

Registration number: 03757502

# SSE Energy Supply Limited

Directors report and Financial Statements

for the Year Ended 31 March 2020



# **SSE Energy Supply Limited**

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# **SSE Energy Supply Limited**

## **Company Information**

<b>Directors</b>	Aled Humphreys Iwan Morgan Klair Neenan Nicola Flanders
<b>Company secretary</b>	Peter Lawns
<b>Registered office</b>	No. 1 Forbury Place 43 Forbury Road Reading RG1 3JH
<b>Bankers</b>	National Westminster Bank 13 Market Place Reading RG1 2EG
<b>Auditors</b>	Ernst & Young LLP G1 Building 5 George Square Glasgow G2 1DY
<b>Registered number</b>	03757502

# **SSE Energy Supply Limited**

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

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

This Strategic Report has been prepared in accordance with the requirements of Section 414 of the Companies Act 2006. Its purpose is to inform shareholders and help them assess how the directors have performed their duty to promote the success of SSE 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 2020, as well as those matters which are likely to affect its future development and performance. The company consists of two components, SSE Business Energy which is the trading arm of the company and EPM Trust which holds the energy portfolio management activities.

### **1. Fair review of the business**

The profit and loss account for the year ended 31 March 2020 is set out on page 15. The loss for the year after taxation amounted to £24.9m (2019: profit of £8.7m). The balance sheet at 31 March 2020 is set out on page 16 and shows net assets of £135.9m (2019: net assets of £160.3m). Adjusted operating profit (as defined in the Financial Performance section on page 3) fell from £43.3m to £13.9m, mostly due to a combination of lower consumption by customers and higher costs, including Supplier of Last Resort mutualisation charges.

### **Restructure of the company**

SSE Group established a new legal entity, SSE Energy Services Group Limited ('SSE Energy Services'), to consolidate the domestic energy supply and service 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 (SSE Energy Supply Limited) acquired the Business Energy business, also at book value, from its wholly owned subsidiary Southern Electric Gas Limited.

SSE plc entered into an agreement to sell its SSE Energy Services Group Limited business to OVO Energy Limited, a wholly owned subsidiary of OVO Group Limited in 2019. The transaction completed in January 2020.

### **Transitional Services Agreements**

SSE Business Energy, part of SSE Energy Supply Limited, relies on shared IT systems, infrastructure and services with SSE Energy Services Group Limited. To support the sale process Transitional Services Agreements were put in place with the acquiring party to ensure continuity of business operations and allow each business time to separate and migrate to new IT systems and software post sale. The Company has established Programmes teams to stand-up new systems and capability to enable the termination of the TSA services within the required timescales.

### **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 for the Year Ended 31 March 2020 (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. The exceptional charge of £17.2m in the year was recognised in relation to the anticipated impact COVID-19 will have on the entity's ability to recover amounts due from customers (£16.0m) and an impairment charge on assets relating to the disposal of the GB domestic electricity supply business (£1.2m). Derivative 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. Commodity contracts that are not financial instruments under IFRS 9 are accounted for as "own use" contracts and are consequently not recorded until the commodity is delivered and the contract is settled. The loss recognised through the profit and loss account in relation to derivative re-measurements was £51.1m for the financial year.

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

	2020 £ m	2019 £ m
Reported operating (loss)/ profit from continuing operations	(54.4)	0.5
Add back: Exceptional items (note 4)	17.2	(0.1)
Add back: Derivative re-measurements (note 19)	51.1	42.9
Adjusted operating profit	13.9	43.3

#### 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 2019. 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. 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 serving the needs of our customers. As the business further expands into energy solutions in line with SSE Group's net zero commitments, this will provide additional revenue opportunities.

**Delivering Business Energy's Strategic 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. In 2019/20 Business Energy has mobilised and commenced its key strategic delivery, the Core Platform Replacement (CPR) Programme. The business has established core programme capability, selected and mobilised vendors and commenced system analysis.

## SSE Energy Supply Limited

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

#### **Delivering regulatory obligations in a way that meets the need of business customers:**

- In 2019/20 Business Energy continued to deliver the requirements of Ofgem Smart Meter obligations through the roll out of Automatic Meter Read (AMR) meters. In addition, SSE Business Energy enabled SMETS2 meter technology capability and achieved its first SMETS2 meter installation in February 2020.
- Ofgem Faster Switching. Business Energy has mobilised the required programme team to develop capability and agreed the strategic delivery solution to meet this regulatory obligation.

