

SSE Generation Limited

Directors' report and financial statements

Year ended 31 March 2019

Registered No.: 02310571

THURSDAY



S8KMHTSA

SCT

19/12/2019

#138

COMPANIES HOUSE

SSE Generation Limited

Contents

	Page No.
Directors and other information	1
Strategic report	2
Directors' report	6
Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements	8
Independent auditor's report to the members of SSE Generation Limited	9
Profit and loss account	11
Statement of other comprehensive income	12
Balance sheet	13
Statement of changes in equity	14
Notes to the financial statements	15

SSE Generation Limited

Directors and other information

Directors

J. Downes
M. Hayward
J. Smith
S. Wheeler (appointed 17 June 2019)
J. Williamson

Registered office

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

Secretary

S. Fairbairn

Auditor

KPMG LLP
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

Registered number

02310571

SSE Generation Limited

Strategic report

The directors submit their report and the audited financial statements of SSE Generation Limited ('the Company') for the year ended 31 March 2019.

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 the Company.

1 Business review

SSE Generation Limited is a wholly owned subsidiary of SSE plc and part of the SSE Group (the 'Group'). The Company owns over 3,000 megawatts (MW) of electricity generation capacity. This comprises over 2,000 MW of hydro and wind capacity and 1,180 MW of gas-fired capacity at Peterhead power station. The Company also has access to over 2,000 MW of capacity relating to Marchwood and Seabank through PPA contracts.

The profit and loss account for the year ended 31 March 2019 is set out on page 10. The profit for the year after taxation amounted to £134.3m (2018: profit of £97.4m). The balance sheet at 31 March 2019 is set out on page 12 and indicates net assets of £878.3m (2018: net assets of £1,551.5m).

Financial Performance

The directors focus on the adjusted operating profit when assessing the financial performance of the Company. Adjusted operating profit is defined as the operating profit less any exceptional items and less any movement on derivatives. Exceptional items are, by definition, exceptional and are not representative of the underlying operational performance of the activities the Company undertakes. The movement on financial derivatives represents the re-measurement of the Company's future commodity and foreign currency contracts.

The adjusted operating profit in the year is set out below and amounted to £187.1m (2018: £292.2m). Cost of sales included a credit for movement in the fair value of operating derivatives of £31.0m (2018: £147.9m charge). Exceptional items being recognised totalled a credit of £21.6m (2018: charge of £23.5m, see note 2). The reported operating profit was £238.6m (2018: £120.8m). Adjusted operating profit fell to £187.1m compared to the prior financial year, mostly due to lower generation, lower power prices and higher depreciation.

2 Key performance indicators

The directors believe that the following indicators will provide shareholders with sufficient information to assess how effectively the Company is performing:

Financial	2019 £m	2018 £m
Gross profit	256.1	138.1
Turnover	1,238.2	1,448.9
Operating profit	238.6	120.8
Capital expenditure	169.5	220.9
Net assets	878.3	1,551.5
Non Financial / Operational	2019	2018
Thermal output TWh	14.8	15.6
Renewable output TWh	5.6	5.6
Hydro storage at end March (% total volume available)	49	45

SSE Generation Limited

Strategic report

2 Key performance indicators (*continued*)

Reported to adjusted operating profit reconciliation

	2019	2018
	£m	£m
Operating profit	238.6	120.8
Add back: IAS 39 internal derivatives	(31.0)	147.9
Add back: Exceptional items	(21.6)	23.5
Adjusted operating profit	187.1	292.2

3 UK Capacity Market

The UK Capacity Market was suspended pending the outcome of a European Commission investigation into the legality of the Capacity Market payments under state aid rules. During this standstill, participants with Capacity Market obligations have not received payments, nor will there be mandatory collection of payments from suppliers. On 24 October 2019, the European Commission reached a positive decision on state aid and the payments will be reinstated and paid retrospectively provided capacity obligations have been met. Capacity Market obligations for future delivery years would also be upheld. The value of suspended payments for 2018/19 was £19.2m.

The UK Government ran an auction in June 2019 for delivery in 2019/20 which replaced the T-1 auction originally scheduled for January 2019. It also intends to run a T-3 auction in January 2020 to replace the T-4 auction originally scheduled for February 2019. These auction results and subsequent payments were contingent on the outcome of the European Commission's investigation, which as noted above has now been completed with the British Capacity Market scheme being reinstated.

4 Thermal generation

Gas-fired power stations

Efficient, reliable and flexible thermal back-up offers weather insurance for the Company's wind farm capacity and allows optimisation of the portfolio to achieve a higher overall economic return. In addition to managing variability in renewables production and demand, the Company's thermal fleet provides an advantage within the wider electricity market by providing reliable capacity at scale in response to market changes, for example, unplanned nuclear outages. The Company's CCGTs are among the most flexible on the GB electricity system and have increasingly created value from their intra-day flexibility.

SSE Generation Limited has an ownership interest in three gas-fired power stations that participate in the GB electricity market:

- **Peterhead** (1,180MW, wholly owned) has capacity contracts to September 2019; from October 2021 to September 2022; and, following a transfer from RWE Generation UK's Aberthaw B power station, for the years 2019/20 and 2020/21.
- **Seabank** (1,164MW, 50% owned through the subsidiary company Seabank Investments Limited) has capacity contracts until September 2022; and
- **Marchwood** (840MW, 50% owned) has capacity contracts until September 2022.

