Registration number: 04985731

Greater Gabbard Offshore Winds Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2023

Greater Gabbard Offshore Winds Limited

Contents

Greater Gabbard Offshore Winds Limited

Company Information

Directors	R Escott
	J Williamson (Resigned 1 Sep 2022)
	S Baneke
	D Wain
	R Bryce (Appointed 1 Sep 2022)
	K Wall (Appointed 1 May 2023)
Company secretary	G Macmillan (Resigned 7 Sep 2022)
	M McEwen
	P Murphy (Appointed 7 Sep 2022)
Registered office	No.1 Forbury Place 43 Forbury Road Reading RG1 3JH
Bankers	National Westminster Bank 13 Market Place Reading RG1 2EG
Auditor	Ernst & Young LLP G1 Building, 5 George Square Glasgow G2 1DY

Greater Gabbard Offshore Winds Limited

Strategic Report for the Year Ended 31 March 2023

The directors submit their report and audited financial statements of the company for the year ended 31 March 2023.

This Strategic Report has been prepared in accordance with the requirements of Section 414 of the Companies Act 2006. Its purpose is to inform shareholders and help them assess how the directors have performed their duty to promote the success of Greater Gabbard Offshore Winds Limited.

The Strategic Report and Business Performance Overview sets out the main trends and factors underlying the development and performance of Greater Gabbard Offshore Winds Limited (the "Company") during the year ended 31 March 2023, as well as those matters which are likely to affect its future development and performance.

Principal activities
The Company is engaged in the operation of a 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 Offshore Windfarm Holdings Limited (50%) (part of the SSE plc Group, during the year, ownership was transferred from SSE Renewables Holding (UK) Limited - another SSE plc group company) and RWE Renewables UK Swindon Limited (50%). The electricity output generated is sold to SSE Energy Supply Limited and RWE Renewables UK Swindon Limited on an equal basis via a Power Purchase Agreement (PPA).

Fair review of the business
The income statement for the year ended 31 March 2023 is set out on page 13. The profit for the year after taxation amounted to £186.9m (2022: profit of £166.3m). The balance sheet at 31 March 2023 is set out on page 14 and indicates net assets of £726.3m (2022: £790.7m).

Business performance overview
Generated output has decreased from 1,633.3GWh in 2022 to 1,484.4GWh in 2023. The decrease in output relates to lower average wind speeds and outages. Revenue has decreased from £408.5m in 2022 to £395.4m in 2023. Output was constrained by 0.2GWh (2022: 1.7GWh) through the balancing market mechanism.

Business priorities for 2023/24 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.

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. Those factors including the regulatory and legal obligations of the Company in the operation and future decommissioning of an offshore windfarm.

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

The Board 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 Board.

The views of the Company's stakeholders are always considered where appropriate in decision making. The mechanisms which are in place to assist the Director's in understanding relevant views are set out below. 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 matters and the outcomes of specific pieces of engagement, with the intended outcome being a rounded understanding of stakeholder issues and concerns.

The Board considers safety matters in every meeting and the safety of all contractors working at Gabbard wind farm is a priority in the Company's business planning. The Company is engaged in the safety of its stakeholders and community through participation in collaborative emergency response planning and completion of annual drills.

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 and debt providers; government and regulators; NGOs, communities and civil society; suppliers, contractors and partners; and customers. The Company does not have any employees and the wind farm is operated by SSE Generation Limited under the terms of a management services agreement. The perspectives, insights and opinions of stakeholders are recognised as a key factor in the relevant operational, investment and business decisions taken by the Company and its Directors, to ensure that as a whole they are more robust and sustainable.

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 means that stakeholder engagement takes place at many different levels. This includes at 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.

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

	Unit	2023	2022
Revenue	£m	395.4	408.5
Operating profit	£m	232.1	253.7
Net assets	£m	726.3	790.7
Output generated	GWh	1,484.4	1,633.3

Principal risks and uncertainties

The principal risk facing the Company is lower wind volume than anticipated. There is also a risk where technical issues with plant and machinery will result in down-time of turbines and grid connection equipment. Both risks could lead to reduced electricity generation, resulting in lower revenue.

