Greater Gabbard Offshore Winds Limited

Directors' report and financial statements

Year ended 31 March 2019

Registered No.: 04985731

Greater Gabbard Offshore Winds Limited

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Greater Gabbard Offshore Winds Limited

Directors and other information

Directors	P. Cowling (resigned 12 June 2019) Dr. B. Furlong (appointed 12 June 2019) R. Escott R. Sandford J. Williamson
Registered office	No. 1 Forbury Place 43 Forbury Road Reading RG1 3JH
Secretaries	G. Dosanjh-Pahil (resigned 1 November 2018) A. Leggat (appointed 1 November 2018) M. McEwen
Auditor	KPMG LLP Chartered Accountants 319 St Vincent Street Glasgow G2 5AS
Banker	National Westminster Bank 13 Market Place Reading RG1 2EG
Registered number	04985731

Greater Gabbard Offshore Winds Limited

Strategic report

The directors submit their report and the audited financial statements of Greater Gabbard Offshore Winds Limited (the 'Company') for the year ended 31 March 2019.

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 Greater Gabbard Offshore Winds Limited.

The strategic and financial review sets out the main trends and factors underlying the development and performance of the Company during the year ended 31 March 2019.

1 Business review

The income statement for the year ended 31 March 2019 is set out on page 8. The profit for the year after taxation amounted to £89.1m *(2018: profit of £100.4m)*. The balance sheet at 31 March 2019 is set out on page 10 and indicates net assets of £955.0m *(2018: net assets of £997.2m)*.

2 Overview

Business performance review

Generated output has decreased by 16% from 1,870GWh in 2018 to 1,577GWh in 2019. The reduction in output relates to lower than average wind speeds. There was no reduction in output through the balancing market mechanism (2018: nil GWh).

Business priorities for 2019/20 and beyond

The priorities of the Company are to:

- comply fully with all safety standards and environmental requirements; and
- ensure the generation assets are available to respond to customer demand, market conditions and meet contractual obligations.

3 Key performance indicators

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

Financial / Operational	**2019**	2018
Revenue - £m	**249.4**	253.4
Operating profit - £m	**112.9**	123.6
Net assets - £m	**955.0**	997.2
Output generated (GWh)	**1,577**	1,870

4 Principal risks and uncertainties

The principal risk facing the Company is lower wind speeds than anticipated. There is also a risk where technical issues with plant and machinery will result in down-time of turbines and grid connection equipment. Both risks will result in less electricity generation, resulting in lower revenue. To mitigate these risks, the Company has a team of experienced and competent operators to monitor wind farm performance, identifying trends to foresee any potential adverse impact on future electricity output. They also plan and schedule maintenance programs to keep wind farm generation efficiency at optimum levels. Adequate stocks of essential parts and having access to professional resources are also maintained.

The directors are aware of the political uncertainty as a result of Brexit. This is being closely monitored, but given the activities of the Company, it is not expected to have a significant impact on the financial statements for the year ending 31 March 2020.

On behalf of the board:

J. Williamson
Director
11 November 2019

Greater Gabbard Offshore Winds Limited

Directors' report

The directors present their report together with the audited financial statements for the year ended 31 March 2019.

1 Principal activities

The Company is engaged in the operation of a 504MW offshore wind farm at the Inner Gabbard and Galloper sites, off the coast of Suffolk. The Company is a joint venture between SSE Renewables Holdings (UK) Limited (part of the SSE plc Group) and Innogy Renewables UK Limited. The electricity output generated is sold to SSE Energy Supply Ltd and Innogy Renewables UK Limited on an equal basis via a Power Purchase Agreement (PPA).

2 Results and dividends

Dividends paid during the year comprise interim dividends of £89.2m (2018: £91.4m) and a final dividend of £42.1m (2018: £50.2m) in respect of the current financial year ended 31 March 2019.

3 Directors

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

4 Political and charitable donations

The Company did not make any political or charitable donations during the year *(2018: £nil)*.

