Registration number: SC259104

SSE Toddleburn Limited

Directors report and Financial Statements

for the Year Ended 31 March 2022

SSE Toddleburn Limited

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SSE Toddleburn Limited

Company Information

Directors	P Cooley E Harley F McCutcheon B O'Regan A Malone A Shah S Wheeler
Company secretary	B O'Connor
Registered office	Inveralmond House, 200 Dunkeld Road, Perth PH1 3AQ
Bankers	National Westminster Bank 13 Market Place Reading RG1 2EG
Auditors	Ernst & Young LLP G1 Building 5 George Square Glasgow G2 1DY
Registered number	SC259104

SSE Toddleburn Limited

Directors' Report for the Year Ended 31 March 2022

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

Directors' of the company
The directors, who held office during the year, were as follows:

P Cooley

J Downes (ceased 1 April 2022)

E Harley

A Honeyman (ceased 31 December 2021)

B O'Regan

J Smith (ceased 1 February 2022)

J Williamson (ceased 1 April 2022)

A Shah (appointed 15 September 2021)

S Wheeler (appointed 1 January 2022)

The following directors were appointed after the year end:

F McCutcheon (appointed 1 April 2022)

A Malone (appointed 1 April 2022)

Principal activity
The principal activity of SSE Toddleburn Limited (the "Company") is the generation of electricity from its 27.6MW windfarm in Scotland. The Company is part of the SSE Group (the "Group"). All sales of electricity are made to a fellow Group company, SSE EPM Limited.

Dividends
The directors do not recommend payment of a dividend in respect of the financial year ended 31 March 2022 (2021: £nil).

Donations
During the year the Company made no political or charitable donations (2021: Nil).

Company priorities in 2022/23 and beyond
There are limited future developments expected for the Company. 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.

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

	2022 £ m	2021 £ m
Financial key performance indicators		
Revenue	12.1	6.0
Profit before tax	7.4	2.4
Operating profit	8.1	3.1
Net assets	8.2	3.1

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

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

In assessing the financial strength of the letter of support provided, the directors considered the cash balance of £289.3m at 30 September 2022, the committed bank facilities of £2.5bn maintained by the Group (including the £1.0bn facility entered into in November 2022), and the current commercial paper market conditions including the Group's success in refinancing maturing debt with the issuance of £2.1bn of long and short term debt since 31 March 2022 and the issuance of £831.4m of hybrid equity in April 2022, and the Group's credit rating. The Group's period of going concern assessment is performed to 31 December 2023, 21 months from the balance sheet date, which is at least 12 months from the filing deadline of its subsidiary companies. The directors are not aware of any subsequent events that would have a material impact on the going concern assessment. 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.

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 19 December 2022 and signed on its behalf by:

Barry O'Regan (Dec 19, 2022 13:40 GMT+1)
B O'Regan
Director

SSE Toddleburn Limited

Statement of Directors' Responsibilities

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

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

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

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

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

Approved by the Board on 19 December 2022 and signed on its behalf by:

B O'Regan
Barry O'Regan (Dec 19, 2022 13:40 GMT+1)
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B O'Regan
Director

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

Opinion

We have audited the financial statements of SSE Toddleburn Limited for the year ended 31st March 2022 which comprise the Profit and Loss Account, the Balance Sheet, the statement of changes in equity and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SSE TODDLEBURN LIMITED (continued)

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SSE TODDLEBURN LIMITED (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and Companies Act 2006) and relevant tax compliance regulations in the UK. We also determined there was no non-compliance with regulatory requirements

- We understood how SSE Toddleburn Limited is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We confirmed our enquiries through our review of board minutes, and papers provided to the Renewables EXCO board and SSE plc Audit Committee.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their propensity to influence on efforts made by management to manage earnings. We considered the programmes and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls at a group level. Where the risk was considered to be higher, we performed audit procedures to address the identified fraud risk, management override of controls, specifically around revenue recognition.

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved: journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business and enquiries of legal counsel and management. In addition, we completed procedures to conclude on the compliance of the disclosures in the financial statements and accounts with all applicable requirements.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SSE TODDLEBURN 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.