SSE Generation Limited

Strategic report (continued)

4 Thermal generation

Multifuel

The Company's generation strategy is grounded upon managing risk through owning a diverse range of assets in order to meet the needs of customers and multifuel is an important part of that strategy.

Multifuel Energy Limited (the SSE Generation Limited and Wheelabrator Technologies Inc. 50:50 joint venture) operates a 68MW multifuel generation plant known as Ferrybridge Multifuel 1 in Knottingley, West Yorkshire.

Construction of the Company's 69MW Ferrybridge Multifuel 2 facility is on track for completion by the end of 2019. The new plant is being built next to the existing Multifuel 1 facility and, when complete, will be able to generate enough electricity to power to around 170,000 homes.

The Company accounts for its investment in Multifuel as an equity accounted joint arrangement.

5 Renewable generation

Renewable energy generation capacity and output

Output of electricity from renewable sources, including pumped storage, was similar to the previous year. The weather is an important contributor to energy generation from renewable sources and this, together with the effect of divestment in the Stronelaig and Dunmaglass wind farms, contributed to total output of 5.6 TWh in the year (2018: 5.6 TWh).

Hydro

SSE Generation Limited's fleet of hydro electric assets continues to deliver low-carbon power to respond to the needs of the GB electricity system. The focus continues to be on ensuring the fleet is as operationally efficient and flexible as possible. Whilst the Company has some development assets, in the form of pumped storage, there is not yet a clear route forward for commercially realising the system value that these assets could provide.

Onshore wind

The Company has developed strengths in the efficient development, construction and operation of onshore wind. The Company's focus has been on completing Renewable Obligation (RO) projects in the UK. Stronelaig (228MW), the Company's last wind farm to be accredited under the RO, was completed in December 2018.

In March 2019, the Company's wind farms at Stronelaig and Dunmaglass were sold to fellow Group companies, ahead of the SSE Group selling stakes in them to a third party.

6 Company priorities in 2019/20 and beyond

The Company's priorities are to:

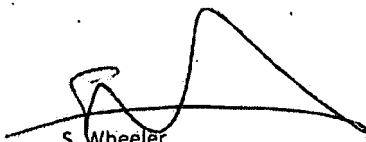
- comply fully with all safety standards and environmental requirements;
- ensure assets are available to respond to customer demand, market conditions and contractual obligations;
- manage and operate assets efficiently to achieve the optimum generation of electricity; and
- successfully commission new assets and effectively introduce into operation.

SSE Generation Limited

Strategic report *(continued)*

The principal risks and uncertainties affecting the Company have been disclosed within the directors' report on page 6.

On behalf of the board



S. Wheeler
Director
4 November 2019

SSE Generation Limited

Directors' report

The directors present their report together with the audited financial statements for the year ended 31 March 2019.

1 Principal activities

The Company's principal activity is the generation of electricity and the Company sold all its power output to SSE EPM Limited, a related company, during the year.

2 Principal risks and uncertainties

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

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

The main financial risks that the Company could face have been considered by the directors and the Group's Risk and Trading Committee. These include mechanical failure at the Company's power stations, competition, availability of fuel, wholesale market prices of electricity, gas and other commodities, economic regulation and government policies and other factors. The Company's generation strategy is built upon managing these risks through owning a diverse range of assets and fuels from which to meet its customers' demand and reduce potential financial liabilities.

To mitigate these risks, regular maintenance work is performed at the power station to avoid unplanned outage; competitor activity is monitored; financial derivative instruments are utilised to minimise exposure to fluctuations in the price of key commodities and foreign exchange rates; Power Purchase Agreements (PPAs); and the effectiveness of performance in all key risk areas is regularly reviewed by management.

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.

The directors are aware of the political uncertainty as a result of Brexit. This is being closely monitored by them, but given the activities of the Company, it is not expected to have a significant impact on the financial statements for the year ended 31 March 2020.

3 Results and dividends

The profit for the financial year amounted to £134.3m (2018: profit of £97.4m).

A final dividend of £806.2m was declared, approved and paid in the year (2018: £260.4m).

4 Directors

The directors and secretary who served during the year are as listed on page 1. In accordance with the Articles of Association of the Company the directors are not required to retire by rotation.

5 Disclosure of information to auditor

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

6 Political and charitable donations

The Company did not make any political or charitable donations during the year (2018: £nil).

SSE Generation Limited

Directors' report (continued)

7 Post balance sheet events

In June 2019, the Group announced its intention to close all operating units at Fiddler's Ferry coal-fired power station by the end of March 2020. As a result of this announcement, the coal stock inventories held by the Company in order to supply fuel to Fiddler's Ferry power station will be reviewed for impairment. Any impairment will be recorded in the financial statements of the Company in the financial year ending March 2020.

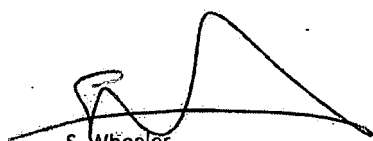
8 Going concern

The directors have assessed that the Company will prepare its financial statements on a going concern basis, see note 1 for details.

