

SSE Electricity Limited
(formerly South Wales Electricity Limited)

Directors' report and financial statements

Year ended 31 March 2018

Registered No.: 04094263

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SSE Electricity Limited

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SSE Electricity Limited

Directors and Other Information

Directors

S. Forbes
A. Keeling
W. Morris (resigned 29 September 2017)

Registered office

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

Secretary

P. Lawns

Auditor

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

Registered number

04094263

SSE Electricity Limited

Directors' Report

The directors present their report together with the audited financial statements for the year ended 31 March 2018.

The directors have also taken advantage of the exemption from preparing a Strategic report available under section 414b of Companies Act 2006.

1 Principal activities

SSE Electricity Limited (the "Company") is a private company limited by shares and incorporated and domiciled in the UK. During the year to 31 March 2018, the Company acted as a holding company for the purpose of holding shares in other fellow group companies.

The Company changed its name from South Wales Electricity Limited to SSE Electricity Limited on 15 February 2018, in anticipation of the Company operating as a GB supplier of domestic electricity from 1 April 2018. Further details of this change in activity are contained in the strategic review below.

2 Strategic review

In its full-year results statement for 2016/17, the Company's ultimate 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 and energy 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. Both SSE and Innogy believe the planned transaction has the potential to drive real benefits for customers, employees, shareholders and the wider energy market by combining the expertise and resources of two established providers with the focus and agility of an independent supplier in what would be a unique model in the market. With its own dedicated Board and expert management team, the new company would be well positioned to respond to changing customer and stakeholder expectations by becoming more efficient, agile and innovative.

This proposed transaction received the necessary shareholder approval on 19 July 2018 and SSE continues to engage with the Competition and Markets Authority ("CMA") as it prepares its Final Report ahead of the statutory deadline in October 2018. The formation and listing of the new merged company is on track for completion by the end of March 2019.

As part of the preparation for the planned transaction, the SSE Group has established a new legal entity, SSE Energy Services Group Limited ("SSE Energy Services"), to consolidate the entities that will be separated from SSE, (SSE Electricity Limited being one such company). Accordingly, the Company's immediate parent was changed from SSE Energy Supply Limited to SSE Energy Services Group Limited on 1 April 2018. The transfer of the domestic electricity supply business from SSE Energy Supply Limited to the Company was also completed on 1 April 2018. This transfer of business activity was transacted at book value.

This is a significant change in the activity of the Company and is a fundamental part of the planned SSE Energy Services transaction.

SSE Electricity Limited

Directors' Report *(continued)*

3 Principal risks and uncertainties

The Directors acknowledge that they have responsibility for the Company's systems of internal control and risk management and for monitoring their effectiveness. The purposes of these systems are to manage, rather than eliminate, the risk of failure to achieve business objectives, to provide reasonable assurance as to the quality of management information and to maintain proper control over the income, expenditure, assets and liabilities of the Company.

No system of control can, however, provide absolute assurance against material misstatement or loss. Accordingly, the Directors have regard to what controls, in their judgement, are appropriate to the Company's business and to the relative costs and benefits of implementing specific controls.

The main financial risks that the Company could face have been considered by the Directors and SSE's Risk and Trading Committee. The main risks that the Company will face from its new activity are:

- 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; and
- Weather conditions varying significantly from normal seasonal trends.

The Company transacts with other companies within the SSE plc group and is a key part of the Group's business and strategies. The principal risks and uncertainties faced by the Group are set out in the Group's annual report.

The Company is aware of the political uncertainty following the announcement of Brexit. This is being closely monitored by the Company, but is not considered to have a significant impact on the accounts for the year ended 31 March 2018.

4 Results and dividends

The Company has not traded during the year, has not received any income or incurred any expenditure, and consequently has made neither a profit nor a loss.

The balance sheet at 31 March 2018 is set out on page 9 and indicates net assets of £1 (2017: *net assets of £1*).

The directors do not recommend the payment of a dividend (2017: *£nil*).

5 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.

6 Political and charitable donations

The company did not make any political or charitable donations during the year (2017: *£nil*).

7 Post balance sheet events

SSE's domestic electricity supply business has been conducted by the Company since 1 April 2018. Details of this new activity have been summarised in the strategic review above.

On 10 October 2018 it was announced that the Competition and Markets Authority ("CMA") had concluded in its final report that the proposed merger of SSE Energy Services and npower does not raise competition concerns. As such, it is anticipated that the formation and listing of the new company (which SSE Electricity Limited will be a part of) will be completed before the end of the next financial year-end (31 March 2019).

SSE Electricity Limited

Directors' Report *(continued)*

8 Going concern

The financial statements have been prepared on a going concern basis which assumes adequate finance will be available for the foreseeable future.


9 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 aware, there is no relevant audit information of which the company's auditor is unaware; and the directors have 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.

10 Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will, therefore, continue in office.

On behalf of the Board:



A. Keeling
Director
19 October 2018

SSE Electricity Limited

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

The directors are responsible 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 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:



A. Keeling
Director
19 October 2018

Independent Auditor's Report to the Members of SSE Electricity Limited

Opinion

We have audited the financial statements of SSE Electricity Limited ("the company") for the year ended 31 March 2018 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 2018 and of its result 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

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Directors' report

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

Our responsibility is to read 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 directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has 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; or
- the director was not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

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

Directors' responsibilities

As explained more fully in their statement set out on page 5, 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.

