TIME TO
POWER CHANGE

Interim Results for the six months to 30 September 2021

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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

The financial information set out in these interim statements has been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and UK adopted International Accounting Standard 34 Interim Financial Reporting. The interim financial information is unaudited but has been formally reviewed by the Group's statutory auditor and its report to the Company is set out on page 102.

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 Interim Financial Statements. SSE continues to prioritise the monitoring of developing practice in the use of Alternative Performance Measures, ensuring the financial information in its results statements is clear, consistent, and relevant to the users of those 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 project financed debt.

Important note: Discontinued Operations – Gas Production and Scotia Gas Networks

At 30 September 2021 SSE has assessed that its Gas Production assets should continue to be classified as held for sale (see note 9 of the Interim Financial Statements) and the Group's interest in gas distribution operator Scotia Gas Networks Limited ('SGN') should also be classified as held for sale following agreement reached to dispose of the entire 33.3% stake to a consortium (see note 2(v) of the Interim Financial Statements). Both businesses have been classified as discontinued operations. The Group's adjusted measures therefore exclude the contribution from both of these businesses in all periods presented.

Important note: Other disposals

In the period to 30 September 2021, SSE disposed of its Contracting and Rail business (see note 6.1 of the Interim Financial Statements) and has assessed that a 10% stake in the Dogger Bank C offshore wind farm development should be classified as held for sale (see note 9 of the Interim Financial Statements). Furthermore, in the prior period to 30 September 2020, SSE assessed that its investment in Multifuel Energy, Contracting and Rail business and a 10% stake in the Dogger Bank A&B offshore wind farm development should be classified as held for sale, in addition to disposals in that period 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 and its investment in MapleCo smart-metering on 23 September 2020.

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.

Important note: Presentation of Reporting Segments

Following the Group's sale of its Contracting and Rail business during the period, the primary retained activities of the Enterprise business is Distributed Energy which will develop and provide the Group's solar and battery storage operations and focus on distributed generation, heat and cooling networks, smart buildings and EV charging. Accordingly, the result from the Group's out of areas networks business and Neos Networks Limited joint venture will now be reported within SSEN Distribution and Corporate Unallocated respectively. Comparative information has been re-presented to reflect the change to these segments (see note 2(v) of the Interim Financial Statements).

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 and Scotia Gas Networks Limited which have been presented as discontinued operations as at 30 September 2021:

- 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 until the date of disposal.

CONTENTS

SSE PLC

INTERIM RESULTS FOR THE SIX MONTHS TO SEPTEMBER 2021

17 NOVEMBER 2021

HIGHLIGHTS – PROGRESS AND DELIVERY

- **Strategy of the group remains clear**, with the separate standalone announcement today of **'Net Zero Acceleration Programme'** to accelerate clean growth, lead the energy transition and maximise value for all stakeholders
- Plans include enhanced, fully funded **£12.5bn strategic capital investment** plans to 2026 alongside **ambitious 2031 targets**, aligned with net zero and **1.5 degrees**
- The fully funded plan represents £1bn of additional capex investment per year, over 2.5 times more capex allocated to Renewables and – through a proposed minority interest disposal of Transmission and Distribution – optimising capital allocation between regulated and unregulated businesses.
- **Optimal pathway** for UK's clean energy champion positions SSE to enable delivery of over 25% of UK's 40GW offshore wind target and over 20% of UK electricity networks investment, deploy flexibility solutions and export renewables capabilities overseas
- **Growth-enabling dividend plan** paying at least £3.50 per share across the five years, comprising a rebase to 60p in 23/24, with attractive annual growth of at least 5% to March 2026.
- Integral to the accelerated investment plan is the announcement of **renewed 2030 greenhouse gas emission targets, aligned with a science based 1.5° Celsius pathway for the power sector.**
- In line with the Group's net zero-focused strategy, in the period since reporting Full-year Results in May 2021, SSE has:
    - Announced its entry into the Japanese offshore wind market through a joint ownership company with Pacifico Energy, including the 80% acquisition of a 10GW development platform.
    - Amalgamated Berwick Bank and Marr Bank offshore wind farms, into one single wind farm with a potential capacity of up to 4.1GW. Berwick Bank wind farm would more than double the size of current offshore wind either in construction or currently operational in Scotland.
    - Continued to make good progress on the construction of its offshore wind projects, Seagreen and Dogger Bank, as well as the Viking onshore wind farm on Shetland.
    - Reached an agreement to sell down a 10% stake in Dogger Bank C to Eni for an equity consideration of £70m.
    - Submitted a pre-qualification application to the Bureau of Ocean Energy Management (BOEM) to participate in the New York Bight Auction in the US.
    - Submitted a bid for the Thor offshore wind tender in Denmark
    - Submitted an Initial Needs Case under the RIIO-T2 Uncertainty Mechanism for a proposed £400m replacement transmission line between Fort Augustus and Skye and are finalising the submission for upgrading the Argyll transmission network to 275kV operation.
    - Published and engaged with stakeholders on a comprehensive and ambitious RIIO-ED2 business plan, ahead of final submission to Ofgem in December.
    - Used its Principal Partnership of COP26 to advance the case for decarbonisation of the energy sector to go further and faster to align with a 1.5C pathway.
- Total Recordable Injuries during the year was 30 (Total Recordable Injury Rate of 0.16), compared to 24 (0.19) in the same period last year.[1]

[1]2020/21 comparator restated to exclude SSE Contracting & Rail and Neos Networks (formerly SSE Telecoms) to reflect current business composition.

Financial Summary	Adjusted			Reported		
	Sept 2021	Sept 2020	% mvmt	Sept 2021	Sept 2020	% mvmt
Operating profit (£m)	376.8	328.9	15%	1,904.4	939.9	103%
Profit before tax (£m)	174.2	133.9	30%	1,686.1	779.4	116%
Earnings per share (p)	10.5	7.3	44%	103.6	62.9	65%
Investment and capital expenditure (£m)	1,042.8	434.5	140%	1,056.6	723.4	46%
Net Debt and Hybrid Capital (£bn)	(9.6)	(10.6)	(9%)	(8.9)	(9.6)	(6%)

** Unless otherwise started, excludes results from discontinuing operations: Scotia Gas Networks and Gas Production assets which were held for sale at 30 September 2021.*

FINANCIAL SUMMARY FOR THE SIX MONTHS TO SEPTEMBER 2021

- Adjusted EPS up 44% to 10.5p, just above SSE's guided range of between 7.5p and 10p and reflecting improved performance across a number of businesses in the second half of September.
- Reported EPS up 65% to 103.6p, mainly due to mark-to-market revaluation gains on operating derivatives of c£1.2bn in the period, a result of recent market volatility.
- As previously announced, Renewables profitability in the first half was adversely impacted by exceptionally unfavourable weather conditions (25% or 1.1TWh below the comparative period), and the associated requirement to buy back hedges in volatile markets.
- This was more than offset by higher volumes and revenue allowances in regulated networks, and a strong performance from non-core businesses, notably gas storage
- Adjusted investment and capital expenditure up 140% to £1,042.8m reflecting the strong progression of the Group's capital investment strategy following coronavirus, and the impact from one-off project finance development expenditure refunds in the prior period.
- Adjusted net debt and hybrid capital at £9.6bn, reflecting increased investment and capital expenditure.
- Intention to recommend an interim dividend of 25.5p per share – in line with five year dividend plan to 2023 – for payment on 10 March 2022, reflecting an assumed average annual RPI rate of 5%. As announced in the accompanying Strategy Update, the scrip dividend will be capped at 25% each financial year.

