Registration number: 03486590

Slough Utility Services Limited

Directors report and Financial Statements

for the Year Ended 31 March 2021

Slough Utility Services Limited

Contents

Slough Utility Services Limited

Company Information

Directors

P Clements

M Hayward

Company secretary

M S Khalid

Registered office

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

Auditors

Ernst & Young LLP
Apex Plaza
Forbury Road
Reading
Berkshire
RG1 1YE

Registered number

03486590

Slough Utility Services 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 Slough Utility Services Limited.

The Strategic and Financial Review sets out the main trends and factors underlying the development and performance of Slough Utility Services 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

The Company operates and maintains a package generation plant in order to produce heat and steam which, together with treated drinking water from a private supply, is distributed to industrial and commercial customers. The plant also has the capability to generate up to 8MW of electricity.

Whilst the Company owns the plant, operational staffing is provided through Slough Heat and Power Limited. Slough Heat and Power Limited being the service company for the Slough Heat and Power group of companies located at Slough, Berkshire, of which, the Company is a member.

Financial performance

The profit and loss account for the year ended 31 March 2021 shows the loss for the year after taxation amounted to £637k (2020: loss of £1,227k). The balance sheet at 31 March 2021 indicates net liabilities of £10,852k (2020: net liabilities of £10,215k).

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

	31 March 2021 £ 000	31 March 2020 £ 000
Revenue	1,734	2,219
Gross profit	101	267
Operating loss	(556)	(820)
Loss before tax	(726)	(1,428)
Loss after tax	(637)	(1,227)
Net liabilities	(10,852)	(10,215)
Total assets	4,093	5,126

Internal Control

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

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

Principal risks and uncertainties
The Company transacts with other companies within the SSE plc group and is a key part of the Group's business and strategies. The principal risks and uncertainties faced by the Group are set out in the SSE plc Annual Report 2021.

Financial Risk
The main financial risks that the Company could face have been considered by the directors and the Group's Risk and Trading Committee. These include mechanical failure of the Company's plant, availability of fuel, wholesale market prices of electricity, gas and other commodities, economic regulation and government policies. Regular maintenance programs are in place to monitor the effective and efficient output of the plant. Management meetings are held at least monthly to address current market factors.

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 future periods is expected to be limited. The Directors have considered the expected impact of coronavirus in reaching their assessment of the Company's ability to continue as a going concern.

Brexit
The Directors are aware of the political uncertainty as the UK transitions out of the European Union. Due to the nature of operations of the Company, with all trading taking place solely within the UK, the impact of Brexit was minimal in the year ended 31 March 2021 and is expected to still be minimal in the year ending 31 March 2022.

Approved by the Board on 07/12/2021 and signed on its behalf by:

P E Clements (Dec 7, 2021 20:02 GMT)
P Clements
Director

Slough Utility Services Limited

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.

Directors' of the company

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

P Clements (appointed 4 November 2020)

M Hayward

J Mullen (ceased 4 November 2020)

Principal activity

The principal activity of the company is the distribution and supply of water, steam and heat to industrial and commercial customers on the Slough Trading Estate.

Dividends

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

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

The directors are aware of the political uncertainty as the UK transitions out of the European Union. Due to the nature of operations of the Company, the impact of Brexit was minimal in the year ended 31 March 2021 and is expected to still be minimal in the year ending 31 March 2022

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

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

Approved by the Board on 07/12/2021 and signed on its behalf by:

P E Clements (Dec 7, 2021 20:02 GMT)

P Clements
Director

Slough Utility Services Limited

Statement of Directors' Responsibilities

The Directors acknowledge their responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 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.

Approved by the Board on 07/12/2021 and signed on its behalf by:

P E Clements (Dec 7, 2021 20:02 GMT)

P Clements
Director

Independent Auditor's Report to the Members of Slough Utility Services Limited

Opinion

We have audited the financial statements of Slough Utility Services Limited for the year ended 31 March 2021 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 16, 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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the 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 31 December 2022.

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.

We have nothing to report in this regard.

Independent Auditor's Report to the Members of Slough Utility Services Limited (continued)

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.