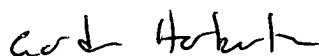
Auditor's responsibilities

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.



Gordon Herbertson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

319 St Vincent Street
Glasgow
G2 5AS

26 October 2018

SSE Electricity Limited

Profit and Loss Account for the year ended 31 March 2018

During both the current and prior financial years, the Company has not received any income nor incurred any expenditure and consequently has made neither a profit nor a loss.

Total other comprehensive income

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


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

SSE Electricity Limited

Balance Sheet as at 31 March 2018

	Note	2018 £	2017 £
Fixed assets			
Investments	4	51	51
		<u>51</u>	<u>51</u>
Current assets			
Debtors:			
amounts falling due within one year	5	103,786	1
Total current assets		<u>103,786</u>	<u>1</u>
Current liabilities			
Creditors: amounts falling due within one year	6	(103,836)	-
Net current (liabilities)/assets		<u>(50)</u>	<u>1</u>
Total assets less current liabilities		<u>1</u>	<u>52</u>
Creditor: amounts falling due after more than one year	7	-	(51)
Net assets		<u>1</u>	<u>1</u>
Capital and reserves			
Called up share capital	8	1	1
Equity Shareholders' funds		<u>1</u>	<u>1</u>

These financial statements were approved by the Board on 19 October 2018 and signed on their behalf by:


 A. Keeling
 Director
 Company registered number: 04094263

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

SSE Electricity Limited

Statement of Changes in Equity for the year ended 31 March 2018

	Share capital £	Total equity £
Balance at 1 April 2016	1	1
Profit for the financial year	-	-
Balance at 31 March 2017	<u>1</u>	<u>1</u>
Balance at 1 April 2017	1	1
Profit for the financial year	-	-
Balance at 31 March 2018	<u>1</u>	<u>1</u>

SSE Electricity Limited

Notes on the Financial statements for the year ended 31 March 2018

1 Significant accounting policies

SSE Electricity Limited ("the company") is a private company limited by shares and incorporated, domiciled and registered in the UK.

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

The financial statements have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2016/2017 Cycle) issued in July 2017 have been applied. The principal accounting policies are summarised below and have been applied consistently.

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.

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 share capital;
- 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.

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

Going concern

The Company is dependent on financial support provided by its ultimate parent, SSE plc, in the form of intercompany borrowings. Subsequent to the year end, SSE plc has given a formal undertaking not to demand repayment of these borrowings 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.

Investments

Investments in subsidiary undertakings, joint ventures or other investments are shown at cost less provision for any impairment in value.

SSE Electricity Limited

Notes on the Financial statements (continued)
for the year ended 31 March 2018

1 Significant accounting policies (continued)

Taxation

The charge for taxation is based on the profit 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.

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. 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 assets 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.

Consolidated accounts

The company is a subsidiary of SSE plc and the financial statements of the Company are consolidated with the consolidated accounts of that company.

2 Expenses and auditor's remuneration

The audit fee in the year was borne by the Parent company, £2,600 of this was in relation to the audit of SSE Electricity Limited (2017: £nil, as dormant accounts were prepared and the Company was exempt from audit under section 480 of the Companies Act 2006).

3 Staff costs and numbers

	2018	2017
£	£	£
Directors' remuneration	1,954,199	1,272,587

The directors of the company were remunerated via another group company during the year. A value for allocation of services to SSE Electricity Limited for these directors cannot be determined therefore the above value reflects the remuneration they received for services to the group as a whole.

No staff were directly employed by the Company in the current or prior year.

SSE Electricity Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2018

4 Investments

**Other
investments
£**

At 1 April 2017 and 31 March 2018

51

51

The directors have reviewed the recoverability of the carrying value of the investments at 31 March 2018 and are satisfied that the carrying amount is not less than the recoverable amount.

Details of the Company's investments are as follows:

Company	Holding	Proportion held 2018	Proportion held 2017	Nature of Business
DCUSA Limited	Ordinary shares	1.69%	1.69%	Governance of DCUSA
MRA Service Company Limited	Ordinary shares	0.61%	0.61%	Custodian of the Master Registration Agreement
NFPA Holdings Limited	Ordinary shares	8.33%	8.33%	Holding company
Smart Energy Code Company Limited	Ordinary shares	0.54%	0.54%	Smart metering
St. Clements Services Limited	Ordinary shares	12.5%	12.5%	Electricity consulting services

5 Debtors

	2018 £	2017 £
Amounts falling due within one year:		
Amounts due from group undertakings	<u>103,786</u>	<u>1</u>
	<u>103,786</u>	<u>1</u>

6 Creditors: amounts falling due within one year

	2018 £	2017 £
Amounts owed to group undertakings	<u>103,836</u>	-
	<u>103,836</u>	-

7 Creditors: amounts falling due after more than one year

	2018 £	2017 £
Amounts owed to group undertakings	<u>-</u>	<u>51</u>
	<u>-</u>	<u>51</u>

SSE Electricity Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2018

8 Share capital

	2018 £	2017 £
Equity:		
Allotted, called up and fully paid:	1	1
1 ordinary Share of £1.00 each	1	1

9 Ultimate parent company

As at 31 March 2018, the Company was a subsidiary of SSE Energy Supply Limited. Following a group restructure on 1 April 2018, the Company's immediate parent company became SSE Energy Services Group Limited. SSE plc 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, Inveralmond House, 200 Dunkeld Road, Perth, PH1 3AQ or by accessing the Company's website at www.sse.com.