FINANCIAL OUTLOOK FOR 2021/22 AND BEYOND

- SSE is focused on long-term, sustainable financial performance, and remains confident about delivery of solid financial performance for the full year.
- The group has enjoyed a strong start to the second half of the year, with renewables volumes above plan in October, and thermal and hydro plant in particular achieving strong prices in the market.
- Subject to normal weather, plant availability and similar levels of commodity prices over the coming winter months, SSE currently expects to report full year adjusted earnings per share at a level which is at least in line with consensus of analysts' forecasts of 83p (Bloomberg 15 November 2021). SSE intends to provide further guidance later in the financial year.
- The Group remains committed to its five-year dividend plan to March 2023 and expects to recommend a full-year dividend of 81 pence plus RPI inflation in line with that plan.
- Capital expenditure and investment is now expected to total in excess of £2bn in 2021/22 (net of project finance development expenditure refunds).
- Disposal of SSE's entire 33.3% investment in gas distribution operator Scotia Gas Networks Ltd (SGN) is expected to complete within the 2021/22 financial year.
- Targeting a ratio of net debt to EBITDA of around 4.5 times at 31 March 2022.

The enhanced £12.5bn Net Zero Acceleration Programme, also announced today, further outlines SSE's plans to accelerate growth and maximise value for all stakeholders for the five years to March 2026, as well as outlining longer term targets to 2031 and a rebased dividend with attractive growth for post 2023.

FURTHER INFORMATION

Investor Timetable

Interim ex-dividend date	13 January 2022
Record date	14 January 2022
Scrip reference pricing days	13 - 19 January 2022
Scrip reference price confirmed and released via RNS	20 January 2022
Final date for receipt of scrip elections	10 February 2022
Interim dividend payment date	10 March 2022
Q3 Trading Statement	8 February 2022
Notification of Closed Period	By 31 March 2022
Preliminary results for the year months ended 31 March 2022	25 May 2022
AGM and Q1 Trading Statement	21 July 2022

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Management presentation webcast and teleconference

SSE will present its interim results for the six months to 30 September 2021, immediately followed by a strategic and capital investment update on Wednesday 17 November 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/en9mbrvc. This will also be available as a teleconference, details below. Both facilities will be available to replay.

Confirmation Code: 2573869

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United Kingdom	Toll free	0800 279 6619
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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.

KEY PERFORMANCE INDICATORS – SIX MONTHS TO 30 SEPTEMBER

AT A GLANCE

Key Financial Indicators	Adjusted		Reported	
	Sept 2021	Sept 2020	Sept 2021	Sept 2020
Operating profit / (loss) by core business £m				
- SSEN Transmission	**181.7**	**115.2**	**181.7**	**115.2**
- SSEN Distribution	**153.3**	**114.3**	**153.3**	**114.3**
- SSE Renewables	**25.4**	**141.6**	**(33.6)**	**318.6**
Operating profit / (loss) for other businesses £m	16.4	(42.2)	1,603.0	391.8
Operating profit from continuing operations £m	**376.8**	**328.9**	**1,904.4**	**939.9**
EBITDA from continuing operations £m	**700.2**	**664.3**	**2,247.2**	**1,293.5**
Profit before tax from continuing operations £m	**174.2**	**133.9**	**1,686.1**	**779.4**
Earnings per share (EPS) pence on continuing operations	**10.5**	**7.3**	**103.6**	**62.9**
Interim dividend per share (DPS) pence	**25.5**	**24.4**	**25.5**	**24.4**
Full year dividend per share (DPS) pence	**Exp. 81 + RPI**	**81.0**	**Exp. 81 + RPI**	**81.0**
Investment and capital expenditure by core business, before refunds £m				
- SSEN Transmission	**291.0**	**224.4**	**291.0**	**224.4**
- SSEN Distribution	**171.3**	**167.9**	**201.4**	**197.3**
- SSE Renewables	**417.5**	**176.4**	**116.0**	**206.8**
Investment and capital expenditure for other businesses, before refunds £m	163.0	111.8	448.2	341.0
Project finance development expenditure refunds £m	-	(246.1)	-	(246.1)
Investment and capital expenditure, after refunds £m	**1,042.8**	**434.4**	**1,056.6**	**723.4**
Net debt and hybrid capital £m	**9,611.4**	**10,662.1**	**8,877.7**	**9,639.6**

** Comparative information has been re-presented to reflect the classification of Scotia Gas Networks as a discontinued operation and the changes to segmental disclosures made in the period (see note 2(v) of the Interim Financial Statements).*

Operational Key Performance Indicators	Sept 2021	Sept 2020
Thermal generation - GWh	7,812	9,438
Renewable generation - GWh (inc. pumped storage and constrained off)[1]	2,901	4,008
Total generation output – all plant – GWh[2]	**10,763**	**13,481**
SSEN Transmission RAV - £m	3,875	3,643
SSEN Distribution RAV - £m	3,862	3,825
SSE Total RAV[3] - £m	**7,737**	**7,468**
Business Energy Electricity Sold – GWh	6,161	6,301
Business Energy Gas Sold – mtherms	73	65
Airtricity Electricity Sold – GWh	2,485	3,739
Airtricity Gas Sold – mtherms	66	74

Notes:

[1]Renewable generation excludes SSE's small biomass capability which is managed by Distributed Energy and which generated 37GWh HY2021/22 and 22GWh in HY2020/21

[2]Includes biomass output referred to in Note 1 above plus an additional 13GWh in HY2021/22 and 13GWh HY2020/21 generated by other Distributed Energy assets.

[3]SSE agreed the sale of its stake in gas distribution operator SGN in August 2021 and it has been presented as a discontinued operation in the Interim Financial Statements. The RAV attributable to SGN totalled 2,024 at HY22 and 1,957 at HY21.

ESG Key Performance Indicators	Sept 2021	March 2021	Sept 2020
Carbon emissions (scopes 1&2) $MtCO_2e$	-	7.64	-
Carbon intensity of generation gCO_2e/kWh	292	255	275
Total water consumed (million cubic meters)	-	3.6	-
Total recordable injury rate per 100,000 hours worked[1]	0.16	0.14	0.19
Total economic contribution – UK/Ireland (£bn/€m)[2]	-	5.21/439	-
Jobs supported – UK/Ireland (headcount)[3]	-	41,400/2,160	-
Total taxes paid UK/Ireland (£m/€m)	-	379/20.4	-
Employee retention/turnover rate (%)[4]		92.1/7.9	
Employee engagement index (%)[5]	82	82	82
Average board tenure – years[6]	3.3	5.0	4.6
Female board members (%)	50	36	33
Independent board members (%)[7]	73	70	73
Total number of board members	12	11	12

Notes:

March 2021 figures relate to 12 months to 31st March 2021

[1]Comparators restated to exclude impact of Contracting and Neos Networks

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

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

[4] Includes voluntary and involuntary turnover, excludes end of fixed term contracts and internal transfers.

[5] Results from SSE's annual employee engagement survey.

[6] Non-Executive directors including non-Executive Chair

[7] Excludes non-Executive Chair. March 2021 figure restated to exclude non-Executive Chair.

STRATEGIC OVERVIEW

A PLATFORM FOR GROWTH

The strategic progress made by SSE in the half-year to 30 September 2021 further consolidates our leadership of the energy transition in the UK and Ireland and marks the beginning of our international expansion. With our transformational Net Zero Acceleration Programme published alongside these results and containing fully funded strategic investment plans out to 2026 with bold new targets for the decade to 2031, SSE is clearly very well-placed strategically to grow over the short, medium and long term.

