POWERING **CHANGE**

Preliminary Results for the year to 31 March 2021

sse | For a better world of energy

Disclaimer

This financial report contains forward-looking statements about financial and operational matters. Because they relate to future events and are subject to future circumstances, these forward-looking statements are subject to risks, uncertainties and other factors. As a result, actual financial results, operational performance and other future developments could differ materially from those envisaged by the forward-looking statements.

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Definitions

These consolidated financial results for the year ended 31 March 2021 have been prepared in accordance with International Financial Reporting Standards ('IFRSs') and its interpretations as issued by the International Accounting Standards Board ('IASB') and adopted by the European Union ('adopted IFRS').

In order to present the financial results and performance of the Group in a consistent and meaningful way, SSE applies a number of adjusted accounting measures throughout this financial report. These adjusted measures are used for internal management reporting purposes and are believed to present the underlying performance of the Group in the most useful manner for ordinary shareholders and other stakeholders.

The definitions SSE uses for adjusted measures are consistently applied and are explained in the Alternative Performance Measures section before the Summary Financial Statements. For the purpose of calculating the 'Net Debt to EBITDA' metric, 'adjusted EBITDA' is further adjusted to remove the proportion of adjusted EBITDA from equity-accounted joint ventures relating to off-balance sheet debt.

In preparing this financial report SSE has been mindful of the commentary issued in May 2016 by the Financial Reporting Council on the European Securities and Markets Authority's Guidelines on Alternative Performance Measures. SSE will monitor developing practice in the use of Alternative Performance Measures and will continue to prioritise this, ensuring the financial information in its results statements is clear, consistent, and relevant to the users of those statements.

Important note: Discontinued Operations – Gas Production and SSE Energy Services

At 31 March 2021 SSE has assessed that its Gas Production assets should continue to be classified as held for sale (see note 12.3 of the Summary Financial Statements) and on 15 January 2020 SSE completed the sale of its SSE Energy Services business to OVO Energy Limited (see note 12.2 of the Summary Financial Statements). Both businesses have been classified as discontinued operations. The Group's adjusted profit-based measures therefore exclude the contribution from both of these businesses in all periods presented.

Important note: Other disposals

At 31 March 2021 SSE has also assessed that its Enterprise Contracting and Rail business should be classified as held for sale (see note 12.3 of the Summary Financial Statements). SSE has further disposed of a 50% stake in Slough Multifuel on 2 April 2020, a 51% stake in Seagreen Wind Farm on 3 June 2020, its investment in Walney offshore wind farm on 2 September 2020, its investment in MapleCo smart-metering on 23 September 2020, its investment in Multifuel Energy on 7 January 2021 and a 10% stake in Dogger Bank Wind Farm on 26 February 2021.

As these businesses do not individually constitute a separate major line of business for SSE, they have not been classified as discontinued operations, and their result continues to be included within the Group's adjusted profit-based measures to the point of disposal.

Impact of discontinued operations on the Group's Alternative Performance Measures ('APM')

The following Alternative Performance Measures have been adjusted in all periods presented to exclude the contribution of the Group's Gas Production operations, which continues to be presented as a discontinued operation as at 31 March 2021, and SSE Energy Services, which was disposed on 15 January 2020:

- Adjusted EBITDA;
- Adjusted operating profit;
- Adjusted net finance costs;
- Adjusted profit before tax;
- Adjusted current tax charge; and
- Adjusted earnings per share.

'Adjusted net debt and hybrid capital', and 'investment and capital expenditure' have not been adjusted as the Group continues to fund the discontinued operations and will continue to do so until the date of disposal. The discontinued operations have no external debt and all intercompany funding to the disposal group continues to eliminate on consolidation, therefore no adjustments are required to the Group's 'adjusted net finance cost' measure.

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SSE PLC

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MARCH 2021

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POWERING CHANGE THROUGH PROGRESS, PERFORMANCE, VALUE CREATION AND OPPORTUNITIES

- Total Recordable Injuries during the year fell to 47, compared to 55 in the prior year.
- Strong underlying operational performance, with significant progress against strategy:
  - The £7.5bn capex plan is on track with construction well under way at flagship SSE Renewables projects including Seagreen, Viking and the world's largest offshore wind farm at Dogger Bank
  - SSEN Transmission's totex for RIIO-T2 is set to be around £2.8bn comprising its base case for RIIO-T2 together with the Shetland HVDC link, expected to take its RAV to over £5bn by March 2026.
  - Subject to a range of factors including generator commitment, planning and Ofgem approval additional potential SSEN Transmission projects could grow RAV to over £6bn by March 2026.
  - SSEN Distribution's ED2 draft plan to be submitted in July to include net-zero generated growth from well-evidenced, stakeholder-led proposals.
  - Completed transactions in the non-core asset disposal programme to date will yield over £1.5bn of cash proceeds, and SSE is set to exceed the £2bn target on completion of the prospective sale of Scotia Gas Networks (SGN).
  - Secured value for shareholders through its partnering approach in Renewables, delivering over £200m of cash proceeds and gains on Dogger Bank A&B stake sales alone.
  - Further medium- to long-term growth options continue to progress in areas such as international wind, pumped storage hydro, carbon capture and storage (CCS), hydrogen, and batteries.
- Continued to develop an attractive pipeline that would see SSE reach a run rate of at least 1GW of new assets a year during the second half of this decade and now expects to exceed its target for trebling its renewable output by 2030.
- Increasingly favourable policy environment with Ten Point Plan, Energy White Paper and refreshed binding emissions targets in the UK, Ireland and further afield underpinning net zero strategy.
- Established as a Principal Partner to the UK Government for the COP26 UN climate summit in November 2021 and progressing well against 2030 goals and Science Based Targets.
- Published ground-breaking Just Transition strategy on the social implications of delivering net zero and SSE's role in supporting fairness for employees, customers and communities.
- Raised over £2.5bn of funding including the March 2021 issuance of £500m of green bonds, SSE's fourth green bond in five years, reaffirming status as largest issuer of green bonds in the FTSE 100.
- Contributed over £5.2bn to UK GDP, supporting over 41,000 UK jobs, with €439m contribution to Ireland GDP and over 2,000 Irish jobs supported.

RESULTS FOR 2020/21*

- Adjusted operating profit up 1% to £1,506.5m / Reported operating profit up 185% to £2,743.5m
- Adjusted profit before tax up 4% to £1,064.9m / Reported profit before tax up 328% to £2,516.4m
- Coronavirus impact on operating profit estimated at £170m, towards the lower end of the guided range and reflected within adjusted and reported results
- Adjusted earnings per share up 5% to 87.5p, within the expected 85p – 90p range
- Reported earnings per share increased to 215.7p

- Adjusted investment and capital expenditure of £912.0m, after project finance development expenditure refunds of £428.6m.
- Disposal programme of non-core assets announced in June 2020 has delivered £877.6m of exceptional net gains on disposal during the period and over £1.4bn of cash proceeds to date.
- Adjusted net debt and hybrid capital at £8.9bn, down 15% on prior year, with £1.5bn of bonds and over £1bn of hybrid bonds issued in the year increasing average debt maturity to 7.4 years.

*Unless otherwise started, excludes results from discontinuing operations: SSE Energy Services sold on 15 January 2020 and Gas Production assets held for sale at 31 March 2021.

FINAL DIVIDEND IN LINE WITH FIVE-YEAR DIVIDEND PLAN TO 2023

- Intention to recommend a final dividend of 56.6p per share for payment on 23 September 2021, representing an average annual RPI rate of 1.2%, making a full-year dividend of 81.0p per share.
- Continue to target RPI increases for the following two years to March 2023, measured against the average annual rate of RPI inflation, as set out in the 2023 dividend plan.

FINANCIAL OUTLOOK FOR 2021/22 AND BEYOND

- SSE remains committed to its five-year dividend plan to March 2023
- SSE is not providing full guidance for 2021/22 at this stage but expects the ongoing impact to the Group from the coronavirus pandemic to be mainly restricted to the performance of Enterprise and Business Energy where, it will be assumed within normal business performance and no longer separately reported.
- Completion of disposals of non-core assets in SSE's Contracting and Rail business, and SSE's Gas Production assets, expected by the end of June 2021 and the end of this calendar year respectively.
- Expected to commence a disposal process for all of SSE's interest in SGN during mid-summer 2021, with the intention of having an agreed sale by the end of the calendar year.
- Capital expenditure and investment is expected to total around £2bn in 2021/22 (net of project finance development expenditure refunds).
- Continuing to target a ratio of net debt to EBITDA at the lower end of a 4.5 to 5 times range between 2021/22 and 2024/25.
- SSE remains committed to delivering its £7.5bn capital investment plan to 2025; indeed much of this is now contracted, but there is considerable potential for future growth above and beyond.
- As emerging opportunities in SSE's core businesses become clearer in the coming months, SSE expects to be able to provide an update on its capital investment plans in November.

Sir John Manzoni, Chair of SSE, said:

"Thanks to the commitment of employees right across the business in 2020/21 we made an important contribution to the national pandemic response, delivering strong operational performance, and making significant strategic progress.

"We have also made significant progress on our non-core disposals programme, creating value for shareholders while continuing to sharpen the group's strategic focus on its low-carbon electricity core in networks and renewables, where our capital investment programme is progressing well.

"Looking ahead, a strong balance sheet, underpinned by world-class assets, gives us a firm footing from which to capitalise on the considerable future growth opportunities we are creating in the transition to net zero.

"Our ESG credentials continue to grow and, as a Principal Partner of COP26, we are focused on creating value for shareholders and society. We are reducing emissions, investing in a green recovery, creating over a thousand new jobs, making a major contribution to GDP and, financially, continuing to remunerate shareholders through delivery of our dividend plan to 2023."

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KEY PERFORMANCE INDICATORS FOR THE YEAR TO 31 MARCH

AT A GLANCE

Key Financial Indicators	Adjusted		Reported	
	March 2021	March 2020	March 2021	March 2020
Operating profit by core business £m				
- SSEN Transmission	**220.9**	**218.1**	**220.9**	**218.1**
- SSEN Distribution	**267.3**	**356.3**	**267.3**	**351.9**
- SSE Renewables	**731.8**	**567.3**	**856.0**	**459.9**
Operating profit / (loss) for other businesses £m	286.5	346.7	1,399.3	(66.5)
Operating profit from continuing operations £m	**1,506.5**	**1,488.4**	**2,743.5**	**963.4**
EBITDA from continuing operations £m	**2,229.9**	**2,191.4**	**3,505.2**	**1,701.7**
Profit before tax from continuing operations £m	**1,064.9**	**1,023.4**	**2,516.4**	**587.6**
Earnings per share (EPS) pence on continuing operations	**87.5**	**83.6**	**215.7**	**40.6**
Full year dividend per share (DPS) pence	**81.0**	**80.0**	**81.0**	**80.0**
Investment and capital expenditure by core business, before refunds £m				
- SSEN Transmission	**435.2**	**329.0**	**436.2**	**335.7**
- SSEN Distribution	**350.8**	**364.9**	**412.6**	**447.5**
- SSE Renewables	**294.3**	**342.7**	**223.9**	**283.1**
Investment and capital expenditure for other businesses, before refunds £m	260.3	320.8	731.1	1,004.9
Project finance development expenditure refunds £m	(428.6)	-	(428.6)	-
Investment and capital expenditure, after refunds £m	**912.0**	**1,357.4**	**1,375.2**	**2,071.2**
Net debt and hybrid capital £m	**8,898.9**	**10,465.9**	**7,810.4**	**10,007.8**

Operational Key Performance Indicators	March 2021	March 2020
Thermal generation - GWh	18,008	17,725
Renewable generation - GWh (inc. pumped storage and constrained off)[1]	10,171	11,385
Total generation output – all plant – GWh[2]	**28,287**	**29,204**
SSEN Transmission RAV - £m	3,631	3,469
SSEN Distribution RAV - £m	3,792	3,685
Gas Distribution RAV - £m	1,949	1,952
SSE Total RAV - £m	**9,372**	**9,106**
Business Energy Electricity Sold – GWh	13,070	16,914
Business Energy Gas Sold – mtherms	245	272
Airtricity Electricity Sold – GWh	7,595	8,053
Airtricity Gas Sold – mtherms	219	221

Notes:

[1]Renewable generation excludes SSE's small biomass capability which is managed by SSE Enterprise and which generated 71GWh in 2020/21; and 58GWh 2019/20.

[2]Includes biomass output referred to in Note 1 above plus an additional 37GWh in 2020/21 and 36GWh 2019/20 generated by other SSE Enterprise assets.

ESG Key Performance Indicators	March 2021	March 2020
Carbon emissions (scopes 1&2) $MtCO_2e$	7.64	8.91
Carbon intensity of generation gCO_2e/KWh	255	288
Total water consumed million m^3	3.6	6.9
Total recordable injury rate per 100,000 hours worked	0.15	0.16
Total economic contribution – UK/Ireland (£bn/€m)[1]	5.21/439	5.72/650
Jobs supported – UK/Ireland (headcount)[2]	41,400/2,160	56,810/3,740
Total taxes paid UK/Ireland (£m/€m)	379/20.4	421.6/18.1
Employee retention/turnover rate (%)[3]	92.1/7.9	88.0/12.0
Employee engagement index (%)[4]	82	76
Average board tenure – years[5]	5.0	5.3
Female board members (%)	36%	30%
Independent board members (%)[6]	63%	67%

Notes:

[1] Direct, indirect and induced Gross Value Added, from PwC analysis

[2] Direct, indirect and induced jobs supported, PwC analysis

[3] Includes all turnover reasons, including voluntary (regretted) and involuntary turnover.

[4] Annual employee engagement survey, carried out in September 2020 by Willis Towers Watson on behalf of SSE

[5] Non-Executive directors including non-Executive Chair, see Directors Report within SSE Annual Report 2020/21 (published 18 June 2021) for further detail

[6] Excludes non-Executive Chair

FURTHER INFORMATION

Investor Timetable

Annual Report 2021 published on sse.com/reportsandresults	18 June 2021
Sustainability Report 2021 published on sse.com/reportsandresults	18 June 2021
Consolidated Segmental Statement 2021 sse.com/reportsandresults	18 June 2021
Q1 Trading Statement	22 July 2021
Annual General Meeting	22 July 2021
Ex-dividend date	29 July 2021
Record date	30 July 2021
Scrip reference pricing days	29 July – 4 August 2021
Scrip reference price confirmed and released via RNS	5 August 2021
Final date for receipt of scrip elections	26 August 2021
Final dividend payment date	23 September 2021
Notification of Closed Period	By 30 September 2021
Interim Results for the six months ended 30 September 2021	17 November 2021

Contact Details

Institutional investors and analysts	ir@sse.com	+ 44 (0)345 0760 530
Shareholder services	SSE@linkgroup.co.uk	+ 44 (0)345 143 4005
Media	media@sse.com	+ 44 (0)345 0760 530

Webcast facility

SSE will present its Preliminary results for the year to 31 March 2021 on Wednesday 26 May at 08:30am GMT. You can join the webcast by visiting www.sse.com and following the links on either the homepage or investor pages; or directly using https://edge.media-server.com/mmc/p/a26v2oiq. This will also be available as a teleconference, details below. Both facilities will be available to replay.

Confirmation Code:	**5858048**	
Location	**Phone Type**	**Phone Number**
United Kingdom	Toll free	0800 279 6619
United Kingdom, Local	Local	+44 (0) 2071 928338
United States, New York	Local	+1 646 741 3167
United States/Canada	Toll free	+1 877 870 9135

Online Information

News releases and announcements are made available on SSE's website at www.sse.com/investors and you can register for RNS news alerts using the following link: sse.com/investors/regulatory-news/regulatory-news-alerts/. You can also follow the latest news from SSE at www.twitter.com/sse.

STRATEGIC OVERVIEW

STRONG PERFORMANCE IN A UNIQUELY CHALLENGING YEAR

Despite exceptionally challenging conditions globally, we can reflect on a year in which we have delivered operationally while making significant progress in pursuit of our net zero-focused strategy.

Financial performance has not been immune to the effects of coronavirus, but we have demonstrated the resilience of our business with strong underlying performance and our strategy remains firmly on course. We have grown adjusted operating profit, while the considerable increase in reported operating profit underlines the extent to which we have been able to realise value for shareholders through the success of our disposals programme.

Thanks to the hard work and resilience of our highly skilled employees, we were able to play our part in the national pandemic effort and we did so without drawing on government support in the form of furlough or rates relief. Sustained commitment is only possible if employees are supported in their efforts and, with that in mind, we implemented measures to enable homeworking for non-operational staff and adopted a "flexible first" approach to help people balance radically altered work and home life patterns, including offering additional paid leave for those with caring responsibilities.

Through all this, keeping people safe was foremost in our minds and I'm delighted that our safety performance remained strong through the year with Total Recordable Injuries down from 55 to 47.

SIGNIFICANT STRATEGIC PROGRESS

We have a clear strategy to create value for shareholders and society by developing, building, operating and investing in the electricity infrastructure and businesses needed in the transition to net zero – and 2020/21 saw us deliver on each part of that strategy.

Our existing £7.5bn capital expenditure programme to 2025 is helping to drive the UK's decarbonisation effort while creating skilled green jobs and regenerating communities. Despite the disruption caused by coronavirus, our flagship projects in SSE Renewables, including the world's largest offshore wind farm at Dogger Bank, Scotland's largest and deepest offshore wind farm at Seagreen and one of Europe's largest onshore wind farms at Viking, are progressing well. We are currently leading construction of more offshore wind than anyone in the world and developments this year have underlined just how highly prized these assets and options are. Meanwhile, in networks, both our SSEN Transmission and SSEN Distribution businesses are well positioned to grow their asset values in their respective new price controls while delivering the significant system transformation demanded by net zero.

In June 2020, we set out plans to secure value from disposals of assets which are non-core either because we are not the principal operator, or because they are less aligned with the transition to net zero. This programme has been highly successful and exceeded expectations, with already agreed disposals expected to yield over £1.5bn in proceeds, of which over £1.4bn cash proceeds have been received to date. We expect there is more to come from the prospective sale of SGN. This has helped sharpen our focus on our low-carbon electricity core in renewables and networks, while releasing capital that can be deployed to create value from the other considerable growth opportunities available to us. Equally, we have also shown again this year that our approach to partnering, selling down equity stakes at appropriate times in the development cycle, can realise significant value for shareholders and enable us to generate further developer premiums from other projects.

DRIVING GROWTH THROUGH THE TRANSITION TO NET ZERO

Looking ahead, it is clear that the opportunities in front of us, across key parts of the energy value chain, are immense. We have set out a roadmap to trebling our renewable electricity output by 2030, and the value of the options we have has only increased in the context of recent seabed auction prices. We also have a clear aspiration to reach a run rate of at least 1GW of new renewables assets a year during the second half of the decade, as part of which we continue to seek options overseas.

Increasing renewables penetration will increase the value of flexibility and we have valuable options here too. If government support is forthcoming, Coire Glas could be the UK's first new pumped storage project in over 30 years and, at 1.5GW of capacity, could provide clean power to 3 million homes for up to 24 hours. Imperial College London has estimated that the equivalent of three Coire Glas schemes (4.5GW) would save up to £690m per year in system costs by 2050. And there are 4.8GW of projects across the UK. We also know that net zero will require other sources of large-scale, ultra-low carbon flexibility.

Decarbonisation of SSE's operations remains a priority. Thermal plant plays a key strategic role in balancing the system and efforts continue to repurpose the fleet for a net zero future. Emissions from our thermal plant were at their lowest level since records began and good progress is being made towards two key science-based targets to cut the carbon intensity of electricity generated by 60% and to cut scope 1 and scope 2 emissions by 40% between 2018 and 2030. This year's scope 1 emissions associated with thermal generation represented a 30% fall between 2018 and 2021. At the same time, our partnership with Equinor to develop plans for pioneering carbon capture and storage and hydrogen projects means we are well placed to deliver on government's ambition for these technologies too.

In networks, we see significant growth potential in Transmission over and above the T2 'base case' as Ofgem evaluates the additional connections and links that will be required to realise Scotland's renewables potential, while greater government ambition on the pace of the energy transition will only increase the importance of Distribution's role in delivering the required system transformation locally.

There is compelling strategic logic for the shape of the SSE Group. Renewables and Networks are key to enabling a net zero economy, have significant growth potential and, importantly, they fit together. With common skills and capabilities in the development, construction, financing and operation of world-class, highly technical electricity assets, there is a clear basis for them forming our low-carbon electricity core. We will only retain other businesses where they are highly complementary to that core and where they contribute to the transition to net zero. Thermal provides firm, flexible capacity to balance the variability of renewables. Our customers businesses provide a valuable route to market in both GB and the island of Ireland. Enterprise provides a platform for growth in the growing distributed energy market. Finally, the EPM division delivers commercial synergies and manages risk across all the market-based businesses.

CREATING VALUE FOR SHAREHOLDERS AND SOCIETY

In summary, in 2020/21 we have proven the underlying resilience of our business model, continued to simplify our business mix to sharpen our net zero focus and realise value, and developed highly attractive growth opportunities. With an improved debt position and a strong balance sheet underpinned by high quality assets, we have shown that through optimal capital allocation and a partnering approach we have the financial manoeuvrability to capitalise on opportunities to create ongoing value for shareholders and look forward updating our investment plans in November.

In doing so, we are also creating value for society. As a Principal Partner of COP26, we are supporting the UK Government's efforts to drive more urgent and ambitious climate action; as the first company in the world to publish a Just Transition Statement, we are focused on ensuring equitable social outcomes from the net zero transition; and through our investment programme we are building projects that will not only help tackle climate change but will create green jobs and revitalise communities along the way.

All of this means we are well positioned to continue creating value and powering change in 2021/22 – a pivotal year for our planet in the fight against climate change – and beyond.

Alistair Phillips-Davies
Chief Executive

GROUP FINANCIAL REVIEW – YEAR TO 31 MARCH 2021

This Group Financial Review sets out the financial performance of the SSE Group for the year ended 31 March 2021. See also the separate sections on **Group Financial Outlook 2021/22 and Beyond** and **Supplemental Financial Information**.

The definitions SSE uses for adjusted measures are consistently applied and are explained in the Alternative Performance Measures section of this document, before the Summary Financial Statements.

Key Financial Metrics	Adjusted		Reported	
	March 2021 £m	March 2020 £m	March 2021 £m	March 2020 £m
Operating profit	**1,506.5**	**1,488.4**	**2,743.5**	**963.4**
Net Finance costs	(441.6)	(465.0)	(227.1)	(375.8)
Profit before Tax	**1,064.9**	**1,023.4**	**2,516.4**	**587.6**
Current Tax charge	(107.8)	(114.2)	(224.3)	(121.5)
Effective current tax rate (%)	*10.1*	*11.2*	*9.4*	*20.7*
Profit after Tax on continuing operations	**957.1**	**909.2**	**2,292.1**	**466.1**
Profit / (Loss) after Tax on discontinued operations	**-**	**-**	**30.7**	**(478.6)**
Profit / (Loss) after Tax	**957.1**	**909.2**	**2,322.8**	**(12.5)**
Less: hybrid equity coupon payments	(46.6)	(46.5)	(46.6)	(46.5)
Profit / (Loss) after Tax attributable to ordinary shareholders *(1)*	**910.5**	**862.7**	**2,276.2**	**(59.0)**
(1) After distributions to hybrid capital holders				
EPS (pence)	**87.5**	**83.6**	**218.7**	**(5.7)**
Number of shares for basic/reported and adjusted EPS (million)	1,040.9	1,032.5	1,040.9	1,032.5
Shares in issue 31 March (million)	1,043.0	1,039.4	1,043.0	1,039.4

Dividend per Share	March 2021	March 2020
Interim Dividend (pence)	24.4	24.0
Final Dividend (pence)	56.6	56.0
Full Year Dividend (pence)	81.0	80.0

OPERATING PROFIT PERFORMANCE 2020/21

Business-by-business segmental	Adjusted		Reported	
	March 2021 £m	March 2020 £m	March 2021 £m	March 2020 £m
Operating profit/(loss)				
SSEN Transmission	220.9	218.1	220.9	218.1
SSEN Distribution	267.3	356.3	267.3	351.9
Electricity networks total	**488.2**	**574.4**	**488.2**	**570.0**
Investment in SGN	173.0	202.3	88.6	80.8
Economically-regulated networks total	**661.2**	**776.7**	**576.8**	**650.8**
SSE Renewables	**731.8**	**567.3**	**856.0**	**459.9**
Thermal Generation	160.5	152.7	775.3	15.5
Gas Storage	(5.7)	3.7	2.8	(1.4)
Thermal Energy Total	**154.8**	**156.4**	**778.1**	**14.1**
Business Energy (GB)	(24.0)	9.2	(3.9)	(18.5)
SSE Airtricity (NI and Ire)	44.0	48.8	50.0	42.8
Customer Solutions Total	**20.0**	**58.0**	**46.1**	**24.3**
Energy Portfolio Management	**18.4**	**(60.3)**	**608.5**	**(94.5)**
Enterprise	**(21.3)**	**8.1**	**(106.7)**	**(2.0)**
Corporate Unallocated	(58.4)	(17.8)	(15.3)	(89.2)
Total operating profit from continuing operations	**1,506.5**	**1,488.4**	**2,743.5**	**963.4**
Net finance costs	(441.6)	(465.0)	(227.1)	(375.8)
Profit before tax from continuing operations	**1,064.9**	**1,023.4**	**2,516.4**	**587.6**
Discontinued operations:				
Gas Production Assets	33.0	25.8	33.0	(265.5)
SSE Energy Services – sold Jan 2020	-	32.7	-	(205.0)
Total operating profit / (loss) from discontinued operations	**33.0**	**58.5**	**33.0**	**(470.5)**

In order to present the financial results and performance of the Group in a consistent and meaningful way, SSE applies a number of adjusted accounting measures throughout this financial report. These adjusted measures are used for internal management reporting purposes and are believed to present the underlying performance of the Group in the most useful manner for ordinary shareholders and other stakeholders.

The definitions SSE uses for adjusted measures are consistently applied and a reconciliation of adjusted operating profit by segment to reported operating profit by segment can be found in Note 6.2 to the Summary Financial Statements.

Segmental EBITDA results are included in Note 6.3 to the Summary Financial Statements.

IMPACT FROM CORONAVIRUS

Coronavirus has had a significant impact on every company operating in the UK and Ireland, but, relative to other companies, SSE has been resilient in the face of the pandemic and it has not prevented the Group from making progress on its strategy.

Correspondingly, in line with the expectations set out in the June 2020 Preliminary Full-Year Results, financial performance in the Group's Transmission, Renewables and Thermal businesses has not been significantly adversely impacted by coronavirus. However, as reported throughout the year, the pandemic has caused greater challenges for SSE's other businesses. The full-year impact on operating profit is estimated to be £170m, slightly below the estimate provided in SSE's March Notification of Closed Period and mainly due to better than expected demand in Distribution.

The adjusted financial metrics include the effect of coronavirus, with estimated adverse impacts for each business area as follows:

- In **SSEN Distribution**, operating profit has been reduced by approximately £40m, principally due to reduced DUoS revenue resulting from reduced customer demand although reduced connection activity also contributed. It is expected that around £34m of this decrease will be recoverable through tariff adjustments in 2022/23 under established regulatory arrangements in relation to uncollected DUoS revenue.
- In **SSE Business Energy**, operating profit has been impacted by approximately £80m due to a combination of reduced demand, increased bad debts and £24m of losses incurred on early settlement of excess commodity hedges with negative mark-to-market valuations.
- In **SSE Enterprise**, the Contracting and Rail and, to a lesser extent Telecoms, businesses have been impacted by approximately £40m due, primarily, to a reduced contracting order book and lower overall activity.
- In **SGN**, reduced activity has led to approximately a £5m share of unproductive costs.
- For **Corporate Unallocated**, incremental and unproductive costs incurred are estimated at £5m.

While the long-term economic implications from the coronavirus pandemic are still uncertain, SSE expects the ongoing impact to the Group from the pandemic to be restricted to the performance of SSE Business Energy and SSE Enterprise and it will therefore be assumed within normal business performance from 2021/22.

OPERATING PROFIT – INCLUDING CORONAVIRUS IMPACT

Adjusted and reported operating profit/losses in SSE's business segments for the 12 months to 31 March 2021 are as set out below; comparisons are with the same 12 months to 31 March 2020 unless otherwise stated.

SSEN Transmission: Adjusted and reported operating profit increased by 1% to £220.9m, compared to £218.1m, with increases in phasing of allowed revenue and increased connection activity being offset by increased operational costs and depreciation charges driven by the significant capital investment made in this business in recent years.

SSEN Distribution: Adjusted operating profit decreased by 25% to £267.3m, compared to £356.3m, mainly due to the reduction in volumes across non-domestic tariffs reflecting the impact of national and regional lockdowns but also due to reduced new connections activity and increased depreciation charges driven by prior year capital investment. In addition, phasing of changes in tariffs and volumes between reporting periods has meant an over-recovery of £37m in 2019/20 was replaced with a £28m net under-recovery in 2020/21. We have estimated that approximately £34m of this was coronavirus related and, under the established regulatory arrangements in relation to uncollected DUoS revenue, future tariffs will be adjusted for any historic over or under recoveries.

In the prior year, reported operating profit included a non-recurring £4.4m exceptional charge for restructuring expenses.

Investment in SGN: Adjusted operating profit decreased by 14% to £173.0m, compared to £202.3m, due to a combination of reduction in non-recurring commercial income from the disposal of surplus land, cost increases driven by changes in the charging methodology and reduced activity from coronavirus leading to higher unproductive costs being incurred.

The decreases to adjusted operating profit were largely offset by a £37.1m reduction in SSE's share of SGN interest, tax and IFRS 9 remeasurements. As a result, reported operating profit was £88.6m compared to £80.8m.

SSE Renewables: Adjusted operating profit increased by 29% to £731.8m, compared to £567.3m. 2020/21 includes developer profits totalling £226m resulting from the disposal of a 51% stake in the Seagreen offshore wind farm development on 3 June 2020 and a 10% stake in the Dogger Bank A and B offshore wind farm development on 26 February 2021. Excluding these, operating profit decreased due to a combination of the Walney disposal and adverse weather conditions reducing output by 10% on prior year, partially offset by higher plant availability and higher achieved power prices.

Reported operating profit was £856.0m compared to £459.9m. In addition to the factors outlined above, this reflects an exceptional gain resulting from the disposal of the Group's financial interest in the Walney offshore wind farm of £188.8m, and a fair value gain of £25.7m arising on revaluation of the retained 49% investment in the Seagreen offshore wind farm development. In addition, joint venture share of interest and tax charges decreased by £22.0m compared to the prior year.

Thermal Generation: Adjusted operating profit increased by 5% to £160.5m, compared to £152.7m. Strong operational performance in the year, combined with higher utilisation to stabilise the energy system in periods of low generation or high demand, and a £20.4m developer profit on the non-exceptional disposal of a 50% sale in Slough Multifuel on 2 April 2020 entirely offset the £51m of non-recurring GB Capacity Market reinstatement income received in the prior year.

Reported operating profit increased to £775.3m, compared to £15.5m, due to the above factors and in addition: an exceptional gain on disposal of £669.7m on the sale of Multifuel Energy; a fair value gain of £21.3m arising on revaluation of the retained 50% investment in Slough Multifuel; a £58.1m exceptional impairment charge recognised for Great Island CCGT plant following reductions in forward price curves and reductions in forecast electricity demand in Ireland; and a £112.3m net exceptional charge recognised in 2019/20 for Fiddlers Ferry coal station following the decision to close the plant in March 2020.

Gas Storage: An adjusted operating loss of £(5.7)m was recognised in the year, compared to an adjusted operating profit of £3.7m in the prior period. As with the prior year, this year's auction of storage capacity resulted in no contracted sales, with SSE therefore continuing to run the plant on a merchant basis. The adjusted operating loss recognised reflects market conditions during the year as well as higher levels of gas retained in storage over the year end.

Reported operating profit was £2.8m as a result of a £8.5m revaluation gain on gas held in storage at the period end to fair market price.

SSE Business Energy: Adjusted operating loss was £(24.0)m, compared to an adjusted operating profit of £9.2m in the prior year. As previously noted coronavirus reduced customers' demand for electricity and related services, increased the levels of bad debt and led to a loss of approximately £24m being incurred on early settlement of excess commodity hedges with negative mark-to-market valuations. This more than offset the underlying increase in profitability from improvements in margin discipline.

The reported operating loss was £(3.9)m, compared to £(18.5)m, due to the above factors and in addition a £20.1m release during 2020/21 from the £27.7m exceptional charge relating to bad debts arising from coronavirus that was previously recognised in 2019/20. Whilst the original charge reflected the Group's best estimate of the incremental bad debt exposure caused by the coronavirus pandemic at that date, higher cash collections in recovery of debt were achieved during the year largely due to government support schemes and other factors.

