

Registration number: 02366879

SSE Services plc
Directors report and Financial Statements
for the Year Ended 31 March 2021



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SSE Services plc

Contents

Company Information	1
Strategic Report	2 to 5
Directors' Report	6 to 7
Statement of Directors' Responsibilities	8
Independent Auditor's Report	9 to 12
Profit and Loss Account	13
Statement of Comprehensive Income	14
Balance Sheet	15
Statement of Changes in Equity	16
Notes to the Financial Statements	17 to 36

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 2021

The directors present their report for the year ended 31 March 2021.

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 2021, 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 2021 set out on page 13. The loss for the year, after taxation, amounted to £115.5m (2020: £140.4). The balance sheet at 31 March 2021 is set out on page 15 shows net liabilities of £384.1m (2020: £255.5m).

Financial performance

The Directors assess the financial performance of the Company based on 'adjusted operating (loss)/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 (loss)/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 (loss)/profit is shown below:

	31 March 2021 £ m	31 March 2020 £ m
Reported operating (loss)	(68.2)	(97.6)
Add back: Exceptional items	32.0	106.2
Adjusted operating (loss)/ profit	(36.2)	8.6

In the current year, the Company recorded an exceptional charge of £32.0m (2020: £106.2m). A £15.1m impairment charge was recognised against the Company's property portfolio following an assessment of amounts recoverable from SSE Energy Services and SSE Contracting through transitional service agreements subsequent to their disposal from the Group. In addition, there were further costs of £9.3m recognised following the Group's disposal of SSE Energy Services, which were primarily due to a payment made to the Southern Electric Pension Scheme of £12.3m, offset by releases from previous transaction cost provisions. The Company also incurred costs of £7.6m related to the Group's disposal of SSE Contracting Limited & SSE E&P UK Limited, including transaction costs and IT asset impairments.

In the prior year the Company recorded total exceptional charges of £106.2m, primarily related to impairments of software assets (£94.1m) incurred as the Group disposed of SSE Energy Services, as the Company ceased to charge SSE Energy Services IT services under transitional agreements. In addition to these costs, there was a further 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.

SSE Services plc

Strategic Report for the Year Ended 31 March 2021 (continued)

Key Performance Indicators

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

	<u>Unit</u>	<u>2021</u>	<u>2020</u>
Revenue	£m	214.6	270.3
Adjusted operating (loss)/profit	£m	(36.3)	8.6
Net liabilities	£m	(384.1)	(255.4)
Average employees	Headcount	1,761	1,852

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 the SSE Group. On 1 April 2019, the SSE Group restructured to establish seven operating business units, each with devolved responsibility for cost control and operating activity governance. During the year, certain assets of the Company, where specific to a particular operating business of the Group, were sold to legal entities within those businesses at nil gain or loss, and certain employees also transferred between legal employer within the Group. It is expected that this activity will continue during the next financial year as further assets are separated and sold into the operational business units of the Group.

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.

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.

SSE Services plc

Strategic Report for the Year Ended 31 March 2021 (continued)

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.

During the year, the largest decision taken by the Group which impacted the Company was the continuation of work to support the organisational restructure into seven operating units ('SSE7') announced on 1 April 2019. During the year the Company has continued to identify specific assets that are utilised by a certain business unit and has sold those assets to those business units for nil gain or loss. This organisational restructure supports the work of the executive committee of the Group, which has established seven divisional executive committees with devolved power to manage their divisions, including the cost base. This work has also resulted in the identification of certain assets that were no longer utilised and therefore impaired.

SSE Services plc

Strategic Report for the Year Ended 31 March 2021 (continued)

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 57 to 63 of the SSE plc Annual Report 2021.

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 Sep 30, 2021 and signed on its behalf by:


.....
John Stewart (Sep 30, 2021 11:08 GMT+1)
J Stewart
Director

SSE Services plc

Directors' Report for the Year Ended 31 March 2021

The directors present their report and the financial statements for the year ended 31 March 2021.