5 Disclosure of information to auditor

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

6 Post balance sheet events

There have been no significant events since the balance sheet date.

7 Going concern

The directors have assessed that the Company will prepare its financial statements on a going concern basis, see note 1 for details.

8 Auditor

In accordance with Section 489 of the Companies Act 2006, SSE Plc's Audit Committee confirmed that Ernst and Young LLP have been appointed External Auditor for SSE for the year ending 31 March 2020. It is the intention of the directors to appoint Ernst and Young LLP as external auditor of the Company following their appointment as External Auditor of SSE Group.

On behalf of the Board:

J. Williamson
Director
11 November 2019

Greater Gabbard Offshore Winds Limited

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal controls as they determine is necessary to enable the preparation of financial statements, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

On behalf of the Board:

J. Williamson
Director
11 November 2019

Independent Auditor's Report to the Members of Greater Gabbard Offshore Winds Limited

Opinion

We have audited the financial statements of Greater Gabbard Offshore Winds Limited ("the Company") for the year ended 31 March 2019 which comprise the Income Statement, Statement of Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; 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 of Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and Directors' report

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Independent Auditor's Report to the Members of Greater Gabbard Offshore Winds Limited
(continued)

Directors' responsibilities
As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

G L Herbertson

Gordon Herbertson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

11 November 2019

Greater Gabbard Offshore Winds Limited

Income statement
for the year ended 31 March 2019

	Note	2019 £m	2018 £m
Revenue	2	**249.4**	253.4
Cost of sales		**(130.9)**	(123.9)
Gross profit		**118.5**	129.5
Administrative costs		**(5.6)**	(5.9)
Operating profit		**112.9**	123.6
Financial income	4	**0.2**	0.1
Financial expenses	5	**(3.1)**	(3.2)
Profit before taxation		**110.0**	120.5
Tax charge on profit	6	**(20.9)**	(20.1)
Profit for the financial year		**89.1**	100.4

Continuing operations

The above results are derived from continuing activities.

The accompanying notes are an integral part of these financial statements.

Greater Gabbard Offshore Winds Limited

Statement of other comprehensive income
for the year ended 31 March 2019

	2019 £m	2018 £m
Profit for the financial year	**89.1**	100.4
(Loss) on effective portion of cash flow hedges (net of tax)	-	(0.1)
Total comprehensive income relating to the financial year	**89.1**	100.3

The accompanying notes are an integral part of these financial statements.

Greater Gabbard Offshore Winds Limited

Balance sheet
as at 31 March 2019

	Note	2019 £m	2018 £m
Non-current assets			
Property, plant and equipment	7	**1,093.6**	1,159.0
		1,093.6	1,159.0
Current assets			
Inventories	8	**1.4**	1.4
Trade and other receivables	9	**94.8**	88.0
Cash and cash equivalents	10	**15.7**	19.5
		111.9	108.9
Total assets		**1,205.5**	1,267.9
Current liabilities			
Trade and other payables	11	**(5.4)**	(10.9)
Corporation tax payable		**(9.0)**	(10.1)
		(14.4)	(21.0)
Non-current liabilities			
Provisions	12	**(123.2)**	(136.4)
Deferred tax liabilities	13	**(112.9)**	(113.3)
Total liabilities		**(250.5)**	(270.7)
Net assets		**955.0**	997.2
Equity			
Share capital	14	-	-
Retained earnings		**955.0**	997.2
Total equity		**955.0**	997.2

The accompanying notes form an integral part of this balance sheet.

