Registration number: 02729513

Keadby Generation Limited

Directors report and Financial Statements

for the Year Ended 31 March 2022

Keadby Generation Limited

Contents

Keadby Generation Limited

Company Information

Directors	M Beattie
	C Cryans (resigned 24 June 2021 and reappointed 18 January 2022)
	H Z Bronwin (appointed 17 May 2022)
	A M G Gray
	M R Hayward
	J Johnson
	C Raw (appointed 7 July 2022)
	A M J Rudd
	M Mackay (appointed on 17 May 2022)
	S Wheeler (resigned 16 December 2021)
	Z Zakir (appointed 22 June 2021)
Company secretary	S Fairbairn
Registered office	Keadby Power Station Trentside Keadby Scunthorpe DN17 3EF
Auditors	Ernst & Young LLP G1 Building 5 George Square Glasgow G2 1DY
Registered number	02729513

Keadby Generation Limited

Strategic Report for the Year Ended 31 March 2022

The directors present their report for the year ended 31 March 2022.

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 Keadby Generation Limited.

The Strategic and Financial Review sets out the main trends and factors underlying the development and performance of Keadby Generation Limited (the "Company") during the year ended 31 March 2022, as well as those matters which are likely to affect its future development and performance.

Fair review of the business

Financial performance

The profit and loss account for the year ended 31 March 2022 is set out on page 14. The profit for the year after taxation amounted to £51.8m (2021: loss of £0.6m). The balance sheet as at 31 March 2022 is set out on page 15 and indicates net assets of £24.7m (2021: net liabilities of £27.1m). The turnover for the year amounted to £12.3m (2021: £123.9m) and a breakdown of this and an explanation for the variance to last year is included in note 4 of the financial statements.

The directors assess the financial performance of the Company based on 'adjusted operating profit'. This measure is used for internal performance management and is believed to be appropriate for explaining underlying performance to users of the accounts. Adjusted operating profit is derived after excluding exceptional items and certain re-measurements arising on commodity contracts. Exceptional items are those charges or credits that are considered unusual by nature and or scale and of such significance that separate disclosure is required for the financial statements to be properly understood. Derivative re-measurements are re-measurements arising on certain commodity contracts, which are accounted for as held for trading in accordance with the Company's policy for such financial instruments.

The company has reported an adjusted operating profit of £6.7m (2021: profit £3.2m).

Reported to adjusted operating profit reconciliation:

	2022 £m	2021 £m
Operating profit	57.1	1.7
Add back: Operating derivatives	14.9	1.5
Add back: Exceptional items	(65.3)	-
Adjusted operating profit	6.7	3.2

The significant movement on the derivatives was due to volatility in the global commodity markets which has resulted in an "out of the money" mark-to-market on commodity contracts (predominately electricity contracts), partially offset by "in the money" volatility on gas purchased.

The impairment assessment returned the exceptional impairment reversal of £65.3m for Keadby power station. Following the assessment all historic impairments on this asset has now been reversed.

Business performance overview

Keadby Generation Limited is part of the SSE plc group (the 'Group'). The power station owned by the Company and operational through the reporting year was 755MW of gas-fired capacity at Keadby 1 power station. Fiddlers' Ferry power station, which was 1,510MW of coal-fired capacity closed in March 2020. The closure of Fiddlers' Ferry is part of SSE's commitment to a net-zero emissions future and was five years ahead of the UK Government's target to end unabated coal-fired electricity generation by 2025. The site was sold in June 2022 - see note 22.

The Fiddlers' Ferry closure follows the closure of the Company's other coal-fired plant, Ferrybridge 'C' Station in West Yorkshire, in 2016. Decommissioning work was completed in the 2019/20 financial year and demolition had been ongoing until the sale of the site in June 2022.

Construction of a 893MW CCGT at Keadby 2 in Lincolnshire is progressing well and is on track to be fully commissioned in 2022. The project, which is adjacent to the existing Keadby CCGT, will introduce Siemens' first-of-a-kind, high efficiency, gas-fired generation technology to the UK. Keadby 2 will be one of the most efficient gas plants in Europe providing a much-needed capacity boost and displacing less carbon efficient generation on the system.

The Company's CCGT power stations fulfil an important function within the wider electricity market, by providing reliable capacity in response to market changes and events. Their flexibility is important in supporting the transition to a low-carbon electricity system whilst ensuring security of supply.

UK Capacity Market

Keadby 1 has capacity obligations to September 2023 and won a contract for the 2025/26 delivery year in the T-4 auctions held in February 2022. The plant was not able to secure capacity contracts at a remuneration level deemed appropriate by the directors for 2023/24 and 2024/25. Keadby 1 continues to have the option to participate in T-1 auctions (1-year ahead of delivery) or obtain contracts through the secondary market.

