

Registration number: 11271136

SSE Slough Multifuel Limited

Directors report and Financial Statements

for the Year Ended 31 March 2020

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SSE Slough Multifuel Limited

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SSE Slough Multifuel Limited

Company Information

Directors	E Finkelstein (appointed 29/05/2020) A M G Gray (appointed 02/04/2020) C G Sorenson (appointed 02/04/2020, resigned 18/11/2020) S Toftgaard (appointed 02/04/2020) M R Hayward (appointed 09/10/2019) S Wheeler (appointed 09/10/2019) T J Forrest (appointed 02/04/2020, resigned 29/05/2020) M Beattie (appointed 09/10/2019, resigned 02/04/2020) J Johnson (appointed 09/10/2019, resigned 02/04/2020) A H Honeyman (resigned 09/10/2019) J I Smith (resigned 09/10/2019) N Schnackenberg (appointed 18/11/2020)
Company secretary	A Cuddihy (appointed 02/04/2020)
Registered office	No.1 Forbury Place 43 Forbury Road Reading RG1 3JH
Auditors	Ernst & Young LLP G1 Building 5 George Square Glasgow G2 1DY
Registered number	11271136

SSE Slough Multifuel Limited

Directors' Report for the Year Ended 31 March 2020

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

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

Principal activity

The principal activity of the company is a proposed multifuel waste incineration plant at the existing Slough Heat & Power station. The new plant will burn 480,000 tonnes of waste per year with a gross output of 50MW to the local grid and the possibility of heat supply (steam) to local businesses. The project is currently in the execution phase of the build.

The Company is a private company limited by shares and incorporated and domiciled in the UK. At 31 March 2020 it was a fully owned subsidiary of SSE Generation Limited, which is registered in the UK. The company was included in SSE plc's consolidated financial statements at 31 March 2020. Its ultimate parent undertaking at 31 March 2020 was SSE plc, also registered in the UK.

On 2 April 2020 the Company became a 50:50 joint venture, as set out on page 4 under "Non adjusting events after the financial period".

Results and dividends

The profit and loss account for the year ended 31 March 2020 is set out on page 10. The loss for the year after taxation amounted to £143.0k (2019: £21.0k). The balance sheet at 31 March 2020 is set out on page 12 and indicates net liabilities of £2,660.0k (2019: net liabilities of £21.0k).

The directors do not recommend payment of a dividend (2019: £Nil) be made in respect of the financial year ended 31 March 2020.

Directors

The directors and secretary who served during the period 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.

SSE Slough Multifuel Limited

Directors' Report for the Year Ended 31 March 2020 (continued)

Business review

Principal risks and uncertainties

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

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

The main financial risks that the Company could face have been considered by the directors and are:

- Cost overruns on the Multifuel project
- Failure to complete the project on time
- Having no contracts for waste fuel or off-take for the electricity produced when constructed.

To mitigate against these risks, the directors of the Company have entered into a fixed price contract for the construction of the Multifuel facility, and into a number of long term fuel contract agreements. They are also in the process of putting in place a purchase agreement to sell electricity generated from the Multifuel facility once construction has completed.

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

Political or charitable donations

The company did not make any political or charitable donations during the year.

Going concern

The financial statements have been prepared on a going concern basis, which assumes adequate resources will be available for a period of at least twelve months following approval of the financial statements. In performing their assessment, the directors have considered the future financial plans of the Company and its ability to access necessary funding.

Notice to Proceed has been achieved on 3 December 2020. Notice to Proceed confirms the commencement of the construction phase of the new multifuel plant and commits the shareholders to funding the project. Total future forecast capital expenditure for the plant is c.£369m, of which c.£149m is forecast over the going concern period, and the funding required to construct the plant has been fully committed (including over the going concern period) by the shareholders through shareholder loan agreements.

Achieving the Notice to Proceed and securing the shareholder loan agreements therefore ensures construction of the multifuel plant, supporting the going concern basis adopted.

SSE Slough Multifuel Limited

Directors' Report for the Year Ended 31 March 2020 (continued)

Assessing the impact of coronavirus

The directors have considered the impact of coronavirus on the future prospects of the Company. Due to the timing of the outbreak relative to the Company's year end date, the impact on the results for the year ended 31 March 2020 is limited. Due to the operations of the Company, the impact of the virus on future periods is also expected to be limited. One area it has impacted is the enabling works schedule which has been delayed partly due to coronavirus but also due to additional work scope. The directors have considered the expected impact of coronavirus in reaching their assessment of the Company's ability to continue as a going concern above.