These financial statements were approved by the directors on 11 November 2019 and signed on their behalf by:

J. Williamson
Director
Company registered number: 04985731

Greater Gabbard Offshore Winds Limited

Statement of changes in equity
for the year ended 31 March 2019

	Share capital £m	Hedge reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2017	-	0.1	1,038.4	1,038.5
Profit for the financial year	-	-	100.4	100.4
Other comprehensive income	-	(0.1)	-	(0.1)
Total comprehensive income for the year	**-**	**(0.1)**	**100.4**	**100.3**
Dividends paid	-	-	(141.6)	(141.6)
Balance at 31 March 2018	**-**	**-**	**997.2**	**997.2**
Balance at 1 April 2018	-	-	997.2	997.2
Total comprehensive income for the year	**-**	**-**	**89.1**	**89.1**
Dividends paid	-	-	(131.3)	(131.3)
Balance at 31 March 2019	**-**	**-**	**955.0**	**955.0**

The accompanying notes are an integral part of these financial statements.

Greater Gabbard Offshore Winds Limited

Cash flow statement
for the year ended 31 March 2019

	Note	2019 £m	2018 £m
Net cash inflow from operating activities	18	**143.3**	155.7
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(16.0)**	(13.0)
Interest received		**0.2**	0.1
Net cash outflow from investing activities		**(15.8)**	(12.9)
Cash flows from financing activities			
Equity dividends paid		**(131.3)**	(141.6)
Net cash outflow from financing activities		**(131.3)**	(141.6)
Decrease in cash and cash equivalents in the year		**(3.8)**	1.2
Reconciliation of net cash flow to movement in net funds			
Decrease in cash and cash equivalents in the year		**(3.8)**	1.2
Net cash and cash equivalents at start of the year		**19.5**	18.3
Net cash and cash equivalents at end of the year		**15.7**	19.5

The accompanying notes are an integral part of these financial statements.

1 Significant accounting policies

Greater Gabbard Offshore Winds Limited is a private Company limited by shares and incorporated, domiciled and registered in the United Kingdom.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The Company adopted IFRS 9 and IFRS 15 on 1 April 2018 under the modified retrospective method of adoption. The adoption of IFRS 9 and IFRS 15 had no impact on the presentation of the financial statements for the year ended 31 March 2019.

The following Standards have been issued, but not yet adopted by the Company within these financial statements because application is not yet mandatory or because adoption by the EU remains outstanding at this point in time:

i) IFRS 16 'Leases' which has been endorsed by the EU and will be effective from 1 January 2019 (and thus 1 April 2019 to the Company); and

ii) IFRS 17 'Insurance Contracts' is subject to EU endorsement is effective from 1 January 2021 (and thus 1 April 2021 to the Company).

IFRS 16 replaces IAS 17 'Leases'. The principal change from the previous standard is the introduction of a single lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Adoption of this Standard requires, firstly, changes to the identification of a lease, ie the distinction between a lease and a service contract; and, secondly, the recognition of right-of-use assets and lease liabilities for existing operating leases. The new Standard removes the previous distinction between operating leases and finance leases and requires that, where a lease is identified in a contract, a right-of-use asset and lease liability are recognised. Operating lease expenses will be replaced by a depreciation expense on right-of-use assets recognised and an interest expense as the interest rate implicit in the lease unwinds.

The Company will apply the 'Modified Retrospective' approach, whereby comparative figures are not restated. Instead, the cumulative effect of initially applying IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 April 2019. The Company will apply the exemptions within the Standard whereby both leases with a duration of 12 months or less and leases for assets which are deemed 'low value' will continue to be expensed to the income statement on a straight-line basis over the lease term.

In determining whether any break and/or extension clauses should be included within the lease term, the Company has considered that any clauses will not be triggered where the non-cancellable element of the lease term has longer than five years remaining as any decision beyond that date is not reasonably certain. For leases with less than five years remaining, an assessment is made on a lease-by-lease basis on whether the clause is reasonably certain to be triggered.

Where the interest rate implicit in the lease is not readily determined, the Company will apply its incremental borrowing rate.

As at the reporting date, the Company has non-cancellable operating lease commitments of £88.3m (see note 17).

