

SSE Energy Supply Limited

Directors report and financial statements

Year ended 31 March 2019

Registered No.: 03757502



SSE Energy Supply Limited

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SSE Energy Supply Limited

Directors and Other Information

Directors

Gavin Brydon (appointed 20 September 2019)
Stephen Forbes (resigned 1 April 2018)
Aled Humphreys (appointed 16 May 2019)
Anthony Keeling (resigned 1 April 2018)
Finlay McCutcheon (resigned 16 May 2019)
Iwan Morgan (appointed 1 April 2018)
Klair Neenan (appointed 5 July 2019)
Rhys Stanwix (appointed 1 April 2018; resigned 31 December 2018)

Registered office

No. 1 Forbury Place,
43 Forbury Road,
Reading,
RG1 3JH
England

Secretary

Peter Lawns

Auditor

KPMG LLP
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

Banker

National Westminster Bank
13 Market Place
Reading
RG1 2EG

Registered number

03757502

SSE Energy Supply Limited

Strategic Report

The directors submit their report and audited financial statements of the company for the year ended 31 March 2019.

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 Energy Supply Limited.

The Strategic and Financial Review sets out the main trends and factors underlying the development and performance of SSE Energy Supply Limited (the "Company") during the year ended 31 March 2019, as well as those matters which are likely to affect its future development and performance.

1 Business review

The profit and loss account for the year ended 31 March 2019 is set out on page 10. The profit for the year after taxation amounted to £8.7m (2018: profit of £536.5m (including profit from discontinued activities of £473.0m)). The balance sheet at 31 March 2019 is set out on page 11 and indicates net assets of £160.3m (2018: net assets of £400.8m). Adjusted operating profit (as defined in the Financial Performance section on page 3) fell from £69.0m to £43.3m, mostly due to a combination of lower volumes and higher costs, including Supplier of Last Resort mutualisation charges.

Restructure of the Company

In its full-year results statement for 2016/17, the Company's parent, SSE plc ('SSE'), stated that the rapidly evolving and increasingly competitive market for the supply of energy and related services presents a number of challenges for traditional energy supply business models and they must evolve and adapt in order to be sustainable in the medium to longer term.

On 8 November 2017, SSE announced that following discussions with Innogy SE ('Innogy'), it had identified an opportunity – subject to the necessary regulatory and shareholder approvals – to combine its household energy and services business in GB with that of Innogy's subsidiary, npower, to create a new, independent company to be listed on the London Stock Exchange. As part of the preparation for the planned transaction, the SSE Group established a new legal entity, SSE Energy Services Group Limited ('SSE Energy Services'), to consolidate the entities that were to be separated from SSE. The transfer of those business activities, which was transacted at book value, from the Company was completed on 1st April 2018. On the same date, the Company acquired the Business Energy business, also at book value, from its wholly owned subsidiary Southern Electric Gas Limited. These events necessitated that the domestic electricity supply and household telecom services activities were treated as discontinued activities at 31 March 2018 and the associated assets and liabilities treated as 'held for sale'.

The 2019 results for the Company are based on the supply of energy to GB business and public sector customers, the principal activity of the company, and the legal rights and obligations with EPM Limited through the EPM Trust.

EPM Trust

On 1 April 2015, the company transferred its energy portfolio management ('EPM') activities including all external commodity transactions and licence and trading arrangements to a newly established entity in the SSE Group, SSE EPM Limited. As part of that transaction, the Company entered into a trust agreement to transfer the beneficial interest (and obligations) in relation to the contracts and other assets identified as belonging to its EPM business to this new legal entity. This arrangement was established due to the complexity of carrying out a full legal novation of all its EPM contracts and to recognise that, in lieu of doing so, the Company remains the counterparty and licence holder in relation to its contractual obligations and market requirements. As the Company remains the counterparty to the contracts covered by the Trust, the Company's balance sheet reflects both its legal rights and obligations in respect of those contracts as well as the corresponding obligations and rights it has with SSE EPM Limited under the Trust arrangement, through an intercompany balance with SSE EPM Limited.

SSE Energy Supply Limited

Strategic Report *(continued)*

1 Business review *(continued)*

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 and certain re-measurements arising on commodity contracts. 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. Certain re-measurements are re-measurements arising on certain commodity contracts, which are accounted for as held for trading in accordance with the Company's policy for such financial instruments. This excludes commodity contracts not treated as financial instruments as defined by IFRS 9 which are held for the Group's own use requirements which are not recorded until the underlying commodity is delivered.

The following table reconciles the continuing operating profit to the adjusted operating profit:

	2019 £m	2018 £m
Reported operating profit from continuing operations	0.5	62.4
Exceptional items (note 4)	(0.1)	0.5
Derivative re-measurements (note 18)	42.9	6.1
Adjusted operating profit	43.3	69.0

Strategic Priorities – Business electricity & gas supply

The supply of energy to business and public sector customers throughout Great Britain is the principal activity of the Company from 1 April 2018. For electricity, this involves supply to a market which consumes a total of around 180TWh of electricity annually and for gas, this involves supply to a market which consumes a total of around 8 billion therms of gas annually. The market is deeply segmented, covering customers from single site microbusinesses to large national multi-site groups and large industrial users. SSE Energy Supply Limited has a strong position in each of those segments and has continued to perform robustly. This strong position is built on solid core competencies in meeting business customers' energy needs. Competencies such as excellent customer service and sales channels exist within the Company, whilst others are leveraged across the wider SSE Group, for example deep knowledge of wholesale energy and non-commodity costs that enable the Company to develop and price products that navigate the increasing complexity of the GB energy market. The Company also provides a route to market for other Group companies' electricity output through standard contracts and power purchase agreements and has also broadened into regulated services such as energy optimisation and demand side response where there is an opportunity to use data and technology to improve outcomes.

