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Registration number: SC281105

# Clyde Windfarm (Scotland) Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2020

# Clyde Windfarm (Scotland) Limited

## Contents

# Clyde Windfarm (Scotland) Limited

## Company Information

| | |
|---|---|
| **Directors** | D Hobson |
| | S Hood |
| | S Lilley |
| | V Monje Diez |
| | B O'Regan |
| | C Rule |
| | C Bready |
| **Company secretary** | S Fairbairn |
| **Registered office** | Inveralmond House<br>200 Dunkheld Road<br>Perth<br>PH1 3AQ |
| **Bankers** | National Westminister Bank<br>13 Market Place<br>Reading<br>RG1 2EG |
| **Auditors** | Ernst & Young LLP<br>G1 Building, 5 George Square<br>5 George Square<br>Glasgow<br>G2 1DY |

# Clyde Windfarm (Scotland) Limited

## Strategic Report for the Year Ended 31 March 2020

The directors present their report and audited financial statements of the company for the year ended 31 March 2020.

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 Clyde Windfarm (Scotland) Limited (the "Company").

The Strategic and Business Performance Overview sets out the main trends and factors underlying the development and performance of Clyde Windfarm (Scotland) Limited during the year ended 31 March 2020, as well as those matters which are likely to affect its future development and performance.

**Principal activities**
The Company is engaged in the operation of a 522.4MW onshore windfarm in South Lanarkshire, Scotland.

The Company is a joint venture between SSE Renewables Onshore Windfarm Holdings Limited (50.1%); Greencoat UK Wind Holdco Limited (28.2%); and GLIL Corporate Holdings Limited (21.7%).

**Fair review of the business**
The income statement for the year ended 31 March 2020 is set out on page 12. The profit for the year after taxation amounted to £29.3m (2019: profit of £53.9m). The balance sheet at 31 March 2020 is set out on page 13 and indicates retained earnings of £293.0m (2019: retained earnings of £341.7m).

**Business performance overview**
Generated output increased from 1,284GWh in 2019 to 1,314GWh in 2020. Revenue has decreased by 23% from £172.3m in 2019 to £133.1m in 2020 due to a reduction in power prices in the current year.The wind farm was instructed to curtail output by a total of 192.3GWh (2019: 282GWh) through the balancing mechanism.

**Business priorities for 2020/21 and beyond**
The priorities of the Company are to:
• comply fully with all safety standards and environmental requirements; and
• ensure the generation assets are available to respond to customer demand, market conditions and meet contractual obligations

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

| | Unit | 2020 | 2019 |
|---|---|---|---|
| Revenue | £m | 133.1 | 172.3 |
| Operating profit | £m | 63.1 | 95.8 |
| Retained earnings | £m | 291.9 | 341.7 |
| Output generated | GWh | 1,314.3 | 1,284.0 |

**Principal risks and uncertainties**
The principal risk facing the Company is lower wind speeds than anticipated. There is also a risk where technical issues with plant and machinery will result in down-time of turbines and grid connection equipment. Both risks could lead to reduced electricity generation, resulting in lower revenue. To mitigate these risks the Company has appointed SSE Generation Limited to provide effective operations and maintenance management services. The Company has access to a team of experienced and competent operators to monitor wind farm performance and identify trends to foresee any potential adverse impact on future electricity output. SSE Generation Limited is engaged to plan and schedule maintenance programs to keep wind farm generation efficiency at optimum levels. Adequate stocks of essential parts and access to professional resources are maintained.

**Section 172(1) statement**

The directors of the Company understand and acknowledge their duties and responsibilities under section 172 of the Companies Act 2006 which require a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole and, in doing so, have regard (amongst other matters) to the:

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

In order to discharge their section 172 duties, the Board reviews matters such as:

• health and safety;
• financial and operational performance;
• non-financial KPIs;
• legal and regulatory compliance at every meeting;
• business strategy;
• key risks;
• stakeholder-related matters;
• diversity and inclusion;
• environmental matters;
• corporate responsibility;
• governance;
• compliance;
• legal matters;
• environmental, social and governance matters; and
• outcomes of specific engagement.

as well as other factors which inform decisions which will promote the success of the Company. The Board reviews are performed through the consideration and discussion of reports which are sent in advance of each meeting, and through presentations to the Board. Such reports and presentations allow the Directors to gain a rounded understanding of stakeholder issues and concerns which will inform decision-making.

The views of the Company's stakeholders are always considered where appropriate in decision-making. The mechanisms which are in place to assist the Directors in understanding relevant views are set on page 4 of the Strategic Report.

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

# Clyde Windfarm (Scotland) Limited

## Strategic Report for the Year Ended 31 March 2020 (continued)

**Stakeholder engagement**
The Company's stakeholders are people, communities and organisations with an interest or concern in its purpose, strategy, operations and actions, and who in turn, may be affected by them. This includes (but is not limited to):

• shareholders;
• government and regulators;
• NGOs;
• communities and civil society
• suppliers;
• contractors;
• partners; and
• customers.

The Company does not have any employees as the wind farm is operated by SSE Generation Limited under the terms of a management services agreement. The perspectives, insights and opinions of stakeholders are recognised as a key factor in the relevant operational, investment and business decisions taken by the Company to ensure that, as a whole, those decisions are robust and sustainable.
The size and spread of the Company's stakeholders mean that stakeholder engagement takes place at many different levels. This includes engagement at company level and operational level. This approach allows a broader representation and deeper understanding of all stakeholder views and contributes towards a better outcome for business, environmental, social and governance matters than by working in isolation.