On adoption of IFRS 16, the Company anticipates recognising an additional right-of-use asset of approximately £39m and a lease liability of approximately £45m, with a corresponding approximate £6m decrease in equity. This value is lower than the value of non-cancellable operating lease commitments due to the effect of discounting.

The anticipated income statement impact (based on lease contracts in existence at 31 March 2019) is a reduction in operating costs of approximately £6.9m, offset by increases in depreciation of approximately £5.2m and finance costs of approximately £2.4m. These figures do not include taxation and are subject to finalisation.

IFRS 17 is not expected to have a material impact on financial statements of the Company.

1 Significant accounting policies *(continued)*

Going concern

The directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. The financial statements are, therefore, prepared on a going concern basis.

Accounting estimates and judgements

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:

- Future costs required to settle provisions. These liabilities are disclosed in note 12.

Debt and debt finance costs

Debt is initially stated at the amount of the net proceeds after the deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting year and reduced by payments made in the year. Debt finance costs are recognised in the income statement over the terms of the related instruments on a straight line basis.

Revenue

Revenue is stated net of value added tax and is derived from the sale of electricity and other goods and services in the UK.

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

Revenue from the sale of the physical generation of electricity is recognised 'point in time', as generated. Revenue from national support schemes, such as Renewable Obligations Certificates (ROCs), 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.

Taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation.

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted, or substantially enacted, by the balance sheet date.

Deferred tax is provided on 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.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable profits from which future reversals of the underlying temporary differences can be deducted.

Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to these financial statements.

1 Significant accounting policies *(continued)*

Property, plant and equipment

(i) Property, plant and equipment disclosure

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairments. Where an item of property, plant and equipment comprises major components having different useful lives, the components are accounted for as separate items of property, plant and equipment, and depreciated accordingly.

Assets under construction are recorded at cost. Interest on borrowings related to the financing of major capital projects is capitalised during the construction period as part of the cost of the project.

Assets under construction that are commissioned and enter operation in the financial year are transferred to the appropriate category of assets. Capital additions in the year comprise additions to assets still in construction, additions to commissioned operational assets and other directly incurred capital costs.

(ii) Depreciation

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

	Years
Generation assets	23
Decommissioning assets	23

(iii) Subsequent expenditure

Expenditure incurred to replace a component of property, plant and equipment that is accounted for separately is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits of the property, plant and equipment to which it relates.

Finance income and costs

Finance income comprises interest receivable on funds invested in short term deposits. Finance costs comprise the release of discounting on provisions.

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

Foreign currency

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

Transactions denominated in foreign currencies are recorded in sterling at actual exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the rates of exchange prevailing at the balance sheet date or, where appropriate, the rates of exchange in related forward exchange contracts.

Any gain or loss arising on the restatement of such items is taken to the income statement with the exception of exchange gains or losses on foreign currency borrowings that provide a hedge against a net investment in a foreign entity or exchange gains or losses incurred as part of a qualifying cash flow hedge.

1 Significant accounting policies *(continued)*

Decommissioning provision

Provision is made for the estimated cost of decommissioning certain assets at the end of their useful lives. A corresponding decommissioning asset is recognised and is included within property, plant and equipment. The unwinding of the discount on the provision is included in finance costs and the depreciation for the asset is straight-line over the expected useful life of the asset. The estimated cost of decommissioning at the end of the useful lives of certain assets is reviewed periodically. Changes in the decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to the related asset.

Non derivative financial instruments

i) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

***ii)* Trade receivables**

Trade receivables do not carry any interest and are measured at cost less an appropriate allowance for irrecoverable balances.

The adoption of IFRS 9 had no material impact on the presentation of the financial statements for the year ended 31 March 2019. The Company has assessed the recoverability of intercompany balances under the expected credit loss model as part of adoption, but this not resulted in any adjustment to the carrying value of the receivables.

iii) Trade creditors

Trade creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Inventories

Inventories are recorded at historic cost and carried at the lower of cost and net realisable value.

