

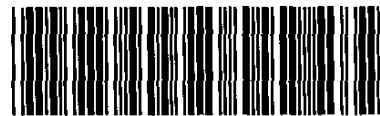
Registration number: 02764438

# SSEPG (Operations) Limited

Directors report and Unaudited Financial Statements

for the Year Ended 31 March 2023

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## **SSEPG (Operations) Limited**

### **Contents**

<i>Company Information</i>	1
Strategic Report	2 to 5
Directors' Report	6 to 7
<i>Statement of Directors' Responsibilities</i>	8
Profit and Loss Account	9
Balance Sheet	10
Statement of Changes in Equity	11
Notes to the Unaudited Financial Statements	12 to 24

## **SSEPG (Operations) Limited**

### **Company Information**

<b>Directors</b>	M Beattie
	H Z Bronwin (appointed 17 May 2022)
	C Cryans
	A M G Gray
	M R Hayward
	J Johnson
	A M J Rudd
	M Mackay (appointed 17 May 2022)
	C Raw (appointed 7 July 2022)
	Z Zakir
<b>Company secretary</b>	S Fairburn (resigned 7 July 2023)
	C C Swan (appointed 7 July 2023)
<b>Registered office</b>	No.1 Forbury Place
	43 Forbury Road
	Reading
	RG1 3JH
<b>Registered number</b>	02764438

## **SSEPG (Operations) Limited**

### **Strategic Report for the Year Ended 31 March 2023**

The directors present their report for the year ended 31 March 2023.

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 2023, 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 2023 is set out on page 9. The profit for the year after taxation amounted to £11.8m (2022: profit of £6.1m). The balance sheet at 31 March 2023 is set out on page 10 and indicates net assets of £23.7m (2022: net assets of £11.9m).

##### **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.

##### **UK Capacity Market**

Burghfield and Chickerell have capacity obligations until September 2024 and also have a contract for delivery in 2026/27.

##### **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.

##### **Company priorities in 2023/24 and beyond**

- deliver SHE improvement strategy to ensure compliance with environmental and safety obligations whilst ensuring systems and processes support employee health and wellbeing;
- implementation of our Asset Management framework in compliance with ISO 55001 optimising investment objective with market requirements;
- continue to build advocacy around a low-carbon thermal future, aligned with SSE's Net Zero Transition Plan and Net Zero Acceleration Programme;
- provide flexible and efficient gas-fired generation to complement the increasing levels of renewables on the electricity system and support security of supply;
- progress of digital infrastructure project.

## **SSEPG (Operations) Limited**

### **Strategic Report for the Year Ended 31 March 2023 (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 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.

## SSEPG (Operations) Limited

### Strategic Report for the Year Ended 31 March 2023 (continued)

#### Key performance indicators

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

Financial / Operational	2023	2022
	£m	£m
Turnover	42.7	13.4
Operating profit	14.6	7.4
Net assets	26.5	11.9

#### 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, for example, health and safety factors relating to the operation of Company's assets and to the overall financial health of the Company.

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 a business unit Executive Committee which reviews 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 business strategy; key risks; stakeholder-related matters; diversity and inclusion; environmental matters; corporate responsibility; 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 Committee.

The views of the Company's stakeholders are always considered where appropriate in decision making across the SSE Group. The mechanisms which are in place to assist the director's in understanding relevant views are set on page 2 to 3 of the Strategic Report. Information is generally provided in a range of different formats including specific reports and presentations on financial and operational performance, non-financial KPIs, risk, ESG (environmental, social and governance) matters and the outcomes of specific pieces of engagement, with the intended outcome being a rounded understanding of stakeholder issues and concerns.

## **SSEPG (Operations) Limited**

### **Strategic Report for the Year Ended 31 March 2023 (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; NGOs, communities and civil society; 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.

SSEPG (Operations) Limited sits within the SSE Thermal business unit and is represented on a dedicated Executive Committee of which all of the directors are part.