9 Auditor

In accordance with Section 489 of the Companies Act 2006, Ernst and Young LLP were appointed as SSE Group's External Auditor for the year ending 31 March 2020 at the Annual General Meeting held on 18 July 2019. Following their appointment as External Auditor of the Group, it is the intention of the directors to appoint Ernst & Young LLP as External Auditor of the Company.

On behalf of the Board:



S. Wheeler
Director
4 November 2019

SSE Generation Limited

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS101 Reduced Disclosure Framework.

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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of SSE Generation Limited

Opinion

We have audited the financial statements of SSE Generation Limited ("the company") for the year ended 31 March 2019 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

We have nothing to report in these respects.

Independent Auditor's Report to the Members of SSE Generation Limited (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



William Meredith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow
G25AS

22/11/19

SSE Generation Limited

Profit and loss account for the year ended 31 March 2019

	Note	2019 £m	2018 £m
Turnover		1,238.2	1,448.9
Cost of sales		(1,034.7)	(1,139.4)
Cost of sales: Exceptional items	2	21.6	(23.5)
Movement on derivatives		31.0	(147.9)
Gross profit		256.1	138.1
Administrative costs		(17.5)	(17.3)
Operating profit		238.6	120.8
Income from fixed asset investments	5	7.4	60.4
Interest receivable and similar income	6	21.5	14.3
Interest payable and similar charges	7	(104.8)	(99.1)
Profit before taxation		162.7	96.4
Tax (charge)/credit on profit	8	(28.4)	1.0
Profit for the financial year		134.3	97.4

Continuing operations

The above results are derived from continuing activities.

The accompanying notes are an integral part of these financial statements.

SSE Generation Limited

Statement of other comprehensive income

for the year ended 31 March 2019

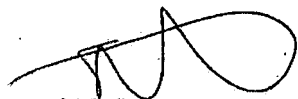
	2019 £m	2018 £m
Profit for the financial year	134.3	97.4
Loss on effective portion of cash flow hedges (net of tax)	(2.3)	(13.2)
Total other comprehensive income relating to the financial year	132.0	84.2

SSE Generation Limited

Balance sheet as at 31 March 2019

	Note	2019 £m	2018 £m
Fixed assets			
Tangible assets	9	3,325.4	3,812.5
Intangible assets	10	17.6	14.1
Investments	11	530.1	521.3
		<u>3,873.1</u>	<u>4,347.9</u>
Current assets			
Stock	12	139.9	110.6
Debtors	13	88.4	109.4
Total current assets		<u>228.3</u>	<u>220.0</u>
Current liabilities			
Creditors: amounts falling due within one year	14	(839.5)	(393.2)
Net current liabilities		<u>(611.2)</u>	<u>(173.2)</u>
Total assets less current liabilities		<u>3,261.9</u>	<u>4,174.7</u>
Creditors: amounts falling due after more than one year	15	(1,738.2)	(1,955.1)
Derivative financial liabilities	17	(130.5)	(158.8)
Provisions for liabilities and charges	18	(88.0)	(58.8)
Deferred taxation	19	(426.9)	(450.5)
Net assets		<u>878.3</u>	<u>1,551.5</u>
Capital and reserves			
Called up share capital	20	104.4	104.4
Profit and loss account		477.4	1,148.3
Hedge reserve		2.6	4.9
Revaluation reserve		293.9	293.9
Equity shareholders' funds		<u>878.3</u>	<u>1,551.5</u>

These financial statements were approved by the directors on 4 November 2019 and signed on their behalf by:



S. Wheeler

Director

Company registered number: 02310571

SSE Generation Limited

Statement of changes in equity for the year ended 31 March 2019

	Revaluation reserve £m	Hedge reserve £m	Share capital £m	Retained earnings £m	Total equity £m
Balance at 1 April 2017	293.9	18.1	104.4	1,310.0	1,726.4
Profit for the financial year	-	-	-	97.4	97.4
Other comprehensive income	-	(13.2)	-	-	(13.2)
Credit in respect of employee share awards	-	-	-	1.3	1.3
Dividends paid	-	-	-	(260.4)	(260.4)
Balance at 31 March 2018	293.9	4.9	104.4	1,148.3	1,551.5
Balance at 1 April 2018	293.9	4.9	104.4	1,148.3	1,551.5
Profit for the financial year	-	-	-	134.3	134.3
Other comprehensive income	-	(2.3)	-	-	(2.3)
Credit in respect of employee share awards	-	-	-	1.0	1.0
Dividends paid	-	-	-	(806.2)	(806.2)
Balance at 31 March 2019	293.9	2.6	104.4	477.4	878.3

SSE Generation Limited

Notes to the financial statements for the year ended 31 March 2019

1 Significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements:

SSE Generation Limited ('the Company') is a private company limited by shares and incorporated, domiciled and registered in England and Wales.

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 ('Adopted IFRS'), 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.

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;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- The effect of new, but not yet effective, IFRSs;
- Disclosures in respect of the compensation of key management personnel;
- Disclosures in respect of capital management;
- Related party disclosures; and

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 disclosure:

- 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.