In the period since reporting Full-year Results in May, whilst developing our Net Zero Acceleration Programme, we have not been distracted from our purpose of providing energy today while building a better world of energy for tomorrow. We have met our responsibilities as a critical service provider and delivered on significant strategic milestones. Indeed, the strong operational delivery of recent months has helped provide an exciting platform from which SSE can seize the enormous growth opportunities being created across the Group.

Delivery at SSE is attributable to the capabilities of a highly skilled and increasingly diverse workforce, and I am grateful for our employees' ongoing commitment to a purpose and a strategy that have clear business and societal benefits. Their capabilities, resilience and ingenuity are integral to SSE’s bright future.

STRATEGIC PROGRESS

SSE’s strategy is to create value for shareholders and society in a sustainable way by developing, building, operating and investing in the electricity infrastructure and businesses needed in the transition to net zero and I’m pleased to report that we made good progress across the Group in the first half of the year.

In SSE Renewables, plans to export our developer capabilities to overseas markets gained momentum with our acquisition of an 80% interest in an offshore wind development platform in Japan. We have also lodged a pre-qualification application in the New York Bight Auction as an initial step into the emerging US offshore market, and we have submitted a bid to the Thor auction in Denmark. Closer to home, good progress was made with installation of the first turbine jacket foundations at Seagreen, the world's deepest, fixed-bottom wind farm, and offshore construction due to start at Dogger Bank, currently the world's biggest offshore wind farm, early in 2022. We have consent for the UK’s largest pumped storage hydro project at Coire Glas and have seen material progress in the policy and regulatory environment for such vital long-duration storage schemes.

SSE sees a crucial role for lower-carbon thermal generation in the transition to net zero and we welcomed the Track 1 status awarded to the East Coast Carbon Capture and Storage Cluster, which is the site of three SSE Thermal development projects in partnership with Equinor. While the ‘Acorn’ Scottish Cluster, site of our Peterhead CCS project, was not given Track 1 status, it was confirmed as a backup option and we continue to engage with government on the long-term importance of such technologies to the North East of Scotland.

In our electricity networks businesses, we have had mixed success in our appeal to the CMA over certain elements of Ofgem’s RIIO-T2 price control settlement. There are nonetheless options for substantial growth over and above capital expenditure plans approved under RIIO-T2 and we have submitted Needs Cases under the Uncertainty Mechanism for major projects that will enable further renewables growth.

SSEN Distribution could see a trebling of demand in its network areas by 2050, and the likely load expenditure required to keep pace will inform the submission of our final business plan for the RIIO-ED2 price control next month. The business has also recently become the first UK Distribution Network Operator to set 1.5°C-aligned targets validated by the Science Based Targets initiative.

SSEN Transmission and SSEN Distribution are not only key to a 1.5C pathway, they are also engines of growth for the SSE Group. Under our new capex plan we will extend the successful SSE Renewables partnering model to electricity networks in order to maximise their growth potential, while retaining strategic and operational control.

STRENGTH AND RESILIENCE

The achievements of the first half come against a backdrop of significant energy market volatility, variable weather and ongoing uncertainty over the trajectory of the coronavirus pandemic. Once again, the resilience of SSE's business model, with its efficient mix of regulated and market-exposed income streams and the valuable linkages between them, has stood us in good stead.

Following a highly successful £2.8bn non-core asset disposals programme, expected to be completed with the disposal of our stake in SGN by the end of this financial year, strategic focus is now on renewables and regulated electricity networks, supported by carefully chosen complementary businesses. This very deliberate business mix – and the world-class assets within it – has a compelling and growing strategic logic.

The renewables and networks businesses are key to net zero, they have significant growth options and they fit together. With their shared skills and capabilities, they form SSE's low-carbon electricity core. We will only retain other businesses that are complementary to that core and contribute to achieving net zero.

Thermal offers flexible capacity to balance renewables' variability. Our customer-facing businesses are a route to market and a platform to grow in the distributed energy sector, where we are developing battery storage projects that will also provide flexibility to support renewables. And, lastly, our Energy Portfolio Management business creates commercial synergies and manages risk across all of our market-based operations.

Ultimately, SSE has been transforming into the optimal combination of electricity infrastructure businesses. Our business mix allows specialisation in electricity assets, such as in renewables, networks and low carbon power stations, alongside the ability to create value right across the electricity value chain as new opportunities emerge in hydrogen, batteries and distributed energy.

A NATIONAL ENERGY CHAMPION

SSE has placed itself on the right side of the climate debate, with the capabilities, businesses and assets to create value from efforts to slow global warming. We have established ourselves as the UK's national clean energy champion, delivering for shareholders and society as we pursue a Just Transition to net zero.

There are favourable political and societal tailwinds behind us. We welcomed the UK Government's net zero strategy, which gives confidence to low-carbon investors and developers like us to keep investing at the scale needed to achieve net zero by 2050. And we take the support received at our 2021 AGM for an annual vote on our net zero plan as a clear signal of ongoing shareholder support for our decarbonisation efforts.

As the UK's national clean energy champion, the Net Zero Acceleration Programme announced alongside today's results positions SSE to enable over a quarter of the UK's 40GW offshore wind target by 2030, over 20% of upcoming UK electricity networks investment, whilst leading investments in flexibility and exporting our renewables capabilities overseas.

The urgency of the climate emergency from COP26 is clear. We believe that decarbonisation of the energy system could go further and faster and as a Principal Partner at the summit we were able to make that case on the world stage. This was an opportunity for us to engage with global decision-makers and we have come away with an increased sense of purpose.

LONG-TERM AMBITIONS

SSE is currently building more offshore wind than anyone else in the world; we see substantial RAV growth potential above and beyond current networks price controls; and our complementary businesses have options to create lasting value through net zero. This growth potential and our underlying capabilities, backed up by a strong balance sheet and a fully funded accelerated investment plan that optimises capital allocation across the Group, give us the confidence to set the new bold targets for the rest of the decade too.

The 2031 ambitions outlined in the separate Strategic Update today aim to drive significant earnings growth and maximise total shareholder returns. The tightening of carbon targets, meanwhile, is just the latest step in a long commitment to decarbonisation that builds on our reputation as an ESG-aligned investment opportunity.

CREATING LASTING VALUE

SSE is at its best in execution mode, and that is our priority over the remainder of the financial year. We have projects to develop and build and opportunities to take at home and abroad. Our financial focus is always on the full-year and we are confident about delivery of solid performance for 2021/22. We are also committed to our five-year dividend plan to 2023 and expect to recommend a full-year dividend of 81 pence plus RPI inflation for 2021/22.

Together, the interim results we are posting today, our accompanying plans to 2026 and our ambitions to 2031 set the optimal pathway to sustainable long-term value for all stakeholders – taking the growth opportunities that are right for SSE, and optimising the sources of funding needed to underpin our contribution to net zero.

Alistair Phillips-Davies
Chief Executive

GROUP FINANCIAL REVIEW – SIX MONTHS TO 30 SEPTEMBER 2021

This Group Financial Review sets out the financial performance of the SSE Group for the six months ended 30 September 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 Interim Financial Statements.