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 a whole 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 (2020: 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 the period to December 2022 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 cash balance of £1.6bn at 31 March 2021, the undrawn 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 and the Group's credit rating. The directors also considered the proceeds received through the Group's disposal programme and mitigating actions available to the Group under downside scenarios including non-essential capex postponement and refinancing of maturing 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 operations of the Company, the impact of the virus on the current year has been limited and the impact on future periods is also expected to be limited. The Directors have also considered the expected impact of coronavirus on the Company and the Group in reaching their assessment of the Company's ability to continue as a going concern.

SSE Services plc

Directors' Report for the Year Ended 31 March 2021 (continued)

Brexit

On 31 December 2020, the UK transitioned out of the European Union. The Directors have assessed that due to the nature of the Company's operations the impact of Brexit has been, and is expected to continue to be, minimal.


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^{Sep 30, 2021} and signed on its behalf by:


.....
Jane Stewart (Sep 20, 2021 11:05 GMT+01)
J Stewart
Director

SSE Services plc

Statement of Directors' Responsibilities

The directors are responsible for preparing 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 international accounting standards in conformity with the requirements of the Companies Act 2006, and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 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 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 FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will not 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. Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report, that comply with that law and those regulations.

Approved by the Board on Sep 30, 2021 and signed on its behalf by:


.....
J Stewart
Director

SSE Services plc

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

Opinion

We have audited the financial statements of SSE Services Limited for the year ended 31 March 2021 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 23, 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 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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 through to 31 December 2022.

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 within 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 there is 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.

SSE Services plc

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

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the 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 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, 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.

SSE Services plc

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

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.

Our approach was as follows:

- 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 (FRS 101 and Companies Act 2006) and relevant tax compliance regulations in the UK.
- We understood how the Company is complying with those frameworks by making enquiries of management and those charged with governance to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation. We corroborated our enquiries through our review of board minutes, and we noted that there was no contradictory evidence.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We considered the programmes and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls at a group level. Where the risk was considered to be higher, we performed audit procedures to address the identified fraud risk, management override of controls.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business and enquiries of management and those charged with governance. In addition, we completed procedures to conclude on the compliance of the disclosures in the financial statements and accounts 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.

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.

SSE Services plc

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

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

30 September 2021

Date:.....

SSE Services plc

Profit and Loss Account for the Year Ended 31 March 2021

	Note	2021 £ m	2020 £ m
Revenue	4	214.6	270.3
Cost of sales		-	(0.2)
Gross profit		214.6	270.1
Administrative expenses		(251.2)	(259.7)
Exceptional items	5	(32.0)	(106.2)
Other (losses) / gains		0.4	(1.8)
Operating loss	5	(68.2)	(97.6)
Interest payable and similar expenses	9	(51.6)	(50.5)
Loss before tax		(119.8)	(148.1)
Tax on loss	10	4.3	7.7
Loss for the year		(115.5)	(140.4)

The above results were derived from continuing operations.

SSE Services plc

Statement of Comprehensive Income for the Year Ended 31 March 2021

	Note	2021 £ m	2020 £ m
Loss for the year		(115.5)	(140.4)
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post employment benefit obligations (net)	10	<u>(19.8)</u>	<u>14.1</u>
Total comprehensive loss for the year		<u>(135.3)</u>	<u>(126.3)</u>