The Company adopted IFRS 9 and IFRS 15 on 1 April 2018 under the modified retrospective method of adoption. The adoption of IFRS 9 and IFRS 15 had no impact on the presentation of the financial statements for the year ended 31 March 2019.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Going Concern

The Company has net current liabilities and is dependent on financial support provided by its ultimate parent, SSE plc. SSE plc has given a formal undertaking not to withdraw this support for a period of at least twelve months following the approval of these financial statements. Given this formal undertaking to support the Company, the directors have considered it appropriate to prepare these financial statements on a going concern basis.

SSE Generation Limited

Notes to the financial statements *(continued)* for the year ended 31 March 2019

1 Significant accounting policies *(continued)*

Accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses.

It should be noted that the impact of variation in some assumptions, judgements and estimates can have a particularly material impact on the reported results. These include, but are not limited to:

- future costs required to settle provisions. These liabilities are disclosed in note 18; and
- impairment testing to specific property, plant and equipment assets (note 9).

Turnover

Turnover is stated net of value added tax and is derived from the sale of goods and services in the UK.

Revenue from contracts with customers is recognised to the extent that it reflects the expected consideration for goods or services provided to the customer under contract over the performance obligations they are being provided. For each separable performance obligation identified, the Company determines whether it is satisfied at a 'point in time' or 'over time' based upon an evaluation of the receipt and consumption of benefits, control of assets and enforceable payment rights associated with that obligation. If the criteria for 'over time' recognition are not met, the performance obligation is deemed to be satisfied at a 'point in time'.

Revenue from the sale of the physical generation of electricity to SSE EPM Limited, a related company, is recognised 'point in time', as generated, based on the spot price at the time of delivery. Revenue from national support schemes, such as the Capacity Market, and ancillary generation services may either be recognised in line with electricity being physically generated, 'point in time' or over the contractual period, 'over time', depending on the underlying performance obligation.

Investment Income

Investment income comprises dividends received from the Company's investments in associated undertakings.

Interest

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

Taxation

The credit for taxation is based on the profit for the year and takes into account deferred taxation.

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

SSE Generation Limited

Notes to the financial statements *(continued)* for the year ended 31 March 2019

1 Significant accounting policies *(continued)*

Tangible fixed assets

(i) Depreciation

Depreciation is provided on tangible fixed assets to write off cost, less residual values, on a straight-line basis over their estimated operational lives. The estimated operational lives are as follows:

	Years
Generation assets	20 to 75
Decommissioning assets	20 to 75

Cyclical maintenance on hydro civil assets of a longer life nature is capitalised and depreciated over the anticipated useful life of the refurbishment.

(ii) Subsequent expenditure

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

Intangible assets

(i) Development assets

Costs capitalised as development intangibles represent the costs incurred in bringing individual projects to the consented stage. These are principally wind farm developments but will also include other generation projects. Costs associated with reaching the consent stage include options over land rights, planning application costs and environmental impact studies. These may be costs incurred directly or part of the fair value exercise on acquisition of a controlling interest in a project. Development assets are not amortised until the asset is substantially complete and ready for its intended use. The asset is subject to impairment testing on an annual basis until this time. At the point that the project reaches the consent stage and is approved by the Board, the carrying value of the project is transferred to property, plant and equipment as assets under construction. Amortisation is over the expected useful life of the related operational asset. The asset is derecognised on disposal, or when no future economic benefits are expected from their use.

Investments

Fixed asset investments are stated at cost less any provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Pensions

Some of the Company's employees are members of a Group wide defined benefit pension plan. As there is no contractual agreement or stated Group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the plan is recognised fully by the sponsoring employer, which is another member of the Group. The Company recognises a cost equal to its contribution payable for the period. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

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

SSE Generation Limited

Notes to the financial statements *(continued)* for the year ended 31 March 2019

1 Significant accounting policies *(continued)*

Dividends on shares presented within shareholders' funds

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

Impairment

The carrying amounts of the Company's tangible fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or where a previously recognised impairment loss has reduced. For tangible fixed 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 assets subject to impairment testing, the asset's carrying value is compared to its recoverable amount. The recoverable amount is determined to be the higher of the fair value less costs to sell and the value-in-use of the asset. 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. Value-in-use 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. This methodology is consistent with the approach taken by management to evaluate economic value and is deemed to be the most appropriate for reviews of tangible fixed assets.

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 offshore wind farms and 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.

A corresponding decommissioning asset 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.

Financial derivative instruments

For disclosure purposes, derivative financial instruments are classified into two categories, operating derivatives and financing derivatives. Financing derivatives include all fair value and cash flow interest rate hedges, non-hedge accounted (mark-to-market, noted as 'MTM') interest rate derivatives, cash flow foreign exchange hedges and non-hedge accounted (MTM) foreign exchange contracts. Non-hedge accounted contracts are treated as held for trading (MTM). The carrying value is the same as the fair value for all instruments. All balances are stated gross of associated deferred taxation. Operating derivatives relate to energy forward purchase contracts which are fair valued through the profit and loss account.

