

# **SSE Generation Limited**

## **Directors report and financial statements**

**Year ended 31 March 2018**

*Registered No.: 02310571*



# SSE Generation Limited

## Contents

	Page No.
Directors and other information	1
Strategic report	2
Directors' report	5
Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements	7
Independent auditor's report to the members of SSE Generation Limited	8
Profit and loss account	10
Statement of other comprehensive income	11
Balance sheet	12
Statement of changes in equity	13
Notes on the financial statements	14

# **SSE Generation Limited**

## **Directors and Other Information**

### **Directors**

James Smith  
John Downes  
Jeremy Williamson  
Mark Hayward

### **Registered office**

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

### **Secretary**

Sally 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 audited financial statements of SSE Generation Limited ("the Company") for the year ended 31 March 2018.

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 (SSEGL) 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. SSEGL 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 2018 is set out on page 10. The profit for the year after taxation amounted to £97.4m (2017: loss of £43.8m). The balance sheet at 31 March 2018 is set out on page 12 and indicates net assets of £1,551.5m (2017: net assets of £1,726.4m).

#### 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 of financial derivatives represent the re-measurement of the companies future commodity and foreign currency contracts.

Adjusted operating profit in the year was £292.2m (2017: £254.1m). The increase in adjusted operating profit has been driven by improved performance from the company's thermal fleet, with Peterhead achieving gains in the BM market; and increased profitability from the renewables division, with Bhlariadh wind farm being commissioned in the year and the wind farm at Dunmaglass completing a full year of full operations.

### 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.

<b>Financial / Operational</b>	<b>2018</b>	<b>2017</b>
Adjusted operating profit -£m	292.2	254.1
Capital expenditure - £m	220.9	126.6
Turnover - £m	1,448.9	1,271.3
Dividend paid - £m	(260.4)	(211.0)
Net assets - £m	1,551.5	1,726.4
 <b>Non Financial / Management</b>	 <b>2018</b>	 <b>2017</b>
Renewables output GWh	5,590	4,544
Thermal output Peterhead GWh	4,473	1,437
Hydro storage at end March (% of total volume available)	45	70

# SSE Generation Limited

## Strategic Report *(continued)*

### 3 Thermal generation

#### Gas-fired Power stations

Efficient, reliable and flexible thermal back-up offers weather insurance for SSE Generation's wind farm capacity and allows optimisation of the portfolio to a higher overall economic return. In addition to managing variability in renewable 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.

In February 2018, the UK Government procured 5.8GW of de-rated capacity in the year-ahead capacity market auction for delivery in 2018/19. The auction cleared at a price of £6.00/kW (kilowatt). SSE Generation Limited successfully secured an agreement for its CCGT at Peterhead (1,044MW) worth £6.3 million.

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).
- **Seabank** (1,164MW) and **Marchwood** (840MW), SSEGL has a 50% stake in both of these gas-fired power stations, (50% ownership is through a subsidiary Seabank Investments Ltd) which have both taken on capacity obligations for 2018/19 and 2019/20

#### Generating electricity from 'multi-fuel'

SSE Generation Limited's generation strategy is built upon managing risk through owning a diverse range of assets and fuels from which to meet the needs of customers. Multifuel is an important part of that strategy.

Multifuel Energy Ltd (MEL) (the SSE Generation Limited and Wheelabrator Technologies Inc. 50:50 joint venture) operates a 68MW multifuel generation facility known as Ferrybridge Multifuel 1 (FM1) in Knottingley, West Yorkshire. FM1 has now processed over 1 million tonnes of fuel and the station has taken on capacity obligations from 2017 through to 2021.

Construction is well under way at SSE Generation Limited's Ferrybridge Multifuel 2 (FM2) project after the Final Investment Decision was taken in June 2016. The project is being built next to the FM1 facility. The completed plant will be able to generate around 70MW of electricity, enough to power around 170,000 homes, and is expected to be in operation from 2019. SSE Generation Limited owned 100% of Ferrybridge MFE 2 Limited but had a contractual agreement, to dispose of 50% of the share capital of the company to the joint venture partner of the initial multi fuel facility. This transaction took place in August 2017.

# SSE Generation Limited

## Strategic Report *(continued)*

### 4 Renewable generation

#### Operating SSE's renewable generation capacity

Output of electricity from renewable sources, including pumped storage, increased in 2017/18, compared to the previous year. The primary driver for this differential was an increase in onshore wind capacity, as new wind farms came online, along with improved wind conditions.