To mitigate these risks the Company has appointed SSE Generation Limited to provide effective operations and maintenance management services. The Company has access to a team of experienced and competent operators to monitor wind farm performance and identify trends to foresee any potential adverse impact on future electricity output. SSE Generation Limited is engaged to plan and schedule maintenance programs to keep wind farm generation efficiency at optimum levels. Adequate stocks of essential parts and access to professional resources are maintained.

Approved by the Board on 18 August 2023 and signed on its behalf by:

R Escott (Aug 18, 2023 17:23 GMT+1)

....

R Escott
Director

Greater Gabbard Offshore Winds Limited

Directors' Report for the Year Ended 31 March 2023

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

Reporting requirements on the Company's principal activities, its principal risks and uncertainties and its key performance indicators can be found in the Strategic Report on page 4.

Dividends

Dividends paid during the year amount to £251.3m (2022: £210.3m) and equate to £1,046,960 per share (2022: £876,250).

Directors

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

Directors' of the company

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

R Escott

J Williamson (Resigned 1 Sep 2022)

S Baneke

D Wain

R Bryce (Appointed 1 Sep 2022)

K Wall (Appointed 1 May 2023)

Financial risk management

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

Price risk

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

Credit risk

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

Liquidity and cash flow risk

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

Political and charitable donations

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

Disclosure of information to the auditor

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

Going concern

The Directors consider that the Company has adequate resources to continue in operational existence for the period to 30 September 2024. The financial statements are therefore prepared on a going concern basis. In making their assessment the Directors have considered the future financial plans of the Company, including a cash flow and profit forecast to 30 September 2024, 18 months from the balance sheet date, which is at least 12 months from approval of the Company's financial statements. The Directors have considered sensitivities to the future cash flow projections, including the impact of price and volume volatility, which are the key underlying drivers of the Company's performance. In performing this assessment, the Directors have concluded that the Company has sufficient headroom to continue as a going concern after applying the stress testing sensitivities. In assessing the availability of headroom for the Company, the Directors have considered the company's committed financing repayments, of which there are none, and that distributions to shareholders are discretionary. Based on this assessment the Directors have concluded that the Company has sufficient resources to continue as a going concern and the financial statements have therefore been prepared on a going concern basis.

Auditor

In accordance with Section 489 of the Companies Act 2006, the directors have confirmed that Ernst and Young LLP will be re-appointed as External Auditor for the Company for the year ending 31 March 2024, subject to approval by shareholders at the forthcoming Board of Directors meeting.

Business priorities for 2023/24 and beyond

The priorities of the Company are to:

• comply fully with all saftey standards and environmental requirements; and

• ensure the generation assets are available to respond to customer demand, market conditions and meet contractual obligations.

Environmental report

Emissions and energy consumption

This table shows the Company's total UK energy consumption for the year ended 31 March 2023 in line with the UK Government Streamlined Energy and Carbon Reporting (SECR) requirements.

Name and description	Unit of measurement	2023	2022
Fuel used in transport (vessels)	kWh	33,617,187.5	38,637,537.4
Gas used in buildings	kWh	470.0	767.0
Electricity used in buildings	kWh	295,086.0	457,880.0
Total renewable generation output	GWh	1,484.4	1,633.3

Summary of scope 1 (direct) greenhouse gas emissions (GHG) for the year ended 31 March 2023:

Name and description	Unit of measurement	2023	2022
Fuel used in transport (vessels)	tCO2e	8,668.2	9,982.0
Gas used in buildings	tCO2e	0.1	0.2
		8,668.3	9,982.2

Summary of scope 2 (indirect) greenhouse gas emissions for the year ended 31 March 2023:

Name and description	Unit of measurement	2023	2022
Electricity used in buildings	tCO2e	61.1	129.6

Carbon intensity ratio

The Carbon intensity ratio (gCO2e per kWh of electricity generated) during the year ended 31 March 2023 was 5.9. (2022: 6.2)

Base year

The data for the year ended 31 March 2020 represented the Company's first disclosure under the SECR requirements so will be used as the base year to track performance and trends in future periods. The consumption for the year ended 31 March 2023 has decreased consumption of gas and electricity in buildings due to the operations of the windfarm. Fuel consumption on vessels has decreased in line with underlying vessel costs.

Energy efficiency action

The vessels the Company utilises are leased which reduces the scope for the Company to make energy efficiency improvements. The Company has processes in place that consider the energy used in the vessels at the procurement stage and vessel fuel use is monitored on a continuous basis to highlight any efficiencies that can be made. Monitoring includes monthly reporting on fuel consumption by vessel owners and a Marine Operations Engineer who is responsible for monitoring innovation and technology for vessel improvements.

