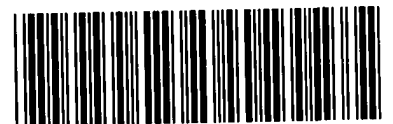


Registration number: 02310571

SSE Generation Limited

Directors report and Financial Statements
for the Year Ended 31 March 2022

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SSE Generation Limited

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SSE Generation Limited

Company Information

Directors	J Downes
	J Smith
	S Wheeler
	J Williamson
	E Harley
	B O'Regan
	A Shah
	F McCutcheon
	A Malone
	P Cooley
Company secretary	B O'Connor
Registered office	No1 Forbury Place 43 Forbury Road Reading RG1 3JH United Kingdom
Auditors	Ernst & Young LLP G1 Building 5 George Square Glasgow G2 1DY
Registered number	02310571

SSE Generation Limited

Strategic Report for the Year Ended 31 March 2022

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

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

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

Fair review of the business

The Company owns over 2,000 MW of hydro and onshore wind capacity. During the current year the Company transferred its thermal generation assets, Peterhead and Lerwick, to fellow Group companies as part of SSE's restructure of its business units.

The profit and loss account for the year ended 31 March 2022, is set out on page 17. The loss for the year after taxation amounted to £1,770.3m (2021: profit of £692.3m). The balance sheet at 31 March 2022, is set out on page 19 and indicates net liabilities of £1,104.4m (2021: net assets of £665.4m).

Non-financial KPIs

	2022	2021
Thermal output TWh	4.0	11.0
Renewable output TWh	4.5	4.4
Hydro storage at end of March (% of total volume available)	49.0	68.0

Financial performance

The Directors assess the financial performance of the Company based on 'adjusted operating profit'. This measure is used for internal performance management and is believed to be appropriate for explaining underlying performance to users of the accounts. Adjusted operating profit is derived after excluding exceptional items and certain re-measurements arising on commodity contracts. Exceptional items are those charges or credits that are considered unusual by nature and or scale and of such significance that separate disclosure is required for the financial statements to be properly understood. Derivative re-measurements are re-measurements arising on certain commodity contracts, which are accounted for as held for trading in accordance with the Company's policy for such financial instruments. This excludes commodity contracts not treated as financial instruments as defined by IFRS 9 which are held for the Group's own use requirements which are not recorded until the underlying commodity is delivered.

The adjusted operating loss in the year is set out below and amounted to £20.3m (2021: profit of £312.6m). Cost of sales included a debit for movement in the fair value of operating derivatives of £2,090.3m (2021: debit of £288.9m). Exceptional items being recognised totalled £nil (2021: credit of £717.7m). The reported operating loss was £2,110.6m (2021: profit of £741.4m). The reduction in adjusted operating profit was driven by the costs of the Company's power and gas hedges. The Company is the contracting party for all the SSE Renewables hedges, including the hedged electricity output for the offshore wind, onshore wind and hydro sites across the business unit.

SSE Generation Limited

Strategic Report for the Year Ended 31 March 2022 (continued)

Reported to adjusted operating profit reconciliation:

	31 March 2022 £ m	31 March 2021 £ m
Reported operating (loss)/profit	(2,110.6)	741.4
Add back: Mark to market revaluation on internal derivatives	2,090.3	288.9
Add back: exceptional items	-	(717.7)
Adjusted operating (loss)/profit	<u>(20.3)</u>	<u>312.6</u>

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

	31 March 2022 £ m	31 March 2021 £ m
Gross (loss)/profit	(2,088.6)	766.7
Revenue	774.3	1,170.9
Operating (loss)/profit	(2,110.6)	741.4
Net (liabilities)/assets	(1,104.4)	665.4
Additions to Assets under construction	42.1	42.7

Thermal Generation

Gas-fired Power stations

During the year the Company transferred its ownership of the following gas-fired power stations to fellow Group companies as part of the restructure of SSE's business units.

On 31 May 2021 the Company disposed of Peterhead (1,180MW) to SSE Thermal Generation (Scotland) Ltd for consideration of £42.2m

The Company had a 50% stake in the Seabank (1,164MW) and Marchwood (840MW) gas-fired power stations. These investments were sold to SSE Thermal Generation Holdings Limited on 20 May 2021 for £1 consideration and on 22 July 2021 for £40.4m consideration respectively.

SSE Generation Limited

Strategic Report for the Year Ended 31 March 2022 (continued)

Renewable Generation

Renewable energy generation capacity and output

Output of electricity from renewable sources increased to 4.5 TWh compared with 4.4 TWh in the prior year. This increase was partly driven by the Gordonbush extension wind farm becoming fully operational in August 2021.

Hydro

SSE Generation Limited owns and operates the largest electricity storage capacity in the UK, comprising 1,150MW of Hydro and 300 MW of pumped storage. Its Hydro fleet is uniquely placed in the GB system to deliver large-scale power that is both flexible and zero-carbon. The Hydro fleet has high levels of availability and continues to perform reliably and efficiently with relatively low levels of operational expenditure supported by proactive, long-term capital investment programme. Hydro continued to illustrate the benefit it brings to the SSE Renewables portfolio and to the market by providing flexible peak capacity.

The optimisation of SSE Renewables' hydro operations continues to yield positive results in terms of output and value. Through adjusted running regimes, focused performance metrics, and digitalisation efforts, enhanced performance of the hydro fleet will play an important role in providing low-carbon flexibility required for the net zero transition, while continuing to meet environmental obligations.

The 300MW pumped storage assets at Foyers have achieved exceptional performance via the utilisation of their vital flexibility to the GB electricity system and focused commercial management of the assets.

SSE Renewables continues to make progress with its programme of capital investment in its Hydro Assets. Major overhaul works at Grudie Bridge (18.7 MW) were completed and the station returned to full service. Site works to replant Tummel Bridge Power Station (34 MW) and Lussa Power Station (2.4 MW) have commenced. Investment in enhancing plant capability at Sloy, Glendoe and Errochty are in the final stages. A final investment decision on the overhaul of Lochay Power Station (45 MW) is planned for the end of the year.

Onshore wind

The Company has developed strengths in the efficient development, construction and operation of onshore wind. Gordonbush extension (38MW), the Company's first fully merchant wind farm, became fully operational in August 2021.

Company priorities in 2022/23 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.

SSE Generation Limited

Strategic Report for the Year Ended 31 March 2022 (continued)

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, construction failure or inefficiency, 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 from which to meet its customers' demand and reduce potential financial liabilities.