SSE Airtricity: Adjusted operating profit was £44.0m, compared to £48.8m, reflecting a delay in increasing tariffs despite increased non-commodity costs from October 2020 onwards.

Reported operating profit was £50.0m, compared to £42.8m, due to the above factors and also including the release in full of a £6.0m exceptional provision relating to bad debts arising from coronavirus that was previously recognised in 2019/20.

Energy Portfolio Management (EPM): Adjusted operating profit was £18.4m, compared to an adjusted operating loss of £(60.3)m. The 2019/20 result reflected the last of the losses related to gas positions closed out in 2018. As previously stated, EPM was expected to earn a small adjusted operating profit from 2020/21 onwards through service provision to those SSE businesses requiring access to the energy markets.

The adjusted and reported operating result for both the current and prior period includes the previously separately presented "Gas Production (continuing)" results. The associated hedges contributed a net £20.4m of income for EPM during the year and have now fully unwound.

Reported operating profit was £608.5m, compared to a reported operating loss of £(94.5)m, mainly due to a higher net remeasurement gain in the period on forward commodity contracts. This net remeasurement gain reflects settlement of previously out of the money commodity contracts and gains on unsettled forward commodity contracts, which were entered into during 2019/20 and 2020/21 in line with the Group's hedging approach, that will be settled predominantly within the next 12-18 months.

SSE Enterprise: Adjusted operating loss was £(21.3)m, compared to an adjusted operating profit of £8.1m, mainly reflecting the impact coronavirus has had on activity within the Contracting and Rail business in particular.

Reported operating loss in the year was £(106.7)m, compared to £(2.0)m in the prior year due to the factors above as well as an exceptional impairment charge of £51.2m relating to Contracting and Rail assets and liabilities following classification as held for sale and a £21.8m exceptional charge arising from the Group's investment in the Neos Networks Joint Venture (previously SSE Telecoms). These exceptional charges include impairment charges recognised within adjusted operating losses as part of SSE's Interim Results for the six months to 30 September 2020 as they did not meet SSE's exceptional item criteria at that time.

Corporate Unallocated: Adjusted operating loss of £(58.4)m, compared to £(17.8)m and reflecting a change in the recovery of corporate costs following the sale of SSE Energy Services on 15 January 2020 as well as a small impact from coronavirus.

Reported operating loss was £(15.3)m, compared to a loss of £(89.2)m. In the current year, an exceptional gain on disposal of £70.4m was recognised relating to MapleCo Meter Asset Provider offset by a further £24.2m charge from the disposal of SSE Energy Services from further IT separation costs and property impairments. In the prior year, exceptional charges recognised related to both the disposal of SSE Energy Services of £48.8m and exceptional IT write-offs and redundancy provisions totalling £41.2m.

Investment in Gas Production – held for sale (discontinued operations): The assets held for sale had a reported operating profit of £33.0m, compared to a loss of £(265.5)m, which is excluded from SSE's adjusted results. Revenue had significantly decreased as a result of lower gas prices in recent years; however, increases in gas prices in recent months have resulted in increased revenue during the year. However, the prior year reported result also included a £291.3m exceptional impairment to reduce the carrying value of the business to its expected recoverable value from disposal. As the business remains held for sale, depreciation has not been charged during 2020/21, compared to a depreciation charge of £31.1m recognised prior to held for sale classification in 2019/20.

ADJUSTED EARNINGS PER SHARE

ADJUSTED EARNINGS PER SHARE – INCLUDING CORONAVIRUS IMPACT

To monitor its financial performance over the medium term, SSE reports on its adjusted earnings per share measure. This measure is calculated by excluding the charge for deferred tax, interest costs on net pension liabilities, exceptional items, depreciation on fair value adjustments and the impact of certain remeasurements.

SSE's adjusted EPS measure provides an important and meaningful measure of underlying financial performance. In adjusting for depreciation on fair value adjustments, non-recurring joint venture refinancing costs, exceptional items and certain remeasurements, adjusted EPS reflects SSE's internal performance management, avoids the volatility associated with mark-to-market IFRS 9 remeasurements and means that items deemed to be exceptional due to their nature and scale do not distort the presentation of SSE's underlying results. For more detail on these and other adjusted items please refer to the Adjusted Performance Measures section of this statement.

In the year to 31 March 2021, SSE's adjusted earnings per share on continuing operations was 87.5p, after the negative impact on pre-tax operating profit from coronavirus estimated at £170m in the year to 31 March 2021 (or around 13 pence on adjusted EPS). This compares to 83.6p for the year to 31 March 2020 and reflects the developer profits recognised by SSE Renewables and reduction in the EPM-related losses offset by the impact from coronavirus as outlined above.

GROUP FINANCIAL OUTLOOK – 2021/22 AND BEYOND

KEY POINTS

- SSE remains committed to its five-year dividend plan to March 2023.
- SSE is not providing full guidance for 2021/22 at this stage but expects the ongoing impact to the Group from the coronavirus pandemic to be mainly restricted to the performance of Enterprise and Business Energy, where it will be assumed within normal business performance and no longer separately reported.
- Completion of the agreed disposals of non-core assets in SSE's Contracting and Rail business, and SSE's Gas Production assets, expected by the end of June 2021 and the end of this calendar year respectively.
- Expected to commence a disposal process for all of SSE's interest in SGN during mid-summer 2021, with the intention of having an agreed sale by the end of the calendar year.
- Capital expenditure and investment is expected to total around £2bn in 2021/22 (net of project finance development expenditure refunds)
- Continuing to target a ratio of net debt to EBITDA at the lower end of a 4.5 to 5 times range between 2021/22 and 2024/25.
- SSE remains committed to delivering its £7.5bn capital investment plan to 2025; indeed much of this is now contracted, but there is considerable potential for future growth above and beyond.
- As emerging opportunities in SSE's core businesses become clearer in the coming months, SSE expects to be able to provide an update on its capital investment plans in November.

MAINTAINING A STRONG BALANCE SHEET AND CREATING VALUE

SSE'S PROGRAMME TO SECURING VALUE FROM DISPOSALS OF NON-CORE ASSETS

Since 2014, SSE has undertaken a series of targeted disposals of non-core assets and businesses as part of its strategy to simplify the SSE Group; sharpen its focus on businesses supporting the transition to net zero emissions; recycle capital from mature assets; realise value from development and operation of assets; and establish partnerships to support investment in new assets. In total, since 2014, these have secured proceeds in excess of £4.9bn.

In June 2020, the Group announced a target to achieve disposal proceeds from non-core assets in excess of £2bn. Since this announcement, agreement has been reached to divest a number of non-core businesses and assets, which is expected to yield over £1.5bn of proceeds with over £1.4bn cash proceeds received to date. The following agreed disposals are expected to complete during the next financial year:

- SSE's Contracting and Rail business, with the sale process expected to be completed by the end of June 2021; and
- SSE's Gas Production assets, with the sale process expected to be completed by the end of this calendar year.

SGN is expected to be the next material disposal. Whilst the business has a stable foundation that is set to benefit from increased hydrogen usage in the future, it is a financial investment for SSE, run largely independently and the synergies with the Group's low-carbon electricity businesses are less clear. As SSE set out in its March Pre-Close Statement, it is planning to divest all of its interest in the business and it now expects to commence a formal sale process in mid-summer 2021 with the intention of having an agreed sale by the end of the calendar year. The market will be updated on the prospective sale in due course.

SSE'S £7.5BN CAPITAL INVESTMENT PLAN TO 2025

SSE is now in the second year of its £7.5bn capital investment plan to March 2025. During the year to 31 March 2021, SSE's investment and capital expenditure (net of project financing development expenditure refunds) totalled £912.0m. As indicated in SSE's interim results in November, this lower run rate is expected to reverse in 2021/22 when investment and capital expenditure (net of project financing development expenditure refunds) is expected to be around £2bn.

SSE remains committed to delivering its £7.5bn capital investment plan to 2025, indeed much of this is now contracted. Furthermore, the quality of SSE's net zero aligned assets and pipeline means there is considerable potential for future growth above and beyond this. For instance, the following are examples of potential opportunities not currently included in the £7.5bn plan:

- Three significant SSEN Transmission projects for which SSE plans to submit needs cases to Ofgem over the summer;
- Potential Transmission island links to Orkney and the Western Isles;
- SSE Renewables' opportunities to increase its pipeline of projects;
- Emerging options in Government-backed carbon capture and storage competitive processes; and
- SSE's distributed energy opportunities to invest in battery technology.

As these emerging opportunities become clearer in the coming months, SSE expects to be able to provide an update on its capital investment plans in November. SSE has repeatedly demonstrated through effective capital allocation and optimal capital recycling and partnering that it can take advantage of the opportunities it creates within its existing financial framework. With a wealth of assets and options, a strong financial position and strong credit rating, and the ability to partner strategically and financially, SSE has every confidence in its ability to continue to deliver on future opportunities.

SECURING VALUE FROM PARTNERING

As mentioned above, SSE continues to regard partnering capability as vital for the future and an important means of unlocking future opportunities in its core businesses. Through **SSE Renewables**, SSE will continue its established approach to partnering to capitalise on the significant development opportunities ahead related to net zero.

SSE is well placed to manage development risk but selling down stakes to retain typically 30-40% equity interest in a project and working with equity partners for construction, and/or operation brings a number of benefits: it allows SSE to secure developer premiums and realise value at the earliest opportunity; it reduces overall risk and financial exposure on large-scale projects; it avoids a large increase in net debt that is not earning; and it appeals to the different risk appetites of different partners at different stages of the project cycle.

The sale of a 10% equity stake in Dogger Bank A and B during 2020/21 showed the value SSE can create through partnering, bringing in just over £200m of cash proceeds and developer profits. It expects to progress with the sale of an equivalent equity stake in Dogger Bank C during the first half of 2021/22.

SSE has previously been clear that it would also consider, in time, extending a partnering approach potentially through sales of equity stakes in its core **SSEN Transmission** and **SSEN Distribution** businesses, should it consider that the released capital could facilitate the realisation of greater growth opportunities across its core businesses. Any sales would be of minority stakes, enabling SSE to retain the lead role in relation to governance and also operational control, but would only be pursued if deemed to be in the interests of customers, the electricity system as a whole, and shareholders to do so.

DIVIDEND

DIVIDEND PLAN

SSE's first financial objective has always been to remunerate shareholders for their investment through the payment of dividends.

Overall, financial performance in the year was in line with the Board's expectations and, on that basis, SSE is recommending a full-year dividend of 81.0p representing an average annual RPI rate of 1.2%.

SSE continues to target RPI increases in the next two financial years, measured against the average annual rate of RPI inflation, as set out in its 2023 dividend plan.

Longer term, SSE continues to believe that the core businesses of the SSE Group provide a good foundation to support dividends to shareholders. They will therefore underpin SSE's ability to create value for shareholders over the long term.

SCRIP DIVIDEND SCHEME

The scrip dividend uptake during 2020/21 was:

- 4% for the 2019/20 final dividend;
- 5% for the 2020/21 interim dividend; and
- The interim and final scrip take-up resulted in a £39.0m saving in dividend payments.

In June 2020, SSE confirmed that it would not buy back shares even if uptake of the Scrip Dividend exceeds 20% and this remains unchanged.

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SUPPLEMENTAL FINANCIAL INFORMATION

INVESTMENT AND CAPITAL EXPENDITURE

Adjusted Investment and Capex Summary	March 2021 Share %	March 2021 £m	March 2020 £m
SSEN Transmission	33%	435.2	329.0
SSEN Distribution	26%	350.8	364.9
Electricity networks total	**59%**	**786.0**	**693.9**
SSE Renewables	**22%**	**294.3**	**342.7**
Thermal Generation	8%	106.5	177.0
Gas Storage	-	1.9	0.2
Thermal Energy Total	**8%**	**108.4**	**177.2**
Customer Solutions	2%	31.2	0.3
Energy Portfolio Management	-	2.1	-
Enterprise	5%	66.0	57.4
Corporate Unallocated	2%	25.8	85.9
Gas Production	2%	26.8	-
Adjusted investment and capital expenditure, before refunds	**100%**	**1,340.6**	**1,357.5**
Project finance development expenditure refunds		(428.6)	-
Adjusted investment and capital expenditure		**912.0**	**1,357.5**

PROGRESS OF CAPITAL EXPENDITURE PROGRAMME

During the year to 31 March 2021, SSE's investment and capital expenditure (before project finance development expenditure refunds) totalled £1,340.6m, including £1,080.3m of investment in SSE's core renewable energy and regulated networks businesses both of which are fundamental to delivery of net zero.

Total investment and capital expenditure in the year included the following:

- Further significant investment in **electricity networks** totalling £786.0m, or 59% of SSE's total investment and capital expenditure:
  - **SSEN Transmission** continued to make excellent progress on its capital investment programme, despite the impact of the coronavirus pandemic. Significant projects completed in the year including completion of several load related schemes to upgrade the network, as well as the replacement of the Inveraray to Crossaig transmission line in Argyll. Good progress also continues to be made on the Shetland HVDC link, which remains on track for energisation in 2024.
  - **SSEN Distribution** continued its major capital investment programme across both of its networks, delivering significant improvements for customers and increasing the Regulated Asset Value (RAV). The business successfully completed major upgrades to its network including a refurbishment programme of equipment spanning 58km of overhead network in Wiltshire and Hampshire.
- The construction of SSE's flagship **renewable energy** projects continues to progress at pace, with investment during the period totalling £294.3m across a number of projects including:
  - Onshore construction of Phases A and B of Dogger Bank, the world's largest offshore wind farm;

- Construction of the onshore substation and installation of the onshore cable for Seagreen, Scotland's largest wind farm and the world's deepest tethered project;
  - Commencing construction on Viking, which will be among the highest-yielding onshore wind farms in Europe; and
  - Other onshore projects such as Lenalea in Ireland and Gordonbush extension.
- SSE's flexible thermal fleet has continued to demonstrate its value in the transition to a renewables-led, net zero energy system and investment in **thermal generation** amounted to £106.5m, covering Keadby 2, which is on track to be fully commissioned in 2022, and Slough Multifuel projects.

SSE'S HEDGING POSITION AT 31 MARCH 2021

SSE has an established approach to hedging through which it generally seeks to reduce its broad exposure to commodity price variation in relation to electricity generation and supply at least 12 months in advance of delivery. As market conditions change, SSE may require to vary its hedging approach to take account of any resultant new or additional exposures. SSE will continue to provide a summary of its current hedging approach, including details of any changes in the period, within its Interim and Full-year Results Statements.

A summary of the hedging approach for each of SSE's market-based businesses at 31 March 2021 is set out below.

SSE Renewables – GB wind and hydro hedging position:

Since March 2019, as part of its Full-year and Interim Results, SSE has reported the hedge position in relation to its GB Wind and Hydro generation. The following table provides an update at 31 March 2021.

		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Wind	Expected volume – TWh	4.5	4.5	4.5	4.2	5.3	6.8
	Volume hedged - %	100%	100%	100%	85%	60%	19%
	Hedge price - £MWh	£39	£39	£46	£48	£49	£47
Hydro	Expected volume – TWh	3.4	3.5	3.4	3.6	3.6	3.7
	Volume hedged - %	100%	100%	100%	83%	56%	17%
	Hedge price - £/MWh	£39	£43	£48	£50	£49	£48

For comparison purposes, for years up to and including 2020/21, volumes are based on average expected output, and the contracted hedge price is at the beginning of each financial year. The table excludes additional volumes and income for BM activity, ROCs, ancillary services, pre-commissioning, capacity mechanism and shape variations. It also excludes volumes and income relating to Irish wind output, pumped storage and CfDs.

SSE's established approach to hedging seeks to account for the effect of the 'wind capture price' by targeting a hedge of less than 100% of its anticipated wind energy output for the coming 12 months. Historically this target was set at 85%. Following an assessment of the latest market conditions and wind capture percentages for the relevant wind assets the targeted hedge percentage will now be least 90% across the year and will be adjusted as necessary going forward to reflect the changes in future market and wind capture information.

To date, target hedge levels have been achieved solely through the forward sale of electricity. Future target hedge levels will be achieved through the forward sale of either electricity, or gas and carbon equivalent (if converted to electricity). This approach aims to reduce the exposure of these wind assets to volatile spot power market outcomes whilst still providing a hedge for the vast majority of the anticipated energy and carbon commodity price exposure 12 months in advance of delivery. This updated approach will be introduced for incremental volumes as they naturally come into the hedging window, i.e. historic hedge positions will not be unwound.

The approach to hedging hydro energy output remains unchanged at approximately 85% of its anticipated energy output for the coming 12 months.

UK Business Energy: The business supplies electricity and gas to business and public sector customers. Sales to contract customers are 100% hedged: at point of sale for fixed contract customers; upon instruction for flexi contract customers; and on a rolling hedge for tariff customers.

Business Energy's sales demand volumes have been impacted by the economic uncertainty created by the coronavirus lockdown. The extent to which this will impact customers' consumption in the medium term remains uncertain. To reflect this Business Energy has adopted a more dynamic forecasting approach with an adjustment to hedging volumes as nearer term economic and consumption signals become clearer.

GB Thermal: In the six months prior to delivery, SSE aims to hedge all of the expected output of its CCGT assets, having progressively established this hedge over the preceding 24 months. Hedging activity depends on the availability of sufficient market depth and liquidity, which can be limited, particularly for periods further into the future. As stated in its Q3 Trading Update on 2 February 2021, due to the uncertainty surrounding UK carbon pricing, SSE temporarily suspended forward hedging of the expected generation profiles of its CCGTs in GB. SSE will continue to monitor market developments, in particular developments surrounding UK carbon pricing, and will adjust its hedging approach to take account of any resultant change in exposures.

Gas Storage: The annual auction to offer gas storage capacity contracts from Atwick, held in April 2021, resulted in no third-party contracts being secured. As such the assets are being commercially operated and the business continues to manage its exposure to changes in the spread between summer and winter prices, market volatility and plant availability.

Gas Production: As the E&P business remains held for sale on an unhedged basis, no forward hedge activity is currently being undertaken for the likely production profiles of the business.

Energy Portfolio Management (EPM): EPM provides the route to market and manages the execution for all of SSE's commodity trading outlined above (spark spread, power, gas, and carbon). This includes managing market conditions and liquidity and reporting and monitoring net Group exposures. The business operates under strict position limits and VAR controls. There is some scope for small position-taking to permit EPM to manage around liquidity and shape but this is contained within a VAR limit of £2m.

Ireland: Vertical integration of the generation and customer businesses in Ireland limits the Group's commodity exposure in that market.

SUMMARISING MOVEMENTS ON EXCEPTIONAL ITEMS AND CERTAIN REMEASUREMENTS

EXCEPTIONAL ITEMS

In the year to 31 March 2021, SSE recognised a net exceptional gain of £850.3m before tax. The following table provides a summary of the key components making up the net gain position:

Exceptional Gain / (Charges)	Total £m
Disposals of non-core assets:	
Walney offshore wind farm	188.7
MapleCo meter asset provider	70.4
Multifuel Energy	669.9
Gas Production assets	-
Contracting & Rail business	(51.2)
	877.8
Fair value uplifts on loss of control:	
Seagreen offshore wind farm	25.7
Slough Multifuel	21.3
	47.0
Impairments and other exceptional (charges) / credits	
Thermal (Great Island) Plant Impairment	(58.1)
SSE Energy Services disposal costs	(24.2)
Neos Networks (formerly SSE Telecommunications) adjustment to consideration	(21.8)
Other historic true-up credits	3.5
	(100.6)
Coronavirus impact:	
Customer Solutions reversal of bad debt provisions	26.1
Total exceptional items	**850.3**

Notes:

- *The definition of exceptional items can be found in Note 4.2 of the Summary Financial Statements.*
- *Non-core assets are defined as being assets in which SSE is not the principal operator or are less aligned with the transition to net-zero emissions.*
- *In addition to the exceptional fair value uplifts on loss of control noted above were developer profits on disposal of stakes in Dogger Bank offshore windfarm development (£202.8), Seagreen offshore windfarm development (£23.3m) and Slough Multifuel (£20.4m).*

As part of the Group's strategy to secure value from disposals of non-core assets, the Group recorded a net exceptional gain of £877.8m in the year from completed disposals and recognition of impairment charges on businesses classified as held for sale. The final exceptional result on sale of the Gas Production assets and the Contracting and Rail business will be recognised following completion during the 2021/22 financial year.

For a full description of exceptional items, see Note 7 of the Summary Financial Statements.

OPERATING DERIVATIVES

SSE enters into forward purchase contracts (for power, gas and other commodities) to meet the future demands of its energy supply businesses and to optimise the value of its generation assets. Some of these contracts are determined to be derivative financial instruments under IFRS 9 and as such require to be recorded at their fair value as at the date of the financial statements.

SSE shows the change in the fair value of these forward contracts separately as this mark-to-market movement does not reflect the realised operating performance of the businesses. The underlying value of these contracts is recognised as the relevant commodity is delivered, which for the large majority of the position at 31 March 2021 is expected to be within the next 12-18 months.

The balance sheet movement in the operating derivative mark-to-market valuation was a £590.1m increase from a net "out-of-the-money" position into a net "in-the-money" position. This movement consisted of:

- Settlement during the year of £161.0m of previously "out-of-the-money" contracts in line with the contracted delivery periods; and
- Mark-to-market gains of £429.1m on unsettled contracts entered into during the course of 2019/20 and 2020/21 in line with the Group's stated hedging policy. These mark-to-market gains reflect the volatility in commodity markets during the year due to coronavirus and weather conditions impacting gas prices in particular.

COMMODITY STOCKS HELD AT FAIR VALUE

Gas inventory purchased by the Gas Storage business for secondary trading opportunities is held at fair value with reference to the forward month market price. The £8.5m positive movement in the year arose from increases in both the volume and the fair value of gas held over historic cost at the year end.

FINANCING DERIVATIVES

In addition to the positive movements above, a positive movement of £55.6m was recognised on financing derivatives in the year to 31 March 2021, including SSE's share of joint venture financing derivative remeasurements. These gains are predominately due to higher interest rates on cross currency swaps and interest rate swaps, offset by the impact of stronger Sterling against the Dollar and Euro on cross currency swaps linked to Eurobonds, Hybrids and US private placement debt.

These remeasurements are presented separately as they do not represent underlying business performance in the period. The result on financing derivatives will be recognised in adjusted profit before tax when the derivatives are settled.

REPORTED PROFIT BEFORE TAX AND EARNINGS PER SHARE

Taking all of the above into account, reported results for the year to 31 March 2021 are significantly higher than the previous year. In addition to the £850.3m pre-tax exceptional gains and the £654.2m cumulative gain on fair value remeasurements noted above, reported results also reflect depreciation and amortisation expenses on historic fair value uplifts of £(20.6)m, interest on net pension assets/(liabilities) of £11.0m and the Group's share of joint ventures and associates' tax of £(44.5)m.

Reported results in the prior year reflected pre-tax exceptional charges of £738.7m both in relation to the reshaping of SSE, with the sale of SSE Energy Services and the closure of Fiddlers Ferry coal-fired power station, and a deterioration in market conditions. These are explained in more detail in Note 7 of the Summary Financial Statements.

FINANCIAL MANAGEMENT AND BALANCE SHEET

Debt metrics	March 21 £m	September 20 £m	March 20 £m
Net Debt/EBITDA*	**4.6**	**N/A**	**5.7**
Adjusted net debt and hybrid capital (£m)	**(8,898.9)**	**(10,622.1)**	**(10,465.9)**
Average debt maturity (years)	7.4	6.9	6.5
Adjusted interest cover (excluding SGN) times	3.5	1.5	3.3
Adjusted interest cover (including SGN) times	3.4	1.7	3.2
Average interest rate for the period (excluding JV/assoc. interest and all hybrid coupon payments)	3.12%	3.15%	3.18%
Average cost of debt at period end (including all hybrid coupon payments)	3.75%	3.58%	3.51%

** Note: Net debt represents the group adjusted net debt and hybrid capital. EBITDA represents the group adjusted EBITDA, less £311.8m (Mar 20 - £340.1m) for the proportion of adjusted EBITDA from equity-accounted Joint Ventures relating to off-balance sheet debt.*

Net finance costs reconciliation	March 21 £m	March 20 £m
Adjusted net finance costs	**441.6**	**465.0**
Add/(less):		
Lease interest charges	(35.3)	(37.6)
Notional interest arising on discounted provisions	(3.8)	(9.2)
Hybrid equity coupon payment	46.6	46.5
Adjusted finance costs for interest cover calculation	449.1	464.7

SSE Principal Sources of debt funding	March 21	September 20	March 20
Bonds	58%	51%	48%
Hybrid debt and equity securities	24%	23%	21%
European investment bank loans	8%	11%	12%
US private placement	8%	8%	8%
Index –linked debt & short-term funding	2%	7%	11%
% of total SSE borrowings secured at a fixed rate	98%	93%	87%

Rating Agency	Rating	Criteria	Date of Issue
Moody's	Baa1 'negative outlook'	'Low teens' Retained Cash Flow/Net Debt	September 2020
Standard and Poor's	BBB+ 'outlook stable'	About 18% Funds From Operations/Net Debt	September 2020

MAINTAINING A STRONG BALANCE SHEET

While there may be short-term fluctuations, a key objective of SSE's approach to managing cash outflow and securing value and proceeds from disposals is its target of a net debt/EBITDA ratio at the lower end of a range of 4.5 – 5 times across the four years to 31 March 2025.

As well as promoting the long-term success of the Company, this approach is also designed to ensure that SSE maintains credit rating ratios (Retained Cash Flow (RCF)/Net Debt and Funds From Operations (FFO)/Net Debt) that are comparable with private sector utilities across Europe and comfortably above those required for an investment grade credit rating.

SSE's S&P credit rating remains at BBB+ 'stable outlook' and its Moody's rating remains at Baa1, albeit on negative outlook, following review in September 2020.

ADJUSTED NET DEBT AND HYBRID CAPITAL

SSE's adjusted net debt and hybrid capital was £8.9bn at 31 March 2021, down from £10.5bn at 31 March 2020, reflecting the ongoing disposal programme and debt revaluation adjustments partially offset by the ongoing capital investment programme and working capital movements including the impact from coronavirus.

The Group accessed the debt and hybrid capital markets three times during the year issuing c.£2.5bn of debt over six tranches.

DEBT SUMMARY AS AT 31 MARCH 2021

In April 2020 SSE plc issued a €1.1bn (£970m) 5-year and 10-year dual tranche Eurobond with €600m (£531m) maturing in 2025 and €500m (£443m) maturing in 2030 with coupons of 1.25% and 1.75% respectively. Both tranches were swapped back to fixed Sterling resulting in an all-in funding cost of 2.43% for the 5-year tranche and 2.89% for the 10-year tranche.

In March 2021, SSEN Transmission issued a new £500m dual tranche green bond, in the form of a 7-year bond with a coupon of 1.50% and a 15-year bond with a coupon of 2.125%. This was SSE's fourth green bond in five years and reaffirmed its status as the largest issuer of green bonds in the FTSE 100. At the same time, SSE set out a new framework for issuing innovative sustainability-linked bonds in the future.

Date	Issuer	Debt Type	Term	Value	Coupon (€)	All in Funding Cost
Apr 2020	SSE plc	Eurobond	5yr	€600m (£531m)	1.25%	2.43%
Apr 2020	SSE plc	Eurobond	10yr	€500m (£443m)	1.75%	2.89%
Mar 2021	SHET plc	Eurobond	7yr	£250m	1.50%	1.50%
Mar 2021	SHET plc	Eurobond	15yr	£250m	2.125%	2.125%

The debt revaluation adjustment of £3.2m as at 31 March 2021, down from £276.8m at 31 March 2020, relates to mark-to-market movements on cross-currency swaps and floating rate swaps that are classed as hedges under IAS39. The hedges ensure that any movement in the value of net debt is predominately offset by a movement in the derivative position. The debt revaluation decrease at March 2021 was primarily driven by stronger Sterling against the Euro and Dollar.

In addition to the hybrid bond called in April 2021 as outlined below, £450m of debt will mature in September 2021 with a further £415m maturing in February 2022.

HYBRID BONDS SUMMARY AS AT 31 MARCH 2021

Hybrid bonds are a valuable part of SSE's capital structure, helping to diversify SSE's investor base and most importantly to support credit rating ratios, with their 50% equity treatment by the rating agencies being positive for SSE's credit metrics.

In July 2020, SSE issued a dual tranche equity accounted hybrid bond intended to replace the hybrids issued in 2015 (at an all-in rate of 4.02%), which have issuer first call dates of 10 September 2020 (£750m) and 1 April 2021 (€600m). This dual tranche issue comprises a perpetual non-call 5.75-year note at £600m with a coupon of 3.74%; and a perpetual non-call 7.0-year note at €500m with a coupon of 3.125%. The €500m tranche has been partly swapped back to Sterling, resulting in an all-in funding cost for both tranches to SSE of just under 3.8% per annum.

A summary of SSE's Hybrid Bonds as at 31 March 2021 can be found below:

Issued	Hybrid Bond Value*	All in rate	First Call Date	Accounting Treatment
March 2015	€600m (£440m)	4.04%	April 2021	Equity accounted
March 2017	£300m	3.73%	September 2022	Debt accounted
March 2017	$900m (£749m)	2.72%	September 2022	Debt accounted
July 2020	£600m	3.74%	Apr 2026	Equity accounted
July 2020	€500m (£454m)	3.68%	July 2027	Equity accounted

Note: Sterling equivalents shown reflect the fixed exchange rate where proceeds have been swapped to Sterling and where proceeds remain in Euros the Sterling equivalent is revalued each period

Further details on each hybrid bond can be found in Notes 13 & 14 to the Summary Financial Statements and a table noting the amounts, timing and accounting treatment of coupon payments is shown below:

Hybrid coupon payments	2021/22		2020/21	
	HYe	FYe	HYa	FYa
Total equity (cash) accounted *	£51m	£51m	£47m	£47m
Total debt (accrual) accounted	£15m	£31m	£15m	£30m
Total hybrid coupon	**£67m**	**£82m**	**£62m**	**£77m**

**Note: The first coupon payments on the new Hybrid bonds, issued in July 2020, fall in April 2021 for the £600m Hybrid and July 2021 for the €500m Hybrid.*

SSE's March 2015 and July 2020 hybrid bonds are perpetual instruments and are therefore accounted for as part of equity within the Financial Statements but, as in previous years, have been included within SSE's 'Adjusted net debt and hybrid capital' to aid comparability. The remaining March 2017 hybrid bonds have a fixed redemption date and are therefore debt accounted and included within Loans and Other Borrowings; as such they are already part of SSE's adjusted net debt and hybrid capital.

The coupon payments relating to the equity accounted hybrid bonds are presented as distributions to other equity holders and are reflected within adjusted earnings per share when paid. The coupon payments on the debt accounted hybrid bonds are treated as finance costs under IFRS 9.

In accordance with the first call date noted above, the €600m (£440m) March 2015 Hybrid Bond was called and redeemed in April 2021.

MANAGING NET FINANCE COSTS

SSE's adjusted net finance costs – including interest on debt accounted hybrid bonds but not equity accounted hybrid bonds – were £441.6m in the year to 31 March 2021, compared to £465.0m in the previous year reflecting the full year impact of interest on the £100m loan note issued as part of the SSE Energy Services disposal in January 2020.

Reported net finance costs were £227.1m compared to £375.8m, reflecting a £138.6m year-on-year change in the mark-to-market revaluation of financing derivatives held at fair value.

SUMMARISING CASH AND CASH EQUIVALENTS

At 31 March 2021, SSE's adjusted net debt included cash and cash equivalents of £1.6bn, up from £0.2bn at March 2020 reflecting proceeds from disposals received prior to 31 March 2021 and the issuance of the £500m dual tranche green bond in March 2021. This strong cash position will allow SSE to meet its near term debt repayment and capital investment needs as set out above.

As the fair value of forward commodity contracts has moved from an "out of the money" position in the prior year to an "in the money" position in the current year, the related collateral required has similarly unwound. At 31 March 2021, £37.1m of cash was held as collateral from third parties on these "in the money" contracts, compared to £256.4m of cash provided as collateral to third parties in the prior year.

REVOLVING CREDIT FACILITY

SSE has £1.5bn of committed bank facilities in place to ensure the Group has sufficient liquidity to allow day-to -day operations and investment programmes to continue in the event of disruption to Capital Markets preventing SSE from issuing new debt for a period of time. These facilities, noting any options to extend, are set out in the table below.