Approved by the Board on 25 March 2021 and signed on its behalf by:

DocuSigned by:
Stuart Hood
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S Hood
Director

# Clyde Windfarm (Scotland) Limited

## Directors' Report for the Year Ended 31 March 2020

The directors present their report and the financial statements for the year ended 31 March 2020.

Reporting requirements on the Company's principal activities, its principal risks and uncertainties and its key performance indicators can be found in the Strategic Report on page 2.

**Proposed dividend**
Dividends paid during the year amount to £72.8m (2019: £41.8m) and equate to £7,278.63 per share (2019: £4,183.28).

**Directors**
The directors and secretary who served during the year are as listed on page 1. In accordance with the Articles of Association of the Company the directors are not required to retire by rotation.

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

D Hobson

S Hood

S Lilley

V Monje Diez (appointed 5 August 2019)

B O'Regan

C Rule

N Lannen (appointed 10 September 2019 and ceased 29 October 2020)

J Porter (ceased 5 August 2019)

J Williamson (ceased 10 September 2019)

The following director was appointed after the year end:

C Bready (appointed 29 October 2020)

**Financial risk management**
The Company's operations create exposure to financial risks that include the effect of price, credit, liquidity and cash flow risk.

**Price risk**
The Company is exposed to changes in the market price of electricity sold under the power purchase agreement (PPA). The Company participates in the Renewable Obligations Certificate national support scheme. The price received for the Renewables Obligations Certificates is index linked to changes in inflation rates.

**Credit risk**
The Company's policy to manage credit risk is to peform credit risk assessments for the counterparties for the Company's revenue contracts and significant supplier counterparties. The credit risk assessments involve qualitative and quantitative criteria and include the independent ratings of credit rating agencies where available.

**Liquidity and cash flow risk**
Liquidity risk derives from the risk the Company will not be able to meet its financial obligations as they become due. The Company reviews short-term liquidity daily while longer-term liquidity planning is reviewed by the Board.

**Political and charitable donations**
The Company made no charitable or political donations during the year (2019: £nil).

**Important adjusting events after the financial period**
There have neen no significant events since the balance sheet date.

**Disclosure of information to the auditor**
The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Going concern**
The financial statements have been prepared on a going concern basis, which assumes adequate resources will be available for a period of at least twelve months following approval of the financial statements. In performing their assessment, the Directors have considered the future financial plans of the Company, including a cashflow and profit forecast to March 2022. Sensitivities have been applied to the forecasts by management and the directors have assessed that based on their projections for the twelve months following the approval of these financial statements, the Company has sufficient resources to continue as a going concern. Therefore, the financial statements have been 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 timing of the outbreak relative to the Company's year end date, the impact on the results for the year ended 31 March 2020 is limited. Due to the operations of the Company, the impact of the virus on future periods is also 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 above.

**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 is expected to be minimal.

**Auditor**
In accordance with Section 489 of the Companies Act 2006, the directors have confirmed that Ernst and Young LLP will be appointed External Auditor for the Company for the year ending 31 March 2020, subject to approval by shareholders at the forthcoming Board of Directors meeting.

## Environmental report

### Emissions and energy consumption

This table shows the Company's total UK energy consumption (and offsets) for the year ended 31 March 2020 in line with the UK Government Streamlined Energy and Carbon Reporting ('SECR') requirements.

Summary of greenhouse gas emissions (GHG) and energy consumption for the year ended 31 March 2020:

| Name and description | Unit of measurement | 2020 |
|---|---|---|
| Electricity used in buildings | kWh | 141,536.0 |
| Renewable electricity generation | GWh | 1,314.3 |

Summary of scope 2 (indirect) greenhouse gas emissions for the year ended 31 March 2020:

| Name and description | Unit of measurement | 2020 |
|---|---|---|
| Electricity used in buildings | tCO2e | 40.1 |

### Carbon intensity ratio

The most appropriate business metric for the Company is the output from its electricity generation activities (kWh). To calculate an intensity ratio the Company's scope 1 and 2 GHG emissions have been divided by its electricity generation output.

The Carbon intensity ratio (gCO2e per kWh of electricity generated) during the year ended 31 March 2020 was 0.03.

### Base year

The data for the year ended 31 March 2020 represents the Company's first disclosure under the SECR requirements so the current year will be used as the base year to track performance and trends in future periods.

### Energy efficiency action

The premises the Company occupies are rented, which limits the scope for the Company to undertake energy efficiency improvements in this area. However, a number of measures are in place, including the installation of energy saving lighting, replacing fluorescent tubes with more efficient LED tubes.

### Methodology

***GHG sources included***

The Company has collated its GHG emissions in line with BEIS Environmental Reporting Guidelines, GHG Protocol and ISO14064-1:2006 standards. GHG emissions are classified, in accordance with these standards.

Direct GHG emissions (scope 1) include GHG emissions from sources that are owned or controlled by the Company.

Indirect GHG emissions (scope 2) include GHG emissions from the generation of purchased electricity, heat and steam consumed by the Company.