....
Nicola McIntyre (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

G1 Building, 5 George Square
5 George Square
Glasgow
G2 1DY
20 December 2022

Profit and Loss Account for the Year Ended 31 March 2022

	Note	2022 £ m	2021 £ m
Turnover	4	12.1	6.0
Cost of sales		(4.1)	(3.4)
Gross profit		8.0	2.6
Other operating income	5	0.1	0.5
Operating profit	6	8.1	3.1
Interest payable and similar expenses	8	(0.7)	(0.7)
Profit before tax		7.4	2.4
Tax on profit	10	(2.3)	(0.5)
Profit for the year		5.1	1.9

The above results were derived from continuing operations.

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

SSE Toddleburn Limited

(Registration number: SC259104)
Balance Sheet as at 31 March 2022

	Note	31 March 2022 £ m	31 March 2021 £ m
Fixed assets			
Tangible assets	11	24.1	24.5
Current assets			
Debtors	13	1.6	0.9
Current liabilities			
Creditors: amounts falling due within one year	14	(3.5)	(1.9)
Net current liabilities		(1.9)	(1.0)
Total assets less current liabilities		22.2	23.5
Creditors: Amounts falling due after more than one year			
Amounts due to Group undertakings	14	(5.5)	(13.7)
Long term lease liabilities	15	(1.3)	(1.3)
Deferred tax liabilities	10	(3.8)	(3.0)
Provisions for liabilities	16	(3.4)	(2.4)
Net assets		8.2	3.1
Capital and reserves			
Profit and loss account		8.2	3.1
Shareholders' funds		8.2	3.1

Approved by the Board on 19 December 2022 and signed on its behalf by:

Barry O'Regan (Dec 19, 2022 13:40 GMT+1)

B O'Regan
Director

SSE Toddleburn Limited

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

	Share capital £ m	Retained earnings £ m	Total £ m
At 1 April 2020	-	1.2	1.2
Profit for the year	-	1.9	1.9
Total comprehensive income	-	1.9	1.9
At 31 March 2021	-	3.1	3.1

	Share capital £ m	Retained earnings £ m	Total £ m
At 1 April 2021	-	3.1	3.1
Profit for the year	-	5.1	5.1
Total comprehensive income	-	5.1	5.1
At 31 March 2022	-	8.2	8.2

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

1 General information

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

These financial statements were authorised for issue by the Board on 19 December 2022.

2 Accounting policies

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

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

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

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

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

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

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

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

2 Accounting policies (continued)

Going concern

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

In assessing the financial strength of the letter of support provided, the directors considered the cash balance of £289.3m at 30 September 2022, the committed bank facilities of £2.5bn maintained by the Group (including the £1.0bn facility entered into in November 2022), and the current commercial paper market conditions including the Group's success in refinancing maturing debt with the issuance of £2.1bn of long and short term debt since 31 March 2022 and the issuance of £831.4m of hybrid equity in April 2022, and the Group's credit rating. The Group's period of going concern assessment is performed to 31 December 2023, 21 months from the balance sheet date, which is at least 12 months from the filing deadline of its subsidiary companies. The directors are not aware of any subsequent events that would have a material impact on the going concern assessment. 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.

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 the spot price at the time of delivery.

Contracted services

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

Finance income and costs policy

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

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

Tax

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

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

2 Accounting policies (continued)

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

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

Tangible assets

Owned assets

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

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

Right of use assets

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

Depreciation

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

	Years
Land (right of use asset)	Period of lease
Onshore wind farm	25
Decommissioning asset	25

2 Accounting policies (continued)

Impairment

The carrying amount of the company's PP&E is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 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 income statement. 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.

Trade debtors

Trade debtors are amounts due from customers 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.

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 operating windfarms reviewed periodically. Provision is made for the net present value of the estimated cost of decommissioning at the end of the useful life of the assets. 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.

