

Registration number: 11271136

SSE Slough Multifuel Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2023



SSE Slough Multifuel Limited

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SSE Slough Multifuel Limited

Company Information

Directors	E Finkelstein A M G Gray C Cryans M R Hayward T J Forrest N Schnackenberg
Company secretary	K McKenna (Resigned 22 September 2023) A Leggat (Appointed 22 September 2023)
Registered office	No.1 Forbury Place 43 Forbury Road Reading RG1 3JH
Auditors	Ernst & Young LLP G1 Building 5 George Square Glasgow G2 1DY

SSE Slough Multifuel 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. As disclosed in Note 2, the financial statements have been prepared under International Accounting Standards, in conformity with the Companies Act 2006.

Principal activity

The principal activity of the Company is the construction of a 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, which is approximately 82% complete and in line with budget expectations.

Business review

Fair review of the business

The Income Statement for the year ended 31 March 2023 is set out on page 9. The loss for the year after taxation amounted to £3.1m (2022: loss of £0.8m). The Statement of Financial Position at 31 March 2023 is set out on page 11 and indicates total equity of £80.2m (2022 total equity of (£32.3m)).

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

	Unit	2023	2022
Property, plant and equipment	£m	355.4	177.3
Cash and cash equivalents	£m	8.4	4.9
Loans and other borrowings	£m	256.0	133.4

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

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. A power purchase agreement is in place to sell electricity generated from the Multifuel facility once construction has completed.

Proposed dividend

The directors do not recommend the payment of a dividend (2022: £nil).

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.

SSE Slough Multifuel Limited

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

Political and charitable donations

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

Future developments

Construction is continuing to progress on the site, with this currently scheduled to be completed by September 24.

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 financial statements have been prepared on a going concern basis. In performing their assessment, the directors have considered the future financial plans of the Company and its ability to access necessary funding through committed shareholder loans and equity funding. The directors have assessed that this will provide the Company with sufficient resources to continue as a going concern for a period of at least 12 months from the date of approval of the financial statements and therefore have prepared financial statements on a going concern basis.

Auditor

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

Non-adjusting events after the financial period

On 3 May 2023, 492,600 ordinary shares were allotted, raising £4,926,000 in cash.


On 12 June 2023, 316,980 ordinary shares were allotted, raising £3,169,800 in cash.

On 3 Aug 2023, 149,160 ordinary shares were allotted, raising £1,491,600 in cash.

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 29 September 2023 and signed on its behalf by:


Ann Gray (Sey 2b, 2023 13:21 GMT+1)
.....
A M G Gray
Director

SSE Slough Multifuel Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and regulations.

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

In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- in respect of the Company's 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
- 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 Company 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 directors' report that comply with that law and those regulations.

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 2023 which comprise the Income Statement, Statement of comprehensive income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards.

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 loss for the year then ended;
- have been properly prepared in accordance with UK adopted International Accounting Standards; 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.

SSE Slough Multifuel Limited

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' 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 12 months from when the financial statements are 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

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

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 the 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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

SSE Slough Multifuel Limited

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, 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.

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

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

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.

Annie Graham
Annie Graham (Sep 29, 2023 13:55 GMT+1)

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

G1 Building
5 George Square
Glasgow
G2 1DY

29/9/23
Date:.....

SSE Slough Multifuel Limited

Income Statement for the Year Ended 31 March 2023

	Note	2023 £ 000	2022 £ 000
Revenue		-	-
Administrative expenses		<u>(5)</u>	<u>-</u>
Operating loss		(5)	-
Finance income/(costs)	4	<u>(192)</u>	<u>(23)</u>
Loss before tax		(197)	(23)
Taxation	8	<u>(2,866)</u>	<u>(742)</u>
Loss for the year		<u><u>(3,063)</u></u>	<u><u>(765)</u></u>

The above results were derived from continuing operations.