Brexit

The directors are aware of the political uncertainty as the UK transitions out of the European Union. Due to the nature of operations of the Company, the impact of Brexit is expected to be minimal.

Non adjusting events after the financial period

On 2 April 2020, the parent company SSE Generation Limited sold 100% of its share capital in SSE Slough Multifuel Limited to SSE Slough Multifuel HoldCo Limited. From the same date SSE Slough Multifuel HoldCo Limited's share capital was owned 50:50 between SSE Generation Limited and CI III Slough HoldCo2 Limited.

SSE Slough Multifuel Limited therefore became a joint venture between SSE Generation Limited, an SSE Group company, and CI III Slough HoldCo2 Limited on 2 April 2020.

In order to attain the joint venture position, CI III Slough HoldCo2 Limited paid £10m into SSE Slough Multifuel Limited (shareholder loan of £9,999,500 and share capital of £500), with SSE Generation Limited converting intercompany debt of £10m, on the same basis (shareholder loan of £9,999,500 and share capital of £500). Following this investment, the accounting treatment of certain intercompany payables amounting to £4.2m will be reassessed at the next balance sheet date to reflect the final agreements between the shareholders.

On 3 December 2020, 437,640 ordinary shares were allotted, and split evenly between the joint venture parties, raising £4,376,400 in cash.

On 3 March 2021, 315,840 ordinary shares were allotted, and split evenly between the joint venture parties, raising £3,158,400 in cash.

Note - CI III Slough HoldCo2 Limited changed name to CI IV Slough HoldCo2 Limited from 13 Mar 2021.

Disclosure of information to the auditors

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

Reappointment of auditors

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

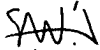
SSE Slough Multifuel Limited

Directors' Report for the Year Ended 31 March 2020 (continued)

Small companies provision statement

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

Approved by the Board on 26 March 2021 and signed on its behalf by:



.....
S Wheeler
Director

SSE Slough Multifuel Limited

Statement of Directors' Responsibilities

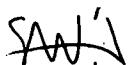
The directors acknowledge their responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Approved by the Board on 26 March 2021 and signed on its behalf by:



.....
S Wheeler
Director

SSE Slough Multifuel Limited

Independent Auditor's Report to the Members of SSE Slough Multifuel Limited

Opinion

We have audited the financial statements of SSE Slough Multifuel Limited (the 'Company') for the year ended 31 March 2020, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice), in accordance with the provisions applicable to companies subject to the small companies regime.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

SSE Slough Multifuel Limited

Independent Auditor's Report to the Members of SSE Slough Multifuel Limited (continued)

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 6], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

SSE Slough Multifuel Limited

Independent Auditor's Report to the Members of SSE Slough Multifuel Limited (continued)

Use of our report

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

Ernst & Young LLP.

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

G1 Building
5 George Square
Glasgow
G2 1DY

26 March 2021

SSE Slough Multifuel Limited

Profit and Loss Account for the Year Ended 31 March 2020

	Note	2020 £ 000	2019 £ 000
Interest payable and similar expenses	5	<u>(177.0)</u>	<u>(26.0)</u>
Loss before tax		(177.0)	(26.0)
Tax on loss	7	<u>34.0</u>	<u>5.0</u>
Loss for the year		<u><u>(143.0)</u></u>	<u><u>(21.0)</u></u>

The above results were derived from continuing operations.

SSE Slough Multifuel Limited

Statement of Comprehensive Income for the Year Ended 31 March 2020

	2020	2019
	£ 000	£ 000
Loss for the year	<u>(143.0)</u>	<u>(21.0)</u>
Items that may be reclassified subsequently to profit or loss		
Loss on cash flow hedges before tax	(3,081.0)	-
Taxation on cash flow hedges	<u>585.0</u>	<u>-</u>
	<u>(2,496.0)</u>	<u>-</u>
Total comprehensive income for the year	<u><u>(2,639.0)</u></u>	<u><u>(21.0)</u></u>

The notes on pages 14 to 25 form an integral part of these financial statements.