The premises the Company occupies are rented, which limits the scope for the Company to undertake energy efficiency improvements in this area. However, a number of measures are in place, including solar-powered water heating and the installation of energy saving lighting, replacing fluorescent tubes with more efficient LED tubes. It is estimated that the switch to LED lighting will save around 36tCO2 per year.

Methodology

GHG sources included

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

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

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

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

Carbon intensity ratio

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

Approved by the Board on 18 August 2023 and signed on its behalf by:

R Escott (Aug 18, 2023 17:23 GMT+1)

R Escott
Director

Greater Gabbard Offshore Winds Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in in accordance with UK-adopted international accounting standards ("IFRS"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable, relevant and reliable;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- in respect of the financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

  assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related 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 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 18 August 2023 and signed on its behalf by:

R Escott (Aug 18, 2023 17:23 GMT+1)..........

R Escott
Director

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 2023, which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

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 with the annual report.

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

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

We have nothing to report in this regard.

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

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 Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 9], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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.

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

• 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 (IFRS and Companies Act 2006) and relevant tax compliance regulations in the UK. We also determined there was no non-compliance with regulatory requirements, including the Office of Gas and Electricity Markets (Ofgem).
• We understood how Greater Gabbard Offshore Winds Limited is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We confirmed our enquiries through our review of board minutes, regulatory correspondence and papers provided to the joint venture board and SSE plc Audit Committee.
• We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their propensity to influence on efforts made by management to manage earnings. We considered the programmes and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls at a group level. Where the risk was considered to be higher, we performed audit procedures to address the identified fraud risk, management override of controls, specifically around revenue recognition.
• Based on this understanding we designed our audit procedures to identify 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 and enquiries of legal counsel and management. In addition, we completed procedures to conclude on the compliance of the disclosures in the financial statements and accounts with all applicable requirements.

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

Ernst & Young LLP.

....
Nicola McIntyre, Senior Statutory Auditor (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor

G1 Building, 5 George Square
Glasgow
G2 1DY

Date: 24 August 2023

Greater Gabbard Offshore Winds Limited

Income Statement for the Year Ended 31 March 2023

	Note	2023 £ m	2022 £ m
Revenue	7	395.4	408.5
Cost of sales		(158.9)	(152.2)
Gross profit		236.5	256.3
Administrative expenses		(4.4)	(2.6)
Operating profit	4	232.1	253.7
Finance income	5	0.9	0.1
Finance costs	5	(5.9)	(3.9)
Profit before tax		227.1	249.9
Income tax expense	10	(40.2)	(83.6)
Profit for the year		186.9	166.3

The above results were derived from continuing operations.

The company had no other comprehensive income during the year other than the profits as set out above.

The notes on pages 17 to 36 form an integral part of these financial statements.

Greater Gabbard Offshore Winds Limited

(Registration number: 04985731)
Statement of Financial Position as at 31 March 2023

	Note	2023 £ m	2022 £ m
Assets			
Non-current assets			
Property, plant and equipment	11	888.1	1,000.8
Current assets			
Inventories	13	0.2	1.2
Trade and other receivables	14	100.0	130.9
Income tax asset	10	25.4	-
Cash and cash equivalents	15	16.9	23.2
		142.5	155.3
Total assets		1,030.6	1,156.1
Equity and liabilities			
Current liabilities			
Current portion of long term lease liabilities	17	(2.7)	(3.4)
Trade and other payables	16	(16.1)	(11.1)
Income tax liability		-	(1.1)
		(18.8)	(15.6)
Non-current liabilities			
Long term lease liabilities	17	(38.2)	(35.9)
Provisions	18	(106.3)	(163.4)
Deferred tax liabilities	10	(141.0)	(150.5)
		(285.5)	(349.8)
Total liabilities		(304.3)	(365.4)
Equity			
Share capital	19	-	-
Retained earnings		(726.3)	(790.7)
Total equity		(726.3)	(790.7)
Total equity and liabilities		(1,030.6)	(1,156.1)

Approved by the Board on 18 August 2023 and signed on its behalf by:

R Escott (Aug 18, 2023 17:23 GMT+1)
....
R Escott
Director

The notes on pages 17 to 36 form an integral part of these financial statements.

