Registration number: 02764438

SSEPG (Operations) Limited

Directors report and Financial Statements

for the Year Ended 31 March 2021

SSEPG (Operations) Limited

Contents

SSEPG (Operations) Limited

Company Information

Directors	M Beattie
	C Cryans (resigned 24 June 2021)
	M Gillatt (resigned 16 December 2020)
	A M G Gray
	M R Hayward
	J Johnson
	A M J Rudd
	S Wheeler
	Z Zakir (appointed 22 June 2021)
Company secretary	S Fairbairn
Registered office	No.1 Forbury Place 43 Forbury Road Reading RG1 3JH
Auditors	Ernst & Young LLP G1 Building 5 George Square Glasgow G2 1DY
Registered number	02764438

SSEPG (Operations) Limited

Strategic Report for the Year Ended 31 March 2021

The directors present their report for the year ended 31 March 2021.

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 SSEPG (Operations) Limited.

The Strategic and Financial Review sets out the main trends and factors underlying the development and performance of SSEPG (Operations) Limited (the "Company") during the year ended 31 March 2021, as well as those matters which are likely to affect its future development and performance.

Fair review of the business

Financial performance
The profit and loss account for the year ended 31 March 2021 is set out on page 11. The profit for the year after taxation amounted to £0.9m (2020: profit of £0.5m). The balance sheet at 31 March 2021 is set out on page 12 and indicates net assets of £5.8m (2020: net assets of £4.9m).

Business performance overview
SSEPG (Operations) Limited is part of the SSE plc group (the 'Group'). The Company owns and operates 45MW of gas-fired capacity at Burghfield power station located near Reading and 45MW of gas-fired capacity at Chickerell power station located in Weymouth, Dorset. The stations generate electricity into the local Distribution Network Operators network and operate within the GB electricity market as a balancing market unit. The assets also generate revenue in the UK Capacity Market.

The Company has capacity contracts until September 2022.

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

Financial	**2021**	**2020**
	£m	**£m**
Turnover	6.8	7.5
Operating profit	1.2	1.0
Net assets	5.8	4.9

Company priorities in 2021/22 and beyond
The Company's priorities are to:

- comply fully with all safety, environmental and commercial requirements;
- ensure that operating assets are available to respond to customer demand, market conditions and meet contractual obligations; and
- operate power plants efficiently in order to achieve the optimum conversion of primary fuel into electricity.

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 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 Energy Markets Risk Committee which oversees any major policy changes. 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, uncertainties around ongoing decommissioning works and other factors. To mitigate these risks, regular maintenance work is performed at the power stations to avoid unplanned outage; competitor activity is monitored; financial derivative instruments are utilised to minimise exposure to fluctuations in the price of key commodities; regular reviews are carried out and expert independent assessment undertaken, together with the engagement of specialist contractors in relation to decommissioning activities; and the effectiveness of performance in all key areas is regularly reviewed by management.

The Company transacts with the other companies within the 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.

Approved by the Board on 30 September 2021 and signed on its behalf by:

Martin Beattie

Martin Beattie (Sep 30, 2021 14:44 GMT+1)

M Beattie
Director

Directors' Report for the Year Ended 31 March 2021

The directors present their report and the financial statements for the year ended 31 March 2021.

Principal activity
The principal activity of the Company is the operation of small-scale power plants. The stations generate electricity into the local DNO (SSE Networks) network and operates within the GB electricity market as a balancing market unit (BMU).

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.

Dividends
The directors do not recommend payment of a dividend (2020: £Nil) be made in respect of the financial year ended 31 March 2021.

Political and charitable donations
The Company did not make any political or charitable donations during the year (2020: £Nil).

Future developments
The Company is expected to continue to operate under its principal activities in the near future, which remain part of the Group's long-term strategy.

Going concern
The financial statements are prepared on a Going Concern basis which has been supported by the provision of a parental letter of support from SSE plc. The Group letter of support confirms it will provide support for a period of 12 months from the date of signing of these accounts where required. The directors are satisfied that the Group has the ability to provide this support, should it be required.

In assessing the financial strength of the letter of support provided, the directors considered the cash balance of £1.6bn at 31 March 2021, the undrawn committed bank facilities of £1.5bn maintained by the Group, the current commercial paper market conditions, the recent success of the Group in refinancing maturing debt, as well as sensitivities on future cashflow projections that reflect the impact of the coronavirus pandemic and the Group's credit rating. The directors also considered the proceeds received through the Group's disposal programme and mitigating actions available to the Group under downside scenarios including non-essential capex postponement and refinancing of maturing debt. In considering these factors, the directors satisfied themselves that the SSE plc group has sufficient headroom to continue as a going concern and could provide support to the business as required.