The separation from SSE's domestic retail business has provided SSE Energy Supply Limited with a strong platform to deliver on its strategic priorities, focussed on business customers:

Maintaining the core: with a particular focus on maintaining sales performance whilst increasing commercial rigour and re-shaping our customer service organisation to meet the core needs of each segment

Delivering Smart in a way that meets the need of business customers: with distinct rollout programmes shaped around the needs of all customers, from large groups to SMEs.

Delivering Business Energy's transformation: ensuring Business Energy is fit for the 2020s, fully standalone from the domestic retail business and with the capabilities required to maintain and grow the business

Regulatory intervention: there will always be intense political interest in the energy market and this has major implications for the regulatory environment in which SSE Energy Supply operates. Transformational regulatory projects are being undertaken in the form of the smart meter roll-out and the faster switching programme. As well as introducing an unprecedented amount of change, implementing these projects requires a significant commitment of resources.

SSE Energy Supply Limited

Strategic Report *(continued)*

1 Business review *(continued)*

Principal risks and uncertainties

The achievement of the Company's goals necessarily involves taking risks. Energy markets are both complex and volatile, and the Company believes that the process of identifying and controlling risk needs to be flexible, effective and dynamic. The risk management process is therefore designed to ensure that:

- risks are taken knowingly and with a full understanding of their implications;
- risks taken are proportionate and in keeping with achieving the company's goals;
- risk is managed on both a "top down" and "bottom up" basis;
- the wider control environment is strong and fully integrated; and
- we are able to assess and react to weather conditions varying significantly from normal seasonal trends.

The main risks which the Company faces are as follows:

- Competition impacting on volumes sold
- Exposure to volatility in wholesale electricity prices
- Payment default from trade debtors
- Interest rates, inflation and liquidity
- Economic and Government regulation
- Weather conditions varying significantly from normal seasonal trends

The SSE Board reviews and agrees policies for addressing each of these risks. Throughout most of 2018/19, the key exposure to energy prices and volume was addressed by the Risk Committee of Wholesale within the SSE Group. Following a wider SSE Group restructure in 2019 a new approach to managing the key risks has been implemented with a new Customer segment Executive Committee established. The new committee met for the first time in April 2019 and then again in June 2019. Exposures are reported to the Committees on a monthly basis and to the SSE plc Board when certain trigger levels are exceeded. As described, all market exposure to commodity positions held with third parties is transferred by trust to SSE EPM Limited; all residual exposures relate to the Company's own procurement and hedging activities. There is relatively little exposure to foreign currency risk as the United Kingdom is the Group's main area of operation. If wholesale electricity is contracted in foreign currency or indexed to foreign currency, it is policy to hedge all material purchases through the use of foreign currency swaps and forward rate contracts. There is always a risk of payment default from trade debtors and comprehensive credit vetting and effective payment terms are exercised for all significant financial statements. There is also the risk of mechanical or process failure in the Company's operations. Any material failure in the Group's licensed operations in electricity supply is particularly significant. Operating risk is addressed through the Company's focus on seeking operational excellence and on maintaining the highest standards of safety and quality. The Company is exposed to economic regulation and government policy. There are management structures in place to mitigate, influence and respond to such developments, and to engage with the Industry Regulator, government ministers and officials, and other key bodies.

There are established procedures in place for regular budgeting and reporting of financial information. The Company's performance is reviewed by the Group Board and the Group Executive Committee. Reports include variance analysis and projected forecasts of the year compared to approved budgets and non-financial performance indicators. There are Company policies in place covering a wide range of issues and risks such as financial authorisations, IT procedures, health, safety and environmental risks, crisis management, and a policy on ethical principles. The effectiveness of the Company's systems of internal control is monitored by the SSE Group internal audit department which distributes reports and, where appropriate, action plans to senior managers, Directors and the external auditor.

The Directors are aware of the political uncertainty as a result of Brexit. This is being closely monitored by the Directors but, given the activities of the Company, is not expected to have a significant impact on the financial statements for the year ended 31 March 2020.

SSE Energy Supply Limited

Strategic Report (continued)

2 Key performance indicators

The Directors believe that the following indicators will provide shareholders with sufficient information to assess how effectively the company is performing.

Financial / Operational	2019	2018
Business Energy electricity sold - GWh	19,336	20,177
Business Energy gas sold - mtherms	277	-
Business Energy customers' accounts - m*	0.55	0.49
Adjusted operating profit on continuing operations- £m	43.3	69.0
Net assets - £m	160.3	400.8

*Includes c55k accounts re-assigned from GB domestic

On behalf of the Board:



Iwan Morgan
Director

13 December 2019

SSE Energy Supply Limited

Directors' Report

The directors present their report together with the audited financial statements for the year ended 31 March 2019.

1 Principal activities

SSE Energy Supply Limited is a private company limited by shares and is one of the largest energy suppliers operating in the competitive energy markets in Great Britain. The principal activity of the Company from 1 April 2018 is the supply of electricity and gas to business and public sector customers in Great Britain. The Company's activities of supply of electricity and provision of telecom and broadband services to household customers in Great Britain was disposed of to a related company in the SSE Group on 1 April 2018.