Date	Issuer	Debt type	Term	Value
Mar 19	SSE plc	Syndicated Revolving Credit Facility with 10 Relationship Banks	2026	£1.3bn
Oct 19	SSE plc	Revolving Credit Facility with Bank of China	2025 (option to extend to 2026)	£200m

The facilities can also be utilised to cover short-term funding requirements; however, they remain undrawn for most of the time and at 31 March 2021 they were both undrawn.

Both facilities are classified as sustainable facilities with interest rate and fees paid dependant on SSE's performance in environmental, social and governance matters, as assessed independently by Vigeo Eiris.

MAINTAINING A PRUDENT TREASURY POLICY

SSE's treasury policy is designed to be prudent and flexible. In line with that, cash from operations is first used to finance regulatory and maintenance capital expenditure and then dividend payments, with investment and capital expenditure for growth generally financed by a combination of cash from operations, bank borrowings and bond issuance. In 2020/21 growth was also financed by disposal proceeds.

As a matter of policy, a minimum of 50% of SSE's debt is subject to fixed rates of interest. Within this policy framework, SSE borrows as required on different interest bases, with financial instruments being used to achieve the desired out-turn interest rate profile. At 31 March 2021, 98% of SSE's borrowings were at fixed rates.

Borrowings are mainly in Sterling and Euros to reflect the underlying currency denomination of assets and cash flows within SSE. All other foreign currency borrowings are swapped back into either Sterling or Euros.

Transactional foreign exchange risk arises in respect of procurement contracts, fuel and carbon purchasing, commodity hedging and energy portfolio management operations, and long-term service agreements for plant.

SSE's policy is to hedge any material transactional foreign exchange risks through the use of forward currency purchases and/or financial instruments. Translational foreign exchange risk arises in respect of overseas investments; hedging in respect of such exposures is determined as appropriate to the circumstances on a case-by-case basis.

ENSURING A STRONG DEBT STRUCTURE THROUGH MEDIUM- AND LONG-TERM BORROWINGS

The ability to raise funds at competitive rates is fundamental to investment. SSE's fundraising over the past five years, including senior bonds, hybrid capital and term loans, now totals £7.7bn (including over £2.5bn of debt and hybrid capital raised in the financial year to 31 March 2021) and SSE's objective is to maintain a reasonable range of debt maturities. Its average debt maturity, excluding hybrid securities, at 31 March 2021 was 7.4 years, up from 6.5 years at 31 March 2020. This reflects SSE's recent debt issuance which has replaced maturing debt. SSE's average cost of debt is now 3.75%, compared to 3.51% at 31 March 2020.

GOING CONCERN

The Directors regularly review the Group's funding structure and have assessed that the Summary Financial Statements should be prepared on a going concern basis.

In making their assessment the Directors have considered sensitivities on the forecast future cashflows of the Group for the period to 31 December 2022 resulting from the coronavirus pandemic; the Group's credit rating; the success of the Group's disposal programme through 2020/21; and the successful issuance of £2.5bn of medium to long term debt and hybrid equity during the year. In line with expectations in June, the impact from coronavirus on SSE is mitigated by its robust business model and the nature and quality of its asset base. As such, there has been minimal adverse impact on the financial performance of the Group's transmission, renewables and thermal businesses, with the coronavirus impact limited to the Group's other businesses.

The Directors have also assessed that the Group remains able to access Capital Markets, despite a period of disruption due to coronavirus, as demonstrated by the £2.5bn of debt issued over the last 12 months via the dual tranche Euro bond issuance in April 2020, the dual tranche hybrid issuance in July 2020 and the dual tranche green bond issuance in March 2021. There is also an expectation of future available liquidity in the commercial paper market in addition to the Group's existing liquidity with £1.5bn of undrawn committed borrowing facilities.

SSE'S PRINCIPAL JOINT VENTURES AND ASSOCIATES

SSE's financial results include contributions from equity interests in joint ventures ("JVs") and associates, all of which are equity accounted. The details of the most significant of these are included in the table below. This table also highlights SSE's share of off-balance sheet debt associated with its equity interests in JVs, which, including SGN, is under £3.4bn as at 31 March 2021.

SSE principal JVs and associates	Asset type	SSE holding	SSE share of external debt as at 31 March 2021	SSE Shareholder loans as at 31 March 2021
Seabank Power Ltd	1,234MW CCGT	50%	No external debt	No loans outstanding
Marchwood Power Ltd	920MW CCGT	50%	No external debt	£47m
Clyde Windfarm (Scotland) Ltd	522MW onshore wind farm	50.1%	No external debt	£127m
Dogger Bank A Wind Farm	Up to 1,200MW offshore wind farm.	40%	£291m	Project financed
Dogger Bank B Wind Farm	Up to 1,200MW offshore wind farm.	40%	£118m	Project financed
Dogger Bank C Wind Farm	Up to 1,200MW offshore wind farm.	50%	No external debt	£27m
Seagreen Windfarm Ltd	1,075MW offshore wind farm	49%	£504m	£4m
Seagreen 1a Ltd	Offshore wind farm extension	50%	No external debt	£1m
Lenalea Wind Energy Ltd	30MW of onshore windfarm	50%	No external debt	£1m
Scotia Gas Networks Ltd	Gas distribution network	33.3%	£1,489m	£119m
Beatrice Offshore Windfarm Ltd	588MW offshore wind farm	40%	£919m	Project financed
Cloosh Valley Wind Farm	105MW onshore windfarm (part of Galway Wind Park)	25%	£28m	Project financed
Neos Networks Ltd	Private telecoms network	50%	No external debt	£61m
Slough Multifuels Ltd	50MW energy-from-waste facility	50%	No external debt	£28m
Stronelairg Windfarm Ltd	228MW onshore wind farm	50.1%	No external debt	£88m
Dunmaglass Windfarm Ltd	94MW onshore windfarm	50.1%	No external debt	£47m

Notes:

1. *Greater Gabbard, a 504MW offshore windfarm (SSE share 50%) is proportionally consolidated and is reported as a Joint Operation with no loans outstanding.*
2. *Slough Multifuels Ltd has been included for the first time at 31 March 2021, due to loss of control following divestment of a 50% stake on 2 April 2020.*
3. *Seagreen Windfarm Ltd has been included for the first time at 31 March 2021, due to loss of control following divestment of a 51% stake on 3 June 2020.*

TAXATION

SSE is one of the UK's biggest taxpayers, and in the PwC survey published in December 2020 was ranked 16th out of the 100 Group of Companies in 2020 in terms of taxes borne (those which represent a cost to the company, and which are reflected in its financial results).

SSE considers being a responsible taxpayer a core element of its social contract with the societies in which it operates. SSE seeks to pay the right amount of tax on its profits, in the right place, at the right time, and was the first FTSE 100 company to be awarded the Fair Tax Mark. While SSE has an obligation to its shareholders, customers and other stakeholders to efficiently manage its total tax liability, it does not seek to use the tax system in a way it does not consider it was meant to operate, or use "tax havens" to reduce its tax liabilities.

SSE understands it has a social contract. This means it has an obligation to the society in which it operates, and from which it benefits – for example, tax receipts are vital for the public services SSE relies upon. Therefore, SSE's tax policy is to operate within both the letter and spirit of the law at all times.

In November 2020, SSE published 'Talking Tax 2020: Proud to pay our part'. It did this because it believes building trust with stakeholders on issues relating to tax is important to the long-term sustainability of the business.

In the year to 31 March 2021, SSE paid £379.0m of taxes on profits, property taxes, environmental taxes, and employment taxes in the UK, compared with £421.6m in the previous year. The reduction in total taxes paid in 2020/21 compared with the previous year was primarily due to:

- Fewer corporation tax payments made in the current year, as the UK Government changed the phasing of quarterly tax payments in the previous year;
- Lower Climate Change Levy being paid as a result of lower levels of carbon emissions; and
- Lower employment tax being paid as a result of the sale of the Energy Services Group to OVO in January 2020, and corresponding reduction in headcount.

In 2020/21 SSE also paid €20.4m of taxes in Ireland, compared to €18.1m the previous year. Ireland is the only country outside the UK in which it has any trading operations.

As with other key financial indicators, SSE's focus is on adjusted profit before tax and, in line with that, SSE believes that the adjusted current tax charge on that profit is the tax measure that best reflects underlying performance. SSE's adjusted current tax rate, based on adjusted profit before tax, was 10.1%, compared with 11.2% in 2019/20 on the same basis. The reduction in adjusted current tax rate year-on-year was primarily as a result of an increase in the level of non-taxable developer profits made on the sale of shares.

PENSIONS

Contributing to employees' pension schemes – IAS 19	March 21	September 20	March 20
Pension scheme asset recognised in the balance sheet before deferred tax £m	543.1	528.5	534.2
Pension scheme liability recognised in the balance sheet before deferred tax £m	(186.1)	(382.0)	(192.5)
Net pension scheme asset recognised in the balance sheet before deferred tax £m	**357.0**	**146.5**	**341.7**
Employer cash contributions Scottish Hydro Electric scheme £m	1.1	0.5	5.8
Employer cash contributions Southern Electric scheme £m	55.2	27.4	66.5
Deficit repair contribution included above £m	37.9	17.7	42.6

In the year to 31 March 2021, the surplus across SSE's two pension schemes increased by £15.3m, from £341.7m to £357.0m, primarily due to contributions made to the schemes offset by current service costs. At 30 September 2020, there was a large decline in the valuation of the Southern Electric Pension Scheme ('SEPS') due to market volatility and changing financial assumptions associated with coronavirus. By 31 March 2021 the scheme had recovered from the market volatility, reducing the net deficit on SEPS by £15.0m compared to prior year.

The Scottish Hydro Electric Pension Scheme ('SHEPS') has insured against volatility in its deferred and pensioner members through the purchase of 'buy-in' contracts meaning that the Group only retains exposure to volatility in active employees. During the year the SHEPS surplus increased by £8.9m.

Additional information on employee pension schemes can be found in Note 15 to the Summary Financial Statements.

BUSINESS UNIT OPERATING REVIEW

SSE's strategy of developing, building, operating and investing in the electricity infrastructure and businesses needed in the transition to net zero is delivered through a range of core and complementary Business Units.

The Networks and Renewables businesses form SSE's low-carbon electricity core. These businesses are key to enabling a net zero economy, have significant growth potential and, importantly, fit together. With common skills and capabilities in the development, construction, financing and operation of world-class, highly technical electricity assets, there is a strong strategic logic to them forming the low carbon electricity core of SSE. The other businesses SSE retains are highly complementary to that renewables and networks core and all contribute towards delivery of SSE's net zero strategy. SSE's business mix is very deliberate, highly effective, fully focused and well set to prosper on the journey to net zero and beyond.

The review of the business units that follows provides visibility of performance and future priorities.

ECONOMICALLY-REGULATED NETWORKS

SSE owns and operates an electricity transmission network in the north of Scotland and two electricity distribution networks in the north of Scotland and in central southern England. Through its 33.3% financial stake in Scotia Gas Networks, it is also involved in the distribution of gas. Owners of energy networks in Great Britain are remunerated according to the RIIO (Revenue = Incentives + Innovation + Outputs) framework set by Ofgem, under which the regulator determines an annual allowed level of required capital expenditure and operating costs, in order to meet required network outputs. These are added together to form total expenditure or 'totex', which is split by defined capitalisation rates which differ between networks.

Regulatory operational expenditure ('fast money') flows into licensee revenue, whereas regulatory capex ('slow money') is added to the regulatory asset value ('RAV') for each network. Licensees earn a return on regulatory equity and receive an allowance for the cost of debt, both of which are calculated based on a notional split of their RAV.

Each licensee has the opportunity to earn above its base return on equity through delivering efficiency savings on totex. Additionally, if service levels improve against targets, there is an opportunity to earn additional income through incentives. In the event that service levels fall below targets set out in the price control, a penalty will be incurred which reduces network revenue and therefore customer bills. This ensures that customers only compensate networks for improving service levels. Further, customers benefit from reduced bills when network providers achieve efficiency savings on totex expenditure.

In respect of Electricity and Gas Distribution, charges per MWh ('tariffs') are set by licensees 15 months in advance of the regulatory year and are based on forecasts of: (a) revenue which licensees are entitled to collect in respect of the regulatory year ('allowed revenue'); (b) the incentives and totex outperformance for the last three months of the year in which the tariffs are set; and (c) the level of volumes which will be distributed within the regulatory year. Differences in collected versus allowed revenue (referred to as 'over- or under-recovery') are accommodated in allowed revenue two years after the year in which they occur.

SSEN TRANSMISSION

SSEN TRANSMISSION KEY PERFORMANCE INDICATORS

SSEN Transmission	March 21	March 20
Transmission adjusted and reported operating profit - £m	220.9	218.1
Regulated Asset Value (RAV) - £m	3,631	3,469
Renewable Capacity connected to SSEN Transmission Network – MW	6,750	6,298
Transmission adjusted investment and capital expenditure - £m	435.2	329.0

SSEN TRANSMISSION OVERVIEW

SSEN Transmission owns, operates and develops the high voltage electricity transmission system in the north of Scotland and remote islands.

Over the duration of the eight-year RIIO-T1 price control since 2013, investment and capital expenditure by SSEN Transmission has totalled nearly £3.5bn, including £435m in 2020/21.

This investment plays a pivotal role in providing the critical national infrastructure required to facilitate the transition to net zero and to maintain network reliability for the communities SSEN Transmission serves.

OPERATIONAL DELIVERY

SSEN Transmission expects to perform well against its main regulatory outputs for RIIO-T1 and correspondingly the business expects to close out the price control with a modest outperformance, delivering both shareholder and societal value through efficiency savings which will be equally shared with consumers through the Totex Incentive Mechanism.

Performance throughout RIIO-T1 has been built on a strong historic track record for keeping the lights on for the homes and businesses SSEN Transmission serves, delivering an impressive network reliability of over 99.9%. As a result of its continued strong operational performance during 2020/21, SSEN Transmission will receive the full reward of £1.2m through the Energy Not Supplied (ENS) Incentive for 2020/21, which will be reflected in revenue in 2022/23.

The RIIO-T1 period has also seen significant growth in the volume of renewables connected to SSEN Transmission's network, which has more than doubled, from 3.3GW to 6.7GW. This includes growth of 277MW in 2020/21, bringing the total installed generation capacity in the north of Scotland to over 8GW.

This growth has been underpinned by successful delivery of major reinforcements, on time and within allowances. Despite the coronavirus pandemic, SSEN Transmission made – and continues to make – excellent progress on its capital investment programme, with the continued delivery of several projects carrying over to RIIO-T2, as planned.

This includes reinforcements to upgrade the existing onshore transmission network on the East Coast to 400kV operation, as well as the replacement of the Inveraray to Crossaig transmission line in Argyll. The main construction works for the first phase, between Inveraray and Port Ann, is now complete, with these works a critical component of the wider 275kV Argyll strategy.

Good progress also continues to be made on the Shetland HVDC link, which remains on track for energisation in 2024. The project is currently expected to entail around £650m of investment.

In May 2021, Ofgem published its consultation on the Eastern HVDC project Initial Needs Case, recognising the need and consumer benefit for the reinforcement. The project, which will see the first of two HVDC links planned from Peterhead to England, is required to alleviate current and future constraints on the transmission system and remains on track for energisation in 2029. A Final Needs Case for the link is expected to be submitted to Ofgem later this year.

RIIO-T2 INVESTMENT PROGRAMME – THE CERTAIN VIEW

In December 2020, Ofgem published its Final Determinations for the RIIO-T2 period, which covers the period from April 2021 to March 2026. With totex set at £2.2bn these reflected a significant increase in totex from Ofgem's Draft Determinations and, taken together with the island link to Shetland, which is already in construction, allow spend across the T2 period of around £2.8bn. The business has chosen not to appeal the investment programme aspect of the Final Determination and is fully focused on delivering its 'Network for Net Zero' business plan.

However, while the bulk of the price control settlement matched SSEN Transmission and its stakeholders' collective ambition, the financial parameters did not. Correspondingly, in March 2021, SSEN Transmission confirmed its intention to appeal certain elements of the settlement to the Competition and Markets Authority.

The appeal is both technical and narrow in scope, focused on areas where Ofgem's decision does not reflect the robust evidence provided throughout the price control process, alongside material errors in the decision. The appeal areas are:

- Cost of equity.
- Outperformance wedge.
- New exposure to transmission charges.
- Loss of appeals rights.

While SSEN Transmission fully understands the need to minimise customer bills, the appeal is the right thing to do, it is echoed by others in the sector and it does not undermine the broader constructive relationship the business has with Ofgem. A conclusion to the appeal is expected by November 2021.

Meanwhile, by focusing on delivering the agreed elements of its business plan, SSEN Transmission is supporting UK Government's net zero targets and a green recovery from the coronavirus pandemic. Taking the Certain View alone of around £2.8bn totex, Transmission RAV would exceed £5bn by the end of RIIO-T2.

RIIO-T2 – UNCERTAINTY MECHANISMS

With the North of Scotland home to some of the world's greatest resources of renewable energy, SSEN Transmission is uniquely placed to play a leading role in the transition to net zero and the significant growth opportunities this presents.

During the RIIO-T2 period, SSEN Transmission expects to progress a number of investments over and above its £2.8bn Certain View. SSEN Transmission expects to unlock the additional investments required to put the North of Scotland on a pathway to net zero through Ofgem's Uncertainty Mechanisms. These investments include:

- Development and early construction expenditure for the first East Coast HVDC link from Peterhead to the north east of England.
- Upgrading the Argyll transmission network to 275kV operation, as well as the replacement of the Fort-Augustus to Skye transmission line. Initial Needs Cases for both projects are expected to be submitted to Ofgem this year.
- Further expenditure to connect new renewable generation, rail electrification and system security.

These investments could see the total installed generation capacity increase to around 14GW by the end of RIIO-T2, with almost 13GW of this from renewable sources. However, they represent an 'uncertain view' because final investment decisions remain subject to a range of factors, including generator commitment, necessary planning permissions, and, crucially, Ofgem's approval of 'Needs Cases' However, combined, these investments, alongside the Certain View, could bring the total expenditure across the RIIO-T2 period to over £4bn, with Transmission RAV increasing to over £6bn by the end of RIIO-T2.

FURTHER GROWTH OPPORTUNITIES

In addition to the opportunities outlined above, SSEN Transmission continues to work with stakeholders in Orkney and the Western Isles to develop and take forward proposals to enable mainland transmission connections.

Beyond RIIO-T2, the ScotWind leasing round is expected to unlock up to 10GW of new renewable generation which will require significant transmission upgrades both onshore and offshore. This includes a second HVDC link from Peterhead to England, required to deliver 2030 offshore wind targets, supporting future earnings and RAV growth.

For financial performance commentary please refer to the Group Financial Review under Operating Profit Performance 2020/21.

SSEN DISTRIBUTION

SSEN DISTRIBUTION KEY PERFORMANCE INDICATORS

SSEN Distribution	March 21	March 20
Distribution adjusted operating profit - £m	267.3	356.3
Distribution reported operating profit - £m	267.3	351.9
Regulated Asset Value (RAV) - £m	3,792	3,685
Distribution adjusted investment and capital expenditure - £m	350.8	364.9
Electricity Distributed - TWh	36.1	38.0
Customer minutes lost (SHEPD) average per customer	57	56
Customer minutes lost (SEPD) average per customer	44	46
Customer interruptions (SHEPD) per 100 customers	64	63
Customer interruptions (SEPD) per 100 customers	48	47

SSEN DISTRIBUTION OVERVIEW

SSEN Distribution, operating under licence as Scottish Hydro Electric Power Distribution plc (SHEPD) and Southern Electric Power Distribution plc (SEPD), is responsible for safely and reliably maintaining the electricity distribution networks supplying over 3.8m homes and businesses across central southern England and the north of Scotland.

There are two years remaining of the RIIO-ED1 Price Control period and SSEN Distribution is focusing on:

- Improved performance in relation to customer and network incentives available within RIIO-ED1.
- Efficient delivery of capital investment.
- Focused delivery of regulatory outputs.
- Maintaining a leadership position in innovation.

SSEN Distribution is also shaping its future and will publish its draft business plan for the next regulatory period RIIO-ED2 (2023-2028) in July this year. Informed by an extensive stakeholder engagement programme, the plan will support a cost-effective and secure path to net zero for customers and communities while representing a fair financial package for investors that recognises current and future demand and risk.

OPERATIONAL DELIVERY

Key to successful delivery against any regulatory price control is efficient and focused capital investment, upgrading and expanding the infrastructure critical to support the net zero transition. In 2020/21, SSEN Distribution continued its major capital investment programme across both of its networks, delivering significant improvements for customers and increasing Regulated Asset Value (RAV).

Over £350m was invested in network infrastructure in the last year, bringing the total invested since the beginning of the price control to over £1.9bn. This is part of a forecast investment of £2.6bn throughout the RIIO-ED1 period, supporting future earnings and building RAV growth. This included a £9.8m refurbishment programme spanning 58km of overhead lines in Wiltshire and Hampshire and a £10m programme of investment in Aberdeen to upgrade the underground network and install automation capability.

As part of its 'flexibility first' approach to network investment, an additional 348MW of flexible energy service contracts were secured during 2020/21, enough to power approximately 91,000 homes. SSEN now has 446MW of contracted flexibility services across its networks, which will increasingly play a vital role in supporting the delivery of a smarter electricity grid and a cost-effective transition to net zero.

Under the RIIO regulatory regime, providing increasing reliability for customers remains a key revenue driver. As part of the Interruptions Inventive Scheme (IIS), SSEN is incentivised on its performance against the loss of electricity supply through the recording of Customer Interruptions (CI) and Customers Minutes Lost (CML), which include both planned and unplanned supply interruptions. These incentives will typically be collected two years after they are earned. Across both licence areas, overall IIS incentive earnings were £7.6m in 2020/21, slightly down from the £7.8m secured in 2019/20 and improving performance in this area is a key focus for the year ahead.

Incentives can also be earned for performance against key customer service and stakeholder metrics. In 2020/21, SSEN Distribution secured a Broad Measure of Customer Satisfaction (BMCS) incentive reward of £4.9m. This is down from £5.6m last year, reflecting the challenges during the coronavirus lockdown and recovery, particularly in the busier SEPD licence area which are being addressed through a targeted improvement programme. In the SHEPD area, performance remained strong with an overall BMCS ranking of third out of 14 DNO licensees.

Due to the impact of coronavirus restrictions, reward from core connections incentives, which include the time to connect customers, fell to £2m in 2020/21 from £2.7m last year. An increased £1.1m reward was secured from the Stakeholder Engagement and Consumer Vulnerability incentive, representing SSEN's best return since 2016/17.

It should be noted that whilst Distribution Use of System (DUoS) revenue declined in 2020/21, primarily due to the impact of coronavirus, an overall under-recovery of £28m against Allowed Revenue in 2020/21 will be built into tariffs for collection in FY 2022/23.

GROWTH OPPORTUNITIES

Achieving the UK's net zero ambitions will require extensive electrification of heat and transport and it is crucial that the local electricity distribution networks act as an enabler not a constraint to this significant change. SSEN Distribution strongly supports a mechanism for strategic investment in flexible solutions or network reinforcement to enable a cost-effective transition to net zero for the households, businesses and communities it serves.

In support of this aim and the Government's green recovery ambitions, SSEN partnered with Ofgem and other DNO licensees to develop a targeted Green Recovery investment programme. Following a six-week stakeholder consultation to identify 'shovel-ready' low-carbon projects that could be unlocked by early investment in the network, 12 network schemes were approved by Ofgem representing £41m of additional investment during the current price control period. This expenditure will be incurred outside of the totex investment mechanism, delivering additional value for shareholders.

To understand the growth potential of electrification for SSEN's distribution networks, updated Distribution Future Energy Scenario reports were published in December 2020. The upper range of the net zero scenarios forecast the number of electric vehicles in SSEN Distribution licence areas to increase from 30,000 in 2020 to 5 million in 2050, with heat pumps rising from 32,000 to 2.5m and local renewable capacity from 5GW to 18GW.

This analysis is one of the factors informing SSEN's RIIO-ED2 business plan which will be published in draft form in early July, with the final plan submitted to Ofgem in December. Co-created with stakeholders and customers, the ambitious plan will deliver targeted investment in network resilience to build a foundation for an electrified future, improvements to the valued service for customers and communities and further development of the smart, flexible, local energy networks to accelerate progress to net zero. While it is too early for specific projections, an increase in investment on ED1 rates is needed to meet customer needs and keep pace with net zero policy and targets.

For financial performance commentary please refer to the Group Financial Review under Operating Profit Performance 2020/21.

INVESTMENT IN SCOTIA GAS NETWORKS (SGN)

SGN KEY PERFORMANCE INDICATORS

Scotia Gas Networks (SGN) SSE's 33.3% share	March 21	March 20
SGN adjusted operating profit - £m	173.0	202.3
SGN reported operating profit - £m	88.6	80.8
Regulated Asset Value - £m	1,949	1,952

OVERVIEW OF SSE'S INVESTMENT IN SGN

SSE holds a 33% financial investment stake in SGN, the gas distribution company which serves 5.9 million homes and businesses across the south of England, all of Scotland, and the western region of Northern Ireland. SGN has been a good financial investment but it is part of a £2bn disposals programme that is sharpening SSE's focus on its core, low-carbon electricity businesses. SSE expects to commence a formal sale process for SGN in mid-summer 2021, with the intention of having an agreed sale by the end of the calendar year.

OPERATIONAL DELIVERY

In the year to 31 March 2021 98.9% of uncontrolled gas escapes were attended in under an hour. In the same period SGN delivered 11,034 new gas connections, including 1,263 assisted connections as part of efforts to help those in fuel poverty.

With its focus on innovation, decarbonisation and engineering excellence, SGN's RIIO-GD2 price control business plan commits the business to making a positive impact on society, delivering a safe and efficient service and contributing to net-zero goals by accelerating decarbonised gas solutions. SGN has also appealed the financial parameters of the settlement to Ofgem but has accepted the totex settlement. As with SSEN Transmission, it too expects to use the re-opener process with Ofgem for further net zero aligned investment outside of the price control.

For financial performance commentary please refer to the Group Financial Review under Operating Profit Performance 2020/21.

SSE RENEWABLES

SSE RENEWABLES KEY PERFORMANCE INDICATORS

SSE Renewables	March 21	March 20
Renewables adjusted operating profit - £m	731.8	567.3
Renewables reported operating profit - £m	856.0	459.9
Renewables adjusted investment and capital expenditure before refunds – £m	294.3	342.7
Generation capacity - MW		
Onshore wind capacity (GB) – MW	1,247	1,247
Onshore wind capacity (NI) – MW	122	122
Onshore wind capacity (ROI) – MW	567	567
Total onshore wind capacity – MW	**1,936**	**1,936**
Offshore wind capacity (GB) – MW	487	579
Conventional hydro capacity (GB) – MW	1,159	1,159
Pumped storage capacity (GB) – MW	300	300
Total renewable generation capacity (inc. pumped storage) – MW	**3,882**	**3,974**
Contracted capacity	2,792	2,884
Generation output - GWh		
Onshore wind output (GB) – GWh	2,377	2,676
Onshore wind output (NI) – GWh	282	373
Onshore wind output (ROI) – GWh	1,354	1,531
Total onshore wind output – GWh	**4,013**	**4,580**
Offshore wind output (GB) – GWh	1,845	2,244
Conventional hydro output (GB) – GWh	3,476	3,743
Pumped storage output (GB) – GWh	244	127
Total renewable generation (inc. pumped storage) – GWh	9,578	10,694
Total renewable generation (also inc. constrained off) – GWh	**10,171**	**11,384**

Note 1: Capacity and output based on 100% of wholly owned sites and share of joint ventures
Note 2: Contracted capacity includes sites with a CfD, eligible for ROCs, or contracted under REFIT
Note 3: Onshore wind output excludes 592GWh of constrained off generation in 2020/21 and 687GWh in 2019/20; Offshore wind output excludes 1GWh constrained off generation in 2020/21 and 2GWh in 2019/20
Note 4: Offshore wind capacity in GB reflects the disposal of Walney in September 2020
Note 5: Biomass capacity of 15 MW and output of 71GWh in 2020/21 and 58GWh in 2019/20 is excluded, with the associated operating profit or loss reported within SSE Enterprise

SSE RENEWABLES OVERVIEW

SSE Renewables comprises the Group's existing operational assets and those under development in onshore wind, offshore wind, flexible hydro-electricity, run-of-river hydro-electricity and pumped storage.

Its operational offshore wind installed capacity is 487MW with its onshore wind and hydro-electric installed capacity at 1,936MW and 1,159MW respectively.

Whilst SSE Renewables' output in 2020/21 was down around 10% compared to 2019/20 due to the sale of Walney and poor weather conditions across both wind and hydro, its fleet proved to be extremely resilient through the coronavirus pandemic.

OPERATIONAL DELIVERY

In terms of operational maintenance and plant performance, it was a strong year with overall availability high across onshore and offshore wind and hydro operations.

Offshore, major works were completed to schedule and without incident at Greater Gabbard offshore wind farm (504MW, SSE Renewables share 50%), which SSE Renewables operates on behalf of its joint venture partner, RWE.

Onshore, first power was achieved at SSE Renewables' first fully merchant wind farm, Gordonbush Extension (38MW). In March, the project secured a 15-year Capacity Market Agreement in the T-4 auction for the delivery year 2024/25 (3MW de-rated at an auction clearing price of £18/kW).

Maintenance of more onshore sites were brought in-house in the second half of the 2020/21 financial year, bringing the total to 63% of SSE Renewables' wholly-owned onshore wind assets (excluding joint venture sites). New operational technology in its dedicated wind operations centre is now commissioned and will enable future efficiency improvements from an already strong industry position.

The optimisation of SSE Renewables' hydro operations continues to yield positive results in terms of output and value. Through adjusted running regimes, focused performance metrics, and digitalisation efforts, enhanced performance of the hydro fleet will play an important role in providing low-carbon flexibility required for the net zero transition, while continuing to meet environmental obligations.

The 300MW pumped storage assets at Foyers returned from a planned outage in the second half of the year and have achieved exceptional performance via the utilisation of their vital flexibility to the GB electricity system and focused commercial management of the assets.

Hydro continued to illustrate the benefit it brings to the SSE Renewables portfolio from its flexible capabilities and range of service provision by successfully securing additional contracts across multiple markets, including further flexible constraint managed zone (CMZ) agreements and positive results within the recent T-1 Capacity Market auction where two units at Lochay hydro station 42.709MW (de-rated) and two units at Tummel hydro station (de-rated) secured agreements at an auction clearing price of £45/kW.

SSE Renewables continues to make progress with its programme of capital investment focusing on extending the life of large flexible hydro assets and improving reliability and efficiency. The last stage of the works associated with SSER's investment in Grudie Bridge (18.7MW) is forecast to be complete this year as planned. Progress has also been made with additional investment in Fasnakyle (69MW) and Rannoch (44MW). A final investment decision has been reached on the replant of Tummel Bridge (34MW), which is on track to commence works later this year.

GROWTH OPPORTUNITIES – CONSTRUCTION PROGRAMME

SSE Renewables is currently leading construction of more offshore wind capacity than any other company globally.

The first two phases of the world's largest offshore wind farm at Dogger Bank, Dogger Bank A and B (each 1,200MW, SSE Renewables share 40%), reached financial close in November 2020. In February SSE Renewables closed the agreement to sell a 10% interest in Dogger Bank A and Dogger Bank B to Eni, securing significant additional value in the process (£206.3m) and underlining its ability to realise value and recycle capital for future development projects. Following the transaction Dogger Bank is jointly owned by SSE (40%) and partners Equinor (40%) and Eni (20%). Onshore construction on phases A and B continue to progress well. SSE Renewables expects to start offshore construction on A in a year's time, aiming for first power in summer 2023 and full power in spring 2024. Dogger Bank B is planned to effectively run a year behind. Dogger Bank C aims to reach financial close and progress a stake sale later this calendar year.

The Dogger Bank projects will cumulatively contribute around 18TWh of additional renewable output to the UK electricity system annually. They will create hundreds of direct jobs and thousands more in the supply chain, and SSE was delighted that, on the strength of orders from Dogger Bank and with its support and efforts, GE was able to commit to investing in a new blade manufacturing facility in Teesside.

Seagreen 1 (1,075MW, SSE Renewables share 49%), located in Scottish waters, is a joint venture with Total and reached a final investment decision in June 2020. When complete, it will be Scotland's largest wind farm and the world's deepest tethered project. Construction of the onshore substation and installation of the onshore cable are progressing well. Offshore construction is due to begin in Autumn 2021 with the installation of turbine foundations expected this year and full power targeted at the end of 2022. With 621MW not currently attached to a CfD, there is the potential to compete in the next auction for the uncontracted part of the project.

