Registration number: 00174142

Slough Heat & Power Limited

Directors' report and Financial Statements

for the Year Ended 31 March 2022

Slough Heat & Power Limited

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Slough Heat & Power Limited

Company Information

Directors

P Clements

M Hayward

Company secretary

M S Khalid

Registered office

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

Auditors

Ernst & Young LLP
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2 Blagrave Street
Reading
Berkshire
RG1 1AZ

Registered number

00174142

Slough Heat & Power Limited

Strategic Report for the Year Ended 31 March 2022

The directors present their report for the year ended 31 March 2022.

This Strategic Report has been prepared in accordance with the requirements of Section 414 of the Companies Act 2006. Its purpose is to inform shareholders and help them assess how the directors have performed their duty to promote the success of Slough Heat & Power Limited.

The Strategic and Financial Review sets out the main trends and factors underlying the development and performance of Slough Heat & Power Limited (the "Company") during the year ended 31 March 2022, as well as those matters which are likely to affect its future development and performance.

Fair review of the business

The Company is the service company for the Slough Heat & Power (SHP) group of companies. SHP's combined heat and power (CHP) plant is located in Slough, Berkshire and uses recycled wood as its primary fuel, although it does have the ability to also burn waste fuel, namely ready to use (RTU), supplied from the waste industry. As well as selling electricity to SSE EPM Limited, a related company, it also supplies electricity, steam, hot water and potable water via private distribution networks to Slough Trading Estate, the largest trading estate in the south of England.

The Company provides operational staffing, maintenance and administrative services to Slough Electricity Contracts Limited, Slough Utility Services Limited and Fibre Power (Slough) Limited, which operate the plant and equipment.

There were no significant changes to business operations during the year.

Financial performance

The loss for the year after taxation amounted to £34k (2021: profit of 549k). The balance sheet at 31 March 2022 indicates net assets of £29,747k (2021: £29,754k).

The company's key financial and other performance indicators during the year were as follows:

	31 March 2022 £ 000	31 March 2021 £ 000
Revenue	6,657	5,680
Gross profit	-	-
Operating loss	(145)	(193)
Profit/(Loss) before tax	(53)	592
Profit/(Loss) after tax	(34)	549
Net assets	29,747	29,754
Total assets	50,597	107,591

Revenue has increased due to higher overheads incurred by the company that were subsequently recharged to the other Slough entities (which have been offset by equivalent cost of sales). This increase was driven mainly by higher intercompany recharges in FY22 compared to FY21. Total assets have decreased significantly due to the settlement of intercompany balances.

Internal Control

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.

Principal risks and uncertainties

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 SSE plc Annual Report 2022.

Financial Risk

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 economic regulation and government policies. Management meetings are held at least monthly to address current market factors.

Brexit

The Directors are aware of the political uncertainty as the UK transitions out of the European Union. Due to the nature of operations of the Company, the impact of Brexit was minimal in the year ended 31 March 2022 and is expected to still be minimal in the year ending 31 March 2023.

Approved by the Board on 30/11/2022 and signed on its behalf by:

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P Clements

Director

Slough Heat & Power Limited

Directors' Report for the Year Ended 31 March 2022

The directors present their report and the financial statements for the year ended 31 March 2022.

The directors present their report and financial statement for Slough Heat & Power Limited (the "Company") for the year ended 31 March 2022.

Directors of the company

The directors, who held office during the year, were as follows:

P Clements

M Hayward

Principal activity

The principal activity of the Company is as the service company for the SHP 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 Company is a wholly owned subsidiary of SSE plc and part of the SSE Group.

Dividends

The directors do not recommend payment of a dividend (2021: £Nil) be made in respect of the financial year ended 31 March 2022.

Environmental matters

The Company is exempt from making disclosures in line with the Streamlined Energy and Carbon Reporting ('SECR') requirements as it is a wholly owned subsidiary of SSE plc. The consolidated disclosures of the Group are available on pages 40 - 57 of SSE plc's 2022 Annual Report.

Going concern

The financial statements are prepared on a going concern basis which has been supported by the provision of a parental letter of support from SSE plc. The Group letter of support confirms that the Group will provide support to 31 December 2023 where required. The Directors are satisfied that the Group has the ability to provide this support, should it be required.