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

SSE Services plc

(Registration number: 02366879)
Balance Sheet as at 31 March 2021

	Note	31 March 2021 £ m	31 March 2020 £ m
Fixed assets			
Intangible assets	11	160.8	236.8
Tangible assets	12	130.4	136.7
Investment properties	14	177.3	198.4
Investments	15	0.3	0.3
Deferred tax assets	10	32.0	35.5
		<u>500.8</u>	<u>607.7</u>
Current assets			
Debtors	16	650.7	492.0
Current liabilities			
Creditors: amounts falling due within one year	17	(238.7)	(215.6)
Net current assets		<u>412.0</u>	<u>276.4</u>
Total assets less current liabilities		<u>912.8</u>	<u>884.1</u>
Creditors: Amounts falling due after more than one year			
Amounts due to related parties		(989.1)	(833.1)
Long term lease liabilities		(87.1)	(86.6)
	18	<u>(1,076.2)</u>	<u>(919.7)</u>
Provisions for liabilities	19	(34.6)	(27.4)
Net liabilities excluding pension asset/(liability)		<u>(198.0)</u>	<u>(63.0)</u>
Net pension liability	21	(186.1)	(192.5)
Net liabilities		<u>(384.1)</u>	<u>(255.5)</u>
Capital and reserves			
Called up share capital	22	0.5	0.5
Share premium reserve		23.2	23.2
Capital Contribution		446.8	446.8
Profit and loss account		<u>(854.6)</u>	<u>(726.0)</u>
Shareholders' deficit		<u>(384.1)</u>	<u>(255.5)</u>

Approved by the Board on Sep 30, 2021 and signed on its behalf by:


John Stewart (Sep 20, 2021 11:05 GMT+1)
 J Stewart
 Director

SSE Services plc

Statement of Changes in Equity for the Year Ended 31 March 2021

	Share capital £ m	Share premium £ m	Retained earnings £ m	Capital contribution £ m	Total £ m
At 1 April 2019	0.5	23.2	(598.3)	446.8	(127.8)
Change in accounting policy	-	-	(8.1)	-	(8.1)
At 1 April 2019 (As restated)	0.5	23.2	(606.4)	446.8	(135.9)
Loss for the year	-	-	(140.4)	-	(140.4)
Other comprehensive income	-	-	14.1	-	14.1
Total comprehensive loss	-	-	(126.3)	-	(126.3)
Share based payment transactions	-	-	6.7	-	6.7
At 31 March 2020	0.5	23.2	(726.0)	446.8	(255.5)
	Share capital £ m	Share premium £ m	Retained earnings £ m	Capital contribution £ m	Total £ m
At 1 April 2020	0.5	23.2	(726.0)	446.8	(255.5)
Loss for the year	-	-	(115.5)	-	(115.5)
Other comprehensive income	-	-	(19.8)	-	(19.8)
Total comprehensive loss	-	-	(135.3)	-	(135.3)
Share based payment transactions	-	-	6.7	-	6.7
At 31 March 2021	0.5	23.2	(854.6)	446.8	(384.1)

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

SSE Services plc

Notes to the Financial Statements for the Year Ended 31 March 2021

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.

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

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

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

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 2021 (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 the period to December 2022 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 cash balance of £1.6bn at 31 March 2021, the undrawn 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 and the Group's credit rating. The directors also considered the proceeds received through the Group's disposal programme and mitigating actions available to the Group under downside scenarios including non-essential capex postponement and refinancing of maturing 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.

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.

SSE Services plc

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

2 Accounting policies (continued)

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

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

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

Tangible assets

Owned assets

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

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

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:

Asset class	Years
Land and 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

SSE Services plc

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

2 Accounting policies (continued)

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.

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.

SSE Services plc

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

2 Accounting policies (continued)

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.

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.

SSE Services plc

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

2 Accounting policies (continued)

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 16).

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.

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 14 for details.