Viking, at 443MW with a load factor of 48%, will be among the highest-yielding onshore wind farms in Europe, producing almost 2TWh annually. Construction is progressing well with work on the DC substation starting this summer, turbines in early 2023 and completion planned for autumn 2024. The wind farm will also have the option to enter CfD Allocation Round 4 later this year.

In Ireland, Lenalea wind farm (30MW, SSE Renewables share 50%) has entered into construction following success in the first RESS auction, which cleared at a weighted average price of €74/MWh.

GROWTH OPPORTUNITIES – PIPELINE

Beyond these flagship projects SSE has a healthy pipeline and delivering it will see, on average, over 500MW of renewables capacity added each year to 2030. SSE Renewables has a clear aspiration to reach a run rate of at least 1GW of new assets a year during the second half of this decade and now expects to exceed its target for trebling its renewable output by 2030.

Near-term growth opportunities will come from SSE Renewables' consented offshore sites: Seagreen 1A (360MW, SSE Renewables share 49%), which is an extension to the Seagreen 1 site, and Arklow Bank Wind Park (520MW) in Ireland. Design and development work on Seagreen 1A is ongoing, the outputs of which will inform the JV decision whether to bid it into AR4 and, with a first Irish offshore auction to be scheduled in 2022, the Arklow Bank project will be well placed to take part.

If successful, both projects could be operational by 2025/26. SSE Renewables is also focused on achieving consents for its planned projects at Berwick Bank and Marr Bank offshore wind farms (up to 4,150MW) located off the Firth of Forth. Following further refinements to the projects, planning applications should be submitted by Spring 2022 with the aim of securing consent by 2024.

North Falls offshore wind farm (up to 504MW, SSE Renewables share 50%), which is an extension to the Greater Gabbard wind farm off the east coast of England, continues to progress at a similar pace to Berwick Bank and could also be operational by 2030.

Whilst SSE Renewables did not secure any new seabed in the Crown Estate Round 4 leasing process, the auction outcome demonstrated the huge value of SSE Renewables' existing pipeline. There will be opportunities to secure further seabed via Crown Estate Scotland's ScotWind leasing process. Following review by the Scottish Government, the process will maintain a capped option fee structure, albeit at a higher level than the previous cap, which should help to ensure the projects remain competitive versus those in England. The process will be completed towards the end of 2021.

SSE Renewables has stated its ambition to contribute a significant amount of the capacity needed to meeting Ireland's 5GW offshore wind target by 2030. A foreshore licence has been secured for site investigations for the 800MW Braymore Point project off the north-east coast and an application has been submitted for the 800MW Celtic Sea array off the south-east coast.

Future onshore growth can be delivered through SSE Renewables' consented sites at Strathy South (208MW) and Tangy repower (57MW) in Scotland and Yellow River (105MW) in Ireland. Four new additional onshore wind opportunities in Scotland, totalling 245MW, have been identified and for which preliminary environmental and engineering studies have commenced. That takes the total unconsented GB and Ireland onshore wind pipeline (SSE share) to over 700MW.

SSE Renewables continues to see an important role for its Coire Glas pumped hydro storage project (up to 1,500MW) in providing critical flexibility to balance increasing volumes of variable renewables. Coire Glas would more than double existing pumped hydro capacity – potentially powering 3m homes for up to 24 hours – and is the most proven long duration storage solution which could be built by 2030. Further clarity on the policy framework and route to market for such projects is expected from BEIS and Ofgem later this year.

SSE RENEWABLES PROJECT PIPELINE

Project	Location	Technology	Capacity (MW)	SSE Share (MW)
Due FID or in Construction				
Dogger Bank A	GB	Offshore wind	1,200	480
Dogger Bank B	GB	Offshore wind	1,200	480
Dogger Bank C	GB	Offshore wind	1,200	600
Seagreen 1	GB	Offshore wind	1,075	527
Viking	GB	Onshore wind	443	443
Gordonbush extension	GB	Onshore wind	38	38
Lenalea	ROI	Onshore wind	31	16
Consented				
Arklow Bank 2[1]	ROI	Offshore wind	520	520
Seagreen 1A	GB	Offshore wind	360	176
Yellow River	ROI	Onshore wind	105	105
Tangy	GB	Onshore wind	57	57
Requiring consent				
Berwick Bank	GB	Offshore wind	Up to 2,300	Up to 2,300
Marr Bank	GB	Offshore wind	Up to 1,850	Up to 1,850
North Falls	GB	Offshore wind	504	252
Strathy South	GB	Onshore wind	208	208
Cloiche	GB	Onshore wind	155	155
Other	-	Onshore wind	c200	c200
Future prospects				
Braymore Point	ROI	Offshore wind	800	800
Celtic Sea Array	ROI	Offshore wind	800	800
Scotwind	GB	Offshore wind	-	-
Thor	Denmark	Offshore wind	800-1,000	800-1,000
Other GB	GB	Onshore wind	c250	c250
Other NI	NI	Onshore wind	c50	c50
Other ROI	ROI	Onshore wind	c250	c250
Coire Glas[2]	GB	Pumped storage	Up to 1,500	Up to 1,500

Note 1: Partially consented.

Note 2: Consented but expected to require revenue stabilisation mechanism

GROWTH OPPORTUNITIES – INTERNATIONAL

SSE Renewables will retain a UK and Irish core but has made progress in diversifying its pipeline overseas. With countries around the world committing to more ambitious renewables targets, the addressable market is increasing in size. SSE Renewables is primarily interested in offshore and onshore wind, with a focus on growth markets and local partnerships where it can add value.

In Europe, SSE Renewables is now involved in a consortium participating in the tender process for the 800-1000MW Thor offshore wind site in Denmark, which will conclude later in 2021. Whilst expected to be highly competitive, SSE is partnering well with Copenhagen Infrastructure partners and local energy company Andel Holding.

A partnership agreement was struck with Madrid-based renewables developer Acciona to explore opportunities for offshore wind projects in Spain and Portugal, which are in the early phase of policy and industry development. The Spanish Government is expected to set out its offshore wind strategy later this year. These markets will not reach the size of the North Sea, but over the longer term do have attractive potential.

Further afield, SSE Renewables is continuing to build networks and explore options and expects to make further progress over the next year focusing on Europe, North America and Japan. SSE Renewables sees value in a diverse pipeline, but it will retain its capital discipline.

For financial performance commentary please refer to the Group Financial Review under Operating Profit Performance 2020/21.

SSE THERMAL

SSE THERMAL KEY PERFORMANCE INDICATORS

SSE Thermal	March 21	March 20
Thermal adjusted operating profit - £m	160.5	152.7
Thermal reported operating profit - £m	775.3	15.5
Thermal adjusted investment and capital expenditure – £m	106.5	177.0
Generation capacity - MW		
Gas- and oil-fired generation capacity (GB) – MW	3,992	4,004
Gas- and oil-fired generation capacity (ROI) – MW	1,292	1,292
Multifuel capacity – MW	-	68
Total thermal generation capacity – MW	**5,284**	**5,364**
Generation output - GWh		
Gas- and oil-fired output (GB) – GWh	15,324	12,948
Gas- and oil-fired output (ROI) – GWh	2,433	2,436
Coal-fired output – GWh	-	1,946
Multifuel output – GWh	251	395
Total thermal generation – GWh	**18,008**	**17,725**

Note 1: Capacity is wholly owned and share of joint ventures
Note 2: Output is based on SSE 100% share of wholly owned sites, 100% share of Seabank & Marchwood PPAs due to the contractual arrangement and % share multifuel JVs
Note 3: SSE's last remaining coal fired power station Fiddlers Ferry, closed in March 2020. Output for 2019/20 is reflected above with capacity omitted as at 31 March 2020
Note 4: Decreased multifuel capacity relates to disposal of Ferrybridge Multifuel in October 2020
Note 5: Decreased gas- and oil-fired capacity relates to the transfer of 12MW of small plant to SSE Enterprise

SSE THERMAL OVERVIEW

SSE Thermal owns and operates conventional thermal generation in the UK and Ireland. These assets play a key transitional role in the SSE Group, and wider energy system, in balancing the system on the journey to net zero. While providing much-needed system flexibility to ensure stability and security of supply in the short term, SSE Thermal is actively developing options to progressively decarbonise its fleet.

OPERATIONAL DELIVERY

SSE Thermal's Combined Cycle Gas Turbine (CCGT) fleet is among the most flexible in the UK and Ireland electricity systems and is creating value from its intra-day flexibility. Providing flexibility through the Balancing Mechanism is an increasingly important earnings stream. In 2020/21, the SSE Thermal fleet delivered significant value to the system during tight periods and responded to the market during periods of high demand and low wind, with a 50% increase in response contracted by National Grid. This demonstrates the importance of flexible, dispatchable generation in ensuring a resilient power sector in the transition to net zero.

However, SSE is in no doubt about the need to decarbonise its fleet and repurpose it for the net zero world. In 2020/21, the carbon intensity of the electricity generated by its thermal plant reached its lowest level since records began. This means that SSE is well on the way towards two of its key science-based targets: to cut the carbon intensity of electricity generated by 60% and good progress is made to cut all scope 1 and scope 2 operational emissions by 40% between 2018 and 2030.

SSE Thermal's assets have been awarded the following capacity contracts in GB and Ireland through competitive auctions.

Station	Asset type	Station Capacity	SSE share	Capacity obligation
Medway (GB)	CCGT	735MW	100%	To September 2022
Keadby (GB)	CCGT	755MW	100%	To September 2022
Keadby 2 (GB)	CCGT	840MW	100%	15-years commencing October 2023
Peterhead (GB)	CCGT	1,180MW	100%	To September 2025
Seabank (GB)	CCGT	1,234MW	50%	To September 2025
Marchwood (GB)	CCGT	920MW	50%	To September 2025
Slough Multifuel	Energy from Waste	50MW	50%	15-years commencing October 2024
Great Island (Ire)	CCGT	464MW	100%	To September 2025
Rhode (Ire)	Gas/oil peaker	104MW	100%	To September 2025
Tawnaghmore (Ire)	Gas/oil peaker	104MW	100%	To September 2025
Tarbert (Ire)	Oil	620MW	100%	To September 2022

Capacity contracts are based on de-rating factors issued by the delivery body for each contract year, therefore will not directly match SSE's published station capacity.

GROWTH OPPORTUNITIES

In terms of SSE's older plant, with the exception of Keadby 2, Marchwood, Great Island and potentially Seabank, SSE cannot envisage any of its thermal plant running into the 2030s unabated. Therefore, its focus is on carbon capture and storage (CCS) and hydrogen.

SSE Thermal has announced an agreement with Equinor to co-develop low-carbon thermal options at its Keadby site, in North Lincolnshire, and at its Peterhead site, in Aberdeenshire. This will include:

- Keadby CCS – a 900MW gas-fired power station with carbon capture and Peterhead CCS – a 900MW gas-fired power station with carbon capture, both of which have the potential to be the UK's first power plants with carbon capture facilities.
- Keadby Hydrogen – a 900MW low-carbon hydrogen-fired power station, with a peak demand for hydrogen of 1800MW. This could be the world's first major hydrogen-fired power station.

These plans would support the UK's transition to net zero and accelerate the decarbonisation of some of the UK's most carbon intensive regions, underpinning investment in shared carbon and hydrogen pipelines which other emitters in the region could plug into. The projects at Keadby would utilise the pipelines being developed by the Zero Carbon Humber partnership, of which SSE Thermal is a member. The project at Peterhead would be an early customer for the Acorn CCS infrastructure.

These projects are in the development stage and SSE Thermal continues to engage with government, regulators and stakeholders. Final investment decisions will depend on the progress of policy frameworks that support delivery of the shared infrastructure, create routes to market for CCS and hydrogen technologies, and represent an appropriate balance of risk and reward.

Keadby 2, SSE Thermal's £350m 893MW CCGT brings Siemens' first-of-a-kind, high efficiency, gas-fired generation technology to the UK and is on track to be fully commissioned in 2022. As part of the co-operation agreement with Equinor, SSE Thermal is also developing options to blend hydrogen at Keadby 2.

SSE Thermal completed the sale of its 50% share in Multifuel Energy Limited (MEL1) and Multifuel Energy 2 Limited (MEL2) to First Sentier Investors for a total cash consideration of £995m, creating considerable value for shareholders. This included Ferrybridge Multifuel 1 and Ferrybridge Multifuel 2 energy-from-waste assets, which SSE had jointly developed, constructed and operated before securing value on sale. In April 2020, SSE Thermal also sold a 50% stake in Slough Multifuel, SSE's only energy-from-waste interest, to Copenhagen Infrastructure Company (CIP). The joint venture project began construction on 3 May 2021.

For financial performance commentary please refer to the Group Financial Review under Operating Profit Performance 2020/21.

GAS STORAGE

GAS STORAGE KEY PERFORMANCE INDICATORS

Gas Storage	March 21	March 20
Gas Storage adjusted operating (loss)/profit - £m	(5.7)	3.7
Gas Storage reported operating profit/(loss) - £m	2.8	(1.4)
Gas storage adjusted investment and capital expenditure - £m	1.9	0.2

GAS STORAGE OVERVIEW

SSE Thermal holds around 40% of the UK's conventional underground gas storage capacity. These assets can play an important role in the transition to net zero, supporting security of supply with the UK's continuing shift away from coal-fired generation and the resulting loss of inherent energy storage in coal stocks.

In 2020/21 these assets were used to respond to unpredictable and changeable weather conditions, particularly in the January to March period.

SSE Thermal remains committed to working with UK Government departments and Ofgem to ensure that the critical role of UK storage in relation to security of supply and stability of gas price is properly rewarded. These assets may also prove useful in the longer-term decarbonisation of the energy system with potential repurposing for other lower carbon gases in future, including hydrogen.

For financial performance commentary please refer to the Group Financial Review under Operating Profit Performance 2020/21.

SSE BUSINESS ENERGY

SSE BUSINESS ENERGY KEY PERFORMANCE INDICATORS

SSE Business Energy	March 21	March 20
Business Energy adjusted operating (loss)/profit - £m	(24.0)	9.2
Business Energy reported operating profit/(loss) - £m	(3.9)	(18.5)
Electricity Sold – GWh	13,070	16,914
Gas Sold – mtherms	245	272
Aged Debt (60 days past due) - £m	73.8	48.7
Bad debt expense - £m	37.8	31.3
Exceptional bad debt (credit) / expense - £m	(20.1)	27.7
Energy customers' accounts – m	0.48	0.52

SSE BUSINESS ENERGY OVERVIEW

SSE Business Energy provides a potential shopfront and route to market for SSE's low-carbon energy solutions and green products to non-domestic customers across GB.

OPERATIONAL DELIVERY

Business Energy retains a strong customer base with a 9.2% market share by volume for electricity supply (ranked 3rd) and 2.5% market share for Gas (ranked 5th for Small- and Medium-sized Enterprises and 7th for Industrial and Commercial customers).*

Business Energy supplied 4.7TWh of SSE asset-backed wind and hydro-generated electricity to its customers and this year saw the launch of its renewable gas tariff 'Green Gas plus', which is gaining traction in the market and has received third party accreditation from EcoAct. It continues to invest in digital and customer service solutions to adapt and evolve its offerings in a highly competitive market.

In response to coronavirus, remote working was successfully implemented across the business, prioritising the safety and wellbeing of customer service operations. Physical services such as meter reading, smart meter installation activities and field debt collections were paused but are now operating effectively as lockdowns are eased.

GROWTH OPPORTUNITIES

Business Energy will work together with SSE's distributed energy operations under a single customer-facing brand, SSE Energy Solutions. SSE Energy Solutions will provide customers with a single 'shopfront' for Energy Supply and Energy Optimisation solutions. It will offer an expanded product portfolio including customer workplace EV charging solutions and flexible corporate power purchase agreement offerings. This year will also see the launch of its 'Next Generation' green supply product to help businesses meet their own net zero targets. SSE believes that the division will be increasingly important as a complement to SSE Renewables growth plans.

**Cornwall Insight figures released January 2021.*

For financial performance commentary please refer to the Group Financial Review under Operating Profit Performance 2020/21.

SSE AIRTRICITY

SSE AIRTRICITY KEY PERFORMANCE INDICATORS

SSE Airtricity	March 21	March 20
Airtricity adjusted operating profit - £m	44.0	48.8
Airtricity reported operating profit - £m	50.0	42.8
Aged Debt (60 days past due) - £m	7.9	5.6
Bad debt expense - £m	6.9	3.4
Exceptional bad debt (credit) / expense - £m	(6.0)	6.0
Airtricity Electricity Sold – GWh	7,595	8,053
Airtricity Gas Sold – mtherms	219	221
All Ireland energy market customers (Ire) – m	0.68	0.72

SSE AIRTRICITY OVERVIEW

SSE Airtricity provides a valuable route to market for SSE's low-carbon energy solutions and green products to customers across the island of Ireland. Airtricity retains a strong market position as Ireland's largest supplier of 100% green energy, supplying approximately 680,000 customers and holding 23% market share by load.

OPERATIONAL DELIVERY

Airtricity has a solid diversified customer mix with 23.1% market share of Power by Volume and 22.9% Gas by Volume, split across the Republic of Ireland and Northern Ireland. It retains a competitive position in the markets in which it operates.

Throughout the pandemic, Airtricity's priority was the safety and wellbeing of its teams. Non-domestic demand reduced as economic activity scaled back but was partly offset by increased demand from households. Several physical services were suspended due to lockdown restrictions, including door-to-door sales and residential construction projects such as housing upgrades. These services are now operating effectively as lockdown restrictions are eased across the island of Ireland.

Airtricity continued to pursue its strategic imperatives in 2020/21, including the launch of its 'One-Stop Shop' in September 2020 in conjunction with An Post, a first of its kind in the ROI market, providing customers with energy efficient home upgrades and practical routes to reducing their usage.

Airtricity also delivered the next phase of the Microsoft Solar for Schools programme, with 27 installations completed at schools around the country, providing real-time tracking of grid carbon emissions, screens displaying real-time solar generation and an education programme for students focusing on sustainability.

The business continues to prioritise delivery of high-quality customer service. Digitisation is key to seamless customer journeys and in 2020/21, SSE Airtricity launched a mobile app with a new online billing capability. In addition, it launched the first phase of its Smart Services, a major milestone in the ROI National Smart Metering Programme and key to supporting its customers on their net zero journey.

GROWTH OPPORTUNITIES

SSE Airtricity continues to support customers and empower communities in their transition towards a greener future. A key area of focus is the provision of extended services and offerings, including a new partnership with ePower on electric vehicle charging infrastructure. Additional partnership opportunities are being explored around lighting-as-a-service, solar and Corporate Power Purchase Agreements.

For financial performance commentary please refer to the Group Financial Review under Operating Profit Performance 2020/21.

SSE ENTERPRISE

SSE ENTERPRISE KEY PERFORMANCE INDICATORS

SSE Enterprise	March 21	March 20
Enterprise adjusted operating (loss)/profit - £m	(21.3)	8.1
Enterprise reported operating profit/(loss) - £m	(106.7)	(2.0)
SSE Heat Network Customer Accounts	10,482	8,851
Telecoms Number of BT exchanges unbundled	431	259

SSE ENTERPRISE OVERVIEW

Enterprise's role is to pursue opportunities in areas that complement the SSE Group's core energy portfolio; going forward this will focus on distributed energy. To give its B2B customers a new single point of entry, SSE is replacing its Enterprise brand with 'SSE Energy Solutions', which brings distributed energy and business energy services under a single customer-facing brand, as outlined above.

In April 2021, SSE announced it had entered into an agreement to sell its Contracting (and Rail) business to the Aurelius Group at an enterprise value of £27.5m as part of its ongoing disposal programme of non-core assets. The sale process is expected to complete by the end of June 2021 when around 1,900 Contracting employees will work under the new ownership. Under Aurelius, the Contracting business should benefit from greater focus, enabling it to take fuller advantage of growth opportunities.

SSE retains a 50% stake in SSE Enterprise Telecoms, which provides infrastructure-based connectivity. This year it launched its new brand name: Neos Networks. Its transformation journey began in 2019, when Infracapital acquired 50% of the business and it retains a strong and growing customer base.

OPERATIONAL DELIVERY

Financial performance in Enterprise was heavily impacted by the effects of coronavirus on its Contracting and Rail business which is being sold to Aurelius.

Elsewhere in Enterprise the distributed energy business has continued to maintain its existing portfolio of heat networks, private wires and distributed generation efficiently and effectively.

Whilst run at arm's length from the rest of the group, SSE Enterprise Telecoms continues to grow its network and customer base and intends to more than double its BT exchange reach by connecting 550 BT exchanges by the end of summer 2021.

GROWTH OPPORTUNITIES

Going forward, the primary focus for Enterprise will be distributed energy and developing 'whole system thinking' solutions which will enable the decarbonisation of transport and heating and lay the platform for a data-driven and sustainable world, including: distributed generation, energy optimisation, heat and cooling networks, electrical networks, smart buildings and EV charging. SSE Enterprise is developing offerings in solar and has plans to develop over 500MW of battery storage across the UK to help respond to the needs of local generation. Initially its focus is on redeveloping existing SSE sites with grid connections.

For financial performance commentary please refer to the Group Financial Review under Operating Profit Performance 2020/21.

ENERGY PORTFOLIO MANAGEMENT

EPM KEY PERFORMANCE INDICATORS

EPM	March 21	March 20
EPM adjusted operating profit/(loss) - £m	18.4	(60.3)
EPM reported operating profit/(loss) - £m	608.5	(94.5)

EPM OVERVIEW

Energy Portfolio Management (EPM) is the energy markets heart of the SSE Group, securing value for SSE's asset portfolios in wholesale energy markets and managing volatility through risk-managed trading of energy-related commodities for SSE's market-based business units.

SSE trades the principal commodities to which its asset portfolios are exposed, as well as the spreads between two or more commodity prices (e.g. spark spreads): power (baseload and other products); gas; and carbon (emissions allowances). Each commodity has different liquidity characteristics, which impacts on the quantum of hedging possible. See also SSE's Hedging Position at 31 March 2021 earlier in this document.

OPERATIONAL DELIVERY

In January 2021, under the leadership of a new managing director, a comprehensive review was undertaken to determine how EPM could best support the SSE Group strategy within a rapidly evolving energy landscape. This identified a critical role for EPM to play as the short-term energy market asset optimiser and a long-term energy market adviser. This role enables SSE to focus its investment in energy markets capabilities in one centre of excellence. The value EPM secures for SSE's asset portfolio will continue to be reported against individual Business Units.

2020/21 was a turbulent year in carbon policy with the UK deciding to introduce its own UK Emissions Trading Scheme alongside the existing Carbon Price Support. While this has created uncertainties which SSE has had to manage prudently, SSE is encouraged that all policy scenarios lead to high carbon pricing, which SSE supports as a critical tool in decarbonisation.

OPPORTUNITIES FOR GROWTH

In addition to taking on responsibility for SSE'S Energy Economics and Market Codes teams, EPM plans to further develop its risk management and trading teams and introduce a new analytics function. These enhanced data capabilities will support decision making and enable further value creation on behalf of the Group's Business Units.

For financial performance commentary please refer to the Group Financial Review under Operating Profit Performance 2020/21.

ALTERNATIVE PERFORMANCE MEASURES

When assessing, discussing and measuring the Group's financial performance, management refer to measures used for internal performance management. These measures are not defined or specified under International Financial Reporting Standards (IFRS) and as such are considered to be Alternative Performance Measures (APMs).

By their nature, APMs are not uniformly applied by all preparers including other participants in the Group's industry. Accordingly, APMs used by the Group may not be comparable to other companies within the Group's industry.

PURPOSE

APMs are used by management to aid comparison and assess historical performance against internal performance benchmarks and across reporting periods. These measures provide an ongoing and consistent basis to assess performance by excluding items that are materially non-recurring, uncontrollable or exceptional. These measures can be classified in terms of their key financial characteristics:

- Profit measures allow management to assess and benchmark underlying business performance during the year. They are primarily used by operational management to measure operating profit contribution and are also used by the Board to assess performance against business plan.
- Capital measures allow management to track and assess the progress of the Group's significant ongoing investment in capital assets and projects against their investment cases, including the expected timing of their operational deployment.
- Debt measures allow management to record and monitor both operating cash generation and the Group's ongoing financing and liquidity position.

CHANGES TO APMS IN THE PERIOD

In the year the Group changed its adjusted investment and capital expenditure metric to adjust for proceeds received in the year ended 31 March 2021 from the refinancing of joint venture capital projects. The rationale for including this adjustment to these APMs is set out in adjustment number 20.

IMPACT OF CORONAVIRUS ON THE GROUP'S APMS

The Group has not adjusted its APMs for the impact of coronavirus. The Group has assessed that it incurred a reduction in underlying operating profit as a result of coronavirus estimated at £168.7m for the year ended 31 March 2021 (2020: £18.2m). The adjusted results of the Group set out in the tables below have not been adjusted to remove this impact.

While the Group has not adjusted its APMs for the impact of coronavirus, £33.7m of coronavirus related bad debt costs were classified as exceptional in the year ended 31 March 2020. In the year ended 31 March 2021, £26.1m of the exceptional provision recognised in the prior year has been released. The initial outbreak of the pandemic in the Group's markets happened late in the prior financial year; it was noted at that point that the exceptional provision was made based on the best estimates available and that the Group would continue to monitor the situation. Subsequently, the impact of government support schemes, lockdowns and other factors have contributed to better than expected debt recovery in the current year giving rise to the exceptional release. Further information on the judgement applied in relation to coronavirus in the current and prior year is included in note 5.

The following table explains the key APMs applied by the Group and referred to in these statements:

Group APM	Purpose	Closest Equivalent IFRS measure	Adjustments to reconcile to primary financial statements
Adjusted EBITDA (Earnings before interest, tax, depreciation and amortisation)	Profit measure	Operating Profit	• Movement on operating and financing derivatives ('certain re-measurements') • Exceptional items • Share of joint ventures and associates' interest and tax • Depreciation and amortisation before exceptional charges (including depreciation and amortisation expense on fair value uplifts) • Reversal of IFRIC 18 adjustment on adoption of IFRS 15 • Share of joint ventures and associates' depreciation and amortisation • Release of deferred income
Adjusted Operating Profit	Profit measure	Operating Profit	• Movement on operating and financing derivatives ('certain re-measurements') • Exceptional items • Depreciation and amortisation expense on fair value uplifts • Share of joint ventures and associates' interest and tax
Adjusted Profit Before Tax	Profit measure	Profit before tax	• Movement on operating and financing derivatives ('certain re-measurements') • Exceptional items • Depreciation and amortisation expense on fair value uplifts • Share of non-recurring joint venture refinancing costs (prior year only) • Interest on net pension assets/liabilities (IAS 19) • Share of joint ventures and associates' tax
Adjusted net finance costs	Profit measure	Net finance costs	• Movement on financing derivatives • Share of joint ventures and associates' interest • Share of non-recurring joint venture refinancing costs (prior year only) • Interest on net pension assets/liabilities (IAS 19)
Adjusted Current Tax Charge	Profit measure	Tax charge	• Share of joint ventures and associates' tax • Deferred tax including share of joint ventures and associates • Tax on exceptional items and certain re-measurement • Reclassification of tax liabilities
Adjusted earnings per share	Profit measure	Earnings per share	• Exceptional items • Movements on Derivatives ('certain re-measurements') • Depreciation and amortisation expense on fair value uplifts • Share of non-recurring joint venture refinancing costs (prior year only) • Interest on net pension assets/liabilities (IAS 19) • Deferred tax including share of joint ventures and associates
Adjusted Net Debt and Hybrid Capital	Debt measure	Unadjusted net debt	• Hybrid equity • Outstanding liquid funds • Finance leases • Cash presented as held for disposal
Investment and Capital expenditure (adjusted)	Capital measure	Capital additions to Intangible Assets and Property, Plant and Equipment	• Other expenditure • Customer funded additions • Allowances and certificates • Disposed additions • Joint venture and associate additions • Refinancing proceeds

RATIONALE FOR ADJUSTMENTS

ADJUSTMENTS TO PROFIT MEASURE

1. Movement on operating and financing derivatives ('certain re-measurements')

This adjustment can be designated between operating and financing derivatives.

Operating derivatives are contracts where the Group's Energy Portfolio Management ('EPM') function enters into forward commitments or options to buy or sell electricity, gas and other commodities to meet the future demand requirements of the Group's Business Energy and Airtricity operating units, or to optimise the value of its SSE Renewables, Thermal or discontinued Gas Production assets. Certain of these contracts are determined to be derivative financial instruments under IFRS 9 and as such are required to be recorded at their fair value. Changes in the fair value of those commodity contracts designated as IFRS 9 financial instruments are reflected in the income statement (as part of 'certain re-measurements'). The Group shows the change in the fair value of these forward contracts separately as this mark-to-market movement is not relevant to the underlying performance of its operating segments due to the volatility that can arise on revaluation. The Group will recognise the underlying value of these contracts as the relevant commodity is delivered, which will predominantly be within the subsequent 12 to 24 months. Conversely, 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. In addition, gas purchased by the Group's Gas Storage business for secondary trading opportunities is also held at fair value with gains and losses on re-measurement recognised as part of 'certain re-measurements'.

Financing derivatives include all fair value and cash flow interest rate hedges, non-hedge accounted (mark-to-market) interest rate derivatives, cash flow foreign exchange hedges and non-hedge accounted foreign exchange contracts entered into by the Group to manage its banking and liquidity requirements as well as risk management relating to interest rate and foreign exchange exposures. Changes in the fair value of those financing derivatives are reflected in the income statement (as part of 'certain re-measurements'). The Group shows the change in the fair value of these forward contracts separately as this mark-to-market movement is not relevant to the underlying performance of its operating segments.

The re-measurements arising from operating and financing derivatives, and the tax effects thereof, are disclosed separately to aid understanding of the underlying performance of the Group.

2. Exceptional Items

Exceptional charges or credits, and the tax effects thereof, are considered unusual by nature or scale and of such significance that separate disclosure is required for the underlying performance of the Group to be properly understood. Further explanation of the rationale for deciding whether an item is exceptional is included in Note 4.2.

3. Share of joint ventures and associates' interest and tax

This adjustment can be split between the Group's share of interest and the Group's share of tax arising from its investments in equity accounted joint ventures and associates.

The Group is required to report profit before interest and tax ('operating profit') including its share of the profit after tax of its equity-accounted joint ventures and associates. However, for internal performance management purposes and for consistency of treatment, SSE reports its adjusted profit measures before its share of the interest and/or tax on joint ventures and associates.

4. Share of joint ventures and associates' depreciation and amortisation

For management purposes, the Group considers EBITDA (earnings before interest, tax, depreciation and amortisation) based on a sum-of-the-parts derived metric which includes share of EBITDA from equity-accounted investments. While this is not equal to adjusted cash generated from operating activities, it is considered useful by management in assessing a proxy for such a measure given the complexity of the Group structure and range of investment structures utilised. For the purpose of calculating the 'Net Debt to EBITDA' metric, 'adjusted EBITDA' is further adjusted to remove the proportion of adjusted EBITDA from equity-accounted joint ventures relating to off-balance sheet debt. See note 6.3.

5. Depreciation and amortisation expense on fair value uplifts

The Group's operating strategy includes securing value creation from divestments of stakes in certain assets and businesses, namely its offshore and (future) international SSE Renewables developments. In addition, for strategic purposes the Group may also decide to bring in equity partners in other businesses and assets. Where SSE's interest in such vehicles changes from full to joint control, and the subsequent arrangement is classified as an equity accounted joint venture, SSE will recognise a fair value uplift on its retained equity investment. Those uplifts will be treated as exceptional (and non-cash) gains in the year of the relevant transactions completing. These uplifts create assets which are depreciated or amortised over the remaining life of the underlying assets or contracts in those businesses with the charge being included in the Group's adjusted depreciation and amortisation expense. The Group's adjusted operating profit, adjusted profit before tax and adjusted earnings per share have therefore been adjusted to exclude this depreciation and amortisation expense from the fair value uplift given the charges derived from significant one-off gains which are treated as exceptional when initially recognised

6. Release of deferred income

The Group deducts the release of deferred income in the year from its adjusted EBITDA metric as it principally relates to grants or customer contributions against depreciating assets. As the metric adds back depreciation, the income is also deducted

7. Non recurring joint venture refinancing costs

The Group's joint venture investment, Beatrice Offshore Winds Limited ('BOWL'), completed a refinancing of its debt in the year ended 31 March 2020, which resulted in transaction costs from the original debt of £27.2m being expensed to the income statement of the joint venture. In addition, £3.5m of costs related to the repayment of the original instrument were incurred. The Group's 40% share of the £30.7m expense is £12.3m, which has been adjusted from the Group's adjusted profit before tax and the Group's adjusted finance costs as refinancing of this scale is non-recurring, considered to be specific to this instance and therefore not representative of normal operations.