In assessing the financial strength of the letter of support provided, the directors considered the cash balance of £289.3m at 30 September 2022, the committed bank facilities of £2.5bn maintained by the Group (including the £1.0bn facility entered into in November 2022), and the current commercial paper market conditions including the Group's success in refinancing maturing debt with the issuance of £2.1bn of long and short term debt since 31 March 2022 and the issuance of £831.4m of hybrid equity in April 2022, and the Group's credit rating. The Group's period of going concern assessment is performed to 31 December 2023, 21 months from the balance sheet date, which is at least 12 months from the filing deadline of its subsidiary companies. The directors are not aware of any subsequent events that would have a material impact on the going concern assessment. As well as taking account of the factors noted, the going concern conclusion is arrived at after applying stress testing sensitivities to the Group's cash flow and funding projections including removal of proceeds from unconfirmed future divestments, negative and positive sensitivities on operating cash flows and uncommitted capex and other adjustments.

Having reviewed the financial strength of the Group, the directors are satisfied that the Group, and the Company itself, will remain funded for foreseeable future. The Directors have therefore concluded it is appropriate for the financial statements to be prepared on a going concern basis.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditors

The auditors Ernst & Young LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 30/11/2022 and signed on its behalf by:

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P Clements
Director

Slough Heat & Power Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). 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 in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- state whether applicable UK Accounting Standards including FRS 101, 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 appropriate to presume that the company will not 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. Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report, that comply with that law and those regulations.

Approved by the Board on 30/11/2022 and signed on its behalf by:

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P Clements
Director

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

Opinion

We have audited the financial statements of Slough Heat & Power Limited for the year ended 31 March 2022 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2022 and of its loss 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 31 December 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Independent Auditor's Report to the Members of Slough Heat & Power Limited (continued)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of Slough Heat & Power Limited (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and Companies Act 2006) and relevant tax compliance regulations in the UK and the General Data Protection Regulation (GDPR).
- We understood how the Slough Heat & Power Limited is complying with those frameworks by making enquiries of management and those charged with governance to understand how the Company maintains and communicated its policies and procedures in these areas and corroborated this by reviewing supporting documentation. We corroborated our enquiries through our review of the board minutes, and we noted no such contradictory evidence.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they consider there was susceptibility to fraud. We considered the programmes and controls that the company has established to address risks identified, or that prevent, deter and detect fraud, and how senior management monitors those programmes and controls at a group level. Where the risk was considered to be higher, we performed audit procedures to address the identified fraud risk, management override of controls.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business and enquiries of management and those charged with governance. In addition, we completed procedures to conclude on the compliance of the disclosures in the financial statements and accounts with all applicable requirements.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, through internal team discussions and enquiry of management and those charged with governance. Through these procedures, we identified there to be a risk of management override relating to overstatement of intercompany revenue. We used statistical techniques to sample from the entire population of journals, identifying specific transactions which did not meet our expectations based on specific criteria, which we investigated further to gain an understanding of the transaction and agree to source documentation ensuring appropriate authorisation of the transactions. We considered programmes and controls that the company has established to address risks identified, or that otherwise prevent, deter, and detect fraud, and how senior management monitors those programmes and controls.

Independent Auditor's Report to the Members of Slough Heat & Power Limited (continued)

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

EButler

Emily Butler (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor

Date: 30 November 2022

Slough Heat & Power Limited

Profit and Loss Account for the Year Ended 31 March 2022

	Note	2022 £ 000	2021 £ 000
Turnover	3	6,657	5,680
Cost of sales		(6,657)	(5,680)
Gross profit/(loss)		-	-
Administrative expenses		(145)	(193)
Operating loss	4	(145)	(193)
Interest receivable and similar income	7	145	1,273
Interest payable and similar expenses	8	(53)	(488)
(Loss)/Profit before tax		(53)	592
Tax on loss/(profit)	10	19	(43)
(Loss)/Profit for the year		(34)	549

The above results were derived from continuing operations.

The company had no other comprehensive income in the current or prior financial years.

The notes on pages 14 to 30 form an integral part of these financial statements.