To mitigate these risks, regular maintenance work is performed at the power stations to avoid unplanned outage; competitor activity is monitored; and effectiveness of performance in all key risk areas is regularly reviewed by management. All capital projects are also approved in line with the Group's large capital projects approval process which aims to ensure the construction of high quality assets at competitive prices.

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.

SSE Generation Limited

Strategic Report for the Year Ended 31 March 2022 (continued)

Section 172 (1) statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In furtherance of this, section 172 requires a director to have regard amongst other matters, to the:

- likely consequences of any decisions in the long term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

In discharging their section 172 duties, the Directors of the Company, have regard to the factors set out above. They also have regard to other factors which they consider relevant to the decision being made. Those factors, for example, include the Company's applicable regulatory and legal obligations.

The Directors acknowledge that every decision taken will not necessarily result in a positive outcome for all of the Company's stakeholders. However, by considering the SSE Group's, and therefore Company's, purpose, vision and values, together with its strategic priorities, and having agreed processes in place for decision-making, they do aim to ensure that decisions are consistent and appropriate in all circumstances.

As is normal for large companies, authority for day-to-day management of the Company is delegated to senior management, with the setting and oversight of business strategy and related policies, the responsibility of the Directors.

The Company is represented by the Directors on the Renewables and Thermal business unit Executive Committees which review health and safety, financial and operational performance and legal and regulatory compliance at every meeting, in addition to other pertinent areas over the course of the financial year, including: the Company's strategy; key risks; stakeholder-related matters; diversity and inclusion; environmental matters; governance, compliance and legal matters. This is done through the consideration and discussion of reports which are sent in advance of each meeting and through presentations to the Executive Committees.

The views of the Company's stakeholders are always considered where appropriate in decision making across the SSE Group. Information is generally provided in a range of different formats including specific reports and presentations on financial and operational performance, non-financial KPIs, risk, environmental, social and governance (ESG) matters and the outcomes of specific pieces of engagement, with the intended outcome being a rounded understanding of stakeholder issues and concerns.

Set out below are examples of how the Directors have had regard to the matters set out in section 172 (1) (a)-(f) when discharging their section 172 duty and the effect of that on principal decisions taken.

People

A programme of activity to support the Group's people strategy is discussed and agreed by the Thermal and Renewables executive committees. This is informed, in part, by the output of the annual all-employee great place to work survey results. The approach to reward, recognition and incentive schemes are considered by the executive committees.

SSE Generation Limited

Strategic Report for the Year Ended 31 March 2022 (continued)

Stakeholder engagement

The Company's stakeholders are people, communities and organisations with an interest or concern in its purpose, strategy, operations and actions, and who in turn, may be affected by them. This includes: shareholders; employees; government and regulators; suppliers, contractors and partners; and customers. The perspectives, insights and opinions of stakeholders are recognised as a key factor in the relevant operational, investment and business decisions taken by the Company and its Directors, to ensure that as a whole they are more robust and sustainable.

SSE Generation sits within SSE Renewables & SSE Thermal business units while separation activities to split operations to align with the new corporate 'SSE7' model are completed. The Company is represented on dedicated Executive Committees of which a number of the Directors are part.

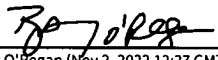
While there are cases where the Directors may judge it appropriate to engage directly with certain stakeholder groups, the size and spread of both the Company's stakeholders and those of the SSE Group, of which the Company sits within, means that stakeholder engagement takes place at many different levels. This includes at SSE Group level, business unit level, company level and operational level. This holistic approach allows a broader representation and deeper understanding of all stakeholder views and contributes towards a greater outcome for business, environmental, social and governance matters than by working in isolation.

Details of the mechanisms which are used to engage with stakeholders across the SSE Group, in order to gain understanding of the issues which they deem material are set out on pages 32 to 39 of the SSE plc Annual Report 2022.

The views of Company employees are gathered at business unit level, where mechanisms include monthly KPIs, an annual employee engagement survey and tailored business unit led engagement. This is supplemented by SSE plc's dedicated non-Executive Director for Employee Engagement who reports directly to the SSE plc Board and provides feedback to the Managing Director of each business unit. People strategies and action plans to address employee views are developed and overseen by the business unit Executive Committees in response to feedback received.

Similarly, in order to ensure that there has been adequate engagement in fostering the Company's business relationships with supplier, customers and other relevant parties representations are made at business unit level by business partners which represent the areas of Procurement, Corporate Affairs, and Legal within SSE Renewables & SSE Thermal. Such representations are designed to inform the Directors of the current nature of the relationship, the strategic significance that the relationship offers to support the objectives of the business and the prospects or issues associated with the continued fostering of the relationship.

Approved by the Board on 2 November 2022 and signed on its behalf by:


Barry O'Regan (Nov 2, 2022 12:27 GMT)
B O'Regan
Director

SSE Generation Limited

Directors' Report for the Year Ended 31 March 2022

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

The directors present their report and financial statement for SSE Generation Limited (the "Company") for the year ended 31 March 2022.

Directors' of the company

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

J Downes
M Hayward (ceased 23 July 2021)
J Smith (ceased 1 February 2022)
S Wheeler (ceased 23 July 2021, reappointed 01 January 2022)
J Williamson
E Harley (appointed 23 July 2021)
A Honeyman (appointed 23 July 2021, ceased 31 December 2021)
B O'Regan (appointed 23 July 2021)
A Shah (appointed 15 September 2021)
F McCutcheon (appointed 1 April 2022)
A Malone (appointed 1 April 2022)
P Cooley (appointed 23 July 2021)

The company secretary who held office during the year were as follows:

S Fairbairn (ceased 23 July 2021)
B O'Connor (appointed 23 July 2021)

Principal activity

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

Dividends

The directors declared, approved and paid a dividend of £Nil in respect of the financial year ended 31 March 2022 (2021: £733.6m). The directors do not recommend the payment of a further dividend.

Political and charitable donations

During the year the company made no political or charitable donations (2021: £nil).