#### Enhancing management of hydro assets

Hydro is unique in the Company's portfolio, as it can be characterised as both renewable and flexible. Over the last financial year, the Company's hydro stations have delivered increased value from their flexibility, enabled by enhancements to the commercial management of these assets. In addition to 400MW of run-of-river hydro, the Company has 750MW of flexible hydro. Alongside the Company's 300MW of pumped storage, flexible hydro operates as 'Britain's biggest battery'. Increasing volumes of wind energy coming onto the UK system will create the need for more flexibility in the form of energy storage, and the Company's hydro assets are well placed to provide this in an optimal way.

#### Generating value from onshore wind

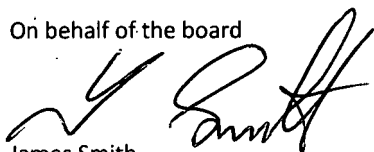
SSE Generation Ltd has developed strengths in the efficient development, construction and operation of onshore wind. The Company's focus has been on completing Renewable Obligation (RO) projects in the UK including Bhlaraidh in Scotland (110 MW). Stronelairg (228MW), the Company's final wind farm to be constructed under the RO, is on track for completion in winter 2018/19. The project reached a significant milestone on 24 March 2018 when it achieved first export, rendering it eligible for RO accreditation.

### 5 Generation priorities in 2018/19 and beyond

- Comply fully with all safety standards and environmental requirements;
- Ensure assets are available to respond to customer demand, market conditions and contractual obligations;
- Operate assets efficiently to achieve the optimum generation of electricity; and,
- Ensure new assets are commissioned and operate successfully.

The principal risks and uncertainties affecting the Company have been disclosed within the Directors' Report on page 5.

On behalf of the board



James Smith

Director

27 September 2018

# SSE Generation Limited

## Directors' Report

The Directors present their report together with the audited financial statements for the year ended 31 March 2018.

### 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; and 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 company is aware of the political uncertainty following the announcement of Brexit. This is being closely monitored by the company but is not considered to have a significant impact on the accounts for the year ended 31 March 2018.

### 3 Results and dividends

The profit for the financial year amounted to £97.4m (2017: loss of £43.8m).

A final dividend of £260.4m was declared, approved and paid in the year (2017: £211.0m).

### 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 auditors are 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 auditors are aware of that information.

### 6 Political and charitable donations

The company did not make any political or charitable donations during the year (2017: £nil).

# SSE Generation Limited

## Directors' Report *(continued)*

### **7 Post balance sheet events**

There have been no significant events since the balance sheet date.

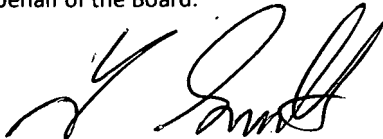
### **8 Going concern**

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

### **9 Auditor**

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

On behalf of the Board:

A handwritten signature in black ink, appearing to read 'J. Smith', is written over the printed name and title.

James Smith  
Director

27 September 2018



# 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 2018 which comprise the profit and loss account, the statement of other comprehensive income, the balance sheet, the 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 2018 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

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

## 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.

## 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.

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

### Directors' responsibilities

As explained more fully in their statement set out on page 7, 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](http://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  
G2 5AS

27 September 2018

# SSE Generation Limited

## Profit and Loss Account for the year ended 31 March 2018

	Note	2018 £m	2017 £m
<b>Turnover</b>		<b>1,448.9</b>	<b>1,271.3</b>
Cost of sales		<b>(1,139.4)</b>	<b>(1,001.1)</b>
Exceptional items	3	<b>(23.5)</b>	<b>54.0</b>
Movement in derivatives		<b>(147.9)</b>	<b>(290.6)</b>
<b>Gross profit</b>		<b>138.1</b>	<b>33.6</b>
Administrative costs		<b>(17.3)</b>	<b>(16.1)</b>
<b>Operating profit</b>		<b>120.8</b>	<b>17.5</b>
Income from fixed asset investments	8	<b>60.4</b>	<b>10.3</b>
Interest receivable and similar income	5	<b>14.3</b>	<b>9.6</b>
Interest payable and similar expenses	6	<b>(99.1)</b>	<b>(102.1)</b>
<b>Profit/(loss) before taxation</b>		<b>96.4</b>	<b>(64.7)</b>
Tax on profit/(loss)	7	<b>1.0</b>	<b>20.9</b>
<b>Profit/(loss) for the financial year</b>		<b>97.4</b>	<b>(43.8)</b>