Independent Auditor's Report to the Members of Slough Utility Services Limited (continued)

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 (FRS 101 and Companies Act 2006) and relevant tax compliance regulations in the UK.
- We understood how the Company is complying with those frameworks by making enquiries of management and those charged with governance to understand how the Company maintains and communicated its policies and procedures in these areas and corroborated this by reviewing supporting documentation. We corroborated our enquiries through our review of the board minutes, and we noted no such contradictory evidence.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they consider there was susceptibility to fraud. We considered the programmes and controls that the company has established to address risks identified, or that prevent, deter and detect fraud, and how senior management monitors those programmes and controls at a group level. Where the risk was considered to be higher, we performed audit procedures to address the identified fraud risk, management override of controls.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business and enquiries of management and those charged with governance. In addition, we completed procedures to conclude on the compliance of the disclosures in the financial statements and accounts with all applicable requirements.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by considering there to be a potential for management override to achieve revenue targets via topside manual journal entries posted to revenue, further identifying revenue and deferred income to be a fraud risk area. We performed walkthroughs of significant classes of revenue transactions to understand significant processes and identify and assess the design effectiveness of key controls. We used data analytics tools to perform a correlation analysis to identify those revenue journals for which the corresponding entry was not to cash. These identified entries included VAT, accrued income and deferred income, and we obtained corroborating evidence for such entries. We verified the recognition and measurement of revenue by tracing a sample of transactions, selected at random throughout the year, to cash banked to verify the accuracy of reported revenue, also included a random sample, at year end to verify the appropriate cut-off of revenue.

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.

Independent Auditor's Report to the Members of Slough Utility Services Limited (continued)

Use of our report

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

Ernst & Young LLP

Emily Butler (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor

Apex Plaza
Forbury Road
Reading
Berkshire
RG1 1YE

Date: 9 December 2021

Slough Utility Services Limited

Profit and Loss Account for the Year Ended 31 March 2021

	Note	2021 £ 000	2020 £ 000
Turnover	3	1,734	2,219
Cost of sales		(1,633)	(1,952)
Gross profit		101	267
Administrative expenses		(657)	(1,087)
Operating loss	5	(556)	(820)
Interest payable and similar expenses	7	(330)	(608)
Other gains	4	160	-
Loss before tax		(726)	(1,428)
Tax on loss	9	89	201
Loss for the year		(637)	(1,227)

The above results were derived from continuing operations.

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

Slough Utility Services Limited

(Registration number: 03486590)
Balance Sheet as at 31 March 2021

	Note	31 March 2021 £ 000	31 March 2020 £ 000
Fixed assets			
Tangible assets	10	3,145	3,335
Deferred tax assets	9	275	315
		3,420	3,650
Current assets			
Debtors: amounts falling due within one year	11	647	1,476
Debtors: amounts falling due after more than one year	11	26	-
		673	1,476
Current liabilities			
Creditors: amounts falling due within one year	12	(2,852)	(3,515)
Net current liabilities		(2,178)	(2,039)
Total assets less current liabilities		1,241	1,611
Creditors: Amounts falling due after more than one year			
Amounts due to related parties	12	(11,822)	(10,895)
Long term lease liabilities	13	-	(656)
		(11,822)	(11,551)
Provisions for liabilities	14	(271)	(275)
Net liabilities		(10,852)	(10,215)
Capital and reserves			
Called up share capital	15	-	-
Capital Contribution		3,095	3,095
Profit and loss account		(13,947)	(13,310)
Shareholders' deficit		(10,852)	(10,215)

Approved by the Board on 07/12/2021 and signed on its behalf by:

P.F.Clements (Dec 7, 2021 20:02 GMT)......
P Clements
Director

Slough Utility Services Limited

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

	Share capital £ 000	Capital Contribution £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2020	-	3,095	(13,310)	(10,215)
Loss for the year	-	-	(637)	(637)
At 31 March 2021	-	3,095	(13,947)	(10,852)

	Share capital £ 000	Capital Contribution £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2019	-	3,095	(11,964)	(8,869)
Change in accounting policy - IFRS 16	-	-	(119)	(119)
At 1 April 2019 (As restated)	-	3,095	(12,083)	(8,988)
Loss for the year	-	-	(1,227)	(1,227)
At 31 March 2020	-	3,095	(13,310)	(10,215)

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 the United Kingdom.

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.

The financial statements are prepared in GBP (£) and the balances presented have been rounded to the nearest 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 standards, interpretations and amendments effective for the first time from 1 April 2020 have had a material effect on the financial statements.