The Company has disclosed decommissioning assets in a separate column to provide enhanced disclosure for the users of the financial statements. The decomm asset relates to the decommissioning asset class. Changes in inflation and discount rate assumptions lead to revaluations of the decommissioning provision and asset and as such presentation is intended to be beneficial to the users of the financial statement.

Leases
Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised as non-current assets of the company at the lower of their fair value at the date of commencement of the lease and at the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance costs in the income statement and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

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 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses.

It should be noted that the impact of variation in some assumptions, judgements and estimates can have a particularly material impact on the reported results. These include, but are not limited to:

Decommissioning Provisions

The provisioning of the decommissioning of the Company's operating windfarm (see note 16).

4 Revenue

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

	2022 £ m	2021 £ m
Power purchase agreement (PPA) revenue	8.7	2.6
Renewable obligation certificate (ROC) revenue	3.4	3.4
	12.1	6.0

All revenue is recognised at a point in time as the electricity is generated.

5 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2022 £ m	2021 £ m
Generation bid income	0.1	0.5

6 Operating profit

Arrived at after charging

	2022 £ m	2021 £ m
Depreciation expense	1.6	1.6

7 Directors' remuneration

No staff or directors are directly employed by the Company.

The total remuneration received by the directors for qualifying and non-qualifying services during the year was £3.7m (2021: £3.7m). The above value is for 9 directors (2021: 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 £1.1m (2021: £1.1m) including company pension contributions of £0.1m (2021: £0.1m) which were made to a money purchase scheme on their behalf.

8 Interest payable and similar expenses

	2022 £ m	2021 £ m
Interest payable to Group companies	0.6	0.6
Lease obligations - unwind of discount rate	0.1	0.1
	0.7	0.7

9 Auditors' remuneration

The Company incurred an audit fee of £28,206 in the year (2021: £12,738). The fee in both the current and previous year was borne by another Group company.

10 Income tax

Tax charged in the profit and loss account

	2022 £ m	2021 £ m
Current taxation		
UK corporation tax	1.5	0.6
Deferred taxation		
Arising from origination and reversal of temporary differences	0.8	(0.1)
Tax expense in the profit and loss account	2.3	0.5

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

The differences are reconciled below:

	2022 £ m	2021 £ m
Profit before tax	7.4	2.4
Corporation tax at standard rate of 19% (2020: 19%)	1.4	0.5
Deferred tax expense relating to changes in tax rates or laws	0.8	-
Other tax effects for reconciliation between accounting profit and tax expense	0.1	-
Total tax charge	2.3	0.5

Deferred tax

Deferred tax movement during the year:

	At 1 April 2021 £ m	Recognised in income £ m	At 31 March 2022 £ m
Tangible fixed assets	(3.1)	(0.9)	(4.0)
Provisions	0.1	0.1	0.2
Net tax assets/(liabilities)	(3.0)	(0.8)	(3.8)

Deferred tax movement during the prior year:

10 Income tax (continued)

	At 1 April 2020 £ m	Recognised in income £ m	At 31 March 2021 £ m
Tangible fixed assets	(3.2)	0.1	(3.1)
Provisions	0.1	-	0.1
Net tax assets/(liabilities)	(3.1)	0.1	(3.0)

The Finance Act 2021 enacted on 10 June 2021 increased the main rate of UK corporation tax from 19% to 25%, effective from 1 April 2023. [Either: Deferred taxes on the balance sheet have been measured at 25% which represents the future corporation tax rate that was enacted at the balance sheet date. This resulted a deferred tax charge/credit of £xm. Or The Company has not recognised any deferred tax balances on the balance sheet, and therefore this change has had no impact on the Company.]

The UK fiscal statement on 23 September 2022 included the cancellation of the planned increase in the corporation tax rate to 25%. The cancellation was not substantively enacted at the balance sheet date and hence has not been reflected in the measurement of deferred tax balances at the year end. [Either: It is not anticipated that this change will have a material impact on the company, because the company has not recognised deferred tax on its balance sheet. OR It is not anticipated that this change will have a material impact on the company's deferred tax balances. OR If the company's deferred tax balances at the year end were remeasured at 19% this would result in a deferred tax charge/credit of £0.8m].