8. Interest on net pension assets/liabilities (IAS 19 "Employee Benefits")

The Group's interest charges relating to defined benefit pension schemes are derived from the net assets/liabilities of the schemes as valued under IAS 19. This will mean that the charge recognised in any given year will be dependent on the impact of actuarial assumptions such as inflation and discount rates. To avoid income statement volatility derived from this basis of measurement and reflecting the non-cash nature of these charges, the Group excludes these from its adjusted profit measures.

9. Deferred tax

The Group adjusts for deferred tax when arriving at adjusted profit after tax, adjusted earnings per share and its adjusted effective rate of tax. Deferred tax arises as a result of differences in accounting and tax bases that give rise to potential future accounting credits or charges. As the Group remains committed to its ongoing capital programme, the liabilities associated are not expected to reverse and accordingly the Group excludes these from its adjusted profit measures.

ADJUSTMENTS TO DEBT MEASURE

10. Hybrid equity

The characteristics of certain hybrid capital securities mean they qualify for recognition as equity rather than debt under IFRS. Consequently, their coupon payments are presented within dividends rather than within finance costs. As a result, the coupon payments are not included in SSE's adjusted profit before tax measure. In order to present total funding provided from sources other than ordinary shareholders, SSE presents its adjusted net debt measure inclusive of hybrid capital to better reflect the Group's funding position.

11. Outstanding liquid funds

Outstanding liquid funds are SSE cash balances held by counterparties as collateral at the year end. SSE includes these as cash until they are utilised for the purposes of calculating adjusted net debt. Loans with a maturity of less than three months are also included in this adjustment. The Group includes this adjustment in order to better reflect the immediate cash resources it has access to, which in turn better reflects the Group's funding position.

12. Leases

SSE's reported loans and borrowings include lease liabilities on contracts under the scope of IFRS 16, which are not directly related to the external financing of the Group. The Group excludes these liabilities from its adjusted net debt and hybrid capital measure to better reflect the Group's underlying funding position with its primary sources of capital.

13. Cash presented as held for disposal

Where the Group holds cash balances as part of a disposal group, as was the case at 31 March 2019, those balances will be excluded from the Group's debt measure. As the Group will continue to fund such held for sale businesses through intercompany loans and borrowings, any cash held by the business will be an adjustment in the Group adjusted net debt measure.

ADJUSTMENTS TO CAPEX MEASURE

14. Other expenditure

Other expenditure primarily represents subsequently derecognised development expenditure which is excluded to better reflect the Group's ongoing capital position.

15. Customer funded additions.

Customer funded additions represents additions to electricity and other networks funded by customer contributions. Given these are directly funded by customers, these have been excluded to better reflect the Group's underlying investment position.

16. Allowances and certificates

Allowances and certificates consist of purchased carbon emissions allowances and generated or purchased renewable obligations certificates (ROCs) and are not included in the Group's 'capital expenditure and investment' APM to better reflect the Group's investment in enduring operational assets.

17. Additions through business combinations

In the year ended 31 March 2020, the Group took a controlling interest in the Viking partnership and acquired a windfarm portfolio in Wexford in Ireland, resulting in an addition to intangible assets on consolidation of £26.4m. In the year ended 31 March 2019, the Group acquired 50% interest in Seagreen Wind Energy Limited ('Seagreen'). On consolidation of Seagreen, £143.4m of development asset was included in the Group's consolidated intangible assets. This has been removed from 'adjusted investment and capital expenditure' as they were not direct capital expenditure by the Group.

18. Additions subsequently disposed/impaired

In the current year the Group funded £19.7m of capex additions in relation to the Seagreen windfarm prior to disposal. On 3 June 2020, the Group disposed of a 51% stake in Seagreen 1 (see note 12.1), therefore the capex incurred prior to that date has been excluded from the Group's net adjusted investment and capital expenditure metric. In the year ended 31 March 2020, there were additions of £44.6m in the Group's Gas Production segment which were subsequently impaired following the annual impairment assessment. Additions subsequently disposed in the year ended 31 March 2019 represent capital additions related to Stronelairg and Dunmaglass windfarms and SSE Telecommunications prior to their disposal and subsequent recognition as part of SSE's investment in joint ventures.

19. Joint venture and associate additions

Joint ventures and associates' additions represent direct funding provided to joint ventures and associate arrangements in relation to large capital expenditure projects. This has been included to better reflect the Group's use of directly funded equity accounted vehicles to grow the Group's asset base. Asset additions funded by project finance raised within the Group's joint ventures and associates is not included in this adjustment.

20. Refinancing proceeds/refunds

The Group's model for developing large scale capital projects within joint ventures and associates involves project finance being raised within those entities. Where the Group funds early stage capex which is then subsequently reimbursed to SSE following the receipt of project finance within the vehicle, the refinance proceeds are included in the Group's net adjusted investment and capital expenditure metric. In the year ended 31 March 2021, the Group received reimbursed capex of £246.1m in relation to Seagreen windfarm and £182.5m in relation to Doggerbank windfarm. These receipts have been deducted from the Group's adjusted investment and capital expenditure metric.

IMPACT OF DISCONTINUED OPERATIONS ON THE GROUP'S APMS

The following metrics have been adjusted in all periods presented to exclude the contribution of the Group's Gas Production operations which is held for sale at 31 March 2021 (see note 5.2.1(i)) and SSE Energy Services which was disposed on 15 January 2020:

- Adjusted EBITDA;
- Adjusted operating profit;
- Adjusted net finance costs;
- Adjusted profit before tax;
- Adjusted current tax charge; and
- Adjusted earnings per share.

'Adjusted net debt and hybrid capital', and 'investment and capital expenditure' have not been adjusted as the Group continues to fund the discontinued operations and will continue to do so until the date of disposal.

The table below reconciles the adjusted performance measures to the reported measure of the Group.

	March 2021	March 2020	March 2019
	£m	£m	£m
Adjusted operating profit	**1,506.5**	1,488.4	1,088.7
Adjusted net finance costs	**(441.6)**	(465.0)	(403.6)
Adjusted profit before tax (PBT)	**1,064.9**	1,023.4	685.1
Adjusted current tax charge	**(107.8)**	(114.2)	(7.1)
Adjusted profit after tax (PAT)	**957.1**	909.2	678.0
Hybrid coupon paid	**(46.6)**	(46.5)	(46.6)
Adjusted profit after tax attributable to ordinary shareholders for EPS	**910.5**	862.7	631.4
Number of shares for EPS	**1,040.9**	1,032.5	1,021.7
Adjusted Earnings per Share	**87.5**	83.6	61.8
Adjusted EBITDA	**2,229.9**	2,191.4	1,718.1
Depreciation and amortisation before exceptional charges	**(556.2)**	(530.1)	(519.0)
Depreciation and amortisation expense on fair value uplifts	**20.6**	20.6	2.9
Release of deferred income	**17.7**	14.7	10.2
Share of JV and associate depreciation and amortisation	**(205.5)**	(208.2)	(123.5)
Adjusted operating profit	**1,506.5**	1,488.4	1,088.7
Adjusted operating profit	**1,506.5**	1,488.4	1,088.7
Movement on operating and joint ventures financing derivatives	**599.7**	(36.2)	(327.0)
Exceptional items	**848.9**	(212.1)	1,010.2
Depreciation and amortisation expense on fair value uplifts	**(20.6)**	(20.6)	(2.9)
Share of joint ventures and associates' interest and tax	**(191.0)**	(256.1)	(155.4)
Reported Operating Profit	**2,743.5**	963.4	1,613.6

	March 2021	March 2020	March 2019
	£m	£m	£m
Adjusted Profit Before Tax PBT	**1,064.9**	1,023.4	685.1
Movement on operating and financing derivatives	**655.3**	(119.2)	(371.8)
Exceptional items	**850.3**	(209.7)	1,010.2
Depreciation and amortisation expense on fair value uplifts	**(20.6)**	(20.6)	(2.9)
Interest on net pension assets/(liabilities)	**11.0**	8.3	11.4
Share of joint ventures and associates tax	**(44.5)**	(82.3)	(31.7)
Share or non-recurring joint ventures refinancing costs	**-**	(12.3)	-
Reported profit before tax	**2,516.4**	587.6	1,300.3
Adjusted net finance costs	**441.6**	465.0	403.6
Exceptional items	**(1.4)**	(2.4)	-
Movement on financing derivatives	**(55.6)**	83.0	44.8
Share of joint ventures and associates interest	**(146.5)**	(173.8)	(123.7)
Interest on net pension assets	**(11.0)**	(8.3)	(11.4)
Share of non-recurring joint venture refinancing costs	**-**	12.3	-
Reported net finance costs	**227.1**	375.8	313.3
Adjusted current tax charge	**107.8**	114.2	7.1
Share of joint ventures and associates tax	**(44.5)**	(82.3)	(31.7)
Deferred tax including share of joint ventures and associates	**38.2**	91.9	87.6
Tax on exceptional items and certain re-measurement	**122.8**	(2.3)	(72.9)
Reported tax (credit)/charge	**224.3**	121.5	(9.9)
Adjusted Net Debt and Hybrid Capital	**(8,898.9)**	(10,465.9)	(9,437.0)
Hybrid Capital	**1,472.4**	1,169.7	1,169.7
Adjusted Net Debt	**(7,426.5)**	(9,296.2)	(8,267.3)
Outstanding liquid funds	**37.1**	(256.4)	(344.2)
Lease obligations	**(421.0)**	(455.2)	(229.3)
Cash presented as held for disposal	**-**	-	(95.2)
Unadjusted net debt	**(7,810.4)**	(10,007.8)	(8,936.0)
Investment and Capital expenditure (adjusted)	**912.0**	1,357.4	1,422.9
Refinancing proceeds/refunds	**428.6**	-	-
Customer funded additions	**61.8**	110.7	224.7
Allowances and certificates	**509.0**	652.7	954.0
Additions through business combinations	**-**	26.4	143.4
Disposed/impaired additions	**19.7**	44.6	195.3
Joint ventures and associates additions	**(172.7)**	(167.1)	(292.5)
IFRS 16 right of use assets	**45.4**	46.5	-
Capital additions to Intangible Assets and Property, Plant and Equipment	**1,803.8**	2,071.2	2,647.8
Capital additions to Intangible Assets	**701.3**	973.6	1,333.3
Capital additions to Property, Plant and Equipment	**1,102.5**	1,097.6	1,314.5
Capital additions to Intangible Assets and Property, Plant and Equipment	**1,803.8**	2,071.2	2,647.8

The following table summarises the impact of excluding discontinued operations from the continuing activities of the Group:

	March 2021 £m	March 2020 £m	March 2019 £m
Adjusted EBITDA of SSE Group (including discontinued operations)	**2,262.9**	2,281.0	2,008.6
Less: SSE Energy Services	**-**	(32.7)	(140.0)
Less: Gas Production	**(33.0)**	(56.9)	(150.5)
Adjusted EBITDA of continuing operations #APM	**2,229.9**	2,191.4	1,718.1
Adjusted operating profit of SSE Group (including discontinued operations)	**1,539.5**	1,546.9	1,227.2
Less: SSE Energy Services	**-**	(32.7)	(89.6)
Less: Gas Production	**(33.0)**	(25.8)	(48.9)
Adjusted operating profit of continuing operations #APM	**1,506.5**	1,488.4	1,088.7
Adjusted net finance costs of SSE Group (including discontinued operations)	**443.9**	471.6	411.9
Less: SSE Energy Services	**-**	-	-
Less: Gas Production	**(2.3)**	(6.6)	(8.3)
Adjusted net finance costs of continuing operations #APM	**441.6**	465.0	403.6
Adjusted profit before tax of SSE Group (including discontinued operations)	**1,095.6**	1,075.3	815.3
Less: SSE Energy Services	**-**	(32.7)	(89.6)
Less: Gas Production	**(30.7)**	(19.2)	(40.6)
Adjusted profit before tax of continuing operations #APM	**1,064.9**	1,023.4	685.1
Adjusted current tax of SSE Group (including discontinued operations)	**107.8**	110.3	11.3
Less: SSE Energy Services	**-**	3.9	(18.1)
Less: Gas Production	**-**	-	13.9
Adjusted current tax of continuing operations #APM	**107.8**	114.2	7.1
Adjusted earnings per share of SSE Group (including discontinued operations)	**90.5**	89.0	74.1
Less: SSE Energy Services	**-**	(3.6)	(7.0)
Less: Gas Production	**(3.0)**	(1.8)	(5.3)
Adjusted earnings per share of continuing operations #APM	**87.5**	83.6	61.8

The remaining APMs presented by the Group are unchanged in all periods presented by the discontinued operations.

SUMMARY FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2021

	Note	**2021** Before exceptional items and certain re-measurements £m	**2021** Exceptional items and certain re-measurements (note 7) £m	**2021** Total £m	2020 Before exceptional items and certain re-measurements £m	2020 Exceptional items and certain re-measurements (note 7) £m	2020 Total £m
Continuing operations							
Revenue	6	**6,826.4**	**-**	**6,826.4**	6,800.6	-	6,800.6
Cost of sales		**(4,732.7)**	**598.6**	**(4,134.1)**	(4,745.0)	(39.3)	(4,784.3)
Gross profit		**2,093.7**	**598.6**	**2,692.3**	2,055.6	(39.3)	2,016.3
Operating costs		**(1,198.4)**	**(127.1)**	**(1,325.5)**	(1,019.1)	(240.3)	(1,259.4)
Other operating income		**268.7**	**976.0**	**1,244.7**	24.4	28.2	52.6
Operating profit before joint ventures and associates		**1,164.0**	**1,447.5**	**2,611.5**	1,060.9	(251.4)	809.5
Joint ventures and associates:							
Share of operating profit		**322.0**	**-**	**322.0**	406.8	-	406.8
Share of interest		**(146.5)**	**-**	**(146.5)**	(173.8)	-	(173.8)
Share of movement on derivatives		**-**	**1.0**	**1.0**	-	3.2	3.2
Share of tax		**(44.3)**	**(0.2)**	**(44.5)**	(81.7)	(0.6)	(82.3)
Share of profit on joint ventures and associates		**131.2**	**0.8**	**132.0**	151.3	2.6	153.9
Operating profit from continuing operations	6	**1,295.2**	**1,448.3**	**2,743.5**	1,212.2	(248.8)	963.4
Finance income	8	**88.0**	**57.0**	**145.0**	79.2	2.4	81.6
Finance costs	8	**(372.1)**	**-**	**(372.1)**	(374.4)	(83.0)	(457.4)
Profit before taxation		**1,011.1**	**1,505.3**	**2,516.4**	917.0	(329.4)	587.6
Taxation	9	**(101.5)**	**(122.8)**	**(224.3)**	(123.8)	2.3	(121.5)
Profit for the year from continuing operations		**909.6**	**1,382.5**	**2,292.1**	793.2	(327.1)	466.1
Discontinued operations							
Profit/(loss) from discontinued operation, net of tax		**30.7**	**-**	**30.7**	44.2	(522.8)	(478.6)
Profit/(loss) for the year		**940.3**	**1,382.5**	**2,322.8**	837.4	(849.9)	(12.5)
Attributable to:							
Ordinary shareholders of the parent		**893.7**	**1,382.5**	**2,276.2**	790.9	(849.9)	(59.0)
Other equity holders		**46.6**	**-**	**46.6**	46.5	-	46.5
Earnings/(loss) per share							
Basic earnings per share (pence)	11			**218.7**			(5.7)
Diluted earnings per share (pence)	11			**218.3**			(5.7)
Earnings per share – continuing operations							
Basic earnings per share (pence)	11			**215.7**			40.6
Diluted earnings per share (pence)	11			**215.4**			40.6
Dividends							
Interim dividend paid per share (pence)	10			**24.4**			24.0
Proposed final dividend per share (pence)	10			**56.6**			56.0
				81.0			80.0

The accompanying notes are an integral part of the financial information in this announcement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	2021 £m	2020 £m
Profit/(loss) for the year	**2,322.8**	(12.5)
Other comprehensive income:		
Items that will be reclassified subsequently to profit or loss:		
Net (losses)/gains on cash flow hedges	**(44.7)**	38.0
Transferred to assets and liabilities on cash flow hedges	**(5.1)**	3.7
Taxation on cashflow hedges	**8.5**	(7.2)
	(41.3)	34.5
Share of other comprehensive gain/(loss) of joint ventures and associates, net of taxation	**25.0**	(40.3)
Exchange difference on translation of foreign operations	**(43.3)**	33.0
Gain/(loss) on net investment hedge	**37.3**	(28.7)
	(22.3)	(1.5)
Items that will not be reclassified to profit or loss:		
Actuarial (loss)/gain on retirement benefit schemes, net of taxation	**(12.8)**	97.8
Share of other comprehensive (loss)/income of joint ventures and associates, net of taxation	**(23.3)**	36.6
Gains/(losses) on revaluation of investments in equity instruments, net of taxation	**1.1**	(1.3)
	(35.0)	133.1
Other comprehensive (loss)/gain, net of taxation	**(57.3)**	131.6
Total comprehensive income for the period	**2,265.5**	119.1
Attributable to:		
Ordinary shareholders of the parent	**2,218.9**	72.6
Other equity holders	**46.6**	46.5
	2,265.5	119.1

The accompanying notes are an integral part of the financial information in this announcement.

CONSOLIDATED BALANCE SHEET

as at 31 March

	Note	2021 £m	2020 £m
Assets			
Property, plant and equipment		**13,254.3**	12,814.7
Goodwill and other intangible assets		**841.3**	1,101.4
Equity investments in associates and joint ventures		**1,643.5**	1,849.4
Loans to associates and joint ventures		**554.3**	847.5
Other investments		**3.6**	0.2
Other receivables		**115.9**	100.0
Derivative financial assets		**114.7**	308.2
Retirement benefit assets	15	**543.1**	534.2
Non-current assets		**17,070.7**	17,555.6
Intangible assets		**374.9**	503.2
Inventories		**234.9**	174.0
Trade and other receivables		**1,488.2**	1,761.2
Current tax asset		**12.7**	15.1
Cash and cash equivalents		**1,600.2**	164.6
Derivative financial assets		**470.9**	631.2
Current assets held for disposal	12	**339.1**	226.8
Current assets		**4,520.9**	3,476.1
Total assets		**21,591.6**	21,031.7
Liabilities			
Loans and other borrowings	13	**937.6**	1,966.9
Trade and other payables		**1,987.3**	1,995.4
Current tax liabilities		**12.8**	-
Provisions		**79.3**	61.4
Derivative financial liabilities		**238.7**	785.8
Liabilities held for disposal	12	**253.5**	398.7
Current liabilities		**3,509.2**	5,208.2
Loans and other borrowings	13	**8,473.0**	8,205.5
Deferred tax liabilities		**774.3**	645.8
Trade and other payables		**722.5**	639.5
Provisions		**793.3**	600.1
Retirement benefit obligations	15	**186.1**	192.5
Derivative financial liabilities		**452.1**	620.0
Non-current liabilities		**11,401.3**	10,903.4
Total liabilities		**14,910.5**	16,111.6
Net assets		**6,681.1**	4,920.1
Equity			
Share capital	14	**524.5**	523.1
Share premium		**847.1**	875.6
Capital redemption reserve		**49.2**	49.2
Hedge reserve		**(133.6)**	(111.1)
Translation reserve		**0.4**	6.4
Retained earnings		**3,921.1**	2,407.2
Equity attributable to ordinary shareholders of the parent		**5,208.7**	3,750.4
Hybrid equity	14	**1,472.4**	1,169.7
Total equity		**6,681.1**	4,920.1

The accompanying notes are an integral part of the financial information in this announcement

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2021

	Share capital £m	Share premium £m	Capital redemption reserve £m	Hedge reserve £m	Translation reserve £m	Retained earnings £m	Total attributable to ordinary shareholders £m	Hybrid equity £m	Total equity attributable to equity holders of the parent £m
At 1 April 2020	523.1	875.6	49.2	(111.1)	6.4	2,407.2	3,750.4	1,169.7	**4,920.1**
Profit for the year	-	-	-	-	-	2,276.2	2,276.2	46.6	**2,322.8**
Other comprehensive loss	-	-	-	(16.3)	(6.0)	(35.0)	(57.3)	-	**(57.3)**
Total comprehensive income for the year	-	-	-	(16.3)	(6.0)	2,241.2	2,218.9	46.6	**2,265.5**
Dividends to shareholders	-	-	-	-	-	(836.4)	(836.4)	-	**(836.4)**
Scrip dividend related share issue	1.4	(1.4)	-	-	-	39.0	39.0	-	**39.0**
Distributions to Hybrid equity holders	-	-	-	-	-	-	-	(46.6)	**(46.6)**
Issue of Hybrid equity	-	-	-	-	-	-	-	1,051.0	**1,051.0**
Redemption of Hybrid equity	-	-	-	-	-	(1.7)	(1.7)	(748.3)	**(750.0)**
Credit in respect of employee share awards	-	-	-	-	-	19.7	19.7	-	**19.7**
Investment in own shares (ii)	-	(27.1)	-	-	-	24.6	(2.5)	-	**(2.5)**
Adjustment in relation to historic remeasurement of financial instruments, net of tax (ii)	-	-	-	(6.2)	-	27.5	21.3	-	**21.3**
At 31 March 2021	524.5	847.1	49.2	(133.6)	0.4	3,921.1	5,208.7	1,472.4	**6,681.1**

(i) Following review of the recognition of certain derivative financial instruments at inception, a revision to Retained Earnings, Loans and Borrowings and the Hedge Reserve has been recorded during the period. This revision arose through review of the Group's contractual exposure on certain swap arrangements, as well as mark-to-market charges on inception previously recognised through the Income Statement. The cumulative effect on opening reserves on 1 April 2020 is an increase of £21.3m, and the single largest line item impacted was Loans and Borrowings which decreased by £58.8m. It has been assessed that the cumulative effect of this revision does not materially impact the prior year financial statements.

(ii) Investment in own shares is the purchase of own shares less the settlement of treasury shares for sharesave schemes. This includes a reclassification between share premium and retained earnings of £27.1m for previous treasury share issuances to employees.

Statement of changes in equity	Share capital £m	Share premium £m	Capital redemption reserve £m	Hedge reserve £m	Translation reserve £m	Retained earnings £m	Total attributable to ordinary shareholders £m	Hybrid equity £m	Total equity attributable to equity holders of the parent £m
At 1 April 2019	523.4	879.6	34.8	(105.3)	2.1	3,250.9	4,585.5	1,169.7	5,755.2
Loss for the year	-	-	-	-	-	(59.0)	(59.0)	46.5	(12.5)
Other comprehensive income/(loss)	-	-	-	(5.8)	4.3	133.1	131.6	-	131.6
Total comprehensive income for the year	-	-	-	(5.8)	4.3	74.1	72.6	46.5	119.1
Dividends to shareholders	-	-	-	-	-	(948.5)	(948.5)	-	(948.5)
Scrip dividend related share issue	14.1	(14.1)	-	-	-	345.5	345.5	-	345.5
Distributions to Hybrid equity holders	-	-	-	-	-	-	-	(46.5)	(46.5)
Issue of shares	-	10.1	-	-	-	-	10.1	-	10.1
Share Repurchase	(14.4)	-	14.4	-	-	(352.0)	(352.0)	-	(352.0)
Credit in respect of employee share awards	-	-	-	-	-	24.5	24.5	-	24.5
Investment in own shares	-	-	-	-	-	(14.6)	(14.6)	-	(14.6)
Adjustment in relation to historic depreciation rates, net of tax	-	-	-	-	-	27.3	27.3	-	27.3
At 31 March 2020	523.1	875.6	49.2	(111.1)	6.4	2,407.2	3,750.4	1,169.7	4,920.1

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2021

	Note	2021 £m	2020 £m
Operating profit – continuing operations	6	**2,743.5**	963.4
Operating profit/(loss) – discontinued operations (i)		**33.0**	(243.6)
Operating profits – total operations		**2,776.5**	719.8
Less share of profit of joint ventures and associates		**(132.0)**	(153.9)
Operating profit before jointly controlled entities and associates		**2,644.5**	565.9
Pension service charges less contributions paid		**(22.8)**	(25.2)
Movement on operating derivatives		**(590.1)**	34.2
Depreciation, amortisation, write downs and impairments		**637.9**	947.2
Charge in respect of employee share awards (before tax)		**18.1**	24.5
Profit on disposal of assets and businesses	12	**(1,227.9)**	(60.5)
Release of provisions		**(4.1)**	(21.2)
Release of deferred income		**(17.7)**	(14.7)
Cash generated from operations before working capital movements		**1,437.9**	1,450.2
(Increase)/decrease in inventories		**(71.7)**	122.5
Decrease in receivables		**155.3**	155.0
Increase/(decrease) in payables		**420.0**	(269.2)
Increase/(decrease) in provisions		**36.1**	(3.0)
Cash generated from operations		**1,977.6**	1,455.5
Dividends received from investments		**191.1**	213.4
Interest paid		**(288.7)**	(272.9)
Taxes paid		**(62.8)**	(95.8)
Net cash from operating activities		**1,817.2**	1,300.2
Purchase of property, plant and equipment		**(985.0)**	(814.1)
Purchase of other intangible assets		**(192.3)**	(396.8)
Deferred income received		**11.2**	11.8
Proceeds from disposals	12	**1,734.8**	413.9
Cash disposed from disposals		**(172.8)**	(235.6)
Joint venture development expenditure refunds		**182.5**	-
Loans and equity provided to joint ventures and associates		**(188.9)**	(175.7)
Purchase of businesses and subsidiaries		**-**	(29.0)
Loans and equity repaid by joint ventures		**54.2**	213.3
Net cash from investing activities		**443.7**	(1,012.2)
Proceeds from issue of share capital	14	**10.4**	10.1
Dividends paid to company's equity holders	10	**(797.4)**	(603.0)
Hybrid equity dividend payments	14	**(46.6)**	(46.5)
Employee share awards share purchase	14	**(12.9)**	(14.6)
Issue of hybrid instruments	14	**1,051.0**	-
Redemption of hybrid instruments	14	**(750.0)**	-
New borrowings		**1,668.5**	1,122.4
Seagreen development expenditure refinancing proceeds		**246.1**	-
Repayment of borrowings		**(2,189.3)**	(770.3)
Settlement of cashflow hedges		**(5.1)**	3.7
Repurchase of own shares		**-**	(352.0)
Net cash from financing activities		**(825.3)**	(650.2)
Net increase/(decrease) in cash and cash equivalents		**1,435.6**	(362.2)
Cash and cash equivalents at the start of year		**164.6**	526.8
Net increase/(decrease) in cash and cash equivalents		**1,435.6**	(362.2)
Cash and cash equivalents at the end of year		**1,600.2**	164.6

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

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

for the year ended 31 March 2021

1. FINANCIAL INFORMATION

The financial information set out in this announcement does not constitute the Group's consolidated financial statement for the years ended 31 March 2021 or 2020 but is derived from those accounts. Consolidated financial statements for the year ended 31 March 2020 were delivered to the Registrar of Companies, and those for the year ended 31 March 2021 will be delivered in due course. The auditors have reported on those accounts and their reports were (i) unqualified; (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. This preliminary announcement was authorised by the Board on 25 May 2021.

2. BASIS OF PREPARATION AND PRESENTATION

2.1 Basis of preparation

The financial information set out in this announcement has been extracted from the consolidated financial statements of SSE plc for the year ended 31 March 2021. These consolidated financial statements were prepared under the historical cost convention, excepting certain assets and liabilities stated at fair value and in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union (adopted IFRS). This consolidated financial information has been prepared on the basis of accounting policies consistent with those applied in the consolidated financial statements for the year ended 31 March 2021 unless expressly stated otherwise.

The Directors consider that the Group has adequate resources to continue in operational existence for the period to 31 December 2022. The financial statements are therefore prepared on a going concern basis. In assessing the Group's ability to continue as a going concern, the ongoing impact of the coronavirus pandemic was considered and has been included as another area of financial judgement (see note 5.2 (i)).

The financial statements are presented in Pounds Sterling.

2.2 Basis of presentation

The Group applies the use of adjusted accounting measures throughout these statements. These measures enable the Directors to present the underlying performance of the Group and its segments to the users of the statements in a consistent and meaningful manner. The adjustments applied and certain terms such as 'adjusted operating profit', 'adjusted EPS', 'investment and capital expenditure', 'adjusted EBITDA' and 'adjusted net debt and hybrid equity' are not defined under IFRS and are explained in more detail in note 4.

2.3 Changes to presentation

There have been no changes to presentation during the current year.

During the prior year, the Group assessed that its Gas Production business met the criteria to be presented as held for sale and a discontinued operation. The business remains held for sale at 31 March 2021 and continues to be classified as a discontinued operation (see note 5.2.1(i)). The results of the business are therefore presented as discontinued operations in the income statement, cash flow statement and related notes, in line with the requirements of IFRS 5 '*Non-current Assets Held for Sale and Discontinued Operations*'.

2.4 Changes to estimates

There have been no changes to the basis of accounting estimates during the current year.

During the prior year the Group performed a detailed technical review of the operating lives of its onshore and offshore windfarms and changed the estimated useful life of the majority of its onshore windfarms from 20 to 25 years. The change to this estimate resulted in an increase to adjusted and reported profit before tax of £30.2m in the prior year.

3. NEW ACCOUNTING POLICIES AND REPORTING CHANGES

The basis of consolidation and principal accounting policies applied in the preparation of these financial statements are set out below and will be included within A1 Accompanying Information to the Group's consolidated Financial Statements.

3.1 New standards, amendments and interpretations effective or adopted by the Group

The accounting policies are consistent with those of the prior period. From 1 January 2020 (thus 1 April 2020 for the Group), amendments to IFRS 3: Business Combinations; Interest Rate Benchmark Reform; amendments to IAS 1 and IAS 8; and the conceptual framework for financial reporting became effective. None have had a material impact on the Group. From 1 June 2020 an amendment to IFRS 16 for covid-19 related rent concessions became effective. The Group has not received any rent concessions and so has not early adopted the amendment as it would have no impact on the presentation of these Financial Statements.

3. NEW ACCOUNTING POLICIES AND REPORTING CHANGES (CONTINUED)

3.2 New standards, amendments and interpretations issued, but not yet adopted by the Group

The following standard has been issued but not yet adopted by the Group within these financial statements, because application is not yet mandatory or because adoption by the UK remains outstanding at this point in time:

(i) IFRS 17 'Insurance Contracts' is effective from 1 January 2021 (and thus 1 April 2021 to the Group) and is subject to endorsement.

IFRS 17 'Insurance contracts' was originally issued in May 2017, then reissued in June 2020, and replaces IFRS 4 'Insurance Contracts' and sets out the requirements that a company should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds.

Whilst the Group operates a captive insurance company, SSE Insurance Limited, its primary purpose is to provide greater control over SSE's management of specific risks, with minor annual premium payments made. It is therefore not expected that adoption of this standard will have a material impact on the Group's consolidated financial statements.

(ii) Other interpretations and amendments

In addition to these issued standards, there are a number of other interpretations, amendments and annual improvement project recommendations that have been issued but not yet adopted by the Group because application is not yet mandatory or because adoption by the UK remains outstanding at this point in time. These are not anticipated to have a material impact on the Group's consolidated financial statements.

4. ADJUSTED ACCOUNTING MEASURES

The Group applies the use of adjusted accounting measures throughout the Annual Report and Financial Statements. These measures enable the Directors to present the underlying performance of the Group and its segments to the users of the statements in a consistent and meaningful manner. The adjustments applied and certain terms such as 'adjusted operating profit', 'adjusted EPS', 'adjusted EBITDA', 'adjusted investment and capital expenditure' and 'adjusted net debt and Hybrid equity' that are not defined under IFRS and are explained in more detail below. In addition, the section 'Alternative Performance Measures' at provides further context and explanation of these terms.

4.1 Adjusted measures

The Directors assess the performance of the Group and its reportable segments based on 'adjusted measures'. These measures are used for internal performance management and are believed to be appropriate for explaining underlying performance to users of the accounts. These measures are also deemed the most useful for the ordinary shareholders of the Company and for other stakeholders.

The performance of the reportable segments is reported based on adjusted profit before interest and tax ('adjusted operating profit'). This is reconciled to reported profit before interest and tax by adding back exceptional items, and certain re-measurements, depreciation on fair value uplifts and after the removal of interest and taxation on profits from equity-accounted joint ventures and associates.

The performance of the Group is reported based on adjusted profit before tax which excludes exceptional items and certain re-measurements (see below), depreciation on fair value uplifts, the net interest costs associated with defined benefit schemes and taxation on profits from equity-accounted joint ventures and associates. The interest costs removed are non-cash and are subject to variation based on actuarial valuations of scheme liabilities.