**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.

#### **Covid-19**

In March 2020, as a result of a global pandemic, the UK government imposed national lockdowns and restrictions on large parts of public life, including instructing business to close. This resulted in the immediate reduction in energy consumption by SSE Business Energy customers. Global energy demand and commodity markets also dramatically reduced. The financial impact to the Company was:

- A reduction in revenue and gross profit contribution.
- Mark to market losses, as previously hedged energy was no longer required and had to be sold at a loss.
- Increased non-commodity costs (Government administered schemes to support energy policy and energy distribution), the costs of which is largely recovered per unit of energy Demand.
- Increased bad debt provisions, as a greater number of customers withheld cash, cancelled direct debit payments, and failed to pay bills.

The Company responded rapidly:

- Ensuring the safety and well being of staff and customers.
- Enabling remote working to continue to support customers.
- Taking prompt action to minimise and mitigate commercial risk exposures.
- Engaging with industry and regulatory bodies to focus on essential service delivery.

#### **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.

## **SSE Energy Supply Limited**

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

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 risk and Government regulation
- Impacts from the Covid-19 global pandemic, largely inflating the risks outlined above and the risk to health for staff and customers.

The Company leadership team review and agrees policies for addressing each of these risks. Throughout most of 2019/20, the key exposure to energy prices and volume was addressed by the Commercial function in the Company working with the EPM (trading and markets) Group capability. 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. 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.

The Key Risks from Covid-19 Pandemic can be summarised as:

A reduction in customer energy demand resulting in:

- Lower revenue and gross profit contribution;
- Increased bad debt provisions, as a greater number of customers withheld cash, cancelled direct debit payments, and failed to pay bills; and
- Mark-to-market volatility on derivatives

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 for the Year Ended 31 March 2020 (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.

	2020	2019
Business Energy electricity sold - GWh	16,917.0	19,336.0
Business Energy gas sold - mtherms	272.0	277.0
Business Energy customers' accounts - millions	0.52	0.55
Adjusted operating profit on continuing operations - £m	13.9	43.3
Net assets - £m	135.9	160.3

#### 3. Section 172 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 regulatory and legal obligations which are set out in various licences, codes, and EU and UK legislation, including The Gas Act 1986 and The Electricity Act 1989.

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 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's statement on its corporate governance arrangements on page 9 sets out further details of how this is governed within the SSE Group and the Company.

The Company is represented by the three Directors on the customer business unit Executive Committee which 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 Company's business 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 the Executive Committee.

SSEESL has a trust arrangement with SSE EPM Ltd whereby SSEESL enters into trades on behalf of EPM but the economic impact of these trades is borne by SSE EPM Ltd.



## **SSE Energy Supply Limited**

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

The views of the Company's stakeholders are always considered where appropriate in decision making across the SSE Group. The mechanisms which are in place to assist the Director's in understanding relevant views are set out below. 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.

The ECS Executive Committee took decisions throughout the year in the following broad areas:

#### **Strategy**

The Executive Committee reviews the Company's agreed strategic priorities against its established purpose (see page 3). During 2019/20, this review considered amongst other matters: customer needs; IT Systems, data and analytics; people; and culture.

#### **Budget**

Each year financial allocation and expenditure is discussed and approved by the Executive Committee through the agreed budget. This is supported by regular review of performance and consideration of agreed longer term strategic objectives. The review of budget this year gave consideration to improving IT systems.

#### **Risk**

A full description of the Company's approach to risk management and the identified impact of Brexit is disclosed on page 5.

#### **People**

A programme of activity to support the Company's wider people strategy was subject to discussion and agreement by the Executive Committee. This was informed, in part, by the output of the annual all-employee great place to work survey results. As the Covid-19 pandemic was declared towards the end of the financial year, the overriding focus of the Committee was providing adequate support to employees in relation to remote working and ensuring their mental health and wellbeing.