Where data was collected in units other than kWh, the BEIS 'Greenhouse gas reporting: conversion factors 2019' were used to convert to kWh in order to calculate the Company's total energy use. BEIS conversion factors were also used to calculate the GHG emissions associated with this energy use.

*Carbon intensity ratio*

The most appropriate business metric for the Company is the output from its electricity generation activities (kWh). To calculate an intensity ratio the Company's scope 1 and 2 GHG emissions have been divided by its electricity generation output.

Approved by the Board on 25 March 2021 and signed on its behalf by:

DocuSigned by:
Stuart Hood
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S Hood
Director

# Clyde Windfarm (Scotland) Limited

## Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 inappropriate to presume that the company will 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.

# Independent Auditor's Report to the Members of Clyde Windfarm (Scotland) Limited

## Opinion

We have audited the financial statements of Clyde Windfarm (Scotland) Limited (the 'company') for the year ended 31 March 2020, which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 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 director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## 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 Directors' Report.

# Independent Auditor's Report to the Members of Clyde Windfarm (Scotland) Limited (continued)

We have nothing to report in respect of the following matters where 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 9], 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.

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

**Use of our report**

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

Ernst & Young LLP.

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

G1 Building, 5 George Square
5 George Square
Glasgow
G2 1DY

25 March 2021

# Clyde Windfarm (Scotland) Limited

## Income Statement for the Year Ended 31 March 2020

| | Note | 2020<br>£ m | 2019<br>£ m |
|---|---|---|---|
| Revenue | 7 | 133.1 | 172.3 |
| Cost of sales | | (70.0) | (76.5) |
| Operating profit | 4 | 63.1 | 95.8 |
| Finance costs | 5 | (18.3) | (29.0) |
| Profit before tax | | 44.8 | 66.8 |
| Income tax expense | 10 | (15.5) | (12.9) |
| Profit for the year | | 29.3 | 53.9 |

The above results were derived from continuing operations.

# Clyde Windfarm (Scotland) Limited

## (Registration number: SC281105)
## Statement of Financial Position as at 31 March 2020

| | Note | 2020 £ m | 2019 £ m |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | 640.9 | 628.5 |
| **Current assets** | | | |
| Trade and other receivables | 13 | 53.3 | 47.2 |
| Cash and cash equivalents | 14 | 28.6 | 42.9 |
| | | 81.9 | 90.1 |
| Total assets | | 722.8 | 718.6 |
| **Current liabilities** | | | |
| Current portion of long term lease liabilities | 22 | (3.3) | - |
| Trade and other payables | 15 | (19.5) | (20.6) |
| | | (22.8) | (20.6) |
| **Non-current liabilities** | | | |
| Long term lease liabilities | 22 | (40.9) | - |
| Loans and borrowings | 16 | (253.6) | (253.6) |
| Provisions | 20 | (47.8) | (45.6) |
| Deferred tax liabilities | 10 | (64.7) | (57.1) |
| | | (407.0) | (356.3) |
| Total liabilities | | (429.8) | (376.9) |
| Net assets | | 293.0 | 341.7 |
| **Equity** | | | |
| Retained earnings | | 293.0 | 341.7 |

Approved by the Board on 25 March 2021 and signed on its behalf by:

DocuSigned by:

Stuart Hood

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S Hood

Director

The notes on pages 16 to 34 form an integral part of these financial statements.

# Clyde Windfarm (Scotland) Limited

## Statement of Changes in Equity for the Year Ended 31 March 2020

| | Share capital £ m | Retained earnings £ m | Total £ m |
|---|---|---|---|
| At 1 April 2018 | - | 76.0 | 76.0 |
| Total comprehensive income | - | 53.9 | 53.9 |
| Dividends | - | (41.8) | (41.8) |
| Issue of ordinary shares | 253.6 | - | 253.6 |
| Capital reduction | (253.6) | 253.6 | - |
| At 31 March 2019 | - | 341.7 | 341.7 |

| | Share capital £ m | Retained earnings £ m | Total £ m |
|---|---|---|---|
| At 1 April 2019 | - | 336.5 | 336.5 |
| Profit for the year | - | 29.3 | 29.3 |
| Total comprehensive income | - | 29.3 | 29.3 |
| Dividends | - | (72.8) | (72.8) |
| At 31 March 2020 | - | 293.0 | 293.0 |

(i) Opening retained earnings at 1 April 2019 have been reduced by £5.2m following adoption of IFRS 16 (see note 2).

# Clyde Windfarm (Scotland) Limited

## Statement of Cash Flows for the Year Ended 31 March 2020

| | Note | 2020<br>£ m | 2019<br>£ m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | 29.3 | 53.9 |
| Adjustments to cash flows from non-cash items | | | |
| Depreciation and amortisation | 4 | 28.1 | 36.2 |
| Finance costs | 5 | 18.3 | 29.0 |
| Income tax expense | 10 | 15.5 | 12.9 |
| | | 91.2 | 132.0 |
| Working capital adjustments | | | |
| Decrease/(increase) in trade and other receivables | 13 | 2.1 | (6.0) |
| Decrease in trade and other payables | 15 | (2.2) | (4.4) |
| Cash generated from operations | | 91.1 | 121.6 |
| Income taxes paid | 10 | (12.4) | (4.5) |
| Net cash flow from operating activities | | 78.7 | 117.1 |
| **Cash flows from financing activities** | | | |
| Repayment of other borrowing | | - | (47.9) |
| Payments to finance lease creditors | | (3.3) | - |
| Interest paid | 5 | (16.9) | (25.9) |
| Dividends paid | | (72.8) | (41.8) |
| Net cash flows from financing activities | | (93.0) | (115.6) |
| Net (decrease)/increase in cash and cash equivalents | | (14.3) | 1.5 |
| Cash and cash equivalents at 1 April | | 42.9 | 41.4 |
| Cash and cash equivalents at 31 March | | 28.6 | 42.9 |

