

Registration number: 02366879

**SSE Services plc**  
**Directors report and Financial Statements**  
**for the Year Ended 31 March 2020**



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## **SSE Services plc**

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## **SSE Services plc**

### **Company Information**

#### **Directors**

G Alexander

J Stewart

#### **Company secretary**

P Lawns

#### **Registered office**

No.1 Forbury Place  
43 Forbury Road  
Reading  
Berkshire  
RG1 3JH

#### **Auditors**

Ernst & Young LLP  
G1 Building  
5 George Square  
Glasgow  
G2 1DY

#### **Registered number**

02366879

## **SSE Services plc**

### **Strategic Report for the Year Ended 31 March 2020**

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

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

The Strategic and Financial Review sets out the main trends and factors underlying the development and performance of SSE Services plc (the "Company") during the year ended 31 March 2020, as well as those matters which are likely to affect its future development and performance.

#### **Fair review of the business**

The results of the year's trading, the financial position of the Company and the transfer to reserves are shown in the annexed financial statements.

The profit and loss account for the year ended 31 March 2020 is set out on page 12. The loss for the year, after taxation, amounted to £140.4m (2019: £102.4m). The balance sheet at 31 March 2020 is set out on page 14 shows net liabilities of £255.5m (2019: £127.8m).

#### **Financial performance**

The Directors assess the financial performance of the Company based on 'adjusted operating profit'. This measure is used for internal performance management and is believed to be appropriate for explaining underlying performance to users of the accounts. Adjusted operating profit is derived after excluding exceptional items. Exceptional items are those charges or credits that are considered unusual by nature and or scale and of such significance that separate disclosure is required for the financial statements to be properly understood. A reconciliation of the Company's reported to adjusted operating profit is shown below:

	<b>31 March 2020 £ m</b>	<b>31 March 2019 £ m</b>
Reported operating (loss)	(97.6)	(57.8)
Add back: Exceptional items	106.2	82.1
Adjusted operating profit	8.6	24.3

## SSE Services plc

### Strategic Report for the Year Ended 31 March 2020 (continued)

In the current year, the Company recorded an exceptional charge of £106.2m (2019: £82.1m) comprised of impairments of software assets and redundancy provisions totalling £94.1m. These costs were incurred as the Group disposed of SSE Energy Services and the Company had costs which could no longer be charged to that business under agreed transitional service agreements and the Group progressed its transition towards cloud-based IT software offerings, resulting in an impairment charge recognised against legacy software contracts. In addition to these costs, there was a net loss on disposal of SSE Energy Services of £12.1m comprised of transaction costs of £27.2m, offset by a gain on the settlement adjustments related to members of the Southern Electric Pension Scheme of £15.1m.

In the prior year the Company recorded total exceptional charges of £82.1m, which were attributable to impairments of software assets (£20.4m), property (£40.9m) and restructuring costs (£16.0m) related to the disposal of SSE Energy Services. In addition, there was a £4.8m charge for the equalisation of guaranteed minimum pension payments related to the Southern Electric Pension Scheme.

Excluding these one-off items in each period, the Company continues to operate at a small profit which is derived from its core business of owning assets and employing people which are recharged to the operating businesses of the Group.

#### Key Performance Indicators

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

	Unit	2020	2019
Revenue	£m	270.3	273.6
Adjusted operating profit	£m	8.6	24.3
Net liabilities	£m	(255.5)	(127.8)
Average employees	Headcount	1,852	1,897

#### Company priorities in 2020/21 and beyond

The priorities for the Company are to continue to provide shared assets, services and employees for the benefit of SSE Group. On 1 April 2019, the SSE Group restructured to establish 7 operating business units, each with devolved responsibility for cost control and operating activity governance. As a result, it is expected that the assets of the Company, where specific to a particular operating business of the Group, will be sold to legal entities within those businesses. However, the Company will continue to be the main employing entity and asset holding entity for employees and assets that will be utilised across multiple businesses, including the corporate functions of the Group. The Company is also, and will remain, the sponsoring employer of the Southern Electric Pension Scheme.

#### Principal risks and uncertainties

The Company transacts with other companies within the SSE plc group and is a key part of the Group's business and strategies.

The principal risk facing the Company is that the Group no longer supports the Company or chooses to alter the current service company model approach to providing corporate services to the Group. However, the Directors consider that the risk of this happening is low, as the Company remains central to the Group's operating model due to the nature of the services it provides to Group companies. The principal risks and uncertainties faced by the Group are set out in the Group's annual report.

The Directors of the Company acknowledge that they have responsibility for the 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 the 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 businesses, to the materiality of the risks inherent in these businesses, and to the relative costs and benefits of implementing specific controls.

## **SSE Services plc**

### **Strategic Report for the Year Ended 31 March 2020 (continued)**

Control is maintained through an organisation structure with clearly defined responsibilities, authority levels and lines of reporting; the appointment of suitably qualified staff in specialised business areas; and continuing investment in high quality information systems. These methods of control are subject to periodic review as to their implementation and continued suitability.

#### **Section 172(1) statement**

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole. In furtherance of this, section 172 requires a director to have regard amongst other matters, to the:

- likely consequences of any decisions in the long term;
- interests of the Company's employees;
- need to foster the Company's business relationships with suppliers, customers and others;
- impact of the Company's operations on the community and environment;
- desirability of the Company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the Company.

In discharging their section 172 duties, the Directors of the Company, have regard to the factors set out above. They also have regard to other factors which they consider relevant to the decision being made. Those factors, for example, include the Company's applicable legal obligations.