2 Results and dividends

The profit for the financial year amounted to £8.7m (2018: profit of £536.5m (including £473.0m from discontinued operations)).

The balance sheet at 31 March 2019 is set out on page 11 and indicates net assets of £160.3m (2018: net assets of £400.8m).

A final dividend of £250.0m was declared, approved and paid in the year (2018: £550.0m).

3 Directors

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

4 Political and charitable donations

The company did not make any political or charitable donations during the year (2018: £nil).

5 Disclosure of information to auditor

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

6 Post Balance Sheet Events

There have been no significant events since the balance sheet date.

7 Auditor

In accordance with Section 489 of the Companies Act 2006, Ernst and Young LLP were appointed as SSE Group's External Auditor for the year ending 31 March 2020 at the Annual General Meeting held on 18 July 2019. Following their appointment as External Auditor of the Group, it is the intention of the directors to appoint Ernst & Young LLP as External Auditor of the Company.

8 Going concern

The directors have assessed that the company will prepare its financial statements on a going concern basis, see note 1 for details.

On behalf of the Board:



Iwan Morgan
Director

13 December 2019

SSE Energy Supply Limited

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The Directors are responsible for preparing the Strategic report, 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS101 Reduced Disclosure Framework.

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 year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

On behalf of the Board:



Iwan Morgan
Director

13 December 2019

Independent Auditor's Report to the Members of SSE Energy Supply Limited

Opinion

We have audited the financial statements of SSE Energy Supply Limited ("the company") for the year ended 31 March 2019 which comprise the Profit and loss account, Balance sheet and Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Independent Auditor's Report to the Members of SSE Energy Supply Limited (continued)

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



William Meredith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

13 December 2019

SSE Energy Supply Limited

Profit and Loss Account for the year ended 31 March 2019

	Note	2019 £m	2018 £m
Turnover		2,619.2	2,279.1
Cost of sales		(2,559.3)	(2,154.7)
Gross profit		59.9	124.4
Administrative costs	3	(59.5)	(61.5)
Exceptional items	4	0.1	(0.5)
Operating profit from continuing operations	3	0.5	62.4
Interest receivable and similar income	10	10.3	18.3
Interest payable and similar charges	11	(0.4)	(1.5)
Profit before taxation		10.4	79.2
Tax charge on profit	12	(1.7)	(15.7)
Profit from continuing operations		8.7	63.5
Profit from discontinued operations, net of tax	6	-	473.0
Profit for the year		8.7	536.5

Total other comprehensive income

The Company had no other comprehensive income in the current or prior financial years.

The accompanying notes are an integral part of these financial statements.

SSE Energy Supply Limited

Balance Sheet as at 31 March 2019

	Note	2019 £m	2018 £m (Restated)
Fixed assets			
Intangible assets	13	3.1	2.6
		<u>3.1</u>	<u>2.6</u>
Current assets			
Debtors:			
amounts falling due within one year	15	2,079.4	1,410.9
amounts falling due after more than one year	15	729.2	1,213.6
Cash at bank and in hand		15.1	57.9
Assets held for sale	16	-	1,062.5
Total current assets		<u>2,823.7</u>	<u>3,744.9</u>
Current liabilities			
Creditors: amounts falling due within one year	17	(2,152.9)	(2,255.0)
Derivative financial liabilities	18	(501.0)	(209.4)
Liabilities held for sale	16	-	(875.9)
Net current assets		<u>169.8</u>	<u>404.6</u>
Total assets less current liabilities		<u>172.9</u>	<u>407.2</u>
Provisions for liabilities and charges	19	(12.6)	(6.4)
Net assets		<u>160.3</u>	<u>400.8</u>
Capital and reserves			
Called up share capital	21	147.5	147.5
Profit and loss account		12.8	253.3
Equity Shareholders' funds		<u>160.3</u>	<u>400.8</u>

The comparative balance sheet has been restated - see note 2.2

The accompanying notes form an integral part of this balance sheet.

These financial statements were approved by the Directors on 13 December 2019 and signed on their behalf by:

I. R. Morgan

Iwan Morgan
Director

Company registered number: 03757502

SSE Energy Supply Limited

Statement of Changes in Equity for the year ended 31 March 2019

	Share capital loss £m	Profit and account £m	Total equity £m
Balance at 1 April 2017	147.5	264.9	412.4
Profit for the financial year	-	536.5	536.5
Credit in respect of employee share awards	-	1.9	1.9
Dividends paid	-	(550.0)	(550.0)
Balance at 31 March 2018	147.5	253.3	400.8
Balance at 1 April 2018	147.5	253.3	400.8
Profit for the financial year	-	8.7	8.7
Credit in respect of employee share awards	-	0.8	0.8
Dividends paid	-	(250.0)	(250.0)
Balance at 31 March 2019	147.5	12.8	160.3

SSE Energy Supply Limited

Notes on the financial statements for the year ended 31 March 2019

1 Significant accounting policies

SSE Energy Supply Limited is a private company incorporated, domiciled and registered in England in the UK. The registered number is 03757502 and the registered office is No.1 Forbury Place, 43 Forbury Road, Reading, RG1 3JH.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

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 ('Adopted IFRS'), 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.