# Clyde Windfarm (Scotland) Limited

## Notes to the Financial Statements for the Year Ended 31 March 2020

### 1 General information

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

The address of its registered office is:
Inveralmond House
200 Dunkheld Road
Perth
PH1 3AQ

These financial statements were authorised for issue by the Board on 25 March 2021.

### 2 Accounting policies

**Statement of compliance**
The company financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRS's").

**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**
The financial statements have been prepared in accordance with adopted IFRSs and under historical cost accounting rules.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

**New standards and interpretations issued, but not yet adopted by the Company**
*IFRS 17 'Insurance Contracts' effective from 1 April 2021 for the Company, subject to EU endorsement*
The Company has no activities falling within the scope of IFRS 17 'Insurance Contracts', therefore adoption of the standard is not expected to have a material impact on the financial statements.

*Other interpretations and amendments*
There are a number of other interpretations, amendments and annual improvement project recommendations that have been issued but not yet adopted by the Company because application is not yet mandatory or because adoption by the EU remains outstanding at this point in time. These are not anticipated to have a material impact on the Company's financial statements.

**Going concern**
The financial statements have been prepared on a going concern basis, which assumes adequate resources will be available for a period of at least twelve months following approval of the financial statements. In performing their assessment, the Directors have considered the future financial plans of the Company, including a cashflow and profit forecast to March 2022. Sensitivities have been applied to the forecasts by management and the directors have assessed that based on their projections for the twelve months following the approval of these financial statements, the Company has sufficient resources to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

## 2 Accounting policies (continued)

**Changes resulting from adoption of IFRS 16**

The company transitioned to IFRS 16 using the modified retrospective approach and as a result the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. The prior period figures were not adjusted.

On adoption of IFRS 16, the company elected to apply the relief provisions available and has not reviewed contracts under the definition of a lease per IFRS 16, which had previously not been classified as leases under the principles of IAS 17. Therefore, only contracts entered into or modified on or after 1 April 2019 have the definition of a lease per IFRS 16 applied.

In addition, the company decided to apply recognition exemptions to leases with a term not exceeding 12 months and leases where the underlying assets are of low value.

For leases classified as operating leases under IAS 17, these lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The company has used the following practical expedients permitted by IFRS 16 when applying this for the first time to leases previously classified as operating leases:

• Applied a single discount rate to a portfolio of leases with similar characteristics
• Applied the exemption not to recognise liabilities for leases with less than 12 months of lease term remaining
• Excluded initial direct costs for the measurement of right-to-use assets at the date of initial application
• Used hindsight in determining the lease term where the contract contains options to extent or terminate the lease

Right-of-use assets are measured at either:

• Their carrying amount as if IFRS 16 has been applied since commencement, discounted using the lessee's incremental borrowing rate at the date of initial application
• An amount equal to the lease liability, adjusted for any prepaid or accrued lease payments

No adjustments are required on transition to IFRS 16 for leases where the company acts as a lessor, except for a sub-lease. A reassessment of the classification of a sub-lease is required under IFRS 16.

**Adoption impact**

The Company recognised lease liabilities in relation to leases that were classified as 'operating leases" under the principles of IAS 17 - Leases. On transition, right of use assets increased by £38.0m, lease liabilities increased by £44.3m and deferred tax liabilities were reduced by £1.1m with the difference allocated to retained earnings.

| | 2019<br>£ m |
|---|---|
| Operating lease commitments at 31 March 2019 | 77.5 |
| Effect of discounting at the incremental borrowing rate | (33.2) |
| Lease liabilities recognised at 1 April 2019 | 44.3 |

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average rate applied was 5.06%.

## 2 Accounting policies (continued)

### Revenue recognition

Revenue from contracts with customers is recognised to the extent that it reflects the expected consideration for goods or services provided to the customer under contract, over the performance obligations they are being provided. For each separable performance obligation identified, the Company determines whether it is satisfied at a "point in time" or "over time" based upon an evaluation of the receipt and consumption of benefits, control of assets and enforceable payment rights associated with that obligation. If the criteria required for "over time" recognition are not met, the performance obligation is deemed to be satisfied at a "point in time".

Revenue principally arises as a result of the Company's activities in energy production in Great Britain.

*Electricity generation*

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

*Renewables contracted services*

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

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

### 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.

### Foreign currency transactions and balances

The financial statements are presented in pounds sterling, which is the functional currency of the Company.

Transactions denominated in foreign currencies are recorded in sterling at actual exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the rates of exchange prevailing at the balance sheet date.

Gains and losses arising from changes in exchange rates subsequent to the dates of transactions are included in the income statement.