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

Assessing the impact of coronavirus
The directors have considered the impact of coronavirus on the future prospects of the Company. Due to the operations of the Company, the impact of the virus on the current year has been limited and the impact on future periods is also expected to be limited. The directors have also considered the expected impact of coronavirus on the Company and the Group in reaching their assessment of the Company's ability to continue as a going concern.

Brexit
On 31 December 2020, the UK transitioned out of the European Union. The directors have assessed that due to the nature of the Company's operations the impact of Brexit has been, and is expected to continue to be, minimal.

Important non adjusting events after the financial period
On 20th May 2021, subsequent to the year end, SSE Generation Limited sold its investments in the Company to SSE Thermal Generation Holdings Limited, a wholly owned subsidiary of SSE plc. Following this date the Company is now a wholly owned subsidiary of SSE Thermal Generation Holdings Limited.

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
In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 30 September 2021 and signed on its behalf by:

Martin Beattie
Martin Beattie (Sep 30, 2021 14:44 GMT+1)
....
M Beattie
Director

SSEPG (Operations) 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 group and company financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company will not continue in business.

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

Approved by the Board on 30 September 2021 and signed on its behalf by:

Martin Beattie

Martin Beattie (Sep 30, 2021 14:44 GMT+1)

M Beattie
Director

SSEPG (Operations) Limited

Independent Auditor's Report to the Members of SSEPG (Operations) Limited

Opinion
We have audited the financial statements of SSEPG (Operations) Limited (the 'Company') for the year ended 31 March 2021, which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

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 there is 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.

Independent Auditor's Report to the Members of SSEPG (Operations) Limited (continued)

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters 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 Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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.

Our approach was as follows:

- 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), and have spoken with the head of SSE regulation to confirm our understanding.
- We understood how SSEPG (Operations) Limited 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, regulatory correspondence and papers provided to the 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 from various parts of the business 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.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved: journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business and enquiries of legal counsel and management. 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.

Independent Auditor's Report to the Members of SSEPG (Operations) Limited (continued)

Ernst & Young LLP

Annie Graham (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor

G1 Building
5 George Square
Glasgow
G2 1DY

Date: 30/9/21

SSEPG (Operations) Limited

Profit and Loss Account for the Year Ended 31 March 2021

	Note	2021 £ m	2020 £ m
Turnover		6.8	7.5
Cost of sales		(5.6)	(6.5)
Operating profit	4	1.2	1.0
Interest payable and similar expenses	7	(0.1)	(0.2)
Profit before tax		1.1	0.8
Tax on profit	9	(0.2)	(0.3)
Profit for the year		0.9	0.5

The above results were derived from continuing operations.

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

The notes on pages 14 to 25 form an integral part of these financial statements.

SSEPG (Operations) Limited

(Registration number: 02764438)
Balance Sheet as at 31 March 2021

	Note	31 March 2021 £ m	31 March 2020 £ m
Fixed assets			
Tangible assets	10	3.5	4.0
Current assets			
Stocks		0.2	0.2
Debtors	11	4.3	7.6
		4.5	7.8
Current liabilities			
Creditors: amounts falling due within one year	12	(1.2)	(1.5)
Provisions	13	-	(0.2)
		(1.2)	(1.7)
Net current assets		3.3	6.1
Total assets less current liabilities		6.8	10.1
Creditors: Amounts falling due after more than one year			
Amounts due to Group undertakings	12	(0.2)	(4.6)
Provisions for liabilities	13	(0.8)	(0.6)
Net assets		5.8	4.9
Capital and reserves			
Called up share capital	14	1.2	1.2
Profit and loss account		(64.4)	(65.3)
Capital Contribution		69.0	69.0
Shareholders' funds		5.8	4.9

Approved by the Board on 30 September 2021 and signed on its behalf by:

Martin Beattie

Martin Beattie (Sep 30, 2021 14:44 GMT+1)

M Beattie
Director

The notes on pages 14 to 25 form an integral part of these financial statements.

SSEPG (Operations) Limited

Statement of Changes in Equity for the Year Ended 31 March 2021

	Share capital £ m	Retained earnings £ m	Capital contribution £ m	Total £ m
At 1 April 2019	1.2	(65.8)	69.0	4.4
Profit for the year	-	0.5	-	0.5
At 31 March 2020	1.2	(65.3)	69.0	4.9

	Share capital £ m	Retained earnings £ m	Capital contribution £ m	Total £ m
At 1 April 2020	1.2	(65.3)	69.0	4.9
Profit for the year	-	0.9	-	0.9
At 31 March 2021	1.2	(64.4)	69.0	5.8

The notes on pages 14 to 25 form an integral part of these financial statements.

