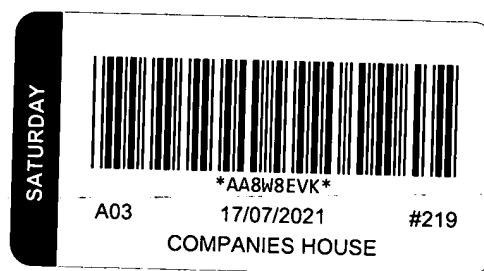


Registration number: 00174142

**Slough Heat & Power Limited**  
**Directors report and Financial Statements**  
**for the Year Ended 31 March 2020**



## **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

Apex Plaza

Forbury Road

Reading

RG1 1YE

### **Registered number**

00174142

## **Slough Heat & Power Limited**

### **Strategic Report for the Year Ended 31 March 2020**

The directors present their report for the year ended 31 March 2020.

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 2020, 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 profit for the year after taxation amounted to £647k (2019: £427k), with improved profitability due to interest received on intercompany loan to SSE plc. Turnover was reduced following a change in internal charging mechanisms within the SSE Group, which was offset by a corresponding reduction in direct costs. The balance sheet at 31 March 2020 indicates net assets of £29,181k (2019: £28,508k).

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

	<b>Unit</b>	<b>2020</b>	<b>2019</b>
Turnover	<b>£000</b>	<b>5,485</b>	<b>8,946</b>

#### **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.

## Slough Heat & Power Limited

### Strategic Report for the Year Ended 31 March 2020 (continued)

#### 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 Group's annual report.

#### 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.

#### Coronavirus

The Directors have considered the impact of coronavirus on the future prospects of the Company. Due to the timing of the outbreak relative to the Company's yearend date, the impact on the results for the year ended 31 March 2020 is limited. Due to the operations of the Company, the impact of the virus on future periods is also expected to be limited. The Directors have considered the expected impact of coronavirus in reaching their assessment of the Company's ability to continue as a going concern above.

#### 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 2020 and year ended 31 March 2021.

Approved by the Board on 17 June 2021 and signed on its behalf by:

P E Clements

P E Clements (Jun 17, 2021 15:27 GMT+1)

.....  
P Clements

Director

## **Slough Heat & Power Limited**

### **Directors' Report for the Year Ended 31 March 2020**

The directors present their report and the financial statements for the year ended 31 March 2020.

#### **Directors' of the company**

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

M Hayward

J Mullen (ceased 4 November 2020)

The following director was appointed after the year end:

P Clements (appointed 4 November 2020)

#### **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 (2019: £Nil) be made in respect of the financial year ended 31 March 2020.

#### **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 it will provide support for a period of 12 months from the date of signing of these accounts 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 committed bank facilities of £1.5bn maintained by the Group, the current commercial paper market conditions, the recent success of the Group in refinancing maturing debt, as well as sensitivities on future cashflow projections that reflect the impact of the coronavirus pandemic and the Group's credit rating. The directors also considered the progress of the Group's disposal programme since 31 March 2020 and mitigating actions available to the Group under downside scenarios including non-essential capex postponement and refinancing of mature debt. In considering these factors, the directors satisfied themselves that the SSE plc group has sufficient headroom to continue as a going concern and could provide support to the business as required.

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

#### **Assessing the impact of coronavirus**

The Directors have considered the impact of coronavirus on the future prospects of the Company. Due to the timing of the outbreak relative to the Company's year end date, the impact on the results for the year ended 31 March 2020 is limited. Due to the operations of the Company, the impact of the virus on future periods is also expected to be limited. The Directors have considered the expected impact of coronavirus in reaching their assessment of the Company's ability to continue as a going concern above.

## **Slough Heat & Power Limited**

### **Directors' Report for the Year Ended 31 March 2020 (continued)**

#### **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 2020 and the year ended 31 March 2021.

#### **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 17 June 2021. and signed on its behalf by:

P E Clements

P E Clements (Jun 17, 2021 15:27 GMT+1)

.....  
P Clements  
Director

## **Slough Heat & Power Limited**

### **Statement of Directors' Responsibilities**

The directors acknowledge their responsibilities 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 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 and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has 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 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.

Approved by the Board on 17 June 2021 and signed on its behalf by:

P E Clements

P E Clements (Jun 17, 2021 15:27 GMT+1)

.....  
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 (the 'Company') for the year ended 31 March 2020, which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, and the related notes 1 to 17, 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 state of the Company's affairs as at 31 March 2020 and of its profit 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 below. 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**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of twelve months from the date when the financial statements are authorised for issue.