SSE Generation Limited

Directors' Report for the Year Ended 31 March 2022 (continued)

Environmental matters

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

Going concern

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

In assessing the financial strength of the letter of support provided, the directors considered the cash balance of £1.0bn at 31 March 2022, the undrawn committed bank facilities of £1.5bn maintained by the Group, the current commercial paper market conditions, the Group's success in refinancing maturing debt with the issuance of £1.2bn of long term debt and hybrid equity in March 2022 and April 2022 (being £350m dual tranche 10 and 15 year private placement and €1.0bn (£830m) NC6 equity accounted Hybrid) and the Group's credit rating. The Group's period of going concern assessment is performed to 31 December 2023, 21 months from the balance sheet date, which is at least 12 months from the filing deadline of its subsidiary companies. As well as taking account of the factors noted, the going concern conclusion is arrived at after applying stress testing sensitivities to the Group's cash flow and funding projections including removal of proceeds from unconfirmed future divestments, negative and positive sensitivities on operating cash flows and uncommitted capex and other adjustments.

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

SSE Generation Limited

Directors' Report for the Year Ended 31 March 2022 (continued)

Corporate governance statement

As a subsidiary company of the SSE Group, the corporate governance arrangements which apply to the Company are defined by SSE's Group Governance Framework. This is set out on pages 124 and 125 of the SSE plc Annual Report 2022.

SSE's Group Governance Framework is reflective of the Principles and Provisions of the UK Corporate Governance Code (the Code), which apply to the parent company, SSE plc. It defines the delegation of authority and accountability within the Group; enables review and challenge of management performance; is a pillar of SSE's System of Internal Control; and supports the processes by which principal and emerging risks are identified and managed. The Directors of the Company discharge their duties in line with the governance standards and processes agreed at Group level.

The Company itself does not have listed shares and therefore is not subject to the Code. It has not voluntarily applied the Code nor another publicly available corporate governance code and has instead operated within the Group Governance Framework described above and below.

The Group's approach to corporate governance and compliance with the Code can be found in the Directors' Report within the SSE plc Annual Report and Accounts 2022 at www.sse.com/reportsandresults.

The Group's purpose is to provide energy needed today, while building a better world of energy for tomorrow. Its vision is to be a leading energy company in a net zero world and its strategy is to create value for shareholders and society in a sustainable way by developing, building, operating and investing in the electricity infrastructure and businesses needed in the transition to net zero. All of which are underpinned by SSE's core values: Safety, Service, Efficiency, Sustainability, Excellence and Teamwork; that are designed to guide decisions and actions within SSE and contribute to the overall culture.

The Group's purpose is to provide energy needed today, while building a better world of energy for tomorrow. Its vision is to be a leading energy company in a net zero world and its strategy is to create value for shareholders and society in a sustainable way by developing, building, operating and investing in the electricity infrastructure and businesses needed in the transition to net zero. All of which are underpinned by SSE's core values: Safety, Service, Efficiency, Sustainability, Excellence and Teamwork; that are designed to guide decisions and actions within SSE and contribute to the overall culture.

More on the Company's strategy and business objectives can be found from page 2 of the Strategic Report.

More on the Group's strategy can be found from page 2 to 5 of the SSE plc Annual Report 2022 and more on culture can be found on page 140 to 141.

There are five principal SSE plc Board committees: a Nomination Committee; an Audit Committee; a Safety, Sustainability, Health and Environment Advisory Committee; an Energy Markets Risk Committee; and a Remuneration Committee. Full details of the role of each Committee, membership and work undertaken during 2021/22 is set out in the published SSE plc Annual Report and Accounts 2022.

Important non adjusting events after the financial period

Post the balance sheet date the Company has made the following disposals

On 1 July 2022 the Company transferred the assets and liabilities of the Hadyard Hill wind farm to a fellow Group company, SSE Renewables Wind Farms (UK) Limited, for the consideration of £18.7m.

On 30 June 2022 the Company disposed of the Fiddlers Ferry site to Peel NRE Developments Limited for the consideration of £60m. A gain on sale for £60m has been recognised.

SSE Generation Limited

Directors' Report for the Year Ended 31 March 2022 (continued)

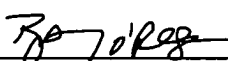
Disclosure of information to the auditors

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

Reappointment of auditors

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

Approved by the Board on 2 November 2022 and signed on its behalf by:


Barry O'Regan (Nov 2, 2022 12:27 GMT)

B O'Regan
Director

SSE Generation Limited

Statement of Directors' Responsibilities

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

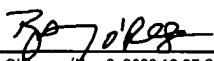
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- state whether applicable UK Accounting Standards including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will not continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report, that comply with that law and those regulations.

Approved by the Board on 2 November 2022 and signed on its behalf by:


Barry O'Regan (Nov 2, 2022 12:27 GMT)

B O'Regan
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SSE GENERATION LIMITED

Opinion

We have audited the financial statements of SSE Generation Limited for the year ended 31 March 2022 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included;

- We obtained copy of the support letter issued by the parent entity of the Company to provide support to the Company throughout the assessment period to 31 December 2023.
- We have considered the Parent entity's ability to provide support to the Company by obtaining financial information and forecast of the Parent entity which cover the going concern period of the Company.
- We obtained workpapers from the Parent company auditor, who performed procedures on our behalf to assess the reliability of the Parent company forecasts, including stress testing the forecasts.
- We reviewed the Company's going concern disclosures included in the financial statements in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions

can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS101 and Companies Act 2006) and relevant tax compliance regulations in the UK. We also determined there was no non-compliance with regulatory requirements, including the Office of Gas and Electricity Markets (Ofgem).
- We understood how the company is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We verified our enquiries through our review of board minutes and papers provided to the joint venture board and SSE plc Audit Committee.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their propensity to influence on efforts made by management to manage earnings. We considered the programmes and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls at a group level. Where the risk was considered to be higher, we performed audit procedures to address the identified fraud risk, management override of controls specifically around revenue recognition.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved: journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business, enquiries of legal counsel and management and focused tested. In addition, we completed procedures to conclude on the compliance of the disclosures in the financial statements and accounts with all applicable requirements.

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

Use of our report

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

Ernst & Young LLP

Nicola McIntyre (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

G1 Building
5 George Square
Glasgow
G2 1DY

2 November 2022

SSE Generation Limited

Profit and Loss Account for the Year Ended 31 March 2022

	Note	2022 £ m	2021 £ m
Turnover		774.3	1,170.9
Cost of sales		(772.6)	(833.0)
Cost of sales: Exceptional items	4	-	717.7
Movement on derivatives		<u>(2,090.3)</u>	<u>(288.9)</u>
Gross (loss)/profit		(2,088.6)	766.7
Administrative expenses		<u>(22.0)</u>	<u>(25.3)</u>
Operating (loss)/profit	5	(2,110.6)	741.4
Income from other fixed asset investments	8	4.6	33.6
Interest receivable and similar income	9	2.6	9.9
Interest payable and similar expenses	10	<u>(63.7)</u>	<u>(107.4)</u>
(Loss)/profit before tax		(2,167.1)	677.5
Tax on (loss)/profit	11	<u>396.8</u>	<u>14.8</u>
(Loss)/profit for the year		<u><u>(1,770.3)</u></u>	<u><u>692.3</u></u>

The above results were derived from continuing operations.