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

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

The Company is at the centre of the SSE Group, and so while there is no divisional Executive Committee with delegated authority over the Company, the Company's directors are both members of the Group Executive Committee where matters relevant to the Company are discussed. The Group Executive Committee reviews health and safety, financial and operational performance and legal and regulatory compliance at every meeting, in addition to other pertinent areas over the course of the financial year, including: the Group's (and therefore the Company's): strategy; key risks; stakeholder-related matters; diversity and inclusion; environmental matters; corporate responsibility; governance, compliance and legal matters. This is done through the consideration and discussion of reports which are sent in advance of each meeting and through presentations to Executive Committee.

The views of the Company's stakeholders are always considered where appropriate in decision making across the SSE Group. Information is generally provided in a range of different formats including specific reports and presentations on financial and operational performance, non-financial KPIs, risk, ESG matters and the outcomes of specific pieces of engagement, with the intended outcome being a rounded understanding of stakeholder issues and concerns.

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

## **SSE Services plc**

### **Strategic Report for the Year Ended 31 March 2020 (continued)**

During the year, the largest decision taken by the Group which impacted the Company was the disposal of SSE Energy Services, to OVO Energy Limited. While the decision resulted in immediate adverse impacts on the Company and its stakeholders through the transfer of employees and assets to OVO at a financial loss, the decision was taken for the benefit of SSE Energy Services and its stakeholders and for the Group and its stakeholders. The decision allowed SSE Energy Services to combine with an award winning company to explore new opportunities to help transform the GB energy supply market for the benefit of customers, and allowed the Group to focus on its core long-term strategy centred around renewable energy generation and regulated electricity networks.

#### **Stakeholder engagement**


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

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

Details of the mechanisms which are used to engage with stakeholders across the SSE Group, in order to gain understanding of the issues which they deem material are set out on pages 12 to 15 of the SSE plc Annual Report 2020.

The views of Company employees are gathered at business unit level, where mechanisms include monthly KPIs, an annual employee engagement survey and tailored business unit led engagement. This is supplemented by SSE plc's dedicated non-Executive Director for Employee Engagement who reports directly to the SSE plc Board and provides feedback to the Managing Director of each business unit. People strategies and action plans to address employee views are developed and overseen by the Directors in response to feedback received. John Stewart, Director of the Company, is also the Group's Director of HR, aligning the decisions of the Group to the Company.

Approved by the Board on 18 December 2020 and signed on its behalf by:

  
Gregor Alexander (Dec 18, 2020 15:17 GMT)

.....  
G. Alexander  
Director

## **SSE Services plc**

### **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.

#### **Directors' of the company**

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

G Alexander

J Stewart

#### **Principal activity**

The principal activity of the company is to act as SSE Group's main service company, owning or leasing the majority of the Group's shared property, transport and IT assets, and is a main employer of corporate and shared employees across the Group.

In addition, the Company is also the sponsor of the Group's Southern Electric Pension Scheme. The Company is critical to the operations of SSE Group and as such it is essential the Company operates within the Group's strategic framework.

#### **Dividends**

The directors do not recommend payment of a dividend in the year (2019: nil).

#### **Political and charitable donations**

During the year the Company made no political or charitable donations.

#### **Going concern**

The financial statements are prepared on a Going Concern basis which has been supported by the provision of a parental letter of support from SSE plc. The Group letter of support confirms it will provide support for a period of 12 months from the date of signing of these accounts where required. The Directors are satisfied that the Group has the ability to provide this support, should it be required.

In assessing the financial strength of the letter of support provided, the directors considered the committed bank facilities of £1.5bn maintained by the Group, the current commercial paper market conditions, the recent success of the Group in refinancing maturing debt, as well as sensitivities on future cashflow projections that reflect the impact of the coronavirus pandemic, the Group's credit rating. The directors also considered the progress of the Group's disposal programme since 31 March 2020 and mitigating actions available to the Group under downside scenarios including non-essential capex postponement and refinancing of mature debt. In considering these factors, the directors satisfied themselves that the SSE plc group has sufficient headroom to continue as a going concern and could provide support to the business as required.

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

#### **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. 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.



## **SSE Services plc**

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

#### **Disclosure of information to the auditors**

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

#### **Reappointment of auditors**

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

Approved by the Board on 18 December 2020 and signed on its behalf by:



Gregor Alexander (Dec 18, 2020 15:17 GMT)

.....  
G. Alexander  
Director

## **SSE Services plc**

### **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 18 December 2020 and signed on its behalf by:



Gregor Alexander (Dec 18, 2020 15:17 GMT)

.....  
G Alexander  
Director

## **Independent Auditor's Report to the Members of SSE Services plc**

### **Opinion**

We have audited the financial statements of SSE Services plc (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 1 to 24 to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 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.

### **Emphasis of matter – effects of Covid-19**

We draw attention to the Directors' Report in the financial statements, which describes the economic and social disruption the Company is facing as a result of the coronavirus pandemic. Our opinion is not modified in respect of this matter.

### **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. The directors are responsible for the other information.

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.

## **Independent Auditor's Report to the Members of SSE Services plc (continued)**

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.

We have nothing to report in this regard.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

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

### **Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

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

### **Responsibilities of directors**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Independent Auditor's Report to the Members of SSE Services plc (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.*

.....  
Nicola McIntyre (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

G1 Building  
5 George Square  
Glasgow  
G2 1DY

Date: 21 December 2020

# SSE Services plc

## Profit and Loss Account for the Year Ended 31 March 2020

	Note	2020 £ m	2019 £ m
Revenue	5	270.3	273.6
Cost of sales		<u>(0.2)</u>	<u>(0.3)</u>
Gross profit		270.1	273.3
Administrative expenses		(259.7)	(251.6)
Exceptional items	6	(106.2)	(82.1)
Other (losses) / gains		<u>(1.8)</u>	<u>2.6</u>
Operating loss	6	(97.6)	(57.8)
Interest payable and similar expenses	10	<u>(50.5)</u>	<u>(58.1)</u>
Loss before tax		(148.1)	(115.9)
Tax on loss	11	<u>7.7</u>	<u>13.5</u>
Loss for the year		<u>(140.4)</u>	<u>(102.4)</u>

The above results were derived from continuing operations.