SSE Generation Limited

Notes to the financial statements *(continued)* for the year ended 31 March 2019

2 Exceptional items

	2019 £m	2018 £m
Impairment of fixed assets (reversal)/charge (note 9)	(27.8)	15.6
Impairment of investment (note 11)	6.5	-
Restructuring provision	-	5.0
Impairment of projects	-	2.9
	(21.3)	23.5

In the year the Company assessed the market shift in energy prices achievable on its thermal assets. The movement in clean spark spreads was favourable to the Company's newer and more efficient plant at Marchwood. As a result the Company reversed prior impairments of £27.8m against Marchwood power station, which is classified as a finance lease asset. See note 9 for further details.

The Company assessed the carrying value of its fixed asset investments and following this review, recognised an exceptional charge of £5.1m in relation to its investment in SSE Calliacher Limited and £1.4m in relation to its investments in SSEPG (Operations) Limited and The Glasa LLP - see note 11 for further details.

In the prior year, the Company recognised the following exceptional items:

- A charge of £15.6m for the Anaerobic Digestion plant at Barkip;
- A £5.0m charge in relation to the uplift of the Beatrice demonstrator decommissioning provision; and
- Charges of £2.2m and £0.7m for development projects at Shetland and Peterhead respectively.

3 Expenses and auditor's remuneration

Operating profit is arrived at after charging:

	2019 £m	2018 £m
Depreciation of tangible fixed assets	140.7	129.9
Operating lease rentals	4.2	4.2
Net management fees in respect of services provided by Group companies	17.3	17.2

The Company incurred an audit fee of £25,500 (2018: £25,000) in the year.

SSE Generation Limited

Notes to the financial statements *(continued)* for the year ended 31 March 2019

4 Staff costs and numbers

	2019 £m	2018 £m
Staff costs:		
Wages and salaries	33.6	32.3
Social security costs	3.6	3.7
Share based remuneration	1.0	1.3
Contributions to Group pension plans	4.6	5.8
	<u>42.8</u>	<u>43.1</u>
Less charged as capital expenditure	<u>(7.4)</u>	<u>(7.6)</u>
	<u>35.4</u>	<u>35.5</u>

Employee numbers

	2019 Number	2018 Number
Numbers employed at 31 March	<u>737</u>	<u>701</u>
	<u>2019 Number</u>	<u>2018 Number</u>
The monthly average number of people employed by the Company during the year	<u>720</u>	<u>701</u>

The total remuneration received by the directors for qualifying and non-qualifying services during the year was £2.1m (2018: £1.5m). The above value is for 5 directors (2018: 4), 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 remuneration 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 £0.8m (2018: £0.7m) including company pension contributions of £0.1m (2018: £0.1m) which were made to a money purchase scheme on their behalf.

5 Income from fixed asset investments

	2019 £m	2018 £m
Dividend income	<u>7.4</u>	<u>60.4</u>

6 Interest receivable and similar income

	2019 £m	2018 £m
Interest receivable	21.5	10.0
Foreign exchange translation of monetary assets and liabilities	-	4.3
	<u>21.5</u>	<u>14.3</u>

SSE Generation Limited

Notes to the financial statements (continued) for the year ended 31 March 2019

7 Interest payable and similar charges

	2019 £m	2018 £m
Decommissioning provision - unwind of discount (note 18)	1.2	1.1
Interest payable to Group companies	82.2	76.6
Finance lease interest	26.3	28.6
Foreign exchange translation of monetary assets and liabilities	2.1	-
Other financing charges	0.2	0.3
Interest capitalised	(7.2)	(7.5)
	104.8	99.1

Finance lease interest is payable on the Marchwood Purchase Price Agreement contract. This contract is considered to be a finance lease under IAS 17.

8 Taxation

	2019 £m	2018 £m
UK corporation tax		
Current tax on income for the period	20.5	37.3
Adjustment in respect of prior periods	1.1	(33.4)
Total current tax charge	21.6	3.9
Deferred tax (see note 19):		
Origination and reversal of timing differences	8.8	(31.2)
Adjustment in respect of prior periods	(2.0)	26.3
Total deferred tax	6.8	(4.9)
Total tax on profit on ordinary activities	28.4	(1.0)

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

	2019 £m	2018 £m
Profit before taxation	162.7	96.4
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2018: 19%)	30.9	18.3
Effects of:		
Non taxable income	(2.9)	(11.6)
Expenses not deductible for tax purposes	2.0	-
Corporation tax adjustment in respect of previous periods	1.1	(33.5)
Deferred tax adjustment in respect of previous periods	(2.0)	26.3
Other items	(0.7)	(0.5)
Total tax charge for year	28.4	(1.0)

Reduction in the UK corporation tax rate to 17% (effective from 1 April 2020) was substantively enacted on 15 September 2016. This will reduce the Company's future tax charge accordingly.

SSE Generation Limited

Notes to the financial statements (continued) for the year ended 31 March 2019

9 Tangible fixed assets

	Generation Assets £m	Assets under the course of construction (AUC) £m	Decommissioning Assets £m	Total £m
Cost:				
At 1 April 2018	5,155.0	257.5	55.9	5,468.4
Additions	-	169.5	40.8	210.3
Settlement received	(43.5)	-	-	(43.5)
Transfers from AUC to fully commissioned	396.4	(396.4)	-	-
Transfer from intangible assets	-	4.7	-	4.7
Disposals	(556.1)	-	(12.4)	(568.5)
At 31 March 2019	4,951.8	35.3	84.3	5,071.4
Accumulated depreciation:				
At 1 April 2018	1,604.8	35.6	15.5	1,655.9
Charge for the year	136.2	-	4.5	140.7
Impairment reversal for the year	(27.8)	-	-	(27.8)
Disposals	(22.1)	(0.3)	(0.4)	(22.8)
At 31 March 2019	1,691.1	35.3	19.6	1,746.0
Net book value:				
At 31 March 2019	3,260.7	-	64.7	3,325.4
At 31 March 2018	3,550.2	221.9	40.4	3,812.5

During the year the Company sold its wind farms at Stronelaig and Dunmaglass to the fellow Group companies Stronelaig Wind Farm Limited and Dunmaglass Wind Farm Limited for £546.0m, recognising nil gain or loss on disposal.