1 General information

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

These financial statements were authorised for issue by the Board on 30 September 2021.

2 Accounting policies

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

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

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

Presentation currency
The presentation currency used in the financial statements is the Great British Pound (£), and the amounts have been presented in millions (m), rounded to the nearest hundred thousand.

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

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

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

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

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

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 it will provide support for a period of 12 months from the date of signing of these accounts where required. The directors are satisfied that the Group has the ability to provide this support, should it be required.

In assessing the financial strength of the letter of support provided, the directors considered the cash balance of £1.6bn at 31 March 2021, the undrawn committed bank facilities of £1.5bn maintained by the Group, the current commercial paper market conditions, the recent success of the Group in refinancing maturing debt, as well as sensitivities on future cashflow projections that reflect the impact of the coronavirus pandemic and the Group's credit rating. The directors also considered the proceeds received through the Group's disposal programme and mitigating actions available to the Group under downside scenarios including non-essential capex postponement and refinancing of maturing debt. In considering these factors, the directors satisfied themselves that the SSE plc group has sufficient headroom to continue as a going concern and could provide support to the business as required.

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

Changes in accounting policy

None of the other standards, interpretations and amendments effective for the first time from 1 April 2020 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.

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.

Energy related services

Where the Group has an ongoing obligation to provide contracted energy related services, revenues are recognised "over time" consistent with the customer receiving and consuming the benefits of that service across the expected contractual service period at the fixed contracted rate. Where the Group has an obligation to perform a specific service, revenues are recognised "point in time", following performance of the service at the fixed contracted consideration. No extended warranty periods are offered.

2 Accounting policies (continued)

Finance income and costs policy
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.

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

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

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

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

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

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

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

Asset class	Years
Generation assets	20 to 60

2 Accounting policies (continued)

Impairment
The carrying amount of the Company's property, plant and equipment (PP&E) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, or where there are indications that a previously recognised impairment loss has reduced. For PP&E assets that have previously been identified as exhibiting indications of impairment, the review of impairment will be performed annually until there is sufficient evidence to confirm that any potential impairment loss has been appropriately recognised, or until previously recognised impairment losses have been fully written back. In addition, financial assets measured at amortised cost are also reviewed for impairment annually.

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

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

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

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

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 non-current 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.

2 Accounting policies (continued)

Stock
Inventories are stated at the lower of cost and net realisable value.

The cost of stocks is based on the average price principle and includes the cost of acquiring the stocks and other expenditure incurred in order to bring them to their existing location and condition.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

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 estimated cost of decommissioning at the end of the useful lives of certain assets is reviewed periodically. Provision is made for the net present value of the estimated cost of decommissioning power stations at the end of the useful life. 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 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.

2 Accounting policies (continued)

Share capital
Ordinary shares are classified as equity.

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

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

Financial instruments

Accounting estimates and assumptions
The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of certain financial assets, liabilities, income and expenses.

The use of estimates and assumptions is principally limited to the determination of provisions for impairment and the decommissioning provision as explained in more detail below:-

Provisions for impairment
In determining impairment of financial assets, judgement is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

Decommissioning provision
Judgement is required when determining the decommissioning provision, in the estimation of the amount and timing of future cash flows as well as the discount rate used. Sensitivity analysis on the discount rate and future costs is included in note 13.

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:

Provisions
Future costs required to settle provisions. These liabilities are disclosed in note 13.

4 Operating profit

Arrived at after charging/(crediting)

	2021 £ m	2020 £ m
Depreciation expense	0.7	1.3

5 Staff costs

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

	2021 £ m	2020 £ m
Wages and salaries	0.6	1.1
Social security costs	-	0.1
Contributions to defined contribution pension plans	0.1	0.1
	0.7	1.3

The average number of persons employed by the Company (including directors) during the year was as follows:

	2021 No.	2020 No.
Average number of employees	8.0	13.0

6 Directors' remuneration

The total remuneration received by the directors for qualifying and non-qualifying services during the year was £2.3m (2020: £1.6m). The above value is for 8 directors (2020: 9), 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 £0.9m (2020: £0.6m) including Company pension contributions of £0.1m (2020: £0.1m) which were made to a money purchase scheme on their behalf.

7 Interest payable and similar expenses

	2021 £ m	2020 £ m
Interest payable to Group companies	0.1	0.2

8 Auditors' remuneration

The Company incurred an audit fee of £5,944 in the year (2020: £11,193). The fee in both the current and previous year was borne by another group company.