Revenue recognition

Revenue comprises the income from the supply of water and the distribution of heat and steam via private networks, excluding value added tax, and associated chargeable events in relation to ongoing management of the network on behalf of new and existing customers. All Revenue arises in the UK. Revenue is recognised at the same point in time as the performance obligation to supply the end user with water, heat or steam is met.

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.

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.

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	18
Decommissioning assets	14

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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

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

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

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.

2 Accounting policies (continued)

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 of the facilities. 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, including any residual scrap proceeds expected, 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.

Leases

Definition

A lease is a contract, or a part of a contract, that conveys the right to use an asset or a physically distinct part of an asset ("the underlying asset") for a period of time in exchange for consideration. Further, the contract must convey the right to the company to control the asset or a physically distinct portion thereof. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the company has the right to:

· Obtain substantially all the economic benefits from the use of the underlying asset, and;
· Direct the use of the underlying asset (e.g. direct how and for what purpose the asset is used)

Initial recognition and measurement

The company initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.
The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.
The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the company's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.

2 Accounting policies (continued)

Subsequent measurement

After the commencement date, the company measures the lease liability by:
(a) Increasing the carrying amount to reflect interest on the lease liability;
(b) Reducing the carrying amount to reflect the lease payments made; and
(c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.
Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are [presented separately as non-operating /included in finance cost] in the income statement, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises.
The related right-of-use asset is accounted for using the Cost model in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment as disclosed in the accounting policy for Property, Plant and Equipment. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in impairment.

Share capital

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

3 Revenue

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

	2021 £ 000	2020 £ 000
Steam and water supply	1,729	2,058
Network management	5	160
	1,734	2,219

4 Other gains and losses

The analysis of the company's other gains and losses for the year is as follows:

	2021 £ 000	2020 £ 000
Gain from termination of lease	160	-

The Company terminated a lease on 20 November 2020, by mutual agreement with the lessor. A gain £160k was recognised, being the difference between the Right of Use asset with net book value of £545k and the lease liability of £705k.

5 Operating loss

Arrived at after charging

	2021 £ 000	2020 £ 000
Depreciation expense	97	103

6 Directors' remuneration

The total remuneration received by the directors for qualifying and non-qualifying services during the year was £516k (2020: £472k). The above value is for 3 directors (2020: 2), 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 £375k (2020: £334k) including company pension contributions of £49k (2020: £48k) which were made to a money purchase scheme on their behalf.

7 Interest payable and similar expenses

	2021 £ 000	2020 £ 000
Interest payable to Group companies	304	542
Lease obligations - unwind of discount rate	24	62
Decommissioning provision - unwind of discount	2	4
	330	608

8 Auditors' remuneration

The company incurred an audit fee of £10,190 in the year (2020: £19,188). 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 £ 000	2020 £ 000
Current taxation		
UK corporation tax	(129)	(224)
Prior year adjustment	-	-
	(129)	(224)
Deferred taxation		
Arising from origination and reversal of temporary differences	42	59
Adjustment in respect of prior years	(2)	-
Effect of change in tax rate		36
	40	23
Tax receipt in the profit and loss account	(89)	(201)

The tax on loss before tax for the year is lower 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 £ 000	2020 £ 000
Loss before tax	(726)	(1,428)
Corporation tax at standard rate of 19% (2019: 19%)	(138)	(271)
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	1	-
Increase from transfer pricing adjustments	50	93
Deferred tax credit from unrecognised temporary difference from a prior period	(2)	-
Increase from utilisation of provision not deductible for tax purposes	-	9
Increase from effect of capital allowances in excess of depreciation	-	5
Deferred tax credit relating to changes in tax rates or laws	-	(37)
Total tax credit	(89)	(201)

9 Income tax (continued)

Deferred tax

Deferred tax movement during the year:

	At 1 April 2020 £ 000	Recognised in income £ 000	At 31 March 2021 £ 000
Revaluation of property, plant and equipment	238	16	254
Provisions	52	(31)	21
Transition adjustments arising from first time adoption	25	(25)	-
Net tax assets/(liabilities)	315	(40)	275

Deferred tax movement during the prior year:

	At 1 April 2019 £ 000	Recognised in income £ 000	Recognised in equity £ 000	At 31 March 2020 £ 000
Revaluation of property, plant and equipment	216	22	-	238
Provisions	97	(45)	-	52
Transition adjustments arising from first time adoption	-	-	25	25
Net tax assets/(liabilities)	313	(23)	25	315

Increase in Corporation Tax rate

The UK Budget 2021 announcements on 3 March 2021, subsequent to the balance sheet date, included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end. If the company's deferred tax balances at the period end were remeasured at 25% this would result in a deferred tax credit of £87k.