Examples of these decisions and how they were taken is outlined below:

1. Strategy - environmental strategy agreed with input from Sustainability.
2. Budget - decisions made in relation to new and improving IT systems, resourcing, data and analytics, etc. Decisions were assessed based on benefits to the business, cost, impact on customers and staff
3. Risk - changes to Out of Contract tariff headroom targets, commodity hedging and preparation for Brexit and Covid-19 impacts.
4. People - Agreement of Reward, Recognition and Incentive schemes.
5. Customers - engagement re Debt.

#### **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: shareholders and debt providers; employees; government and regulators; NGOs, 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.

## **SSE Energy Supply Limited**

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

SSE ESL sits with the SSE Customer Solutions business unit and is represented on a dedicated Executive Committee of which three of the Directors are part. SSEESL has a trust arrangement with SSE EPM Ltd whereby SSEESL enters into trades on behalf of EPM but the economic impact of these trades is borne by SSE EPM Ltd.

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

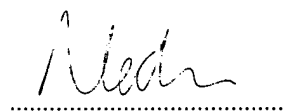
Details of the mechanisms which are used to engage with stakeholders across the SSE Group, in order to gain understanding of the issues which they deem material are set out on pages 12 to 15 of the SSE plc Annual Report 2020. Details of those specific to the Company are set out on page 7 of this Strategic Report.

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 business unit Executive Committee in response to feedback received.

Similarly, in order to ensure that there has been adequate engagement in fostering the Company's business relationships with supplier, customers and other relevant parties representations are made on a monthly basis at business unit level by business partners which represent the areas of Procurement, Corporate Affairs, Legal within SSE Customer Solutions. Such representations are designed to inform the Directors of the current nature of the relationship, the strategic significance that the relationship offers to support the objectives of the business and the prospects or issues associated with the continued fostering of the relationship.

For further details of the effect that the regard of such engagement has had on the principal decisions of the Company, please see the examples set out in the Directors Section 172 statement.

Approved by the Board on 15 January 2021 and signed on its behalf by:



Aled Humphreys  
Director

## **SSE Energy Supply Limited**

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

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

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

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

Aled Humphreys (appointed 16 May 2019)

Iwan Morgan

Klair Neenan (appointed 5 July 2019)

Gavin Brydon (appointed 20 September 2019 and ceased 30 September 2020)

Nicola Flanders (appointed 19 February 2020)

Finley Mccutcheon (ceased 16 May 2019)

#### **Principal activity**

The principal activity of the company is the supply of electricity and gas to business and public sector customers in Great Britain. 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 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.

#### **Results and dividends**

The loss for the financial year amounted to £24.9m (2019: profit of £8.7m).

The balance sheet at 31 March 2020 is set out on page 16 and indicates net assets of £135.9m (2019: net assets of £160.4m).

No dividend was declared, approved and paid in the year (2019: £250.0m).

The directors do not recommend payment of a dividend be made in respect of the financial year ended 31 March 2020.

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

The company did not make any political or charitable donations during the year (2019: £nil).

#### **Going concern**

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

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

Having reviewed the financial strength of the Group, the directors are satisfied that the Group, and the company itself, will remain funded for 12 months from the date of signing of these accounts. The Directors have concluded it is appropriate for the financial statements to be prepared on a going concern basis.

## **SSE Energy Supply Limited**

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

#### **Assessing the impact of coronavirus**

The Directors have considered the impact of coronavirus on the future prospects of the Company. Due to the operations of the Company the impact of the virus will be determined by Government intervention (restrictions/lockdowns) and economic recovery, which reduces our customers energy use and their ability to pay, and wholesale commodity price volatility. An exceptional provision on debtors of £16.0m relating to COVID-19 has been recognised in the financial statements (note 4).