Keadby 2 won a 15-year contract from capacity year 2023/24 in the T-4 auctions held in March 2020 and subsequently won a one-year contract in the T-1 auctions held in February 2022 for delivery year 2022/23.

Future developments

The Company continues to prioritise the safe operation, construction, and demolition of the company's assets at Keadby and Ferrybridge.

The Company is actively developing a pipeline of low-carbon projects in the Humber region, part of the East Coast Cluster. A Development Consent Order (planning) application has been submitted for Keadby 3 Carbon Capture Power Station, which would plug into the shared CO_2 infrastructure being developed through the East Coast Cluster. In January 2022, a bid for government support was submitted through the UK Government's cluster sequencing process. Further low-carbon opportunities exist in the Humber using CCS and hydrogen, as the shared infrastructure is developed.

Company priorities in 2022/23 and beyond

• Deliver SHE improvement strategy to ensure compliance with environmental and safety obligations whilst ensuring systems and processes support employee health and wellbeing through the coronavirus transition of restrictions easing;
• Continue to work with Siemens to ensure planned commissioning and commercial success of Keadby 2. This will include review of hydronic combustion capability to support drive to net zero;
• Implementation of our Asset Management framework in compliance with ISO 55001 optimising investment objectives with market requirements;
• Maintain advocacy around a low-carbon future, through continued participation in the UK Government's cluster sequencing process and engagement with the longer-term framework for decarbonisation, including power-CCS and hydrogen;
• Provide flexible and efficient gas-fired generation to complement the increasing levels of renewables on the electricity system and support security of supply;
• Progress of digital infrastructure project.

Principal risks and uncertainties

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

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

The main financial risks that the Company could face have been considered by the directors and the Group's Energy Markets Risk Committee which oversees any major policy changes. These include mechanical failure at the Company's power stations, competition, availability of fuel, wholesale market prices of electricity, gas and other commodities, economic regulation and government policies, uncertainties around ongoing decommissioning works and other factors. To mitigate these risks, regular maintenance work is performed at the power stations to avoid unplanned outage; competitor activity is monitored; financial derivative instruments are utilised to minimise exposure to fluctuations in the price of key commodities; regular reviews are carried out and expert independent assessment undertaken, together with the engagement of specialist contractors in relation to decommissioning activities; and the effectiveness of performance in all key areas is regularly reviewed by management.

The Company transacts with the other companies within the Group and is a key part of the Group's business and strategies. The principal risks and uncertainties faced by the Group are set out in the Group's annual report.

The impact of future climate change regulation could have a material impact on the currently reported assets and liabilities of the Company. In the medium term, the transition to net zero may result in regulation restricting electricity from unabated gas fired power stations. It is a plausible scenario that this capacity will not be permitted to generate beyond 2030 without low-carbon abatement technology. Only Keadby 2 is projected to operate beyond this date, however it is possible to invest in technology to comply with potential policy change. The Company's view is that Keadby 2 will become and continue to be an essential asset, providing security of supply in the GB market. As a result, the projected life of the asset has not been shortened when preparing the 31 March 2022 financial statements. If legislation was introduced requiring the closure of Keadby 2 by 2030, it would result in no impairment at 31 March 2022.

Key performance indicators

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

Financial / Operational

	2022 £m	2021 £m
Gross profit	63.4	7.2
Adjusted operating profit	6.7	3.2
Adjusted capital expenditure	66.8	66.6

Non Financial / Management

Availability

	2022 %	2021 %
Keadby power station	86	73

Gross profit has increased due to an impairment reversal on the Keadby power station amounting to £65.3m - see note 5.

Keadby 1 availability in 2021/22 of 86% is in line with 2019/20 when it was 90%. The reduction in availability in 2020/21 was largely due to damage found to unit 1 in Summer 2020. The unit was unavailable until December 2020 when the repair was completed, and the asset returned to service.

Section 172(1) Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In furtherance of this, section 172 requires a director to have regard amongst other matters, to the:
• likely consequences of any decisions in the long term;
• interests of the company's employees;
• need to foster the company's business relationships with suppliers, customers and others;
• impact of the company's operations on the community and environment;
• desirability of the company maintaining a reputation for high standards of business conduct; and
• need to act fairly as between members of the company.

In discharging their section 172 duties, the directors of the Company, have regard to the factors set out above. They also have regard to other factors which they consider relevant to the decision being made, for example, health and safety factors relating to the operation of Company's assets and to the overall financial health of the Company.

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

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

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

The views of the Company's stakeholders are always considered where appropriate in decision making across the SSE Group. The mechanisms which are in place to assist the director's in understanding relevant views are set on pages 2 to 5 of the Strategic Report. Information is generally provided in a range of different formats including specific reports and presentations on financial and operational performance, non-financial KPIs, risk, ESG (environmental, social and governance) matters and the outcomes of specific pieces of engagement, with the intended outcome being a rounded understanding of stakeholder issues and concerns.