As stated in note 2, the Company reversed a prior year impairment of £27.8m on the CCGT plant at Marchwood following a review of energy prices.

In the year the Company settled a claim over the Glendoe hydro plant and received proceeds of £43.5m which were offset against the cost of the asset.

10 Intangible assets

	Development assets £m	Total £m
Cost:		
At 1 April 2018	20.2	20.2
Additions	8.2	8.2
Transfer to tangible fixed assets	(4.7)	(4.7)
At 31 March 2019	23.7	23.7
Amortisation and impairment:		
At 1 April 2018	6.1	6.1
At 31 March 2019	6.1	6.1
Net Book Value:		
At 31 March 2019	17.6	17.6
At 31 March 2018	14.1	14.1

SSE Generation Limited

Notes to the financial statements *(continued)* for the year ended 31 March 2019

11 Fixed asset investments

	Investment in subsidiary undertakings £m	Equity investment in joint ventures £m	Loans to joint ventures £m	Total £m
Cost				
At 1 April 2018	235.6	80.6	205.1	521.3
Additions	2.3	11.7	19.5	33.5
Loan repayments	-	(5.5)	(12.7)	(18.2)
At 31 March 2019	237.9	86.8	211.9	536.6
Provisions				
At 1 April 2018	-	-	-	-
Impairment loss	6.5	-	-	6.5
At 31 March 2019	6.5	-	-	6.5
Net book value				
At 31 March 2019	231.4	86.8	211.9	530.1
At 31 March 2018	235.6	80.6	205.1	521.3

The Company assessed its fixed asset investment balances and following this review impaired its investments in the subsidiaries SSE Calliachar Limited by £5.1m and SSEPG (Operations) Limited and The Glasa LLP by £1.4m collectively. In the year the Company made a capital contribution to its subsidiary undertaking Slough Heat and Power Limited of £2.3m.

Details of subsidiary undertakings, joint arrangements and associates are as follows:

Subsidiary undertakings	Country Registered of incorporation	address (key)	2019 holding %	2018 holding %	Principal activity
Abernedd Power Company Limited	England & Wales	B	100.0	100.0	Power generation development
Coire Glas Hydro Pumped Storage Limited	Scotland	A	100.0	100.0	Power generation
Keadby Developments Limited	England & Wales	D	100.0	100.0	Dormant
Keadby Generation Limited	England & Wales	D	100.0	100.0	Power generation
Medway Power Limited	England & Wales	B	100.0	100.0	Power generation
Platin Power Limited	Ireland	C	100.0	100.0	Dormant
Slough Heat and Power Limited	England & Wales	B	100.0	100.0	Power generation
SSE Calliachar Limited	Scotland	A	-	100.0	Business support (dissolved 26/03/19)
SSE CCS Limited	Scotland	A	-	100.0	Dormant (dissolved 20/11/18)
SSE Generation Ireland Limited	Ireland	C	100.0	100.0	Power generation
SSE Medway Operations Limited	England & Wales	B	100.0	100.0	Business support
SSE Nuclear Limited	England & Wales	B	-	100.0	Dormant (dissolved 05/02/19)
SSEPG (Operations) Limited	England & Wales	B	100.0	100.0	Power generation
SSE Seabank Investments Limited	England & Wales	B	100.0	100.0	Dormant
SSE Seabank Land Investments Limited	England & Wales	B	100.0	100.0	Dormant
SSE Shetland Power Generation Limited	Scotland	A	-	100.0	Dormant (dissolved 08/01/19)
SSE Slough Multifuel Limited	England & Wales	B	100.0	100.0	Power generation
SSE Uskmouth Acquisition Company Limited*	England & Wales	B	-	100.0	Dormant (dissolved 10/04/18)

All shares in subsidiary companies are ordinary share capital, unless otherwise stated.