#### **Brexit**

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

#### **Post balance sheet events**

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

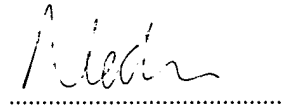
#### **Disclosure of information to the auditors**

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

#### **Reappointment of auditors**

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

Approved by the Board on 15 January 2021 and signed on its behalf by:



.....  
Aled Humphreys  
Director

## **SSE Energy Supply Limited**

### **Statement of Directors' Responsibilities**

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

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

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

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

Approved by the Board on 15 January 2021 and signed on its behalf by:



.....  
Aled Humphreys  
Director

## **SSE Energy Supply Limited**

### **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 2020, which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

#### **Basis for opinion**

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

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

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

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

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### **Other information**

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

## **SSE Energy Supply Limited**

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

#### **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities [set out on page 11], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

## **SSE Energy Supply Limited**

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

#### **Use of our report**

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

*Ernst & Young LLP*

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

G1 Building  
5 George Square  
Glasgow  
G2 1DY

18 January 2021



## SSE Energy Supply Limited

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

	Note	2020 £ m	2019 £ m
Revenue	3	2,455.3	2,619.2
Cost of sales		<u>(2,416.2)</u>	<u>(2,559.3)</u>
Gross profit		39.1	59.9
Administrative expenses		(76.3)	(59.5)
Exceptional items	4	<u>(17.2)</u>	<u>0.1</u>
Operating (loss)/profit	5	(54.4)	0.5
Finance income	9	8.3	10.3
Finance costs	10	<u>(0.4)</u>	<u>(0.4)</u>
(Loss)/profit before tax		(46.5)	10.4
Tax credit/(charge)	12	<u>21.6</u>	<u>(1.7)</u>
(Loss)/profit for the financial year		<u><u>(24.9)</u></u>	<u><u>8.7</u></u>

The above results were derived from continuing operations.


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

# SSE Energy Supply Limited

(Registration number: 03757502)  
Balance Sheet as at 31 March 2020

	Note	31 March 2020 £ m	31 March 2019 £ m
<b>Fixed assets</b>			
Intangible assets	13	1.5	3.1
<b>Current assets</b>			
Debtors	15	1,983.4	2,732.6
Cash at bank and in hand	16	18.5	15.1
Deferred tax asset	12	98.7	76.0
		<u>2,100.6</u>	<u>2,823.7</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	17	(1,664.0)	(2,152.9)
Derivative financial liabilities	19	(293.3)	(501.0)
		<u>(1,957.3)</u>	<u>(2,653.9)</u>
<b>Net current assets</b>		<u>143.3</u>	<u>169.8</u>
<b>Total assets less current liabilities</b>		144.8	172.9
<b>Provisions for liabilities</b>	18	<u>(8.9)</u>	<u>(12.6)</u>
<b>Net assets</b>		<u>135.9</u>	<u>160.3</u>
<b>Capital and reserves</b>			
Called up share capital	21	147.5	147.5
Profit and loss account		<u>(11.6)</u>	<u>12.8</u>
Shareholders' funds		<u>135.9</u>	<u>160.3</u>

Approved by the Board on 15 January 2021 and signed on its behalf by:

  
.....  
Aled Humphreys  
Director

The notes on pages 18 to 33 form an integral part of these financial statements.

## SSE Energy Supply Limited

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

	Share capital £ m	Profit and loss account £ m	Total £ m
At 1 April 2018	147.5	253.3	400.8
Profit for the year	-	8.7	8.7
Credit in respect of employee share awards	-	0.8	0.8
Dividends paid	-	(250.0)	(250.0)
At 31 March 2019	<u>147.5</u>	<u>12.8</u>	<u>160.3</u>
	Share capital £ m	Profit and loss account £ m	Total £ m
At 1 April 2019	147.5	12.8	160.3
Loss for the year	-	(24.9)	(24.9)
Credit in respect of employee share awards	-	0.5	0.5
At 31 March 2020	<u>147.5</u>	<u>(11.6)</u>	<u>135.9</u>

The notes on pages 18 to 33 form an integral part of these financial statements.

# **SSE Energy Supply Limited**

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

### **1 General information**

The company is a private company limited by share capital, incorporated and domiciled in United Kingdom. The registered number is 03757502 and the registered office is No.1 Forbury Place, 43 Forbury Road, Reading, RG1 3JH.

### **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.

## **SSE Energy Supply Limited**

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

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

##### **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.

##### **Going concern**

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

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

Having reviewed the financial strength of the Group, the directors are satisfied that the Group, and the company itself, will remain funded for 12 months from the date of signing of these accounts.. The Directors have concluded it is appropriate for the financial statements to be prepared on a going concern basis.