SSE Generation Limited

Statement of Comprehensive Income for the Year Ended 31 March 2022

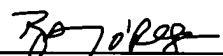
	Note	2022 £ m	2021 £ m
(Loss)/profit for the year		(1,770.3)	692.3
Items that may be reclassified subsequently to profit or loss			
Loss on cash flow hedges (net)		<u>(0.7)</u>	<u>(22.7)</u>
Total comprehensive income for the year		<u><u>(1,771.0)</u></u>	<u><u>669.6</u></u>

The notes on pages 21 to 42 form an integral part of these financial statements.

SSE Generation Limited
(Registration number: 02310571)
Balance Sheet as at 31 March 2022

	Note	31 March 2022 £ m	31 March 2021 £ m
Fixed assets			
Intangible assets	12	42.9	31.6
Tangible assets	13	2,865.8	3,087.7
Investments		-	303.7
Deferred tax assets	11	10.8	-
		<u>2,919.5</u>	<u>3,423.0</u>
Current assets			
Stocks	16	2.5	8.3
Debtors	17	73.2	134.9
		75.7	143.2
Current liabilities			
Creditors: amounts falling due within one year		<u>(186.8)</u>	<u>(725.2)</u>
Net current liabilities		<u>(111.1)</u>	<u>(582.0)</u>
Total assets less current liabilities		2,808.4	2,841.0
Creditors: Amounts falling due after more than one year			
Loans, borrowings and non-current lease obligations	19	(1,604.2)	(1,520.2)
Derivative financial liabilities	21	(2,241.5)	(160.1)
Deferred tax liabilities	11	-	(410.1)
Provisions for liabilities	20	<u>(67.1)</u>	<u>(85.2)</u>
Net (liabilities)/assets		<u>(1,104.4)</u>	<u>665.4</u>
Capital and reserves			
Called up share capital	22	104.4	104.4
Revaluation reserve		293.9	293.9
Hedge reserve		(23.4)	(22.7)
Profit and loss account		<u>(1,479.3)</u>	<u>289.8</u>
Shareholders' (deficit)/funds		<u>(1,104.4)</u>	<u>665.4</u>

Approved by the Board on 2 November 2022 and signed on its behalf by:


 Barry O'Regan (Nov 2, 2022 12:27 GMT)
 B O'Regan
 Director

SSE Generation Limited

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

	Share capital £ m	Revaluation reserve £ m	Hedge reserve £ m	Retained earnings £ m	Total £ m
At 1 April 2020	104.4	293.9	-	329.3	727.6
Profit for the year	-	-	-	692.3	692.3
Other comprehensive income	-	-	(22.7)	-	(22.7)
Total comprehensive income	-	-	(22.7)	692.3	669.6
Dividends	-	-	-	(733.6)	(733.6)
Share based payment transactions	-	-	-	1.8	1.8
At 31 March 2021	104.4	293.9	(22.7)	289.8	665.4

	Share capital £m	Revaluation reserve £ m	Hedge reserve £ m	Retained earnings £ m	Total £ m
At 1 April 2021	104.4	293.9	(22.7)	289.8	665.4
Loss for the year	-	-	-	(1,770.3)	(1,770.3)
Other comprehensive income	-	-	(0.7)	-	(0.7)
Total comprehensive income	-	-	(0.7)	(1,770.3)	(1,771.0)
Share based payment transactions	-	-	-	1.2	1.2
At 31 March 2022	104.4	293.9	(23.4)	(1,479.3)	(1,104.4)

The notes on pages 21 to 42 form an integral part of these financial statements.

SSE Generation Limited

Notes to the Financial Statements for the Year Ended 31 March 2022

1 General information

The company is a private company limited by share capital, incorporated and domiciled in England and Wales.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

These financial statements were prepared in accordance United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

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

Summary of disclosure exemptions

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

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

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

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

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

Consolidated accounts

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

SSE Generation Limited

Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)

2 Accounting policies (continued)

Going concern

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

In assessing the financial strength of the letter of support provided, the directors considered the cash balance of £1.0bn at 31 March 2022, the undrawn committed bank facilities of £1.5bn maintained by the Group, the current commercial paper market conditions, the Group's success in refinancing maturing debt with the issuance of £1.2bn of long term debt and hybrid equity in March 2022 and April 2022 (being £350m dual tranche 10 and 15 year private placement and €1.0bn (£830m) NC6 equity accounted Hybrid) and the Group's credit rating. The Group's period of going concern assessment is performed to 31 December 2023, 21 months from the balance sheet date, which is at least 12 months from the filing deadline of its subsidiary companies. As well as taking account of the factors noted, the going concern conclusion is arrived at after applying stress testing sensitivities to the Group's cash flow and funding projections including removal of proceeds from unconfirmed future divestments, negative and positive sensitivities on operating cash flows and uncommitted capex and other adjustments.

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

Changes in accounting policy

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

Revenue recognition

Electricity generation

Revenue from the physical generation of electricity is recognised "point in time" as generated and supplied to the national settlements body. Revenue is measured at either the spot price at the time of delivery, or trade price where that trade is eligible for "own use" designation.

Renewables contracted services

Revenue from national support schemes, such as Renewable Obligation Certificates, is recognised at the point the performance obligation has been met. This is typically considered to be either at the point electricity has been physically generated or over the contractual period, depending on the underlying performance obligation. Revenue is measured either at the market rate at the point of generation, or at the fixed contractual consideration, depending on the individual scheme mechanic.

Revenue from other ancillary generation services is recognised "over time" consistent with the customer receiving and consuming the benefits of those services across the expected contractual service period, and at the contracted consideration.

SSE Generation Limited

Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)

2 Accounting policies (continued)

Thermal generation contracted services

Revenue from national support schemes, such as the Capacity Market, is recognised at the point the performance obligation has been met. This is typically considered to be either at the point electricity has been physically generated or over the contractual period, depending on the underlying performance obligation. Revenue is measured either at the market rate at the point of generation, or at the fixed contractual consideration, depending on the individual scheme mechanic.