SSE Generation Limited

Notes to the financial statements *(continued)* for the year ended 31 March 2019

11 Fixed asset investments *(continued)*

	Country of incorporation	Registered address (key)	2019 holding %	2018 holding %	Principal activity
Joint arrangements					
Marchwood Power Limited	England & Wales	G	50.0	50.0	Power generation
Multifuel Energy Limited	Scotland	A	50.0	50.0	Power generation
Multifuel Energy 2 Limited	Scotland	A	50.0	50.0	Power generation development
The Glasa LLP	Scotland	A	50.0	90.0	Renewable development

	Country of incorporation	Registered address (key)	2019 holding %	2018 holding %	Principal activity
Associate undertakings					
3SE (Barnsley, Doncaster & Rotherham) Holdings Limited	England & Wales	E	25.0	25.0	Holding company
Derwent Cogeneration Limited	England & Wales	H	-	49.5	Power generation (holding sold 19/06/18)

	Country of incorporation	Registered address (key)	2019 holding %	2018 holding %	Principal activity
Indirect undertakings					
3SE (Barnsley, Doncaster & Rotherham) Limited	England & Wales	E	25.0	25.0	Waste management
Baglan Pipeline Limited	England & Wales	F	50.0	50.0	Dormant
Central Park (Bristol) Management Company Limited	England & Wales	I	7.0	7.0	Real estate management
Ferrybridge MFE Limited	England & Wales	B	50.0	50.0	Power generation
Ferrybridge MFE 2 Limited	England & Wales	B	50.0	50.0	Power generation development
Fibre Fuel Limited	England & Wales	B	100.0	100.0	Dormant
Fibre Power (Slough) Limited	England & Wales	B	100.0	100.0	Power generation
Power From Waste Limited	England & Wales	B	100.0	100.0	Dormant
Seabank Power Limited	England & Wales	J	50.0	50.0	Power generation
Slough Domestic Electricity Limited	England & Wales	B	100.0	100.0	Power generation
Slough Electricity Contracts Limited	England & Wales	B	100.0	100.0	Electricity contracting
Slough Utility Services Limited	England & Wales	B	100.0	100.0	Utility services
Slough Energy Supplies Limited	England & Wales	B	100.0	100.0	Dormant

Registered address key:

Reference	Registered Office:
A	Inveralmond House, 200 Dunkeld Road, Perth, PH1 3AQ
B	No.1 Forbury Place, 43 Forbury Road, Reading, RG1 3JH
C	Red Oak South, South County Business Park, Leopardstown, Dublin 18
D	Keadby Power Station Trentside, Keadby, Scunthorpe, DN17 3AZ
E	Dunedin House Auckland Park, Mount Farm, Milton Keynes, MK1 1BU
F	16 Axis Way Mallard Way, Swansea Vale, Swansea, SA7 0AJ
G	Oceanic Way, Marchwood Industrial Park, Marchwood, Southampton, SO40 4BD
H	6th Floor Radcliffe House, Blenheim Court, Solihull, B91 2AA
I	4th Floor, 1 James Street, London, W1U 1DR
J	Severn Road, Hallen, Bristol, BS10 7SP

Investment income includes income from associates/joint arrangements of £7.4m (2018: £48.2m).

SSE Generation Limited

Notes to the financial statements *(continued)* for the year ended 31 March 2019

12 Stocks

	2019 £m	2018 £m
Fuel, spares and consumables	139.9	110.6
Total	139.9	110.6

13 Debtors

	2019 £m	2018 £m
Trade debtors	14.4	10.7
Prepayments and accrued income	4.0	2.0
Amounts owed by Group undertakings	59.4	79.9
Other debtors	10.6	16.8
	88.4	109.4

14 Creditors: amounts falling due within one year

	2019 £m	2018 £m
Trade creditors	17.3	13.4
Amounts owed to Group undertakings	126.6	168.0
Other creditors	-	8.7
Corporation tax payable	36.7	53.5
Accruals and deferred income	31.9	77.6
Obligations under finance leases and hire purchase contracts	27.0	22.0
Loans and borrowings (note 16)	600.0	50.0
	839.5	393.2

15 Creditors: amounts falling due after more than one year

	2019 £m	2018 £m
Amounts owed to group undertakings	645.1	235.1
Obligations under finance leases and hire purchase contracts	193.1	220.0
Loans and borrowings (note 16)	900.0	1,500.0
	1,738.2	1,955.1

The amounts owed to Group undertakings are in respect of amounts advanced to the Company by its ultimate parent SSE plc. Interest is charged at 4.98% (2018: 5.52%)

SSE Generation Limited

Notes to the financial statements *(continued)* for the year ended 31 March 2019

16 Interest bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest bearing loans and borrowings which are held at amortised cost.

	2019 £m	2018 £m
Creditors: falling due within less than one year		
5.25% Loan Stock repayable to SSE plc 30 September 2019	600.0	-
6.75% Loan Stock repayable to SSE plc 29 June 2018	-	50.0
	600.0	50.0
Creditors: falling due within one and five years		
5.25% Loan Stock repayable to SSE plc 30 September 2019	-	600.0
5.625% Loan Stock repayable to SSE plc 30 June 2021	250.0	250.0
	250.0	850.0
Creditors: falling due more than five years		
3.5% Loan Stock repayable to SSE plc 31 March 2025	500.0	500.0
3.375% Loan Stock repayable to SSE plc 31 March 2026	150.0	150.0
	650.0	650.0
	1,500.0	1,550.0

17 Derivatives and financial instruments

Summary fair values

The fair values of the primary financial assets and liabilities together with their carrying values are as follows:

	2019 Carrying value £m	2019 Fair Value £m	2018 Carrying value £m	2018 Fair Value £m
Financial Assets				
Trade and other debtors	84.4	84.4	107.4	107.4
Financial Liabilities				
Trade and other creditors	(274.1)	(274.1)	(317.6)	(317.6)
Intercompany creditors	(771.7)	(771.7)	(403.1)	(403.1)
Loan stock	(1,500.0)	(1,500.0)	(1,550.0)	(1,550.0)
Derivative financial liabilities	(130.5)	(130.5)	(158.8)	(158.8)

Basis of determining fair value

All derivatives are classified as Level 2 within the fair value hierarchy. The fair value measurements are those derived from inputs, other than quoted prices, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Fair values have been determined with reference to closing market prices.