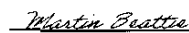
While there are cases where the directors may judge it appropriate to engage directly with certain stakeholder groups, the size and spread of both the Company's stakeholders and those of the SSE Group, of which the Company sits within, means that stakeholder engagement takes place at many different levels. 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 27 to 33 of the SSE plc Annual Report 2023.

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 on a quarterly basis at business unit level by business partners which represent the areas of Procurement and Corporate Affairs within 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.

For further details of the effect that the regard of such engagement has had on the principal decisions of the Company, please see the examples set out in the directors Section 172 statement.

Approved by the Board on 26 September 2023 and signed on its behalf by:

  
Martin Beattie [Sep 26, 2023 09:14 GMT+1]  
M Beattie  
Director

## **SSEPG (Operations) Limited**

### **Directors' Report for the Year Ended 31 March 2023**

The directors present their report and financial statement for SSEPG (Operations) Limited (the "Company") for the year ended 31 March 2023.

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

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

M Beattie

H Z Bronwin (appointed 17 May 2022)

C Cryans

A M G Gray

M R Hayward

J Johnson

A M J Rudd

M Mackay (appointed 17 May 2022)

C Raw (appointed 7 July 2022)

Z Zakir

In accordance with the Articles of Association of the Company the directors are not required to retire by rotation.

#### **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).

#### **Dividends**

The directors do not recommend payment of a dividend (2022: £nil).

#### **Political and charitable donations**

The Company did not make any political or charitable donations during the year (2022: £nil).



## **SSEPG (Operations) Limited**

### **Directors' Report for the Year Ended 31 March 2023 (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 2024 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 and cash equivalents balance of £891.8m at 31 March 2023, and the undrawn committed bank facilities of £2.75bn maintained by the Group. In coming to this conclusion, the Directors have taken into account the Group's credit rating and the successful issuance of £1.6bn of long term funding in the 22/23 financial year being a €1bn NC6 Hybrid at 4% in April 2022, a 7 year €650m Eurobond at a coupon of 2.875% and a £350m dual tranche US Private Placement. 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.

#### **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 34-66 of the Group's 2023 annual report

Approved by the Board on 26 September 2023 and signed on its behalf by:

  
.....  
Martin Beattie (Sep 26, 2023 09:14:11 AM +1)  
.....  
M Beattie  
Director

## **SSEPG (Operations) Limited**

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

The directors are responsible for preparing the annual report and 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 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 group and the company and of the profit or loss of the group and the company for that period.

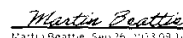
In preparing these financial statements the directors are required to:

- 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;
- in respect of the company financial statements, 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 26 September 2023 and signed on its behalf by:

  
Martin Beattie, Sep 26, 2023 09:14:01 GMT+1  
.....  
M Beattie  
Director

## **SSEPG (Operations) Limited**

### **Profit and Loss Account for the Year Ended 31 March 2023**

	<b>Note</b>	<b>2023 £ m</b>	<b>2022 £ m</b>
Turnover	4	42.7	13.4
Cost of sales		<u>(28.6)</u>	<u>(6.0)</u>
Operating profit	5	14.1	7.4
Interest receivable and similar income	8	<u>0.4</u>	<u>-</u>
Profit before tax		14.5	7.4
Tax on profit	9	<u>(2.7)</u>	<u>(1.3)</u>
Profit for the year		<u>11.8</u>	<u>6.1</u>

The above results were derived from continuing operations.