### 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 2018


	2018 £m	2017 £m
Profit/(loss) for the financial year	97.4	(43.8)
(Loss)/gain on effective portion of cash flow hedges (net of tax)	(13.2)	6.2
<b>Total other comprehensive income/(loss) relating to the financial year</b>	<b>84.2</b>	<b>(37.6)</b>

# SSE Generation Limited

## Balance Sheet as at 31 March 2018

	Note	2018 £m	2017 £m
<b>Fixed assets</b>			
Tangible assets	10	3,812.5	3,712.3
Intangible assets	9	14.1	22.5
Investments	11	521.3	428.7
Derivative financial assets	20	-	5.1
		<b>4,347.9</b>	<b>4,168.6</b>
<b>Current assets</b>			
Stock	13	110.6	138.4
Debtors: amounts falling due within one year	14	109.4	283.4
Cash at bank and in hand	12	-	4.4
<b>Total current assets</b>		<b>220.0</b>	<b>426.2</b>
<b>Current liabilities</b>			
<b>Creditors: amounts falling due within one year</b>	15	<b>(393.2)</b>	<b>(464.7)</b>
<b>Net current liabilities</b>		<b>(173.2)</b>	<b>(38.5)</b>
<b>Total assets less current liabilities</b>		<b>4,174.7</b>	<b>4,130.1</b>
<b>Creditors: amounts falling due after more than one year</b>	16	<b>(1,955.1)</b>	<b>(1,900.6)</b>
Derivative financial liabilities	20	(158.8)	-
Deferred taxation	18	(450.5)	(458.1)
Provisions for liabilities and charges	19	(58.8)	(45.0)
<b>Net assets</b>		<b>1,551.5</b>	<b>1,726.4</b>
<b>Capital and reserves</b>			
Called up share capital	21	104.4	104.4
Profit and loss account		1,148.3	1,310.0
Hedge reserve		4.9	18.1
Revaluation reserve		293.9	293.9
<b>Equity Shareholders' funds</b>		<b>1,551.5</b>	<b>1,726.4</b>

These financial statements were approved by the Directors on 27 September 2018 and signed on their behalf by:

  
 James Smith  
 Director  
 Company registered number: 02310571

# SSE Generation Limited

## Statement of Changes in Equity for the year ended 31 March 2018

	Revaluation reserve £m	Hedge reserve £m	Share capital £m	Retained earnings £m	Total equity £m
<b>Balance at 1 April 2016</b>	293.9	11.9	104.4	1,563.6	1,973.8
Loss for the financial year	-	-	-	(43.8)	(43.8)
Other comprehensive income	-	6.2	-	-	6.2
Credit in respect of employee share awards	-	-	-	1.2	1.2
Dividends paid	-	-	-	(211.0)	(211.0)
<b>Balance at 31 March 2017</b>	<b>293.9</b>	<b>18.1</b>	<b>104.4</b>	<b>1,310.0</b>	<b>1,726.4</b>
<b>Balance at 1 April 2017</b>	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)
<b>Balance at 31 March 2018</b>	<b>293.9</b>	<b>4.9</b>	<b>104.4</b>	<b>1,148.3</b>	<b>1,551.5</b>

# SSE Generation Limited

## Notes on the Financial statements for the year ended 31 March 2018

### 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 the United Kingdom.

#### 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.

In the prior year the Company reviewed the presentation of information in the financial statements in order to improve the clarity, relevance and understandability of the statements. The review resulted in the removal of employee share-based payment disclosures on the basis of materiality

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.

#### Turnover

Turnover comprises the value of goods, services and facilities provided during the year.



# SSE Generation Limited

## Notes on the Financial statements *(continued)* for the year ended 31 March 2018

### 1 Significant accounting policies *(continued)*

#### Capital grants

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

#### 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 charge 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.

#### 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

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.