SSE Generation Limited

Notes to the financial statements *(continued)* for the year ended 31 March 2019

18 Provisions for liabilities and charges

	Decommissioning		Total
	Other	Costs	
	£m	£m	£m
At 1 April 2018	0.8	58.0	58.8
Arising during the year	-	40.8	40.9
Disposal during the year	-	(12.6)	(12.6)
Utilised during the year	-	(0.2)	(0.3)
Unwind of discount	-	1.2	1.2
At 31 March 2019	0.8	87.2	88.0

Decommissioning Provision

Provision has been made for the estimated net present cost of decommissioning the Company's power generation assets. There are a number of uncertainties that affect the calculation of the provision, including, inter alia, the impact of regulation, the accuracy of site surveys, the impact of alternative technologies, changes in the discount rate, etc.

A discount rate of 2.3% (2018: 2.3%) has been applied to discount the decommissioning cost provision to present values. The unwinding of the discount in relation to decommissioning costs is charged to interest payable in the profit and loss account.

The decommissioning provision for the Company's power generation assets increased by £40.8m following a review of the estimated decommissioning costs and economic end of life of all the Company's assets.

Following the sale of the Company's wind farms at Stronelairg and Dunmaglass to fellow Group companies, the associated decommissioning provisions were also disposed of.

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 £0.9m.

A decrease of 1% in the discount rate would result in an increase to the provision of £1.0m.

An increase of 10% in the cost estimate for decommissioning would result in an increase to the provision of £2.2m 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 £2.3m and a corresponding adjustment to the decommissioning assets.

SSE Generation Limited

Notes to the financial statements *(continued)* for the year ended 31 March 2019

19 Deferred taxation

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Tangible fixed assets	-	-	(454.0)	(481.5)	(454.1)	(481.5)
Provisions	4.9	4.0	-	-	4.9	4.0
Financial assets	22.2	27.0	-	-	22.3	27.0
Net tax liabilities	27.1	31.0	(454.0)	(481.5)	(426.9)	(450.5)

Movement in deferred tax during the year

	1 April 2018 £m	Recognised in income £m	Recognised in equity £m	Intercompany transfer	31 March 2019 £m
Tangible fixed assets	(481.5)	(2.5)	-	29.9	(454.1)
Provisions	4.0	0.9	-	-	4.9
Financial assets	27.0	(5.2)	0.5	-	22.3
	(450.5)	(6.8)	0.5	29.9	(426.9)

Movement in deferred tax during prior year

	1 April 2017 £m	Recognised in income £m	Recognised in equity £m	31 March 2018 £m
Tangible fixed assets	(459.4)	(22.1)	-	(481.5)
Provisions	2.1	1.9	-	4.0
Financial assets	(0.8)	25.1	2.7	27.0
	(458.1)	4.9	2.7	(450.5)

20 Share capital

	2019 £m	2018 £m
Equity:		
Allotted, called up and fully paid:		
104,370,002 ordinary shares of £1.00 each	104.4	104.4
	104.4	104.4

SSE Generation Limited

Notes to the financial statements *(continued)* for the year ended 31 March 2019

21 Pensions

Some of the Company's employees are members of the Scottish Hydro Electric Pension Scheme or Southern Electric Pension Scheme which provides defined benefits based on pensionable pay. As there is no contractual agreement or stated Group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is another member of the Group.

New employees can opt to join a personal pension scheme which is a money purchase scheme with the Company matching the members' contributions up to a maximum of 6% of salary. The scheme is managed by Aviva.

The Company's share of the total contributions payable to the pension schemes during the year was £4.6m (2018: £5.8m).

22 Capital commitments

(i) Capital Expenditure

Capital expenditure contracted for at the reporting date, but not recognised in the financial statements is as follows:

	2019 £m	2018 £m
Contracted but not provided for	10.6	96.7

(ii) Operating lease commitments

The payments under operating leases which are due to be made in the next year, analysed over the periods when the leases expire, are:

	Other assets	
	2019 £m	2018 £m
Less than one year	14.7	15.8
Between two and five years	27.8	43.2
After five years	24.8	40.8
	67.3	99.8

23 Commitments and contingencies

Guarantees and indemnities

The Company has provided guarantees on behalf of other Group undertakings in respect of the performance of contracts amounting to £2.2m (2018: £2.3m).

The Company has provided guarantees to SSE plc for borrowings made amounting to £1,500.0m (2018: £1,550.0m).

24 Ultimate parent company

The Company is a subsidiary of SSE plc, which is the ultimate parent company and is registered in Scotland. The largest and smallest group in which the results of the Company are consolidated is that headed by SSE plc. The consolidated financial statements of the Group (which include those of the Company) are available from the Company Secretary, SSE plc, Inverlmond House, 200 Dunkeld Road, Perth, PH1 3AQ or by accessing the Company's website at www.sse.com.