##### **Changes in accounting policy**

##### **New standards, interpretations and amendments effective**

The accounting policies are consistent with those of the prior year except for the following new standards which became effective for the period beginning on 1 April 2019.

##### ***IFRS 16 "Leases"***

The adoption of IFRS 16 for the first time from 1 April 2019 has not had a material effect on the financial statements.

## **SSE Energy Supply Limited**

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

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

##### **Revenue recognition**

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 Prepayments and 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.

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

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.

##### **Tax**

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

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

## SSE Energy Supply Limited

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

#### 2 Accounting policies (continued)

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.

#### Intangible assets

##### *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.

##### *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.

#### Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Amortisation method and rate
Software	Straight-line basis over 3 to 15 years

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### Trade debtors

Trade debtors are invoiced amounts due from customers for sales of energy 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.

#### 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.

## **SSE Energy Supply Limited**

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

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

##### **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.

##### **Dividends**

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

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

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

##### **Shared based payments**

The company operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the entity. The fair value of the employee services received is measured by reference to the estimated fair value at the grant date of equity instruments granted and is recognised as an expense over the vesting period. The estimated fair value of the option granted is calculated using the Black Scholes option pricing model. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

##### **Derivative financial instruments**

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

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

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

The changes in the fair values of derivative financial instruments entered into for trading purposes are included in trading income.

## SSE Energy Supply Limited

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

#### 3 Turnover

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

	2020 £ m	2019 £ m
Sale of goods	2,453.3	2,613.3
Other revenue	2.0	5.9
	<u>2,455.3</u>	<u>2,619.2</u>

#### 4 Exceptional items

	2020 £ m	2019 £ m
Exceptional charges	17.2	3.2
Exceptional credits	-	(3.3)
	<u>17.2</u>	<u>(0.1)</u>

The exceptional charge of £17.2m in the year was recognised in relation to the anticipated impact COVID-19 will have on the entity's ability to recover amounts due from customers (£16.0m) and an additional amortisation charge on assets relating to the disposal of the GB domestic electricity supply business (£1.2m).

During the prior year an exceptional charge of £3.2m 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. The exceptional credit of £3.3m represents a gain on the disposal of the Acharosan forest land and living trees.

#### 5 Operating (loss)/profit

Arrived at after charging/(crediting)

	2020 £ m	2019 £ m
Amortisation expense	<u>0.3</u>	<u>0.4</u>

## SSE Energy Supply Limited

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

#### 6 Staff costs

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

	2020 £ m	2019 £ m
Wages and salaries	21.8	18.8
Social security costs	2.0	1.9
Pension costs	3.4	4.2
Share-based payment expenses	0.5	0.8
	<u>27.7</u>	<u>25.7</u>

The number of persons employed by the company (including directors) at 31 March, analysed by category was as follows:

	2020 No.	2019 No.
Numbers employed at 31 March	<u>793.0</u>	<u>754.0</u>

#### Pensions

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.

#### 7 Directors' remuneration

The total remuneration received by the directors for qualifying and non-qualifying services during the year was £1.0m (2019: £0.9m). The above value is for 6 directors (2019: 4), 1 of which was remunerated via SSE ESL, with the remaining 5 remunerated via other Group companies 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 £0.3m (2019: £0.4) including company pension contributions of £0.1m (2019: £nil) which were made to a money purchase scheme on their behalf.

## SSE Energy Supply Limited

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

#### 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.

	31 March 2020 £ m	31 March 2019 £ m
<b>Movement in Trust</b>		
Opening balance at 1 April	658.2	660.4
Decrease in intercompany debtor in relation to trust assets	(643.4)	(2.2)
	<u>14.8</u>	<u>658.2</u>

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

	31 March 2020 £ m	31 March 2019 £ m
Trade debtors	(544.5)	(571.3)
Cash and cash equivalents	(0.3)	(0.4)
Trade creditors	356.6	828.7
Accruals and prepayments	48.1	27.7
Operating derivatives	191.2	450.0
Deferred tax	(36.3)	(76.5)
	<u>14.8</u>	<u>658.2</u>

#### 9 Interest receivable and similar income

	2020 £ m	2019 £ m
Interest receivable from group undertakings	8.3	10.2
Other finance income	-	0.1
	<u>8.3</u>	<u>10.3</u>

#### 10 Interest payable and similar expenses

	2020 £ m	2019 £ m
Other finance costs	0.4	0.4

#### 11 Auditors' remuneration

The audit fee in the year and the previous year was borne by the Parent company, £35.2k of this was in relation to the audit of SSE Energy Supply Limited (2019: £18.0k).