SSE Slough Multifuel Limited

Statement of Comprehensive Income for the Year Ended 31 March 2023

	Note	2023 £ 000	2022 £ 000
Loss for the year		(3,063)	(765)
Items that may be reclassified subsequently to profit or loss			
Gain/(loss) on cash flow hedges (net)		<u>4,279</u>	<u>6,222</u>
Total comprehensive income for the year		<u><u>1,216</u></u>	<u><u>5,457</u></u>

SSE Slough Multifuel Limited


(Registration number: 11271136)

Statement of Financial Position as at 31 March 2023

	Note	2023 £ 000	2022 £ 000
Assets			
Non-current assets			
Property, plant and equipment	9	355,401	177,322
Deferred tax assets	8	-	546
		<u>355,401</u>	<u>177,868</u>
Current assets			
Trade and other receivables	10	5,962	9,466
Cash and cash equivalents	11	<u>8,401</u>	<u>4,923</u>
		<u>14,363</u>	<u>14,389</u>
Total assets		<u><u>369,764</u></u>	<u><u>192,257</u></u>
Equity and liabilities			
Equity			
Share capital	16	(85,162)	(38,501)
Cash flow hedging reserve		733	5,012
Retained earnings		<u>4,213</u>	<u>1,150</u>
Total equity		<u>(80,216)</u>	<u>(32,339)</u>
Non-current liabilities			
Loans and borrowings	14	(255,998)	(133,439)
Provisions	13	(8,171)	(7,684)
Deferred tax liabilities	8	(3,746)	-
Amounts due to related parties		-	(296)
Derivative financial liabilities	15	<u>(977)</u>	<u>(6,683)</u>
		<u>(268,892)</u>	<u>(148,102)</u>
Current liabilities			
Trade and other payables	12	<u>(20,656)</u>	<u>(11,816)</u>
Total liabilities		<u>(289,548)</u>	<u>(159,918)</u>
Total equity and liabilities		<u><u>(369,764)</u></u>	<u><u>(192,257)</u></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 29 September 2023 and signed on its behalf by:


 Ann Gray (Signed on 29 September 2023 13:21 GMT+1)

 A M G Gray
 Director

The notes on pages 14 to 28 form an integral part of these financial statements.

SSE Slough Multifuel Limited

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

	Share capital £ 000	Cash flow hedging reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2021	8,598	(11,234)	(385)	(3,021)
Loss for the year	-	-	(765)	(765)
Other comprehensive income	-	6,222	-	6,222
Total comprehensive income	-	6,222	(765)	5,457
New share capital subscribed	29,903	-	-	29,903
At 31 March 2022	<u>38,501</u>	<u>(5,012)</u>	<u>(1,150)</u>	<u>32,339</u>

	Share capital £ 000	Cash flow hedging reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2022	38,501	(5,012)	(1,150)	32,339
Loss for the year	-	-	(3,063)	(3,063)
Other comprehensive income	-	4,279	-	4,279
Total comprehensive income	-	4,279	(3,063)	1,216
New share capital subscribed	46,661	-	-	46,661
At 31 March 2023	<u>85,162</u>	<u>(733)</u>	<u>(4,213)</u>	<u>80,216</u>

SSE Slough Multifuel Limited

Statement of Cash Flows for the Year Ended 31 March 2023

	Note	2023 £ 000	2022 £ 000
Cash flows from operating activities			
Loss for the year		(3,063)	(765)
Adjustments to reconcile profit before tax to net cash flows			
Finance costs	4	191	23
Deferred tax movement	8	2,866	742
		(6)	-
Working capital adjustments			
Decrease/(increase) in trade and other receivables	10	3,504	(1,726)
Increase in trade and other payables	12	8,544	6,258
Net cash flow from operating activities		12,042	4,532
Cash flows from investing activities			
Acquisitions of property plant and equipment	9	(177,779)	(109,387)
Cash flows from financing activities			
Interest paid	4	(4)	-
Proceeds from issue of ordinary shares, net of issue costs	16	46,661	29,903
Proceeds from other borrowing draw downs	14	122,559	76,255
Foreign exchange losses	4	(1)	-
Net cash flows from financing activities		169,215	106,158
Net increase in cash and cash equivalents		3,478	1,303
Cash and cash equivalents at the start of the year		4,923	3,620
Cash and cash equivalents at the end of the year.		8,401	4,923

The notes on pages 14 to 28 form an integral part of these financial statements.