Set out below are examples of how the directors have had regard to the matters set out in section 172 (1) (a)-(f) when discharging their section 172 duty and the effect of that on principal decisions taken.

The Executive Committee of SSE Thermal entered into a partnership with Equinor to jointly develop two first-of-a-kind, low-carbon power stations in the UK's Humber region, comprising one of the UK's first power stations with carbon capture and storage (CCS) technology, and the world's first major 100% hydrogen-fuelled power station.

The plans, underpinned by a cooperation agreement between the two companies, would support the UK's transition to net zero and accelerate the decarbonisation of the Humber, the UK's largest and most carbon-intensive industrial cluster. The projects have the potential to create thousands of skilled, green jobs and revitalise a key industrial heartland.

The two decarbonised power stations, which would form a 'clean power hub' near Scunthorpe, North Lincolnshire, would be among the first in the world to utilise CCS and hydrogen technologies. Keadby 3 and Keadby Hydrogen would replace older, carbon-intensive generation on the electricity grid, providing flexible and efficient power to support intermittent renewable generation and maintain security of supply through the net zero transition.

Partnering with credible, respected organisations like Equinor ensures that high standards of conduct will be maintained, with both partners working together to deliver a low carbon future for thermal assets, working closely with our suppliers and communities to meet the future needs of the power market in the UK in a sustainable way.

Stakeholder engagement

The Company's stakeholders are people, communities and organisations with an interest or concern in its purpose, strategy, operations and actions, and who in turn, may be affected by them. This includes: shareholders; employees; government and regulators; NGOs, communities and civil society; suppliers, contractors and partners; and customers. The perspectives, insights and opinions of stakeholders are recognised as a key factor in the relevant operational, investment and business decisions taken by the Company and its directors, to ensure that as a whole they are more robust and sustainable.

Keadby Generation Limited sits within the SSE Thermal business unit and is represented on a dedicated Executive Committee of which all of the directors are part.

While there are cases where the directors may judge it appropriate to engage directly with certain stakeholder groups, the size and spread of both the Company's stakeholders and those of the SSE Group, of which the Company sits within, means that stakeholder engagement takes place at many different levels. This includes at SSE Group level, business unit level, company level and operational level. This holistic approach allows a broader representation and deeper understanding of all stakeholder views and contributes towards a greater outcome for business, environmental, social and governance matters than by working in isolation.

Details of the mechanisms which are used to engage with stakeholders across the SSE Group, in order to gain understanding of the issues which they deem material are set out on pages 32 to 39 of the SSE plc Annual Report 2022.

In order to ensure that there has been adequate engagement in fostering the Company's business relationships with suppliers, customers and other relevant parties, representations are made on a quarterly basis at business unit level by business partners which represent the areas of Procurement and Corporate Affairs within SSE Thermal. Such representations are designed to inform the directors of the current nature of the relationship, the strategic significance that the relationship offers to support the objectives of the business and the prospects or issues associated with the continued fostering of the relationship.

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

Approved by the Board on 27 October 2022 and signed on its behalf by:

Martin Beattie
Martin Beattie (Oct 27, 2022 13:46 GMT+1)
....
M Beattie
Director

Keadby Generation Limited

Directors' Report for the Year Ended 31 March 2022

The directors present their report and the financial statements for the year ended 31 March 2022.

Directors' of the company
The directors, who held office throughout the year and to the date of approval of this report (except where otherwise shown) were as follows:

M Beattie

C Cryans (resigned 24 June 2021 and reappointed 18 January 2022)

H Z Bronwin (appointed 17 May 2022)

A M G Gray

M R Hayward

J Johnson

C Raw (appointed 7 July 2022)

A M J Rudd

M Mackay (appointed on 17 May 2022)

S Wheeler (resigned 16 December 2021)

Z Zakir (appointed 22 June 2021) (appointed 22 June 2021)

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

Principal activity
The principal activity of the company is the generation of electricity and is part of the SSE plc Group (the 'Group'). During the year, the Company sold all of its power output to SSE EPM Limited, a related company.

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

Political and charitable donations
The Company did not make any political or charitable donations during the year (2021: £nil).

Important non adjusting events after the financial period
Fiddlers Ferry site was sold on 30 June 2022 to Peel NRE Developments Limited for £60m plus VAT. The site was owned by SSE Generation Limited (another Group company) and was held at nil value. The sales proceeds will therefore be recorded in SSE Generation Limited in the year to 31 March 2023.
As at 31 March 2022 the decommissioning provision relating to the site amounted to £55m (included in note 16), and the fixed assets amounted to £24.3m (included in note 12), both of which will be released and written off, respectively, to the profit and loss account, in the year to 31 March 2023 in Keadby Generation Limited.