Key Financial Metrics	Adjusted		Reported	
£m	Sept 2021	Sept 2020	Sept 2021	Sept 2020
Operating profit	**376.8**	**328.9**	**1,904.4**	**939.9**
Net Finance costs	202.6	195.0	218.3	160.5
Profit before Tax	**174.2**	**133.9**	**1,686.1**	**779.4**
Current Tax charge	12.7	11.6	542.3	79.3
Effective current tax rate (%)	*7.3*	*8.7*	*32.2*	*10.2*
Profit after Tax on continuing operations	**161.5**	**122.3**	**1,143.8**	**700.1**
Profit / (Loss) from discontinued operations, net of tax	**-**	**-**	**(93.8)**	**46.0**
Profit / (Loss) after Tax	**161.5**	**122.3**	**1,050.0**	**746.1**
Less: hybrid equity coupon payments	50.7	46.6	50.7	46.6
Profit / (Loss) after Tax attributable to ordinary shareholders (1)	**110.8**	**75.7**	**999.3**	**699.5**
(1) After distributions to hybrid capital holders				
EPS (including discontinued operations)(pence)	**10.5**	**7.3**	**94.7**	**67.3**
Number of shares for basic/reported and adjusted EPS (million)	1,054.7	1,039.6	1,054.7	1,039.6
Shares in issue (million)	1,065.5	1,048.2	1,065.5	1,048.2

** Comparative information has been re-presented to reflect the classification of Scotia Gas Networks as a discontinued operation and the changes to segmental disclosures made in the period (see note 2(v) of the Interim Financial Statements).*

Dividend per Share	Sept 2021	Sept 2020
Interim Dividend (pence)	25.5	24.4
Full Year Dividend (pence)	Expected 81 + RPI	81.0

RECENT MARKET VOLATILITY

Whilst the Group reduces direct exposure to short term commodity price volatility through its business mix, its disciplined application of clearly defined hedging policies and low VAR trading limits, the recent relatively high and volatile gas and power market prices have had varying degrees of impact upon several of SSE's businesses in the six months to 30 September which can be summarised as follows:

Within **SSE Renewables**, significantly lower than expected volume output has meant that excess forward sale contracts have had to be 'bought back' in the market at higher prices, further reducing the trading result.

For **SSE Thermal and Gas Storage**, higher market prices and volatility is generally positive for these businesses albeit this is dependent upon plant availability and plant merit order during the period in SSE Thermal's case.

Both **EPM and Gas Storage**, through their respective exposure to unsettled commodity contracts and physical gas inventory, have experienced significant positive unrealised mark-to-market remeasurement gains in the period. However, these businesses are not expected to realise significant gains upon settlement of these contracts, as c.£(1.3)bn of adverse 'own use' operating derivatives are excluded from remeasurement under IFRS 9 and will largely offset the unrealised gains.

SSE's **Business Energy and Airtricity** businesses are not subject to a regulated price cap and therefore variable tariffs are adjusted dynamically and fixed tariff rates are reset for new acquisitions as wholesale costs increase or decrease. Although the businesses are insulated against gas price rises insofar as they are fully hedged, there are external circumstances that would result in hedge adjustments such as weather, supplier failures and post-coronavirus economic impacts. A dynamic forecasting approach has been in place to quickly respond to volume changes. In relation to Airtricity, vertical integration of generation and customer businesses in the Irish market limits commodity exposures.

Finally, the number of retail energy suppliers failing since early September has increased collateral requirements of the **SSE Group**. High energy prices and market volatility has resulted in a significant increase in the collateral requirements required to allow EPM to continue to trade with counterparties and on exchanges as required – to date these increased collateral requirements have been managed by issuing new Letters of Credit, Guarantees and Performance Bonds with no significant cash amounts required to date.

OPERATING PERFORMANCE FOR SIX MONTHS TO SEPTEMBER 2021

Business-by-business segmental *£m*	Adjusted Sept 2021	Adjusted Sept 2020	Reported Sept 2021	Reported Sept 2020
Operating profit/(loss)				
SSEN Transmission	181.7	115.2	181.7	115.2
SSEN Distribution	153.3	114.3	153.3	114.3
Electricity networks total	**335.0**	**229.5**	**335.0**	**229.5**
SSE Renewables	**25.4**	**141.6**	**(33.6)**	**318.6**
Thermal Generation	36.1	49.6	215.6	58.1
Gas Storage	28.7	(17.9)	263.9	4.5
Thermal Energy Total	**64.8**	**31.7**	**479.5**	**62.6**
Business Energy (GB)	2.4	(27.4)	2.4	(15.5)
SSE Airtricity (NI and Ire)	(2.9)	16.6	(2.9)	20.4
Energy Customer Solutions Total	**(0.5)**	**(10.8)**	**(0.5)**	**4.9**
Energy Portfolio Management	**5.7**	**(1.5)**	**1,209.7**	**319.8**
Distributed Energy	**(7.3)**	**(37.8)**	**(24.8)**	**(37.8)**
Corporate Unallocated	(46.3)	(23.8)	(60.9)	42.3
Total operating profit from continuing operations	**376.8**	**328.9**	**1,904.4**	**939.9**
Net finance costs	202.6	195.0	218.3	160.5
Profit before tax from continuing operations	**174.2**	**133.9**	**1,686.1**	**779.4**
Discontinued operations:				
Gas Production Assets	77.7	(3.0)	(16.2)	(3.0)
Scotia Gas Networks	21.0	89.4	(81.1)	45.2
Total operating profit / (loss) from discontinued operations	**98.7**	**86.4**	**(97.3)**	**42.2**

** Comparative information has been re-presented to reflect the classification of Scotia Gas Networks as a discontinued operation and the changes to segmental disclosures made in the period (see note 2(v) of the Interim Financial Statements).*

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 5(b) to the Interim Financial Statements.

Segmental EBITDA results are included in Note 5(c) to the Interim Financial Statements.

OPERATING PROFIT

Adjusted and reported operating profit/losses in SSE's business segments for the six months to 30 September 2021 are as set out below; comparisons are with the same period to 30 September 2020 unless otherwise stated.

SSEN Transmission: Adjusted and reported operating profit increased by 58% to £181.7m, compared with £115.2m, mainly due to phasing of allowed revenue as the business enters the first year of the RIIO-T2 price control, partially offset by increases in operating costs and depreciation charges as capital investment progresses.

SSEN Distribution: Adjusted and reported operating profit increased by 34% to £153.3m in HY22, compared to £114.3m which includes the effects of coronavirus in HY21. In HY22, higher allowed revenues and a recovery in volumes were partially offset by an increase in operating costs.

SSE Renewables: Adjusted operating profit reduced by 82% to £25.4m, compared with £141.6m, reflecting lower output which was around 25% or 1.1TWh below the comparative period and around 30% or 1.2TWh below current year plan. The financial impact of this reduction in output includes the adverse impact from buying back hedged volume in volatile markets. The shortfall was driven by unfavourable weather conditions over the summer, which was one of the least windy across most of the UK and Ireland and one of the driest in SSE's Hydro catchment areas in the last seventy years. Comparable output was further impacted by the divestment of Walney offshore wind farm in September 2020. Furthermore, adjusted operating profit in HY21 included a £23.3m developer gain on the sale of a 51% stake in Seagreen Offshore Wind farm with no equivalent gain the current period.

Reported operating loss was £33.6m compared to operating profit of £318.6m. In addition to the factors noted above, the prior period saw one-off exceptional gains totalling £214.5m with no similar gains recognised in HY22 which accounted for the majority of the movement. In the current year, an exceptional tax charge totalling £24.0m was recognised in joint ventures due to the substantive enactment of a UK tax rate change impacting deferred tax balances. Depreciation on historic fair value uplifts remained constant at £9.4m, with joint venture share of interest and tax charges decreasing slightly from £28.1m to £25.6m in the current period.