The Group also uses adjusted earnings before interest, taxation, depreciation and amortisation ('adjusted EBITDA') as an alternative operating performance measure which acts as a management proxy for cash generated from operating activities. This does not take into account the rights and obligations that SSE has in relation to its equity-accounted joint ventures and associates. This measure excludes exceptional items and certain re-measurements (see below), the depreciation charged on fair value uplifts, non-recurring financing costs in joint ventures, the net interest costs associated with defined benefit schemes, depreciation and amortisation from equity-accounted joint ventures and associates and interest and taxation on profits from equity-accounted joint ventures and associates. For the purpose of calculating the 'Net Debt to EBITDA' metric referred to within the Supplemental Financial Information section above, 'adjusted EBITDA' is further adjusted to remove the proportion of adjusted EBITDA from equity-accounted joint ventures relating to off-balance sheet debt (see note 6.3).

The Group's key performance measure is adjusted earnings per share (EPS), which is based on basic earnings per share before exceptional items and certain re-measurements (see below), depreciation on fair value uplifts, the net interest costs associated with defined benefit schemes and after the removal of deferred taxation and other taxation exceptional items. Deferred taxation is excluded from the Group's adjusted EPS because of the Group's significant ongoing capital investment programme, which means that the deferred tax is unlikely to reverse. Adjusted profit after tax is presented on a basis consistent with adjusted EPS except for the non-inclusion of payments to holders of hybrid equity.

The financial statements also include an 'adjusted net debt and hybrid equity' measure. This presents financing information on the basis used for internal liquidity risk management. This measure excludes obligations due under finance leases and includes cash held as collateral on commodity trading exchanges, cash presented as held for disposal and other short-term loans. The measure represents the capital owed to investors, lenders and equity holders other than the ordinary shareholders. As with 'adjusted earnings per share', this measure is considered to be of particular relevance to the ordinary shareholders of the Group as well as other stakeholders and interested parties.

Finally, the financial statements include an 'investment and capital expenditure' measure. This metric represents the capital invested by the Group in projects that are anticipated to provide a return on investment over future years and is consistent with internally applied metrics. This therefore includes capital additions to Property, Plant and Equipment and Intangible Assets and also the Group's direct funding of joint venture and associates capital projects. The Group has considered it appropriate to report these values both internally and externally in this manner due to its use of equity-accounted investment vehicles to grow the Group's asset base, where the Group is providing the source of funding to the vehicle through either loans or equity. The Group does not include project-funded capital additions in this metric, or other capital invested in joint ventures or associates. In addition, the Group excludes from this metric, additions to its Property, Plant and Equipment funded by Customer Contributions and additions to Intangible Assets associated with Allowances and Certificates. As with 'adjusted earnings per share', this measure is considered to be of particular relevance to the ordinary shareholders of the Group as well as other stakeholders and interested parties.

Reconciliations from reported measures to adjusted measures along with further description of the rationale for those adjustments are included in the Adjusted Performance Measures section before the Summary Financial Statements.

4.2 Exceptional items and certain re-measurements

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

Market conditions that have deteriorated significantly over time will only be captured to the extent observable at the balance sheet date. Examples of items that may be considered exceptional include material asset or business impairment charges, reversals of historic impairments, business restructuring costs and reorganisation costs, significant realised gains or losses on disposal, unrealised fair value adjustments on part disposal of a subsidiary and provisions in relation to contractual settlements associated with significant disputes and claims.

The Group operates a framework for estimating whether items are considered to be exceptional. This framework, which is reviewed annually, estimates the materiality of each broad set of potentially exceptional circumstances, after consideration of strategic impact and likelihood of recurrence, by reference to the Group's key performance measure of Adjusted Earnings per Share. This framework estimates that any item greater than £30.0m will be considered exceptional, with lower thresholds applied to circumstances that are considered to have a greater strategic impact and are less likely to recur. The only exception to this threshold is for gains or losses on disposal or divestment of international or offshore wind farm projects which will be considered non-exceptional in line with the Group's expressed strategy to generate recurring gains in these businesses. Finally, in response to the impact of the coronavirus pandemic on the Group's financial position at March 2020, a specific category of exceptional charge was identified and defined relating to impairment of current assets assessed as being a direct consequence of the outbreak. Further detail is noted at 5.1(i) below.

Certain re-measurements are re-measurements arising on certain commodity, interest rate and currency contracts which are accounted for as held for trading or as fair value hedges in accordance with the Group's policy for such financial instruments, or remeasurements on stocks of commodities held at the balance sheet date.

This excludes commodity contracts not treated as financial instruments under IFRS 9 where held for the Group's own use requirements which are not recorded until the underlying commodity is delivered.

The impact of changes in Corporation Tax rates on deferred tax balances are also included within certain remeasurements.

4.3 Other additional disclosures

As permitted by IAS 1 'Presentation of financial statements', the Group's income statement discloses additional information in respect of joint ventures and associates, exceptional items and certain re-measurements to aid understanding of the Group's financial performance and to present results clearly and consistently.

5. ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management necessarily makes judgements and estimates that have a significant effect on the amounts recognised in the financial statements. Changes in the assumptions underlying the estimates could result in a significant impact to the financial statements. The Group's key accounting judgement and estimation areas are noted with the most significant financial judgement areas as specifically discussed by the Audit Committee being highlighted separately.

5.1 Significant financial judgements – estimation uncertainties

The preparation of the Groups Summary Financial Statements has specifically considered the following significant financial judgements all of which are areas of estimation uncertainty.

(i) Impairment testing and valuation of certain non-current assets – estimation uncertainty

The Group reviews the carrying amounts of its goodwill, other intangible assets and specific property, plant and equipment assets to determine whether any impairment of the carrying value of those assets requires to be recorded. The specific assets under review in the year ended 31 March 2021 are intangible development assets and specific property, plant and equipment assets related to thermal power generation and the carrying value of the held for sale gas production business. In conducting its reviews, the Group makes judgements and estimates in considering both the level of cash generating unit (CGU) at which common assets such as goodwill are assessed against, as well as the estimates and assumptions behind the calculation of recoverable amount of the respective assets or CGUs.

Changes to the estimates and assumptions on factors such as regulation and legislation changes, power, gas, carbon and other commodity prices, volatility of gas prices, plant running regimes and load factors, expected proven and probable reserves, discount rates and other inputs could impact the assessed recoverable value of assets and CGUs and consequently impact the Group's income statement and balance sheet.

(ii) Retirement benefit obligations – estimation uncertainty

The assumptions in relation to the cost of providing post-retirement benefits during the period are based on the Group's best estimates and are set after consultation with qualified actuaries. While these assumptions are believed to be appropriate, a change in these assumptions would impact the level of the retirement benefit obligation recorded and the cost to the Group of administering the schemes.

Further detail of the calculation basis and key assumptions used, the resulting movements in obligations and the sensitivity of key assumptions to the obligation is disclosed at Note 15.

(iii) Revenue recognition – Customers unbilled supply of energy – estimation uncertainty

Revenue from energy supply activities undertaken by the Business Energy and Airtricity businesses includes an estimate of the value of electricity or gas supplied to customers between the date of the last meter reading and the year end. This estimation comprises both billed revenue (disclosed as trade receivables) and unbilled revenue (disclosed as accrued income) and is calculated based on applying the tariffs and contract rates applicable to customers against estimated customer consumption and taking account of various factors including usage patterns, weather trends and externally notified aggregated volumes supplied to customers from national settlements bodies. A change in the assumptions underpinning the calculation would have an impact on the amount of revenue recognised in any given period. The sensitivity associated with this judgement factor will be disclosed at Note 18 of the Group's consolidated financial statements.

This estimation is subject to an internal corroboration process which compares of calculated unbilled volumes to a theoretical 'perfect billing' benchmark measure of unbilled volumes (in GWh and millions of therms) derived from historical weather-adjusted consumption patterns and aggregated metering data used in industry reconciliation processes. Furthermore, actual meter readings and billings continue to be compared to unbilled estimates between the balance sheet date and the finalisation of the accounts.

5. ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)

5.2 Other accounting judgements

(i) Accounting for the impacts of coronavirus – accounting judgement and estimation uncertainty

At 31 March 2020, the UK had entered a first period of lockdown caused by the coronavirus pandemic, which had been implemented late in the Group's financial year. The Group assessed at that time that due to the expected impact to credit risk, specifically the recovery of current and aged debt balances in its Business Energy and Airtricity businesses, an additional exceptional provision of £33.7m should be recognised in its Business Energy (£27.7m) and Airtricity (£6.0m) businesses associated with the change in circumstances resulting from the pandemic.

In the subsequent financial year, the UK economy was significantly affected by the pandemic. The Group has seen reduced electricity demand impact its use of system revenue in its SSEN Distribution business; reduced consumption from business customers; and reduced activity in its Enterprise business as direct impacts from the pandemic. These impacts are estimated at £168.7m. However, the impact on recovery of customer debt balances at 31 March 2020 has been better than expected, largely due to support provided to customers through government support schemes. Accordingly, the Group has reversed £26.1m of the exceptional provision recognised in the prior year (see note 7.1). 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.

During the year the Group has successfully accessed capital markets and has managed to refinance maturing debt through a market impacted by coronavirus. The impact of coronavirus on the financial position and going concern basis of the Group is set out in the Group's going concern commentary at A6.3 and in the Viability Statement of the Financial Statements.

5.2.1 Other accounting judgements - changes from prior year

(i) Held for sale classification of the Group's investment in Gas Production

At 31 March 2020, the Group classified its investment in Gas Production assets as held for sale. At that date, the Group was engaged in discussions with potential buyers for the business but a transaction had not been agreed, and, due to economic conditions prevailing at the time, classifying the business as held for sale was judgemental. On 22 December 2020, the Group announced it had reached an agreement with Viaro Energy through its subsidiary RockRose Energy Limited to purchase the business for initial consideration of £120m. At 31 March 2021 the business remains held for sale awaiting regulatory approval and partner consent. It is expected the transaction will complete in Q1 of the 2021/22 financial year.

5.3 Other areas of estimation uncertainty

(i) Tax provisioning

The Group has a number of open tax issues with the tax authorities in the UK and Republic of Ireland, the two jurisdictions in which the Group operates. Where management makes a judgement that an outflow of funds is probable, and a reliable estimate of the dispute can be made, provision is made for the best estimate of the most likely liability.

In estimating any such liability, the Group applies a risk-based approach, taking into account the specific circumstances of each dispute based on management's interpretation of tax law and supported, where appropriate, by discussion and analysis by external tax advisors. These estimates are inherently judgemental and could change substantially over time as each dispute progresses and new facts emerge. Provisions are reviewed on an ongoing basis, however the resolution of tax issues can take a considerable period of time to conclude and it is possible that amounts ultimately paid will be different from the amounts provided. Provisions for uncertain tax positions are included in current tax liabilities, and total £37.6m at 31 March 2021 (2020: £39.4m). The Group estimates that a reasonably possible range of settlement outcomes for the uncertain tax provisions given their binary nature is between nil and the full value of the provision.

(ii) Decommissioning costs

The estimated cost of decommissioning at the end of the useful lives of certain property, plant and equipment assets is reviewed periodically, with a full reassessment by an independent decommissioning consultant performed in the year to 31 March 2019. Decommissioning costs in relation to gas exploration and production assets are periodically agreed with the field operators and reflect the latest expected economic production lives of the fields. At 31 March 2021 the Group's Gas Production assets are held for sale. Under the agreed terms of the disposal the Group will retain 60% of the decommissioning obligation. Provision is made for the estimated discounted cost of decommissioning at the balance sheet date. The Group's next formal reassessment by independent decommissioning experts will be performed in the financial year to March 2022.

The dates for settlement of future decommissioning costs are uncertain, particularly for gas exploration and production assets where reassessment of gas and liquids reserves and fluctuations in commodity prices can lengthen or shorten the field life. The Group is currently incurring decommissioning costs related to the Ferrybridge and Fiddlers Ferry power stations, with the remaining provision expected to being increasingly utilised over the next ten years and continue out to 2040.

Further detail on the assumptions made and movement in decommissioning costs during the year will be disclosed at Note 20 of the Group's consolidated financial statements.

6. SEGMENTAL INFORMATION

There have been no changes to the Group's core operating segments during the year. These segments are used internally by the Board to run the business and make strategic decisions. The Group's 'Corporate unallocated' segment is the Group's residual corporate central costs which cannot be allocated to individual segments.

The following describes the types of products and services from which each reportable segment generates its revenue:

Continuing operations		
Business Area	**Reported Segments**	**Description**
Transmission	SSEN Transmission	The economically regulated high voltage transmission of electricity from generating plant to the distribution network in the North of Scotland. Revenue earned from constructing, maintaining and renovating our transmission network is determined in accordance with the regulatory licence, based on an Ofgem approved revenue model and is recognised as charged to National Grid. The revenue earned from other transmission services such as generator plant connections is recognised in line with delivery of that service over the expected contractual period and at the contracted rate.
Distribution	SSEN Distribution	The economically regulated lower voltage distribution of electricity to customer premises in the North of Scotland and the South of England. Revenue earned from delivery of electricity supply to customers is recognised based on the volume of electricity distributed to those customers and the set customer tariff. The revenue earned from other distribution services such as domestic customer connections is recognised in line with delivery of that service over the expected contractual period and at the contracted rate.
	SGN	SSE's share of Scotia Gas Networks, which operates two economically regulated gas distribution networks in Scotland and the South of England. The revenue earned from transportation of natural gas to customers is recognised based on the volume of gas distributed to those customers and the set customer tariff.
Renewables	SSE Renewables	The generation of electricity from renewable sources, such as onshore and offshore windfarms and run of river and pumped storage hydro assets in the UK and Ireland. Revenue from physical generation of electricity sold to SSE EPM is recognised as generated, based on the spot price at the time of delivery. Revenue from national support schemes (such as Renewable Obligation Certificates or the Capacity Market) may either be recognised in line with electricity being physically generated or over the contractual period, depending on the underlying performance obligation.
Thermal	Thermal Generation	The generation of electricity from thermal plant and the Group's interests in multifuel assets in the UK and Ireland. Revenue from physical generation of electricity to SSE EPM is recognised as generated, based on the spot price at the time of delivery. Revenue from national support schemes (such as the Capacity Market) and ancillary generation services may either be recognised in line with electricity being physically generated or over the contractual period, depending on the underlying performance obligation.
	Gas Storage	The operation of gas storage facilities in the UK, providing a mix of capacity products to the external gas market with excess capacity used to develop secondary trading opportunities. For capacity products, revenue from the injection and withdrawal of gas is recognised when provided, with revenue from the provision of storage services is recognised based on the number of days utilised at the contractual rate. Revenue arising on secondary trading activities is recognised as gas is injected into the network, based on the spot price at the time of delivery.

6. SEGMENTAL INFORMATION (CONTINUED)

Business Area	Reported Segments	Description
Customers	Business Energy	The supply of electricity and gas to business customers in GB. Revenue earned from the supply of energy is recognised in line with the volume delivered to the customer, based on actual and estimated volumes, and reflecting the applicable customer tariff after deductions or discounts.
	Airtricity	The supply of electricity, gas and energy related services to domestic and business customers in the Republic of Ireland and Northern Ireland. Revenue earned from the supply of energy is recognised in line with the volume delivered to the customer, based on actual and estimated volumes, and reflecting the applicable customer tariff after deductions or discounts. Revenue earned from energy related services may either be recognised over the expected contractual period or following performance of the service, depending on the underlying performance obligation.
Enterprise	Enterprise	The integrated provision of services in competitive markets for industrial and commercial customers including distributed energy, electrical contracting, heat and private energy networks and lighting services. Revenue is recognised by reference to the progress towards completion of the contractual performance obligation, based on the proportion of costs incurred to date relative to total expected costs, provided the contract outcome can be assessed with reasonable certainty.
EPM & I	Energy Portfolio Management (EPM)	The optimisation of SSE's electricity, gas and other commodity requirements. Revenue from physical sales of electricity, gas and other commodities produced by SSE's Wholesale Business is recognised as supplied to either the national settlements body or the customer, based on either the spot price at the time of delivery or trade price where that trade is eligible for "own use" designation. The sale of commodity optimisation trades are presented net in cost of sales alongside purchase commodity optimisation trades.

Discontinued operations		
Business Area	**Reported Segments**	**Description**
SSE Energy Services	SSE Energy Services	The supply of electricity and gas and the provision of energy related goods and services to domestic customers in GB. Revenue earned from the supply of energy is recognised in line with the volume delivered to the customer, based on actual and estimated volumes, and reflecting the applicable customer tariff after deductions or discounts. Revenue earned from energy related services may either be recognised over the expected contractual period or following performance of the service, depending on the underlying performance obligation. This business was disposed on 15 January 2020.
EPM & I	Gas Production	The production and processing of gas and oil from North Sea fields. Revenue is recognised based on the production that has been delivered to the customer at the specified delivery point, at the applicable contractual market price.

The internal measure of profit used by the Board is 'adjusted profit before interest and tax' or 'adjusted operating profit' which is arrived at before exceptional items, the impact of financial instruments measured under IFRS 9, the net interest costs associated with defined benefit pension schemes and after the removal of taxation and interest on profits from joint ventures and associates.

Analysis of revenue, operating profit and earnings before interest, taxation, depreciation and amortisation ('EBITDA') by segment is provided on the following pages. All revenue and profit before taxation arise from operations within the UK and Ireland.

6. SEGMENTAL INFORMATION (CONTINUED)

6.1 Revenue by segment

	Revenue from contracts with customers 2021 £m	Other contract revenue 2021 £m	Reported revenue 2021 £m	Intra-segment revenue (i) 2021 £m	Segment revenue 2021 £m	Reported revenue 2020 £m	Intra-segment revenue (i) 2020 £m	Segment revenue 2020 £m
Continuing operations								
SSEN Transmission	**404.9**	**-**	**404.9**	**-**	**404.9**	378.6	-	378.6
SSEN Distribution	**787.4**	**22.1**	**809.5**	**69.1**	**878.6**	784.7	159.4	944.1
SSE Renewables	**281.9**	**-**	**281.9**	**544.2**	**826.1**	252.2	595.9	848.1
Thermal Generation	**504.0**	**-**	**504.0**	**699.0**	**1,203.0**	416.9	790.0	1,206.9
Gas storage	**7.1**	**-**	**7.1**	**766.0**	**773.1**	8.4	586.0	594.4
Business Energy	**1,934.5**	**-**	**1,934.5**	**30.5**	**1,965.0**	2,431.0	26.4	2,457.4
Airtricity	**1,072.7**	**-**	**1,072.7**	**61.5**	**1,134.2**	1,134.5	57.4	1,191.9
Enterprise	**353.6**	**5.9**	**359.5**	**33.6**	**393.1**	338.5	75.2	413.7
EPM:								
Gross trading	**8,811.9**	**-**	**8,811.9**	**2,699.3**	**11,511.2**	12,814.5	4,072.4	16,886.9
Optimisation trades	**(7,449.2)**	**-**	**(7,449.2)**	**(155.8)**	**(7,605.0)**	(11,826.8)	(826.5)	(12,653.3)
EPM (ii)	**1,362.7**	**-**	**1,362.7**	**2,543.5**	**3,906.2**	987.7	3,245.9	4,233.6
Corporate unallocated	**89.6**	**-**	**89.6**	**189.4**	**279.0**	68.1	213.9	282.0
Total	**6,798.4**	**28.0**	**6,826.4**	**4,936.8**	**11,763.2**	6,800.6	5,750.1	12,550.7
Discontinued operations								
SSE Energy Services	**-**	**-**	**-**	**-**	**-**	2,711.1	136.5	2,847.6
Gas Production	**14.2**	**-**	**14.2**	**90.8**	**105.0**	20.9	203.3	224.2
Total discontinued operations	**14.2**	**-**	**14.2**	**90.8**	**105.0**	2,732.0	339.8	3,071.8
Total SSE Group	**6,812.6**	**28.0**	**6,840.6**	**5,027.6**	**11,868.2**	9,532.6	6,089.9	15,622.5

(i) Significant inter-segment revenue is derived from the sale of power and stored gas from SSE Renewables, Thermal Generation and Gas Storage to EPM; use of system income received by SSEN Distribution from Business Energy and, in the prior year, SSE Energy Services (discontinued); Business Energy provides internal heat and light power supplies to other Group companies; Enterprise provides electrical contracting and other services to other Group companies; EPM provides power, gas and other commodities to Business Energy and Airtricity and, in the prior year, SSE Energy Services (discontinued); Gas Production (discontinued) sells gas from producing upstream fields to EPM; in the prior year SSE Energy Services (discontinued) provided metering and other services to other Group companies; and Corporate unallocated provides corporate and infrastructure services to all segments as well as third parties. All are provided at arm's length.

(ii) Up to the date of disposal of SSE Energy Services, the Group's EPM business procured power and gas and other commodities for SSE Energy Services and generated internal revenue of £908m in the period to 15 January 2020. Following the disposal, SSE Energy Services procured its power, gas and other commodities from other sources.

Revenue from the Group's investment in Scotia Gas Networks Limited, SSE's share being £411.8m (2020: £423.9m) is not recorded in the revenue line in the income statement.

External revenue by geographical location on continuing operations is as follows:

	2021 £m	2020 £m
UK	**5,834.4**	5,804.3
Ireland	**992.0**	996.3
	6,826.4	6,800.6

6. SEGMENTAL INFORMATION (CONTINUED)

6.2 Operating profit/(loss) by segment

			2021			
	Adjusted operating profit reported to the Board	Depreciation on fair value uplifts	JV/ Associate share of interest and tax (i)	Before exceptional items and certain re-measurements	Exceptional items and certain re-measurements	Total
	£m	£m	£m	£m	£m	£m
Continuing operations						
SSEN Transmission	220.9	-	-	220.9	-	220.9
			-			
SSEN Distribution	267.3	-	-	267.3	-	267.3
SGN	173.0	-	(86.0)	87.0	1.6	88.6
SSE Renewables	731.8	(18.8)	(71.4)	641.6	214.4	856.0
Thermal Generation	160.5	-	(19.6)	140.9	634.4	775.3
Gas Storage	(5.7)	-	-	(5.7)	8.5	2.8
Business Energy	(24.0)	-	-	(24.0)	20.1	(3.9)
Airtricity	44.0	-	-	44.0	6.0	50.0
Enterprise	(21.3)	(1.8)	(11.3)	(34.4)	(72.3)	(106.7)
EPM	18.4	-	-	18.4	590.1	608.5
	-	-	-	-		
Corporate unallocated	(58.4)	-	(2.4)	(60.8)	45.5	(15.3)
Total	1,506.5	(20.6)	(190.7)	1,295.2	1,448.3	2,743.5
Discontinued operations						
SSE Energy Services	-	-	-	-	-	-
Gas Production	33.0	-	-	33.0	-	33.0
Total discontinued operations	33.0	-	-	33.0	-	33.0
Total SSE Group	1,539.5	(20.6)	(190.7)	1,328.2	1,448.3	2,776.5

The Group has assessed that the Gas Production business meets the criteria to be classified as held for sale under IFRS 5 (see note 5.2.1(i)). The Gas Production business is being marketed for sale unhedged under a "locked box" agreement with an effective date of 1 April 2019.

6. SEGMENTAL INFORMATION (CONTINUED)

6.2 Operating profit/(loss) by segment (continued)

	2020					
	Adjusted operating profit reported to the Board £m	Depreciation on fair value uplifts £m	JV/ Associate share of interest and tax (i) £m	Before exceptional items and certain re-measurements £m	Exceptional items and certain re-measurements £m	Total £m
Continuing operations						
SSEN Transmission	218.1	-	-	218.1	-	218.1
SSEN Distribution	356.3	-	-	356.3	(4.4)	351.9
SGN	202.3	-	(125.3)	77.0	3.8	80.8
SSE Renewables	567.3	(18.8)	(93.4)	455.1	4.8	459.9
Thermal Generation	152.7	-	(24.9)	127.8	(112.3)	15.5
Gas Storage	3.7	-	-	3.7	(5.1)	(1.4)
Business Energy	9.2	-	-	9.2	(27.7)	(18.5)
Airtricity	48.8	-	-	48.8	(6.0)	42.8
Enterprise	8.1	(1.8)	(8.3)	(2.0)	-	(2.0)
EPM	(60.3)	-	-	(60.3)	(34.2)	(94.5)
Corporate unallocated	(17.8)	-	(3.7)	(21.5)	(67.7)	(89.2)
Total	1,488.4	(20.6)	(255.6)	1,212.2	(248.8)	963.4
Discontinued operations						
SSE Energy Services	32.7	-	-	32.7	(237.7)	(205.0)
Gas Production	25.8	-	-	25.8	(291.3)	(265.5)
Total discontinued operations	58.5	-	-	58.5	(529.0)	(470.5)
Total SSE Group	1,546.9	(20.6)	(255.6)	1,270.7	(777.8)	492.9

6. SEGMENTAL INFORMATION (CONTINUED)

6.3 Earnings before interest, taxation, depreciation and amortisation ('EBITDA')

2021	Adjusted operating profit reported to the Board (Note 6.2) £m	Depreciation on fair value uplifts £m	Depreciation/ impairment/ amortisation before exceptional charges £m	JV/ Associate share of depreciation and amortisation £m	Release of Deferred income £m	Adjusted EBITDA £m
Continuing operations						
SSEN Transmission	220.9	-	87.1	-	(2.6)	305.4
SSEN Distribution	267.3	-	163.2	-	(7.6)	422.9
SGN	173.0	-	-	61.6	-	234.6
SSE Renewables	731.8	(18.8)	158.0	90.1	-	961.1
Thermal Generation	160.5	-	54.3	15.8	(1.0)	229.6
Gas Storage	(5.7)	-	0.8	-	-	(4.9)
Business Energy	(24.0)	-	4.6	-	-	(19.4)
Airtricity	44.0	-	7.5	-	-	51.5
Enterprise	(21.3)	(1.8)	13.8	35.3	(5.4)	20.6
EPM	18.4	-	5.3	-	-	23.7
Corporate unallocated	(58.4)	-	61.6	2.7	(1.1)	4.8
Total	1,506.5	(20.6)	556.2	205.5	(17.7)	2,229.9
Discontinued operations						
Gas Production	33.0	-	-	-	-	33.0
Total discontinued operations	33.0	-	-	-	-	33.0
Total SSE Group	1,539.5	(20.6)	556.2	205.5	(17.7)	2,262.9

Note that the Group's 'Net Debt to EBITDA' metric is derived after removing the proportionate EBITDA from the following debt-financed JVs: SGN, Beatrice and Cloosh. This adjustment is £311.8m; 2020: £340.1m resulting in EBITDA on continuing operations for inclusion in the Debt to EBITDA metric of £1,918.1m (2020: £1,851.3m).

6. SEGMENTAL INFORMATION (CONTINUED)

6.3 Earnings before interest, taxation, depreciation and amortisation ('EBITDA') (continued)

	2020					
	Adjusted operating profit reported to the Board (Note 6 (ii)) £m	Depreciation on fair value uplifts £m	Depreciation/impairment/ amortisation before exceptional charges £m	JV/ Associate share of depreciation and amortisation £m	Release of Deferred income £m	Adjusted EBITDA £m
Continuing operations						
SSEN Transmission	218.1	-	79.0	-	(1.5)	295.6
SSEN Distribution	356.3	-	154.9	-	(7.9)	503.3
SGN	202.3	-	-	56.8	-	259.1
SSE Renewables	567.3	(18.8)	156.7	98.1	-	803.3
Thermal Generation	152.7	-	50.3	17.3	(0.2)	220.1
Gas Storage	3.7	-	0.8	-	-	4.5
Business Energy	9.2	-	0.3	-	-	9.5
Airtricity	48.8	-	6.6	-	-	55.4
Enterprise	8.1	(1.8)	9.5	29.4	(4.1)	41.1
EPM	(60.3)	-	-	-	-	(60.3)
Corporate unallocated	(17.8)	-	72.0	6.6	(1.0)	59.8
Total	1,488.4	(20.6)	530.1	208.2	(14.7)	2,191.4
Discontinued operations						
SSE Energy Services	32.7	-	-	-	-	32.7
Gas Production	25.8	-	31.1	-	-	56.9
Total discontinued operations	58.5	-	31.1	-	-	89.6
Total SSE Group	1,546.9	(20.6)	561.2	208.2	(14.7)	2,281.0

7. EXCEPTIONAL ITEMS AND CERTAIN RE-MEASUREMENTS

	2021 £m	2020 £m
Continuing operations		
Exceptional items		
Asset impairments and related (charges) and credits	**(50.4)**	(158.6)
Provisions for restructuring and other liabilities	**(75.3)**	(81.7)
	(125.7)	(240.3)
Net gains on disposals of businesses and other assets	**976.0**	30.6
Total exceptional items	**850.3**	(209.7)
Certain re-measurements		
Movement on operating derivatives (note 16)	**590.1**	(34.2)
Movement in fair value of commodity stocks	**8.5**	(5.1)
Movement on financing derivatives (note 16)	**55.6**	(83.0)
Share of movement on derivatives in jointly controlled entities (net of tax)	**0.8**	2.6
Total certain re-measurements	**655.0**	(119.7)
Exceptional items and certain re-measurements before taxation	**1,505.3**	(329.4)
Taxation		
Taxation on other exceptional items	**3.1**	46.0
Taxation on certain re-measurements	**(125.9)**	20.9
Effect on deferred tax rate change	**-**	(64.6)
Taxation	**(122.8)**	2.3
Exceptional items after certain re-measurements after taxation	**1,382.5**	(327.1)
Discontinued operations		
Exceptional items		
Asset impairments and related charges and credits	**-**	(291.3)
SSE Energy Services	**-**	(237.7)
Taxation	**-**	6.2
Exceptional items on discontinued operations after taxation	**-**	(522.8)

Exceptional items and certain remeasurements are disclosed across the following categories within the income statement:

	2021 £m	2020 £m
Continuing operations		
Cost of sales:		
Movement on operating derivatives (note 16)	**590.1**	(34.2)
Movement in fair value of commodity stocks	**8.5**	(5.1)
	598.6	(39.3)
Operating costs:		
Asset impairments and reversals	**(30.1)**	(158.7)
SSE Energy Services related restructuring costs and asset impairments	**(24.2)**	-
Other exceptional provisions and charges	**(72.8)**	(81.6)
	(127.1)	(240.3)
Operating income:		
Net gains on disposals of businesses and other assets	**976.0**	28.2
Joint ventures and associates:		
Share of movement on derivatives in jointly controlled entities (net of tax)	**0.8**	2.6
Operating profit/(loss)	**1,448.3**	(248.8)
Finance costs		
Movement on financing derivatives (note 16)	**55.6**	(83.0)
Interest income on deferred consideration receipt	**1.4**	2.4
	57.0	(80.6)
Profit/(loss) before taxation on continuing operations	**1,505.3**	(329.4)
Discontinued operations		
Operating costs:		
SSE Energy Services	**-**	(237.7)
Gas Production (E&P) related credit/(charges)	**-**	(291.3)
Loss before tax on discontinued operations	**-**	(529.0)

7. EXCEPTIONAL ITEMS AND CERTAIN RE-MEASUREMENTS (CONTINUED)

7.1 Exceptional items

7.1.1 31 March 2021

In the year to 31 March 2021, the Group recognised a net exceptional credit of £850.3m in its continuing operations. The net exceptional credit is primarily due to gains on disposal of the Group's stakes in Ferrybridge Multifuel (£669.9m), Walney offshore windfarm (£188.7m) and Maple SmartMeterCo (£70.4m). In addition, the Group reversed £26.1m of prior year exceptional provisions for bad debt arising from coronavirus and recorded exceptional gains following the fair value uplift of its retained stakes in SSE Slough Multifuel Limited (£21.3m) and Seagreen Holdco 1 Limited (£25.7m). These exceptional credits are offset by an impairment to the Group's Great Island Thermal CCGT plant of £58.1m and a write down to fair value less costs to sell SSE Contracting, which is held for sale at the balance sheet date, of £51.2m. Finally, the Group incurred £24.2m of further charges related to the disposal of SSE Energy Services which was completed in the prior year and has reduced the overall gain on disposal, completed in the year ended 31 March 2019, of SSE Telecommunications Limited by £21.8m.