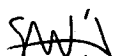
SSE Slough Multifuel Limited

(Registration number: 11271136)
Balance Sheet as at 31 March 2020

	Note	31 March 2020 £ 000	31 March 2019 £ 000
Non-current assets			
Intangible assets	8	-	8,034.0
Tangible assets	9	24,155.0	-
Deferred tax assets	7	619.0	-
		<u>24,774.0</u>	<u>8,034.0</u>
Current assets			
Debtors	10	767.0	404.0
Current liabilities			
Creditors: amounts falling due within one year	11	<u>(4,697.0)</u>	<u>(2,681.0)</u>
Net current liabilities		<u>(3,930.0)</u>	<u>(2,277.0)</u>
Total assets less current liabilities		<u>20,844.0</u>	<u>5,757.0</u>
Creditors: Amounts falling due after more than one year			
Amounts owed to related parties		(20,423.0)	(5,778.0)
Derivative financial liabilities		<u>(3,081.0)</u>	<u>-</u>
		<u>(23,504.0)</u>	<u>(5,778.0)</u>
Net liabilities		<u>(2,660.0)</u>	<u>(21.0)</u>
Capital and reserves			
Called up share capital	13	-	-
Profit and loss account		(164.0)	(21.0)
Cash flow hedging reserve		<u>(2,496.0)</u>	<u>-</u>
Shareholders' deficit		<u>(2,660.0)</u>	<u>(21.0)</u>

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

Approved by the Board on 26 March 2021 and signed on its behalf by:



.....
S Wheeler
Director

SSE Slough Multifuel Limited

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

	Cash flow hedging reserve £ 000	Retained earnings £ 000	Total £ 000
Loss for the year	-	(21.0)	(21.0)
At 31 March 2019	-	(21.0)	(21.0)
	Cash flow hedging reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2019	-	(21.0)	(21.0)
Loss for the year	-	(143.0)	(143.0)
Other comprehensive income	(2,496.0)	-	(2,496.0)
At 31 March 2020	(2,496.0)	(164.0)	(2,660.0)

The notes on pages 14 to 25 form an integral part of these financial statements.

SSE Slough Multifuel Limited

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

1 General information

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

These financial statements were authorised for issue by the Board on 26 March 2021.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

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

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

Presentation currency

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

Summary of disclosure exemptions

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

- A cash flow statement and related notes required under IAS 7;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets required by IAS 1, IAS 16 and IAS 38 respectively;
- The effect of new, but not yet effective, IFRSs required by IAS 8;
- Disclosures in respect of the compensation of key management personnel required under IAS 24;
- Disclosures in respect of capital management; and
- Related party disclosures required by IAS 24;

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

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

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

The consolidated financial statements of SSE plc, in which this entity is consolidated, are available at sse.com.

SSE Slough Multifuel Limited

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

2 Accounting policies (continued)

Consolidated accounts

The company was a subsidiary of SSE plc at the balance sheet date and the financial statements of the company are consolidated with the consolidated financial statements of that company.

Going concern

The financial statements have been prepared on a going concern basis, which assumes adequate resources will be available for a period of at least twelve months following approval of the financial statements. In performing their assessment, the directors have considered the future financial plans of the Company and its ability to access necessary funding.

Notice to Proceed has been achieved on 3 December 2020. Notice to Proceed confirms the commencement of the construction phase of the new multifuel plant and commits the shareholders to funding the project. Total future forecast capital expenditure for the plant is c.£369m, of which c.£149m is forecast over the going concern period, and the funding required to construct the plant has been fully committed (including over the going concern period) by the shareholders through shareholder loan agreements.

Achieving the Notice to Proceed and securing the shareholder loan agreements therefore ensures construction of the multifuel plant, supporting the going concern basis adopted.

Changes in accounting policy

None of the other standards, interpretations and amendments effective for the first time from 1 April 2019 have had a material effect on the financial statements. This includes IFRS 16 "Leases", as the Company does not have any lease contracts.

Finance income and costs policy

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

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

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

SSE Slough Multifuel Limited

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

2 Accounting policies (continued)

Tax

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

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

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

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

Tangible assets

Owned assets

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

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

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
Thermal power stations	20 to 60

Development assets

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

SSE Slough Multifuel Limited

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

2 Accounting policies (continued)

Impairment

The carrying amount of the Company's property, plant and equipment (PP&E) is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, or where there are indications that a previously recognised impairment loss has reduced. For PP&E assets that have previously been identified as exhibiting indications of impairment, the review of impairment will be performed 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.