SSE Services plc

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

4 Revenue

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

	2021	2020
	£ m	£ m
Rendering of services	172.1	228.8
Rental income from investment property	42.5	41.5
	214.6	270.3

5 Operating loss

Arrived at after charging/(crediting)

	2021	2020
	£ m	£ m
Depreciation expense	50.1	52.7
Amortisation expense	13.5	23.3
Exceptional items	32.0	106.2
(Profit)/loss on disposal of property, plant and equipment	(0.4)	1.8

Exceptional items

In the current year, the Company recorded an exceptional charge of £32.0m (2020: £106.2m). A £15.1m impairment charge was recognised against the Company's property portfolio following an assessment of amounts recoverable from SSE Energy Services and SSE Contracting through transitional service agreements subsequent to their disposal from the Group. In addition, there were further costs of £9.3m recognised following the Group's disposal of SSE Energy Services, which were primarily due to a payment made to the Southern Electric Pension Scheme of £12.3m, offset by releases from previous transaction cost provisions. The Company also incurred costs of £7.6m related to the Group's disposal of SSE Contracting Limited & SSE E&P UK Limited, including transaction costs and IT asset impairments.

In the prior year the Company recorded total exceptional charges of £106.2m, primarily related to impairments of software assets (£94.1m) incurred as the Group disposed of SSE Energy Services, as the Company ceased to charge SSE Energy Services IT services under transitional agreements. In addition to these costs, there was a further 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.

6 Auditors' remuneration

The company incurred an audit fee of £32,270 in the year (2020: £45,000). The fee in both the current and previous year was borne by another Group company.

7 Staff costs

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

SSE Services plc

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

7 Staff costs (continued)

	2021 £ m	2020 £ m
Wages and salaries	92.8	90.5
Social security costs	8.4	10.5
Pension costs	6.9	14.6
Share-based payment expenses	6.7	6.6
	<u>114.8</u>	<u>122.2</u>

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

	2021 No.	2020 No.
Average employees	<u>1,761.0</u>	<u>1,852.0</u>

8 Directors' remuneration

The total remuneration received by the directors for qualifying and non-qualifying services during the year was £2.8m (2020: £2.3m). The above value is for 2 directors (2020: 2), who were remunerated via another Group company in the year. A value of services to the Company for these directors cannot be determined, therefore the above value reflects the remunerations received for services to the SSE Group as a whole.

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £2.1m (2020: £1.7m) including company pension contributions of £0.3m (2020: £nil) which were made to a defined benefit scheme on their behalf.

9 Interest payable and similar expenses

	2021 £ m	2020 £ m
Interest payable to Group companies	42.2	40.1
Lease obligations - unwind of discount rate	6.2	6.0
Foreign exchange (gains) / losses	-	0.7
Net pension interest	4.0	5.4
Interest capitalised	(0.8)	(1.7)
	<u>51.6</u>	<u>50.5</u>

10 Income tax

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

	2021 £ m	2020 £ m
Current taxation		
UK corporation tax	(15.9)	(9.2)
UK corporation tax adjustment to prior periods	3.5	7.6
	<u>(12.4)</u>	<u>(1.6)</u>

SSE Services plc

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

10 Income tax (continued)

	2021 £ m	2020 £ m
Deferred taxation		
Arising from origination and reversal of temporary differences	2.1	(13.9)
Arising from changes in tax rates and laws	-	1.8
Adjustment in respect of prior years	0.2	(3.0)
Deferred tax on pension scheme movements	5.8	9.0
Total deferred taxation	8.1	(6.1)
Tax receipt in the profit and loss account	(4.3)	(7.7)
Amounts recognised in other comprehensive income		

		2021 Tax (expense) benefit £ m	Net of tax £ m	2020 Tax (expense) benefit £ m	Net of tax £ m
Note	Before tax £ m			Before tax £ m	
Remeasurements of post employment benefit obligations (net)	21	(24.4)	4.6	(19.8)	23.0
				(8.9)	14.1

Deferred tax

Deferred tax movement during the prior 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	(3.3)	(0.6)	2.0	(1.9)
Net tax assets/(liabilities)	24.4	6.2	4.9	35.5

SSE Services plc

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

10 Income tax (continued)

Deferred tax movement during the current year:

	At 1 April 2020	Recognised in income	Recognised in other comprehensive income	At 31 March 2021
	£ m	£ m	£ m	£ m
Pension benefit obligations	36.6	(5.9)	4.6	35.3
Accelerated tax depreciation	(9.6)	(2.3)	-	(11.9)
Provisions	6.0	1.2	-	7.2
Share-based payment	4.4	(1.0)	-	3.4
Other items	(1.8)	(0.2)	-	(2.0)
Net tax assets/(liabilities)	35.6	(8.1)	4.6	32.0

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%. Deferred taxes on the balance sheet have been measured at 19% (2020 - 19%) which represents the future corporation tax rate that was enacted at the balance sheet date.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end. If the company's deferred tax balances at the period end were remeasured at 25% this would result in a deferred tax liability increase of £1.0m.

11 Intangible assets

	Internally generated software development costs £ m	Development assets £ m	Total £ m
Cost or valuation			
At 1 April 2020	263.7	155.7	419.4
Additions	-	53.9	53.9
Disposals	(62.1)	(70.8)	(132.9)
Transfer between categories	34.9	(34.9)	-
At 31 March 2021	236.5	103.9	340.4
Amortisation			

SSE Services plc

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

11 Intangible assets (continued)

	Internally generated software development costs £ m	Development assets £ m	Total £ m
At 1 April 2020	147.1	35.5	182.6
Amortisation charge	13.5	-	13.5
Amortisation eliminated on disposals	(16.5)	-	(16.5)
At 31 March 2021	144.1	35.5	179.6
Carrying amount			
At 31 March 2021	92.4	68.4	160.8
At 31 March 2020	116.6	120.2	236.8

12 Tangible assets

	Land and buildings £ m	IT assets and miscellaneous equipment £ m	Motor vehicles £ m	Assets under construction £ m	Total £ m
Cost or valuation					
At 1 April 2020	50.8	22.4	151.3	13.4	237.9
Additions	0.7	-	29.1	9.1	38.9
Disposals	(2.0)	-	(4.2)	-	(6.2)
Transfers	-	2.7	1.9	(13.3)	(8.7)
At 31 March 2021	49.5	25.1	178.1	9.2	261.9
Depreciation					
At 1 April 2020	4.5	13.9	82.8	-	101.2
Charge for the year	4.4	3.7	27.4	-	35.5
Eliminated on disposal	(1.2)	-	(4.0)	-	(5.2)
At 31 March 2021	7.7	17.6	106.2	-	131.5
Carrying amount					
At 31 March 2021	41.8	7.5	71.9	9.2	130.4
At 31 March 2020	46.3	8.5	68.5	13.4	136.7

13 Right of use assets

Included within property, plant and equipment (note 12) are the following right of use assets:

SSE Services plc

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

13 Right of use assets (continued)

	Land and buildings £ m	Motor vehicles and other equipment £ m	Total £ m
Cost or valuation			
At 1 April 2020	50.8	92.5	143.3
Additions	0.7	29.1	29.8
Disposals	(2.0)	(4.2)	(6.2)
At 31 March 2021	49.5	117.4	166.9
Depreciation			
At 1 April 2020	4.5	26.8	31.3
Charge for the year	4.4	26.3	30.7
Eliminated on disposal	(1.2)	(4.0)	(5.2)
At 31 March 2021	7.7	49.1	56.8
Carrying amount			
At 31 March 2021	41.8	68.3	110.1

14 Investment properties

	31 March 2021 £ m
Cost	
At 1 April 2020	310.7
Investment properties transfers from AUC	8.7
At 31 March 2021	319.4
Depreciation	
At 1 April 2020	112.3
Depreciation charge	14.6
Impairment	15.2
At 31 March 2021	142.1
Carrying amount	
At 31 March 2021	177.3
At 31 March 2020	198.4
Fair value at 31 March 2021	229.7
Fair value at 31 March 2020	246.0

Management has applied judgement in determining the fair value of the property disclosed above. The fair value has been calculated based on a multiple of rent receivable from related parties under a 'Parry's valuation' discounted at the Company's incremental rate of borrowing.