2 Revenue

Revenue consists of sales of electricity under Power Purchase Agreements (PPA), together with revenue earned under the Renewable Obligation Certificates ('ROCs') regime. Electricity sales are based on meter readings and include an estimate of the fair value of units supplied between the date of the last meter reading and year end. ROCs revenue is based on units generated during the period at an estimated selling price. Both revenue streams are recognised at a 'point in time', when the electricity is generated.

Revenue from insurance contracts relates to loss of income due to a faulty component. Had the fault not occurred, revenue would have been earned through the normal course of business.

Disaggregation of revenue

	Revenue from contracts with customers			
	ROCs	PPA	Other	Total
	£m	£m	£m	£m
Goods or services transferred at a point in time	166.5	76.4	4.1	247.0
Revenue from insurance contracts			2.4	2.4
	166.5	**76.4**	**6.5**	**249.4**

3 Expenses and auditor's remuneration

Included in operating profit are the following charges:

	2019 £m	2018 £m
Depreciation of tangible fixed assets	65.1	64.2
Operating lease rentals - Land and Buildings	8.8	3.2
Net management fees in respect of services provided by group companies	6.2	5.9

The audit fee of £16.2k (2018: £15.4k) was borne by SSE Generation Ltd, a related party, during the current period and during the prior period.

The Company had no employees during the year ended 31 March 2019 (2018: nil)

4 Financial income

	2019 £m	2018 £m
Interest received from Money Market Fund	0.2	0.1

5 Financial expenses

	2019 £m	2018 £m
Decommissioning provision - unwind of discount (note 12)	3.1	3.0
Foreign exchange translation of monetary assets and liabilities	-	0.2
	3.1	3.2

6 Taxation

	2019 £m	2018 £m
Recognised in the income statement		
UK corporation tax		
Current tax on income for the period	21.4	21.2
Total current tax charge	21.4	21.2
Deferred tax (see note 13):		
Temporary differences	(0.5)	1.7
Adjustment in respect of prior periods	-	(2.8)
Total deferred tax	(0.5)	(1.1)
Total tax on profit	20.9	20.1

6 Taxation *(continued)*

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

	2019	2018
	£m	£m
Reconciliation of effective tax rate		
Profit before taxation	**110.0**	120.5
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% *(2018: 19%)*	**20.9**	22.9
Effects of:		
Deferred tax adjustment in respect of previous periods	**-**	(2.8)
Total tax charge for year	**20.9**	20.1

A reduction in the UK corporation tax rate to 17% (effective from 1 April 2020) was substantially enacted on 15 September 2016. This will reduce the Company's future tax charge accordingly.

7 Tangible fixed assets

	Generation Assets £m	**Assets under the course of construction (AUC) £m**	**Decommissioning Assets £m**	**Total £m**
Cost:				
As at April 2017	1,408.7	3.4	118.8	1530.9
Additions	-	13.0	-	13.0
At 31 Mar 2018	**1,408.7**	**16.4**	**118.8**	**1,543.9**
Additions	-	16.0	-	16.0
Disposals	-	-	(16.3)	(16.3)
Transfers from AUC to fully commissioned	16.4	(16.4)	-	-
At 31 March 2019	**1,425.1**	**16.0**	**102.5**	**1,543.6**
Accumulated depreciation:				
As at April 2017	303.3	-	17.4	320.7
Charge for the year	58.7	-	5.5	64.2
At 31 March 2018	**362.0**	**-**	**22.9**	**384.9**
Charge for the year	59.6	-	5.5	65.1
At 31 March 2019	**421.6**	**-**	**28.4**	**450.0**
Net book value:				
At 31 March 2019	**1,003.5**	**16.0**	**74.1**	**1,093.6**
At 31 March 2018	1,046.7	16.4	95.9	1,159.0

Generation assets cost includes £65.8m *(2018: £65.8m)* of capitalised interest, of which none was capitalised in the current year *(2018: £nil)*. It also includes a capitalised amount of pre-commissioned revenue of £31.6m *(2018: £31.6m)* which is offset against the capital cost of assets.