Slough Heat & Power Limited

(Registration number: 00174142)
Balance Sheet as at 31 March 2022

	Note	31 March 2022 £ 000	31 March 2021 £ 000
Non-current assets			
Tangible assets	11	1,851	1,761
Investments	12	416	416
Deferred tax assets	10	208	141
		2,475	2,318
Current assets			
Debtors: amounts due within one year	13	13,938	35,549
Debtors: amounts due after more than one year	13	34,184	69,724
		48,122	105,273
Current liabilities			
Creditors: amounts falling due within one year	14	(17,901)	(74,750)
Net current assets		30,221	30,523
Total assets less current liabilities		32,696	32,841
Creditors: Amounts falling due after more than one year			
Amounts due to Group undertakings	14	(1,118)	(1,592)
Long term lease liabilities	15	(865)	(859)
		(1,983)	(2,451)
Provisions for liabilities	16	(966)	(636)
Net assets		29,747	29,754
Capital and reserves			
Called up share capital	17	90,507	90,507
Capital Contribution		68,661	68,661
Profit and loss account		(129,421)	(129,414)
Shareholders' funds		29,747	29,754

Approved by the Board on 30/11/2022 and signed on its behalf by:

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P Clements
Director

The notes on pages 14 to 30 form an integral part of these financial statements.

Slough Heat & Power Limited

Statement of Changes in Equity for the Year Ended 31 March 2022

	Share capital £ 000	Capital contribution £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2021	90,507	68,661	(129,414)	29,754
Loss for the year	-	-	(34)	(34)
Share based payment transactions	-	-	27	27
At 31 March 2022	90,507	68,661	(129,421)	29,747

	Share capital £ 000	Capital contribution £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2020	90,507	68,661	(129,987)	29,181
Profit for the year	-	-	549	549
Share based payment transactions	-	-	24	24
At 31 March 2021	90,507	68,661	(129,414)	29,754

The notes on pages 14 to 30 form an integral part of these financial statements.

1 General information

The company is a private company limited by share capital, incorporated and domiciled in the United Kingdom.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the company has applied the recognition, measurement and disclosure requirements of UK adopted International Financial Reporting Standards, but has made amendments, where necessary, in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The financial statements are prepared in GBP (£) and the balances presented have been rounded to the nearest thousand.

Summary of disclosure exemptions
In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A cash flow statement and related notes required by IAS 7;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets required by IAS 1, IAS 16 and IAS 36 respectively;
- The effect of new, but not yet effective, IFRSs required by IAS 1;
- Disclosures in respect of the compensation of key management personnel required by IAS 24;
- Disclosures in respect of capital management required by IAS 1; and
- Related party disclosures required by IAS 24.

As the consolidated financial statements of SSE plc include the equivalent disclosure, the company has also taken advantage of the exemptions, under FRS 101, available in respect of the following disclosures:

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

Employee share based payments have not been disclosed on the basis of materiality.

2 Accounting policies (continued)

Consolidated accounts

The company is a subsidiary of SSE plc and the financial statements of the company are consolidated with the consolidated financial statements of that company. Consolidated accounts have not been prepared as the company is availing itself of the exemption whereby, as a wholly owned subsidiary of an entity which prepares consolidated accounts, it is not required to prepare consolidated accounts under section 400 of the Companies Act 2006.

Going concern

The financial statements are prepared on a going concern basis which has been supported by the provision of a parental letter of support from SSE plc. The Group letter of support confirms that the Group will provide support to 31 December 2023 where required. The Directors are satisfied that the Group has the ability to provide this support, should it be required.

In assessing the financial strength of the letter of support provided, the directors considered the cash balance of £289.3m at 30 September 2022, the committed bank facilities of £2.5bn maintained by the Group (including the £1.0bn facility entered into in November 2022), and the current commercial paper market conditions including the Group's success in refinancing maturing debt with the issuance of £2.1bn of long and short term debt since 31 March 2022 and the issuance of £831.4m of hybrid equity in April 2022, and the Group's credit rating. The Group's period of going concern assessment is performed to 31 December 2023, 21 months from the balance sheet date, which is at least 12 months from the filing deadline of its subsidiary companies. The directors are not aware of any subsequent events that would have a material impact on the going concern assessment. As well as taking account of the factors noted, the going concern conclusion is arrived at after applying stress testing sensitivities to the Group's cash flow and funding projections including removal of proceeds from unconfirmed future divestments, negative and positive sensitivities on operating cash flows and uncommitted capex and other adjustments.