SSE Services plc

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

15 Investments

Investments	Subsidiaries £ m	Total £ m
Cost or valuation		
At 1 April 2020	0.3	0.3
At 31 March 2021	0.3	0.3
Carrying amount		
At 31 March 2021	0.3	0.3
At 31 March 2020	0.3	0.3

Details of the subsidiaries as at 31 March 2021 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 2021 (continued)

16 Trade and other debtors

	31 March 2021 £ m	31 March 2020 £ m
Trade debtors	13.3	7.5
Debtors from related parties	489.0	405.7
Amounts due from related parties: greater than one year	1.1	1.3
Accrued income	2.8	2.9
Other debtors	123.9	63.8
Income tax asset	20.6	10.8
	<u>650.7</u>	<u>492.0</u>

17 Creditors

Amounts falling due within one year

	31 March 2021 £ m	31 March 2020 £ m
Trade creditors	9.1	22.7
Accruals and deferred income	154.1	128.1
Amounts due to related parties	24.2	2.4
Other creditors	18.7	27.4
Current portion of long term lease liabilities	32.6	35.0
	<u>238.7</u>	<u>215.6</u>

18 Creditors: Amounts falling due after more than one year

	31 March 2021 £ m	31 March 2020 £ m
Non-current loans and borrowings		
Amounts due to related parties	989.1	833.1
Long term lease liabilities	87.1	86.6
	<u>1,076.2</u>	<u>919.7</u>

The amounts disclosed in the balance sheet as owed to related parties and falling due after more than one year are in respect of amounts advanced to the company by its ultimate parent SSE plc. Interest is charged at 4.81% (2020: 4.81%).

SSE Services plc

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

18 Creditors: Amounts falling due after more than one year (continued)

Lease liability maturity analysis

	31 March 2021 £ m	31 March 2020 £ m
Within one year	32.6	35.0
Between one and five years	71.8	70.5
After five years	53.1	56.8
Less: future finance charge	(37.8)	(40.7)
Present value of lease obligations	<u>119.7</u>	<u>121.6</u>

19 Other provisions

	Other Provisions £ m
At 1 April 2020	27.4
Increase in existing provisions	9.7
Provisions used	<u>(2.5)</u>
At 31 March 2021	<u>34.6</u>
Non-current liabilities	<u>34.6</u>

20 Derivatives and financial instruments

Summary fair values

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

	2021 Carrying value £ m	2021 Fair value £ m	2020 Carrying value £ m	2020 Fair value £ m
Financial assets				
Trade and other receivables	13.3	13.3	7.5	7.5
Receivables from related parties	490.1	490.1	407.0	407.0
Financial liabilities				
Trade and other creditors	9.1	9.1	22.7	22.7
Intercompany creditors	<u>1,013.3</u>	<u>1,013.3</u>	<u>835.5</u>	<u>835.5</u>

21 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 2021 (continued)

21 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 £54.7m are expected to be paid by the Company during the year ending 31 March 2022, including deficit repair contributions of £40.9m. 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 2021, SEPS has a net deficit of £186.1m, and unrecognised future contributions of £224.9m, which when paid, will result in a notional surplus of £38.7m. 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 2021 (continued)

21 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:

	31 March 2021 £ m	31 March 2020 £ m
Fair value of scheme assets	2,338.0	2,077.3
Present value of scheme liabilities	(2,524.1)	(2,269.8)
Defined benefit pension scheme deficit	(186.1)	(192.5)

Scheme assets

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

	31 March 2021 £ m	31 March 2020 £ m
Fair value at start of year	2,077.3	2,251.2
Interest income	47.0	53.5
Return on plan assets, excluding amounts included in interest income/(expense)	275.0	(144.9)
Employer contributions	55.2	66.5
Participant contributions	0.1	0.2
Benefits paid	(109.5)	(101.6)
Assets distributed on settlements	(7.1)	(47.6)
Fair value at end of year	2,338.0	2,077.3