**SSE Services plc**

**Statement of Comprehensive Income for the Year Ended 31 March 2020**

	Note	2020 £ m	2019 £ m
Loss for the year		(140.4)	(102.4)
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Remeasurements of post-employment benefit obligations (net)	11	14.1	(36.1)
Total comprehensive income for the year		(126.3)	(138.5)

The notes on pages 16 to 37 form an integral part of these financial statements.

# SSE Services plc

(Registration number: 02366879)  
Balance Sheet as at 31 March 2020

	Note	31 March 2020 £ m	31 March 2019 Restated* £ m
<b>Fixed assets</b>			
Intangible assets	12	236.8	284.6
Tangible assets	13	136.7	22.8
Investment properties	15	198.4	206.5
Investments	16	0.3	0.3
Deferred tax assets	11	35.5	24.5
		<u>607.7</u>	<u>538.7</u>
<b>Current assets</b>			
Stocks		-	0.1
Debtors	17	492.0	572.5
		<u>492.0</u>	<u>572.6</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	18	(215.6)	(180.7)
<b>Net current assets</b>		<u>276.4</u>	<u>391.9</u>
<b>Total assets less current liabilities</b>		<u>884.1</u>	<u>930.6</u>
<b>Creditors: Amounts falling due after more than one year</b>			
Amounts due to related parties		(833.1)	(782.1)
Long term lease liabilities		(86.6)	-
	19	<u>(919.7)</u>	<u>(782.1)</u>
<b>Provisions for liabilities</b>	20	<u>(27.4)</u>	<u>(25.7)</u>
<b>Net (liabilities)/assets excluding pension (liability)</b>		<u>(63.0)</u>	<u>122.8</u>
Net pension liability	22	<u>(192.5)</u>	<u>(250.6)</u>
<b>Net liabilities</b>		<u>(255.5)</u>	<u>(127.8)</u>
<b>Capital and reserves</b>			
Called up share capital	23	0.5	0.5
Share premium reserve		23.2	23.2
Capital Contribution		446.8	446.8
Profit and loss account		<u>(726.0)</u>	<u>(598.3)</u>
<b>Shareholders' deficit</b>		<u>(255.5)</u>	<u>(127.8)</u>

\*The prior year balance sheet has been restated. See note 4 for information.

Approved by the Board on 18 December 2020 and signed on its behalf by:

  
Gregor Alexander (Dec 18, 2020 15:17 GMT)

G Alexander  
Director

The notes on pages 16 to 37 form an integral part of these financial statements.



**SSE Services plc**

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

	Share capital £ m	Share premium £ m	Retained earnings Restated* £ m	Capital contribution £ m	Total £ m
At 1 April 2019	0.5	23.2	(598.3)	446.8	(127.7)
Change in accounting policy*	-	-	(8.1)	-	(8.1)
At 1 April 2019 (As restated)	0.5	23.2	(606.4)	446.8	(135.8)
Loss for the year	-	-	(140.4)	-	(140.4)
Other comprehensive income	-	-	14.1	-	14.1
Total comprehensive income	-	-	(126.3)	-	(126.3)
Share based payment transactions	-	-	6.7	-	6.7
At 31 March 2020	0.5	23.2	(726.1)	446.8	(255.5)

\*Retained earnings at 1 April 2019 have been restated. See note 2 for information.

The notes on pages 16 to 37 form an integral part of these financial statements.

## **SSE Services plc**

### **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 England & Wales.

#### **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.

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

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

##### **Consolidated accounts**

The company is a subsidiary of SSE plc and the financial statements of the company are consolidated with the consolidated financial statements of that company. Consolidated accounts have not been prepared as the company is availing itself of the exemption whereby, as a wholly owned subsidiary of an entity which prepares consolidated accounts, it is not required to prepare consolidated accounts under section 400 of the Companies Act 2006.

## **SSE Services plc**

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

#### **2 Accounting policies (continued)**

##### **Going concern**

The financial statements are prepared on a Going Concern basis which has been supported by the provision of a parental letter of support from SSE plc. The Group letter of support confirms it will provide support for a period of 12 months from the date of signing of these accounts where required. The Directors are satisfied that the Group has the ability to provide this support, should it be required.

In assessing the financial strength of the letter of support provided, the directors considered the committed bank facilities of £1.5bn maintained by the Group, the current commercial paper market conditions, the recent success of the Group in refinancing maturing debt, as well as sensitivities on future cashflow projections that reflect the impact of the coronavirus pandemic, the Group's credit rating. The directors also considered the progress of the Group's disposal programme since 31 March 2020 and mitigating actions available to the Group under downside scenarios including non-essential capex postponement and refinancing of mature debt. In considering these factors, the directors satisfied themselves that the SSE plc group has sufficient headroom to continue as a going concern and could provide support to the business as required.

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

##### **Changes resulting from adoption of IFRS 16**

The company transitioned to IFRS 16 using the modified retrospective approach and as a result the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. The prior period figures were not adjusted.