The Company's parent undertaking, SSE Plc includes the Company in its consolidated financial statements. The consolidated financial statements of SSE Plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Inverlmond House, 200 Dunkeld Road, Perth, Perthshire, PH1 3AQ.

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;
- Comparative period reconciliations for tangible fixed assets and intangible assets;
- The effect of new, but not yet effective, IFRSs;
- Disclosures in respect of the compensation of key management personnel;
- Disclosures in respect of capital management; and
- Related party disclosures.

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

- Certain disclosures required by IFRS 13 Fair value measurement and the disclosures required by IFRS 7 Financial instrument disclosures

Employee share-based payment disclosures under IFRS 2 are not presented on the basis of materiality.

The Company is exempt by virtue of s400 Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

New standards, amendments and interpretations effective or adopted by the Company

The following new standards became effective for the period beginning on 1 April 2018:

IFRS 9 "Financial Instruments"

The adoption of IFRS 9 had no impact on the presentation of the financial statements for the year ended 31 March 2019.

IFRS 15 "Revenue from Contracts with Customers"

The impact of adoption of IFRS 15 on the presentation of the financial statements for the year ended 31 March 2019 is detailed in note 2.

Going concern

The directors have assessed that the Company has adequate resources to meet its liabilities as they fall due for a period of at least twelve months following the approval of these financial statements. These financial statements have therefore been prepared on a going concern basis.

SSE Energy Supply Limited

Notes on the financial statements *(continued)* for the year ended 31 March 2019

1 Significant accounting policies *(continued)*

Use of estimates and judgements

The preparation of financial statements conforming with adopted IFRS requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies.

Turnover

Turnover comprises sales of energy to business end-user customers based on actual energy consumption including an estimate of the value of electricity and gas supplied to customers between the date of the last meter reading and the year end. Turnover is recognised "over time" consistent with the delivery of energy to the customer as it has been assessed the receipt and consumption of the benefits of the energy to be simultaneous. Turnover is measured based on the applicable customer tariff rate and after deduction of discounts.

The amount of estimated consumption is not considered to be a significant judgement due to the frequency of meter readings from business customers. Any estimation will comprise of values as follows:

- billed revenue in relation to consumption from unread meters based on estimated consumption taking account of various factors including usage patterns and weather trends (disclosed as trade receivables)
- unbilled revenue (disclosed as accrued income). The volume of unbilled electricity or gas is calculated by assessing a number of factors such as externally notified aggregated volumes supplied to customers from national settlements bodies, amounts billed to customers and other adjustments.

The Company's policy is to recognise unbilled revenue only where the economic benefits are expected to flow to the Company. As a result, the judgements applied, and the assumptions underpinning the judgements, are considered to be appropriate. Change in these assumptions would not be expected to have a material impact on the amount of revenue recognised in any given period.

Commissions in relation to acquisition of energy supply contracts are expensed as incurred. Payments from customers may be received in advance of providing the contracted service and are deferred on the balance sheet. Amounts received from customers in relation to energy management services provided by Third Party Intermediaries ("TPIs") are offset against payments to those TPIs, reflecting the responsibility for providing the energy management service.

The Company's exposure to credit risk, and therefore the basis of determining the provisions for bad and doubtful debts, is based on assumptions derived from experience and industry knowledge. While the provisions are considered to be appropriate, changes in estimation basis or in economic conditions could lead to a change in the level of provisions recorded and consequently on the charge or credit to the income statement.

Provisions

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

Finance income and costs

Finance income is recognised as it is accrued in profit or loss using the effective rate method. Finance costs comprise interest expenses on borrowings and other charges.

Trade Receivables

Trade receivables do not carry any interest and are measured at cost less an appropriate allowance for lifetime expected credit losses. The analysis of the ageing of trade receivables is used as the basis for the movement in the provision for bad and doubtful debts, and the net trade receivables is expected to be recoverable.

Taxation

The charge/credit for taxation is based on the profit/loss for the year and takes into account deferred taxation.

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted, or substantially enacted, by the balance sheet date.

SSE Energy Supply Limited

Notes on the financial statements *(continued)* for the year ended 31 March 2019

1 Significant accounting policies *(continued)*

Taxation *(continued)*

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable profits from which future reversals of the underlying temporary differences can be deducted.

Intangible assets

(i) Other intangible assets

Other intangible assets that have been acquired by the Company are stated at cost less accumulated amortisation and impairment losses. The brand value was assessed to have an economic life of 10 years and was amortised on a straight-line basis over this period. The brand is now fully amortised. Expenditure on internally generated brands is expensed as incurred.

(ii) Development assets and Software

Software assets include the costs of developing and installing products for use within the business. Software is amortised once the development of the software is complete and has been implemented. The useful life of the asset is assessed on the basis of the nature of the asset and an expected useful life is applied accordingly. The amortisation period is as follows:

	Years
Software	3 - 15

Pensions

Contributions to pension schemes on behalf of the employees of the Company are charged to the profit and loss account in accordance with the contributions incurred in the year.

Some of the Company's employees are members of a 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. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Equity and equity-related compensation benefits

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.

SSE Energy Supply Limited

Notes on the financial statements *(continued)* for the year ended 31 March 2019

1 Significant accounting policies *(continued)*

Dividends on shares presented within shareholders' funds

Dividend distributions to the Company's shareholders are recognised in the financial statements as they are paid or if they have been approved by shareholders before the end of the financial period. Dividends approved by shareholders but unpaid before the end of the financial period are recognised as a liability in the financial statements. Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to these financial statements.