### Tax

Taxation on the profit for the year comprises current and deferred tax. Taxation is recognised in the income statement unless it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

## 2 Accounting policies (continued)

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset where there is a legally enforceable right of offset within the same tax authority and where the Group intends to either settle them on a net basis, or to realise the asset and settle the liability simultaneously. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### Property, plant and equipment

*Owned assets*

Items of property, plant and equipment (PP&E) are stated at cost less accumulated depreciation and impairments. The cost of self-constructed assets includes the cost of materials, direct labour and other directly attributable costs. Where the asset is a qualifying asset, for which a considerable period of time is required to prepare the asset for use or sale, borrowing costs will be capitalised as part of the asset's cost. Where an item of property, plant and equipment comprises major components having different useful lives, the components are accounted for as separate items of property, plant and equipment, and depreciated accordingly. An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected to arise from the continued use of the asset.

*Rights 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 to the income statement to write off cost, less residual values, on a straight line basis over their estimated useful lives. Depreciation policy, useful lives and residual values are reviewed at least annually, for all asset classes to ensure that the current method is the most appropriate. Depreciation commences following the asset commissioning period and when the asset is available for commercial operation.

Assets held under leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease agreement.

Subsequent expenditure is capitalised only when it increases the future economic benefits of the item of property, plant and equipment to which it relates. Maintenance and repair costs are expensed as incurred.

## 2 Accounting policies (continued)

*Derecognition*

An item of property, plant or equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposals are determined by comparing the proceeds received with the carrying amount of the asset and are included in the income statement. Any gain or loss on derecognition of the asset is included in the income statement in the period of derecognition.

**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** |
|---|---|
| Renewable generation | 25 |
| Decommissioning assets | 25 |

On 1 April 2019 the Company reassessed the life of its operating windfarm and extended the life from 20 to 25 years. The impact of the reassessment of useful economic life was a reduction in depreciation of £6.7m.

**Trade payables**

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

**Provisions**

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

*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 wind farms 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 is recognised and is included within property, plant and equipment when the provision gives access to future economic benefits. Changes in these provisions are recognised prospectively. The unwinding of the discount on the provision is included in finance costs and the depreciation for the asset is straight-line over the expected useful life of the asset.

## 2 Accounting policies (continued)

**Lease arrangements**

*Definition*

Lease arrangements are separately distinguished from service contracts on the basis of whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If the Company is deemed to control the use of an identified asset, a right of use asset and a corresponding lease liability are recognised on the balance sheet.

Right of use assets are capitalised and held as part of property, plant and equipment. The accounting policy for such arrangements is described on page 19.

*Initial recognition and measurement*

Lease liabilities are initially measured at the present value of the future lease payments discounted using the rate implicit in the lease if that can be readily determined. If the interest rate implicit in the lease cannot be readily determined the incremental borrowing rate is used.

*Subsequent measurement*

In determining whether any break and/or extension clauses should be included within the lease term, the Company has considered that where an internal decision has been made to break or extend the lease agreement, that decision shall be applied in determining the appropriate lease term. Where an internal decision has not been made, and where the non-cancellable element of the lease term has longer than five years remaining, it is considered that any clauses will not be triggered as any decision beyond that date is not reasonably certain. For all leases with less than five years remaining, an assessment is made at each reporting period on a lease-by-lease basis on whether the clause is reasonably certain to be triggered. Reassessment of break and/or extension judgements made in prior periods could result in recalculation of the lease liability and adjustments to associated balances.

*Lease modifications*

The lease liability is subsequently adjusted for unwind of discounting, repayments and other modifications to the underlying agreement. Lease modifications are accounted for as a separate lease where the scope of the lease increases through the right to use one or more underlying assets and where the consideration of the lease increases by an amount that is equivalent to the standalone price of the increase in scope. Where a modification 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 are accounted for as a reassessment of the lease liability with a corresponding adjustment to the right of use asset.

Leases with a duration of 12 months or less and leases for assets which are deemed "low value" are expensed to the income statement on a straight-line basis over the lease term.

**2 Accounting policies (continued)**

**Impairment of non-financial assets**

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

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

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

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.

**Share capital**

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

**Dividends**

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

## 3 Critical accounting judgements and key sources of estimation uncertainty

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

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

**Provisions**
Future costs required to settle provisions. These liabilities are disclosed in note 20.

## 4 Operating profit

Arrived at after charging

| | 2020<br>£ m | 2019<br>£ m |
|---|---|---|
| Depreciation expense | 28.1 | 36.2 |
| Operating lease expense - property | - | 3.1 |

## 5 Finance income and costs

| | 2020<br>£ m | 2019<br>£ m |
|---|---|---|
| **Finance costs** | | |
| Loan interest payable at 6% | (15.3) | (28.4) |
| Lease interest | (2.2) | - |
| Other finance costs | (0.1) | (0.1) |
| Decommissioning provision - unwinding of discount | (0.7) | (0.5) |
| Total finance costs | (18.3) | (29.0) |

## 6 Auditor's remuneration

The audit fee for the financial statements was £15,000 in the current year (2019: £14,800). The audit fee was borne by another company within the SSE Group (of which the 50.1% shareholder, SSE Renewables Onshore Windfarm Holdings Limited, is part of).