Revenue from other ancillary generation services is recognised “over time” consistent with the customer receiving and consuming the benefits of those services across the expected contractual service period, and at the contracted consideration.

Finance income and costs

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

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

Investment income

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

Tax

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

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

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

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

Tangible assets

Owned assets

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

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

Decommissioning assets

The Company presents decommissioning assets separately within property, plant and equipment, in relation to the Generation assets class, to enhance understanding of the Company's financial position. The assets are recognised and valued as disclosed within the Company's provisions policy.

SSE Generation Limited

Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)

2 Accounting policies (continued)

Right of use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where a modification to a lease agreement decreases the scope of the lease, the carrying amount of the right of use asset is adjusted and a gain or loss is recognised in proportion to the decrease in scope of the lease. All other modifications to lease agreements are accounted for as a reassessment of the lease liability with a corresponding adjustment to the right of use asset.

Hydro civil assets

The company is obliged under the Reservoirs Act 1975 to maintain its hydro infrastructure network, including its dams, tunnels and other hydro civil engineering structures (hydro civil assets). All items of property, plant and equipment within hydro civil assets, with the exception of land, are subject to depreciation.

In accordance with the transition provisions of IFRS 1 "First-time Adoption of IFRS", the company identified the carrying value of these assets at privatisation and has treated this value as deemed cost. Following this assessment, the assets, and all subsequent enhancement and replacement expenditure, has been subject to depreciation over a useful economic life of 75 years. All subsequent maintenance expenditure is chargeable directly to the profit and loss account.

Hydro civil assets, onshore wind farms assets, thermal and hydro power stations as well as fixtures, IT assets, vehicles and mobile plant are presented as generation assets within the tangible assets disclosure in note 13.

Depreciation

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

	Years
Hydro civil assets	75 to 100
Thermal and hydro power stations	20 to 60
Land and buildings	Period of lease
Fixtures, IT assets, vehicles and mobile plant	3 to 15
Onshore wind farms	20 to 25
Decommissioning assets	20 to 25

Development assets

Expenditure on development activities is capitalised as intangible assets if the project or process is considered to be technically and commercially feasible and the company intends to complete the project or process for use or for sale. Development projects include wind farm developments, thermal generation and gas storage projects, prospective gas production assets and other developments relating to proven technologies. Costs incurred in bringing these projects to the consent stage include options over land rights, planning application costs and environmental impact studies and may be costs incurred directly or part of the fair value exercise on acquisition of an interest in a project. 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. Once in operation, depreciation will be charged over the expected useful life of the asset. The asset is derecognised on disposal, or when no future economic benefits are expected to arise

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.

SSE Generation Limited

Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)

2 Accounting policies (continued)

Impairment

The carrying amount of the company's PP&E and other intangible assets and the company's investments in joint ventures and associates, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, or where there are indications that a previously recognised impairment loss has reduced. For PP&E assets that have previously been identified as exhibiting indications of impairment, the review of impairment will be performed at the reporting date 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 the asset's recoverable amount. The recoverable amount is determined to be the higher of the fair value less costs to sell (FVLCS) and the value-in-use (VIU) of the asset. For financial assets measured at amortised cost the impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If the carrying amount of the asset exceeds its recoverable amount, an impairment charge will be recognised immediately in the income statement. Reversals of previous impairment charges are recognised if the recoverable amount of the asset significantly exceeds the carrying amount and there has been an increase in the service potential of the asset.

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

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

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as fixed assets.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the debtors.

Stock

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

SSE Generation Limited

Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)

2 Accounting policies (continued)

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Provisions

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

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

Decommissioning

The Company engages independent experts to estimate the cost of decommissioning its Renewable assets every three years. In the intervening years, management updates the external valuation based on factors arising since the last formal valuation date. Provision is made for the net present value of the estimated cost of decommissioning wind farms at the end of the useful life of the facilities. This includes development assets, where if a present obligation exists, provision is recognised during construction and prior to commencement of operations from the site. The estimates are based on technology and prices at the balance sheet date and excludes any salvage value related to those assets. A corresponding decommissioning asset is recognised and is included within property, plant and equipment when it gives access to future economic benefits, and is depreciated on a straight-line basis over the expected useful life of the asset. Changes in these provisions are recognised prospectively. The unwinding of the discount on the provision is included in finance costs.

Share capital

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

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

SSE Generation Limited

Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)

2 Accounting policies (continued)

Defined contribution pension obligation

SSE Group operates a number of defined contribution pension schemes to which the Company's employees may be members of. The assets and liabilities of the schemes are held separately from those of the Group in independently administered funds. The amounts charged represent the contributions payable to the schemes in the year and are charged directly to the income statement.

Defined benefit pension obligation

Some of the Company's employees are members of two group wide defined benefit pension plans, which are sponsored by other subsidiaries of the Group. 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. The Company recognises a cost equal to its contribution payable for the period.

Derivative financial instruments

Derivative financial instruments are contracts, the value of which is derived from one or more underlying financial instruments or indices, and include futures, forwards, swaps and options in the interest rate, foreign exchange, equity and credit markets.

Derivative financial instruments are recognised in the statement of financial position at fair value. Fair values are derived from prevailing market prices, discounted cash flow models or option pricing models as appropriate.

In the balance sheet, derivative financial instruments with positive fair values (unrealised gains) are included as assets and derivative financial instruments with negative fair values (unrealised losses) are included as liabilities.

The changes in the fair values of derivative financial instruments entered into for trading purposes are included in trading income.

3 Critical accounting judgements and key sources of estimation uncertainty

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:

Decommissioning provisions

The Company holds decommissioning provisions for its operating wind farm assets. The calculation of the Company's decommissioning provision involves the estimation of quantum and timing of cash flows to settle the obligation. The Company via SSE plc engages independent valuation experts to estimate the cost of decommissioning its operating wind farm assets, with the last independent assessment being performed in the year to 31 March 2022. Further detail of the calculation basis, key assumptions used, the resulting movements in decommissioning provisions, and the sensitivity of key assumptions to the decommissioning provision is disclosed at note 21. While the carrying value is considered to be appropriate, changes in future decommission costs and economic conditions could lead to a change in the level of decommissioning provision.

