

Registration number: NI048447

SSE Renewables UK Limited

Directors Report and Financial Statements Financial Statements

for the Year Ended 31 March 2023

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SSE Renewables UK Limited

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SSE Renewables UK Limited

Company Information

Directors	P Cooley F McCutcheon A Malone S Wheeler D Pearson
Registered office	Millennium House 25 Great Victoria Street Belfast Northern Ireland BT2 7AQ
Company secretary	B O'Connor
Bankers	National Westminster Bank 13 Market Place Reading RG1 2EG
Registered number	NI048447

SSE Renewables UK Limited

Strategic Report for the Year Ended 31 March 2023

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

This Strategic Report has been prepared in accordance with the requirements of Section 414 of the Companies Act 2006. Its purpose is to inform shareholders and help them assess how the directors have performed their duty to promote the success of SSE Renewables UK Limited (the "Company").

The Strategic and Financial Review sets out the main trends and factors underlying the development and performance of SSE Renewables UK Limited during the year ended 31 March 2023, as well as those matters which are likely to affect its future development and performance.

Fair review of the business

The profit and loss account for the year ended 31 March 2023 is set out on page 7. The profit for the year after taxation amounted to £7.1m (2022: profit of £1.8m). The balance sheet at 31 March 2023 is set out on page 8-9 and indicates net assets of £14.9m (2022: net assets of £7.5m).

Business performance is predominantly determined by weather conditions and power prices. The weather is an important determinant of the business performance with the wind speed and volume at the Company's windfarm driving the electricity output from the site. During the financial year electricity output increased to 286 GWh (2022: 264 GWh) and as a result the operating profit for the year increased to £13.9m (2022: £15.0m).

Financial performance

The directors believe that the following key financial and other performance indicators will provide stakeholders with sufficient evidence to assess business performance. The key performance indicators during the year were as follows:

	Unit	2023	2022
Revenue	£m	31.0	30.5
Gross profit	£m	13.3	15.2
Operating profit	£m	13.9	15.0
Net assets	£m	14.9	7.5
Electricity generation output	GWh	286.0	264.0

Company priorities in 2023/24 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.

SSE Renewables UK Limited

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

Section 172(1) statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In furtherance of this, section 172 requires a director to have regard amongst other matters, to the:

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

In discharging their section 172 duties, the Directors of the Company, have regard to the factors set out above. They also have regard to other factors which they consider relevant to the decision being made. Those factors, for example, include the Company's applicable regulatory and legal obligations in the operation of a wind farm.


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

As is normal for large companies, authority for day-to-day management of the Company is delegated to senior management, with the setting and oversight of business strategy and related policies, the responsibility of the Directors.

The Company is represented by the Directors on a business unit Executive Committee which reviews health and safety, financial and operational performance and legal and regulatory compliance at every meeting, in addition to other pertinent areas over the course of the financial year, including: the Company's business strategy; key risks; stakeholder-related matters; diversity and inclusion; environmental matters; corporate responsibility; governance, compliance and legal matters. This is done through the consideration and discussion of reports which are sent in advance of each meeting and through presentations to Executive Committee.

The views of the Company's stakeholders are always considered where appropriate in decision making across the SSE Group. Directors are provided with information in a range of different formats including specific reports and presentations on financial and operational performance, non-financial KPIs, risk, environmental, social and governance (ESG) matters and the outcomes of specific pieces of engagement, with the intended outcome being a rounded understanding of stakeholder issues and concerns.

Approved by the Board on 8 December 2023 and signed on its behalf by:


Finlay McCutcheon (Dec 8, 2023 12:46 GMT)
.....
F McCutcheon
Director

SSE Renewables UK Limited

Directors' Report for the Year Ended 31 March 2023

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

This report has been prepared in accordance with the special provisions of section 381 of the Companies Act 2006 relating to small companies. The directors have taken exemption under this regime not to disclose the strategic report.