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

In assessing the financial strength of the letter of support provided, the directors considered the cash balance of £1.0bn at 31 March 2022, the undrawn committed bank facilities of £1.5bn maintained by the Group, and the current commercial paper market conditions including the Group's success in refinancing maturing debt with the issuance of £1.2bn of long term debt and hybrid equity in March and April 2022 (being £350m dual tranche 10 and 15 year private placement and €1bn (£830m) NC6 equity accounted Hybrid) and the Group's credit rating. The Group's period of going concern assessment is performed to 31 December 2023, 21 months from the balance sheet date, which is at least 12 months from the filing deadline of its subsidiary companies. As well as taking account of the factors noted, the going concern conclusion is arrived at after applying stress testing sensitivities to the Group's cash flow and funding projections including removal of proceeds from unconfirmed future divestments, negative and positive sensitivities on operating cash flows and uncommitted capex and other adjustments.

Having reviewed the financial strength of the Group, the directors are satisfied that the Group, and the Company itself, will remain funded for foreseeable future. The Directors have therefore concluded it is appropriate for the financial statements to be prepared on a going concern basis.

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

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

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

Approved by the Board on 27 October 2022 and signed on its behalf by:

Martin Beattie
Martin Beattie (Oct 27, 2022 13:46 GMT+1)
....
M Beattie
Director

Keadby Generation 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

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

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report, that comply with that law and those regulations.

Approved by the Board on 27 October 2022 and signed on its behalf by:

Martin Beattie
Martin Beattie (Oct 27, 2022 13:46 GMT+1)
....
M Beattie
Director

Keadby Generation Limited

Independent Auditor's Report to the Members of Keadby Generation Limited

Opinion

We have audited the financial statements of Keadby Generation Limited (the 'Company') for the year ended 31 March 2022, which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, 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 United Kingdom Accounting Standards including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. 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 until December 2023.

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

Other information

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

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

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

Independent Auditor's Report to the Members of Keadby Generation Limited (continued)

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Independent Auditor's Report to the Members of Keadby Generation Limited (continued)

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (UK adopted International Accounting Standards) and relevant tax compliance legislation in the United Kingdom. We also considered non-compliance of regulatory requirements, including the Office of Gas and Electricity Markets (OFGEM), and have spoken to the SSE head of regulation to confirm our understanding.
- We understood how the Company is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We verified our enquiries through our review of board minutes, regulatory correspondence and papers provided to the Board.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there was susceptibility to fraud. We also considered the programmes and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and the how senior management monitors those programmes and controls. Where the risk is considered to be higher, we performed audit procedures to address each identified fraud risk.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved: journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business, enquiries of legal counsel and management, and focused testing. In addition, we completed procedures to conclude on the compliance of the disclosures in the financial statements with all applicable requirements.

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

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
Glasgow
G2 1DY

Date: 27/10/22

Keadby Generation Limited

Profit and Loss Account for the Year Ended 31 March 2022

	Note	2022 £ m	2021 £ m
Turnover	4	12.3	123.9
Cost of sales		(14.2)	(116.7)
Cost of sales: Exceptional items	5	65.3	-
Gross profit		63.4	7.2
Administrative expenses		(6.3)	(5.5)
Operating profit	6	57.1	1.7
Interest payable and similar expenses	9	(0.1)	(0.9)
Profit before tax		57.0	0.8
Tax on profit	11	(5.2)	(1.4)
Profit/(loss) for the year		51.8	(0.6)

The above results were derived from continuing operations.

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

Keadby Generation Limited

(Registration number: 02729513)
Balance Sheet as at 31 March 2022

	Note	31 March 2022 £ m	31 March 2021 £ m
Fixed assets			
Tangible assets	13	491.1	379.3
Intangible assets	12	10.6	-
Deferred tax assets	11	21.2	31.7
		522.9	411.0
Current assets			
Stocks	14	2.5	2.3
Debtors	15	58.1	36.6
		60.6	38.9
Current liabilities			
Creditors: amounts falling due within one year	16	(238.0)	(40.7)
Derivative financial liabilities		(16.7)	-
Provisions for liabilities	17	(26.2)	(26.3)
		(280.9)	(67.0)
Net current liabilities		(220.3)	(28.1)
Total assets less current liabilities		302.6	382.9
Creditors: Amounts falling due after more than one year			
Amounts owed to Group undertakings	16	(202.6)	(101.3)
Assets under construction contracts		-	(226.7)
Derivative financial liabilities		(0.3)	(2.1)
		(202.9)	(330.1)
Provisions	17	(75.0)	(79.9)
Net assets/(liabilities)		24.7	(27.1)
Capital and reserves			
Called up share capital	19	10.0	10.0
Profit and loss account		(815.5)	(867.3)
Capital Contribution		830.2	830.2
Shareholders' funds/(deficit)		24.7	(27.1)

Approved by the Board on 27 October 2022 and signed on its behalf by:

Martin Beattie
Martin Beattie (Oct 27, 2022 13:46 GMT+1)
....
M Beattie
Director

The notes on pages 17 to 34 form an integral part of these financial statements.