SSE Generation Limited

Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)

4 Exceptional items

	2022	2021
	£ m	£ m
Gain on sale from disposal of energy from waste investments	-	716.4
Gain on sale from disposal of Barkip AD Plant.	-	1.3
	<u>-</u>	<u>717.7</u>

In the prior year the Company divested its ownership of energy from waste related investments. Multifuel Energy Limited, Multifuel Energy 2 Limited and 3SE (Barnsley, Doncaster & Rotherham) Holdings Limited were sold as part of this strategy. The Company recorded a gain on sale of £716.4m. In addition the Company recorded a gain on sale of £1.3m from the disposal of the Barkip Anaerobic Digestion Plant.

5 Operating (loss)/profit

Arrived at after charging

	2022	2021
	£ m	£ m
Depreciation expense	114.9	130.9
Operating lease expense	<u>1.0</u>	<u>1.1</u>

Auditor remuneration

The Company incurred an audit fee of £90,260 (2021: £40,762) in the year, which was borne by another Group entity.

6 Staff costs

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

	2022	2021
	£ m	£ m
Wages and salaries	28.5	37.4
Social security costs	3.5	4.4
Share-based payment expenses	1.2	1.8
Pension costs	<u>6.9</u>	<u>7.8</u>
	<u>40.1</u>	<u>51.4</u>

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

	2022	2021
	No.	No.
Administration and support	<u>730.0</u>	<u>777.0</u>

SSE Generation Limited

Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)

7 Directors' remuneration

The total remuneration received by the directors for qualifying and non-qualifying services during the year was £3.6m (2021: £3.0m). The above value is for 10 directors (2021: 5), who were remunerated via another Group company in the year. A value of services to the Company for these directors cannot be determined, therefore the above value reflects the remunerations received for services to the SSE Group as a whole.

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £1.1m (2021: £1.1m) including company pension contributions of £0.1m (2021: £0.1m).

8 Income from other fixed asset investments

Income from other fixed asset investments represents dividend income received from subsidiary and joint venture investments as follows:

	2022 £ m	2021 £ m
Dividend income	<u>4.6</u>	<u>33.6</u>

9 Interest receivable and similar income

	2022 £ m	2021 £ m
Other finance income	<u>2.6</u>	<u>9.9</u>

10 Interest payable and similar expenses

	2022 £ m	2021 £ m
Decommissioning provision - unwind of discount	0.7	0.7
Interest payable to Group companies	56.6	84.1
Lease obligations - unwind of discount rate	7.5	22.6
Foreign exchange losses / (gains)	-	1.3
Other finance costs	0.2	0.2
Interest capitalised	<u>(1.3)</u>	<u>(1.5)</u>
	<u>63.7</u>	<u>107.4</u>

SSE Generation Limited

Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)

11 Income tax

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

	2022 £ m	2021 £ m
Current taxation		
UK corporation tax	12.6	53.2
Total current income tax	12.6	53.2
Deferred taxation		
Arising from origination and reversal of temporary differences	(410.9)	(68.0)
Arising from changes in tax rates and laws	1.5	-
Total deferred taxation	(409.4)	(68.0)
Tax receipt in the profit and loss account	(396.8)	(14.8)

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

The differences are reconciled below:

	2022 £ m	2021 £ m
(Loss)/profit before tax	(2,167.1)	677.5
Corporation tax at standard rate	(411.7)	128.7
Increase from effect of revenues exempt from taxation	(0.9)	(146.2)
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	11.8	2.3
Increase in current tax from adjustment for prior periods	0.3	0.4
Increase from effect of different UK tax rates on some earnings	1.5	-
Increase from transfer pricing adjustments	2.2	-
Total tax credit	(396.8)	(14.8)

SSE Generation Limited

Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)

11 Income tax (continued)

Deferred tax

Deferred tax assets and liabilities

	Asset £ m	Liability £ m	Net deferred tax £ m
2022			
Tangible fixed assets	-	(554.2)	(554.2)
Provisions	4.6	-	4.6
Financial assets	560.4	-	560.4
	<u>565.0</u>	<u>(554.2)</u>	<u>10.8</u>

	Asset £ m	Liability £ m	Net deferred tax £ m
2021			
Tangible fixed assets	-	(447.6)	(447.6)
Provisions	7.0	-	7.0
Financial assets	30.5	-	30.5
	<u>37.5</u>	<u>(447.6)</u>	<u>(410.1)</u>

Deferred tax movement during the year:

	At 1 April 2021 £ m	Recognised in income £ m	Intercompany transfer £ m	Recognised in equity £ m	At 31 March 2022 £ m
Tangible fixed assets	(447.6)	(123.9)	17.3	-	(554.2)
Provisions	7.0	2.8	(5.2)	-	4.6
Financial assets	30.4	530.5	(3.1)	2.6	560.4
Net tax assets/(liabilities)	<u>(410.2)</u>	<u>409.4</u>	<u>9.0</u>	<u>2.6</u>	<u>10.8</u>

SSE Generation Limited

Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)

11 Income tax (continued)

Deferred tax movement during the prior year:

	At 1 April 2020	Recognised in income	Intercompany transfer	Recognised in equity	At 31 March 2021
	£ m	£ m	£ m	£ m	£ m
Tangible fixed assets	(470.9)	12.3	11.0	-	(447.6)
Provisions	6.4	0.8	(0.2)	-	7.0
Financial assets	(29.7)	54.9	-	5.3	30.5
Net tax assets/(liabilities)	<u>(494.2)</u>	<u>68.0</u>	<u>10.8</u>	<u>5.3</u>	<u>(410.1)</u>

The Finance Act 2021 enacted on 10 June 2021 increased the main rate of UK corporation tax from 19% to 25%, effective from 1 April 2023. Deferred taxes on the balance sheet have been measured at 25% which represents the future corporation tax rate that was enacted at the balance sheet date. This resulted in a deferred tax charge of £1.5m.