# SSE Generation Limited

## Notes on the Financial statements *(continued)* for the year ended 31 March 2018

### 1 Significant accounting policies *(continued)*

#### 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.

#### Employee benefit obligations

##### 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.

##### 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.

##### 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 on the Financial statements *(continued)* for the year ended 31 March 2018

### 2 Expenses and auditor's remuneration

Operating profit is arrived at after charging:

	2018 £m	2017 £m
Depreciation of tangible fixed assets	129.9	119.0
Operating lease rentals - Other	4.2	3.8
Net management fees in respect of services provided by group companies	17.2	16.5

The Company incurred an audit fee of £25,500 (2017: £25,000) in the year.

### 3 Exceptional items

	2018 £m	2017 £m
Write off legal costs	-	12.0
Impairment of fixed assets	15.6	-
Increase in provision	5.0	-
Impairment of intangible assets	-	0.1
Reversal of impairment - stock	-	(66.1)
Impairment of development projects	2.9	-
	23.5	(54.0)

During the year, management assessed the future economic contribution of the Anaerobic Digestion plant at Barkip, and following this assessment reduced the carrying value of the plant that was held on the balance sheet to nil. This generated an exceptional charge of £15.6m in the year (2017: nil.)

The company recognised a £5.0m charge (2017: nil) in relation to the uplift of the Beatrice demonstrator decommissioning provision.

Following a review of development projects, management decided to write off the costs incurred for a proposed power station on Shetland and a Carbon Capture Storage facility at Peterhead power station. As a result, exceptional charges of £2.2m and £0.7m respectively were recognised in the year.

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

- A charge of £12.0m was recognised in relation to legal costs incurred with the case against Hochtief Solutions AG and Hochtief (UK) Constructions Ltd.
- A credit of £66.1m in relation to the write back of coal stocks, which were impaired in a prior financial year.
- A charge of £0.1m in relation to writing off development costs incurred on a hydro development site.

# SSE Generation Limited

## Notes on the Financial statements *(continued)* for the year ended 31 March 2018

### 4 Staff costs and numbers

	2018 £m	2017 £m
Staff costs:		
Wages and salaries	32.3	33.3
Social security costs	3.7	3.8
Share based remuneration	1.3	1.2
Contributions to defined contributions plans	5.8	6.2
	<b>43.1</b>	<b>44.5</b>
Less charged as capital expenditure	<b>(7.6)</b>	<b>(7.6)</b>
	<b>35.5</b>	<b>36.9</b>

Included within the above is a Share-based Payment charge of £1.3m (2017: £1.2m).

#### Employee numbers

	2018 Number	2017 Number
The monthly average number of people employed by the Company during the year	<b>701</b>	<b>674</b>

	2018 £m	2017 £m
Directors remuneration	<b>1.5</b>	<b>1.7</b>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £0.5m (2017: £0.5m) and company pension contributions of £0.3 (2017: £nil) were made to a money purchase scheme on his behalf.

	2018 Number of directors	2017 Number of directors
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	<b>2</b>	<b>2</b>

# SSE Generation Limited

## Notes on the Financial statements *(continued)* for the year ended 31 March 2018

### 5 Interest receivable and similar income

	2018 £m	2017 £m
Other interest receivable	10.0	9.3
Foreign exchange translation of monetary assets and liabilities	4.3	0.3
	<u>14.3</u>	<u>9.6</u>

### 6 Interest payable and similar expenses

	2018 £m	2017 £m
Decommissioning provision - unwind of discount (note 19)	1.1	1.0
Interest payable to group companies	76.6	71.7
Other interest payable	-	9.1
Finance lease interest	28.6	30.8
Other financing charges	0.3	0.2
Interest capitalised	(7.5)	(10.7)
	<u>99.1</u>	<u>102.1</u>

Finance lease interest is payable on the Marchwood PPA contract. This contract is considered a finance lease under IAS 17.

### 7 Taxation

	2018 £m	2017 £m
UK corporation tax		
Current tax on income for the period	37.3	48.3
Adjustment in respect of prior periods	(33.4)	-
<b>Total current tax charge</b>	<u>3.9</u>	<u>48.3</u>
Deferred tax (see note 18):		
Origination and reversal of timing differences	(31.2)	(58.4)
Change in applicable tax rate	-	(22.0)
Transfer	-	11.2
Adjustment in respect of prior periods	26.3	-
<b>Total deferred tax</b>	<u>(4.9)</u>	<u>(69.2)</u>
<b>Total tax on profit/(loss)</b>	<u>(1.0)</u>	<u>(20.9)</u>