## 7 Revenue

The Company's revenue consists of sales of electricity under a Power Purchase Agreement (PPA), together with revenue earned under the Renewable Obligation Certificates ('ROCS') regime. Electricity sales are based on meter readings and include an estimate of the fair value of units supplied between the date of the last meter reading and year end. ROCS revenue is based on units generated during the period at an estimated selling price. Both revenue streams are recognised at a 'point in time' when the electricity is generated. Other revenue includes ancillary services and revenue from balancing market participation.

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

| | 2020<br>£ m | 2019<br>£ m |
|---|---|---|
| Electricity generation - PPA | 49.9 | 81.5 |
| Renewables contracted services - ROCs | 68.1 | 68.9 |
| Renewables contracted services - Other | 15.1 | 21.9 |
| | 133.1 | 172.3 |

## 8 Staff costs

The Company had no employees during the current or prior year.

## 9 Directors' remuneration

The directors did not receive remuneration in respect of their services to the Company in the current or prior year.

## 10 Income tax

Tax charged/(credited) in the income statement

| | 2020<br>£ m | 2019<br>£ m |
|---|---|---|
| **Current taxation** | | |
| UK corporation tax | 6.8 | 8.2 |
| **Deferred taxation** | | |
| Arising from origination and reversal of temporary differences | 2.2 | 5.1 |
| Arising from changes in tax rates and laws | 6.6 | - |
| Adjustment in respect of prior periods | (0.1) | (0.4) |
| Total deferred taxation | 8.7 | 4.7 |
| Tax expense in the income statement | 15.5 | 12.9 |

## 10 Income tax (continued)

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2019 - the same as the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The charge for the year can be reconciled to the profit per the income statement as follows:

| | 2020<br>£ m | 2019<br>£ m |
|---|---|---|
| Profit before tax | 44.8 | 66.8 |
| Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2019: 19%) | 8.5 | 12.7 |
| Expenses not deductible for tax purposes | 0.5 | 0.6 |
| Deferred tax credit in respect of previous periods | (0.1) | (0.4) |
| Deferred tax expense relating to changes in tax rates or laws | 6.6 | - |
| Total tax charge | 15.5 | 12.9 |

A change to the main UK corporation tax rate announced in the UK Budget on 11 March 2020 was substantively enacted on 17 March 2020 by a Budget resolution under the provisions of the Provisional Collection of Taxes Act 1968.

The rate effective from 1 April 2020 now remains at 19% rather than the previously enacted reduction to 17%.

Deferred tax balances are now remeasured to 19% from the previous rate of 17%.

### Deferred taxation

Deferred tax movement during the year:

| | At 1 April 2019<br>£ m | Recognised in income<br>£ m | Opening balance sheet adjustment on adoption of IFRS 16<br>£ m | At 31 March 2020<br>£ m |
|---|---|---|---|---|
| Property, plant and equipment | (57.9) | (9.3) | 1.1 | (66.1) |
| Provisions | 0.8 | 0.6 | - | 1.4 |
| Losses utilised | - | - | - | - |
| Net tax assets/(liabilities) | (57.1) | (8.7) | 1.1 | (64.7) |

# Clyde Windfarm (Scotland) Limited

## Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

### 10 Income tax (continued)

Deferred tax movement during the prior year:

| | At 1 April 2018 £ m | Recognised in income £ m | At 31 March 2019 £ m |
|---|---|---|---|
| Property, plant and equipment | (55.7) | (2.2) | (57.9) |
| Provisions | 0.5 | 0.3 | 0.8 |
| Losses utilised | 2.8 | (2.8) | - |
| Net tax assets/(liabilities) | (52.4) | (4.7) | (57.1) |

Opening deferred tax liabilities from tangible fixed assets at 1 April 2019 have been reduced by £1.1m following adoption of IFRS 16 (see note 2).

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 charge of £20.4m.

## 11 Property, plant and equipment

| | Land and buildings £ m | Renewable Generation £ m | Decommissioning assets £ m | Total £ m |
|---|---|---|---|---|
| **Cost or valuation** | | | | |
| At 1 April 2018 | - | 801.0 | 23.0 | 824.0 |
| Additions | - | 0.1 | 17.6 | 17.7 |
| Disposals | - | (4.0) | - | (4.0) |
| At 31 March 2019 | - | 797.1 | 40.6 | 837.7 |
| At 1 April 2019 | 38.0 | 797.1 | 40.6 | 875.7 |
| Additions | 1.0 | - | 5.1 | 6.1 |
| Disposals | - | (3.6) | - | (3.6) |
| At 31 March 2020 | 39.0 | 793.5 | 45.7 | 878.2 |
| **Depreciation** | | | | |
| At 1 April 2018 | - | 171.0 | 2.0 | 173.0 |
| Charge for year | - | 34.9 | 1.3 | 36.2 |
| At 31 March 2019 | - | 205.9 | 3.3 | 209.2 |
| At 1 April 2019 | - | 205.9 | 3.3 | 209.2 |
| Charge for the year | 1.7 | 25.9 | 1.9 | 29.5 |
| Eliminated on disposal | - | (1.4) | - | (1.4) |
| At 31 March 2020 | 1.7 | 230.4 | 5.2 | 237.3 |
| **Carrying amount** | | | | |
| At 31 March 2020 | 37.3 | 563.1 | 40.5 | 640.9 |
| At 31 March 2019 | - | 591.2 | 37.3 | 628.5 |

Opening land and buildings assets at 1 April 2019 increased by £38.0m following adoption of IFRS 16 (see note 2).