Thermal Generation: Adjusted operating profit reduced by 27% to £36.1m from £49.6m in the prior period. Reductions due to £20.4m of non-recurring developer profits on the disposal of a 50% stake in Slough Multifuel in HY21, and lower profit contribution following divestment of Ferrybridge Multifuel, were compensated by stronger balancing market performance and higher market prices. However, performance in HY22 was constrained by plant availability due to scheduled and unscheduled outages, with total output down 1.6TWh on prior period.

Reported operating profit was £215.6m compared to £58.1m in the prior period. In addition to the factors noted above, the current period saw a reversal of historic impairment charges totalling £181.6m, reflecting higher estimated power prices forecasted for the near future. Other movements included a non-recurring fair value gain recognised in the prior period totalling £24.8m and joint venture share of interest and tax charges which decreased by £11.6m in the period to £4.7m.

Gas Storage: Adjusted operating profit of £28.7m, compared with an operating loss of £(17.9)m. SSE continues to operate the plant on a merchant basis, with the ability to capture gas price spreads during periods of heightened market volatility. Recent market volatility has enabled Gas Storage to realise currently higher gas price spreads earlier than the usual summer / winter seasonality for the business, resulting in a profit for the period.

Reported operating profit was £263.9m compared to £4.5m in the prior period. The aforementioned heightened market volatility has resulted in a £235.2m positive mark-to-market movement, compared to £22.4m in the prior period. However, whilst this reflects the positive movement in fair value of physical gas inventory held at the period end, it does not reflect the negative mark-to-market movement on forward contracted sales for the second half of the current financial year which are not recognised under IFRS. Therefore, similar to the unsettled commodity contracts held by EPM at fair value, we do not expect the majority of this valuation movement will be realised by the business.

SSE Business Energy: Adjusted operating profit was £2.4m, compared with an adjusted operating loss of £(27.4)m in the same period last year, with higher volumes through a reduced impact from coronavirus being partially offset by higher non-commodity costs.

Reported operating profit was also £2.4m, compared to an operating loss of £(15.5)m in the prior year which also included a £11.9m release of excess bad debt provisioning originally expected to arise from coronavirus impact.

SSE Airtricity: Adjusted operating loss of £(2.9)m compares to an adjusted operating profit of £16.6m in the prior period, mainly due to an adjustment of £25m in relation to historic use of system costs offset by £8m prior year revision of estimates which were recognised in HY22.

Reported operating loss was also £(2.9)m, compared to an operating profit of £20.4m in the prior year which also included a £3.8m release of excess bad debt provisioning originally expected to arise from coronavirus impact.

Energy Portfolio Management (EPM): Adjusted operating profit was £5.7m, compared to an adjusted operating loss of £(1.5)m, as EPM continues to generate a low level of operating earnings through service provision to those SSE businesses requiring access to the energy markets.

Reported operating profit was £1,209.7m, compared to £319.8m, reflecting a significantly higher net re-measurement gain in the current period on unsettled, previously out of the money, fair value forward commodity contracts. As in prior years, the reported result does not include remeasurement of adverse 'own use' hedging agreements which total c.£(1.3)bn at HY22 and are excluded from IFRS 9 but in practice largely offset the IFRS 9 remeasurement.

Distributed Energy: Adjusted operating loss was £(7.3)m, compared to a prior period adjusted operating loss of £(37.8)m. This reporting segment result includes the result from the Contracting and Rail business, which remains reported within this segment up to the point of disposal on 30 June 2021. The prior period result reflected the impact coronavirus had on activity within the Contracting and Rail business, combined with a non-exceptional impairment charge of £14.9m relating to Contracting and Rail assets and liabilities following classification as held for sale in that period. The current year loss reflects a reduced impact from coronavirus, but also includes losses incurred in the Contracting and Rail business to the date of its disposal.

Reported operating loss was £(24.8)m, compared to a loss of £(37.8)m, reflecting the factors noted above but also including a £18.1m exceptional loss on disposal recognised on completion of the sale of Contracting & Rail business.

Corporate Unallocated: Adjusted operating loss increased to £(46.3)m, compared with £(23.8)m, following a decrease in external income as transition service agreements with SSE Energy Services and Neos Networks continue to unwind. This reporting segment now also includes the contribution from the Group's investment in the Neos Networks joint venture, with operating losses totalling £(5.8)m in the period.

Reported operating loss was £(60.9)m, compared to a prior period operating profit of £42.5m, mainly due to the factors noted above as well as a £6.2m adverse adjustment recognised in the period on contingent consideration arising on the Neos Networks part-disposal. The prior period also reflected an exceptional gain on disposal of £72.0m recognised relating to the disposal of MapleCo in September 2020.

Investment in Gas Production – held for sale (discontinued operations): Adjusted operating profit totalled £77.7m compared to an adjusted operating loss of £(3.0)m in the prior period. These assets, which were held for sale at the period end and subsequently disposed of on 14 October 2021, continue to be excluded from SSE's adjusted results. Revenue has significantly increased in the period as a result of higher gas prices.

The reported operating loss of £(16.2)m reflects an exceptional impairment charge of £93.9m in the period as the cash inflows recognised by the business in the period flow to the purchaser under a locked box agreement.

Scotia Gas Networks – held for sale (discontinued operations): Adjusted operating profit of £21.0m was recognised, compared to £89.4m profit in the prior period. This investment has been classified as held for sale from 11 June 2021 with equity accounting – and recognition of operating result – ceasing from that date.

A reported operating loss of £(81.1)m was recognised compared to an operating profit of £45.2m in the prior period mainly due to the factors above in combination with an exceptional tax charge totalling £84.5m recognised due to the substantive enactment of a UK tax rate change impacting deferred tax balances.

ADJUSTED EARNINGS PER SHARE

ADJUSTED EARNINGS PER SHARE

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 six months to 30 September 2021, SSE's adjusted earnings per share on continuing operations was 10.5p. This compares to 7.3p for the six months to 30 September 2020 and reflects the movements in adjusted operating profit outlined in the section above.

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FINANCIAL OUTLOOK FOR 2021/22 AND BEYOND

KEY POINTS FOR OUTLOOK TO 2021/22

- SSE remains focused on long-term, sustainable financial performance, and it remains confident about delivery of solid financial performance for the full year.
- The group has enjoyed a strong start to the second half of the year, with renewables volumes above plan in October, and thermal and hydro plant in particular achieving strong prices in the market.
- Subject to normal weather, plant availability and similar levels of commodity prices over the coming winter months, SSE currently expects to report full year adjusted earnings per share at a level which is at least in line with consensus of analysts' forecasts of 83p (Bloomberg 15 November 2021). SSE intends to provide further guidance later in the financial year.
- The Group remains committed to its five-year dividend plan to March 2023 and expects to recommend a full-year 2021/22 dividend of 81 pence plus RPI inflation in line with that plan. As announced in the accompanying Strategy Update, the scrip dividend will be capped at 25% each financial year.
- Capital expenditure and investment is now expected to total in excess of £2bn in 2021/22 (net of project finance development expenditure refunds).
- Acquisitions:
    - On 30 October 2021 SSE closed the agreement to form a new joint ownership company in Japan. Within the total consideration of US$208m is US$30m of deferred consideration subject to a number of conditions.
- Disposals:
    - On 2 November 2021, SSE entered into an agreement to sell a 10% stake in Dogger Bank C to Eni for an initial equity consideration of £70m. The transaction is expected to complete by Q1 2022 and the project is expected to reach Financial Close by the end of 2021.
    - The disposal of SSE's entire 33.3% stake in gas distribution operator Scotia Gas Networks Ltd to a consortium comprising existing SGN shareholder Ontario Teachers' Pension Plan Board and Brookfield Super-Core Infrastructure Partners is expected to complete within the current financial year, conditional on certain regulatory approvals, for consideration of £1,225m in cash.
- Targeting a ratio of net debt to EBITDA of around 4.5 times at 31 March 2022