Keadby Generation Limited

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

	Share capital £ m	Profit and loss account £ m	Capital contribution £ m	Total £ m
At 1 April 2020	10.0	(866.8)	830.2	(26.6)
Loss for the year	-	(0.6)	-	(0.6)
Credit in respect of employee share awards	-	0.1	-	0.1
At 31 March 2021	10.0	(867.3)	830.2	(27.1)

	Share capital £ m	Profit and loss account £ m	Capital contribution £ m	Total £ m
At 1 April 2021	10.0	(867.3)	830.2	(27.1)
Profit for the year	-	51.8	-	51.8
At 31 March 2022	10.0	(815.5)	830.2	24.7

The notes on pages 17 to 34 form an integral part of these financial statements.

1 General information

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

These financial statements were authorised for issue by the Board on 27 October 2022.

2 Accounting policies

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

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

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

Changes in accounting policy
None of the other standards, interpretations and amendments effective for the first time from 1 April 2021 have had a material effect on the financial statements.

Functional currency and presentation currency
The functional currency and presentation currency used in the financial statements is the Great British Pound (£), and the amounts have been presented in millions (m), rounded to the nearest hundred thousand.

Summary of disclosure exemptions

2 Accounting policies (continued)

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

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

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

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

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

2 Accounting policies (continued)

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

In assessing the financial strength of the letter of support provided, the directors considered the cash balance of £1.0bn at 31 March 2022, the undrawn committed bank facilities of £1.5bn maintained by the Group, and the current commercial paper market conditions including the Group's success in refinancing maturing debt with the issuance of £1.2bn of long term debt and hybrid equity in March and April 2022 (being £350m dual tranche 10 and 15 year private placement and €1bn (£830m) NC6 equity accounted Hybrid) and the Group's credit rating. The Group's period of going concern assessment is performed to 31 December 2023, 21 months from the balance sheet date, which is at least 12 months from the filing deadline of its subsidiary companies. As well as taking account of the factors noted, the going concern conclusion is arrived at after applying stress testing sensitivities to the Group's cash flow and funding projections including removal of proceeds from unconfirmed future divestments, negative and positive sensitivities on operating cash flows and uncommitted capex and other adjustments.

Having reviewed the financial strength of the Group, the directors are satisfied that the Group, and the Company itself, will remain funded for foreseeable future. The Directors have therefore concluded it is appropriate for the financial statements to be prepared on a going concern basis.

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

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

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

2 Accounting policies (continued)

Exceptional items

Exceptional items are those charges or credits that are considered unusual by nature and/or scale and of such significance that separate disclosure is required for the financial statements to be properly understood. The trigger points for exceptional items will tend to be non-recurring although exceptional charges may impact the same asset class or segment over time.

Market conditions that have deteriorated significantly over time will only be captured to the extent observable at the balance sheet date.
Examples of items that may be considered exceptional include material asset impairment charges, reversals of historic impairments, business restructuring costs and reorganisation costs and provisions in relation to contractual settlements associated with significant disputes and claims.

Finance income and costs policy

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

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

Tax

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

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

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

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

Tangible assets

Owned assets

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

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

Decommissioning assets

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

2 Accounting policies (continued)

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:

	Years
Thermal power stations	20 to 60

Intangible assets

Expenditure on development activities is capitalised as intangible assets if the project or process is considered to be technically and commercially feasible and the company intends to complete the project or process for use or for sale. Development projects include thermal generation projects and other developments relating to proven technologies. Costs incurred in bringing these projects to the consent stage include options over land rights, planning application costs and environmental impact studies and may be costs incurred directly or part of the fair value exercise on acquisition of an interest in a project. At the point that the project reaches the consent stage and is approved by the Board, the carrying value of the project is transferred to property, plant and equipment as assets under construction. Once in operation, depreciation will be charged over the expected useful life of the asset. The asset is derecognised on disposal, or when no future economic benefits are expected to arise.

2 Accounting policies (continued)

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

For assets subject to impairment testing, the asset's carrying value is compared to the asset's recoverable amount. The recoverable amount is determined to be the higher of the fair value less costs to sell (FVLCS) and the value-in-use (VIU) of the asset. 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 profit and loss account. Reversals of previous impairment charges are recognised if the recoverable amount of the asset significantly exceeds the carrying amount.

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

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

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

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

2 Accounting policies (continued)

Stock
Inventories are stated at the lower of cost and net realisable value.