Trade debtors

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

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

SSE Slough Multifuel Limited

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

2 Accounting policies (continued)

Trade creditors

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

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

Borrowings

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

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

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

Financial instruments

Derivative financial instruments

Derivative financial instruments are contracts, the value of which is derived from one or more underlying financial instruments or indices, and include futures, forwards, swaps and options in the interest rate, foreign exchange, equity and credit markets.

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

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

Hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets and liabilities.

The company designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the company formally documents the relationship between the hedging instruments and hedge items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The company makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting that changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated.

These hedging relationships are discussed below.

SSE Slough Multifuel Limited

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

2 Accounting policies (continued)

Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised assets or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss, together with changes in the fair value of the hedged item that are attributable to the hedged risk (in the same line item in the statement of profit or loss and OCI as the hedged item).

If hedging derivatives expire or are sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central clearing counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered expired or terminated.

Any adjustment up to the point of discontinuation of a hedged item for which the effective interest method is used is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

Cash flow hedges

The company makes an assessment for a cash flow hedge of a forecast transaction, of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability that could affect profit or loss, then the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of profit or loss and OCI.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central clearing counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered expired or terminated.

Accounting estimates and assumptions

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

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

Provisions for impairment

In determining impairment of financial assets, judgement is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

SSE Slough Multifuel Limited

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

3 Staff costs

The Company has no direct employees (2019: Nil).

4 Directors' remuneration

The total remuneration received by the directors for qualifying and non-qualifying services during the year was £1,268.5k (2019: £986.0k). The above value is for 6 directors (2019: 2), who were remunerated via another Group company in the year. A value of services to the Company for these directors cannot be determined, therefore the above value reflects the remunerations received for services to the SSE Group as a whole.

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £493.6k (2019: £811.0k) including company pension contributions of £47.5k (2019: £95.0k) which were made to a money purchase scheme on their behalf.

5 Interest payable and similar expenses

	2020 £ 000	2019 £ 000
Interest payable to Group companies	624.0	26.0
Interest capitalised	(447.0)	-
	<u>177.0</u>	<u>26.0</u>

6 Auditors' remuneration

The company incurred an audit fee of £11,193 in the year (2019: £2,600). The fee in both the current and previous year was borne by another group company.

7 Income tax

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

	2020 £ 000	2019 £ 000
Current taxation		
UK corporation tax	-	(5.0)
Deferred taxation		
Arising from origination and reversal of temporary differences	(34.0)	-
Tax receipt in the profit and loss account	<u>(34.0)</u>	<u>(5.0)</u>

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

The differences are reconciled below:

SSE Slough Multifuel Limited

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

7 Income tax (continued)

	2020 £ 000	2019 £ 000
Loss before tax	(177.0)	(26.0)
Corporation tax at standard rate of 19% (2019: 19%)	(34.0)	(5.0)
Total tax credit	(34.0)	(5.0)

Deferred tax

Deferred tax movement during the year:

	At 1 April 2019 £ 000	Recognised in income £ 000	Recognised in equity £ 000	At 31 March 2020 £ 000
Derivatives	-	-	585.5	585.5
Tax losses carry-forwards	-	118.6	-	118.6
Accelerated tax depreciation	-	(85.0)	-	(85.0)
Net tax assets/(liabilities)	-	33.6	585.5	619.1

The UK Budget 2021 announcements on 3 March 2021, subsequent to the balance sheet date, included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end. If the Company's deferred tax balances at the period end were remeasured at 25% this would result in a deferred tax credit of £195.5k.

8 Intangible assets

	Development assets £ 000	Total £ 000
Cost or valuation		
At 1 April 2019	8,034.0	8,034.0
Additions	10,081.0	10,081.0
Transfer to tangible fixed assets	(18,115.0)	(18,115.0)
At 31 March 2020	-	-
Carrying amount		
At 31 March 2020	-	-

SSE Slough Multifuel Limited

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

9 Tangible assets

	Assets under construction £ 000	Total £ 000
Cost or valuation		
Additions	6,040.0	6,040.0
Transfers from intangible assets	<u>18,115.0</u>	<u>18,115.0</u>
At 31 March 2020	<u>24,155.0</u>	<u>24,155.0</u>
Depreciation		
Carrying amount		
At 31 March 2020	<u>24,155.0</u>	<u>24,155.0</u>

At 31 March 2020 the Company had capitalised interest of £447k (2019: £nil).