Assets held for sale

Non-current assets are classified as held for sale if their recoverable value is likely to be recovered via a sale opposed to continued use by the Company. In order to be classified as non-current assets held for sale, assets must meet all of the following conditions; the sale is highly probable, it is available for immediate sale, it is being actively marketed and the sale is likely to occur within one year.

Non-current assets determined as held for sale are measured at the lower of carrying value and fair value less costs to sell, no depreciation is charged in respect of these assets after classification as held for sale.

2 Basis of preparation changes

2.1 New accounting policies - IFRS 15 'Revenue from contracts with customers'

The standard replaces IAS 18 'Revenue' as previously adopted by the Company. The core principle of IFRS 15 is that an entity recognises revenue that reflects the expected consideration for goods or services provided to a customer under contract, over the performance obligations that are being provided. The standard has introduced a five-step model as the framework for applying that core principle.

Transition approach

The Company has applied the 'Modified Retrospective' transition approach as adopted by the Group, whereby prior periods are not restated to reflect the above changes in accounting policies, with the cumulative effect of initially applying IFRS 15 recognised from 1 April 2018 instead. The Company has also elected to take advantage of the practical expedient whereby contracts that have been completed under the previous accounting policies at the beginning of the earliest period are not restated.

Adoption impact

Revenue and costs relating to Third Party Intermediary companies (used by Business Energy customers to support and advise them in changing Supplier) are offset within cost of sales in the Income Statement, rather than recognised gross as previously applied.

	Historic revenue policies 2019 £m	IFRS 15 Adjustments 2019 £m	Reported revenue 2019 £m
Turnover	2,672.0	(52.8)	2,619.2
Cost of sales	(2,612.1)	52.8	(2,559.3)
Gross profit	59.9	-	59.9

Adoption of the standard had no impact on the presentation of the balance sheet.

Disaggregation of revenue

The Company has only one revenue stream, being supply of energy transferred over time.

SSE Energy Supply Limited

Notes on the financial statements *(continued)* for the year ended 31 March 2019

2 Basis of preparation changes *(continued)*

2.2 Changes to presentation - prior year adjustment

Following the March 2019 IFRS Interpretations Committee (IFRIC) agenda decision on the accounting treatment applied to the physical settlement of contracts to buy or sell a non-financial item, the Company reviewed the balance sheet presentation for EPM commodity trades, which are accounted for in the Company under the Trust arrangement (see note 8). The Company has reviewed its practices for settling outstanding amounts due to/from counterparties in relation to these commodities and it has been identified that the majority of these commodity trades will, in time, be settled on a 'net' basis.

Previously, trade receivables and payables due from the Trust were presented on a 'gross' basis on the balance sheet, as if each underlying trade was individually cash settled. In accordance with the requirements of IAS32 'Financial Instruments', and IFRS 7 'Financial Instruments: Disclosures', these balances should have been presented 'net' on the balance sheet and a restatement has been made to this position. The impact of this adjustment is to reduce trade debtors and trade creditors by £1,668.3m each as at 31 March 2018. In addition, the deferred tax debtor of £70.2m which had been classified within current receivables in the prior year financial statements should have been classified as due after one year. The above adjustments have no impact on any profit measures or net assets of the Company.

3 Expenses and auditor's remuneration

Operating profit (from continuing operations) is arrived at after charging:

	2019 £m	2018 £m
Amortisation of intangible assets	0.3	0.3

The audit fee in the year and the previous year was borne by the Parent company, £18.0k of this was in relation to the audit of SSE Energy Supply Limited (2018: £38.0k).

4 Exceptional items

	2019 £m	2018 £m
Exceptional credits	3.3	-
Exceptional charges	(3.2)	(0.5)
Net credit/(charge)	0.1	(0.5)

The exceptional credit of £3.3m in the year represents a gain on the disposal of the Acharossan forest land and living trees, which had been classified as held for sale in the prior year (see note 16). This was offset by an exceptional charge of £3.2m, which was recognised in relation to costs incurred in separating IT systems as part of the disposal of the GB domestic electricity supply business to SSE Energy Services Group Limited.

During the prior year the Group decided to discontinue the development of its Connected Homes and In-House Experience programmes, along with projects relating to Metering Reporting and Smart Enhancements. As there was no enduring value to spend incurred this was recognised as an exceptional impairment of £0.5m in respect of continuing operations and £29.3m for discontinued operations (note 6).

SSE Energy Supply Limited

Notes on the financial statements *(continued)* for the year ended 31 March 2019

5 Staff costs and numbers

	2019 £m	2018 £m
Staff costs:		
Wages and salaries	18.8	46.6
Social security costs	1.9	4.5
Share based remuneration	0.8	2.8
Contributions to defined contributions plans	4.2	6.5
	<u>25.7</u>	<u>60.4</u>

Employee numbers

	2019 Number	2018 Number
Numbers employed at 31 March	<u>802</u>	<u>1,546</u>

	2019 Number	2018 Number
The monthly average number of people employed by the Company during the year	<u>754</u>	<u>1,486</u>

Headcount has reduced in the year as staff were transferred to another SSE Group company (see note 6).

The Company is not a sponsor of either of the Group's defined benefit pension schemes, therefore in accordance with FRS101, the Company's contributions to the Electricity Supply Pension Scheme (ESPS) have been treated as contributions to a defined contribution scheme.