SSE Slough Multifuel Limited

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

1 General information

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

The address of its registered office is:

No.1 Forbury Place
43 Forbury Road
Reading
RG1 3JH
United Kingdom

Presentation currency and roundings

The presentation currency used in the financial statements is the Great British Pound (£), and the amounts have been presented rounded to the nearest thousand (000).

These financial statements were authorised for issue by the Board on 29 September 2023.

2 Accounting policies

Statement of compliance

The Company financial statements have been prepared in accordance with UK-adopted international accounting standards ("IFRSs").

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.

Basis of preparation

The financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as they apply to the financial statements of the Company for the year ended 31 March 2023 and applied in accordance with the practices of the Companies Act 2006. The financial statements have been prepared on a historical cost basis, except for the fair value remeasurement of certain financial instruments, including derivatives, as set out in the accounting policies below. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

Going concern

The financial statements have been prepared on a going concern basis. In performing their assessment, the directors have considered the future financial plans of the Company and its ability to access necessary funding through committed shareholder loans and equity funding. The directors have assessed that this will provide the Company with sufficient resources to continue as a going concern for a period of at least 12 months from the date of approval of the financial statements and therefore have prepared financial statements on a going concern basis.

Changes in accounting policy

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.

SSE Slough Multifuel Limited

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

2 Accounting policies (continued)

None of the standards, interpretations and amendments which are effective for periods beginning after 1 April 2023 and which have not been adopted early, are expected to have a material effect on the financial statements.

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.

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.

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 following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities other than in business combinations that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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.

SSE Slough Multifuel Limited

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

2 Accounting policies (continued)

Subsequent expenditure

It is the Company policy to capitalise qualifying replacement expenditure and depreciate it over the expected useful life of the replaced asset. Replaced assets are derecognised at this point and the costs recorded as costs of disposal. Where an item of property, plant and equipment is replaced and it is not practicable to determine the carrying amount of the replaced part, the cost of the replacement adjusted for inflation will be used as an approximation of the cost of the replaced part at the time it was acquired or constructed.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits of the 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 Company presents decommissioning assets separately within property, plant and equipment, in relation to the assets under construction 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.

Trade receivables

Trade receivables 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 receivables 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 receivables 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 receivables.

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.

Interest-bearing loans and borrowings

All such loans and borrowings are initially recognised at fair value including transaction costs and are subsequently measured at amortised cost, except where the loan or borrowing is the hedged item in an effective fair value hedge relationship.

SSE Slough Multifuel Limited

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

2 Accounting policies (continued)

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.

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 life of the power station is reviewed periodically. Provision is made for the net present value of the estimated cost of decommissioning power stations 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.

SSE Slough Multifuel Limited

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

2 Accounting policies (continued)

Impairment of non-financial assets

The carrying amounts of the Company's PP&E assets 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.

Financial instruments

Cash flow hedges

A derivative classified as a 'cash flow' hedge recognises the portion of gains or losses on the derivative which are deemed to be effective directly in equity in the hedge reserve. Any ineffective portion of the gains or losses is recognised in the consolidated income statement. When hedged cash flows result in the recognition of a non-financial asset or liability, the associated gains or losses previously recognised in equity are included in the initial measurement of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same period in which the hedged cash flows affect the income statement.

SSE Slough Multifuel Limited

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

2 Accounting policies (continued)

Interest rate and derivatives

Interest rate and foreign exchange derivatives

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.

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

Provisions

Future costs required to settle provisions. These liabilities are disclosed in note 13.