KEY POINTS FOR OUTLOOK BEYOND 2021/22

- Alongside SSE's Results was the separate announcement today of an **enhanced five-year, £12.5bn strategic capital investment plan** to accelerate growth and maximise value for all stakeholders.
- The **fully-funded Net Zero Acceleration Programme** is focused on net zero infrastructure investment:
    - £12.5bn net capex investment to 2026, represents +65% step-up in annual investment (£1bn additional capital investment per year) on previous plans with over 2.5 times more capital now allocated to renewables growth
    - Investment will deliver ~4GW net renewables capacity additions (doubling renewables capacity) and grow electricity networks underlying RAV to ~£9bn net of assumed 25% minority stake sales.
    - The plan is supported by further renewables partnering; and minority stake sales in both SSEN Transmission and SSEN Distribution (modelling assumption of early FY24) to unlock value and optimise investment.
    - Reshaped capital allocation to c40% Networks, c40% Renewables, c20% Other flexible generation, distributed energy and customer businesses
    - Adjusted EPS CAGR of 5-7% forecast to March 2026[1], after assumed minority interest.
    - Growth-enabling dividend, paying at least £3.50 per share across the five years, comprising:
        - completion of current RPI linked dividend plan to March 2023
        - followed by a rebased dividend to 60p in 23/24, with an attractive annual growth of at least 5% to March 2026
        - scrip dividend capped at 25%
    - Net debt to EBITDA target of 4.5x, aligned with a strong investment grade credit rating

- **Plan delivers accelerated growth** at attractive returns into 2026:
  - Renewables net installed capacity increasing by 4GW, doubling existing capacity.
  - Increases and maintains a sustainable development pipeline in excess of 15GW.
  - Networks businesses' RAV forecast to grow at c.10% gross CAGR.
- Compelling returns targeted, focusing on high quality assets with common Group capabilities:
  - **Renewables** offshore: at least 10% equity returns (excluding developer profits) with onshore: WACC plus 100-400 bps project returns.
  - **New technologies** WACC plus 300-500 bps given expected technology risk and construction risk specific to each project.
  - **Networks** 7-9% return on equity, assuming a level of outperformance and CPI inflation of 2% p.a.
- Provides the **platform for ambitious new 2031 targets** including:
  - Maintaining a sustained >15GW renewables pipeline, delivering >1GW net additions p.a. and increasing renewable and other low-carbon generation capacity to >16GW
  - Fivefold increase in renewables output to 50TWh p.a.
  - 8-9% gross RAV CAGR, to reach £11-13bn net RAV
  - Meeting revised 1.5 degree Celsius science-based carbon targets by 2030.

SUPPLEMENTAL FINANCIAL INFORMATION

INVESTMENT AND CAPITAL EXPENDITURE

Adjusted Investment and Capex Summary	Sept 2021 Share %	Sept 2021 £m	Sept 2020 £m
SSEN Transmission	28	291.0	224.4
SSEN Distribution	16	171.3	167.9
Electricity networks total	**44**	**462.3**	**392.3**
SSE Renewables	**40**	**417.5**	**176.4**
SSE Thermal	10	93.3	39.8
Gas Storage	-	0.8	2.1
Thermal Energy Total	**10**	**94.1**	**41.9**
Customer Solutions	2	24.8	14.8
Energy Portfolio Management	-	0.9	0.9
Distributed Energy	1	7.3	28.7
Gas Production (Discontinued Operation)	1	11.6	12.5
Corporate Unallocated	2	24.3	13.0
Adjusted investment and capital expenditure, before refunds		**1,042.8**	**680.5**
Project finance development expenditure refunds		-	(246.1)
Adjusted investment and capital expenditure		**1,042.8**	**434.4**

** Comparative information has been re-presented to reflect the classification of Scotia Gas Networks as a discontinued operation and the changes to segmental disclosures made in the period (see note 2(v) of the Interim Financial Statements).*

PROGRESS OF CAPITAL EXPENDITURE PROGRAMME

During the six months to 30 September 2021, SSE's investment and capital expenditure totalled £1,042.8m, including £879.8m in its core renewables and regulated electricity networks businesses.

Investment and capital expenditure across the period included the following:

- Major investment within **electricity networks** totalling £462.3m, or 44% of SSE's total investment and capital expenditure:
  - **SSEN Transmission** has made significant progress on its capital investment programme, having entered the first year of the RIIO-T2 price control period on 1 April 2021. The largest proportion of spend in the period was focused on reinforcement on the east coast of Scotland, with a total of around £51.7m covering several major projects including work on substations at Peterhead and Kintore, as well as reinforcement of the existing 275kV overhead line connecting the substations Blackhillock, Keith, Kintore and Peterhead to enable operation at an increased voltage of 400kV. Elsewhere, replacement works of the Port Ann to Crossaig line commenced in May and progress also continues to be made on the Shetland HVDC link, which remains on track for energisation in 2024.
  - **SSEN Distribution** continued to progress its capital investment programme across both of its networks, with a total spend of £171.3m over the period. As well as material investments in resilience and IT, the business successfully concluded a £28m subsea cable replacement between Skye and Harris. The project involved significant offshore works using specialist marine vessels to successfully install and protect the 33kV cable between Ardmore, Skye and Beacravik, Harris.
- The construction of SSE's flagship **renewable energy** projects continues to progress well, with investment during the period totalling £417.5m across a number of key projects including:

- Around £249.3m equity contribution towards Seagreen, as the project progresses towards the final stages of construction. First energy continues to be expected in early 2022;
- Around £110.9m of development expenditure on Dogger Bank C, which is expected to be reimbursed to SSE by the project once it reaches financial close by the end of 2021;
- Around £57.3m on Viking, which will be among the highest-yielding onshore wind farms in Europe; and

- Investment in SSE's Thermal Energy division amounted to £94.1m in the period, including £37.8m on Slough Multifuel, and £42.4m on Keadby 2, as the project progresses towards commissioning in 2022.

SSE'S HEDGING POSITION AT 30 SEPTEMBER 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 be required 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 position for each of SSE's market-based businesses at 30 September 2021 is set out below.

SSE Renewables – GB wind and hydro:

As part of its Full-year and Interim Results, SSE reports the hedge position in relation to its GB Wind and Hydro generation. The following table provides an update as at 30 September 2021, showing the hedged position for full years 2022/23, 2023/24 and 2024/25 alongside the previously disclosed 2021/22 position.

		2021/22	2022/23	2023/24	2024/25
Wind	Expected volume – TWh	4.2	5.3	6.8	8.3
	Volume hedged - %	85%	83%	57%	3%
	Hedge price - £MWh	£48	£55	£53	£55
Hydro	Expected volume – TWh	3.6	3.7	3.7	3.8
	Volume hedged - %	83%	76%	48%	3%
	Hedge price - £/MWh	£50	£54	£54	£55

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. Following an assessment of market conditions and wind capture percentages for the relevant wind assets in May 2021, the targeted hedge percentage will be at least 90% across the year and will be adjusted as necessary going forward to reflect the changes in future market and wind capture information.