Having reviewed the financial strength of the Group, the directors are satisfied that the Group, and the Company itself, will remain funded for foreseeable future. The Directors have therefore concluded it is appropriate for the financial statements to be prepared on a going concern basis.

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 April 2021 have had a material effect on the financial statements.

Revenue recognition

Revenue comprises the recharge of maintenance and administration costs, excluding value added tax, incurred in connection with the generation and supply of electricity, heat, steam, and water, and is recognised at point in time as services are discharged.

Finance income and costs policy

Interest income and costs are recognised in the income statement as they accrue, on an effective interest method.

Investment income

Investment income comprises dividends received from the company's investments in associated undertakings. Dividends receivable from investments are recognised when the right to such income is established. This is considered to be at the point that they are appropriately authorised and are no longer at the discretion of the investee company.

2 Accounting policies (continued)

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible assets

Owned assets

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and assets under construction over their estimated useful lives, as follows:

	Years
Generation Assets	20
Decommissioning Assets	9-14

Investments

Investments in securities are classified on initial recognition as available-for-sale and are carried at fair value, except where their fair value cannot be measured reliably, in which case they are carried at cost, less any impairment.

Unrealised holding gains and losses other than impairments are recognised in other comprehensive income. On maturity or disposal, net gains and losses previously deferred in accumulated other comprehensive income are recognised in income.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

2 Accounting policies (continued)

Impairment

The carrying amount of the company's PP&E and other intangible assets and the company's investments in joint ventures and associates, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, or where there are indications that a previously recognised impairment loss has reduced. For PP&E assets that have previously been identified as exhibiting indications of impairment, the review of impairment will be performed annually until there is sufficient evidence to confirm that any potential impairment loss has been appropriately recognised, or until previously recognised impairment losses have been fully written back. For goodwill and other intangible assets with an indefinite life or which are not yet ready for use, the test for impairment is carried out annually. In addition, financial assets measured at amortised cost are also reviewed for impairment annually.

For assets subject to impairment testing, the asset's carrying value is compared to the asset's recoverable amount. The recoverable amount is determined to be the higher of the fair value less costs to sell (FVLCS) and the value-in-use (VIU) of the asset. For financial assets measured at amortised cost the impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If the carrying amount of the asset exceeds its recoverable amount, an impairment charge will be recognised immediately in the profit and loss account. Reversals of previous impairment charges are recognised if the recoverable amount of the asset significantly exceeds the carrying amount. Previous impairments of goodwill are not reversed.

Value in use (VIU) calculations require the estimation of future cash flows to be derived from the respective assets and the selection of an appropriate discount rate in order to calculate their present value. The VIU methodology is consistent with the approach taken by management to evaluate economic value and is deemed to be the most appropriate for reviews of PP&E assets. The methodology is based on the pre-tax cash flows arising from the specific assets or underlying assets, and discounted using a pre-tax discount rate based on the company's cost of funding and adjusted for any specific risks. The estimation of the timing and value of underlying projected cash flows and the selection of appropriate discount rates involves management judgement. Subsequent changes to these estimates or judgements may impact the carrying value of the assets.

The fair value less costs to sell methodology also uses a present value technique, unless there is a quoted price in an active market for that asset. The methodology is based on the post-tax cash flows arising from the specific assets or underlying assets, and discounted using a post-tax discount rate determined in the same manner as the rates used in the VIU calculations, adjusted for the relevant taxation rate.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade creditors

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 (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

2 Accounting policies (continued)

Trade Debtors

Slough Heat & Power Limited has no external customers. All trade debtors are solely amounts owed by suppliers (such as from credit notes and overpayments made by the company). Receivables are classified as current assets if settlement is expected within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as fixed assets.

Trade debtors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Decommissioning

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

Leases

Definition

A lease is a contract, or a part of a contract, that conveys the right to use an asset or a physically distinct part of an asset ("the underlying asset") for a period of time in exchange for consideration. Further, the contract must convey the right to the company to control the asset or a physically distinct portion thereof. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the company has the right to:

· Obtain substantially all the economic benefits from the use of the underlying asset, and;
· Direct the use of the underlying asset (e.g. direct how and for what purpose the asset is used)

Initial recognition and measurement

The company initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.
The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.
The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease

2 Accounting policies (continued)

incentives received, the company's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.