## SSE Energy Supply Limited

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

#### 12 Income tax

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

	2020 £ m	2019 £ m
<b>Current taxation</b>		
UK corporation tax	4.7	10.8
Adjustment in respect of prior periods	(3.6)	(1.7)
	<u>1.1</u>	<u>9.1</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	(22.6)	(7.4)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(0.1)	-
	<u>(22.7)</u>	<u>(7.4)</u>
Total deferred taxation	<u>(22.7)</u>	<u>(7.4)</u>
Tax (credit)/charge in the profit and loss account	<u>(21.6)</u>	<u>1.7</u>

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

The differences are reconciled below:

	2020 £ m	2019 £ m
(Loss)/profit before tax	<u>(46.5)</u>	<u>10.4</u>
Corporation tax at standard rate	(8.8)	2.0
Decrease in current tax from adjustment for prior periods	(3.7)	(1.7)
Increase from effect of revenues exempt from taxation	-	(0.2)
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	-	0.6
Decrease from transfer pricing adjustments	(0.1)	(0.1)
Deferred tax (credit)/expense relating to changes in tax rates or laws	<u>(9.0)</u>	<u>1.1</u>
Total tax (credit)/charge	<u>(21.6)</u>	<u>1.7</u>
<b>Deferred tax</b>		

Deferred tax movement during the year:

# SSE Energy Supply Limited

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

### 12 Income tax (continued)

	At 1 April 2019 £ m	Recognised in income £ m	At 31 March 2020 £ m
Tangible fixed assets	0.9	0.9	1.8
Provisions	1.5	3.5	5.0
Financial assets	73.6	18.3	91.9
Net tax assets/(liabilities)	<u>76.0</u>	<u>22.7</u>	<u>98.7</u>

Deferred tax movement during the prior year:

	At 1 April 2018 £ m	Recognised in income £ m	At 31 March 2019 £ m
Tangible fixed assets	1.0	(0.1)	0.9
Provisions	1.2	0.3	1.5
Financial assets	66.4	7.2	73.6
Net tax assets/(liabilities)	<u>68.6</u>	<u>7.4</u>	<u>76.0</u>

Deferred tax assets and liabilities

	Asset £ m
<b>2020</b>	
Tangible fixed assets	1.8
Provisions	5.0
Financial assets	<u>91.9</u>
	<u>98.7</u>

	Asset £ m
<b>2019</b>	
Tangible fixed assets	0.9
Provisions	1.5
Financial assets	<u>73.6</u>
	<u>76.0</u>

## SSE Energy Supply Limited

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

#### 13 Intangible assets

	Brand value £ m	Internally generated software development costs £ m	Total £ m
<b>Cost or valuation</b>			
At 1 April 2019	9.0	4.3	13.3
Disposals	(9.0)	-	(9.0)
At 31 March 2020	-	4.3	4.3
<b>Amortisation</b>			
At 1 April 2019	9.0	1.2	10.2
Amortisation charge*	-	1.6	1.6
Amortisation eliminated on disposals	(9.0)	-	(9.0)
At 31 March 2020	-	2.8	2.8
<b>Carrying amount</b>			
At 31 March 2020	-	1.5	1.5
At 31 March 2019	-	3.1	3.1

\*Includes additional exceptional charge of £1.2m (note 4).

Brand value represents the Atlantic brand, acquired on the acquisition of Atlantic Electric and Gas Limited during the year ended 31 March 2005. The brand, which was fully amortised, was disposed during the year to OVO Energy Limited.