12 Intangible assets

	Development assets £ m
Cost or valuation	
At 1 April 2021	36.8
Additions	16.0
Disposals	(8.6)
Transfer to tangible fixed assets	<u>(1.2)</u>
At 31 March 2022	<u>43.0</u>
Amortisation	
At 1 April 2021	5.2
Amortisation eliminated on disposals	<u>(5.1)</u>
At 31 March 2022	<u>0.1</u>
Carrying amount	
At 31 March 2022	<u>42.9</u>
At 31 March 2021	<u>31.6</u>

SSE Generation Limited

Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)

13 Tangible assets

	Land and buildings £ m	Assets under construction £ m	Decommissioning assets £ m	Generation assets £ m	Total £ m
Cost or valuation					
At 1 April 2021	25.7	82.3	80.0	4,879.1	5,067.1
Additions	3.0	42.1	20.1	0.1	65.3
Disposals	-	(10.6)	(35.9)	(1,157.7)	(1,204.2)
Transfers from AUC to fully commissioned	-	(71.1)	-	71.1	-
Transfers from intangible assets	-	1.6	-	(0.4)	1.2
Transfers between categories	-	-	-	(1.9)	(1.9)
At 31 March 2022	<u>28.7</u>	<u>44.3</u>	<u>64.2</u>	<u>3,790.3</u>	<u>3,927.5</u>
Depreciation					
At 1 April 2021	2.6	-	25.9	1,950.9	1,979.4
Charge for the year	1.4	-	1.7	111.8	114.9
Eliminated on disposal	-	-	(12.2)	(1,018.4)	(1,030.6)
Transfers between categories	-	-	(0.2)	(1.8)	(2.0)
At 31 March 2022	<u>4.0</u>	<u>-</u>	<u>15.2</u>	<u>1,042.5</u>	<u>1,061.7</u>
Carrying amount					
At 31 March 2022	<u>24.7</u>	<u>44.3</u>	<u>49.0</u>	<u>2,747.8</u>	<u>2,865.8</u>
At 31 March 2021	<u>23.1</u>	<u>82.3</u>	<u>54.1</u>	<u>2,928.2</u>	<u>3,087.7</u>

Land and Building depreciation amounted of £1.4m refers to the ROU asset disclosed in Note 14

SSE Generation Limited

Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)

14 Right of use assets

Included within property, plant and equipment (note 13) are the following right of use assets:

	Land and buildings £ m
Cost or valuation	
At 1 April 2021	25.1
Additions	<u>3.0</u>
At 31 March 2022	<u>28.1</u>
Depreciation	
At 1 April 2021	2.6
Charge for the year	<u>1.4</u>
At 31 March 2022	<u>4.0</u>
Carrying amount	
At 31 March 2022	<u><u>24.1</u></u>
At 31 March 2021	<u><u>22.5</u></u>

SSE Generation Limited

Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)

15 Investments

Investments	Subsidiaries £ m	Joint Ventures & Associates (Equity) £ m	Joint Ventures & Associates (Loans) £ m	Total £ m
Cost or valuation				
At 1 April 2021	237.9	44.7	27.6	310.2
Additions	-	-	9.5	9.5
Disposals	(237.9)	(44.7)	(37.1)	(319.7)
At 31 March 2022	-	-	-	-
Provision				
At 1 April 2021	6.5	-	-	6.5
Provision	(6.5)	-	-	(6.5)
At 31 March 2022	-	-	-	-
Carrying amount				
At 31 March 2022	-	-	-	-
At 31 March 2021	231.4	44.7	27.6	303.7

Subsidiaries

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

Undertaking	Country of incorporation	% Holding 2022	% Holding 2021	Nature of business	Registered Address
Direct investments					
Abernedd Power Company Limited	England & Wales	0	100	Power Generation Development	A
Coire Glas Hydro Pumped Storage Limited	Scotland	100	100	Power Generation Development	B
Keadby Developments Limited	England & Wales	0	100	Dormant	C
Keadby Generation Limited	England & Wales	0	100	Power Generation	C
Medway Power Limited	England & Wales	0	100	Power Generation	A
SSE Seabank Land Investments Limited	England & Wales	0	100	Dormant	A
SSE Seabank Investments Limited	England & Wales	0	100	Dormant	A

SSE Generation Limited

Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)

15 Investments (continued)

Undertaking	Country of incorporation	% Holding 2022	% Holding 2021	Nature of business	Registered Address
SSE Generation Ireland Limited	Ireland	0	100	Power Generation	D
Platin Power Limited	Ireland	100	100	Dormant	D
SSE Medway Operations Limited	England & Wales	0	100	Business Support	A
SSEPG (Operations) Limited	England & Wales	0	100	Power Generation	A
SSE Slough Multifuel Limited	England & Wales	0	100	Power Generation Development	A
SSE Slough Multifuel Holdco Limited	England & Wales	0	100	Holding Company	A
Slough Heat & Power Limited	England & Wales	0	100	Power Generation	A
Tealing Solar Park Limited	England & Wales	100	100	Power Generation Development	A
Indirect investments					
Slough Domestic Electricity Limited	England & Wales	0	100	Power Generation	A
Slough Energy Supplies Limited	England & Wales	0	100	Dormant	A
Slough Utility Services Limited	England & Wales	0	100	Utility Services	A
Slough Electricity Contracts Limited	England & Wales	0	100	Electricity Contracting	A
Power From Waste Limited	England & Wales	0	100	Dormant	A
Fibre Power (Slough) Limited	England & Wales	0	100	Power Generation	A
Fibre Fuel Limited	England & Wales	0	100	Dormant	A

SSE Generation Limited

Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)

15 Investments (continued)

Joint ventures and associates

Details of the joint ventures as at 31 March 2022 are as follows:

Investment	Country of incorporation	% Holding 2022	% Holding 2021	Nature of business	Registered address
Direct investments					
Marchwood Power Limited	England & Wales	0	50	Power Generation	E
The Glasa LLP	Scotland	0	90	Renewable Development	B
Indirect investments					
Seabank Power Limited	England & Wales	0	50	Power Generation	F
Baglan Pipeline Limited	England & Wales	0	50	Dormant	G
Central Park (Bristol) Management Company Limited	England & Wales	0	7	Management of real estate	H

Registered address key

Reference Registered Office:

A	No.1 Forbury Place, 43 Forbury Road, Reading. RG1 3JH
B	Inveralmond House, 200 Dunkeld Road, Perth. PH1 3AQ
C	Keadby Power Station Trentside, Keadby, Scunthorpe. DN17 3EF
D	Red Oak South, South County Business Park, Leopardstown, Dublin 18
E	Oceanic Way, Marchwood Industrial Park, Marchwood, Southampton. SO40 4BD
F	Severn Road, Hallen, Bristol. BS10 7SP
G	16 Axis Way Mallard Way, Swansea Vale, Swansea, SA7 0AJ
H	4th Floor, 1 James Street, London, W1U 1DR

SSE Generation Limited

Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)