On adoption of IFRS 16, the company elected to apply the relief provisions available and has not reviewed contracts under the definition of a lease per IFRS 16, which had previously not been classified as leases under the principles of IAS 17. Therefore, only contracts entered into or modified on or after 1 April 2019 have the definition of a lease per IFRS 16 applied.

In addition, the company decided to apply recognition exemptions to leases with a term not exceeding 12 months and leases where the underlying assets are of low value.

For leases classified as operating leases under IAS 17, these lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The company has used the following practical expedients permitted by IFRS 16 when applying this for the first time to leases previously classified as operating leases:

- Applied a single discount rate to a portfolio of leases with similar characteristics
- Applied the exemption not to recognise liabilities for leases with less than 12 months of lease term remaining
- Excluded initial direct costs for the measurement of right-to-use assets at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Where the interest rate implicit in the lease is not readily determinable, the Company has applied the intercompany borrowing rate which is based on the SSE plc's external medium-term borrowing rates with premia adjustments for any subsidiary specific risk factors.

On transition to IFRS 16, the Company recognised £123.7m of additional right of use assets (presented within property, plant and equipment), £133.7m of additional lease liabilities and a deferred tax asset of £1.9m. This resulted in a £8.1m adjustment to retained earnings on transition.

## **SSE Services plc**

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

#### **2 Accounting policies (continued)**

##### **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. There were no other new standards adopted in the year.

##### **Revenue recognition**

###### *Recognition*

The company earns revenue from the provision of corporate services relating to entities within the SSE Group. This revenue is recognised at a point in time in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

##### **Exceptional items**

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

Market conditions that have deteriorated significantly over time will only be captured to the extent observable at the balance sheet date.

Examples of items that may be considered exceptional include material asset impairment charges, reversals of historic impairments, business restructuring costs and reorganisation costs and provisions in relation to contractual settlements associated with significant disputes and claims.

##### **Finance income and costs policy**

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

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

##### **Tax**

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

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

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

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

## SSE Services plc

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

#### 2 Accounting policies (continued)

##### **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.

###### *Right of use assets*

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

##### **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:

<b>Asset class</b>	<b>Years</b>
Buildings	Life of lease
IT assets and miscellaneous equipment	5 to 15
Motor vehicles	4 to 10

##### **Investment property**

Certain of the company's properties are held as investment properties for long-term rental to related parties.

Investment property is carried at cost less accumulated depreciation and impairments.

Depreciation is charged on investment properties to write-off cost, less residual values, on a straight-line basis over the life of the estimated operational life. The estimated operational lives are as follows:

Freehold buildings: up to 40 years  
Fixtures and fittings: up to 10 years

##### **Intangible assets**

###### *Development assets*

Expenditure on software 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. At the point that the asset becomes available for use, the carrying value of the project is transferred to IT assets. Once in operation, amortisation 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

###### *Developed software assets*

Expenditure on internally developed software assets and application software licences includes contractors' fees and directly attributable labour and overheads. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of these assets, which ranges from 3 to 15 years.

## **SSE Services plc**

### **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 PP&E and other intangible 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.

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.

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. Previous impairments of goodwill are not reversed.

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

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

##### **Trade debtors**

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

##### **Stock**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

## **SSE Services plc**

### **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.

##### **Provisions**

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event; it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

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

##### **Share capital**

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

##### **Defined contribution pension obligation**

SSE Group operates a number of defined contribution pension schemes to which the Company's employees may be members of. The assets and liabilities of the schemes are held separately from those of the Group in independently administered funds. The amounts charged represent the contributions payable to the schemes in the year and are charged directly to the income statement.

##### **Defined benefit pension obligation**

The Company operates a defined benefit scheme on behalf of its own employees and other group employees. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Any increase in the present value of liabilities within the defined benefit pension scheme which is expected to arise from employee service in the year is charged to operating profit. This cost is charged to group companies on the basis of payroll cost in the year.

The expected return on the scheme's assets and the increase during the year in the present value of the scheme's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of related deferred tax (note 17).

Some of the Company's employees are members of another group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the plan is recognised fully by the sponsoring employer, which is another member of the group. The Company recognises a cost equal to its contribution payable for the period.

## **SSE Services plc**

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

#### **2 Accounting policies (continued)**

##### **Share based payments**

SSE plc, the ultimate parent of the Company, operates a number of All Employee Share Schemes as described in the Remuneration Report of the Group. These schemes enable Group employees to acquire shares of the ultimate parent company. The employees of the Company are entitled, where applicable, to participate in these schemes. The Company has not been charged with the cash cost of acquiring shares on behalf of its employees, this cost is borne by the Ultimate Parent Company. Where the fair value of the options granted has been measured, the Company has recognised the expense as if the share based payments related to the Company's own shares.

The exercise prices of the sharesave scheme are set at a discount to market price at the date of the grant. The fair value of the sharesave scheme option granted is measured at the grant date by use of an option pricing model. The fair value of the options granted is recognised as an expense on a straight-line basis over the period that the scheme vests. Estimates are updated at each balance sheet date with any adjustment in respect of the current and prior years being recognised in the profit and loss financial statements.

The costs associated with the other main employee schemes, the share incentive plan and the deferred bonus scheme, are recognised over the period to which they relate.

#### **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. At 31 March 2020, management has applied its judgement to the determination of the fair value of its investment properties. While the Company holds its investment properties under the cost model, the fair value has been disclosed in line with IAS 40. See note 15 for details.

#### **4 Prior year adjustments**

##### **Prior year adjustments**

During the year, the Company progressed with the Group plan to allocate assets to operating businesses of the Group. As part of this process, it was identified that the prior year financial statements incorrectly classified intangible software development assets as assets under construction within PPE. In the current year this has been corrected and software development assets have been allocated to intangible assets from tangible PPE. In addition, balances incorrectly disclosed as bank overdrafts in the prior year have been reclassified to accruals, which more accurately describes the nature of the balances.