The total remuneration received by the directors for qualifying and non-qualifying services during the year was £0.9m (2018: £2.1m). The above value is for 4 directors (2018: 6), 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 remuneration 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 £0.4m (2018: £0.7m), and company pension contributions of £nil (2018: £nil) were made to a money purchase scheme on his behalf.

6 Discontinued operations

	2019 £m	2018 £m
Turnover	-	2,482.5
Cost of sales	-	(2,106.7)
Gross profit	-	375.8
Administrative costs	-	(259.0)
Exceptional items (note 4)	-	(29.3)
Operating profit from discontinued operations	-	87.5
Dividend income from fixed asset investments	-	400.0
Profit from discontinued operations	-	487.5
Tax on discontinued profit	-	(14.5)
Profit from discontinued operation, net of tax	-	<u>473.0</u>

The discontinued operations represent the domestic electricity supply and retail telecom and broadband service operations which were transferred to newly established companies in the SSE Energy Services Group on 1 April 2018 (note 16).

SSE Energy Supply Limited

Notes on the financial statements *(continued)* for the year ended 31 March 2019

7 Business combinations

On 1 April 2018, the SSE Group undertook a reorganisation of the existing combined domestic and business energy supply businesses to create a new GB domestic energy supply and services sub-group headed by SSE Energy Services Group Limited. Through this reorganisation, various customers, employees, businesses and individual assets or liabilities were transferred between subsidiaries of SSE plc (see notes 6 and 16 for additional information).

For SSE Energy Supply Limited, the individual assets and liabilities relating to Business gas supply customers were purchased from Southern Electric Gas Limited for consideration equal to their book value.

The assets and liabilities acquired on 1 April 2018 were as follows:

	£m
Assets	
Debtors	40.9
Derivative financial assets	9.9
	<u>50.8</u>
Liabilities	
Creditors	(18.1)
Deferred tax	(1.6)
	<u>(19.7)</u>
Net assets	<u>31.1</u>

8 Business separation transactions

Since the establishment of the trust agreement, as explained in the Strategic Report, the assets and liabilities held on behalf of SSE EPM Limited are included within the financial statements of the Company.

Movement in Trust:

	2019 £m	2018 £m
Opening balances at 1 April	660.4	557.0
Add: (Decrease)/increase in intercompany debtor in relation to trust assets and liabilities	(2.2)	103.4
At 31 March	<u>658.2</u>	<u>660.4</u>

Balances in relation to EPM trust properties owed to/(from) the Company from/(to) related parties represent:

	2019 £m	2018 £m (Restated)
Trade debtors	(571.3)	(244.9)
Cash and cash equivalents	(0.4)	(0.1)
Trade creditors	828.7	726.7
Accruals and prepayments	27.7	19.8
Operating derivatives	450.0	191.4
Deferred tax	(76.5)	(32.5)
Net trust asset - intercompany debtor in relation to trust assets and liabilities	<u>658.2</u>	<u>660.4</u>

Comparative trade debtors and trade creditors have been restated - see note 2.2

9 Income from other fixed asset investment

	2019 £m	2018 £m
Dividend income	-	400.0

SSE Energy Supply Limited

Notes on the financial statements *(continued)* for the year ended 31 March 2019

10 Interest receivable and similar income

	2019 £m	2018 £m
Net interest receivable from group undertakings	10.2	18.2
Other interest receivable	0.1	0.1
	<u>10.3</u>	<u>18.3</u>

11 Interest payable and similar charges

	2019 £m	2018 £m
Net interest payable to group companies	-	9.5
Other finance costs	0.4	-
Interest capitalised	-	(8.0)
	<u>0.4</u>	<u>1.5</u>

12 Taxation

	2019 £m	2018 £m
UK corporation tax		
Current tax on income for the period	10.8	15.6
Adjustment in respect of prior periods	(1.7)	-
Total current tax charge	<u>9.1</u>	<u>15.6</u>
Deferred tax (see note 20):		
Origination and reversal of temporary differences	(7.4)	(0.5)
Adjustment in respect of prior periods	-	0.6
Total deferred tax	<u>(7.4)</u>	<u>0.1</u>
Total tax on profit on continuing operations	<u>1.7</u>	<u>15.7</u>

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2019 £m	2018 £m
Profit before taxation (continuing operations)	<u>10.4</u>	<u>79.2</u>
Tax on profit at standard UK corporation tax rate of 19% (2018: 19%)	2.0	15.0
Effects of:		
Expenses not deductible for tax purposes	0.6	0.1
Income not taxable for tax purposes	(0.2)	-
Transfer pricing adjustment	(0.1)	-
Impact of lower deferred tax rate	1.1	-
Adjustment in respect of previous periods	(1.7)	0.6
Total tax charge for year on continuing operations	<u>1.7</u>	<u>15.7</u>

A reduction in the UK corporation tax rate to 17% (effective from 1 April 2020) was substantively enacted on 15 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 March 2019 has been calculated based on rates expected to be effective when the obligations unwind.