10 Trade and other debtors

	31 March 2020 £ 000	31 March 2019 £ 000
Amounts owed by related parties	248.0	111.0
Other debtors	<u>519.0</u>	<u>293.0</u>
	<u>767.0</u>	<u>404.0</u>

SSE Slough Multifuel Limited

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

11 Creditors

Amounts falling due within one year

	31 March 2020 £ 000	31 March 2019 £ 000
Trade creditors	946.0	110.0
Amounts owed to related parties	2,116.0	2,341.0
Accruals and deferred income	1,635.0	216.0
Other creditors	-	14.0
	<u>4,697.0</u>	<u>2,681.0</u>

Amounts falling due after more than one year

	31 March 2020 £ 000	31 March 2019 £ 000
Amounts due to related parties	<u>20,423.0</u>	<u>5,778.0</u>

The amounts disclosed in the balance sheet as owed to related parties and falling due after more than one year are in respect of amounts advanced to the company by its ultimate parent SSE plc. Interest is charged at 5.06% (2019: 4.98%).

12 Derivatives and financial instruments

Summary fair values

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

	2020 Carrying value £ 000	2020 Fair value £ 000	2019 Carrying value £ 000	2019 Fair value £ 000
Financial assets				
Trade and other debtors	519.0	519.0	293.0	293.0
Short-term intercompany	248.0	248.0	111.0	111.0
Financial liabilities				
Trade and other creditors	(946.0)	(946.0)	(124.0)	(124.0)
Short-term intercompany	(2,116.0)	(2,116.0)	(2,341.0)	(2,341.0)
Long-term intercompany	(20,423.0)	(20,423.0)	(5,778.0)	(5,778.0)
Derivative financial liabilities	<u>(3,081.0)</u>	<u>(3,081.0)</u>	<u>-</u>	<u>-</u>

Basis of determining fair value

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

SSE Slough Multifuel Limited

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

13 Share capital

Allotted, called up and fully paid shares

	31 March 2020		31 March 2019	
	No.	£	No.	£
Ordinary shares of £10 each	<u>10</u>	<u>100</u>	<u>10</u>	<u>100</u>

14 Commitments

Capital commitments

Property, plant and equipment

The total amount contracted for but not provided in the financial statements was £7,134k (2019 - £802k).

15 Parent and ultimate parent undertaking at balance sheet date

The Company's immediate parent as at 31 March 2020 was SSE Generation Limited. The largest and smallest group in which these financial statements are consolidated is headed by SSE plc, incorporated in the United Kingdom. The consolidated financial statements of the Group (which include those of the Company) are available from the Company Secretary, SSE plc, Inveralmond House, 200 Dunkeld Road, Perth, PH1 3AQ, or by accessing the Group's website at www.sse.com. No other company's financial statements include the results of the Company.

SSE Slough Multifuel Limited

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

16 Non adjusting events after the financial period

On 2 April 2020, the parent company SSE Generation Limited sold 100% of its share capital in SSE Slough Multifuel Limited to SSE Slough Multifuel HoldCo Limited. From the same date SSE Slough Multifuel HoldCo Limited's share capital was owned 50:50 between SSE Generation Limited and CI III Slough HoldCo2 Limited.

SSE Slough Multifuel Limited therefore became a joint venture between SSE Generation Limited, an SSE Group company, and CI III Slough HoldCo2 Limited on 2 April 2020.

In order to attain the joint venture position, CI III Slough HoldCo2 Limited paid £10m into SSE Slough Multifuel Limited (shareholder loan of £9,999,500 and share capital of £500), with SSE Generation Limited converting intercompany debt of £10m, on the same basis (shareholder loan of £9,999,500 and share capital of £500). Following this investment, the accounting treatment of certain intercompany payables amounting to £4.2m will be reassessed at the next balance sheet date to reflect the final agreements between the shareholders.

On 3 December 2020, 437,640 ordinary shares were allotted, and split evenly between the joint venture parties, raising £4,376,400 in cash.

On 3 March 2021, 315,840 ordinary shares were allotted, and split evenly between the joint venture parties, raising £3,158,400 in cash.

Note - CI III Slough HoldCo2 Limited changed name to CI IV Slough HoldCo2 Limited from 13 Mar 2021.