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

# SSEPG (Operations) Limited

(Registration number: 02764438)  
Balance Sheet as at 31 March 2023

	Note	31 March 2023 £ m	31 March 2022 £ m
<b>Fixed assets</b>			
Tangible assets	10	2.5	3.2
<b>Current assets</b>			
Stocks		0.1	0.2
Debtors	11	<u>28.8</u>	<u>11.8</u>
		28.9	12.0
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	12	<u>(6.2)</u>	<u>(2.1)</u>
<b>Net current assets</b>		<u>22.7</u>	<u>9.9</u>
<b>Total assets less current liabilities</b>		25.2	13.1
<b>Provisions for liabilities</b>	13	<u>(1.5)</u>	<u>(1.2)</u>
<b>Net assets</b>		<u>23.7</u>	<u>11.9</u>
<b>Capital and reserves</b>			
Called up share capital	14	1.2	1.2
Profit and loss account		(46.5)	(58.3)
Capital Contribution		<u>69.0</u>	<u>69.0</u>
Shareholders' funds		<u>23.7</u>	<u>11.9</u>

For the financial year ending 31 March 2023 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

Approved by the Board on 26 September 2023 and signed on its behalf by:

Martin Beattie  
M Beattie  
Director

## SSEPG (Operations) Limited

### Statement of Changes in Equity for the Year Ended 31 March 2023

	Share capital £ m	Retained earnings £ m	Capital contribution £ m	Total £ m
At 1 April 2021	1.2	(64.4)	69.0	5.8
Profit for the year	-	6.1		6.1
At 31 March 2022	<u>1.2</u>	<u>(58.3)</u>	<u>69.0</u>	<u>11.9</u>

	Share capital £ m	Retained earnings £ m	Capital contribution £ m	Total £ m
At 1 April 2022	1.2	(58.3)	69.0	11.9
Profit for the year	-	11.8	-	11.8
Total comprehensive income	-	11.8	-	11.8
At 31 March 2023	<u>1.2</u>	<u>(46.5)</u>	<u>69.0</u>	<u>23.7</u>

The notes on pages 12 to 24 form an integral part of these financial statements.

## **SSEPG (Operations) Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 March 2023**

#### **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 26 September 2023.

#### **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.*

The functional currency of the Company and the presentational currency of these financial statements is pounds sterling. The financial statements have been presented in round [thousands/millions].

##### **Functional currency and presentation currency**

The functional currency and 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.

## **SSEPG (Operations) Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 March 2023 (continued)**

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

##### **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 intangible assets with an indefinite useful life; 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.

##### **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 2024 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 and cash equivalents balance of £891.8m at 31 March 2023, and the undrawn committed bank facilities of £2.75bn maintained by the Group. In coming to this conclusion, the Directors have taken into account the Group's credit rating and the successful issuance of £1.6bn of long term funding in the 22/23 financial year being a €1bn NC6 Hybrid at 4% in April 2022, a 7 year €650m Eurobond at a coupon of 2.875% and a £350m dual tranche US Private Placement. 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 2022 have had a material effect on the financial statements.

## **SSEPG (Operations) Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 March 2023 (continued)**

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

##### **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.

###### *Ancillary services*

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.

##### **Finance income and costs policy**

Interest income and costs are recognised in the profit and loss account 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 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.



## **SSEPG (Operations) Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 March 2023 (continued)**

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

##### **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 Thermal Generation asset class, to enhance understanding of the Company's financial position. The assets are recognised and valued as disclosed within the Company's provisions policy.

##### **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:

	<b>Years</b>
Generation assets	20 to 60

## **SSEPG (Operations) Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 March 2023 (continued)**

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

##### ***Impairment***

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 thermal generation 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.

The carrying amount of the company's property, plant and equipment (PP&E) and intangible assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, or where there are indications that a previously recognised impairment loss has reduced. For PP&E assets that have previously been identified as exhibiting indications of impairment, the review of impairment will be performed annually until there is sufficient evidence to confirm that any potential impairment loss has *been appropriately recognised, or until previously recognised impairment losses have been fully written back*. For intangible assets with an indefinite life or which are not yet ready for use, the test for impairment is carried out 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.