### **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. .

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)**

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinion on other matter 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 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 our 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 and the Directors' Report.

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.

### **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities 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.

### **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.

## **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 [www.frc.org.uk/auditorsresponsibilities](http://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.

*Ernst & Young LLP*

Emily Butler (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

Apex Plaza  
Forbury Road  
Reading  
RG1 1YE

Date: 17 June 2021 .....

## Slough Heat & Power Limited

### Profit and Loss Account for the Year Ended 31 March 2020

	Note	2020 £ 000	2019 £ 000
Turnover	3	5,485	8,946
Cost of sales		<u>(5,485)</u>	<u>(8,946)</u>
Gross profit		0	0
Administrative expenses		(12)	(103)
Other (losses) / gains		<u>(292)</u>	<u>-</u>
Operating loss	4	(304)	(103)
Interest receivable and similar income	7	1,165	649
Interest payable and similar expenses	8	<u>(10)</u>	<u>(30)</u>
Profit before tax		851	516
Tax on profit	10	<u>(204)</u>	<u>(89)</u>
Profit for the year		<u>647</u>	<u>427</u>

The above results were derived from continuing operations.

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

**Slough Heat & Power Limited**  
**(Registration number: 00174142)**  
**Balance Sheet as at 31 March 2020**

	Note	31 March 2020 £ 000	31 March 2019 £ 000
<b>Fixed assets</b>			
Tangible assets	11	959	1,498
Investments	12	416	416
Deferred tax assets	10	185	165
		<u>1,560</u>	<u>2,079</u>
<b>Current assets</b>			
Debtors: Amounts due within one year	13	36,599	19,601
Debtors: Amounts due after more than one year	13	56,917	61,367
		<u>93,516</u>	<u>80,968</u>
<b>Current liabilities</b>			
Creditors: Amounts falling due within one year	14	(64,133)	(53,198)
<b>Net current liabilities</b>		<u>(27,534)</u>	<u>(33,597)</u>
<b>Total assets less current liabilities</b>		30,943	29,849
<b>Creditors: Amounts falling due after more than one year</b>			
Amounts due to related parties	14	(1,118)	0
<b>Provisions for liabilities</b>	15	(644)	(1,341)
<b>Net assets</b>		<u>29,181</u>	<u>28,508</u>
<b>Capital and reserves</b>			
Called up share capital	16	90,507	90,507
Capital Contribution		68,661	68,661
Profit and loss account		<u>(129,988)</u>	<u>(130,660)</u>
<b>Shareholders' funds</b>		<u>29,181</u>	<u>28,508</u>

Approved by the Board on 16 June 2021 and signed on its behalf by:

P E Clements  
P E Clements (Jun 17, 2021 15:27 GMT+1)

.....  
P Clements  
Director

# Slough Heat & Power Limited

## Statement of Changes in Equity for the Year Ended 31 March 2020

	Share capital £ 000	Capital contribution £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2019	90,507	68,661	(130,660)	28,509
Profit for the year	-	-	647	647
Share based payment transactions	-	-	26	26
At 31 March 2020	90,507	68,661	(129,988)	29,181

	Share capital £ 000	Capital contribution £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2018	90,507	66,406	(131,114)	25,799
Profit for the year	-	-	427	427
Capital contribution	-	2,255	-	2,255
Share based payment transactions	-	-	27	27
At 31 March 2019	90,507	68,661	(130,660)	28,508

The notes on pages 13 to 26 form an integral part of these financial statements.

## **Slough Heat & Power Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2020**

#### **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 International Financial Reporting Standards as adopted by the EU, 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 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.

## **Slough Heat & Power Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)**

#### **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 it will provide support for a period of 12 months from the date of signing of these accounts 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 committed bank facilities of £1.5bn maintained by the Group, the current commercial paper market conditions, the recent success of the Group in refinancing maturing debt, as well as sensitivities on future cashflow projections that reflect the impact of the coronavirus pandemic and the Group's credit rating. The directors also considered the progress of the Group's disposal programme since 31 March 2020 and mitigating actions available to the Group under downside scenarios including non-essential capex postponement and refinancing of mature debt. In considering these factors, the directors satisfied themselves that the SSE plc group has sufficient headroom to continue as a going concern and could provide support to the business as required.