The cost of inventories is based on the average price principle and includes the cost of acquiring the stocks and other expenditure incurred in order to bring them to their existing location and condition.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Trade creditors
Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

Borrowings
All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the profit and loss account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Provisions
Restructuring
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 Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Decommissioning
The estimated cost of decommissioning at the end of the useful lives of certain assets is reviewed periodically. Provision is made for the net present value of the estimated cost of decommissioning power stations at the end of their useful lives. The estimates are based on technology and prices at the balance sheet date and excludes any salvage value related to those assets. A corresponding decommissioning asset, including any residual scrap proceeds expected, is recognised and is included within property, plant and equipment when the provision gives access to future economic benefits. Changes in these provisions are recognised prospectively. The unwinding of the discount on the provision is included in finance costs and the depreciation for the asset is straight-line over the expected useful life of the asset.

2 Accounting policies (continued)

Share capital
Ordinary shares are classified as equity.

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

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

Financial instruments

Derivative financial instruments
Derivative financial instruments are contracts, the value of which is derived from one or more underlying financial instruments or indices, and include forward hedges for commodities such as electricity, gas and carbon allowances.

Derivative financial instruments are recognised in the statement of financial position at fair value. Fair values are derived from prevailing market prices, discounted cash flow models or option pricing models as appropriate.

On the balance sheet, derivative financial instruments with positive fair values (unrealised gains) are included as assets and derivative financial instruments with negative fair values (unrealised losses) are included as liabilities.

The changes in the fair values of derivative financial instruments entered into for trading purposes are included in cost of sales.

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

The use of estimates and assumptions is principally limited to the determination of provisions for impairment and the decommissioning provision as explained in more detail below:-

Provisions for impairment
The Company reviews the carrying amounts of specific property, plant and equipment assets to determine whether any impairment of the carrying value of those assets requires to be recorded. In conducting its reviews, the Company makes estimates and assumptions when considering the calculation of recoverable amount of the respective assets.
Changes to the estimates and assumptions on factors such as regulation and legislation changes (including climate change related regulation), power, gas and carbon prices, plant running regimes and load factors, discount rates and other inputs could impact the assessed recoverable value of assets and consequently impact the Company's profit and loss account and balance sheet.
Further detail of the accounting policy applied is detailed in Accounting Policies note (page 21) and the resulting impairment reversal is disclosed in note 5.

2 Accounting policies (continued)

Decommissioning provision
Judgement is required when determining the decommissioning provision, in the estimation of the amount and timing of future cash flows as well as the discount rate used. Sensitivity analysis on the discount rate and future costs is included in note 17.

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

Provisions
Future costs required to settle provisions which are disclosed in note 17.

Impairment of non-financial assets
Impairment testing of specific property, plant and equipment assets which is disclosed in note 13.

4 Turnover

Turnover comprises revenue from Keadby power station in respect of the generation and sale of electricity, capacity payments and other turnover. It also includes sales of ash from Fiddlers Ferry power station. The power stations are located in the United Kingdom.

Revenue from the sale of the physical generation of electricity to SSE EPM Limited, a related company, is recognised 'point in time', as generated. Revenue from capacity, and ancillary generation services may either be recognised in line with electricity being physically generated, 'point in time' or over the contractual period, 'over time', depending on the underlying performance obligation.

Disaggregation of revenue:

Goods or services transferred at a point in time

	2022 £m	2021 £m
Electricity generation	201.8	97.4
Forward hedge on electricity generation	(206.6)	0.6
Capacity	11.3	15.8
Ancillary services	2.2	3.3
Ash sales	2.8	1.6
Other income	0.8	5.2
Total	12.3	123.9

4 Turnover (continued)

The large variance above in the forward hedge on electricity generation was caused by the volatily in the global commodity markets, and is off set by a large negative cost of sale (effectively income) of £177.4m, in relation to forward hedge on gas purchases. The £177.4m is included in the cost of sales value in the profit and loss account of £14.2m on page 14, and the equivalent value for 2021 was £12.6m of a cost.

5 Exceptional items

	2022 £ m	2021 £ m
Impairment reversal	65.3	-
	65.3	-

Where an indicator of impairment exists, the recoverable amounts of the Company's PP&E are determined by reference to VIU (Value in Use) calculations.

The VIU of Keadby CCGT plant was based on pre-tax discounted cash flows expected to be generated by the plant based on management's view of the plant's operating prospects. Cash flows are subject to a pre-tax real discount rate of 16.6% reflecting the specific risks in the UK market.

In the current year, increases in gas and carbon prices, exacerbated by Russia's invasion of Ukraine in February 2022, have resulted in an increase in power prices. There have also been periods of scarcity of supply of power which has also increased power prices. As a result the observable spark margins assumed have increased. The VIU assessment performed on the asset indicated an exceptional impairment reversal of £65.3m which was recognised at 31 March 2022.

The carrying value of the asset following the impairment reversal is £75m.