SSE Energy Supply Limited

Notes on the financial statements *(continued)* for the year ended 31 March 2019

13 Intangible assets

	Brand Value (i) £m	Software (ii) £m	Total £m
Cost:			
At 1 April 2018	9.0	3.5	12.5
Transferred from assets held for sale*	-	0.8	0.8
At 31 March 2019	9.0	4.3	13.3
Amortisation and impairment:			
At 1 April 2018	9.0	0.9	9.9
Amortised in the year	-	0.3	0.3
At 31 March 2019	9.0	1.2	10.2
Net Book Value:			
At 31 March 2019	-	3.1	3.1
At 31 March 2018	-	2.6	2.6

*Of the £370.2m intangible assets identified as being held for sale in the prior year (note 16), only £369.4m was transferred to the other companies in the SSE Energy Services group as £0.8m was subsequently identified as relating to business energy.

(i) Brand value

This represents the Atlantic brand, acquired on the acquisition of Atlantic Electric and Gas Limited during the year ended 31 March 2005. The brand is now fully amortised.

(ii) Software

Represents software developed and currently in use by the business. A useful life of between 3 and 15 years has been determined for the assets.

14 Fixed asset investments

	Total £m
Cost and Net book value:	
At 31 March 2019 and 31 March 2018	-

On 1 April 2018, the Company sold its investment in SSE Electricity Limited for book value consideration of £1 and Southern Electric Gas Limited for book value consideration of £1, to another group company. The investments were held for sale at 31 March 2018.

During the prior financial year the company sold its investments in VantagePoint CleanTech Partners II L.P and Shackleton Secondaries 3 Limited Partnership Fund to a fellow SSE Plc subsidiary, SSE Venture Capital Limited for £1.2m, recognising nil gain or loss on disposal. In addition, the Company's investment in the ESPS fund was impaired to £nil, incurring a charge of £0.5m.

Details of the principal subsidiary undertakings, joint ventures and associates as at 31 March 2019 are as follows:

Subsidiary undertakings	Country	Holding	Proportion held 2019	Proportion held 2018	Nature of business
Direct undertakings:					
SSE Airtricity Energy Supply (NI) Limited*	UK	Ordinary shares	100%	100%	Energy Supply
St Clements Services Limited**	UK	Ordinary shares	25%	12.5%	Utilities Software
Indirect undertakings:					
Fusion Heating Limited***	UK	Ordinary shares	100%	50%	Energy Related Services
SSE Airtricity Gas (NI) Limited*	UK	Ordinary shares	100%	100%	Dormant
SSE Airtricity Gas Supply (NI) Limited*	UK	Ordinary shares	100%	100%	Energy Supply

Registered office:

* Registered office at 3rd Floor, Millennium House, 19-25 Great Victoria Street, Belfast, BT2 7AQ

** Registered office at 4-6 Church Walk, Daventry, Northamptonshire, NN11 4BL

***Registered office at Unit 14, Maryland Industrial Estate, Ballygowan Road, Belfast, BT23 6BL

SSE Energy Supply Limited

Notes on the financial statements *(continued)* for the year ended 31 March 2019

15 Debtors

	2019 £m	2018 £m (Restated)
Amounts falling due within one year:		
Trade debtors	777.6	382.2
Unbilled energy income	305.6	249.6
Amounts owed by group undertakings	251.1	56.8
Other debtors	86.9	61.9
Amounts due from trust	658.2	660.4
	<u>2,079.4</u>	<u>1,410.9</u>
Amounts falling due after more than one year:		
Amounts due from group undertakings	653.2	1,143.4
Deferred tax asset (note 20)	76.0	70.2
	<u>729.2</u>	<u>1,213.6</u>

Comparative trade debtors have been restated - see note 2.2

The amounts due from Group undertakings are in respect of amounts owed from its parent, SSE plc. Interest is earned at 1.05% (2018: 0.75%).

16 Assets classified as held for sale

	2019 £m	2018 £m
Land and forestry assets held for sale:		
Tangible assets	-	2.0
Biological assets	-	1.8
	<u>-</u>	<u>3.8</u>
Domestic Electricity Supply and Retail Telecom assets:		
Intangible assets	-	370.2
Stock	-	0.2
Debtors: amounts due falling in one year	-	609.9
Cash & Cash equivalents	-	78.4
	<u>-</u>	<u>1,058.7</u>
Total assets classified as held for sale	<u>-</u>	<u>1,062.5</u>
Domestic Electricity Supply and Retail Telecom liabilities:		
Creditors: amounts due falling in one year	-	(869.0)
Derivative financial liabilities	-	(1.8)
Provisions	-	(5.1)
	<u>-</u>	<u>(875.9)</u>

All assets and liabilities classified as held for sale at 31 March 2018 were disposed on 1 April 2018 for their book value, recognising nil gain or loss.

On 1 April 2018, the Group undertook a reorganisation of the existing combined domestic and business energy supply businesses to create a new GB domestic energy supply and services sub-group headed by SSE Energy Services Group Limited. Through this reorganisation, various customers, employees, businesses and individual assets or liabilities were sold to subsidiaries of SSE plc.

For SSE Energy Supply Limited, the individual assets and liabilities relating to Domestic electricity supply customers were disposed of and the individual assets and liabilities relating to Business gas supply customers were purchased, both for consideration equal to their book value. Two subsidiary companies – Southern Electric Gas Limited and SSE Electricity Limited (formerly South Wales Electricity Limited) were also disposed of, both for consideration equal to their book value. Therefore, no gain or loss was realised as a result of this reorganisation.

The tangible and biological assets held for sale related to forest land and the living trees in Acharossan and are separate from the assets and liabilities transferred to SSE Energy Services Group on 1 April 2018. These assets were sold to a third party for £7.1m, realising a gain on disposal of £3.3m.