Prior to FY22, target hedge levels were achieved solely through the forward sale of electricity. Following the change in hedging approach outlined in the May 2021 Results Statement, target hedge levels are now achieved through the forward sale of either electricity, or gas and carbon equivalent (assuming a constant 1 MWh : 69.444 th and 1MWh : 0.3815 te/MWh conversion ratio between commodities). 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 has been introduced for incremental volumes as they naturally come into the hedging window, i.e. historic hedge positions were not 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 continue to be impacted by the economic uncertainty created by ongoing coronavirus restrictions and recovery, as well as current market price volatility for flexi customers. The extent to which this will impact customers' consumption in the medium term remains uncertain. As a result of this uncertainty, Business Energy has adopted a more dynamic forecasting approach by adjusting volumes hedged 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. Hedging of the Thermal assets in the conventional manner recommenced during FY22 following establishment of the UK emission auction process and growth in volume UK emissions tickets traded. 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 commodity exposure arising from the storage of physical gas to changes in the spread between summer and winter prices, market volatility and plant availability.

Gas Production: As the Gas Production business was held for sale on an unhedged basis at 30 September 2021, no forward hedge activity is currently being undertaken for the likely production profiles of the business. The disposal of the Gas Production business was concluded on 14 October 2021.

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 £3m (£2m for the curve period and £1m for the prompt).

Ireland: Vertical integration of the generation and customer businesses in Ireland limits the Group's commodity exposure in that market which includes an exposure to the level of wind production.

SUMMARISING MOVEMENTS ON EXCEPTIONAL ITEMS AND CERTAIN REMEASUREMENTS

EXCEPTIONAL ITEMS

In the six months to 30 September 2021, SSE recognised a net exceptional gain within continuing operations of £160.2m before tax. The following table provides a summary of the key components making up the net gain position:

Exceptional Gains / (Charges) within continuing operations	Total £m
Disposals of non-core assets:	
Contracting & Rail business	(18.1)
Impairments and other exceptional (charges) / credits	
SSE Thermal GGCT Impairment reversal	181.6
Neos Networks (formerly SSE Telecommunications) adjustment to consideration	(6.2)
Other historic true-up credits	2.9
	178.3
Total exceptional items	**160.2**

Notes:
- *The definition of exceptional items can be found in Note 2(iii) of the Interim 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 above exceptional items from continuing operations, a net exceptional loss within discontinued operations of £183.2m after tax was recognised. This predominantly related to the Gas Production asset impairment of £93.9m and the effect of the UK deferred tax rate change in SGN of £85.5m. The final exceptional result on sale of the Gas Production assets and the SGN investment will be recognised following completion expected in the second half of the 2021/22 financial year.

For a full description of exceptional items, see Note 6.1 of the Interim 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 £1,204.0m increase from a small “in-the-money” position at 31 March 2021 into a significantly “in-the-money” position at 30 September 2021. This movement consisted of:

- Settlement during the year of £380.1m of previously “out-of-the-money” contracts in line with the contracted delivery periods; and
- Mark-to-market gains of £1,584.1m on unsettled contracts entered into during the course of 2020/21 and 2021/22 in line with the Group’s stated hedging policy. These mark-to-market gains reflect the significant volatility in commodity markets during the period.

As in prior years, the reported result does not include remeasurement of ‘own use’ adverse hedging agreements which total c.£(1.3)bn at 30 September 2021 and are excluded from recognition under IFRS 9 but largely offset the IFRS 9 remeasurement noted above.

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 £235.2m positive movement in the year arose from the significant increase in the fair value of gas held over historic cost at the period end.

However, whilst this reflects the positive movement in fair value of physical gas inventory held at the period end, it does not reflect the negative mark-to-market movement on forward contracted sales for the second half of the current financial year which are not recognised under IFRS (and are included in the c.£(1.3)bn of 'own use' adverse hedging agreements noted above). Therefore, similar to derivative contracts held at fair value, we do not expect the majority of this valuation movement will be realised by the business.

FINANCING DERIVATIVES

In addition to the positive movements above, a negative movement of £55.9m was recognised on financing derivatives in the period to 30 September 2021, including SSE's share of joint venture financing derivative remeasurements, and related to mark-to-market movements on cross-currency swaps and floating rate swaps that are classed as hedges under IAS 39. These hedges ensure that any movement in the value of net debt is predominately offset by a movement in the derivative position. The adjustment was primarily driven by weaker Sterling against the Euro and Dollar.

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 period to 30 September 2021 are significantly higher than the previous period. In addition to the £1,383.3m cumulative net gain on forward commodity, gas inventory and financing derivative fair value remeasurements noted above, reported results also reflect the reversal of historic SSE Thermal impairment charges of £181.6m as well as other pre-tax exceptional items totalling £(21.4)m as detailed within Note 6.1 of the Interim Financial Statements.

Reported results in the prior period reflected pre-tax exceptional gains of £653.7m recognised which were driven by a combination of progression with the Group's £2bn plus non-core asset disposal programme and IFRS 9 remeasurements on operating derivatives.

FINANCIAL MANAGEMENT AND BALANCE SHEET

Debt metrics	Sept 21 £m	March 21 £m	Sept 20 £m
Net Debt / EBITDA*	**N/A**	**4.6**	**N/A**
Adjusted net debt and hybrid capital (£m)	**(9,611.4)**	**(8,898.9)**	**(10,622.1)**
Average debt maturity (years)	7.2	7.4	6.9
Adjusted interest cover (times)	1.6	3.5	1.5
Average interest rate for the period (excluding JV/assoc. interest and all hybrid coupon payments)	3.35%	3.12%	3.15%
Average cost of debt at period end (including all hybrid coupon payments)	3.89%	3.75%	3.58%

** Note: Net debt represents the group adjusted net debt and hybrid capital. EBITDA represents the full year group adjusted EBITDA, less £311.8m (at March 2021) for the proportion of adjusted EBITDA from equity-accounted Joint Ventures relating to project financed debt.*

Net finance costs reconciliation	Sept 21 £m	Sept 20 £m
Adjusted net finance costs	**202.6**	**195.0**
Add/(less):		
Lease interest charges	(16.2)	(17.6)
Notional interest arising on discounted provisions	(1.6)	(1.9)
Hybrid equity coupon payment	50.8	46.6
Adjusted finance costs for interest cover calculation	235.6	222.1

SSE Principal Sources of debt funding	Sept 21	March 21	Sept 20
Bonds	58%	58%	51%
Hybrid debt and equity securities	22%	24%	23%
European investment bank loans	7%	8%	11%
US private placement	9%	8%	8%
Index –linked debt & short-term funding	4%	2%	7%
% of total SSE borrowings secured at a fixed rate	**100%**	**98%**	**93%**

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 of around 4.5 times.

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. The annual ratings review meetings have taken place in September 2021 with both agencies expected to announce their ratings update following the announcement of the updated Strategy and Investment Plan today.

ADJUSTED NET DEBT AND HYBRID CAPITAL

SSE's adjusted net debt and hybrid capital was £9.6bn at 30 September 2021, up from £8.9bn at 31 March 2021, reflecting the ongoing capital investment programme, phasing of UK carbon auctions and 22/23 ROC cashflows, debt revaluations and various other working capital movements.