16 Stock

	31 March 2022 £ m	31 March 2021 £ m
Fuel, spares and consumables	<u>2.5</u>	<u>8.3</u>

17 Trade and other debtors

	31 March 2022 £ m	31 March 2021 £ m
Trade debtors	8.7	20.6
Accrued income & prepayments	4.3	13.0
Amounts owed by group undertakings	45.8	64.2
Other debtors	<u>14.4</u>	<u>37.1</u>
	<u>73.2</u>	<u>134.9</u>

18 Creditors

Amounts falling due within one year

	31 March 2022 £ m	31 March 2021 £ m
Trade creditors	3.9	31.6
Amounts due to Group undertakings	130.0	562.8
Corporation tax payable	25.1	65.1
Accruals and deferred income	25.3	34.0
Current portion of long term lease liabilities	<u>2.5</u>	<u>31.7</u>
	<u>186.8</u>	<u>725.2</u>

19 Loans, borrowings and non-current lease obligations

	31 March 2022 £ m	31 March 2021 £ m
Non-current loans and borrowings		
Amounts due to Group undertakings	327.5	109.7
Finance lease liabilities	26.7	160.5
Loans and borrowings	<u>1,250.0</u>	<u>1,250.0</u>
	<u>1,604.2</u>	<u>1,520.2</u>

SSE Generation Limited

Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)

19 Loans, borrowings and non-current lease obligations (continued)

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.

	31 March 2022 £ m	31 March 2021 £ m
Creditors: falling due within one and 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	-
	<u>650.0</u>	<u>500.0</u>
Creditors: falling due after more than five years		
3.375% Loan Stock repayable to SSE plc 31 March 2026	-	150.0
2.25% Loan Stock repayable to SSE plc 30 September 2029	600.0	600.0
	<u>600.0</u>	<u>750.0</u>
	<u>1,250.0</u>	<u>1,250.0</u>

Lease liability maturity

The maturity of future lease liabilities are as follows:

	31 March 2022 £ m	31 March 2021 £ m
Within one year	2.6	50.1
Between one and five years	10.5	165.1
After five years	35.2	54.7
Less: future finance charge	<u>(19.1)</u>	<u>(77.7)</u>
Present value of lease obligations	<u>29.2</u>	<u>192.2</u>

The loans and borrowings classified as financial instruments are disclosed in the financial instruments note.

The company's exposure to market and liquidity risk; including maturity analysis, in respect of loans and borrowings is disclosed in the financial risk management and impairment note (note 21).

SSE Generation Limited

Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)

20 Other provisions

	Other provisions £ m	Decommissioning £ m	Total £ m
At 1 April 2021	0.8	84.4	85.2
Increase in existing provisions	-	20.1	20.1
Decrease through disposals	(0.8)	(37.9)	(38.7)
Provisions used	-	(0.1)	(0.1)
Increase due to passage of time or unwinding of discount	-	0.7	0.7
At 31 March 2022	<u>-</u>	<u>67.2</u>	<u>67.2</u>

None (2021: nil) of the provisions set out in the table above are classified as a current liability.

Decommissioning provision

In accordance with the Company's accounting policy a provision has been made for the decommissioning of the Company's wind farm assets. An inflation rate of 3.8% (2021: 1.8%) has been applied to inflate the base cost of the decommissioning provision to future value. For wind farm assets with expected decommissioning dates less than 10 years from the date of the balance sheet a discount rate of 1.6% (2021: 0.8%) has been applied to discount the decommissioning cost provision to present values. For wind farm assets with expected decommissioning dates 10 years or greater from the date of the balance sheet a discount rate of 1.8% (2021: 1.3%) has been applied.

The unwinding of discount rate in relation to decommissioning costs is charged to interest payable in the profit and loss account.

An increase of £20.1m was recognised in the year following a review of the estimated timing and quantum of costs associated with the Company's assets.

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 £7.9m

A decrease of 1% in the discount rate would result in an increase to the provision of £9.3m

An increase of 10% in the cost estimate for decommissioning would result in an increase to the provision of £6.2m 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 £6.2m and a corresponding adjustment to the decommissioning assets.

SSE Generation Limited

Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)

21 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:

	2022 Carrying value £ m	2022 Fair value £ m	2021 Carrying value £ m	2021 Fair value £ m
Financial assets				
Trade and other debtors	66.5	66.5	122.2	122.2
Financial liabilities				
Trade and other creditors	131.8	131.8	233.7	233.7
Intercompany creditors	454.8	454.8	674.4	674.4
Loan stock	1,250.0	1,250.0	1,250.0	1,250.0
Derivative financial liabilities (non-current)	621.4	621.4	160.1	161.0
Derivative financial liabilities (current)	<u>1,620.1</u>	<u>1,620.1</u>	<u>-</u>	<u>-</u>

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.

Recognised in profit and loss account

The amount of derivative re-measurement that has been recognised through profit and loss is as follows:

	2022 £ m	2021 £ m
Amounts recognised in profit and loss (loss)/ gain	<u>(2,090.3)</u>	<u>(288.9)</u>

22 Share capital

	31 March 2022 £ m	31 March 2021 £ m
Allotted, called up and fully paid:		
104,370,002 ordinary shares of £1 each	<u>104.4</u>	<u>104.4</u>

SSE Generation Limited

Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)

23 Dividends

Final dividends paid

	31 March 2022 £ m	31 March 2021 £ m
Final dividend of £Nil (2021 - £7.03) per each Ordinary shares	-	733.6

24 Commitments

Capital commitments

Capital expenditure contracted but not provided for at the reporting date amounted to £25.5m (2021: £37.5m).

Other financial commitments

In addition to the capital commitments disclosed above the Company has provided guarantees on behalf of other Group undertakings in respect of the performance of contracts of £30.5m (2021: £32.5m).

25 Parent and ultimate parent undertaking

Relationship between entity and parents

The Company's immediate parent changed on 23 July 2021 from SSE plc to SSE Renewables Ltd which is a wholly owned subsidiary of SSE plc. The largest and smallest group in which these financial statements are consolidated in is headed by SSE plc, incorporated in Scotland. 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 Group's website at www.sse.com.

26 Non adjusting events after the financial period

Post the balance sheet date the Company has made the following disposals

- On 1 July 2022 the Company transferred the assets and liabilities of the Hadyard Hill wind farm to a fellow Group company, SSE Renewables Wind Farms (UK) Limited, for the consideration of £18.7m.
- On 30 June 2022 the Company disposed of the Fiddlers Ferry site to Peel NRE Developments Limited for the consideration of £60m. A gain on sale of £60m has been recognised.