Directors of the company

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

J Williamson (ceased 1 April 2022)

E Harley (ceased 2 October 2023)

P Cooley

J Downes (ceased 1 April 2022)

F McCutcheon (appointed 1 April 2022)

B O'Regan (ceased 2 October 2023)

A Malone (appointed 1 April 2022)

A Shah (ceased 24 July 2023)

S Wheeler

D Pearson (appointed 21 March 2023)

Principal activity

The principal activity of the Company is the generation of electricity from its existing wind farm sites Bessy Bell (9MW), Slieve Kirk (27MW), Tievenameenta (34.5MW) and Glenconway (46MW) in Northern Ireland. Intercompany sales of electricity are currently made to the group company SSE Airtricity Energy Supply (NI) Limited. The Company is part of the SSE Group (the 'Group').

Principal risks and uncertainties

The principal risks facing the Company are lower wind speeds than anticipated, resulting in less electricity generation; no off-take for electricity produced resulting in lower sales; and technical issues with plant and machinery, resulting in down-time of turbines. To mitigate against electricity off-take risk, Power Purchase Agreements (PPAs) are in place which guarantee sales of electricity. To reduce unplanned plant outage, the Company has access to a team of experienced operators who are responsible for monitoring windfarm performance and carrying out regular maintenance, including the availability of adequate stocks of essential replacement parts.

The directors have assessed that the Company's exposure to price risk, credit risk and liquidity risk are relatively low due to the nature of the operations. As the windfarm is in operation, the Company is exposed to market price fluctuations, though the Company has limited variable costs to mitigate against. The Company is also less exposed to credit risk as electricity sales are made to a related party and liquidity risk as purchases costs are low. The Company also has access to Group support from SSE plc as ultimate parent company.

Dividends

During the year the Company made no dividend payments (2022: £nil).

Political donations

During the year, the Company made no political or charitable donations (2022: £nil).

SSE Renewables UK Limited

Directors' Report for the Year Ended 31 March 2023 (continued)

Environmental matters

The Company is exempt from making disclosures in line with the Streamlined Energy and Carbon Reporting ('SECR') requirements as it is a wholly owned subsidiary of SSE plc. The consolidated disclosures of the Group are available on pages 34-66 of the Group's 2023 annual report

Going concern

The financial statements are prepared on a going concern basis which has been supported by the provision of a parental letter of support from SSE plc. The Group letter of support confirms that the Group will provide support to 31 December 2024 where required. The Directors are satisfied that the Group has the ability to provide this support, should it be required.


In assessing the financial strength of the letter of support provided, the directors considered the cash and cash equivalents balance of £902.4m at 30 September 2023, and the undrawn committed bank facilities of £2.75bn maintained by the Group. In coming to this conclusion, the Directors have taken into account the Group's credit rating and the successful issuance of £0.65bn of long term funding in the first six months of the 23/24 financial year being an 8 year €750m Eurobond at a coupon of 4.0%, and the issuance of £1.6bn of long term funding in the 22/23 financial year being a €1bn NC6 Hybrid at 4% in April 2022, a 7 year €650m Eurobond at a coupon of 2.875% and a £350m dual tranche US Private Placement. As well as taking account of the factors noted, the going concern conclusion is arrived at after applying stress testing sensitivities to the Group's cash flow and funding projections including 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.

Small companies provision statement

This report has been prepared in accordance with the small companies regime under the Companies Act 2006.

Approved by the Board on 8 December 2023 and signed on its behalf by:


Finlay McCutcheon (Dec 8, 2023 12:46 GMT)
F McCutcheon
Director

SSE Renewables UK 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, relevant and reliable;
- 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 8 December 2023 and signed on its behalf by:


Finley McCutcheon (Dec 8, 2023, 12:46 GMT)
F McCutcheon
Director

SSE Renewables UK Limited

Profit and Loss Account for the Year Ended 31 March 2023

	Note	2023 £ m	2022 £ m
Turnover	4	31.0	30.5
Cost of sales		<u>(17.7)</u>	<u>(15.3)</u>
Gross profit		13.3	15.2
Other (losses) / gains	5	2.1	0.8
Administrative expenses		<u>(1.5)</u>	<u>(1.0)</u>
Operating profit	6	13.9	15.0
Interest payable and similar expenses	9	<u>(5.0)</u>	<u>(6.3)</u>
Profit before tax		8.9	8.7
Tax on profit	10	<u>(1.8)</u>	<u>(6.9)</u>
Profit for the year		<u><u>7.1</u></u>	<u><u>1.8</u></u>

The above results were derived from continuing operations.