If the carrying amount of the asset exceeds its recoverable amount, an impairment charge will be recognised immediately in the profit and loss account. Reversals of previous impairment charges are recognised if the recoverable amount of the asset significantly exceeds the carrying amount.

Value in use (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.

## **SSEPG (Operations) Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 March 2023 (continued)**

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

##### **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.

##### **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 profit and loss 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.

## **SSEPG (Operations) Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 March 2023 (continued)**

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

##### *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.

##### **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 the Company 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**

The Company reviews the carrying amounts of specific property, plant and equipment assets to determine whether any impairment of the carrying value of those assets requires to be recorded. In conducting its reviews, the Company makes estimates and assumptions when considering the calculation of recoverable amount of the respective assets.

Changes to the estimates and assumptions on factors such as regulation and legislation changes, power, gas and carbon prices, plant running regimes and load factors, discount rates and other inputs could impact the assessed recoverable value of assets and consequently impact the Company's profit and loss account and balance sheet.

##### **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.

## **SSEPG (Operations) Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 March 2023 (continued)**

#### **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 Turnover**

The analysis of the company's revenue for the year from continuing operations is as follows:

	<b>2023</b>	<b>2022</b>
	<b>£ m</b>	<b>£ m</b>
Sale of goods	<u>42.7</u>	<u>13.4</u>

#### **5 Operating profit**

Arrived at after charging/(crediting)

	<b>2023</b>	<b>2022</b>
	<b>£ m</b>	<b>£ m</b>
Deprcciation expense	<u>0.8</u>	<u>0.8</u>

#### **6 Staff costs**

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

	<b>2023</b>	<b>2022</b>
	<b>£ m</b>	<b>£ m</b>
Wages and salaries	0.4	0.5
Pension costs	<u>0.1</u>	<u>0.1</u>
	<u>0.5</u>	<u>0.6</u>

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

	<b>2023</b>	<b>2022</b>
	<b>No.</b>	<b>No.</b>
Average number of employees	<u>7.0</u>	<u>7.0</u>

## SSEPG (Operations) Limited

### Notes to the Unaudited Financial Statements for the Year Ended 31 March 2023 (continued)

#### 7 Directors' remuneration

The total remuneration received by the directors for qualifying and non-qualifying services during the year was £2.9m (2022: £2.2m). The above value is for 10 directors (2022: 8), 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 £0.5m (2022: £0.7m) including Company pension contributions of £0.1m (2022: £0.1m) which were made to a money purchase scheme on their behalf.

#### 8 Interest receivable and similar income

	2023 £ m	2022 £ m
Interest receivable from Group companies	<u>0.4</u>	<u>-</u>

#### 9 Income tax

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

	2023 £ m	2022 £ m
<b>Current taxation</b>		
UK corporation tax	2.8	1.4
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	<u>(0.1)</u>	<u>(0.1)</u>
Tax expense in the profit and loss account	<u>2.7</u>	<u>1.3</u>

## SSEPG (Operations) Limited

### Notes to the Unaudited Financial Statements for the Year Ended 31 March 2023 (continued)

#### 9 Income tax (continued)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2022 - lower than the standard rate of corporation tax in the UK) of 19% (2022 - 19%).

The differences are reconciled below:

	2023 £ m	2022 £ m
Profit before tax	<u>14.5</u>	<u>7.4</u>
Corporation tax at standard rate of 19% (2022: 19%)	2.8	1.4
Deferred tax credit relating to changes in tax rates or laws	<u>(0.1)</u>	<u>(0.1)</u>
Total tax charge	<u>2.7</u>	<u>1.3</u>

#### Deferred tax

Deferred tax movement during the year:

	At 1 April 2022 £ m	Recognised in income £ m	At 31 March 2023 £ m
Tangible fixed assets	0.2	0.1	0.3
Provisions	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>
Net tax assets/(liabilities)	<u>0.3</u>	<u>0.1</u>	<u>0.4</u>