While the directors believe the reclassification has no overall impact on the reader's view of the Company, the reallocation has been prepared as a prior year adjustment due to the size of the adjustment relative to the financial statement line items. However, the directors have assessed that a third balance sheet as at 1 April 2018 is not required, as it would not materially alter a reader's impression of the Company at that date. The impact of the adjustment is shown in the table below.



## SSE Services plc

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

#### 4 Prior year adjustments (continued)

	As disclosed £'m	Adjustment £'m	Restated £'m
Investment property	204.8	1.7	206.5
Tangible assets	191.5	(168.7)	22.8
Intangible assets	117.6	167.0	284.6
Bank loans and overdrafts	(31.7)	31.7	-
Creditors: amounts falling due within one year	(149.0)	(31.7)	(180.7)
Total	333.2	-	333.2

#### 5 Turnover

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

	2020 £ m	2019 £ m
Rendering of services	228.8	230.5
Rental income from investment property	41.5	43.1
	270.3	273.6

#### 6 Operating loss

Arrived at after charging/(crediting)

	2020 £ m	2019 £ m
Depreciation expense	52.7	20.4
Amortisation expense	23.3	22.2
Exceptional items	106.2	82.1
Operating lease expense	-	15.4
Loss/(profit) on disposal of property, plant and equipment	1.8	(2.6)

##### Exceptional items

In the current year, the Company recorded an exceptional charge of £106.2m (2019: £82.1m) comprised of impairments of software assets and redundancy provisions totalling £94.1m. These costs were incurred as the Group disposed of SSE Energy Services and the Company had costs which could no longer be charged to that business under agreed transitional service agreements and the Group progressed its transition towards cloud-based IT software offerings, resulting in an impairment charge recognised against legacy software contracts. In addition to these costs, there was a net loss on disposal of SSE Energy Services of £12.1m comprised of transaction costs of £27.2m, offset by a gain on the settlement adjustments related to members of the Southern Electric Pension Scheme of £15.1m.

In the prior year the Company recorded total exceptional charges of £82.1m, which were attributable to impairments of software assets (£20.4m), property (£40.9m) and restructuring costs (£16.0m) related to the disposal of SSE Energy Services. In addition, there was a £4.8m charge for the equalisation of guaranteed minimum pension payments related to the Southern Electric Pension Scheme.

## SSE Services plc

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

#### 7 Auditors' remuneration

The company incurred an audit fee of £45,000 in the year (2019: £25,500). The fee in both the current and previous year was borne by another Group company.

#### 8 Staff costs

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

	2020 £ m	2019 £ m
Wages and salaries	90.5	93.5
Social security costs	10.5	10.3
Pension costs	14.6	17.9
Share-based payment expenses	6.6	6.5
	122.2	128.2

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

	2020 No.	2019 No.
Administration and support	1,852	1,897

#### 9 Directors' remuneration

The total remuneration received by the directors for qualifying and non-qualifying services during the year was £2.3m (2019: £2.3m). The above value is for 2 directors (2019: 3), 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 £1.7m (2019: £1.2m) including company pension contributions of £nil (2019: £nil) which were made to a money purchase scheme on their behalf.

#### 10 Interest payable and similar expenses

	2020 £ m	2019 £ m
Interest payable to Group companies	40.1	51.6
Lease interest	6.0	-
Foreign exchange losses	0.7	2.4
Net pension interest	5.4	5.8
Interest capitalised	(1.7)	(1.7)
	50.5	58.1

## SSE Services plc

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

#### 11 Income tax

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

	2020 £ m	2019 £ m
<b>Current taxation</b>		
UK corporation tax	(9.2)	(12.2)
UK corporation tax adjustment to prior periods	7.6	(0.8)
	<u>(1.6)</u>	<u>(13.0)</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	(13.9)	(6.0)
Arising from changes in tax rates and laws	1.8	-
Adjustment in respect of prior years	(3.0)	0.3
Deferred tax on pension scheme movements	9.0	5.2
Total deferred taxation	<u>(6.1)</u>	<u>(0.5)</u>
Tax receipt in the profit and loss account	<u>(7.7)</u>	<u>(13.5)</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:

	2020 £ m	2019 £ m
Loss before tax	<u>(148.1)</u>	<u>(115.9)</u>
Corporation tax at standard rate	(28.1)	(22.0)
Increase/(decrease) in current tax from adjustment for prior periods	7.6	(0.8)
Increase from effect of revenues exempt from taxation	(0.3)	(0.1)
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	8.6	8.2
Increase from transfer pricing adjustments	5.6	1.5
Deferred tax (credit)/expense from unrecognised temporary difference from a prior period	(3.0)	0.3
Deferred tax expense/(credit) relating to changes in tax rates or laws	1.8	(0.6)
Total tax credit	<u>(7.8)</u>	<u>(13.5)</u>

# SSE Services plc

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

### 11 Income tax (continued)

#### Amounts recognised in other comprehensive income

		2020			2019		
			Tax			Tax	
		Before tax	(expense)	Net of tax	Before tax	(expense)	Net of tax
	Note	£ m	benefit	£ m	£ m	benefit	£ m
			£ m	£ m		£ m	£ m
Remeasurements of post employment benefit obligations (net)	22	23.0	(8.9)	14.1	(43.5)	7.4	(36.1)