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

The notes on pages 11 to 25 form an integral part of these financial statements.

SSE Renewables UK Limited

(Registration number: NI048447)
Balance Sheet as at 31 March 2023

	Note	31 March 2023 £ m	31 March 2022 £ m
Fixed assets			
Tangible assets	11	135.9	149.3
Current assets			
Debtors	13	7.0	12.2
Current liabilities			
Creditors: amounts falling due within one year	14	<u>(12.8)</u>	<u>(5.0)</u>
Net current (liabilities)/assets		<u>(5.8)</u>	<u>7.2</u>
Total assets less current liabilities		130.1	156.5
Creditors: Amounts falling due after more than one year			
Amounts due to Group undertakings	14	(74.1)	(101.2)
Long term lease liabilities	15	(10.0)	(10.3)
Deferred tax liabilities	10	(20.8)	(21.0)
Provisions for liabilities	16	<u>(10.3)</u>	<u>(16.5)</u>
Net assets		<u>14.9</u>	<u>7.5</u>
Capital and reserves			
Called up share capital	17	-	-
Profit and loss account		<u>14.9</u>	<u>7.5</u>
Shareholders' funds		<u>14.9</u>	<u>7.5</u>

SSE Renewables UK Limited

(Registration number: NI048447)

Balance Sheet as at 31 March 2023 (continued)


These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

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

The Directors' responsibilities :

- The members have not required the Company to obtain an audit opinion of its accounts for the year in question in accordance with section 476 of the Companies Act 2006; and
- The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts.

Approved by the Board on 8 December 2023 and signed on its behalf by:


Finlay McCutcheon (Dec 8, 2023, 12:46 GMT)
F McCutcheon
Director

SSE Renewables UK Limited

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

	Share capital £ m	Retained earnings £ m	Total £ m
At 1 April 2021	-	5.5	5.5
Profit for the year	-	1.8	1.8
Total comprehensive income	-	1.8	1.8
Share based payment transactions	-	0.2	0.2
At 31 March 2022	-	7.5	7.5
	Share capital £ m	Retained earnings £ m	Total £ m
At 1 April 2022	-	7.5	7.5
Profit for the year	-	7.1	7.1
Total comprehensive income	-	7.1	7.1
Share based payment transactions	-	0.3	0.3
At 31 March 2023	-	14.9	14.9

The notes on pages 11 to 25 form an integral part of these financial statements.

SSE Renewables UK Limited

Notes to the Financial Statements for the Year Ended 31 March 2023

1 General information

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

These financial statements were authorised for issue by the Board on 8 December 2023.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

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

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

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

Summary of disclosure exemptions

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

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

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

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

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

SSE Renewables UK Limited

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

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 2024 where required. The Directors are satisfied that the Group has the ability to provide this support, should it be required.

In assessing the financial strength of the letter of support provided, the directors considered the cash and cash equivalents balance of £902.4m at 30 September 2023, and the undrawn committed bank facilities of £2.75bn maintained by the Group. In coming to this conclusion, the Directors have taken into account the Group's credit rating and the successful issuance of £0.65bn of long term funding in the first six months of the 23/24 financial year being an 8 year €750m Eurobond at a coupon of 4.0%, and the issuance of £1.6bn of long term funding in the 22/23 financial year being a €1bn NC6 Hybrid at 4% in April 2022, a 7 year €650m Eurobond at a coupon of 2.875% and a £350m dual tranche US Private Placement. As well as taking account of the factors noted, the going concern conclusion is arrived at after applying stress testing sensitivities to the Group's cash flow and funding projections including 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.