On 17 November 2022, the UK Government announced an electricity generator levy which is intended to be effective from 1 January 2023. Draft legislation has currently not been published to allow the company to assess the potential impact.

11 Tangible assets

	Land and buildings £ m	Decommissioning assets £ m	Renewable Generation £ m	Total £ m
Cost or valuation				
At 1 April 2021	1.2	2.2	39.9	43.3
Additions	-	1.0	0.2	1.2
At 31 March 2022	1.2	3.2	40.1	44.5
Depreciation				
At 1 April 2021	0.2	0.4	18.2	18.8
Charge for the year	0.1	0.1	1.4	1.6
At 31 March 2022	0.3	0.5	19.6	20.4
Carrying amount				
At 31 March 2022	0.9	2.7	20.5	24.1
At 31 March 2021	1.0	1.8	21.7	24.5

Land and Building depreciation amounted £0.1m refers to the ROU asset disclosed in Note 12

12 Right of use assets

Included within property, plant and equipment (note 11) are the following right of use assets:

	Land and buildings £ m
Cost or valuation	
At 1 April 2021	1.2
At 31 March 2022	1.2
Depreciation	
At 1 April 2021	0.2
Charge for the year	0.1
At 31 March 2022	0.3
Carrying amount	
At 31 March 2022	0.9
At 31 March 2021	1.0

13 Trade and other debtors

	31 March 2022 £ m	31 March 2021 £ m
Debtors from related parties	1.3	0.7
Prepayments	0.1	0.2
Other debtors	0.2	-
	1.6	0.9

14 Creditors

Amounts falling due within one year

	31 March 2022 £ m	31 March 2021 £ m
Trade creditors	0.4	0.2
Accrued expenses	0.6	0.5
Amounts due to Group undertakings	0.9	0.5
Income tax liability	1.5	0.6
Current portion of long term lease liabilities	0.1	0.1
	3.5	1.9

Amounts falling due after more than one year

	31 March 2022 £ m	31 March 2021 £ m
Amounts due to Group undertakings	5.5	13.7

The amounts owed to related parties 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 4.89% (2021: 5.01%). 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.

15 Leases

Leases included in creditors

	31 March 2022 £ m	31 March 2021 £ m
Current portion of long term lease liabilities	0.1	0.1
Long term lease liabilities	1.3	1.3

Lease liability maturity analysis

	31 March 2022 £ m	31 March 2021 £ m
Within one year	0.1	0.1
Between one and five years	0.6	0.6
After five years	1.3	1.4
Less: future finance charge	(0.6)	(0.7)
Present value of lease obligations	1.4	1.4

Variable lease payments, excluded from the measurement of the lease liability, relate to the royalty payments due to landowners at the Company's windfarm sites. An expense has been incurred in the year of £0.2m (2021: £0.1m).

16 Other provisions

	Decommissioning £ m
At 1 April 2021	2.4
Additional provisions	1.0
At 31 March 2022	3.4

Decommissioning provision

In accordance with the Company's accounting policy a provision has been made for the decommissioning of the Company's wind farm assets. An inflation rate of 3.8% (2021: 1.8%) has been applied to inflate the base cost of the decommissioning provision to future value and a discount rate of 1.6% (2021: 1.3%) 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 income statement.

An increase of £1.0m was recognised in the year following a review of the estimated timing and quantum of costs associated with the Company's assets.

16 Other 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 £0.4m

A decrease of 1% in the discount rate would result in an increase to the provision of £0.5m

An increase of 10% in the cost estimate for decommissioning would result in an increase to the provision of £0.3m 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 £0.3m and a corresponding adjustment to the decommissioning assets.

17 Share capital

	31 March 2022 £	31 March 2021 £
Allotted, called up and fully paid:		
100 ordinary shares of £1 each	100.0	100.0

18 Parent and ultimate parent undertaking

Relationship between entity and parents

The company's immediate parent is SSE Renewables Onshore Windfarm Holdings Limited, registered in Northern Ireland. 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.