6 Operating profit

Arrived at after charging

	2022 £ m	2021 £ m
Depreciation expense	15.0	5.4

7 Staff costs

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

	2022 £ m	2021 £ m
Wages and salaries	1.2	-
Social security costs	0.1	-
Pension costs	0.2	-
Share-based payment expenses	0.1	0.1
	1.6	0.1

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

	2022 No.	2021 No.
Average staff employed	20.0	55.0

8 Directors' remuneration

The total remuneration received by the directors for qualifying and non-qualifying services during the year was £2.2m (2021: £2.3m). The above value is for 8 directors (2021: 8), who were remunerated via another Group company in the year. A value of services to the Company for these directors cannot be determined, therefore the above value reflects the remunerations received for services to the SSE Group as a whole.

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £0.7m (2021: £0.9m) including company pension contributions of £0.1m (2021: £0.1m) which were made to a money purchase scheme on their behalf.

9 Interest payable and similar expenses

	2022 £ m	2021 £ m
Interest payable to Group companies	5.3	3.5
Decommissioning provision - unwind of discount	0.3	0.2
Other finance costs	0.1	-
Less interest capitalised	(5.6)	(2.8)
	0.1	0.9

10 Auditors' remuneration

The company incurred an audit fee of £33,847 in the year (2021: £15,286). The fee in both the current and previous year was borne by another group company.

11 Income tax

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

	2022 £ m	2021 £ m
Current taxation		
UK corporation tax	(5.2)	(8.0)
UK corporation tax adjustment to prior periods	(0.1)	1.2
	(5.3)	(6.8)
Deferred taxation		
Arising from origination and reversal of temporary differences	16.0	8.3
Arising from changes in tax rates and laws	(5.1)	-
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(0.4)	(0.1)
Total deferred taxation	10.5	8.2
Tax expense in the profit and loss account	5.2	1.4

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

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2022 £ m	2021 £ m
Profit before tax	57.0	0.8
Corporation tax at standard rate	10.8	0.2
(Decrease)/increase in current tax from adjustment for prior periods	(0.1)	1.2
Increase from transfer pricing adjustments	-	0.1
Deferred tax credit from unrecognised temporary difference from a prior period	(0.4)	(0.1)
Deferred tax credit relating to changes in tax rates or laws	(5.1)	-
Total tax charge	5.2	1.4

11 Income tax (continued)

Deferred tax

Deferred tax movement during the year:

	At 1 April 2021 £ m	Recognised in income £ m	At 31 March 2022 £ m
Tangible fixed assets	21.2	(16.2)	5.0
Provisions	10.1	1.8	11.9
Financial assets at fair value through profit or loss	0.4	3.9	4.3
Net tax assets/(liabilities)	31.7	(10.5)	21.2

Deferred tax movement during the prior year:

	At 1 April 2020 £ m	Recognised in income £ m	At 31 March 2021 £ m
Tangible fixed assets	25.2	(4.0)	21.2
Provisions	14.6	(4.5)	10.1
Financial assets at fair value through profit or loss	0.1	0.3	0.4
Net tax assets/(liabilities)	39.9	(8.2)	31.7

The rate change to 25% in respect of periods commencing after 1 April 2023 included in Finance Bill 2021 has been recognised during the year ended 31 March 2022, as it was substantively enacted on 24 May 2021.

12 Intangible assets

	Development assets £ m
Cost or valuation	
Additions	7.7
Transfer between intangible and tangible fixed assets	2.9
At 31 March 2022	10.6
Carrying amount	
At 31 March 2022	10.6

13 Tangible assets

	Thermal Generation £ m	Assets under construction £ m	Decommissioning assets £ m	Total £ m
Cost or valuation				
At 1 April 2021	1,606.3	318.3	49.0	1,973.6
Additions	-	59.1	6.0	65.1
Transfers	(23.3)	(1.0)	24.3	-
Transfer between intangible and tangible fixed assets	-	(2.9)	-	(2.9)
At 31 March 2022	1,583.0	373.5	79.3	2,035.8
Depreciation				
At 1 April 2021	1,592.8	-	1.5	1,594.3
Charge for the year	15.7	-	-	15.7
Impairment	(65.3)	-	-	(65.3)
Transfers	(27.3)	-	27.3	-
At 31 March 2022	1,515.9	-	28.8	1,544.7
Carrying amount				
At 31 March 2022	67.1	373.5	50.5	491.1
At 31 March 2021	13.5	318.3	47.5	379.3

At 31 March 2022 the Company had capitalised interest of £15.0m (2021: £9.4m).

At 31 March 2022, included under Thermal Generation is land with cost of £25.1m (2021: £25.1m) and depreciation of £16.2m (2021: £11.8m), resulting in a carrying amount of £8.9m (2021: £13.3m).

At 31 March 2022, included under Decommissioning assets is land with cost of £3.8m (2021: £3.8m) and depreciation of £nil (2021: £nil), resulting in a carrying amount of £3.8m (2021: £3.8m).