8 Inventories

	2019	2018
	£m	£m
Fuel and consumables	1.4	1.4

9 Trade and other receivables

	2019	2018
	£m	£m
Amounts falling due within one year:		
Amounts due from related party:		
- SSE Energy Supply Ltd	44.3	43.2
- Innogy Renewables UK Ltd	44.3	43.2
Prepayments and accrued income	0.4	0.6
Other receivables	5.8	1.0
	94.8	88.0

10 Cash and cash equivalents

	2019	2018
	£m	£m
Cash at bank and in hand	15.7	19.5

11 Trade and other payables

	2019	2018
	£m	£m
Trade creditors	0.1	0.1
Amounts owed to Group undertakings	0.7	1.1
Other creditors	0.5	0.3
Accruals and deferred income	4.1	9.4
	5.4	10.9

12 Provisions for liabilities and charges

	Decommissioning Costs £m
As at 1 April 2017	133.4
Unwind of discount	3.0
At 1 April 2018	136.4
Released during the year	(16.3)
Unwind of discount	3.1
At 31 March 2019	**123.2**

In accordance with the Company's accounting policy a provision has been made for the decommissioning of the Company's wind farms. A discount rate of 1.7% *(2018: 2.3%)* has been applied to discount the decommissioning cost provision to present values. The unwinding of discount rate in relation to decommissioning costs is charged to interest payable in the income statement.

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 £18.3m.

A decrease of 1% in the discount rate would result in an increase to the provision of £21.7m.

An increase of 10% in the cost estimate for decommissioning would result in an increase to the provision of £36.2m and an increase to the decom asset of £36.2m.

A decrease of 10% in the cost estimate for decommissioning would result in a decrease to the provision of £7.3m and a decrease to the decom asset of £7.3m.

13 Deferred taxation

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019 £m	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Tangible fixed assets	**-**	-	**(121.3)**	(120.3)	**(121.3)**	(120.3)
Provisions	**8.4**	6.9	**-**	-	**8.4**	6.9
Net tax liabilities	**8.4**	6.9	**(121.3)**	(120.3)	**(112.9)**	(113.4)

Movement in deferred tax during the year

	1 April 2018 £m	**Recognised in income £m**	**31 March 2019 £m**
Tangible fixed assets	(120.3)	(1.0)	(121.3)
Provisions	6.9	1.5	8.4
	(113.4)	0.5	(112.9)

13 Deferred taxation *(continued)*

Movement in deferred tax during prior year

	1 April 2017	Recognised in income	31 March 2018
	£m	£m	£m
Tangible fixed assets	(119.8)	(0.5)	(120.3)
Provisions	5.4	1.5	6.9
Other	(0.1)	0.1	-
	(114.5))	1.1	(113.4)

14 Share capital

	2019	2018
	£	£
Equity:		
Allotted, called up and fully paid:		
240 ordinary shares of £1.00 each	240	240
	240	240

15 Derivatives and financial instruments

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

(i) Risk

Foreign exchange risk

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

To mitigate against foreign exchange risk the Company has entered into foreign currency hedges.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Any gain or loss arising on the restatement of such items is taken to the income statement with the exception of exchange gains or losses incurred as part of a qualifying cash flow hedge.

(ii) Fair values

The fair values of the Company's financial assets and financial derivatives, and the carrying amounts in the balance sheet are analysed below. Balances included in the analysis of primary financial assets and liabilities include cash and cash equivalents, loans and borrowings, trade and other receivables, trade and other payables and provisions, all of which are disclosed separately. Own use commodity contracts are not considered to be financial instruments.

15 Derivatives and financial instruments (continued)

Summary fair values

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

	2019 Carrying value £m	**2019 Fair Value £m**	2018 Carrying value £m	2018 Fair Value £m
Financial Assets				
Trade receivables	**88.6**	**88.6**	86.4	86.4
Financial Liabilities				
Trade payables	(0.1)	(0.1)	(0.1)	(0.1)

Fair values have been determined with reference to closing market prices.