10 Tangible assets

	Right of Use assets £ 000	Assets under construction £ 000	Decommissioning assets £ 000	Thermal Generation £ 000	Total £ 000
Cost or valuation					
At 1 April 2020	573	1,944	289	40,508	43,314
Additions	-	452	-	-	452
Disposals	(573)	-	-	-	(573)
At 31 March 2021	-	2,396	289	40,508	43,193
Depreciation					
At 1 April 2020	17	-	93	39,869	39,979
Charge for the year	11	-	33	53	97
Eliminated on disposal	(28)	-	-	-	(28)
At 31 March 2021	-	-	126	39,922	40,048
Carrying amount					
At 31 March 2021	-	2,396	163	586	3,145
At 31 March 2020	556	1,944	196	638	3,335

A disposal of £573k was recognised in Right of Use assets, in relation to the surrender of a lease agreement.

11 Trade and other debtors

Amounts falling due within one year:

	31 March 2021 £ 000	31 March 2020 £ 000
Trade debtors	122	687
Amounts due from related parties	-	330
Accrued income	181	235
Other debtors	191	-
Income tax receivable	153	224
	647	1,476

Amounts falling due after more than one year:

	31 March 2021 £ 000	31 March 2020 £ 000
Amounts due from related parties	26	-

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 4.01%. There is no fixed repayment term for the amounts disclosed as owed to related parties and it has been confirmed by SSE plc that the amounts will not be called upon within the next twelve months.

12 Creditors

Amounts falling due within one year

	31 March 2021 £ 000	31 March 2020 £ 000
Trade creditors	204	304
Accrued expenses	45	31
Amounts due to related parties	2,324	2,947
Other creditors	56	52
Current portion of long term lease liabilities	-	43
Deferred income	223	138
	2,851	3,515

Amounts falling due after more than one year

	31 March 2021 £ 000	31 March 2020 £ 000
Amounts due to related parties	11,822	10,895

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%). There is no fixed repayment term for the amounts disclosed as owed to related parties and it has been confirmed by SSE plc that the amounts will not be called upon within the next twelve months.

13 Leases

Leases included in creditors

	31 March 2021 £ 000	31 March 2020 £ 000
Current portion of long term lease liabilities	-	43
Non current portion of long term lease liabilities	-	656
	-	699

Lease liability maturity analysis

	31 March 2021 £ 000	31 March 2020 £ 000
Within one year	-	44
Between one and five years	-	176
After five years	-	1,205
Less: future finance charge	-	(726)
Present value of lease obligations	-	699

13 Leases (continued)

The existing lease for premises was surrendered on 20 November 2020, with a corresponding gain recognised in the year as detailed in note 4.

14 Other provisions

	Decommissioning £ 000
At 1 April 2020	275
Provisions used	(6)
Increase due to passage of time or unwinding of discount	2
At 31 March 2021	271
Non-current liabilities	271

Decommissioning provision

In accordance with the company's accounting policy a provision has been made for the decommissioning of the company's wind farms / power stations / 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.

Decommissioning costs of £6k were incurred in the year.

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 £25k

A decrease of 1% in the discount rate would result in an increase to the provision of £26k

An increase of 10% in the cost estimate for decommissioning would result in an increase to the provision of £56k 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 £56k and a corresponding adjustment to the decommissioning assets.

15 Share capital

Allotted, called up and fully paid shares

	31 March 2021		31 March 2020	
	No.	**£**	**No.**	**£**
Ordinary shares of £1 each	2	2	2	2

16 Parent and ultimate parent undertaking

The company's immediate parent is Slough Heat & Power Ltd.

The ultimate parent is SSE plc. These financial statements are available upon request from the Company Secretary, SSE plc, Inveralmond House, 200 Dunkeld Road, Perth, PH1 3AQ, or by accessing the Company's website at www.sse.com.

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is SSE plc, incorporated in Scotland. The consolidated financial statements of the Group (which include the Company) are available from the Company Secretary, SSE plc, Inveralmond House, 200 Dunkeld Road, Perth, PH1 3AQ or by accessing the parent company's website at www.sse.com.

The address of SSE plc is:
Inveralmond House, 200 Dunkeld Road, Perth, PH1 3AQ