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.

Finance income and costs policy

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

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

Tax

Taxation on the profit for the year comprises current and deferred tax. Taxation is recognised in the profit and loss account 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.

SSE Renewables UK Limited

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

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 company 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.

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.

Decommissioning assets

The Company presents decommissioning assets separately within property, plant and equipment, in relation to the Renewable generation assets class, to enhance understanding of the Company's financial position. The assets are recognised and valued as disclosed within the Company's provisions policy.

Depreciation

Depreciation is charged so as to write off the cost of assets, less any residual value, over their estimated useful lives as follows:

	Years
Land and buildings (right of use assets)	Remaining period of lease
Onshore wind farms	25
Decommissioning assets	25

SSE Renewables UK Limited

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

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, 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 at the reporting date 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. 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 and there has been an increase in the service potential of the asset.

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

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

Trade debtors

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

SSE Renewables UK Limited

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

2 Accounting policies (continued)

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.

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 Company engages independent experts to estimate the cost of decommissioning its Renewable assets every three years. In the intervening years, management updates the external valuation based on factors arising since the last formal valuation date. 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. This includes development assets, where if a present obligation exists, provision is recognised during construction and prior to commencement of operations from the site. 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 it gives access to future economic benefits, and is depreciated on a straight-line basis over the expected useful life of the asset. Changes in these provisions are recognised prospectively. The unwinding of the discount on the provision is included in finance costs.

Leases

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.

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.

SSE Renewables UK Limited

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

2 Accounting policies (continued)

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.

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.

Defined contribution pension obligation

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

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

SSE Renewables UK Limited

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

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

Decommissioning provisions

The Company holds decommissioning provisions for its Renewable generation assets. The calculation of the Company's decommissioning provision involves the estimation of quantum and timing of cash flows to settle the obligation. The Company via SSE plc engages independent valuation experts to estimate the cost of decommissioning its operating wind farm assets, with the last independent assessment being performed in the year to 31 March 2022. Further detail of the calculation basis, key assumptions used, the resulting movements in decommissioning provisions, and the sensitivity of key assumptions to the decommissioning provision is disclosed at note 17. While the carrying value is considered to be appropriate, changes in future decommission costs and economic conditions could lead to a change in the level of decommissioning provision.

4 Revenue

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

	2023 £ m	2022 £ m
Power Purchase Agreements (PPAs)	15.9	16.2
Renewable Obligations Certificates (ROCs)	15.0	14.1
Other revenue	0.1	0.2
	<u>31.0</u>	<u>30.5</u>

5 Other gains and losses

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

	2023 £ m	2022 £ m
Gain (loss) on disposal of tangible assets	<u>2.1</u>	<u>0.8</u>

During the year the Company recognised a gain of £2.1m on disposal of Bessy bell 1 wind farm. During the prior year the Company recognised a gain of £0.8m on disposal of tangible assets at the Hunterston and Tilbury sites.

SSE Renewables UK Limited

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

6 Operating profit

Arrived at after charging

	2023	2022
	£ m	£ m
Depreciation expense	7.4	7.4
Profit on disposal of property, plant and equipment	<u>(2.1)</u>	<u>(0.8)</u>

7 Staff costs

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

	2023	2022
	£ m	£ m
Wages and salaries	0.5	0.5
Social security costs	0.1	-
Pension costs	-	0.1
Pension costs, defined benefit scheme	0.1	-
Share-based payment expenses	<u>0.1</u>	<u>0.1</u>
	<u>0.8</u>	<u>0.7</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2023	2022
	No.	No.
Administration and support	<u>11.0</u>	<u>17.0</u>
	<u>11.0</u>	<u>17.0</u>

8 Directors' remuneration

The total remuneration received by the directors for qualifying and non-qualifying services during the year was £4.3m (2022: £3.7m). The above value is for 10 directors (2022: 9), who were remunerated via another Group company in the year. A value of services to the Company for these directors cannot be determined, therefore the above value reflects the remunerations received for services to the SSE Group as a whole.