#### Deferred tax

##### Deferred tax assets and liabilities

	Asset	Liability	Net deferred tax
	£ m	£ m	£ m
<b>2020</b>			
Pension benefit obligations	36.6	-	36.6
Accelerated tax depreciation	-	(9.6)	(9.6)
Provisions	6.0	-	6.0
Share-based payment	4.4	-	4.4
Other items	-	(1.9)	(1.9)
	47.0	(11.5)	35.5
<b>2019</b>			
Pension benefit obligations	42.6	-	42.6
Accelerated tax depreciation	-	(23.2)	(23.2)
Provisions	5.5	-	5.5
Share-based payment	2.8	-	2.8
Other items	-	(3.2)	(3.2)
	50.9	(26.4)	24.5

# SSE Services plc

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

### 11 Income tax (continued)

Deferred tax movement during the year:

	At 1 April 2019 £ m	Recognised in income £ m	Recognised in other comprehensive income £ m	At 31 March 2020 £ m
Pension benefit obligations	42.6	(8.9)	2.9	36.6
Accelerated tax depreciation	(23.2)	13.6	-	(9.6)
Provisions	5.5	0.5	-	6.0
Share-based payment	2.8	1.6	-	4.4
Other items	(3.2)	(0.6)	1.9	(1.9)
Net tax assets/(liabilities)	24.5	6.1	4.9	35.5

Deferred tax movement during the prior year:

	At 1 April 2018 £ m	Recognised in income £ m	Recognised in other comprehensive income £ m	Disposal £m	At 31 March 2019 £ m
Pension benefit obligations	40.4	(5.2)	7.4	-	42.6
Accelerated tax depreciation	(24.2)	5.3	-	(4.2)	(23.2)
Provisions	5.6	(0.1)	-	-	5.5
Share-based payment	2.4	0.5	-	-	2.8
Other items	(3.2)	-	-	-	(3.2)
Net tax assets/(liabilities)	20.9	0.5	7.4	(4.2)	24.5

## SSE Services plc

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

#### 12 Intangible assets (continued)

	Internally generated software development costs £ m	Development assets £ m	Total £ m
<b>Cost</b>			
At 1 April 2019	197.1	152.0	349.1
Additions	-	70.3	70.3
Transfer between categories	66.6	(66.6)	-
At 31 March 2020	263.7	155.7	419.4
<b>Amortisation</b>			
At 1 April 2019	64.5	-	64.5
Amortisation charge	23.3	-	23.3
Impairment	59.3	35.5	94.8
At 31 March 2020	147.1	35.5	182.6
<b>Carrying amount</b>			
At 31 March 2020	116.6	120.2	236.8
At 31 March 2019 (restated)	132.6	152.0	284.6

#### 13 Tangible assets

	Land and buildings £ m	IT assets and miscellaneous equipment £ m	Motor vehicles £ m	Assets under construction £ m	Total £ m
<b>Cost or valuation</b>					
At 1 April 2019	52.0	17.0	129.0	14.2	212.2
Additions	-	4.4	23.9	10.1	38.4
Disposals	(1.2)	-	(3.1)	-	(4.3)
Transfers	-	1.0	1.5	(10.9)	(8.4)
At 31 March 2020	50.8	22.4	151.3	13.4	237.9
<b>Depreciation</b>					
At 1 April 2019	-	10.4	54.9	-	65.3
Charge for the year	4.7	3.5	29.7	-	37.9
Eliminated on disposal	(0.2)	-	(1.8)	-	(2.0)
At 31 March 2020	4.5	13.9	82.8	-	101.2
<b>Carrying amount</b>					
At 31 March 2020	46.3	8.5	68.5	13.4	136.7
At 31 March 2019	-	6.7	1.9	14.2	22.8

The cost at 01 April 2019 has been revised following adoption of IFRS 16, with additional Right of Use assets of £123.7m being recognised.

## SSE Services plc

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

#### 14 Right of use assets

Included within property, plant and equipment (note 13) are the following right of use assets:

	Land and buildings £ m	Motor vehicles and other equipment £ m	Total £ m
<b>Cost or valuation</b>			
At 1 April 2019	52.0	71.7	123.7
Additions	-	23.9	23.9
Disposals	(1.2)	(3.1)	(4.3)
At 31 March 2020	50.8	92.5	143.3
<b>Depreciation</b>			
Charge for the year	4.7	28.6	33.3
Eliminated on disposal	(0.2)	(1.8)	(2.0)
At 31 March 2020	4.5	26.8	31.3
<b>Carrying amount</b>			
At 31 March 2020	46.3	65.7	112.0

#### 15 Investment properties

	31 March 2020 £ m
<b>Cost</b>	
At 1 April (restated)	342.4
Investment properties transfers from AUC	7.6
Disposals	(39.3)
At 31 March	310.7
<b>Depreciation</b>	
At 1 April (restated)	135.9
Depreciation charge	14.8
Eliminated on disposal	(38.4)
At 31 March	112.3
<b>Carrying amount</b>	
At 31 March 2020	198.4
At 31 March 2019 (restated)	206.5
Fair value at 31 March 2020	246.0
Fair value at 31 March 2019	225.7

## SSE Services plc

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

#### 15 Investment properties (continued)

Management has applied judgement in determining the fair value of the property disclosed above. The fair value has been calculated using an income valuation method with Parry's multiple discounted at the Company's incremental rate of borrowing.