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 2021 (continued)

21 Pension and other schemes (continued)

	31 March 2021 £ m	31 March 2020 £ m
Cash and cash equivalents	-	24.8
Equity instruments	576.5	393.5
Debt instruments	655.7	630.1
Property	163.4	169.8
Investment funds	942.4	764.0
Asset-backed securities	-	95.1
	<u>2,338.0</u>	<u>2,077.3</u>

Actual return on scheme's assets

	31 March 2021 £ m	31 March 2020 £ m
Actual return on scheme assets, excluding interest income	<u>275.0</u>	<u>144.9</u>

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 2021 £ m	31 March 2020 £ m
Present value at start of year	2,269.8	2,501.8
Current service cost	17.9	22.2
Past service cost	4.2	7.8
Actuarial gains and losses arising from changes in demographic assumptions	15.0	5.7
Actuarial gains and losses arising from changes in financial assumptions	300.4	(181.2)
Actuarial gains and losses arising from experience adjustments	(16.0)	19.5
Interest cost	51.0	58.9
Benefits paid	(109.5)	(101.6)
Contributions by scheme participants	-	0.2
Liabilities extinguished on settlements	(8.7)	(61.5)
Effect of curtailments	-	(2.0)
Present value at end of year	<u>2,524.1</u>	<u>2,269.8</u>

Principal actuarial assumptions

SSE Services plc

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

21 Pension and other schemes (continued)

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:

	31 March 2021 %	31 March 2020 %
Discount rate	2.0	2.3
Future salary increases	3.7	3.2
Future pension increases	3.2	2.7
Inflation	3.2	2.7

Post retirement mortality assumptions

	31 March 2021 Years	31 March 2020 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

	31 March 2021 £ m	31 March 2020 £ m
Amounts recognised in operating profit		
Current service cost	15.2	19.9
Past service cost	4.2	7.8
Losses (gains) on curtailments and settlements	(8.7)	(63.5)
Administrative expenses paid	2.7	2.3
Recognised in arriving at operating profit	13.4	(33.5)
Amounts recognised in finance income or costs		
Net interest	4.0	5.4
Total recognised in the income statement	17.4	(28.1)

Amounts taken to the Statement of Comprehensive Income

SSE Services plc

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

21 Pension and other schemes (continued)

	31 March 2021 £ m	31 March 2020 £ m
Actuarial gains and losses arising from changes in demographic assumptions	15.0	5.7
Actuarial gains and losses arising from changes in financial assumptions	300.4	(181.2)
Actuarial gains and losses arising from experience adjustments	(16.0)	19.5
Return on plan assets, excluding amounts included in interest income/(expense)	(275.0)	144.9
Amounts recognised in the Statement of Comprehensive Income	<u>24.4</u>	<u>(11.1)</u>

Sensitivity analysis

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

	Increase/decrease in assumption 2021	Effect on scheme liabilities 2021	Increase/decrease in assumption 2020	Effect on scheme liabilities 2020
Rate of increase in pensionable salaries	0.1%	+/-0.2%	0.1%	+/-0.2%
Rate of increase in pension payments	0.1%	+/-1.5%	0.1%	+/-1.6%
Discount rate	0.1%	+/-1.6%	0.1%	+/-1.7%
Longevity	1 year	+/-6.0%	1 year	+/-4.4%

22 Share capital

	31 March 2021 £ m	31 March 2020 £ m
Allotted, called up and fully paid:		
Share capital	0.5	0.5
481,748,710 ordinary shares of £0.001 each	<u>0.5</u>	<u>0.5</u>

23 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.

The address of SSE plc is:

Inveralmond House, 200 Dunkeld Road, Perth, PH1 3AQ