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

##### **Changes in accounting policy**

##### **New standards, interpretations and amendments effective**

The accounting policies are consistent with those of the prior year except for the following new standards which became effective for the period beginning on 1 April 2019.

##### ***IFRS 16 "Leases"***

The adoption of IFRS 16 had no impact on the presentation of the financial statements for the year ended 31 March 2020.

##### **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.

## Slough Heat & Power Limited

### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

#### 2 Accounting policies (continued)

##### 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.

##### 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 properties under construction over their estimated useful lives, as follows:

Asset class	Years
Generation Assets	20
Decommissioning Assets	14

## **Slough Heat & Power Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)**

#### **2 Accounting policies (continued)**

##### **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.

##### **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 income statement. 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.

## **Slough Heat & Power Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)**

#### **2 Accounting policies (continued)**

##### **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.

SSE plc operates a centralised treasury function, with the cash balances of its subsidiaries being swept daily into a Group treasury account. As a result, the Company holds no cash on hand at the end of a reporting period.

##### **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.

##### **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 group 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.

##### **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.

## Slough Heat & Power Limited

### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

#### 2 Accounting policies (continued)

##### 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:

	2020 £ 000	2019 £ 000
Rendering of services	5,485	8,946

#### 4 Operating loss

Arrived at after charging:

	2020 £ 000	2019 £ 000
Depreciation expense	133	103
Operating lease expense	-	440
Loss on disposal of property, plant and equipment	292	-

#### 5 Staff costs

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

	2020 £ 000	2019 £ 000
Wages and salaries	2,194	2,926
Social security costs	285	271
Pension costs	437	506
Share-based payment expenses	26	27
	2,942	3,730

## Slough Heat & Power Limited

### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

#### 5 Staff costs (continued)

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

	2020 No.	2019 No.
Operations and management	49	45

#### 6 Directors' remuneration

The total remuneration received by the directors for qualifying and non-qualifying services during the year was £472k (2019: £424k). The above value is for 2 directors (2019: 2), 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 £334k (2019: £290k) including company pension contributions of £48k (2019: £48k) which were made to a money purchase scheme on their behalf.

#### 7 Interest receivable and similar income

	2020 £ 000	2019 £ 000
Interest receivable from group companies	1,165	649

#### 8 Interest payable and similar expenses

	2020 £ 000	2019 £ 000
Decommissioning provision - unwind of discount	10	30

#### 9 Auditors' remuneration

The company incurred an audit fee of £19,188 in the year (2019: £4,000). The fee in both the current and previous year was borne by another group company.

## Slough Heat & Power Limited

### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

#### 10 Income tax

Tax charged in the profit and loss account

	2020 £ 000	2019 £ 000
<b>Current taxation</b>		
UK corporation tax	224	132
Prior year adjustment	-	(1)
	<u>224</u>	<u>131</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	58	13
Adjustment in respect of prior years	(52)	(55)
Effect of change in tax rate	(26)	-
	<u>(20)</u>	<u>(42)</u>
Tax expense in the profit and loss account	<u>204</u>	<u>89</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Profit before tax	<u>851</u>	<u>516</u>
Corporation tax at standard rate of 19% (2019: 19%)	162	99
Increase/(decrease) in current tax from adjustment for prior periods	-	(1)
Increase/(decrease) from effect of expenses not deductible for tax purposes	3	(2)
Increase from transfer pricing adjustments	25	48
Increase from utilisation of provision not deductible for tax purposes	21	-
Increase from effect of capital allowances in excess of depreciation	71	-
Deferred tax expense/(credit) from unrecognised temporary difference from a prior period	(52)	(55)
Deferred tax credit relating to changes in tax rates or laws	(26)	-
Total tax charge	<u>204</u>	<u>89</u>

## Slough Heat & Power Limited

### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

#### 10 Income tax (continued)

##### Deferred tax

Deferred tax movement during the year: .

	At 1 April 2019 £ 000	Recognised in income £ 000	At 31 March 2020 £ 000
Revaluation of property, plant and equipment	(63)	126	63
Provisions	228	(106)	122
Net tax assets	165	20	185

Deferred tax movement during the prior year:

	At 1 April 2018 £ 000	Recognised in income £ 000	At 31 March 2019 £ 000
Revaluation of property, plant and equipment	(100)	37	(63)
Provisions	223	5	228
Net tax assets	123	42	165

##### Increase in Corporation Tax rate

The UK Budget 2021 announcements on 3 March 2021, subsequent to the balance sheet date, included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end. If the company's deferred tax balances at the period end were remeasured at 25% this would result in a deferred tax credit of £58k.