# SSE Generation Limited

## Notes on the Financial statements *(continued)* for the year ended 31 March 2018

### 7 Taxation *(continued)*

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:

	2018 £m	2017 £m
Profit/(loss) before taxation	96.4	(64.7)
Tax on profit/(loss) at standard UK corporation tax rate of 19% (2017: 20%)	18.3	(13.0)
Effects of:		
Expenses not deductible for tax purposes	-	5.1
Non taxable income	(11.6)	-
Effect of rate change	-	(22.0)
Corporation tax adjustment in respect of previous periods	(33.5)	-
Deferred tax adjustment in respect of previous periods	26.3	-
Dividends received not chargeable to tax	-	(2.2)
Other items	(0.5)	11.2
<b>Total tax charge for year</b>	<b>(1.0)</b>	<b>(20.9)</b>

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

### 8 Income from other fixed asset investment

	2018 £m	2017 £m
Dividend income	60.4	10.3

# SSE Generation Limited

## Notes on the Financial statements *(continued)* for the year ended 31 March 2018

### 9 Intangible assets

	Development assets £m
<b>Cost:</b>	
At 1 April 2017	25.7
Additions	11.6
Transfer to tangible fixed assets	(17.1)
<b>At 31 March 2018</b>	<b>20.2</b>
<b>Amortisation and impairment:</b>	
At 1 April 2017	3.2
Impairment charge in the year	2.9
<b>At 31 March 2018</b>	<b>6.1</b>
<b>Net Book Value:</b>	
<b>At 31 March 2018</b>	<b>14.1</b>
At 31 March 2017	22.5

During the year, the company recognised an impairment charge of £2.2m in relation to a development project in Shetland; and an impairment charge of £0.7m in relation to a development project associated with Carbon Capture Storage at Peterhead power station.

### 10 Tangible fixed assets

	Generation Assets £m	Assets under the course of construction (AUC) £m	Decommissioning Assets £m	Total £m
<b>Cost:</b>				
At 1 April 2017	4,761.5	413.0	43.2	5,217.7
Additions	-	220.9	12.7	233.6
Transfers from AUC to fully commissioned	393.5	(393.5)	-	-
Transfer from intangible assets	-	17.1	-	17.1
<b>At 31 March 2018</b>	<b>5,155.0</b>	<b>257.5</b>	<b>55.9</b>	<b>5,468.4</b>
<b>Accumulated depreciation:</b>				
At 1 April 2017	1,464.2	35.6	5.6	1,505.4
Charge for the year	125.0	-	4.9	129.9
Impairment charge for the year	15.6	-	5.0	20.6
<b>At 31 March 2018</b>	<b>1,604.8</b>	<b>35.6</b>	<b>15.5</b>	<b>1,655.9</b>
<b>Net book value:</b>				
<b>At 31 March 2018</b>	<b>3,550.2</b>	<b>221.9</b>	<b>40.4</b>	<b>3,812.5</b>
At 31 March 2017	3,297.3	377.4	37.6	3,712.3

During the year, the company recognised an impairment charge of £15.6m in relation to Barkip AD plant and £5.0m in relation to the uplift of the Beatrice demonstrator decommissioning provision, with further details provided in note 3.