SSE Energy Supply Limited

Notes on the financial statements *(continued)* for the year ended 31 March 2019

17 Creditors: amounts falling due within one year

	2019 £m	2018 £m (Restated)
Trade creditors	840.9	761.2
Amounts owed to group undertakings	533.1	906.2
Other creditors	101.8	96.8
Corporation tax payable	7.7	12.6
Accruals and deferred income	669.4	478.2
	<u>2,152.9</u>	<u>2,255.0</u>

Comparative trade debtors have been restated - see note 2.2

18 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:

	2019 Carrying value £m	2019 Fair value £m	2018 Carrying value £m	2018 Fair value £m
Financial assets				
Trade and other debtors	777.6	777.6	2,050.5	2,050.5
Financial liabilities				
Trade and other creditors	(840.9)	(840.9)	(2,429.5)	(2,429.5)
Derivative financial instruments	(501.0)	(501.0)	(209.4)	(209.4)

Basis of determining fair value

Certain assets and liabilities designated and carried at amortised cost are receivables. For certain current assets and liabilities their carrying value is equivalent to fair value due to short term maturity.

Assets and liabilities designated at fair value and the fair value of other financial assets and liabilities have been determined by reference to closing rate market values. Commodity contracts fair values are based on published price quotations.

The fair values are stated at a specific date and may be different from the amounts which will actually be paid or received on settlement of the instruments.

Recognised in profit and loss account

The amount of derivative re-measurement that has been recognised through profit and loss is as follows:

	2019 £m
Movement on value of derivative financial instruments in the year	(291.6)
Acquired on business combination	(9.9)
Movement relating to Trust, not recognised through profit and loss	<u>258.6</u>
	<u>(42.9)</u>

19 Provisions for liabilities and charges

	Total £m
At 1 April 2018	6.4
Arising during the year	<u>6.2</u>
At 31 March 2019	<u>12.6</u>

The provision of £12.6m (2018: £6.4m) is attributable to business energy and for specific obligations in relation to an HMRC penalty - £0.8m (2018: £0.8m); non-recoverable commissions - £7.6m (2018: £5.6m); and Industry Mutualisation - £4.2m (2018: £nil).

SSE Energy Supply Limited

Notes on the financial statements *(continued)* for the year ended 31 March 2019

20 Deferred taxation

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019	2018	2019	2018	2019	2018
	£m	£m	£m	£m	£m	£m
Tangible fixed assets	0.9	-	-	(8.0)	0.9	(8.0)
Provisions	1.5	3.4	-	-	1.5	3.4
Financial assets	73.6	68.3	-	-	73.6	68.3
Other	-	0.4	-	-	-	0.4
Net tax assets	76.0	72.1	-	(8.0)	76.0	64.1
Transfer to held for sale					-	6.1
Total					76.0	70.2

Movement in deferred tax during the year

	1 April 2018	Acquisition / Disposal*	Recognised in income	31 March 2019
	£m	£m	£m	£m
Tangible fixed assets	(8.0)	9.0	(0.1)	0.9
Provisions	3.4	(2.2)	0.3	1.5
Financial assets	68.3	(1.9)	7.2	73.6
Other	0.4	(0.4)	-	-
Net tax assets	64.1	4.5	7.4	76.0
Transfer to held for sale	6.1	(6.1)	-	-
Total	70.2	(1.6)	7.4	76.0

*Represents deferred tax on domestic energy assets and liabilities disposed and business gas assets and liabilities acquired as part of the Group reorganisation disclosed in notes 7 and 16.

Movement in deferred tax during prior year

	1 April 2017	Recognised in income	31 March 2018
	£m	£m	£m
Tangible fixed assets	(7.9)	(0.1)	(8.0)
Provisions	3.2	0.2	3.4
Financial assets	67.5	0.8	68.3
Other	-	0.4	0.4
Net tax assets	62.8	1.3	64.1
Transfer to held for sale	-	-	6.1
Total	-	-	70.2

SSE Energy Supply Limited

Notes on the financial statements *(continued)* for the year ended 31 March 2019

21 Share capital

	2019 £m	2018 £m
Equity:		
Allotted, called up and fully paid:		
147,500,001 ordinary shares of £1.00 each	147.5	147.5
	<u>147.5</u>	<u>147.5</u>

22 Pensions

Some of the Company's employees are members of the Scottish Hydro Electric Pension Scheme or Southern Electric Pension Scheme which provides defined benefits based on pensionable pay. 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 pension plan is recognised fully by the sponsoring employer, which is another member of the group.

New employees can opt to join a personal pension scheme which is a money purchase scheme with the Company matching the members' contributions up to a maximum of 6% of salary. The scheme is managed by Aviva

The Company's share of the total contribution payable to the pension schemes during the year was £4.2m (2018: £6.5m).

23 Commitments and contingencies

Guarantees and indemnities

The Company has provided guarantees on behalf of other group undertakings as follows:

	2019 £m	2018 £m
Performance of contracts	-	21.0

24 Ultimate parent company

The Company is a subsidiary of SSE plc, which is the ultimate parent company and is registered in Scotland. The largest and smallest Group in which the results of the Company are consolidated is that headed by SSE plc. The consolidated financial statements of the Group (which include those of the Company) are available from the Company Secretary, SSE plc, Inverlmond House, 200 Dunkeld Road, Perth, PH1 3AQ or by accessing the Company's website at www.sse.com.