## 12 Right of use assets

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

### 12 Right of use assets (continued)

| | Property £ m | Total £ m |
|---|---|---|
| **Cost or valuation** | | |
| At 1 April 2019 | 38.0 | 38.0 |
| Additions | 1.0 | 1.0 |
| At 31 March 2020 | 39.0 | 39.0 |
| **Depreciation** | | |
| Charge for the year | 1.7 | 1.7 |
| At 31 March 2020 | 1.7 | 1.7 |
| **Carrying amount** | | |
| At 31 March 2020 | 37.3 | 37.3 |

### 13 Trade and other receivables

| | 2020 £ m | 2019 £ m |
|---|---|---|
| Trade receivables | 0.9 | 3.6 |
| Receivables from related parties | 41.3 | 41.4 |
| Other receivables | 2.9 | 2.2 |
| Income tax asset | 8.2 | - |
| | 53.3 | 47.2 |

Receivables from related parties arise from the sale of electricity generated from the windfarm through Power Purchase Agreements (PPA). Payment for the sales invoices raised under the PPA are due within the contractual set terms.

### 14 Cash and cash equivalents

| | 2020 £ m | 2019 £ m |
|---|---|---|
| Cash at bank | 28.6 | 42.9 |

### 15 Trade and other payables

*Amounts falling due within one year*

| | 2020 £ m | 2019 £ m |
|---|---|---|
| Accrued expenses | 8.8 | 9.8 |
| Amounts due to related parties | 3.8 | 6.3 |
| Other payables | 0.1 | 0.3 |
| Income tax liability | 6.8 | 4.2 |
| | 19.5 | 20.6 |

# Clyde Windfarm (Scotland) Limited

## Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

### 16 Interest bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest bearing loans and borrowings which are held at amortised cost.

| | 2020<br>£ m | 2019<br>£ m |
|---|---|---|
| **Non-current loans and borrowings** | | |
| 6% loans due to SSE Renewables Onshore Windfarm Holdings Limited | 127.1 | 127.1 |
| 6% loans due to Greencoat UK Wind Holdco Limited | 71.5 | 71.5 |
| 6% loans due to GLIL Corporate Holdings Limited | 55.0 | 55.0 |
| | 253.6 | 253.6 |

Loans and borrowings relate to amounts owed to investing companies, SSE Renewables Onshore Windfarm Holdings Limited, Greencoat UK Wind Holdco Limited and GLIL Corporate Holdings Limited.

During the prior year the Company issued 253,594,179 new non-voting shares for consideration of £253.6m and issued £253.6m of 10 year loan stock with 6% coupon to existing shareholders.

### 17 Share capital

| | 2020<br>£ | 2019<br>£ |
|---|---|---|
| 10,000 ordinary shares of £0.0002 each | 2.0 | 2.0 |

On 7 February 2019, the Company issued 253,594,179 new Class A non-voting shares for consideration of £253.6m. On 11 February 2019, the Company cancelled all Class A non-voting shares. At 31 March 2020, the Company had 10,000 ordinary shares allotted, called up and fully paid (2019: 10,000).

### 18 Derivatives and financial instruments

#### i Risk

SSE Group's treasury department is responsible for managing the banking and liquidity requirements of the Company, foreign exchange exposures and for managing the credit risk relating to the banking counterparties with which it transacts. The department's operations are governed by policies determined by SSE Group's Executive Committee and any breaches of these policies are reported to the Risk and Trading Committee and Audit Committee.

## 18 Derivatives and financial instruments (continued)

### i Risk (continued)

**Foreign exchange risk**
Foreign exchange risk derives from the Company's exposure to changes in the value of an asset or liability or future cash flows through changes in foreign currency rates.

Transactions in foreign currencies are recorded at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Any gain or loss arising on the restatement of such items is taken to the income statement. As at 31 March 2020 the Company has no significant direct exposure to foreign exchange risk.

**Liquidity risk**
Liquidity risk derives from the risk the Company will not be able to meet its financial obligations as they become due and is managed by SSE's Group Treasury function. The Company can be exposed to movements in its liquidity position due to changes in commodity prices and the impact of the seasonal nature of the business.

SSE's treasury department is responsible for managing the banking and liquidity requirements of the Company. Short-term liquidity is reviewed daily by treasury, while the longer-term liquidity position is reviewed on a regular basis by the Board. The Company's policy is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the contractual cash flows of interest bearing loans and borrowings, and all financial derivatives, including estimated interest payments:

# Clyde Windfarm (Scotland) Limited

## Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

### 18 Derivatives and financial instruments (continued)

#### i Risk (continued)

**Maturity analysis for financial liabilities and financial assets**

| **2020**<br>**Non-derivative assets** | **Carrying amount**<br>**£ m** | **Contractual cash flows**<br>**£ m** | **1 year or less**<br>**£ m** |
|---|---|---|---|
| Trade and other receivables | 53.3 | 53.3 | 53.3 |

| **2020**<br>**Non-derivative liabilities** | **Carrying amount**<br>**£ m** | **Contractual cash flows**<br>**£ m** | **1 year or less**<br>**£ m** | **1 to 5 years**<br>**£ m** | **More than 5 years**<br>**£ m** |
|---|---|---|---|---|---|
| Loans and borrowings | (253.6) | (386.8) | (15.3) | (60.9) | (310.6) |
| Trade and other payables | (19.5) | (19.5) | (19.5) | - | - |