# SSE Generation Limited

Notes on the Financial statements (continued)  
for the year ended 31 March 2018

## 11 Fixed asset investments

	Cost	At 1 April 2017	Additions	Loan repayments	Disposals	At 31 March 2018	Net book value
		238.8	67.9	23.8	(11.1)	-	235.6
		122.0	94.2	(11.1)	-	205.1	80.6
		428.7	118.0	(22.2)	(3.2)	521.3	205.1
							428.7
							521.3
							235.6
							238.8
							67.9
							122.0
							118.0
							(22.2)
							(3.2)
							521.3
							205.1
							428.7
							235.6
							238.8
							67.9
							122.0
							118.0
							(22.2)
							(3.2)
							521.3
							205.1
							428.7
							235.6
							238.8
							67.9
							122.0
							118.0
							(22.2)
							(3.2)
							521.3
							205.1
							428.7
							235.6
							238.8
							67.9
							122.0
							118.0
							(22.2)
							(3.2)
							521.3
							205.1
							428.7
							235.6
							238.8
							67.9
							122.0
							118.0
							(22.2)
							(3.2)
							521.3
							205.1
							428.7
							235.6
							238.8
							67.9
							122.0
							118.0
							(22.2)
							(3.2)
							521.3
							205.1
							428.7
							235.6
							238.8
							67.9
							122.0
							118.0
							(22.2)
							(3.2)
							521.3
							205.1
							428.7
							235.6
							238.8
							67.9
							122.0
							118.0
							(22.2)
							(3.2)
							521.3
							205.1
							428.7
							235.6
							238.8
							67.9
							122.0
							118.0
							(22.2)
							(3.2)
							521.3
							205.1
							428.7
							235.6
							238.8
							67.9
							122.0
							118.0
							(22.2)
							(3.2)
							521.3
							205.1
							428.7
							235.6
							238.8
							67.9
							122.0
							118.0
							(22.2)
							(3.2)
							521.3
							205.1
							428.7
							235.6
							238.8
							67.9
							122.0
							118.0
							(22.2)
							(3.2)
							521.3
							205.1
							428.7
							235.6
							238.8
							67.9
							122.0
							118.0
							(22.2)
							(3.2)
							521.3
							205.1
							428.7
							235.6
							238.8
							67.9
							122.0
							118.0
							(22.2)
							(3.2)
							521.3
							205.1
							428.7
							235.6
							238.8
							67.9
							122.0
							118.0
							(22.2)
							(3.2)
							521.3
							205.1
							428.7
							235.6
							238.8
							67.9
							122.0
							118.0
							(22.2)
							(3.2)
							521.3
							205.1
							428.7
							235.6
							238.8
							67.9
							122.0
							118.0
							(22.2)
							(3.2)
							521.3
							205.1
							428.7
							235.6
							238.8
							67.9
							122.0
							118.0
							(22.2)
							(3.2)
							521.3
							205.1
							428.7
							235.6
							238.8
							67.9
							122.0
							118.0
							(22.2)
							(3.2)
							521.3
							205.1
							428.7
							235.6
							238.8
							67.9
							122.0
							118.0
							(22.2)
							(3.2)
							521.3
							205.1
							428.7
							235.6
							238.8
							67.9
							122.0
							118.0
							(22.2)
							(3.2)
							521.3
							205.1
							428.7
							235.6
							238.8
							67.9
							122.0
							118.0
							(22.2)
							(3.2)
							521.3
							205.1
							428.7
							235.6
							238.8
							67.9
							122.0
							118.0
							(22.2)
							(3.2)
							521.3
							205.1
							428.7
							235.6
							238.8
							67.9
							122.0
							118.0
							(22.2)
							(3.2)
							521.3
							205.1
							428.7
							235.6
							238.8
							67.9
							122.0
							118.0
							(22.2)
							(3.2)
							521.3
							205.1
							428.7
							235.6
							238.8
							67.9
							122.0
							118.0
							(22.2)
							(3.2)
							521.3
							205.1
							428.7
							235.6
							238.8
							67.9
							122.0
							118.0
							(22.2)
							(3.2)
							521.3
							205.1
							428.7
							235.6



# SSE Generation Limited

## Notes on the Financial statements *(continued)* for the year ended 31 March 2018

### 11 Fixed asset investments *(continued)*

Joint ventures	Holding	Proportion Held	Prior year proportion held	Nature of Business
Marchwood Power Ltd****	Ordinary shares	50.0%	50.0%	Electricity generation
Multifuel Energy Ltd***	'A' Ordinary shares	50.0%	50.0%	Development of Multi-fuel sites
The Glasa LLP***	Ordinary shares	90.0%	90.0%	Electricity generation
Multifuel Energy 2 Ltd***	'A' Ordinary shares	50.0%	50.0%	Development of Multi-fuel sites

Associated undertakings	Holding	Proportion Held	Prior year proportion held	Nature of Business
Derwent Cogeneration Ltd*****	Ordinary shares	49.5%	49.5%	Electricity generation
3SE (Barnsley, Doncaster & Rotherham) Holdings Ltd*****	Ordinary shares	25.0%	25.0%	Treatment of hazardous waste

On the 19th June 2018, the company sold it's shares in Derwent Cogeneration Ltd.