## Slough Heat & Power Limited

### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

#### 11 Tangible assets

	Assets under construction £ 000	Decommissioning assets £ 000	Generation assets £ 000	Total £ 000
<b>Cost or valuation</b>				
At 1 April 2019	711	652	4,332	5,695
Additions	107	71	-	178
Disposals	-	(44)	(2,066)	(2,110)
Transfers	(711)	-	711	-
At 31 March 2020	107	679	2,977	3,763
<b>Depreciation</b>				
At 1 April 2019	-	123	4,074	4,197
Charge for the year	-	79	54	133
Eliminated on disposal	-	-	(1,526)	(1,526)
Transfers	-	16	(16)	-
At 31 March 2020	-	218	2,586	2,804
<b>Carrying amount</b>				
At 31 March 2020	107	461	391	959
At 31 March 2019	711	529	258	1,498

A disposal of £44k was recognised in Decommissioning assets, corresponding to a change in the estimated costs of decommissioning works and a decrease in the associated provision.

Disposals of Generation assets include: the sale of turbines with cost of £1,457k and accumulated depreciation of £1,165k; assets with cost of £597k transferred to related parties.

#### 12 Investments

	Subsidiaries £ 000	Total £ 000
<b>Investments</b>		
<b>Cost or valuation</b>		
At 1 April 2019	416	416
At 31 March 2020	416	416
<b>Carrying amount</b>		
At 31 March 2020	416	416
At 31 March 2019	416	416

## Slough Heat & Power Limited

### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

#### 12 Investments (continued)

Details of the subsidiaries as at 31 March 2020 are as follows:

Name of subsidiary	Principal activity	Country of incorporation	Holding	Proportion of ownership interest and voting rights held	
				2020	2019
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 of the subsidiaries is the same as the company.

\* Represents indirect subsidiaries

#### 13 Trade and other debtors

*Amounts falling due within one year*

	31 March 2020 £ 000	31 March 2019 £ 000
Amounts due from related parties	36,455	19,083
Other debtors	144	518
	36,599	19,601

*Amounts falling due after more than one year*

	31 March 2020 £ 000	31 March 2019 £ 000
Amounts due from related parties	56,917	61,367

#### Details of non-current trade and other debtors

Amounts classified as non-current consist of £56,917k (2019: £61,367k) 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 1.10% (2019: 1.05%)

## Slough Heat & Power Limited

### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

#### 14 Creditors

*Amounts falling due within one year*

	31 March 2020 £ 000	31 March 2019 £ 000
Trade creditors	114	442
Accrued expenses	205	179
Amounts due to related parties	63,404	52,437
Other creditors	186	9
Income tax liability	224	131
	64,133	53,198

*Amounts falling due after more than one year*

	31 March 2020 £ 000	31 March 2019 £ 000
Amounts due to related parties	1,118	0

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 5.06% (2019: 5.23%). 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 Other provisions

	Decommissioning £ 000
At 1 April 2019	1,341
Decrease in existing provisions due to change in cost estimate	(44)
Provisions used	(663)
Increase due to passage of time or unwinding of discount	10
At 31 March 2020	644
Non-current liabilities	644

#### *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 0.8% (2019: 1.7%) 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.

A decrease of £44k was recognised in the year following a review of the estimated timing and quantum of costs associated with the company's assets. Decommissioning costs of £663k were incurred in the year.

## Slough Heat & Power Limited

### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

#### 15 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 £63k.

A decrease of 1% in the discount rate would result in an increase to the provision of £67k.

An increase of 10% in the cost estimate for decommissioning would result in an increase to the provision of £131k 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 £131k and a corresponding adjustment to the decommissioning assets.

#### 16 Share capital

##### Allotted, called up and fully paid shares

	31 March 2020		31 March 2019	
	No. 000	£ 000	No. 000	£ 000
90,507,200 Ordinary shares of £1 each	90,507	90,507	90,507	90,507
7% non-cumulative preference shares (107 at £1 each) 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.

#### 17 Parent and ultimate parent undertaking

The company's immediate parent is SSE Generation Ltd.

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](http://www.sse.com).

## **Slough Heat & Power Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)**

#### **17 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](http://www.sse.com).

The address of SSE plc is:

Inveralmond House, 200 Dunkeld Road, Perth, PH1 3AQ