4 Finance income and costs

	2023 £ 000	2022 £ 000
Finance costs		
Foreign exchange (losses)/gains	(1)	1
Other finance costs	(4)	-
Decommissioning provision unwind	<u>(187)</u>	<u>(24)</u>
Total finance costs	<u>(192)</u>	<u>(23)</u>

5 Auditor's remuneration

The Company incurred an audit fee of £17,000 in the year (2022: £13,000). The current and prior year fees were borne by another company.

SSE Slough Multifuel Limited

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

6 Staff costs

The Company had no employees in the year (2022: Nil).

7 Directors' remuneration

The directors were remunerated through other companies in the year. A value of services to the Company for those directors cannot be determined, therefore no directors' remuneration is attributable to the Company in the year (2022: Nil).

8 Income tax

Tax charged/(credited) in the income statement

	2023	2022
	£ 000	£ 000

Deferred taxation

Arising from origination and reversal of temporary differences	2,866	742
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The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2022 - higher than 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	2022
	£ 000	£ 000
Loss before tax	(197)	(23)
Corporation tax at standard rate	(37)	(4)
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	2,220	855
Other movements in deferred tax	1,079	855
Deferred tax (charged)/credited directly to other comprehensive income	(1,426)	(964)
Remeasurement of deferred tax for changes in tax rates	1,030	-
Total tax charge	2,866	742

Deferred taxation

	2023	2022
	£ 000	£ 000

Deferred tax (assets)/liabilities

Provision at start of period	(546)	(2,252)
Deferred tax charge to the income statement for the period	2,866	742
Deferred tax charge to equity for the period	1,426	964
(Asset)/liability at end of period	3,746	(546)

SSE Slough Multifuel Limited

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

8 Income tax (continued)

Deferred tax assets and liabilities

	Asset £ 000	Liability £ 000	Net deferred tax £ 000
2023			
Derivatives	244	-	244
Tax losses carry-forwards	1,662	-	1,662
Accelerated tax depreciation	-	(5,652)	(5,652)
	<u>1,906</u>	<u>(5,652)</u>	<u>(3,746)</u>

	Asset £ 000	Liability £ 000	Net deferred tax £ 000
2022			
Derivatives	1,671	-	1,671
Tax losses carry-forwards	1,107	-	1,107
Accelerated tax depreciation	-	(2,232)	(2,232)
	<u>2,778</u>	<u>(2,232)</u>	<u>546</u>

Deferred tax movement during the year:

	At 1 April 2022 £ 000	Recognised in income £ 000	Recognised in equity £ 000	At 31 March 2023 £ 000
Derivatives	1,671	-	(1,427)	244
Tax losses carry-forwards	1,107	555	-	1,662
Accelerated tax depreciation	(2,232)	(3,421)	-	(5,652)
Net tax assets/(liabilities)	<u>546</u>	<u>(2,866)</u>	<u>(1,427)</u>	<u>(3,746)</u>

SSE Slough Multifuel Limited

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

8 Income tax (continued)

Deferred tax movement during the prior year:

	At 1 April 2021 £ 000	Recognised in income £ 000	Recognised in equity £ 000	At 31 March 2022 £ 000
Derivatives	2,635	-	(964)	1,671
Tax losses carry-forwards	82	1,025	-	1,107
Accelerated tax depreciation	(465)	(1,767)	-	(2,232)
Net tax assets/(liabilities)	<u>2,252</u>	<u>(742)</u>	<u>(964)</u>	<u>546</u>

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

9 Property, plant and equipment

	Assets under construction £ 000	Decommissioning assets £ 000	Total £ 000
Cost or valuation			
At 1 April 2021	60,275	1,274	61,549
Additions	<u>109,387</u>	<u>6,386</u>	<u>115,773</u>
At 31 March 2022	<u>169,662</u>	<u>7,660</u>	<u>177,322</u>
At 1 April 2022	169,662	7,660	177,322
Additions	<u>177,779</u>	<u>300</u>	<u>178,079</u>
At 31 March 2023	347,441	7,960	355,401
Depreciation			
At 31 March 2022	-	-	-
At 31 March 2023	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amount			
At 31 March 2023	<u>347,441</u>	<u>7,960</u>	<u>355,401</u>
At 31 March 2022	<u>169,662</u>	<u>7,660</u>	<u>177,322</u>
At 1 April 2021	<u>60,275</u>	<u>-</u>	<u>60,275</u>

At 31 March 2023 the Company had capitalised interest of £22,711k (2022: £9,028k).