Greater Gabbard Offshore Winds Limited

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

	Share capital £ m	Retained earnings £ m	Total £ m
At 1 April 2021	-	834.7	834.7
Profit for the year	-	166.3	166.3
Total comprehensive income	-	166.3	166.3
Dividends	-	(210.3)	(210.3)
At 31 March 2022	-	790.7	790.7

	Share capital £ m	Retained earnings £ m	Total £ m
At 1 April 2022	-	790.7	790.7
Profit for the year	-	186.9	186.9
Total comprehensive income	-	186.9	186.9
Dividends	-	(251.3)	(251.3)
At 31 March 2023	-	726.3	726.3

The notes on pages 17 to 36 form an integral part of these financial statements.

Greater Gabbard Offshore Winds Limited

Statement of Cash Flows for the Year Ended 31 March 2023

	Note	2023 £ m	2022 £ m
Cash flows from operating activities			
Profit for the year		186.9	166.3
Adjustments to cash flows from non-cash items			
Depreciation	4	70.9	70.3
Finance income	5	(0.9)	(0.1)
Finance costs	5	5.9	3.9
Income tax expense	10	40.2	83.6
		303.0	324.0
Working capital adjustments			
Decrease/(increase) in inventories	13	1.0	(0.8)
Decrease/(increase) in trade and other receivables	14	30.9	(29.9)
Increase/(decrease) in trade and other payables	16	5.0	(0.4)
Cash generated from operations		339.9	292.9
Income taxes paid		(76.2)	(49.6)
Net cash flow from operating activities		263.7	243.3
Cash flows from investing activities			
Interest received	5	0.9	0.1
Additions of property plant and equipment		(16.2)	(21.2)
Net cash flows from investing activities		(15.3)	(21.1)
Cash flows from financing activities			
Payments to finance lease creditors		(3.4)	(4.1)
Dividends paid		(251.3)	(210.3)
Net cash flows from financing activities		(254.7)	(214.4)
Net (decrease)/increase in cash and cash equivalents		(6.3)	7.8
Cash and cash equivalents at 1 April	15	23.2	15.4
Cash and cash equivalents at 31 March	15	16.9	23.2

The notes on pages 17 to 36 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.

The address of its registered office is:
No.1 Forbury Place
43 Forbury Road
Reading
RG1 3JH
United Kingdom

2 Accounting policies

Statement of compliance
The company financial statements have been prepared in accordance with UK-adopted international accounting standards ("IFRS").

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

Basis of preparation
The financial statements have been prepared in accordance with UK-adopted IFRSs and under historical cost accounting rules.

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

New standards, amendments and interpretations adopted by the company
None of the standards, interpretations and amendments effective for the first time from 1 April 2022 have had a material effect on the financial statements.

New standards and interpretations issued, but not yet adopted by the Company
There are no standards, amendments to standards or interpretations relevant to the company's operations which are anticipated to have a material impact on the company's financial statements, which are issued but not yet effective at 31 March 2023.

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

2 Accounting policies (continued)

Going concern
The Directors consider that the Company has adequate resources to continue in operational existence for the period to 30 September 2024. The financial statements are therefore prepared on a going concern basis. In making their assessment the Directors have considered the future financial plans of the Company, including a cash flow and profit forecast to 30 September 2024, 18 months from the balance sheet date, which is at least 12 months from approval of the Company's financial statements. The Directors have considered sensitivities to the future cash flow projections, including the impact of price and volume volatility, which are the key underlying drivers of the Company's performance. In performing this assessment, the Directors have concluded that the Company has sufficient headroom to continue as a going concern after applying the stress testing sensitivities. In assessing the availability of headroom for the Company, the Directors have considered the company's committed financing repayments, of which there are none, and that distributions to shareholders are discretionary. Based on this assessment the Directors have concluded that the Company has sufficient resources to continue as a going concern and the financial statements have therefore been prepared on a going concern basis.

Revenue recognition

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

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

Electricity generation

Revenue from the physical generation of electricity is recognised "point in time" as generated and supplied to the national settlements body. Revenue is measured at either the spot price at the time of delivery.