Unless otherwise stated, carrying value approximates fair value.

Liquidity risk

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

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

The following are the undiscounted contractual maturities of financial liabilities, including interest and excluding the impact of netting agreements

	2019						2018					
	Carrying value £m	**Contractual cash flows £m**	**0-12 mnth £m**	**1-2 yrs £m**	**2-5 yrs £m**	**> 5 yrs £m**	Carrying value £m	Contractual cash flows £m	0-12 mnth £m	1-2 yrs £m	2-5yrs £m	> 5 yrs £m
Financial liabilities												
Trade payables	**0.1**	**(0.1)**	**(0.1)**	**-**	**-**	**-**	0.1	(0.1)	(0.1)	-	-	-
	0.1	**(0.1)**	**(0.1)**	**-**	**-**	**-**	0.1	(0.1)	(0.1)	-	-	-

Basis of determining fair value

Closing rate market values have been used to determine the fair values of the interest rate and foreign currency contracts and denominated long-term fixed rate debt. Estimates applied reflect the management's best estimates of these factors.

16 Capital commitments

	2019 £m	2018 £m
Contracted but not provided for	**16.6**	17.0

The committed costs at 31 March 2019 comprise the next phase of structural works designed to reinforce the connection between the monopile and transition pieces.

17 Operating lease commitments

Total commitments under non-cancellable operating leases are as follows:

	2019 Land & Buildings	**2019** Other	2018 Land & Buildings	2018 Other
	£m	**£m**	£m	£m
Operating leases which expire:				
Within one year	**8.1**	**-**	2.4	-
Between one and five years	**12.2**	**-**	9.9	-
In more than five years	**68.1**	**-**	12.1	-
	88.3	**-**	24.4	-

During the year £8.8m was recognised as an expense in the income statement in respect of operating leases (2018: £3.2m)

18 Reconciliation of profit to operating cash flow

	2019	2018
	£m	£m
Reconciliation of profit to operating cash flows		
Profit for the year	89.1	100.4
Adjustments for:		
Depreciation	**65.1**	64.2
Financial income	**(0.2)**	(0.1)
Financial expense	**3.1**	3.2
Taxation	**20.9**	20.1
Cash generated from operations before working capital movements	**178.0**	187.8
Increase in trade and other receivables	**(6.8)**	(16.5)
Decrease in trade and other payables	**(5.4)**	(2.9)
Tax paid	**(22.5)**	(12.7)
Net cash inflow from operating activities	**143.3**	155.7

19 Related party transactions

The Company is a joint venture of SSE Renewables Holdings (UK) Limited and Innogy Renewables UK Limited who each have a 50% shareholding. To the extent not disclosed elsewhere in these financial statements, details of related party transactions and balances are summarised below.

(i) Recharges have been made by SSE Generation Limited during the year, for the services provided by their employees who have worked on the Greater Gabbard project. During the year ended 31 March 2019, the Company was charged £6.2m by SSE Generation Limited in respect of these costs *(2018: £5.9m)*. At 31 March 2019 £0.5m was due to SSE Generation Limited *(2018: £nil)* and £nil was accrued *(2018: £1.1m)*.

(ii) Output sales of £121.4m have been recognised in the year *(2018: £124.7m)* for electricity and ROCs supplied to Innogy Renewables UK Limited. At 31 March 2019 £nil *(2018: £nil)* was due from Innogy Renewables UK Limited and £44.3m was accrued *(2018: £43.2m)*.

(iii) Output sales of £121.4m have been recognised in the year *(2018: £126.4m)* for electricity and ROCs supplied to SSE Energy Supply Limited. At 31 March 2019 £nil *(2018: £nil)* was due from SSE Energy Supply Limited and £44.3m was accrued *(2018: £43.2m)*.