Subsequent measurement

After the commencement date, the company measures the lease liability by:
(a) Increasing the carrying amount to reflect interest on the lease liability;
(b) Reducing the carrying amount to reflect the lease payments made; and
(c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.
Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are [presented separately as non-operating /included in finance cost] in the income statement, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises.
The related right-of-use asset is accounted for using the Cost model in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment as disclosed in the accounting policy for Property, Plant and Equipment. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in impairment.

Lease modifications

If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.
The modification is accounted for as a separate lease if both:
(a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
(b) The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.
If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The company then accounts for these in line with the accounting policy for new leases.
If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification.
For a modification that fully or partially decreases the scope of the lease (e.g., reduces the square footage of leased space), IFRS 16 requires a lessee to decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in profit or loss at the effective date of the modification.
For all other lease modifications which are not accounted for as a separate lease, IFRS 16 requires the lessee to recognise the amount of the re-measurement of the lease liability as an adjustment to the corresponding right-of-use asset without affecting profit or loss.

2 Accounting policies (continued)

Short term and low value leases

The company has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases).
The company has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is of low value.
Lease payments on short term and low value leases are accounted for on a straight line bases over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in operating expenses in the income statements.

Sub leases

If an underlying asset is re-leased by the company to a third party and the company retains the primary obligation under the original lease, the transaction is deemed to be a sublease. The company continues to account for the original lease (the head lease) as a lessee and accounts for the sublease as a lessor (intermediate lessor). When the head lease is a short term lease, the sublease is classified as an operating lease. Otherwise, the sublease is classified using the classification criteria applicable to Lessor Accounting in IFRS 16 by reference to the right-of-use asset in the head lease (and not the underlying asset of the head lease).
After classification lessor accounting is applied to the sublease.

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation
A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

Share based payments
The company operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the entity. The fair value of the employee services received is measured by reference to the estimated fair value at the grant date of equity instruments granted and is recognised as an expense over the vesting period. The estimated fair value of the option granted is calculated using the Black Scholes option pricing model. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2022 £ 000	2021 £ 000
Rendering of services	6,657	5,680

4 Operating loss

Arrived at after charging:

	2022 £ 000	2021 £ 000
Depreciation expense	145	120
Loss of disposal of property, plant and equipment	107	-

5 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2022 £ 000	2021 £ 000
Wages and salaries	3,400	2,811
Social security costs	287	327
Pension costs	398	454
Share-based payment expenses	27	25
	4,112	3,617

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2022 No.	2021 No.
All departments	39	46
	39	46

6 Directors' remuneration

The total remuneration received by the directors for qualifying and non-qualifying services during the year was £544k (2021: £516k). The above value is for 2 directors (2021:3), who were remunerated via another Group company in the year. A value of services to the Company for these directors cannot be determined, therefore the above value reflects the remunerations received for services to the SSE Group as a whole.

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £379k (2021: £375k) including company pension contributions of £nil (2021: £49k) which were made to a money purchase scheme on their behalf.

7 Interest receivable and similar income

	2022 £ 000	2021 £ 000
Interest receivable from group companies	145	1,273

Interest receivable in the year is significantly lower than in the previous year, resulting from the settlement of amounts owed by related parties.

8 Interest payable and similar expenses

	2022 £ 000	2021 £ 000
Interest payable to Group companies	-	468
Lease obligations - unwind of discount rate	46	15
Decommissioning provision - unwind of discount	5	5
Other interest	2	-
	53	488

Interest payable in the year is significantly lower than in the previous year, resulting from the settlement of amounts owed to related parties.

9 Auditors' remuneration

The company incurred an audit fee of £22,565 in the year (2021: £10,190). The fee in both the current and previous year was borne by another group company.