Indirect undertakings	Holding	Proportion Held	Prior year proportion held	Nature of Business
Slough Utility Services Ltd*	Indirect undertaking	100%	100%	Distribution of water and steam
Slough Electricity Contracts Ltd*	Indirect undertaking	100%	100%	Distribution of electricity
Slough Energy Supplies Ltd*	Indirect undertaking	100%	100%	Dormant
Power From Waste Ltd*	Indirect undertaking	100%	100%	Dormant
Slough Domestic Electricity Ltd*	Indirect undertaking	100%	100%	Dormant
Fibre Power (Slough) Ltd*	Indirect undertaking	100%	100%	Electricity generation
Fibre Fuel Ltd*	Indirect undertaking	100%	100%	Dormant
Ferrybridge MFE Limited*	Indirect undertaking	50%	50%	Production of electricity
Ferrybridge MFE 2 Limited*	Indirect undertaking	50%	100%	Production of electricity
BaglanPipeline Ltd*****	Indirect undertaking	50%	50%	Manufacture of industrial gases
3SE (Barnsley, Doncaster & Rotherham) Ltd*****	Indirect undertaking	25%	25%	Treatment of hazardous waste
Central Park (Bristol) Management Company Ltd*****	Indirect undertaking	7%	7%	Management of real estate
Seabank Power Ltd*****	Indirect undertaking	50%	50%	Production of electricity

	Registered Office
*	No.1 Forbury Place, 43 Forbury Road, Reading, United Kingdom, RG1 3JH
**	Keadby Power Station Trentside, Keadby, Scunthorpe, United Kingdom, DN17 3EF
***	Inveralmond House, 200 Dunkeld Road, Perth, PH1 3AQ
****	Oceanic Way, Marchwood Industrial Park, Marchwood, Southampton, SO40 4BD
*****	Dunedin House Auckland Park, Mount Farm, Milton Keynes, Buckinghamshire, MK1 1BU
*****	16 Axis Way Mallard Way, Swansea Vale, Swansea, SA7 0AJ
*****	4th Floor, 1 James Street, London, W1U 1DR
*****	Severn Road, Hallen, Bristol, BS10 7SP
*****	6th Floor Radcliffe House, Blenheim Court, Solihull, United Kingdom, B91 2AA

Investment income includes income from associates/joint ventures of £48.2m (2017: £11.0m).

# SSE Generation Limited

## Notes on the Financial statements *(continued)* for the year ended 31 March 2018

### 12 Cash and cash equivalents

	2018 £m	2017 £m
Cash at bank and in hand	-	4.4

### 13 Stocks

	2018 £m	2017 £m
Fuel, spares and consumables	110.6	138.4
<b>Total</b>	<b>110.6</b>	<b>138.4</b>

### 14 Debtors

	2018 £m	2017 £m
Amounts falling due within one year:		
Trade debtors	10.7	5.7
Prepayments and accrued income	2.0	0.5
Amounts owed by group undertakings	79.9	258.8
Other debtors	16.8	18.4
	<b>109.4</b>	<b>283.4</b>

### 15 Creditors: amounts falling due within one year

	2018 £m	2017 £m
Trade creditors	13.4	36.9
Amounts owed to group undertakings	168.0	180.1
Other creditors	8.7	10.4
Corporation tax payable	53.5	94.9
Accruals and deferred income	77.6	70.8
Obligations under finance leases and hire purchase contracts	22.0	21.6
Loans and borrowings (note 17)	50.0	50.0
	<b>393.2</b>	<b>464.7</b>

# SSE Generation Limited

## Notes on the Financial statements *(continued)* for the year ended 31 March 2018

### 16 Creditors: amounts falling due after more than one year

	2018 £m	2017 £m
Amounts owed to group undertakings	235.1	158.5
Obligations under finance leases and hire purchase contracts	220.0	242.1
Loans and borrowings (note 17)	1,500.0	1,500.0
	<b>1,955.1</b>	<b>1,900.6</b>

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 5.52% (2017: 5.84%)

### 17 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.

	2018 £m	2017 £m
<b>Creditors: falling due within less than one year</b>		
6.75% Loan Stock repayable to SSE plc 29 June 2018	50.0	50.0
	<b>50.0</b>	<b>50.0</b>
<b>Creditors: falling due within one and five years</b>		
5.25% Loan Stock repayable to SSE plc 30 September 2019	600.0	600.0
5.625% Loan Stock repayable to SSE plc 31 March 2021	250.0	250.0
	<b>850.0</b>	<b>850.0</b>
<b>Creditors: falling due more than five years</b>		
3.5% Loan Stock repayable to SSE plc 31 December 2025	500.0	500.0
3.375% Loan Stock repayable to SSE plc 31 March 2026	150.0	150.0
	<b>650.0</b>	<b>650.0</b>
	<b>1,550.0</b>	<b>1,550.0</b>