SSE Slough Multifuel Limited

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

10 Trade and other receivables

	2023 £ 000	2022 £ 000
Receivables from related parties	848	1,058
Other receivables	5,114	8,408
	<u>5,962</u>	<u>9,466</u>

11 Cash and cash equivalents

	2023 £ 000	2022 £ 000
Cash at bank	8,401	4,923

12 Trade and other payables

Amounts falling due within one year

	2023 £ 000	2022 £ 000
Trade payables	4,364	2,795
Accrued expenses	16,230	8,663
Amounts due to related parties	62	354
Other payables	-	4
	<u>20,656</u>	<u>11,816</u>

The Company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in the financial risk review note.

13 Other provisions

	Decommissioning £ 000	Total £ 000
At 1 April 2022	7,684	7,684
Additions	300	300
Unwinding of discount	187	187
At 31 March 2023	<u>8,171</u>	<u>8,171</u>

SSE Slough Multifuel Limited

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

13 Other provisions (continued)

Decommissioning provisions

In accordance with the Company's accounting policy a provision has been made for the decommissioning of the Company's power generation assets. A discount rate of 3.82% (2022: 1.82%) has been applied to discount the decommissioning cost provision to present values. The unwinding of discount rate in relation to decommissioning costs is charged to interest payable in the Income Statement.

An increase of £0.3m (2022 : £6.4m) was recognised in the year following a review of the estimated timing and quantum of costs associated with the Company's assets. The key assumptions made when calculating the decommissioning provision centre around cost estimate and discount rate applied.

Sensitivity analysis

An increase of 1% in the discount rate would result in a decrease to the provision of £2.4m

A decrease of 1% in the discount rate would result in an increase to the provision of £1.6m

An increase of 10% in the cost estimate for decommissioning would result in an increase to the provision of £0.1m and a corresponding adjustment to the decommissioning assets.

A decrease of 10% in the cost estimate for decommissioning would result in a decrease to the provision of £1.4m and a corresponding adjustment to the decommissioning assets.

14 Interest bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest bearing loans and borrowings which are held at amortised cost.

	2023 £ 000	2022 £ 000
Non-current loans and borrowings		
Shareholder loans	255,998	133,439
	2023	2022
	£ 000	£ 000
Payables: falling due within less than one year	-	-
Payables: falling due within two and five years	-	-
Payables: falling due more than five years		
Shareholder loans	255,998	133,439
Total	255,998	133,439

SSE Slough Multifuel Limited

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

15 Derivatives and financial instruments

i Risk

Foreign exchange risk

Foreign exchange risk derives from underlying costs in foreign exchange on the various contracts. The Company's policy to manage this risk was to enter into forward exchange contracts for all known quantifiable future foreign exchange exposure within the signed construction contracts at financial close. This policy has been applied consistently throughout the year ended 31 March 2023.

Liquidity risk

Liquidity risk derives from the risk the Company will not be able to meet its financial obligations as they become due. The ultimate parent companies can be exposed to significant movement in their liquidity positions due to macroeconomic factors, changes in commodity prices and working capital requirements. At financial close the Company entered into financing arrangements with shareholders and external lenders for total funding sufficient to cover expected construction costs and contingencies such that the project is fully funded. To manage the liquidity risk external lenders were required to meet an acceptable credit rating threshold and the equity commitments from the shareholders are backed by security arrangements which meet an acceptable credit rating threshold.