The net exceptional charges/(credits) recognised can be summarised as follows:

	Property, Plant & Equipment £m	Intangible assets £m	Provisions & other charges £m	Trade receivables £m	Other receivables £m	Total charges/ (credits) £m
Thermal Electricity Generation (i)	58.1	-	-	-	-	58.1
Customer bad debt provisioning (ii)	-	-	-	(26.1)	-	(26.1)
SSE Contracting (iii)	-	-	51.2	-	-	51.2
SSE Energy Services disposal costs (iv)	15.1	5.2	3.9	-	-	24.2
Neos Networks (v)	-	-	20.2	-	1.6	21.8
Other charges (vi)	(1.9)	-	-	-	(1.6)	(3.5)
Disposal gains (vii)	-	-	-	-	(976.0)	(976.0)
Total continuing operations	71.3	5.2	75.3	(26.1)	(976.0)	(850.3)

(i) Thermal Electricity Generation – impairment charges

At 31 March 2021, the Group carried out a formal impairment review in order to assess the carrying value of its CCGT plant at Great Island. As a result of the assessment, the Group has recognised an exceptional impairment of £58.1m to the carrying value of the asset, which has arisen following reductions in forward price curves and forecast electricity demand in Ireland.

(ii) Customer bad debt provisioning

In the prior year, the Group recognised an exceptional provision for exposure to bad debts of £33.7m specifically related to the coronavirus pandemic within its Business Energy (£27.7m) and Airtricity (£6.0m) businesses. The initial outbreak of the pandemic happened late the prior year and the UK remained in lockdown at the date of approval of the Annual Report on 16 June 2020, which meant that significant uncertainty surrounded the judgement at that date. The provision reflected the Group's best estimate at that date and was treated as an adjusting post balance sheet event. During the year to 31 March 2021, the Group has achieved higher cash collections in recovery of its debt than was expected, largely due to government support schemes and other factors. As a result, an exceptional reversal of the provision of £20.1m in its Business Energy and £6.0m in its Airtricity businesses has been recognised. See note 5.2(i) for further detail on the judgement applied related to coronavirus in the current and prior year.

(iii) SSE Contracting – impairment charges

On 1 April 2021, subsequent to the balance sheet date, the Group announced the sale of its Contracting & Rail business to Aurelius Group. The transaction is for initial consideration of £17.5m, plus a loan note receivable of £5m, and a further £5m of contingent consideration based upon future financial performance of the business. At 31 March 2021, the Group has classified its interest in the business as held for sale (see note 12.3) and has impaired the carrying amount of the held for sale asset to its net realisable value, resulting in an impairment of £51.2m. The transaction is expected to complete by the end of June 2021.

(iv) SSE Energy Services disposal costs

In the prior year, the Group disposed of its SSE Energy Services business to Ovo Energy Limited, incurring an exceptional loss of £237.7m. The calculation of the loss included estimates for costs of disposal and separation which have been subsequently re-estimated in the year to 31 March 2021. These additional costs of disposal, which total £24.2m, include increased estimates of the cost of IT separation and decommissioning and the impairment of SSE properties which are wholly (or substantially) leased to the disposal group.

7. EXCEPTIONAL ITEMS AND CERTAIN RE-MEASUREMENTS (CONTINUED)

7.1 Exceptional items (Continued)

(v) Neos Networks adjustment to consideration

In the financial year to 31 March 2019, the Group disposed of 50% of its stake in Neos Networks Limited (formerly SSE Telecommunications Limited) to Infracapital Partners III, 'Infracap', for initial consideration of £215.0m and the potential for a further £165m of contingent consideration dependent on achievement of certain targets. In the current financial year, the Group received further cash proceeds of £44m relating to previously accrued deferred consideration but has also reassessed its position relating to the retained contingent elements and its contractual position with Infracap, with the net impact being the recognition of an exceptional charge of £21.8m.

(vi) Other charges

At 31 March 2021 the Group reassessed its impairment provision recognised in 2017/18 related to its Enterprise Utilities business following improvements in the performance of the Heat Networks assets. The impairment review has resulted in a reversal in impairment of £2.2m in the year. While this reversal is not exceptional, it has been classified as exceptional to align to the classification of the initial impairment.

In 2017/18 the Group recognised an exceptional impairment related to its Barkip anaerobic digestion plant following operational issues at the site. In the year ended 31 March 2021, the Group disposed of the site for consideration of £1.3m, resulting in a £1.3m reversal of the exceptional impairment recognised in 2017/18. While this reversal is not exceptional, it has been classified as exceptional to align to the classification of the initial impairment.

(vii) Disposal gains

During the year the Group progressed with its disposal plan for non-core assets announced in June 2020, which has resulted in exceptional gains on disposal. The exceptional gains on disposal totalling £976.0m are summarised below. Further detail on the disposals in the year is provided in note 12.

On 13 October 2020, the Group announced it had reached an agreement to dispose of its 50% investment in Multifuel Energy Limited and Multifuel Energy 2 Limited (together 'MEL') to European Diversified Infrastructure Fund III for headline consideration of £995m. The agreement was subject to antitrust approval by the European Commission, which was granted on the 7th of January 2021 when the transaction completed. The Group recorded an exceptional gain on disposal of £669.9m.

On 2 September 2020, the Group agreed to sell its subsidiary, SSE Renewables Walney Limited, to Greencoat UK Wind Plc for consideration of £350m, resulting in an exceptional gain on sale of £188.7m. SSE Renewables Walney Limited was the holding company of the Group's non-operated 25.1% stake in Walney Offshore Wind Farm. As essentially a financial investment and as Walney Offshore Wind Farm Limited has been operational for several years, the disposal is not considered to be aligned to the Group's strategic objective of gaining value from divestment of stakes in offshore or international wind developments, therefore the gain on disposal has been recognised as exceptional.

On 23 September 2020, the Group disposed of its 33% investment in Maple Topco Limited, the smart meter services provider for proceeds of £95.3m, recognising an exceptional gain on disposal of £70.4m.

On 3 June 2020, the Group disposed of a 51% stake in its wholly owned subsidiary, Seagreen Holdco 1 Ltd ('Seagreen 1'), to Total. The transaction was for initial cash proceeds of £70m, plus contingent consideration of up to £60m dependent upon future criteria being met. The Group has assessed that control of the company was lost on that date, and that the investment in Seagreen 1 should be accounted for as an equity accounted joint venture under the principles of IFRS 11 "Joint Arrangements". The Group acquired the joint venture investment at fair value under the principles of IFRS 10 "Consolidated Financial Statements", resulting in a total gain of £49.0m. Of that gain, £25.7m has been recognised as exceptional, as it represents the fair value gain on acquisition of the joint venture investment retained by the Group. The remaining £23.3m of the gain has been included in underlying operations, in line with the Group's stated exceptional policy (see note 4.2).

On 2 April 2020, the Group disposed of a 50% stake in its wholly owned subsidiary, SSE Slough Multifuel Ltd, to Copenhagen Infrastructure Partners. The transaction was for initial cash proceeds of £10m, plus contingent consideration of up to £59.1m dependent upon future criteria being met. The Group has assessed that control of the company was lost on that date, and that the investment in Slough Multifuel should be accounted for as an equity accounted joint venture under the principles of IFRS 11 "Joint Arrangements". The Group acquired the joint venture investment at fair value under the principles of IFRS 10 "Consolidated Financial Statements", resulting in a total gain of £41.7m. Of that gain, £21.3m has been recognised as exceptional, as it represents the fair value gain on acquisition of the joint venture investment retained by the Group. The remaining £20.4m of the gain has been included in underlying operations, in line with the Group's stated exceptional policy (see note 4.2).

7. EXCEPTIONAL ITEMS AND CERTAIN RE-MEASUREMENTS (CONTINUED)

7.1 Exceptional items (Continued)

7.1.2 31 March 2020

In the year to 31 March 2020, the Group recognised a net exceptional charge of £209.7m in its continuing operations and a charge of £529.0m in its discontinued operations. The net exceptional charge in continuing operations was primarily due to the closure of Fiddler's Ferry coal fired power station (£112.3m), provisions for bad debts as a result of coronavirus of £33.7m, impairments to SSE assets as a result of the disposal of SSE Energy Services (£48.8m) and other asset impairments and restructuring costs of £45.6m. These exceptional charges are offset by gains on disposal of £30.6m in total related to recognition of additional contingent consideration, offset by related costs and including £2.4m unwound discounting, in relation to the prior year disposal of SSE Telecommunications and a completion accounts adjustment to the gain on sale of Stronelairg and Dunmaglass windfarms, also from the prior year.

In the discontinued operations, the Group incurred an exceptional impairment on its Gas Production assets of £291.3m to adjust the carrying value of the assets to their expected fair value on disposal, a loss on disposal of SSE Energy Services of £226.9m and restructuring costs of £10.8m within SSE Energy Services.

The net exceptional charges recognised can be summarised as follows:

	Property, Plant & Equipment £m	Intangible assets £m	Invent-ories £m	Provisions & other charges £m	Trade receiv-ables £m	Other receivables £m	Total charges/ (credits) £m
Thermal Electricity Generation (i)	-	-	75.6	35.0	-	1.7	112.3
Other charges (ii)	-	83.0	-	11.3	33.7	-	128.0
Other income (iii)	-	1.9	-	5.3	-	(37.8)	(30.6)
Total continuing operations	-	84.9	75.6	51.6	33.7	(36.1)	209.7
SSE Energy Services (iv)	-	-	-	237.7	-	-	237.7
Gas Production (v)	231.1	60.2	-	-	-	-	291.3
Total SSE Group	231.1	145.1	75.6	289.3	33.7	(36.1)	738.7

(i) Thermal Electricity Generation

On 13 June 2019, the Group announced its intention to close the remaining power generation units at Fiddler's Ferry power station by 31 March 2020. On 17 March 2020 the plant generated its last electricity, having burnt through the remaining coal stocks at the plant. As a result of the closure, the Group incurred a total exceptional charge of £112.3m, comprising an impairment of the coal and oil inventory and related tax credits of £77.5m; a redundancy provision of £20.5m; and operating losses at the plant since closure announcement of £14.3m.

(ii) Other charges

The Group recognised an exceptional provision for exposure to bad debts of £33.7m specifically related to the coronavirus pandemic within its Business Energy (£27.7m) and Airtricity (£6.0m) businesses. The provision recognised reflected the Group's best estimate at the date of approval of the financial statements of charges that would be incurred on the Group's debt book and was treated as an adjusting post balance sheet event. See note 5.2(i) for the impact of coronavirus in the year to 31 March 2021.

During the year to 31 March 2020, the Group committed to an investment plan in IT software, operations and infrastructure which is aimed at transforming the Group's IT systems to drive growth and profitability. As a result, new agreements with software providers have been entered into to allow employees to benefit from cloud based IT arrangements, which resulted in the impairment of legacy software contracts of £34.2m. The Group has also incurred redundancy costs of £6.9m following an agreement to outsource certain IT support roles and has also recognised a charge of £4.4m related to restructuring costs incurred by its SSEN Distribution business.

(iii) Other income

On 29 March 2019, the Group disposed of 50% of SSE Telecommunications to Infracapital Partners III for initial consideration of £215.0m, with the potential for a further £165m of consideration contingent upon achievement of future profitability targets and securing certain key customer contracts. In the 31 March 2019 results, the Group assessed that a total of £230.5m should be recognised in the initial transaction, which resulted in a £235.4m gain on disposal. During the year to 31 March 2020, the Group has reassessed the components of contingent consideration recognised based on updated forecasts of business performance and current status of key customer contract negotiations and related costs and recognised a further £33.1m of consideration, including interest unwind of £2.4m which has been treated as exceptional finance income. Incremental exceptional costs of disposal of the business totalling £7.2m have also been recognised, which predominantly relate to the expected cost of full IT separation for this business.

The Group disposed of a 49.9% stake in the Stronelairg and Dunmaglass windfarms in the prior year, recognising a gain on disposal of £733.0m, including a fair value uplift of £369.2m. Following the completion of the sale, an adjustment to the consideration of £6.4m was received in the period, offset by a tax adjustment of £1.6m. The adjustment to the gain on sale has been treated as exceptional to align with the treatment of the original disposal in the prior year.

7. EXCEPTIONAL ITEMS AND CERTAIN RE-MEASUREMENTS (CONTINUED)

7.1 Exceptional items (Continued)

(iv) SSE Energy Services – loss on disposal and related charges

On 15 January 2020 the Group disposed of its household energy and services business in Great Britain ('SSE Energy Services') to Ovo Group Limited ('Ovo') (see note 12.2.2 (i)). As a result, the Group recognised an exceptional loss on disposal of £226.9m (recognised within discontinued operations) and incurred impairment charges on Group IT assets connected to the transaction totalling £48.8m (recognised within continuing operations). Within the business there were also redundancy costs of £10.8m incurred in the year.

(v) Gas Production – impairment charges

The Group recorded an exceptional impairment charge of £291.3m related to the carrying value of assets and liabilities held for sale. The impairment was calculated based on the fair value of the business following negotiations with potential buyers and reflects the reduction in gas prices through the year.

7.1.3 31 March 2019

In the year to 31 March 2019, the Group recognised a net exceptional credit of £1,010.2m in its continuing operations and a charge of £24.6m in its discontinued operation. The gain in the continuing operations is primarily due to gains on disposal of businesses and assets totalling £1,096.9m. These gains on disposal were offset by net asset impairments of £49.9m, reorganisation costs of £27.5m and an exceptional charge for GMP equalisation of £9.3m.

The net exceptional charges excluding gains on disposal (see note 12) recognised can be summarised as follows:

	Property, Plant & Equipment £m	Intangible assets £m	Investments £m	Provisions & other charges £m	Total charges/ (credits) £m
Electricity Generation (i)	2.7	-	(13.3)	(0.9)	(11.5)
Disposal costs – SSE Energy Services (ii)	41.0	-	-	47.9	88.9
Pensions GMP equalisation (iii)	-	-	-	9.3	9.3
Total continuing operations	43.7	-	(13.3)	56.3	86.7
Discontinued operations	(29.7)	54.3	-	-	24.6
Total SSE Group	14.0	54.3	(13.3)	56.3	111.3

(i) Electricity Generation

On 24 September 2018, the Group purchased the remaining 50% stake in Seagreen Wind Energy Limited ('Seagreen') taking its ownership to 100% and bringing Seagreen under full control of the Group. As part of the acquisition, the Group reversed a previous impairment charge of £14.2m based on its renewed commitment to developing the prospect. The reversal of the impairment was included as an exceptional credit due to the original impairment of the Group's offshore wind portfolio being treated as exceptional in 2013/14.

In the year to 31 March 2019, the Group recognised an exceptional impairment of £30.5m on the Keadby gas fired power station due to a market shift in energy prices achievable from its thermal fleet. The movement in clean spark spreads was adverse for Keadby, however the same shift is considered favourable to the Group's newer and more efficient plant at Marchwood. As a result, the Group reversed prior impairments of £27.8m against Marchwood Power Station, which is classified as a right of use asset.

(ii) Disposal costs – SSE Energy Services

At 31 March 2019 the Group's UK domestic supply business was presented as held for disposal and as a result the Group incurred restructuring costs and recognised provisions for costs that will be incurred on completion of the disposal. In the year the Group incurred non-cash impairment charges of £41.0m on certain properties that have subsequently been sub-let to SSE Energy Services at a rate of rent that will not support the current carrying value of the assets. In addition, the Group incurred a further £47.9m of professional advisor fees and IT and physical separation costs related to the disposal.

(iii) Pensions GMP equalisation

On 26 October 2018, the High Court finalised a judgement in the case of Lloyds Banking Group Pensions Trustees Limited vs. Lloyds Bank plc. As a result, the Group has recognised an exceptional past service cost of £9.0m in the 31 March 2019 income statement for guaranteed minimum pension (GMP) equalisation across the schemes. The exceptional charge is 0.22% of the Group's pension liabilities as at 31 March 2019. In addition, the Group's joint venture SGN recognised an exceptional past service charge of £0.8m, of which the Group recognised its share of £0.3m as exceptional.

7. EXCEPTIONAL ITEMS AND CERTAIN RE-MEASUREMENTS (CONTINUED)

7.1 Exceptional items (Continued)

Charges within discontinued operations

Within its discontinued SSE Energy Services segment, the Group recorded an exceptional impairment charge of £54.3m related to discontinued marketing and customer data management software assets. The Group also recognised a net impairment reversal of £29.7m related to its Gas Production assets following an increase in independently assessed hydrocarbon reserves and an increase to long term gas price forecasts. The impairment reversals were recognised on the Bacton (£15.8m) and Sean (£13.9m) fields due to the revision of reserves. Following these impairment reversals, the residual value in the Group's gas production assets at 31 March 2019 was £488.6m.

7.2 Certain re-measurements

The Group, through its EPM business, enters into forward commodity purchase (and sales) contracts to meet the future demand requirements of its Business Energy and Airtricity supply businesses and to optimise the value of its Renewable, Thermal Generation and (discontinued) Gas Production assets. Certain of these contracts are determined to be derivative financial instruments under IFRS 9 "Financial Instruments" and as such are required to be recorded at their fair value. Conversely, commodity contracts that are not financial instruments under IFRS 9 are accounted for as 'own use' contracts. In addition, inventory purchased to utilise excess capacity ahead of an optimised sale in the market by the Gas Storage business is held as trading inventory at fair value.

Changes in the fair value through the profit and loss statement of those commodity contracts designated as financial instruments and trading inventory are therefore reflected in the income statement. The Group shows the change in the fair value of these forward contracts and trading inventory separately – as "certain re-measurements" – as the Group does not believe this mark-to-market movement is relevant to the underlying performance of its operating segments.

The Group will recognise the underlying value of these contracts and inventory as the relevant commodity is delivered, which will predominately be within the subsequent 12 to 24 months. The re-measurements arising from IFRS 9 are disclosed separately to aid understanding of the underlying performance of the Group.

This category also includes the income statement movement on financing derivatives (and hedged items) as described in note 16.

7.3 Change in UK corporation tax rates

The Government announced in the Budget on 3 March 2021 that the main rate of corporation tax will increase to 25% for the financial year beginning 1 April 2023. Prior to this date, the rate of corporation tax will remain at 19%. The increase to 25% rate was not substantively enacted at 31 March 2021, therefore the Group has continued to measure deferred tax balances at 19%. The Group has estimated that the increase to 25% would increase the Groups deferred tax liabilities by £229.4m.

Finance Bill 2021 also included draft legislation in respect of Capital Allowance Super-deductions of 130% in respect of General Pool plant and machinery, alongside First Year Allowances of 50% for Special Rate Pool plant and machinery for the two years commencing 1 April 2021. The Group expects these changes, which have not yet been enacted, to significantly increase the deduction for Capital Allowances in the financial years ending 31 March 2022 and 31 March 2023. It is not yet possible to quantify the financial impact of these changes as guidance has yet to be issued by HMRC as to how they will apply.

7.3.1 Taxation

The Group has separately recognised the tax effect of the exceptional items and certain re-measurements summarised above.

8. FINANCE INCOME AND COSTS

	2021			2020		
	Before Exceptional items and certain re-measurements £m	**Exceptional items and certain re-measurements £m**	**Total £m**	Before Exceptional items and certain re-measurements £m	Exceptional items and certain re-measurements £m	Total £m
Finance income:						
Interest income from short term deposits	**1.9**	**-**	**1.9**	1.6	-	1.6
Interest on pension scheme assets [i]	**8.3**	**-**	**8.3**	6.6	-	6.6
Foreign exchange translation of monetary assets and liabilities	**1.3**	**-**	**1.3**	0.9	-	0.9
Other interest receivable:						
Scotia Gas Networks loan stock	**9.8**	**-**	**9.8**	9.4	-	9.4
Other joint ventures and associates	**43.9**	**-**	**43.9**	52.5	-	52.5
Other receivable	**22.8**	**1.4**	**24.2**	8.2	2.4	10.6
	76.5	**1.4**	**77.9**	70.1	2.4	72.5
Total finance income	**88.0**	**1.4**	**89.4**	79.2	2.4	81.6
Finance costs:						
Bank loans and overdrafts	**(24.0)**	**-**	**(24.0)**	(34.5)	-	(34.5)
Other loans and charges	**(323.2)**	**-**	**(323.2)**	(304.1)	-	(304.1)
Notional interest arising on discounted provisions	**(3.8)**	**-**	**(3.8)**	(9.2)	-	(9.2)
Lease charges	**(35.3)**	**-**	**(35.3)**	(37.8)	-	(37.8)
Less: interest capitalised [ii]	**14.2**	**-**	**14.2**	11.2	-	11.2
Total finance costs	**(372.1)**	**-**	**(372.1)**	(374.4)	-	(374.4)
Changes in fair value of financing derivatives at fair value through profit or loss	**-**	**55.6**	**55.6**	-	(83.0)	(83.0)
Net finance costs	**(284.1)**	**57.0**	**(227.1)**	(295.2)	(80.6)	(375.8)
Presented as:						
Finance income	**88.0**	**57.0**	**145.0**	79.2	2.4	81.6
Finance costs	**(372.1)**	**-**	**(372.1)**	(374.4)	(83.0)	(457.4)
Net finance costs	**(284.1)**	**57.0**	**(227.1)**	(295.2)	(80.6)	(375.8)

i) *The interest on net pension assets for the year ended 31 March 2020 of £8.3m credit (2020: £6.6m) represents the respective credits under IAS 19.*

ii) *The capitalisation rate applied in determining the amount of borrowing costs to capitalise in the period was 3.61% (2020: 3.65%).*

Adjusted net finance costs are arrived at after the following adjustments:

	2021 £m	2020 £m
Net finance costs	**(227.1)**	(375.8)
(add)/less:		
Share of interest from joint ventures and associates:		
Scotia Gas Networks loan stock	**(9.8)**	(9.4)
Other joint ventures and associates	**(136.7)**	(164.4)
	(146.5)	(173.8)
Share of non-recurring joint venture refinancing costs	**-**	12.3
	(146.5)	(161.5)
Interest on pension scheme liabilities	**(8.3)**	(6.6)
Share of interest on net pension liabilities in joint ventures	**(2.7)**	(1.7)
Movement on financing derivatives (Note 16)	**(55.6)**	83.0
Exceptional item	**(1.4)**	(2.4)
Adjusted net finance costs	**(441.6)**	(465.0)
Notional interest arising on discounted provisions	**3.8**	9.2
Finance lease charges	**35.3**	37.6
Hybrid coupon payment (Note 14)	**(46.6)**	(46.5)
Adjusted net finance costs for interest cover calculations	**(449.1)**	(464.7)

9. TAXATION

9.1 Analysis of charge recognised in the income statement

	2021			2020		
	Before Exceptional items and certain re-measurements £m	**Exceptional items and certain re-measurements £m**	**Total £m**	Before Exceptional items and certain re-measurements £m	Exceptional items and certain re-measurements £m	Total £m
Current tax						
UK corporation tax	**84.1**	**6.2**	**90.3**	107.6	(24.9)	82.7
Adjustments in respect of previous years	**(11.4)**	**-**	**(11.4)**	(28.6)	-	(28.6)
Total current tax	**72.7**	**6.2**	**78.9**	79.0	(24.9)	54.1
Deferred tax						
Current year	**34.0**	**113.3**	**147.3**	34.2	(42.0)	(7.8)
Effect of change in tax rate	**-**	**-**	**-**	-	64.6	64.6
Adjustments in respect of previous years	**(5.2)**	**3.3**	**(1.9)**	10.6	-	10.6
Total deferred tax	**28.8**	**116.6**	**145.4**	44.8	22.6	67.4
Total taxation charge	**101.5**	**122.8**	**224.3**	123.8	(2.3)	121.5

The Group has separately recognised the tax effect of the exceptional items and certain re-measurements summarised above. The rate change to 25% in respect of periods commencing after 1 April 2023 included in Finance Bill 2021 has not been included in the closing balance, as it has not been substantively enacted by the balance sheet date.

9.2 Adjusted current tax charge

The 'adjusted current tax charge' and the 'adjusted effective rate of tax', which are presented in order to best represent underlying performance by making similar adjustments to the 'adjusted profit before tax' measure, are arrived at after the following adjustments:

	2021 £m	**2021 %**	2020 £m	2020 %
Group tax charge and effective rate	**224.3**	**9.4**	121.5	28.0
Add: reported deferred tax credit and effective rate	**(145.4)**	**(6.1)**	(67.4)	(15.5)
Current tax charge and effective rate	**78.9**	**3.3**	54.1	12.5
Effect of adjusting items (see below)		**4.1**	-	(7.2)
Current tax charge and effective rate on adjusted basis	**78.9**	**7.4**	54.1	5.3
add:				
Share of current tax from joint ventures and associates	**36.8**	**3.5**	36.7	3.6
Less:				
Current tax on exceptional items	**(7.9)**	**(0.8)**	23.4	2.3
Adjusted current tax charge and effective rate	**107.8**	**10.1**	114.2	11.2

9. TAXATION (CONTINUED)

The adjusted effective rate is based on adjusted profit before tax being:

	2021 £m	2020 £m
Profit before tax	**2,516.4**	587.6
Add/(less):		
Exceptional items and certain re-measurements	**(1,505.6)**	328.9
Share of tax from joint ventures/associates before exceptional items and certain re-measurements	**44.5**	82.3
Share of non-recurring joint venture refinancing costs	**-**	12.3
Depreciation charge on fair value uplifts	**20.6**	20.6
Interest on pension scheme liabilities	**(8.3)**	(6.6)
Share of interest on net pension liabilities in jointly controlled entities and associates	**(2.7)**	(1.7)
Adjusted profit before tax	**1,064.9**	1,023.4

10. DIVIDENDS

10.1 Ordinary dividends

	Year ended 31 March 2021			Year ended 31 March 2020		
	Total £m	**Settled via scrip £m**	**Pence per ordinary share**	Total £m	Settled via scrip £m	Pence per ordinary share
Interim – year ended 31 March 2021	**254.3**	**13.5**	**24.4**	-	-	-
Final – year ended 31 March 2020	**582.1**	**25.5**	**56.0**	-	-	-
Interim – year ended 31 March 2020	**-**	**-**	**-**	248.2	136.3	24.0
Final – year ended 31 March 2019	**-**	**-**	**-**	700.3	209.2	68.2
	836.4	**39.0**		948.5	345.5	

The final dividend of 56.0p per ordinary share declared in respect of the financial year ended 31 March 2020 (2019: 68.2p) was approved at the Annual General Meeting on 12 August 2020 and was paid to shareholders on 18 September 2020. Shareholders were able to elect to receive ordinary shares credited as fully paid instead of the cash dividend under the terms of the Company's scrip dividend scheme. The Group had previously stated that where the take-up of the scrip dividend scheme exceeded 20% of the total dividend payment, the Group would repurchase shares to reduce the scrip's dilutive effects. In order to maintain capital reserves as a result of the coronavirus pandemic, the Group will no longer repurchase shares when the scrip take-up exceeds 20%.

An interim dividend of 24.4p per ordinary share (2020: 24.0p) was declared and paid on 11 March 2021 to those shareholders on the SSE plc share register on 15 January 2021. Shareholders were able to elect to receive ordinary shares credited as fully paid instead of the interim cash dividend under the terms of the Company's scrip dividend scheme.

The proposed final dividend of 56.6p per ordinary share based on the number of issued ordinary shares at 31 March 2021 is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. Based on shares in issue at 31 March 2021, this would equate to a final dividend of £590.4m.

11. EARNINGS PER SHARE

11.1 Basic earnings per share

The calculation of basic earnings per ordinary share at 31 March 2021 is based on the net profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the year ended 31 March 2021.

11.2 Adjusted earnings per share

Adjusted earnings per share has been calculated by excluding the charge for deferred tax, interest on net pension liabilities under IAS 19, the depreciation charged on fair value uplifts, the Group's share of non-recurring joint venture refinancing costs and the impact of exceptional items and certain re-measurements (Note 7).

Continuing operations	**Year ended 31 March 2021 Earnings £m**	**Year ended 31 March 2021 Earnings per share pence**	Year ended 31 March 2020 Earnings £m	Year ended 31 March 2020 Earnings per share pence
Basic	**2,245.5**	**215.7**	419.6	40.6
Exceptional items and certain re-measurements (Note 7)	**(1,382.5)**	**(132.8)**	327.1	31.7
Basic excluding exceptional items and certain re-measurements	**863.0**	**82.9**	746.7	72.3
Adjusted for:				
Share of non-recurring joint venture refinancing costs	**-**	**-**	12.3	1.2
Depreciation charge on fair value uplifts	**20.6**	**2.0**	20.6	2.0
Interest on net pension scheme liabilities	**(8.3)**	**(0.8)**	(6.6)	(0.6)
Share of interest on net pension scheme liabilities in joint venture	**(2.7)**	**(0.3)**	(1.7)	(0.2)
Deferred tax (Note 9)	**32.2**	**3.1**	44.8	4.4
Deferred tax from share of joint ventures and associates	**5.7**	**0.6**	46.6	4.5
Adjusted	**910.5**	**87.5**	862.7	83.6
Basic	**2,245.5**	**215.7**	419.6	40.6
Dilutive effect of outstanding share options	**-**	**(0.3)**	-	-
Diluted	**2,245.5**	**215.4**	419.6	40.6

Reported earnings per share

	2021 Earnings £m	**2021 Earnings per share pence**	2020 Earnings £m	2020 Earnings per share pence
Basic				
Earnings per share on continuing operations	**2,245.5**	**215.7**	419.6	40.6
Earnings per share on discontinued operations	**30.7**	**3.0**	(478.6)	(46.3)
Earnings per share attributable to ordinary shareholders	**2,276.2**	**218.7**	(59.0)	(5.7)
Dilutive effect of outstanding share options	**-**	**(0.4)**	-	-
Diluted earnings per share attributable to ordinary shareholders	**2,276.2**	**218.3**	(59.0)	(5.7)

The weighted average number of shares used in each calculation is as follows:

	31 March 2021 Number of shares (millions)	31 March 2020 Number of shares (millions)
For basic and adjusted earnings per share	**1,040.9**	1,032.5
Effect of exercise of share options	**1.6**	1.5
For diluted earnings per share	**1,042.5**	1,034.0

11. EARNINGS PER SHARE (CONTINUED)

11.3 Dividend cover

The Group's adjusted dividend cover metric is calculated by comparing adjusted earnings per share to the projected dividend per share payable to ordinary shareholders.

	2021 Earnings per share (pence)	**2021 Dividend per share (pence)**	**2021 Dividend Cover (times)**	2020 Earnings per share (pence)	2020 Dividend per share (pence)	2020 Dividend cover (times)
Reported	**215.7**	**81.0**	**2.66**	40.6	80.0	0.51
Adjusted	**87.5**	**81.0**	**1.08**	83.6	80.0	1.05

12. 12. ACQUISITIONS, DISPOSALS AND HELD-FOR-SALE ASSETS

12.1 Acquisitions

There have been no significant acquisitions in the current or prior year.

12.2 Disposals

12.2.1 Current year disposals

During the year the Group progressed with its disposal plan for non-core assets announced in June 2020 and continued its programme of strategic partnering generating developer gains. As a result, it recognised an exceptional gain on disposal of £976.0m (see note 7) and a non-exceptional gain on disposal of £251.9m. The disposals below primarily comprise sales of stakes in non-operated investment assets, or the sale of a stake in early stage offshore windfarm developments, which aligns to the Group's stated policy to realise value from these assets.

Sale of investment in Ferrybridge Multifuel: On 13 October 2020, the Group announced it had reached an agreement to dispose of its 50% joint venture investment in Multifuel Energy Limited and Multifuel Energy 2 Limited (together 'MEL'), to European Diversified Infrastructure Fund III for headline consideration of £995m. The agreement was subject to antitrust approval by the European Commission, which was granted on 7 January 2021 when the transaction completed. The Group recorded an exceptional gain on disposal of £669.9m on completion.

Sale of investment in Walney Windfarm: On 2 September 2020, the Group agreed to sell its subsidiary, SSE Renewables Walney Limited, to Greencoat UK Wind Plc for consideration of £350m, resulting in an exceptional gain on sale of £188.7m. SSE Renewables Walney Limited was the holding company of the Group's non-operated 25.1% joint venture stake in Walney Offshore Windfarm. As essentially a financial investment and as Walney Offshore Wind Farm Limited has been operational for several years, the disposal is not considered to be aligned to the Group's strategic objective of gaining value from divestment of stakes in offshore or international wind developments, therefore the gain on disposal has been recognised as exceptional.

Sale of investment in Maple Smart Meter Assets: On 23 September 2020, the Group disposed of its 33% joint venture investment in Maple Topco Limited, the smart meter services provider, for proceeds of £95.3m, recognising an exceptional gain on disposal of £70.4m.

Sale of stake in Doggerbank A&B Windfarms: On 4 December 2020, the Group announced it had agreed to sell a 10% stake in Doggerbank A and Doggerbank B windfarms to Eni for equity consideration of £206.3m, including an interest adjustment of £3.8m, resulting in a non-exceptional gain on disposal of £202.8m. The gain has been recognised within the adjusted profit of the Group in line with the Group's stated exceptional policy for gains on disposal of divestments in offshore windfarms (see note 4.2).