Contracted services

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

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

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

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

2 Accounting policies (continued)

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

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

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

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

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

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

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

Property, plant and equipment

Owned assets

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

Right of use assets

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

2 Accounting policies (continued)

Depreciation

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

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

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

Derecognition

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

Decommissioning assets

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

Depreciation

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

Asset class	Years
Renewable generation	23 years
Decommissioning assets	23 years
Right of Use Asset	Period of the lease

Inventories

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

Trade payables

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

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

2 Accounting policies (continued)

Provisions

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

Decommissioning

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

Lease arrangements

Definition

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

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

Initial recognition and measurement

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

Subsequent measurement

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

2 Accounting policies (continued)

Lease modifications

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

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

Share Capital

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

Dividends

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

2 Accounting policies (continued)

Impairment of non-financial assets

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

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

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

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

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

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Provisions
The Company applies accounting estimates to the following areas:

(i) Decommissioning costs - estimation uncertainty
The estimated cost of decommissioning at the end of the useful life of the wind farm is reviewed periodically and was reassessed at 31 March 2023. Provision is made for the estimated discounted cost of decommissioning at the balance sheet date. Further disclosure included within note 18.

4 Operating profit

Arrived at after charging

	2023 £ m	2022 £ m
Depreciation expense	70.9	70.3
Operating lease expense - property	0.4	0.5

An element of the Company's lease for the seabed at the Greater Gabbard wind farm is variable based on the generated output in the period. This variable element is recognised as an operating lease expense in the current year.

5 Finance income and costs

	2023 £ m	2022 £ m
Finance income		
Interest received	0.9	0.1
Finance costs		
Lease interest	(2.0)	(1.9)
Foreign exchange losses	-	(0.1)
Decommissioning provision - unwinding of discount	(3.9)	(1.9)
Total finance costs	(5.9)	(3.9)
Net finance costs	(5.0)	(3.8)

6 Auditor's remuneration

The audit fee for the financial statements was £15,600 in the current year (2022: £16,848).

7 Revenue

Revenue consists of sales of electricity under Power Purchase Agreements (PPA), together with revenue earned under the Renewables Obligations 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.

The Company's revenue arises in the United Kingdom.

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

	2023 £ m	2022 £ m
Sale of renewable energy	366.2	399.7
Other revenue	29.2	8.8
	395.4	408.5

During the year, the Company received settlement proceeds in relation to a damages claim. The claim was concluded during the year and the settlement proceeds have been disclosed within other revenue.

8 Staff costs

The Company had 0 employees during the current or prior year.

9 Directors' remuneration

The directors did not receive remuneration in respect of their services to the Company in the current or prior year. Directors were remunerated via another Group company in the year. A value of services to the Company for these directors cannot be determined.

10 Income tax

Tax charged in the income statement

	2023 £ m	2022 £ m
Current tax on income in the period		
UK corporation tax	49.7	52.4
Deferred taxation		
Arising from origination and reversal of temporary differences	(6.5)	(4.9)
Effect of change in the tax rate	(2.1)	36.1
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(0.9)	-
Total deferred taxation	(9.5)	31.2
Tax expense in the income statement	40.2	83.6

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

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

	2023 £ m	2022 £ m
Profit before tax	227.1	249.9
Corporation tax at standard rate	43.2	47.5
Decrease in current tax from unrecognised temporary difference from a prior period	(0.9)	-
(Decrease)/increase from changes in tax rate	(2.1)	36.1
Total tax charge	40.2	83.6

The Government announced in the Budget on 3 March 2021 that the main rate of corporation tax will increase to 25% for the financial year beginning 1 April 2023. Prior to this date, the rate of corporation tax will remain at 19%.
The increase to 25% rate was substantively enacted by 31 March 2023, therefore the Company has measured deferred tax balances at 25%.
The Company has calculated that the increase to 25% has decreased the Company's deferred tax liabilities by £2m in the period ended 31 March 2023.