10 Income tax

Tax charged/(credited) in the profit and loss account

	2022 £ 000	2021 £ 000
Current taxation		
UK corporation tax	45	146
Prior year adjustment	3	(147)
	48	(1)
Deferred taxation		
Arising from origination and reversal of temporary differences	(17)	13
Adjustment in respect of prior years	-	31
Arising from changes in tax rates and laws	(50)	-
Total deferred taxation	(67)	44
Tax (receipt)/expense in the profit and loss account	(19)	43

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2021 - lower than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022 £ 000	2021 £ 000
(Loss)/profit before tax	(53)	592
Corporation tax at standard rate of 19% (2021: 19%)	(10)	113
Increase in current tax from adjustment for prior periods	3	-
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	2	5
Increase from transfer pricing adjustments	36	42
Deferred tax expense from unrecognised temporary difference from a prior period	-	30
Decrease from effect of capital allowances in excess of depreciation	-	(147)
Deferred tax credit relating to changes in tax rates or laws	(50)	-
Total tax (credit)/charge	(19)	43

10 Income tax (continued)

Deferred tax

Deferred tax movement during the year:

	At 1 April 2021 £ 000	Recognised in income £ 000	At 31 March 2022 £ 000
Revaluation of property, plant and equipment	93	28	121
Provisions	48	39	87
Net tax assets	141	67	208

Deferred tax movement during the prior year:

	At 1 April 2020 £ 000	Recognised in income £ 000	At 31 March 2021 £ 000
Revaluation of property, plant and equipment	63	30	93
Provisions	122	(74)	48
Net tax assets	185	(44)	141

Increase in Corporation Tax rate

The Government announced in the Budget on 3 March 2021 that the main rate of corporation tax will increase to 25% for the financial year beginning 1 April 2023. Prior to this date, the rate of corporation tax will remain at 19%. The increase to 25% was substantively enacted on 24 May 2021 and therefore the deferred tax balances have been re-measured at 31 March 2022. The rate change resulted in an increase to the Company's deferred tax liability of £50k.

Finance Bill 2021 also included draft legislation in respect of Capital Allowance 'Super-deductions' of 130% in respect of General Pool plant and machinery, alongside First Year Allowances of 50% for Special Rate Pool plant and machinery for the two years commencing 1 April 2021. The Company expects these changes to significantly increase the deduction for Capital Allowances in the financial years ending 31 March 2022 and 31 March 2023. An estimate of the super-deduction has been taken into account when calculating the effective tax for the current year.

11 Tangible assets

	Assets under construction £ 000	Right of use assets £ 000	Decommissioning assets £ 000	Generation assets £ 000	Total £ 000
Cost or valuation					
At 1 April 2021	107	922	679	2,977	4,685
Additions	-	13	329	-	342
Disposals	(107)	-	-	-	(107)
At 31 March 2022	-	935	1,008	2,977	4,920
Depreciation					
At 1 April 2021	-	6	297	2,621	2,924
Charge for the year	-	20	90	35	145
At 31 March 2022	-	26	387	2,656	3,069
Carrying amount					
At 31 March 2022	-	909	621	321	1,851
At 31 March 2021	107	916	382	356	1,761

A disposal of £107k has been recognised in respect of historical assets under construction which will not be completed.

12 Investments

Investments	Subsidiaries £ 000	Total £ 000
Cost or valuation		
At 1 April 2021	416	416
At 31 March 2022	416	416
Carrying amount		
At 31 March 2022	416	416
At 31 March 2021	416	416

12 Investments (continued)

Details of the subsidiaries as at 31 March 2022 are as follows:

Name of subsidiary	Principal activity	Country of incorporation	Holding	Proportion of ownership interest and voting rights held 2022	2021
Slough Utility Services Ltd	Distribution of water and steam	UK	Ordinary Shares	100%	100%
Slough Electricity Contracts Ltd	Distribution of electricity	UK	Ordinary Shares	100%	100%
Slough Energy Supplies Ltd	Dormant	UK	Ordinary Shares	100%	100%
Power From Waste Ltd	Dormant	UK	Ordinary Shares	100%	100%
Slough Domestic Electricity Ltd	Dormant	UK	Ordinary Shares	100%	100%
Fibre Power (Slough) Ltd	Generation of Electricity	UK	Ordinary Shares	100%	100%
Fibre Fuel Ltd	Dormant	UK	Ordinary Shares	100%	100%

The registered office for all the subsidiaries is the same as the company.