#### 14 Investments

	Total £ m
<b>Investments</b>	
<b>Carrying amount</b>	
At 31 March 2020	-
At 31 March 2019	-

## SSE Energy Supply Limited

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

#### 14 Investments (continued)

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

Name of subsidiary	Principal activity	Registered address (key)	Country of incorporation	Proportion of ownership interest and voting rights held	
				2020	2019
SSE Airtricity Energy Supply (NI) Limited*	Energy supply	A	UK	100%	100%
St Clements Servies Limited*	Utilities software	B	UK	25%	25%
Fusion Heating Limited	Energy related services	C	UK	100%	100%
SSE Airtricity Gas (NI) Limited	Dormant (dissolved 9/7/19)	A	UK	0%	100%
SSE Airtricity Gas Supply (NI) Limited	Energy supply	A	UK	100%	100%

\* indicates direct investment of the company

#### Registered address key

##### Reference Registered Office:

A	3rd Floor, Millennium House, 19-25 Great Victoria Street, Belfast, BT2 7AQ
B	4-6 Church Walk, Daventry, Northamptonshire, NN11 4BL
C	Unit 14, Maryland Industrial Estate, Ballygowan Road, Belfast, BT23 6BL

#### 15 Trade and other debtors

	31 March 2020 £ m	31 March 2019 £ m
Trade debtors	742.3	777.6
Debtors from related parties	873.8	904.3
Prepayments and accrued income	284.4	305.6
Income tax asset	1.2	-
Other debtors	66.9	86.9
Amounts due from trust	14.8	658.2
	<u>1,983.4</u>	<u>2,732.6</u>
Less non-current portion	<u>(859.6)</u>	<u>(653.2)</u>
	<u>1,123.8</u>	<u>2,079.4</u>



# SSE Energy Supply Limited

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

### 15 Trade and other debtors (continued)

#### Details of non-current trade and other debtors

£859,600,000 (2019: £653,200,000) of amounts due from group undertakings is classified as non current. This is in respect of amounts owed by its parent, SSE plc. Interest is earned at 1.10% (2019: 1.05%).

### 16 Cash at bank and in hand

	31 March 2020 £ m	31 March 2019 £ m
Cash at bank	18.5	15.1

### 17 Creditors

*Amounts falling due within one year*

	31 March 2020 £ m	31 March 2019 £ m
Trade creditors	375.8	840.9
Accrued expenses	623.8	669.4
Amounts due to related parties	572.7	533.1
Other creditors	91.7	101.8
Income tax liability	-	7.7
	1,664.0	2,152.9

### 18 Other provisions

	Other provisions £ m	Total £ m
At 1 April 2019	(12.6)	(12.6)
Additional provisions	(9.2)	(9.2)
Provisions used	12.9	12.9
At 31 March 2020	(8.9)	(8.9)

The provision of £8.9m (2019: £12.6m) is attributable to business energy and for specific obligations in relation to non-recoverable commissions - £2.0m (2019: £7.6m); Industry Mutualisation - £6.1m (2019: £4.2m); and other - £0.8m (2019: £0.8m).

## SSE Energy Supply Limited

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

#### 19 Derivatives and financial instruments

##### Summary fair values

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

	2020 Carrying value £ m	2020 Fair value £ m	2019 Carrying value £ m	2019 Fair value £ m
<b>Financial assets</b>				
Trade and other debtors	1,531.9	1,531.9	777.6	777.6
<b>Financial liabilities</b>				
Trade and other creditors	(1,165.4)	(1,165.4)	(840.9)	(840.9)
Derivative financial instruments	<u>(293.3)</u>	<u>(293.3)</u>	<u>(501.0)</u>	<u>(501.0)</u>

##### Basis of determining fair value

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

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.

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 instrument.

##### Recognised in profit and loss account

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

	2020 £ m
Movement on value of derivative financial instruments in the year	207.7
Movement relating to Trust, not recognised through profit or loss	(258.8)
	<u>(51.1)</u>

# SSE Energy Supply Limited

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

### 20 Pension and other schemes

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 £3.4m (2019: £4.2m).

### 21 Share capital

#### Allotted, called up and fully paid shares

	31 March 2020		31 March 2019	
	No.	£	No.	£
Ordinary shares of £1 each	<u>147,500,001</u>	<u>147,500,001</u>	<u>147,500,001</u>	<u>147,500,001</u>

### 22 Dividends

#### Interim dividends paid

	31 March 2020	31 March 2019
	£ m	£ m
Interim dividend of £Nil (2019 - £1.69) per each ordinary share	<u>-</u>	<u>250.0</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](http://www.sse.com).