| **2019**<br>**Non-derivative assets** | **Carrying amount**<br>**£ m** | **Contractual cash flows**<br>**£ m** | **1 year or less**<br>**£ m** |
|---|---|---|---|
| Trade and other receivables | 47.2 | 47.2 | 47.2 |

| **2019**<br>**Non-derivative liabilities** | **Carrying amount**<br>**£ m** | **Contractual cash flows**<br>**£ m** | **1 year or less**<br>**£ m** | **Between 1 and 5 years**<br>**£ m** | **More than 5 years**<br>**£ m** |
|---|---|---|---|---|---|
| Loans and borrowings | (253.6) | (405.9) | (15.3) | (60.9) | (329.7) |
| Trade and other payables | (20.6) | (20.6) | (20.6) | - | - |

### 18 Derivatives and financial instruments (continued)

#### ii Fair values

All financial assets and liabilities are either carried in the balance sheet at fair value or the balance sheet is a reasonable approximation of fair value. As such there is not considered to be any difference between carrying values and fair values of financial instruments and no additional disclosures are therefore required.

**Fair value hierarchy**

Financial instruments are grouped into levels 1 to 3 based on the degree to which fair value is observable.
• Level 1 fair value measurement are those derived from unadjusted quoted market prices for identical assets or liabilities.
• Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
• Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data

All financial instruments in the current and prior year are in level 1. There have been no transfers between levels 1, 2 and 3 during the year ended 31 March 2020.

### 19 Capital commitments

**Capital commitments**

The total amount contracted for but not provided in the financial statements was £Nil (2019 - £Nil).

### 20 Other provisions

| | Other provisions £ m | Decommissioning £ m | Total £ m |
|---|---|---|---|
| At 1 April 2018 | 3.6 | 23.9 | 27.5 |
| Increase in existing provisions | - | 17.6 | 17.6 |
| Increase due to passage of time or unwinding of discount | - | 0.5 | 0.5 |
| At 1 April 2019 | 3.6 | 42.0 | 45.6 |
| Increase (decrease) in existing provisions | (3.6) | 5.1 | 1.5 |
| Increase due to passage of time or unwinding of discount | - | 0.7 | 0.7 |
| At 31 March 2020 | - | 47.8 | 47.8 |

# Clyde Windfarm (Scotland) Limited

## Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

### 20 Other provisions (continued)

*Decommissioning provisions*
In accordance with the Company's accounting policy a provision has been made for the decommissioning of the Company's wind farms. A discount rate of 0.8% (2019: 1.7%) 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.

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

*Sensitivity analysis*
An increase of 1% in the discount rate would result in a decrease to the provision of £7.8m

A decrease of 0.8% in the discount rate would result in an increase to the provision of £7.5m

An increase of 10% in the cost estimate for decommissioning would result in an increase to the provision of £3.3m 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 £3.3m and a corresponding adjustment to the decommissioning assets.

### 21 Related party transactions

The Company is a joint venture between SSE Renewables Onshore Windfarm Holdings Limited (50.1%), a subsidiary of SSE plc, Greencoat UK Wind Holdco Limited (28.2%), a wholly owned subsidiary of Greencoat UK Wind plc and GLIL Corporate Holdings Ltd (21.7%), a wholly owned subsidiary of GMPF & LPFA Infrastructure LLP. To the extent not disclosed elsewhere in the financial statements, details of related party transactions and balances are summarised below:

i) Sales of £118.0m have been made to SSE Energy Supply Limited during the year in respect of a power purchase agreement to sell electricity generated from the windfarm (2019: £150.3m). As of the balance sheet date £nil (2019: £nil) was due to the Company from SSE Energy Supply Limited and £41.3m was accrued (2019: £41.3m).

ii) Purchases of £4.2m have been made from SSE Generation Limited during the year in respect of the Management Services Agreement (MSA) (2019: £3.5m). As of the balance sheet date £nil (2019: £nil) was due from the Company to SSE Generation Limited and £0.9m was accrued (2019: £1.0m).

### 22 Leases

*Amounts falling due within one year*

| | 2020<br>£ m |
|---|---|
| Current portion of long term lease liabilities | 3.3 |

## 22 Leases (continued)

*Amounts falling due after more than one year*

| | 2020 £ m |
|---|---|
| Long term lease liabilities | 40.9 |

**Lease liability maturity analysis**

| | 2020 £ m |
|---|---|
| Within one year | 3.3 |
| Between one and five years | 13.5 |
| After five years | 59.0 |
| Effect of discounting | (31.6) |
| Present value of lease obligations | 44.2 |

## 23 Ultimate parent company

The Company is a joint venture between SSE Renewables Onshore Windfarm Holdings Limited (Registered office: Millennium House, 25 Great Victoria Street, Belfast, Northern Ireland, BT2 7AQ), a wholly owned subsidiary of SSE plc; Greencoat UK Wind Holdco Limited (Registered office: 27-28 Eastcastle Street, London, United Kingdom, W1W 8DH), a wholly owned subsidairy of Greencoat UK Wind plc; and GLIL Corporate Holdings Limited (Registered address: First Floor, 1 Finsbury Avenue, London. EC2M 2PF), a wholly owned subsidiary of GMPF & LPFA Infrastructure LLP.