#### 16 Investments

Investments	Subsidiaries £ m	Total £ m
<b>Cost or valuation</b>		
At 1 April 2019	0.3	0.3
At 31 March 2020	0.3	0.3
<b>Carrying amount</b>		
At 31 March 2020	0.3	0.3
At 31 March 2019	0.3	0.3

Details of the subsidiaries as at 31 March 2020 are as follows:

Undertaking	Country of incorporation	% Holding 2020	% Holding 2019	Nature of business	Registered address
Southern Electric Quest Trustee Limited	England & Wales	100	100	Dormant	A
SSE Trustees Limited	England & Wales	100	100	Dormant	A
SSE OWS Glasgow Limited	Scotland	100	100	Property investment	B
Electricity Pensions Trustee Limited	England & Wales	7.4	7.4	Pension trustee	C
Electricity Pensions Limited	England & Wales	3.85	3.85	Pension Administration	C
Northmere Limited	England & Wales	5.56	5.56	Investment company	D
Smart Energy Code Company	England & Wales	0.34	0.54	Implementation of the Smart Energy Code	E

#### Registered address key

##### Reference Registered Office:

A	No.1 Forbury Place, Forbury Road, Reading. RG1 3JH
B	Inveralmond House, 200 Dunkeld Road, Perth. PH1 3AQ
C	Elder House St Georges Business Park, 207 Brooklands Road, Weybridge, Surrey. KT13 0TS
D	4 More London Riverside, More London Riverside, London, England, SE1 2AU
E	8 Fenchurch Place, London, EC3M 4AJ



## SSE Services plc

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

#### 17 Trade and other debtors

	31 March 2020 £ m	31 March 2019 £ m
Trade debtors	7.5	8.9
Debtors from related parties	405.7	508.3
Amounts due from related parties: greater than one year	1.3	5.7
Accrued income	2.9	3.3
Other debtors	63.8	32.5
Income tax asset	10.8	13.8
	492.0	572.5

#### 18 Creditors

*Amounts falling due within one year*

	31 March 2020 £ m	31 March 2019 Restated £ m
Trade creditors	22.7	8.7
Accruals and deferred income	128.1	125.7
Amounts due to related parties	2.4	1.4
Other creditors	27.4	44.9
Current portion of long term lease liabilities	35.0	-
	215.6	180.7

#### 19 Loans and borrowings

	31 March 2020 £ m	31 March 2019 £ m
<b>Non-current loans and borrowings</b>		
Amounts due to related parties	833.1	782.2
Long term lease liabilities	86.6	-
	919.7	782.2

*Amounts falling due after more than one year*

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 4.81% (2019: 4.98%).

## SSE Services plc

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

#### 19 Loans and borrowings (continued)

##### Lease liability maturity analysis

	31 March 2020 £ m	31 March 2019 £ m
Within one year	35.0	-
Between one and five years	70.5	-
After five years	56.8	-
Less: future finance charge	(40.7)	-
Present value of lease obligations	<u>121.6</u>	<u>-</u>

#### 20 Other provisions

	Other provisions £ m
At 1 April 2019	25.7
Increase in existing provisions	4.6
Provisions used	(0.1)
Unused provision reversed	<u>(2.8)</u>
At 31 March 2020	<u>27.4</u>

#### 21 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 £ m	2020 Fair value £ m	2019 Carrying value £ m	2019 Fair value £ m
<b>Financial assets</b>				
Trade and other receivables	7.5	7.5	8.9	8.9
Receivables from related parties	407.0	407.0	514.0	514.0
<b>Financial liabilities</b>				
Trade and other creditors	22.7	22.7	8.7	8.7
Intercompany creditors	<u>835.5</u>	<u>835.5</u>	<u>783.6</u>	<u>783.6</u>

#### 22 Pension and other schemes

##### Defined benefit pension schemes

##### Southern Electric Pension Scheme

The Company is sponsor of the Southern Electric Pension Scheme ('SEPS'), one of the Group's two defined benefit pension schemes which provide benefits based on final pensionable salary.

## SSE Services plc

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

#### 22 Pension and other schemes (continued)

##### Actuarial valuations

Last formal actuarial valuation	31 March 2019
Valuation carried out by	Aon Hewitt
Value of assets based on valuation	£2,257.8m
Value of liabilities based on valuation	£2,544.4m
Valuation method adopted	Projected Unit
Average salary increase	RPI+0.5%
Average pension increase	RPI
Value of fund assets/accrued liabilities	88.7%

The scheme was most recently valued on 31 March 2019. The scheme is subject to independent valuation at least every three years when future benefit obligations are valued by actuarial methods on the basis of appropriate assumptions. The last formal valuation of the scheme was performed as at 31 March 2019 and was finalised in the year. The valuation returned a deficit as at 31 March 2019 of £286.6m.

The Group continues to pay deficit contributions which, along with investment in return-seeking assets is expected to make good the shortfall by 31 March 2027. The next funding valuation will be carried out as at 31 March 2022.

The Company also pays contributions in respect of the current accrual, with some active members also making contributions. Total contributions of approximately £57.1m are expected to be paid by the Company during the year ending 31 March 2021, including deficit repair contributions of £39.5m. These payments will be made annually until March 2023, when they are forecast to reduce to £34.7m per annum until March 2027.

At 31 March 2020, SEPS has a net deficit of £192.5m, and unrecognised future contributions of £258.6m, which when paid, will result in a notional surplus of £66.1m. The Company has assessed that it has the right to recognise any future surplus on the scheme, therefore has not recognised a liability for future unrecoverable contributions.

##### Risks & risk mitigation

###### *Asset volatility*

The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The schemes hold a significant proportion of growth assets (equities, diversified growth fund and global absolute return fund) which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the schemes' long term objectives.

###### *Changes in bond yields*

A decrease in corporate bond yields will increase the value placed on the schemes' liabilities for accounting purposes. However, this will be partially offset by an increase in the value of the schemes' bond holdings and its interest rate hedging.