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £1.2m (2022: £1.1m) including company pension contributions of £0.1m (2022: £0.1m) which were made to a money purchase scheme on their behalf.

SSE Renewables UK Limited

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

9 Interest payable and similar expenses

	2023 £ m	2022 £ m
Interest payable to Group companies	4.0	5.5
Lease obligations - unwind of discount rate	0.6	0.6
Decommissioning provision - unwind of discount	0.4	0.2
	<u>5.0</u>	<u>6.3</u>

10 Income tax

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

	2023 £ m	2022 £ m
Current taxation		
UK corporation tax	2.0	1.7
Deferred taxation		
Adjustment in respect of prior periods	(0.2)	0.1
Arising from changes in tax rates and laws	-	5.1
Total deferred taxation	(0.2)	5.2
Tax expense in the profit and loss account	<u>1.8</u>	<u>6.9</u>

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

The differences are reconciled below:

	2023 £ m	2022 £ m
Profit before tax	<u>8.9</u>	<u>8.7</u>
Corporation tax at standard rate of 19% (2022: 19%)	1.7	1.6
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	0.3	0.2
Deferred tax credit from unrecognised temporary difference from a prior period	(0.2)	-
Deferred tax expense relating to changes in tax rates or laws	-	5.1
Total tax charge	<u>1.8</u>	<u>6.9</u>

SSE Renewables UK Limited

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

10 Income tax (continued)

Deferred tax

Deferred tax movement during the year:

	At 1 April 2022 £ m	Recognised in income £ m	At 31 March 2023 £ m
Tangible fixed assets	(21.8)	0.2	(21.6)
Provisions	0.8	0.0	0.8
Net tax liabilities	<u>(21.0)</u>	<u>0.2</u>	<u>(20.8)</u>

Deferred tax movement during the prior year:

	At 1 April 2021 £ m	Recognised in income £ m	At 31 March 2022 £ m
Tangible fixed assets	(16.3)	(5.5)	(21.8)
Provisions	0.5	0.3	0.8
Net tax liabilities	<u>(15.8)</u>	<u>(5.2)</u>	<u>(21.0)</u>

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

SSE Renewables UK Limited

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

11 Tangible assets

	Land and buildings £ m	Operating assets £ m	Decommissioning assets £ m	Renewable Generation £ m	Total £ m
Cost or valuation					
At 1 April 2022	11.3	0.5	15.7	193.3	220.8
Additions	0.1	-	-	0.1	0.2
Reduction in Decommissioning	-	-	(4.9)	-	(4.9)
Disposals	-	-	(1.3)	(3.6)	(4.9)
At 31 March 2023	<u>11.4</u>	<u>0.5</u>	<u>9.5</u>	<u>189.8</u>	<u>211.2</u>
Depreciation					
At 1 April 2022	1.5	0.5	2.2	67.3	71.5
Charge for the year	0.5	-	0.5	6.4	7.4
Disposals	-	-	(0.5)	(3.1)	(3.6)
At 31 March 2023	<u>2.0</u>	<u>0.5</u>	<u>2.2</u>	<u>70.6</u>	<u>75.3</u>
Carrying amount					
At 31 March 2023	<u>9.4</u>	<u>-</u>	<u>7.3</u>	<u>119.2</u>	<u>135.9</u>
At 31 March 2022	<u>9.8</u>	<u>-</u>	<u>13.5</u>	<u>126.0</u>	<u>149.3</u>

The only ROU assets relate to Land & Buildings, with the total balance of Land & Buildings within the balance sheet being made up of ROU assets.

Land and Building depreciation amounted £0.5m refers to the ROU asset disclosed in Note 12.

On 21 July 2022 the Company disposed of its wind farm Bessy Bell 1.

