	38.0	38.0
	39.9	38.0

Slough Heat and Power Limited

Notes on the Financial Statements (continued) for the year ended 31 March 2012

14. Share capital

	Number	£
Ordinary shares of £1 00 each		
Allotted, called up and fully paid		
At 1 April 2011 and 31 March 2012	90,507,200	90,507,200
	Number	£
7% non-cumulative preference shares of £1 00 each		
Allotted, called up and fully paid		
At 1 April 2011 and 31 March 2012	107	107

All classes of shares have equal rights attached to them for voting, dividend and capital distribution (including on winding up) rights, they do not confer any rights of redemption

15. Reserves

	Profit and loss account £m
At 1 April 2011	(109 0)
Loss for the year	(3 5)
Balance at 31 March 2012	(112.5)

16 Pensions

Employees of the Company can opt to join a personal pension scheme which is a money purchase scheme with the Company matching the members' contributions up to a maximum of 6% of salary. The scheme is managed by Friends Provident. All contributions made by the Company are charged in the period they are made.

The Company's share of the total contribution payable to the pension schemes during the year was £598,000 (2011 - £596,000).

17. Operating lease commitments

The Company has the following commitments under non-cancellable payments under operating leases which are due to be made in the next year, analysed over the period when the lease expires

	As at 31 March 2012 £'000	As at 31 March 2011 £'000
After five years	380	343

18. Ultimate holding company

The Company is a subsidiary of SSE plc, which is the ultimate parent company and is registered in Scotland. The largest and smallest group in which the results of the Company are consolidated is that headed by SSE plc. The consolidated Financial Statements of the group (which include those of the Company) are available from Corporate Communications, Inveralmond House, 200 Dunkeld Road, Perth PH1 3AQ.