10 Income tax (continued)

Deferred taxation

Deferred tax movement during the year:

	At 1 April 2022 £ m	Recognised in income £ m	Effect of rate change recognised in income £ m	At 31 March 2023 £ m
Tangible fixed assets	(146.9)	(16.4)	2.6	(160.7)
Provisions	(3.6)	23.8	(0.5)	19.6
Net tax assets/(liabilities)	(150.5)	7.4	2.1	(141.0)

Deferred tax movement during the prior year:

	At 1 April 2021 £ m	Recognised in income £ m	Effect of rate change recognised in income £ m	At 31 March 2022 £ m
Tangible fixed assets	(131.2)	6.1	(21.9)	(147.0)
Provisions	11.8	(1.2)	(14.2)	(3.6)
Net tax assets/(liabilities)	(119.4)	4.9	(36.1)	(150.5)

The Government announced in the Budget on 3 March 2021 that the main rate of corporation tax will increase to 25% for the financial year beginning 1 April 2023. Prior to this date, the rate of corporation tax will remain at 19%.
The increase to 25% rate was substantively enacted by 31 March 2023, therefore the Company has measured deferred tax balances at 25%.
The Company has calculated that the increase to 25% has decreased the Company's deferred tax liabilities by £2m in the period ended 31 March 2023.

11 Property, plant and equipment

	Right of use £ m	Assets under construction £ m	Renewable Generation £ m	Decommissioning assets £ m	Total £ m
Cost or valuation					
At 1 April 2021	38.1	2.2	1,458.8	106.0	1,605.1
Additions	3.7	21.2	-	31.6	56.5
Transfers	-	(2.2)	2.2	-	-
At 31 March 2022	41.8	21.2	1,461.0	137.6	1,661.6
At 1 April 2022	41.8	21.2	1,461.0	137.6	1,661.6
Additions	3.0	16.2	-	-	19.2
Reduction in Decomissioning	-	-	-	(61.0)	(61.0)
Transfers	-	(21.2)	21.2	-	-
At 31 March 2023	44.8	16.2	1,482.2	76.6	1,619.8
Depreciation					
At 1 April 2021	7.8	-	544.6	38.2	590.6
Charge for year	2.5	-	62.3	5.4	70.2
At 31 March 2022	10.3	-	606.9	43.6	660.8
At 1 April 2022	10.3	-	606.9	43.6	660.8
Charge for the year	1.8	-	63.9	5.2	70.9
At 31 March 2023	12.1	-	670.8	48.8	731.7
Carrying amount					
At 31 March 2023	32.7	16.2	811.4	27.8	888.1
At 31 March 2022	31.5	21.2	854.1	94.0	1,000.8

12 Right of use assets

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

	Land & Buildings £ m	Vessels £ m	Total £ m
Cost or valuation			
At 1 April 2022	33.4	8.4	41.8
Additions	3.0	-	3.0
At 31 March 2023	36.4	8.4	44.8
Depreciation			
At 1 April 2022	2.8	7.5	10.3
Charge for the year	0.9	0.9	1.8
At 31 March 2023	3.7	8.4	12.1
Carrying amount			
At 31 March 2023	32.7	-	32.7

13 Inventories

	2023 £ m	2022 £ m
Raw materials and consumables	0.2	1.2

14 Trade and other receivables

	2023 £ m	2022 £ m
Trade receivables	2.0	3.1
Receivables from related parties	93.8	125.0
Prepayments	1.0	0.8
Other receivables	3.2	2.0
	100.0	130.9

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

15 Cash and cash equivalents

	2023 £ m	2022 £ m
Cash at bank	16.9	23.2

16 Trade and other payables

Amounts falling due within one year

	2023 £ m	2022 £ m
Trade payables	0.8	-
Accrued expenses	8.8	9.9
Amounts due to related parties	0.6	1.2
Other payables	5.9	-
	16.1	11.1

Amounts due to related parties arise from services provided by SSE Generation Limited under a Managed Service Agreement (MSA). Payment for the invoices raised under the MSA are due within the contractual set terms.

17 Leases

Lease liability maturity analysis

	2023 £ m
Within one year	2.7
Between one and five years	10.6
After five years	72.7
Less: future finance charges	(45.1)
Present value of lease obligations	40.9

18 Provisions

	Decommissioning £ m
At 1 April 2022	163.4
Unwind of discount	3.9
Decrease in existing provisions	(61.0)
At 31 March 2023	106.3

18 Provisions (continued)

Decommissioning provisions
In accordance with the Company's accounting policy a provision has been made for the decommissioning of the Company's wind farm. A discount rate of 3.8% (2022: 1.8%) 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 finance costs in the income statement.

Sensitivity analysis
An increase of 0.5% in the discount rate would result in a decrease to the provision of £6.4m

A decrease of 0.5% in the discount rate would result in an increase to the provision of £6.1m

An increase of 10% in the cost estimate for decommissioning would result in an increase to the provision of £10.6m 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 £10.6m and a corresponding adjustment to the decommissioning assets.