The following are the contractual cash flows of interest bearing loans and borrowings, and all financial derivatives, including estimated interest payments:

Hedge accounting

Fair value hedges

At 31 March 2023, the company held the following hedging instruments in fair value hedges.

Hedging instrument	Contractual cash flows £ 000	1 year or less £ 000	1 to 2 years £ 000	2 to 5 years £ 000	More than 5 years £ 000
<i>Cash flow risk in respect to contractual payments due to changes in EUR and CHF values.</i>					
Forward contracts used for hedging	977	832	145	-	-

ii Fair values

Basis of determining fair value

Closing rate market values have been used to determine the fair values of the foreign currency contracts.

SSE Slough Multifuel Limited

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

16 Share capital

Allotted, called up and fully paid shares

	2023		2022	
	No.	£	No.	£
Ordinary shares of £10 each	<u>8,516,170</u>	<u>85,161,700</u>	<u>3,850,060</u>	<u>38,500,600</u>

New shares allotted

During the year 4,666,110 ordinary shares having an aggregate nominal value of £46,661,100 were allotted for an aggregate consideration of £46,661,100.

17 Capital commitments

Capital commitments

	2023	2022
	£ 000	£ 000
Contracted but not provided for	68,697	226,991

18 Contingent liabilities

On 3rd December 2020, the Company entered into a Shared Services Agreement with Fibre Power (Slough) Limited which states that Fibre Power (Slough) Limited may be able to invoice the Company for any additional future costs of decommissioning and dismantling Boiler 17 and its associated systems. The amount which the Company may have to pay will not be fully established until a later date, but the agreement caps any such costs at £4.2m. Subject to certain conditions that must be met to validate these costs. Therefore, the Company has disclosed a contingent liability of up to £4.2m payable to Fibre Power (Slough) Limited.

SSE Slough Multifuel Limited

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

19 Related party transactions

	Purchases	Sales	Receivable/ (Payable)
	2023	2023	2023
	£ 000	£ 000	£ 000
Keadby Generation Limited	2,327	-	(62)
Slough Heat & Power Limited	724	-	-
SSE Energy Supply Limited	96	-	-
SSE plc	1	-	848
Southern Electric Power Distribution plc	36	-	-
Copenhagen Infrastructure Service Company Ltd	78	-	-
	<u>3,262</u>	<u>-</u>	<u>786</u>

	Purchases	Sales	Receivable/ (Payable)
	2022	2022	2022
	£ 000	£ 000	£ 000
Keadby Generation Limited	1,702	-	(4)
Slough Heat & Power Limited	129	-	99
SSE Energy Supply Limited	18	-	-
SSE plc	17	-	(294)
Copenhagen Infrastructure Service Company Ltd	194	-	-
SSE Services plc	-	-	905
SSE Generation Limited	832	-	(350)
Fibre Power (Slough) Limited	-	-	52
	<u>2,892</u>	<u>-</u>	<u>408</u>

All companies above are part of the SSE plc group with the exception of Copenhagen Infrastructure Service Company Ltd., which is a subsidiary of Copenhagen Infrastructure IV K/S. Purchases were for services provided to the Slough Multifuel project.

20 Ultimate parent company

The Company's immediate parent company, as at 31 March 2023, was SSE Slough Multifuel Holdco Limited. SSE Slough Multifuel Holdco Limited is a joint venture between SSE Multifuel Generation Holdings Limited, a subsidiary of SSE plc and CI IV Slough Holdco2 Ltd., a subsidiary of Copenhagen Infrastructure IV K/S. The ultimate parent companies for this entity are SSE plc and Copenhagen Infrastructure IV K/S.

SSE Slough Multifuel Limited

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

21 Non-adjusting events after the financial period

On 3 May 2023, 492,600 ordinary shares were allotted, raising £4,926,000 in cash.

On 12 June 2023, 316,980 ordinary shares were allotted, raising £3,169,800 in cash.

On 3 Aug 2023, 149,160 ordinary shares were allotted, raising £1,491,600 in cash.