13 Trade and other debtors

Amounts falling due within one year

	31 March 2022 £ 000	31 March 2021 £ 000
Trade debtors	33	-
Amounts due from related parties	13,904	35,466
Other debtors	1	83
	13,938	35,549

Amounts falling due after more than one year

	31 March 2022 £ 000	31 March 2021 £ 000
Amounts due from related parties	34,184	69,724

13 Trade and other debtors (continued)

Details of non-current trade and other debtors

Amounts classified as non-current consist of £34,184k (2021: £69,724 of amounts due from related parties. This is in respect of amounts owed by the Company's ultimate parent, SSE plc. Interest is earned at 0.25% (2021: 0.85%)

14 Creditors

Amounts falling due within one year

	31 March 2022 £ 000	31 March 2021 £ 000
Trade creditors	51	84
Accrued expenses	85	61
Amounts due to Group undertakings	17,685	74,276
Other creditors	3	99
Income tax liability	27	151
Current portion of long term lease liabilities	50	79
	17,901	74,750

Amounts falling due after more than one year

	31 March 2022 £ 000	31 March 2021 £ 000
Amounts due to Group undertakings	1,118	1,592

The amounts disclosed in the balance sheet as owed to related parties and falling due after more than one year are in respect of amounts advanced to the company by its ultimate parent, SSE plc. Interest is charged at 4.89%. (2021: 4.01%). There is no fixed repayment term for the amounts disclosed as owed to related parties and it has been confirmed by SSE plc that the amounts will not be called upon within the next twelve months.

15 Leases

Leases included in creditors

	31 March 2022 £ 000	31 March 2021 £ 000
Current portion of long-term lease liabilities	50	79
Non-current portion of long-term lease liabilities	865	859
	915	938

Lease liability maturity analysis

	31 March 2022 £ 000	31 March 2021 £ 000
Within one year	51	80
Between one and five years	257	253
After five years	2,022	2,046
Less: future finance charge	(1,415)	(1,441)
Present value of lease obligations	915	938

16 Other provisions

	Decommissioning £ 000
At 1 April 2021	636
Increase in existing provisions due to change in cost estimate	329
Provisions used	(4)
Increase due to passage of time or unwinding of discount	5
At 31 March 2022	966

Decommissioning provision

In accordance with the company's accounting policy a provision has been made for the decommissioning of the company's power generation assets. A discount rate of 1.41% (2021: 0.8%) has been applied to discount the decommissioning cost provision to present values. The unwinding of discount rate in relation to decommissioning costs is charged to interest payable in the profit and loss account.

Decommissioning costs of £4k were incurred in the year.

16 Other provisions (continued)

Sensitivity analysis

The key assumptions made when calculating the decommissioning provision centre around cost estimate and discount rate applied:

An increase of 1% in the discount rate would result in a decrease to the provision of £46k.

A decrease of 1% in the discount rate would result in an increase to the provision of £50k.

An increase of 10% in the cost estimate for decommissioning would result in an increase to the provision of £97k and a corresponding adjustment to the decommissioning assets.

A decrease of 10% in the cost estimate for decommissioning would result in a decrease to the provision of £96k and a corresponding adjustment to the decommissioning assets.

17 Share capital

Allotted, called up and fully paid shares

	31 March 2022		31 March 2021	
	No. 000	**£ 000**	**No. 000**	**£ 000**
90,507,200 ordinary shares of £1 each	90,507	90,507	90,507	90,507
107 7% non-cumulative preference shares of £1 each	-	-	-	-
	90,507	90,507	90,507	90,507

Rights, preferences and restrictions
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.

18 Parent and ultimate parent undertaking

The company's immediate parent is SSE Thermal Energy Holdings Limited.

The ultimate parent is SSE plc.

The most senior parent entity producing publicly available financial statements is SSE plc. These financial statements are available upon request from the Company Secretary, SSE plc, Inveralmond House, 200 Dunkeld Road, Perth, PH1 3AQ, or by accessing the Company's website at www.sse.com.

18 Parent and ultimate parent undertaking (continued)

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is SSE plc, incorporated in Scotland. The consolidated financial statements of the Group (which include the Company) are available from the Company Secretary, SSE plc, Inveralmond House, 200 Dunkeld Road, Perth, PH1 3AQ or by accessing the parent company's website at www.sse.com.

The address of SSE plc is:
Inveralmond House, 200 Dunkeld Road, Perth, PH1 3AQ