9 Income tax

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

	2021 £ m	2020 £ m
Current taxation		
UK corporation tax	0.2	0.1
Deferred taxation		
Arising from origination and reversal of temporary differences	-	0.2
Arising from changes in tax rates and laws	-	(0.1)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	-	0.1
Total deferred taxation	-	0.2
Tax expense in the profit and loss account	0.2	0.3

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2020 - higher than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021 £ m	2020 £ m
Profit before tax	1.1	0.8
Corporation tax at standard rate of 19% (2020: 19%)	0.2	0.2
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	-	0.1
Deferred tax expense from unrecognised temporary difference from a prior period	-	0.1
Deferred tax credit relating to changes in tax rates or laws	-	(0.1)
Total tax charge	0.2	0.3

Deferred tax

Deferred tax movement during the year:

	At 1 April 2020 £ m	At 31 March 2021 £ m
Tangible fixed assets	0.2	0.2
Provisions	0.1	0.1
Net tax assets/(liabilities)	0.3	0.3

9 Income tax (continued)

Deferred tax movement during the prior year:

	At 1 April 2019 £ m	Recognised in income £ m	At 31 March 2020 £ m
Tangible fixed assets	0.2	-	0.2
Provisions	0.3	(0.2)	0.1
Net tax assets/(liabilities)	0.5	(0.2)	0.3

The Government announced in the Budget on 3 March 2021 that the main rate of corporation tax will increase to 25% for the financial year beginning 1 April 2023. Prior to this date, the rate of corporation tax will remain at 19%. The increase to 25% rate was not substantively enacted at 31 March 2021, therefore the Company has continued to measure deferred tax balances at 19%. The Company has estimated that the increase to 25% would increase the Company's deferred tax assets by £78k.

10 Tangible assets

	Thermal Generation £ m	Assets under construction £ m	Decommissioning assets £ m	Total £ m
Cost or valuation				
At 1 April 2020	41.4	0.2	0.8	42.4
Additions	-	0.1	-	0.1
Transfers	0.3	(0.2)	-	0.1
At 31 March 2021	41.7	0.1	0.8	42.6
Depreciation				
At 1 April 2020	38.1	-	0.3	38.4
Charge for the year	0.6	-	0.1	0.7
At 31 March 2021	38.7	-	0.4	39.1
Carrying amount				
At 31 March 2021	3.0	0.1	0.4	3.5
At 31 March 2020	3.3	0.2	0.5	4.0

11 Trade and other debtors

	31 March 2021 £ m	31 March 2020 £ m
Trade debtors	0.4	0.3
Prepayments and accrued income	1.4	2.8
Amounts owed by Group undertakings	2.3	4.2
Deferred tax assets	0.2	0.3
	4.3	7.6

12 Creditors

Amounts falling due within one year

	31 March 2021 £ m	31 March 2020 £ m
Amounts owed to Group undertakings	0.8	1.1
Accruals and deferred income	0.2	0.3
Corporation tax payable	0.2	0.1
	1.2	1.5

12 Creditors (continued)

Amounts falling due after more than one year

	31 March 2021 £ m	31 March 2020 £ m
Amounts owed to Group undertakings	0.2	4.6

The amounts disclosed in the balance sheet as owed to related parties and falling due after more than one year are in respect of amounts advanced to the Company by its ultimate parent SSE plc. Interest is charged at 5.01% (2020: 5.06%).

13 Provisions

	Decommissioning £ m
At 1 April 2020	0.8
At 31 March 2021	0.8
Non-current liabilities	0.8

Decommissioning provision

In accordance with the Company's accounting policy a provision has been made for the decommissioning of the Company's power generation assets. A discount rate of 0.8% (2020: 0.8%) has been applied to discount the decommissioning cost provision to present values. The unwinding of discount rate in relation to decommissioning costs is charged to interest payable in the profit and loss account.

Sensitivity analysis

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

An increase of 1% in the discount rate would result in a decrease to the provision of £0.03m

A decrease of 1% in the discount rate would result in an increase to the provision of £0.03m

An increase of 10% in the cost estimate for decommissioning would result in an increase to the provision of £0.06m 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 £0.06m and a corresponding adjustment to the decommissioning assets.

14 Share capital

Allotted, called up and fully paid shares

	31 March 2021 No.	31 March 2021 £m	31 March 2020 No.	31 March 2020 £m
Ordinary of £1 each	1,200,002	1.2	1,200,002	1.2

15 Parent and ultimate parent undertaking

The Company's immediate parent is SSE Generation Limited. The largest and smallest group in which these financial statements are consolidated is headed by SSE plc, incorporated in the United Kingdom. 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. No other company's financial statements include the results of the Company.

16 Non adjusting events after the financial period

On 20th May 2021, subsequent to the year end, SSE Generation Limited sold its investments in the Company to SSE Thermal Generation Holdings Limited, a wholly owned subsidiary of SSE plc. Following this date the Company is now a wholly owned subsidiary of SSE Thermal Generation Holdings Limited.