## SSEPG (Operations) Limited

### Notes to the Unaudited Financial Statements for the Year Ended 31 March 2023 (continued)

#### 9 Income tax (continued)

Deferred tax movement during the prior year:

	At 1 April 2021 £ m	At 31 March 2022 £ m
Tangible fixed assets	0.2	0.2
Provisions	0.1	0.1
Net tax assets/(liabilities)	<u>0.3</u>	<u>0.3</u>

The 2021 Budget announcement, to increase the main corporation tax rate to 25%, effective from 1 April 2023, was substantively enacted on 24 May 2021. Prior to 1 April 2023, the rate of corporation has remained at 19%. Deferred tax has been calculated based on the rate of 25% substantively enacted as at the balance sheet date.

#### 10 Tangible assets

	Assets under construction £ m	Decommissioning assets £ m	Thermal Generation £ m	Total £ m
<b>Cost or valuation</b>				
At 1 April 2022	0.1	1.3	41.7	43.1
Additions	-	0.2	-	0.2
Transfers	<u>(0.1)</u>	<u>-</u>	<u>0.1</u>	<u>-</u>
At 31 March 2023	<u>-</u>	<u>1.5</u>	<u>41.8</u>	<u>43.3</u>
<b>Depreciation</b>				
At 1 April 2022	-	0.4	39.5	39.9
Charge for the year	<u>-</u>	<u>0.1</u>	<u>0.8</u>	<u>0.9</u>
At 31 March 2023	<u>-</u>	<u>0.5</u>	<u>40.3</u>	<u>40.8</u>
<b>Carrying amount</b>				
At 31 March 2023	<u>-</u>	<u>1.0</u>	<u>1.5</u>	<u>2.5</u>
At 31 March 2022	<u>0.1</u>	<u>0.9</u>	<u>2.2</u>	<u>3.2</u>



## SSEPG (Operations) Limited

### Notes to the Unaudited Financial Statements for the Year Ended 31 March 2023 (continued)

#### 11 Trade and other debtors

	31 March 2023 £ m	31 March 2022 £ m
Trade debtors	1.1	0.1
Prepayments and accrued income	0.5	0.9
Amounts owed by Group undertakings	26.8	10.4
Deferred tax assets	0.4	0.4
	<u>28.8</u>	<u>11.8</u>

#### 12 Creditors

*Amounts falling due within one year*

	31 March 2023 £ m	31 March 2022 £ m
Trade creditors	0.2	0.1
Amounts owed to Group undertakings	2.2	0.4
Accruals and deferred income	1.0	0.2
Corporation tax payable	2.8	1.4
	<u>6.2</u>	<u>2.1</u>

#### 13 Provisions

	Decommissioning £ m
At 1 April 2022	1.2
Additional provisions	<u>0.3</u>
At 31 March 2023	<u>1.5</u>
Non-current liabilities	<u>1.5</u>

#### *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 3.5% (2022: 1.6%) 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.

## **SSEPG (Operations) Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 March 2023 (continued)**

#### **13 Provisions (continued)**

##### *Sensitivity analysis*

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

An increase of 1% in the discount rate would result in a decrease to the provision of £0.02m

A decrease of 1% in the discount rate would result in an increase to the provision of £0.02m

An increase of 10% in the cost estimate for decommissioning would result in an increase to the provision of £0.04m 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 £0.04m and a corresponding adjustment to the decommissioning assets.

#### **14 Share capital**

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

	<b>31 March 2023</b>		<b>31 March 2022</b>	
	<b>No.</b>	<b>£m</b>	<b>No.</b>	<b>£m</b>
Ordinary of £1 each	<u>1,200,002</u>	<u>1.2</u>	<u>1,200,002</u>	<u>1.2</u>

#### **15 Parent and ultimate parent undertaking**

The Company's immediate parent is SSE Thermal Generation Holdings 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](http://www.sse.com). No other company's financial statements include the results of the Company.