14 Stock

	31 March 2022 £ m	31 March 2021 £ m
Fuel and consumables	2.5	2.3

15 Trade and other debtors

	31 March 2022 £ m	31 March 2021 £ m
Trade debtors	5.2	4.7
Prepayments and accrued income	5.4	8.0
Amounts owed by Group undertakings	35.0	15.1
Corporation tax - Group relief receivable	5.2	8.0
Other debtors	7.3	0.8
	58.1	36.6

Amounts owed by Group undertakings falling due within one year bear no interest and are repayable on demand.

16 Trade and other creditors

Amounts falling due within one year

	31 March 2022 £ m	31 March 2021 £ m
Trade creditors	1.2	0.5
Amounts owed to Group undertakings	106.3	30.0
Accruals and deferred income	125.3	9.5
Other creditors	5.2	0.7
	238.0	40.7

Amounts owed to Group undertakings falling due within one year bear no interest and are repayable on demand.

Amounts falling due after more than one year

The amounts disclosed in the balance sheet as owed to Group undertakings and falling due after more than one year are in respect of amounts advanced to the company by its ultimate parent SSE plc. Interest is charged at 4.89% (2021: 5.01%).

17 Provisions

	Restructuring £ m	Decommissioning Costs £ m	Other provisions £ m	Total £ m
At 1 April 2021	6.7	94.5	5.0	106.2
Increase in existing provisions	1.1	6.0	10.1	17.2
Provisions used	(6.0)	(8.0)	(8.5)	(22.5)
Increase due to passage of time or unwinding of discount	-	0.3	-	0.3
At 31 March 2022	1.8	92.8	6.6	101.2
Current liabilities	1.8	17.8	6.6	26.2
Non-current liabilities	-	75.0	-	75.0
At 31 March 2022	1.8	92.8	6.6	101.2

Decommissioning provision

In accordance with the company's accounting policy a provision has been made for the decommissioning of the company's power generation assets. Discount rates of 1.6% for Keadby power station and 1.8% for Keadby 2 power station (2021: 0.8% for Keadby and 1.3% for Keadby 2) have 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.

A net increase in the decommissioning provision of £6.0m 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 1% in the discount rate would result in a decrease to the provision of £4.5m.

A decrease of 1% in the discount rate would result in an increase to the provision of £5.6m.

An increase of 10% in the cost estimate for decommissioning would result in an increase to the provision of £2.9m 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 £2.9m and a corresponding adjustment to the decommissioning assets.

18 Derivatives and financial instruments

Summary fair values

The fair values of the primary financial assets and liabilities together with their carrying values are as follows:

	2022 Carrying value £ m	2022 Fair value £ m	2021 Carrying value £ m	2021 Fair value £ m
Financial assets				
Trade and other debtors	17.9	17.9	13.5	13.5
Short-term intercompany	35.0	35.0	15.1	15.1
Financial liabilities				
Trade and other creditors	6.4	6.4	1.2	1.2
Short-term intercompany	106.3	106.3	30.0	30.0
Long-term intercompany	202.6	202.6	101.3	101.3
Derivative financial liabilities	17.0	17.0	2.1	2.1
Assets under construction contracts	-	-	226.7	226.7

Basis of determining fair value

All derivatives are classified as Level 2 within the fair value hierarchy. The fair value measurements are those derived from inputs, other than quoted prices, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Fair values have been determined with reference to closing market prices.

19 Share capital

Allotted, called up and fully paid shares

	31 March 2022		31 March 2021	
	No.	£m	No.	£m
Ordinary shares of £1 each	10,000,100	10	10,000,100	10

20 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £3m (2021 - £16m).

21 Parent and ultimate parent undertaking

The Company's immediate parent is SSE Thermal Generation Holdings Limited which is a wholly owned subsidiary of SSE plc. The largest and smallest group in which these financial statements are consolidated is headed by SSE plc, incorporated in the United Kingdom. The consolidated financial statements of the Group (which include those of the Company) are available from the Company Secretary, SSE plc, Inveralmond House, 200 Dunkeld Road, Perth, PH1 3AQ, or by accessing the Group's website at www.sse.com. No other company's financial statements include the results of the Company.

22 Non adjusting events after the financial period

Fiddlers Ferry site was sold on 30 June 2022 to Peel NRE Developments Limited for £60m plus VAT. The site was owned by SSE Generation Limited (another Group company) and was held at nil value. The sales proceeds will therefore be recorded in SSE Generation Limited in the year to 31 March 2023.
As at 31 March 2022 the decommissioning provision relating to the site amounted to £55m (included in note 16), and the fixed assets amounted to £24.3m (included in note 12), both of which will be released and written off, respectively, to the profit and loss account, in the year to 31 March 2023 in Keadby Generation Limited.