SSE Renewables UK Limited

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

12 Right of use assets

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

	Land and buildings £ m	Total £ m
Cost or valuation		
At 1 April 2022	11.3	11.3
Additions	0.1	0.1
At 31 March 2023	11.4	11.4
Depreciation		
At 1 April 2022	1.5	1.5
Charge for the year	0.5	0.5
At 31 March 2023	2.0	2.0
Carrying amount		
At 31 March 2023	9.4	9.4

13 Trade and other debtors

	31 March 2023 £ m	31 March 2022 £ m
Trade debtors	-	0.1
Debtors from related parties	4.4	9.3
Accrued income	2.4	2.8
Other debtors	0.2	-
	7.0	12.2

14 Creditors

Amounts falling due within one year

	31 March 2023 £ m	31 March 2022 £ m
Trade creditors	0.2	0.4
Amounts due to Group undertakings	7.4	1.4
Income tax liability	2.0	1.6
Accrued expenses	2.3	0.8
Current portion of long term lease liabilities	0.9	0.8
	12.8	5.0

SSE Renewables UK Limited

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

14 Creditors (continued)

Amounts falling due after more than one year

	31 March 2023 £ m	31 March 2022 £ m
Amounts due to Group undertakings	74.1	101.2
Long term lease liabilities	10.0	10.3
	<u>84.1</u>	<u>111.5</u>

The amounts owed to related parties and falling due after more than one year are in respect of amounts advanced to the company by its ultimate parent SSE plc. Interest is charged at 5.03% (2022: 4.89%). 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 2023 £ m	31 March 2022 £ m
Current portion of long term lease liabilities	0.9	0.8
Long term lease liabilities	10.0	10.3
	<u>10.9</u>	<u>11.1</u>

Lease liability maturity analysis

	31 March 2023 £ m	31 March 2022 £ m
Within one year	0.9	0.8
Between one and five years	3.7	3.6
After five years	12.6	13.5
Less: future finance charge	<u>(6.3)</u>	<u>(6.8)</u>
Present value of lease obligations	<u>10.9</u>	<u>11.1</u>

Variable lease payments, excluded from the measurement of the lease liability, relate to royalty payments due to landowners at the Company's windfarm sites. An expense has been incurred in the year of £0.5m (2022: £0.4m).

In the current year the Company's repayment of lease liabilities was £0.9m (2022: £0.8m).

SSE Renewables UK Limited

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

16 Other provisions

	Decommissioning £ m
At 1 April 2022	16.5
Increase (decrease) in existing provisions	(4.9)
Decrease (increase) through disposals	(1.7)
Increase (decrease) due to passage of time or unwinding of discount	0.4
At 31 March 2023	<u>10.3</u>

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 1.7% (2022: 3.8%) has been applied to inflate the base cost of the decommissioning provision to future value. For wind farm assets with expected decommissioning dates less than 10 years from the due date of the balance sheet a discount rate of 1.6% (2022: 1.6%) has been applied to discount the decommissioning cost provision to present values. For wind farm assets with expected decommissioning dates 10 years or greater from the due date of the balance sheet a discount rate of 3.8% (2022: 1.8%) has been applied.

The unwinding of discount rate in relation decommissioning costs is charged to interest payable in the profit and loss account.

A decrease of £4.9m was recognised in the year following a review of the estimated timing and quantum of costs associated with the Company's assets.

Sensitivity analysis

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

An increase of 0.5% in the discount rate would result in a decrease to the provision of £0.7m

A decrease of 0.5% in the discount rate would result in an increase to the provision of £0.7m

An increase of 10% in the cost estimate for decommissioning would result in an increase to the provision of £1m 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 £1m and a corresponding adjustment to the decommissioning assets.

17 Share capital

	31 March 2023 £	31 March 2022 £
Allotted, called up and fully paid:		
1 ordinary shares of £1 each	<u>1.0</u>	<u>1.0</u>

SSE Renewables UK Limited

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

18 Parent and ultimate parent undertaking

The company's immediate parent is SSE Renewables Onshore Windfarm Holdings Limited.

The ultimate parent is SSE plc.

The ultimate controlling party is SSE plc.

Relationship between entity and parents

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