On the same date, Eni entered into an agreement with Equinor to purchase a further 10% stake in the development. Following these transactions, SSE and Equinor each hold a 40% equity stake and Eni a 20% stake. Doggerbank C remains a 50:50 joint venture between SSE and Equinor.

Sale of stake in Seagreen 1 Windfarm: On 3 June 2020, the Group disposed of a 51% stake in its wholly owned subsidiary, Seagreen Holdco 1 Ltd ('Seagreen 1'), to Total. The transaction was for initial cash proceeds of £70m, plus contingent consideration of up to £60m dependent upon future criteria being met. The Group has assessed that control of the company was lost on that date, and that the investment in Seagreen 1 should be accounted for as an equity accounted joint venture under the principles of IFRS 11 "Joint Arrangements". The Group acquired the joint venture investment at fair value under the principles of IFRS 10 "Consolidated Financial Statements", resulting in a total gain of £49.0m. Of that gain, £25.7m has been recognised as exceptional, as it represents the fair value gain on acquisition of the joint venture investment retained by the Group. The remaining £23.3m of the gain has been included in underlying operations, in line with the Group's stated exceptional policy (see note 4.2).

Sale of stake in Slough Multifuel: On 2 April 2020, the Group disposed of a 50% stake in its wholly owned subsidiary, SSE Slough Multifuel Ltd, to Copenhagen Infrastructure Partners. The transaction was for initial cash proceeds of £10m, plus contingent consideration of up to £59.1m dependent upon future criteria being met. The Group has assessed that control of the company was lost on that date, and that the investment in Slough Multifuel should be accounted for as an equity accounted joint venture under the principles of IFRS 11 "Joint Arrangements". The Group acquired the joint venture investment at fair value under the principles of IFRS 10 "Consolidated Financial Statements", resulting in a total gain of £41.7m. Of that gain, £21.3m has been recognised as exceptional, as it represents the fair value gain on acquisition of the joint venture investment retained by the Group. The remaining £20.4m of the gain has been included in underlying operations, in line with the Group's stated exceptional policy (see note 4.2).

12. ACQUISITIONS, DISPOSALS AND HELD-FOR-SALE ASSETS (CONTINUED)

12.1 Acquisitions (continued)

12.2.2 Prior year disposals

SSE Energy Services: On 15 January 2020 the Group completed the disposal of its household energy and services business in Great Britain ('SSE Energy Services') to Ovo Group Limited ('Ovo'). The agreement, which was announced on 13 September 2019, was based on a "locked box" transaction mechanism with an effective economic date of 30 June 2019. The enterprise value agreed was £500m, comprising £400m cash and £100m in 13.25% unsecured Loan Notes due 2029, less an adjustment for debt-like items of £59.9m. The Group first classified SSE Energy Services as held for disposal in its 30 September 2018 Interim Statement.

The carrying value of assets disposed at completion, which includes asset and liability movements subsequent to the "locked box" date of 30 June 2019, resulted in an exceptional loss on disposal of £226.9m being recognised.

Slieve Divena II windfarm: On 30 March 2020 the Group disposed of its subsidiary Slieve Divena Wind Farm No. 2 Limited for consideration of £51.0m to Greencoat UK Wind Holdco Limited, recognising a non-exceptional gain on disposal of £25.2m.

(i) Disposal reconciliation

The following table summarises disposals of subsidiaries, businesses and assets during the financial year, including other assets and investments disposed of as part of the normal course of business, which are noted in the relevant respective notes to the financial statements.

	2021 Total £m	2020 Total £m
Net assets disposed:		
Property, plant and equipment	**25.7**	74.5
Intangible and biological assets	**348.4**	812.8
Investments and loans – joint ventures	**490.3**	11.8
Deferred tax asset	**0.6**	23.9
Inventories	**-**	0.9
Trade and other receivables	**29.2**	1,052.2
Cash and cash equivalents	**172.8**	235.6
Trade and other payables	**(23.8)**	(1,307.3)
Deferred tax liability	**(0.2)**	(1.8)
Derivative financial liabilities	**(3.1)**	(231.0)
Provisions	**-**	(5.3)
Loans and borrowings	**(438.7)**	(37.8)
Retirement obligation benefits	**-**	6.9
Net assets	**601.2**	635.4
Proceeds of disposal:		
Consideration	**1,753.6**	513.9
Fair value uplift	**47.0**	-
Recognition of investment on loss of control	**51.5**	-
Debt reduction	**-**	(36.6)
Costs of disposal	**(23.0)**	(40.6)
Net proceeds	**1,829.1**	436.7
(Loss)/gain on disposal	**1,227.9**	(198.7)
Presentation:		
Income statement exceptional gain/(loss)	**976.0**	(226.9)
Income statement non-exceptional credit	**251.9**	28.2

12. ACQUISITIONS, DISPOSALS AND HELD-FOR-SALE ASSETS (CONTINUED)

12.1 Acquisitions (continued)

12.2.3 Prior year disposals (continued)

	2021 Total £m	2020 Total £m
Net proceeds of disposal	**1,829.1**	436.7
Fair value uplift	**(47.0)**	-
Debt reduction	**-**	36.6
Recognition of investment on loss of control	**(51.5)**	-
Other payables	**23.0**	40.3
Deferred consideration	**(18.8)**	-
2029 13.25% unsecured Loan Notes	**-**	(100.0)
Total cash proceeds	**1,734.8**	413.6
Less: cash disposed	**(172.8)**	(235.6)
Net cash proceeds	**1,562.0**	178.0

12.3 Held-for-sale assets and liabilities

The Group's Gas Production assets and liabilities are deemed available for immediate sale (see note 5.2.1(i)) and have been separately presented on the face of the balance sheet at 31 March 2021. The assets have been written down to their fair value less costs to sell in accordance with IFRS 5, excluding the deferred tax asset which continues to be measured under IAS 12. In addition, the Group announced the sale of its Enterprise Contracting and Rail business on 1 April 2021, subsequent to the balance sheet date (see note 19). Accordingly, the net assets of this business are also presented as held for sale at 31 March 2021.

The assets and liabilities classified as held for disposal, and the comparative balances at 31 March 2020, are as follows:

	Gas Production £m	SSE Contracting £m	Total 2021 £m	2020 £m
Property, plant and equipment	**167.5**	**-**	**167.5**	168.3
Goodwill and other intangible assets	**49.6**	**-**	**49.6**	40.7
Deferred tax asset	**14.7**	**0.2**	**14.9**	14.9
Inventories	**2.6**	**2.1**	**4.7**	2.4
Trade and other receivables	**7.7**	**94.7**	**102.4**	0.5
Total assets	**242.1**	**97.0**	**339.1**	226.8
Trade and other payables	**(9.1)**	**(46.3)**	**(55.4)**	(17.0)
Current tax liabilities	**-**	**(0.1)**	**(0.1)**	-
Derivative financial liabilities	**-**	**-**	**-**	(1.6)
Provisions	**(149.3)**	**(46.5)**	**(195.8)**	(380.1)
Loans and borrowings	**-**	**(2.2)**	**(2.2)**	-
Total liabilities	**(158.4)**	**(95.1)**	**(253.5)**	(398.7)
Net assets/(liabilities)	**83.7**	**1.9**	**85.6**	(171.9)

The aggregated pre-tax profit contribution of the held for sale businesses in the year to 31 March 2021 was a profit of £18.5m, (2020: loss of £250.2m) including exceptional charges of £302.1m, but excluding the loss on disposal of SSE Energy Services. There are no accumulated gains or losses recognised in other comprehensive income related to assets and liabilities held for sale.

12.3.1 Prior year assets and liabilities held for sale

The assets and liabilities classified as held for disposal at 31 March 2021 were the Group's Gas Production assets and liabilities, which remain held for sale at 31 March 2021, and 50% of the Group's subsidiary SSE Slough Multifuel Limited, which was sold to Copenhagen Infrastructure Partners on 2 April 2020.

12. ACQUISITIONS, DISPOSALS AND HELD-FOR-SALE ASSETS (CONTINUED)

12.4 Discontinued operations

The discontinued operations at 31 March 2021 represent the Group's investment in Gas Production assets which remains held for sale at the balance sheet date. In the prior year comparative, the discontinued operations also includes SSE Energy Services which was disposed on 15 January 2020 (see note 12.2). The profit/(loss) of the discontinued operation, after elimination of intercompany transactions, is as follows:

	2021			2020		
	Before exceptional items and certain re-measurements	**Exceptional items and certain re-measurements**	**Total**	Before exceptional items and certain re-measurements	Exceptional items and certain re-measurements	Total
	£m	**£m**	**£m**	£m	£m	£m
Revenue	**105.0**	**-**	**105.0**	2,732.0	-	2,732.0
Cost of sales	**(68.9)**	**-**	**(68.9)**	(2,169.6)	-	(2,169.6)
Gross profit	**36.1**	**-**	**36.1**	562.4	-	562.4
Operating costs	**(3.1)**	**-**	**(3.1)**	(503.9)	(302.1)	(806.0)
Operating profit	**33.0**	**-**	**33.0**	58.5	(302.1)	(243.6)
Finance costs	**(2.3)**	**-**	**(2.3)**	(6.6)	-	(6.6)
Profit before taxation	**30.7**	**-**	**30.7**	51.9	(302.1)	(250.2)
Taxation	**-**	**-**	**-**	(7.7)	6.2	(1.5)
Profit/(loss) for the period	**30.7**	**-**	**30.7**	44.2	(295.9)	(251.7)
Loss on disposal of discontinued operations, after tax	**-**	**-**	**-**	-	(226.9)	(226.9)
Profit/(loss) for the period from discontinued operations	**30.7**	**-**	**30.7**	44.2	(522.8)	(478.6)

Cashflows from discontinued operations

	2021	2020
	£m	£m
Cashflows from operating activities	**26.8**	(15.9)
Cashflows from investing activities	**(26.8)**	(79.3)
Net increase/(decrease) in cash and cash equivalents in discontinued operations	**-**	(95.2)

13. SOURCES OF FINANCE

13.1 Capital management

The Board's policy is to maintain a strong balance sheet and credit rating to support investor, counterparty and market confidence in the Group and to underpin future development of the business. The Group's credit ratings are also important in maintaining an efficient cost of capital and in determining collateral requirements throughout the Group. As at 31 March 2021, the Group's long-term credit rating was BBB+ stable outlook for Standard & Poor's and Baa1 negative outlook for Moody's.

The maintenance of a medium-term corporate model is a key control in monitoring the development of the Group's capital structure and allows for detailed scenarios and sensitivity testing. Key ratios drawn from this analysis underpin regular updates to the Board and include the ratios used by the rating agencies in assessing the Group's credit ratings.

The Group's debt requirements are principally met through issuing bonds denominated in Sterling and Euros as well as private placements and medium term bank loans including those with the European Investment Bank. During the year to 31 March 2021, the SSE Group successfully accessed the debt capital markets on three occasions, taking £2.5bn out the market over four senior debt tranches and two Hybrid debt securities tranches.

- In April 2020 SSE plc successfully launched a €1.1bn 5-year and 10-year dual tranche Eurobond with €600m maturing April 2025 and €500m maturing April 2030, with coupons of 1.25% and 1.75% respectively. Both tranches have been swapped to Sterling resulting in a funding cost of 2.4% for the five year and 2.9% for the 10 year.
- In July 2020, SSE plc issued a dual tranche equity accounted hybrid bond to replace the hybrids issued in 2015 (at an all-in rate of 4.02%), which had issuer first call dates of 10 September 2020 (£750m) and 1 April 2021 (€600m). This dual tranche issue comprises a perpetual non-call 5.75-year note at £600m with a coupon of 3.74%; and a perpetual non-call 7.0-year note at €500m with a coupon of 3.125%. The €500m tranche has been partly swapped back to Sterling, resulting in an all-in funding cost for both tranches to SSE of just under 3.8% per annum.
- In March 2021, SSEN Transmission issued a new £500m dual tranche green bond being a 7-year bond with a coupon of 1.50% and a 15-year bond with a coupon of 2.125%. This was our fourth green bond in five years and reaffirmed our status as the largest issuer of green bonds in the FTSE 100. At the same time, we set out a new framework for issuing innovative sustainability-linked bonds in the future.

SSE has £1.5bn of committed bank facilities in place to ensure the Group has sufficient liquidity to allow day-to-day operations and investment programmes to continue in the event of disruption to capital markets preventing SSE from issuing new debt for a period of time. These facilities are a £1.3bn revolving credit facility with a March 2026 maturity and a £200m bilateral facility with an October 2025 maturity and an option to extend for a further year to October 2026. The facilities can also be utilised to cover short-term funding requirements; however, they remain undrawn for most of the time and at 31 March 2021 they were both undrawn. Both facilities are classified as sustainable facilities with interest rate and fees paid dependant on SSE's performance in environmental, social and governance matters, as assessed independently by Vigeo Eiris.

13. SOURCES OF FINANCE (CONTINUED)

13.1 Capital management (continued)

The Group capital comprises:

	2021 £m	2020 £m
Total borrowings (excluding lease obligations)	**8,989.6**	9,717.2
Less: Cash and cash equivalents	**(1,600.2)**	(164.6)
Net debt (excluding hybrid equity)	**7,389.4**	9,552.6
Hybrid equity	**1,472.4**	1,169.7
Cash held as collateral and other short term loans	**37.1**	(256.4)
Adjusted Net Debt and Hybrid Equity #APM	**8,898.9**	10,465.9
Equity attributable to shareholders of the parent	**5,208.7**	3,750.4
Total capital excluding lease obligations	**14,107.6**	14,216.3

Under the terms of its major borrowing facilities, the Group is required to comply with the following financial covenant:

- **Interest Cover Ratio:** The Group shall procure that the ratio of Operating Profit to Net Interest Payable for any relevant period is not less than 2.5 to 1.

The following definitions apply in the calculation of these financial covenants:

- **"Operating Profit"** means, in relation to a relevant period, the profit on ordinary activities before taxation (after adding back Net Interest Payable) of the Group for that relevant period but after adjusting this amount to exclude any exceptional profits (or losses) and, for the avoidance of doubt, before taking account of any exceptional profits (or losses) and excluding the effect of IFRS 9 remeasurements.
- **"Net Interest Payable"** means, in respect of any relevant period, interest payable during that relevant period less interest receivable during that relevant period.

In summary, the Group's intent is to balance returns to shareholders between current returns through dividends and long-term capital investment for growth. In doing so, the Group will maintain its capital discipline and will continue to operate within the current economic environment prudently. There were no changes to the Group's capital management approach during the year.

13.2 Loans and borrowings

	2021 £m	2020 £m
Current		
Other short-term loans	**864.7**	1,893.8
Lease obligations	**72.9**	73.1
	937.6	1,966.9
Non-current		
Loans	**8,124.9**	7,823.4
Lease obligations	**348.1**	382.1
	8,473.0	8,205.5
Total loans and borrowings	**9,410.6**	10,172.4
Cash and cash equivalents	**(1,600.2)**	(164.6)
Unadjusted net debt	**7,810.4**	10,007.8
Add/(less):		
Hybrid equity (Note 14)	**1,472.4**	1,169.7
Obligations under finance leases	**(421.0)**	(455.2)
Cash held as collateral and other short-term loans	**37.1**	(256.4)
Cash presented as held for disposal	**-**	-
Adjusted net debt and hybrid capital	**8,898.9**	10,465.9

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and short term highly liquid investments with a maturity of six months or less. The cash and cash equivalents are higher year on year due to a higher surplus cash position at March 2021 as a result of disposal proceeds and proceeds from the £500m debt issue in March 2021.

13. SOURCES OF FINANCE (CONTINUED)

13.2.1 Borrowing facilities

The Group has an established €1.5bn Euro commercial paper programme (paper can be issued in a range of currencies and swapped into sterling) and as at 31 March 2021 there was no commercial paper outstanding (2020: £672.4m). The Group also has £1.5bn of revolving credit facilities. These facilities continue to provide back-up to the commercial paper programme and, as at 31 March 2021, these facilities were undrawn.

During the year to 31 March 2021, the SSE Group successfully accessed the debt markets on three occasions raising £2.5bn from the market over four senior debt tranches and two hybrid equity securities tranches.

13.3 Reconciliation of net increase in cash and cash equivalents to movement in adjusted net debt and Hybrid equity

	2021 £m	2020 £m
Increase/(decrease) in cash and cash equivalents	**1,435.6**	(267.0)
Add/(less):		
Cash presented as held for disposal	**-**	(95.2)
New borrowing proceeds	**(1,912.9)**	(1,122.4)
New hybrid equity proceeds	**(1,051.0)**	-
Repayment of borrowings	**1,895.9**	668.4
Disposal of borrowings	**438.6**	-
Repayment of hybrid equity	**748.3**	-
Non-cash movement on borrowings	**306.0**	(124.9)
(Decrease) in cash held as collateral and other short-term loans	**(293.5)**	(87.8)
Movement in adjusted net debt and hybrids #APM	**1,567.0**	(1,028.9)

Cash held as collateral refers to amounts deposited on commodity trading exchanges and loans provided with a less than three months maturity which are reported within trade and other receivables on the face of the balance sheet.

14. EQUITY

14.1 Share capital

	Number (millions)	£m
Allotted, called up and fully paid:		
At 31 March 2020	**1,046.3**	523.1
Issue of shares (i)	**2.8**	1.4
Shares repurchased (ii)	**-**	-
At 31 March 2021	**1,049.1**	524.5

The Company has one class of ordinary share which carries no right to fixed income. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

i. Shareholders were able to elect to receive ordinary shares in place of the final dividend of 56.0p per ordinary share (in relation to year ended 31 March 2020) and the interim dividend of 24.4p (in relation to the current year) under the terms of the Company's scrip dividend scheme. This resulted in the issue of 1,918,977 and 883,408 new fully paid ordinary shares respectively (2020: 19,086,291 and 9,136,089). In addition, the Company issued 0.9m (2020: 0.8m) shares during the year under the savings-related share option schemes (all of which were settled by shares held in Treasury) for a consideration of £10.4m (2020: £10.1m).

ii. No shares were purchased in the year to 31 March 2021. (2020: Under the share buyback programme announced on 1 February 2019, 28.8m shares were repurchased and cancelled in the current year for a total of £352.0m (including stamp duty and commission)). The nominal value of share capital repurchased and cancelled is transferred out of share capital and into the capital redemption reserve.

Of the 1,049.1m shares in issue, 6.1m are held as treasury shares. These shares will be held by the Group and used to award shares to employees under the Sharesave scheme in the UK.

During the year, on behalf of the Company, the employee share trust purchased 0.9m shares for a total consideration of £12.9m (2020: 1.1m shares, consideration of £14.6m) to be held in trust for the benefit of employee share schemes. At 31 March 2021, the trust held 7.7m shares (2020: 7.6m) which had a market value of £112.5m (2020: £99.3m).

14. EQUITY (CONTINUED)

14.2 Hybrid Equity

	2021 £m	2020 £m
GBP 750m 3.875% perpetual subordinated capital securities (i)	**-**	748.3
EUR 600m 2.375% perpetual subordinated capital securities (i)	**421.4**	421.4
GBP 600m 3.74% perpetual subordinated capital securities (ii)	**598.0**	-
EUR 500m 3.125% perpetual subordinated capital securities (ii)	**453.0**	-
	1,472.4	1,169.7

(i) 10 March 2015 £750m and €600m Hybrid Equity Bonds

The March 2015 hybrid equity bonds have no fixed redemption date, but the Company may, at its sole discretion, redeem all, but not part, of the capital securities at their principal amount. The date for the first potential discretionary redemption of the £750m hybrid equity bond was executed and this hybrid bond was redeemed on 10 September 2020. The date for the first discretionary redemption of the €600m hybrid equity bond is 1 April 2021 and then every 5 years thereafter.

(ii) 2 July 2020 £600m and €500m Hybrid Capital Bonds

The new hybrid capital bonds issued in July 2020 have no fixed redemption date, but the Company may, at its sole discretion, redeem all but not part of the capital securities at their principal amount. The date for the first potential discretionary redemption of the £600m hybrid bond is 14 April 2026 and then every 5 years thereafter. The date for the first potential discretionary redemption of the €500m hybrid capital bond is 14 July 2027 and then every 5 years thereafter. For the £600m Hybrid the coupon payments are made annually on 14 April and for the €500m Hybrid the coupon payments are made annually on 14 July.

Coupon Payments

In relation to the €600m hybrid equity bond a coupon payment of £17.5m (2020: £17.4m) was made on 1 April 2020 and for the £750m hybrid equity bond a coupon payment of £29.1m (2020: £29.1m) was made on 10 September 2020. No coupon payments have been made on the new Hybrids issued in July 2020 with the first coupon payments not due until the 21/22 financial year.

The coupon payments in the year to 31 March 2021 consequently totalled £46.6m (2020: £46.5m)

The Company has the option to defer coupon payments on the bonds on any relevant payment date, as long as a dividend on the ordinary shares has not been declared. Deferred coupons shall be satisfied only in the following circumstances, all of which occur at the sole option of the Company:

- redemption; or
- dividend payment on ordinary shares.

Interest will accrue on any deferred coupon.

15. RETIREMENT BENEFIT OBLIGATIONS

15.1 Valuation of combined Pension Schemes

	Quoted £m	**Unquoted £m**	**Value at 31 March 2021 £m**	Quoted £m	Unquoted £m	Value at 31 March 2020 £m
Equities	**626.8**	**-**	**626.8**	500.6	-	500.6
Government bonds	**1,139.9**	**-**	**1,139.9**	857.8	-	857.8
Corporate bonds	**176.7**	**-**	**176.7**	145.1	-	145.1
Insurance contracts	**-**	**780.3**	**780.3**	-	725.4	725.4
Other investments	**1,588.4**	**-**	**1,588.4**	1,694.0	-	1,694.0
Total fair value of plan assets			**4,312.1**			3,922.9
Present value of defined benefit obligation			**(3,955.1)**			(3,581.2)
Surplus in the schemes			**357.0**			341.7
Deferred tax thereon (i)			**(67.8)**			(64.9)
Net pension asset			**289.2**			276.8

(i) Deferred tax rate of 19% applied to pension surplus and deficit positions (2020: 19%).

	Balance Sheet presentation 2021 £m	Balance sheet presentation 2020 £m
Retirement benefit asset	**543.1**	534.2
Retirement benefit liability	**(186.1)**	(192.5)
Net pension asset	**357.0**	341.7

15. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Movements in the defined benefit asset obligations and assets during the year:

	2021 Assets £m	2021 Obligations £m	2021 Total £m	2020 Assets £m	2020 Obligations £m	2020 Total £m
at 1 April	**3,922.9**	**(3,581.2)**	**341.7**	4,329.6	(4,042.5)	287.1
Included in Income Statement						
Current service cost	**-**	**(29.3)**	**(29.3)**	-	(39.0)	(39.0)
Past service cost	**-**	**(5.8)**	**(5.8)**	-	(8.1)	(8.1)
Settlements	**(7.7)**	**9.3**	**1.6**	(69.4)	83.9	14.5
Interest income/(cost)	**88.5**	**(80.2)**	**8.3**	99.8	(93.2)	6.6
	80.8	**(106.0)**	**(25.2)**	30.4	(56.4)	(26.0)
Included in Other Comprehensive Income						
Actuarial (loss)/gain arising from:						
Demographic assumptions	**-**	**(23.1)**	**(23.1)**	-	6.6	6.6
Financial assumptions	**-**	**(461.5)**	**(461.5)**	-	284.4	284.4
Experience assumptions	**-**	**21.8**	**21.8**	-	36.6	36.6
Return on plan assets excluding interest income	**447.0**	**-**	**447.0**	(319.3)	-	(319.3)
	447.0	**(462.8)**	**(15.8)**	(319.3)	327.6	8.3
Other						
Contributions paid by the employer	**56.3**	**-**	**56.3**	72.3	-	72.3
Scheme participants' contributions	**0.1**	**(0.1)**	**-**	0.2	(0.2)	-
Benefits paid	**(195.0)**	**195.0**	**-**	(190.3)	190.3	-
	(138.6)	**194.9**	**56.3**	(117.8)	190.1	72.3
Balance at 31 March	**4,312.1**	**(3,955.1)**	**357.0**	3,922.9	(3,581.2)	341.7

Charges / (credits) recognised:

	2021 £m	2020 £m
Service costs (charged to operating profit)(i)	**35.1**	47.1
Settlements and curtailment (gains)/losses (ii)	**(1.6)**	(14.5)
	33.5	32.6
(Credited)/charged to finance costs:		
Interest on pension scheme assets	**(88.5)**	(99.8)
Interest on pension scheme liabilities	**80.2**	93.2
	(8.3)	(6.6)

During the prior year the Group disposed of SSE Energy Services, which resulted in an exceptional gain of £14.5m being recognised in the pension schemes on the transfer values of assets and liabilities transferred from the schemes to a new Ovo defined benefit scheme. In the current year there was a further £1.6m gain related to settlements to Ovo employees who remained within the scheme following the disposal of the business. These gains have been treated as exceptional in both periods and offset against the overall loss on disposal of the business.

16. FINANCIAL RISK MANAGEMENT

16.1 Financial risk management

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. A Board level sub-committee, the Energy Markets Risk Committee, supports the Group's risk management responsibilities to review the strategic, market, credit operational and liquidity risks and exposures that arise from the Group's energy portfolio management, generation, energy supply and treasury activities.

The Group's policies for risk management are established to identify the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. These policies, and the systems used to monitor activities, are reviewed regularly by the appropriate governance forum.

Exposure to the commodity, currency and interest rate risks noted arise in the normal course of the Group's business and derivative financial instruments are entered into to hedge exposure to these risks. For financial reporting purposes, the Group has classified derivative financial instruments into two categories, operating derivatives and financing derivatives. Operating derivatives relate to qualifying commodity contracts which includes certain contracts for electricity, gas, oil, coal and carbon. Financing derivatives include all fair value and cash flow interest rate hedges, non-hedge accounted (mark-to-market) interest rate derivatives, cash flow foreign exchange hedges and non-hedge accounted foreign exchange contracts. Non-hedge accounted contracts are treated as held for trading.

The net movement reflected in the interim income statement can be summarised thus:

	2021 £m	2020 £m
Operating derivatives		
Total result on operating derivatives (i)	**429.1**	(526.4)
Less: amounts settled (ii)	**161.0**	723.2
	590.1	196.8
Loss on novation of derivatives held by discontinued operation	**-**	(231.0)
Movement in unrealised derivatives	**590.1**	(34.2)
Financing derivatives (and hedged items)		
Total result on financing derivatives (i)	**35.2**	(74.4)
Less: amounts settled (ii)	**20.4**	(8.6)
Movement in unrealised derivatives	**55.6**	(83.0)
Net income statement impact	**645.7**	(117.2)

(i) Total result on derivatives in the income statement represents the total amounts (charged) or credited to the income statement in respect of operating and financial derivatives.

(ii) Amounts settled in the year represent the result on derivatives transacted which have matured or been delivered and have been included within the total result on derivatives.

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

16.2 Fair Value Hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from unadjusted quoted market prices for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

		2021		
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial Assets				
Energy derivatives	**68.8**	**275.9**	**-**	**344.7**
Interest rate derivatives	**-**	**217.6**	**-**	**217.6**
Foreign exchange derivatives	**-**	**23.3**	**-**	**23.3**
Loan note receivable	**-**	**-**	**115.9**	**115.9**
Unquoted equity investments	**-**	**-**	**3.6**	**3.6**
	68.8	**516.8**	**119.5**	**705.1**
Financial Liabilities				
Energy derivatives	**-**	**(138.1)**	**-**	**(138.1)**
Interest rate derivatives	**-**	**(489.7)**	**-**	**(489.7)**
Foreign exchange derivatives	**-**	**(63.0)**	**-**	**(63.0)**
Loans and borrowings	**-**	**(3.2)**	**-**	**(3.2)**
	-	**(694.0)**	**-**	**(694.0)**

		2020		
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial Assets				
Energy derivatives	-	460.6	-	460.6
Interest rate derivatives	-	441.9	-	441.9
Foreign exchange derivatives	-	36.9	-	36.9
Loan note receivable	-	-	100.0	100.0
Unquoted equity investments	-	-	0.2	0.2
	-	939.4	100.2	1,039.6
Financial Liabilities				
Energy derivatives	(230.6)	(614.1)	-	(844.7)
Interest rate derivatives	-	(544.6)	-	(544.6)
Foreign exchange derivatives	-	(16.5)	-	(16.5)
Loans and borrowings	-	(276.8)	-	(276.8)
	(230.6)	(1,452.0)	-	(1,682.6)

There were no significant transfers out of level 1 into level 2 and out of level 2 into level 1 during the year ended 31 March 2021. The level 3 movements during the prior year were related to the recognition of £100m of unquoted loan notes due from Ovo Group Limited following the disposal of SSE Energy Services. During the current year that has increased to £115.9m due to the accumulated interest on the instrument.

17. CAPITAL COMMITMENTS

	2021 £m	2020 £m
Capital expenditure:		
Contracted for but not provided	**1,189.5**	596.7

Contracted for, but not provided capital commitments, include the fixed contracted costs of the Group's major capital projects. In practice, contractual variations may arise on the final settlement of these contractual costs. The increase in commitments year on year is mainly attributable to the contracted commitments for the Viking Windfarm and the Shetland HVDC transmission link.

18. RELATED PARTY TRANSACTIONS

The following transactions took place during the year between the Group and entities which are related to the Group but which are not members of the Group. Related parties are defined as those in which the Group has control, joint control or significant influence over.

	2021 Sale of goods and services £m	**2021 Purchase of goods and services £m**	**2021 Amounts owed from £m**	**2021 Amounts owed to £m**	2020 Sale of goods and services £m	2020 Purchase of goods and services £m	2020 Amounts owed from £m	2020 Amounts owed to £m
Joint ventures:								
Seabank Power Ltd	**75.2**	**(86.7)**	**0.1**	**(16.8)**	44.3	(66.1)	0.1	(5.8)
Marchwood Power Ltd	**45.3**	**(142.3)**	**0.6**	**(11.2)**	13.6	(96.2)	0.2	(6.8)
Scotia Gas Networks Ltd	**29.9**	**(13.1)**	**17.3**	**(1.1)**	39.5	(113.7)	12.1	(16.4)
Clyde Windfarm (Scotland) Ltd	**4.3**	**(116.1)**	**0.1**	**(38.2)**	4.2	(118.0)	1.3	(41.3)
Beatrice Offshore Windfarm Ltd	**5.3**	**(43.7)**	**1.1**	**(5.3)**	7.1	(40.8)	1.9	(3.3)
Stronelairg Windfarm Ltd	**1.9**	**(44.7)**	**-**	**(17.1)**	2.2	(55.4)	0.4	(16.3)
Dunmaglass Windfarm Ltd	**0.9**	**(22.2)**	**-**	**(6.6)**	0.9	(24.5)	-	(6.7)
Neos Networks Ltd	**38.0**	**(26.3)**	**41.4**	**(1.4)**	14.4	(59.5)	11.8	(11.6)
Other Joint Ventures	**22.5**	**(193.8)**	**54.8**	**(1.9)**	45.3	(205.5)	12.8	(60.5)
Associates	**-**	**(16.2)**	**-**	**-**	-	(36.7)	-	-

The transactions with Seabank Power Limited and Marchwood Power Limited relate to the contracts for the provision of energy or the tolling of energy under power purchase arrangements. Scotia Gas Networks Limited has operated the gas distribution networks in Scotland and the South of England from 1 June 2005. The Group's gas supply activity incurs gas distribution charges while the Group also provides services to Scotia Gas Networks in the form of a management service agreement for corporate services, stock procurement services and the provision of the capital expenditure on the development of front office management information systems.

The amounts outstanding are trading balances, are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

19. POST BALANCE SHEET EVENTS

19.1 Sale of SSE Contracting

On 1 April 2021, subsequent to the balance sheet date, the Group agreed to sell its Enterprise Contracting and Rail and business to Aurelius Group for initial consideration of £17.5m; plus a £5m loan note bearing interest of 6% per annum repayable in 2026; and £5m of contingent consideration based on earnings targets within the business. The transaction is expected to complete in June 2021.

At 31 March 2021 the assets and liabilities being disposed have been classified as held for sale and impaired to their recoverable amount, which has been calculated as their fair value less costs to sell. This resulted in an exceptional impairment of £51.2m.

19.2 Redemption of hybrid equity bond

On 1 April 2021, subsequent to the balance sheet date, the Group exercised its option to redeem its €600m hybrid equity bond. The bond had no fixed redemption date, but the Group had the option to redeem all of the bond on 1 April 2021 or every 5 years thereafter. The redemption was funded through the issuance of hybrid capital bonds in July 2020.