19 Share capital

Allotted, called up and fully paid shares

	2023		2022	
	No.	£	No.	£
240 ordinary shares of £1.00 each	240	240	240	240

20 Financial instruments

i Risk

Liquidity risk
SSE Group's treasury department is responsible through contractual agreement 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.

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

SSE's treasury department is responsible for managing the banking and liquidity requirements of the Company through contractual agreement. 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.

Foreign exchange risk
Foreign exchange risk derives from the Company's exposure to changes in the value of an asset or liability or future cash flows through changes in foreign currency rates. Transactions in foreign currencies are recorded at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Any gain or loss arising on the restatement of such items is taken to the income statement. As at 31 March 2023 the Company has no significant direct exposure to foreign exchange risk.

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

20 Financial instruments (continued)

i Risk (continued)

Maturity analysis for financial liabilities and financial assets

2023	**Carrying amount**	**Contractual Cash flows**	**1 year or less**
Non-derivative liabilities	**£ m**	**£ m**	**£ m**
Trade payables	(0.8)	(0.8)	(0.8)

2022	**Carrying amount**	**Contractual Cash flows**	**1 year or less**
Non-derivative liabilities	**£ m**	**£ m**	**£ m**
Trade payables	-	-	-

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.

20 Financial instruments (continued)

ii Fair values (continued)

Financial Assets

	Carrying value		Fair value	
	2023 £ m	2022 £ m	2023 £ m	2022 £ m
Trade receivables	95.8	128.1	95.8	128.1
Cash and cash equivalents	16.9	23.2	16.9	23.2
	112.7	151.3	112.7	151.3

Financial liabilities

	Carrying value		Fair value	
	2023 £ m	2022 £ m	2023 £ m	2022 £ m
Trade and other payables	(0.8)	-	(0.8)	-

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. Estimates applied reflect the management's best estimates of these factors.

Fair value hierarchy

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

20 Financial instruments (continued)

Assets measured at fair value
2023

	Level 1 £ m	Level 2 £ m	Total £ m
Cash and Cash Equivalents	16.9	-	16.9
Trade Receivables	-	95.9	95.9
	16.9	95.9	112.8

Assets measured at fair value
2022

	Level 1 £ m	Level 2 £ m	Total £ m
Cash and Cash Equivalents	23.2	-	23.2
Trade Receivables	-	128.1	128.1
	23.2	128.1	151.3

There were no significant transfers between levels 1,2 and 3 during the year ended 31 March 2023.

21 Capital commitments

	2023 £ m	2022 £ m
Contracted but not provided for	-	-

22 Related party transactions

i) Recharges have been made by SSE Generation Limited (a subsidiary of SSE plc) during the year, for the services provided by personnel who have worked on the Greater Gabbard project. During the year ended 31 March 2023 the Company was charged £6.4m by SSE Generation Limited in respect of these costs (2022: £5.8m). At the year end there were payables outstanding of £nil due to SSE Generation Limited in respect of these costs (2022: £nil) and £0.6m was accrued (2022: £1.2m).

ii) Sales of £183.1m have been made to SSE Energy Supply Limited during the year in respect of a power purchase agreement to sell electricity generated from the windfarm (2022: £198.9m). As of the balance sheet date £nil (2022: £nil) was due to the Company from SSE Energy Supply Limited and £46.9m was accrued (2022: £62.5m).

iii) Sales of £183.1m have been made to RWE Renewables UK Swindon Limited during the year in respect of a power purchase agreement to sell electricity generated from the windfarm (2022: £198.9m). As of the balance sheet date £nil (2022: £nil) was due to the Company from RWE Renewables UK Swindon Limited and £46.9m was accrued (2022: £62.5m).

23 Ultimate parent company

The ultimate parent companies are SSE Renewables Offshore Windfarm Holdings Limited (during the year, ownership was transferred from SSE Renewables Holdings (UK) Limited - another SSE plc group company) (Registered office: Millennium House, 25 Great Victoria Street, Belfast, Northern Ireland, BT2 7AQ) and RWE Renewables UK Swindon Limited (registered office: Windmill Hill Business Park, Whitehill Way, Swindon, Wiltshire, SN5 6PB), through their joint ownership of the full share capital of Greater Gabbard Offshore Winds Limited.