# SSE Generation Limited

## Notes on the Financial statements *(continued)* for the year ended 31 March 2018

### 18 Deferred taxation

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
	£m	£m	£m	£m	£m	£m
Tangible fixed assets	-	-	(481.5)	(459.4)	(481.5)	(459.4)
Provisions	4.0	2.1	-	-	4.0	2.1
Financial assets	27.0	-	-	(0.8)	27.0	(0.8)
<b>Net tax liabilities</b>	<b>31.0</b>	<b>2.1</b>	<b>(481.5)</b>	<b>(460.2)</b>	<b>(450.5)</b>	<b>(458.1)</b>

#### *Movement in deferred tax during the year*

	1 April 2017	Recognised in income	Recognised in equity	31 March 2018
	£m	£m	£m	£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)

#### *Movement in deferred tax during prior year*

	1 April 2016	Recognised in income	Recognised in equity	31 March 2017
	£m	£m	£m	£m
Tangible fixed assets	(475.5)	16.1	-	(459.4)
Provisions	1.1	1.0	-	2.1
Financial assets	(52.1)	52.3	(1.0)	(0.8)
Other	0.2	(0.2)	-	-
	(526.3)	69.2	(1.0)	(458.1)

### 19 Provisions for liabilities and charges

	Decommissioning		Total
	Restructuring	Costs	£m
	£m	£m	£m
At 1 April 2017	0.8	44.2	45.0
Arising during the year	-	12.7	12.7
Unwind of discount	-	1.1	1.1
<b>At 31 March 2018</b>	<b>0.8</b>	<b>58.0</b>	<b>58.8</b>

In the year, management assessed the Company's decommissioning obligations for the wind farms at Dunmaglass, Bhlaraídh and Beatrice demonstrator project and agreed that the decommissioning provision at these sites should be increased by £12.7m.

# SSE Generation Limited

## Notes on the Financial statements *(continued)* for the year ended 31 March 2018

### 19 Provisions for liabilities and charges *(continued)*

#### 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% has been applied to discount the decommissioning cost provision to present values.

A provision was created following a comprehensive review of the estimated timing and quantum of costs associated with the Company's portfolio. This was done using the Company's best estimate of the financial effect of these uncertainties and in context of the economic life of the assets. However, future changes in any of the assumptions used could have a material impact on the calculation of the provision.

### 20 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:

	2018 Carrying value £m	2018 Fair Value £m	2017 Carrying value £m	2017 Fair Value £m
<b>Financial Assets</b>				
Trade and other debtors	109.5	109.5	283.4	283.4
Derivative financial assets	-	-	5.1	5.1
<b>Financial Liabilities</b>				
Trade and other creditors	(339.3)	(339.3)	(416.3)	(416.3)
Long-term intercompany	(235.1)	(235.1)	(158.5)	(158.5)
Loan stock	(1,500.0)	(1,500.0)	(1,500.0)	(1,500.0)
Derivative financial liabilities	(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.

### 21 Share capital

	2018 £m	2017 £m
Equity:		
Allotted, called up and fully paid:		
104,370,002 ordinary shares of £1.00 each	104.4	104.4
	<u>104.4</u>	<u>104.4</u>

# SSE Generation Limited

## Notes on the Financial statements *(continued)* for the year ended 31 March 2018

### 22 Pensions

Some of the Company's employees are member 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 £5.8m (2017: £5.9m).

### 23 Capital commitments

#### (i) Capital Expenditure

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

	2018 £m	2017 £m
Contracted but not provided for	96.7	243.2

#### (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	
	2018 £m	2017 £m
Less than one year	17.2	88.2
Between two and five years	48.9	8.7
After five years	58.0	25.2
	124.1	122.1

### 24 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 £2.3m (2017: £38.1m).

The Company has provided guarantees to SSE plc for borrowings made amounting to £1,550.0m (2017: £1,550.0m).

### 25 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, Inveralmond House, 200 Dunkeld Road, Perth, PH1 3AQ or by accessing the Company's website at [www.sse.com](http://www.sse.com).