## SSE Services plc

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

#### 22 Pension and other schemes (continued)

##### *Inflation risk*

The majority of the schemes' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

##### *Life expectancy*

The majority of the schemes' obligations are to provide benefits for the life of the members, so an increase in the life expectancy will result in an increase in the liabilities. The sensitivity analysis disclosed is intended to provide an indication of the impact on the value of the schemes' liabilities of the risks highlighted.

##### *Liability vs. asset risk*

The risk that movement in the value of the schemes' liabilities are not met by corresponding movements in the value of the schemes' assets will expose the Group to movements in the overall funding surplus.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	<b>31 March 2020 £ m</b>	<b>31 March 2019 £ m</b>
Fair value of scheme assets	2,077.3	2,251.2
Present value of scheme liabilities	(2,269.8)	(2,501.8)
Defined benefit pension scheme deficit	(192.5)	(250.6)

##### Scheme assets

Changes in the fair value of scheme assets are as follows:

	<b>31 March 2020 £ m</b>	<b>31 March 2019 £ m</b>
Fair value at start of year	2,251.2	2,160.7
Interest income	53.5	56.9
Return on plan assets, excluding amounts included in interest income/(expense)	(144.9)	63.7
Employer contributions	66.5	66.3
Participant contributions	0.2	0.2
Benefits paid	(101.6)	(96.6)
Assets distributed on settlements	(47.6)	-
Fair value at end of year	2,077.3	2,251.2

##### Analysis of assets

The major categories of scheme assets are as follows:

## SSE Services plc

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

#### 22 Pension and other schemes (continued)

	31 March 2020 £ m	31 March 2019 £ m
Cash and cash equivalents	24.8	13.2
Equity instruments	393.5	443.3
Debt instruments	630.1	981.4
Property	169.8	173.8
Investment funds	764.0	639.5
Asset-backed securities	95.1	-
	2,077.3	2,251.2

Actual return on scheme's assets

	31 March 2020 £ m	31 March 2019 £ m
Actual return on scheme assets, excluding interest income	144.9	(63.7)

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	31 March 2020 £ m	31 March 2019 £ m
Present value at start of year	2,501.8	2,398.3
Current service cost	22.2	24.2
Past service cost	7.8	5.8
Actuarial gains and losses arising from changes in demographic assumptions	5.7	(19.8)
Actuarial gains and losses arising from changes in financial assumptions	(181.2)	129.1
Actuarial gains and losses arising from experience adjustments	19.5	(2.1)
Interest cost	58.9	62.7
Benefits paid	(101.6)	(96.6)
Contributions by scheme participants	0.2	0.2
Liabilities extinguished on settlements	(61.5)	-
Effect of curtailments	(2.0)	-
Present value at end of year	2,269.8	2,501.8

## SSE Services plc

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

#### 22 Pension and other schemes (continued)

##### Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

	<b>31 March 2020</b>	<b>31 March 2019</b>
	%	%
Discount rate	2.30	2.40
Future salary increases	3.20	3.85
Future pension increases	2.70	3.35
Inflation	2.70	3.35

##### Post retirement mortality assumptions

	<b>31 March 2020</b>	<b>31 March 2019</b>
	Years	Years
Current UK pensioners at retirement age - male	23	23
Current UK pensioners at retirement age - female	25	25
Future UK pensioners at retirement age - male	24	24
Future UK pensioners at retirement age - female	26	26

##### Amounts recognised in the income statement

	<b>31 March 2020</b>	<b>31 March 2019</b>
	£ m	£ m
<b>Amounts recognised in operating profit</b>		
Current service cost	19.9	22.3
Past service cost	7.8	5.8
Gains on curtailments and settlements	(63.5)	-
Administrative expenses paid	2.3	1.9
Recognised in arriving at operating loss	(33.5)	30.0
<b>Amounts recognised in finance income or costs</b>		
Net interest	5.4	5.8
Total recognised in the income statement	(28.1)	35.8

## SSE Services plc

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

#### 22 Pension and other schemes (continued)

##### Amounts taken to the Statement of Comprehensive Income

	31 March 2020 £ m	31 March 2019 £ m
Actuarial gains and losses arising from changes in demographic assumptions	5.7	(19.8)
Actuarial gains and losses arising from changes in financial assumptions	(181.2)	129.1
Actuarial gains and losses arising from experience adjustments	19.5	(2.1)
Return on plan assets, excluding amounts included in interest income/(expense)	144.9	(63.7)
Amounts recognised in the Statement of Comprehensive Income	<u>(11.1)</u>	<u>43.5</u>

#### Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

	Increase/decrease in assumption 2020	Effect on scheme liabilities 2020	Increase/decrease in assumption 2019	Effect on scheme liabilities 2019
Rate of increase in pensionable salaries	0.1%	+/-0.2%	0.1%	+/-0.3%
Rate of increase in pension payments	0.1%	+/-1.6%	0.1%	+/-1.3%
Discount rate	0.1%	+/-1.7%	0.1%	+/-1.7%
Longevity	1 year	+/-4.4%	1 year	+/-4.4%

#### 23 Share capital

	31 March 2020 £ m	31 March 2019 £ m
Allotted, called up and fully paid:		
481,748,710 ordinary shares of £0.001 each	<u>0.5</u>	<u>0.5</u>

#### 24 Parent and ultimate parent undertaking

##### Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is SSE plc, incorporated in Scotland. The consolidated financial statements of the Group (which include the Company) are available from the Company Secretary, SSE plc, Inveralmond House, 200 Dunkeld Road, Perth, PH1 3AQ or by accessing the parent company's website at [www.sse.com](http://www.sse.com).