DEBT SUMMARY AS AT 30 SEPTEMBER 2021

No medium or long term debt was issued during the period, however €120m (£103m) of 3-month commercial paper with an annual coupon of 0.425% was issued by SSE plc in September 2021.

A debt revaluation adjustment of £49m was recognised at 30 September 2021, up from £3.2m at 31 March 2021, and related to mark-to-market movements on cross-currency swaps and floating rate swaps that are classed as hedges under IAS 39. These hedges ensure that any movement in the value of net debt is predominately offset by a movement in the derivative position. The adjustment was primarily driven by weaker Sterling against the Euro and Dollar.

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

HYBRID BONDS SUMMARY AS AT 30 SEPTEMBER 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 April 2021, the €600m (£440m) March 2015 Hybrid Bond was called and redeemed in accordance with the first call date.

A summary of SSE's Hybrid Bonds as at 30 September 2021 can be found below:

Issued	Hybrid Bond Value*	All in rate	First Call Date	Accounting Treatment
March 2017	£300m	3.73%	September 2022	Debt accounted
March 2017	$900m (£749m)	2.72%	September 2022	Debt accounted
July 2020	£600m	3.74%	April 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 Interim Financial Statements however 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**

SSE's 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.

MANAGING NET FINANCE COSTS

SSE's adjusted net finance costs – including interest on debt accounted hybrid bonds but not equity accounted hybrid bonds – were £202.6m in the six months to 30 September 2021 reflecting a slight increase in average cost of debt.

Reported net finance costs were £218.3m compared to £160.5m which, in addition to the movements above, reflected the higher movement on financing derivatives slightly offset by a lower share of joint ventures and associates' interest costs.

SUMMARISING CASH AND CASH EQUIVALENTS

At 30 September 2021, SSE's adjusted net debt included cash and cash equivalents of £0.2bn, down from £1.6bn at March 2021 reflecting redemption of the March 2015 Hybrid and repayment of maturing debt. The

£1.6n of cash and cash equivalents at 31 March 2021 was higher than normal, following proceeds from disposals received prior to 31 March 2021 and the issuance of the £500m dual tranche green bond in March 2021.

Cash collateral may be provided or received on exchange traded contracts, depending on whether they are in an "out of the money" or "in the money" position for the Group. At 30 September 2021, £87.4m of cash was held as collateral from third parties on "in the money" contracts, compared to £36.1m at 31 March 2021.

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	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 30 September 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, non-core asset disposals, partnerships and project financing, bank borrowings and bond issuance.

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 30 September 2021, 100% 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, totals £5.2bn and SSE's objective is to maintain a reasonable range of debt maturities. Its average debt maturity, excluding hybrid securities, at 30 September 2021 was 7.2 years, down from 7.4 years at 31 March 2021. This reflects SSE's maturing debt during the six months to September 2021. SSE's average cost of debt is now 3.89%, compared to 3.75% at 31 March 2021.

GOING CONCERN

The Directors regularly review the Group's funding structure and have assessed that the Interim 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; the current market volatility in power and gas prices and the increased collateral requirements, 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 to 31 March 2021.

The Directors have also assessed that the Group remains able to access Capital Markets, as demonstrated by the £2.5bn of debt issued over the last 18 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 project financed debt associated with its equity interests in JVs, which, excluding SGN which has been reclassified as a discontinued operation, is under £1.9bn as at 30 September 2021.

SSE principal JVs and associates	Asset type	SSE holding	SSE share of external debt as at 30 September 2021	SSE Shareholder loans as at 30 September 2021
Seabank Power Ltd	1,234MW CCGT	50%	No external debt	No loans outstanding
Marchwood Power Ltd	920MW CCGT	50%	No external debt	£44m
Clyde Windfarm (Scotland) Ltd	522MW onshore wind farm	50.1%	No external debt	£127m
Dogger Bank A Wind Farm	1,200MW offshore wind farm.	40%	£380m	Project financed
Dogger Bank B Wind Farm	1,200MW offshore wind farm.	40%	£210m	Project financed
Dogger Bank C Wind Farm	Up to 1,200MW offshore wind farm.	50%	No external debt	£136m
Seagreen Windfarm Ltd	1,075MW offshore wind farm	49%	£529m	£53m
Seagreen 1a Ltd	Offshore wind farm extension	50%	No external debt	£5m
Scotia Gas Networks Ltd	Gas distribution network	33.3%	£1,645m	£119m
Beatrice Offshore Windfarm Ltd	588MW offshore wind farm	40%	£746m	Project financed
Cloosh Valley Wind Farm	105MW onshore windfarm (part of Galway Wind Park)	25%	£27m	Project financed
Neos Networks Ltd	Private telecoms network	50%	No external debt	£78m
Slough Multifuel Ltd	50MW energy-from-waste facility	50%	No external debt	£49m
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. *Scotia Gas Networks Ltd has been reclassified as a discontinued operation from 11 June 2021, following the agreement to sell SSE's 33.3% stake to a consortium comprising existing SGN shareholders Ontario Teachers' Pension Plan Board and Brookfield Super-Core Infrastructure Partners for cash consideration of £1,225m. The agreement is conditional on certain regulatory approvals and is expected to complete by 31 March 2022.*

TAXATION

SSE considers being a responsible taxpayer a core element of being a responsible member of society. 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 have been awarded the Fair Tax Mark.

While SSE has an obligation to its customers and shareholders to manage its total tax liability efficiently, 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 also 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 always to operate within both the letter and spirit of the law.

For reasons already stated above, 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 for the period to 30 September 2021, based on adjusted profit before tax, is 7.3%, as compared with 8.7% (restated) for the same period last year on the same basis, and after discrete items. The reduction in rate year-on-year is primarily due to the impact of capital allowances available on the Group’s capital investment programme.

The UK Budget in March 2021 introduced a “super-deduction” for qualifying capital expenditure incurred during the two year period from 1 April 2021 to 31 March 2023. Capital allowances rates of 130% and 50% replace the existing rates of 18% and 6% respectively for qualifying capital expenditure in that period, significantly increasing the amount of capital allowances available on the Group’s capital investment programme.

PENSIONS

Contributing to employees' pension schemes – IAS 19	Sept 21	March 21	Sept 20
Pension scheme asset recognised in the balance sheet before deferred tax £m	501.7	543.1	528.5
Pension scheme liability recognised in the balance sheet before deferred tax £m	(63.7)	(186.1)	(382.0)
Net pension scheme asset recognised in the balance sheet before deferred tax £m	**438.0**	**357.0**	**146.5**
Employer cash contributions Scottish Hydro Electric scheme £m	0.5	1.1	0.5
Employer cash contributions Southern Electric scheme £m	30.7	55.2	27.4
Deficit repair contribution included above £m	20.4	37.9	17.7

In the 6 months to 30 September 2021, the surplus across SSE's two pension schemes increased by £81.0m, from £357.0m to £438.0m.

At 30 September 2021, the deficit for the Southern Electric Pension Scheme ('SEPS') reduced by £122.4m mainly due to scheme assets outperforming the discount rate, which resulted in a net gain on scheme assets of £111.6m. Movements in scheme liabilities due to changes in financial assumptions and experience adjustments were offset by contributions in the period.

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 decreased by £41.4m, due to changes in financial assumptions and experience adjustments. The scheme remains on a contribution holiday, following finalisation of the triennial valuation during the period.

Additional information on employee pension schemes can be found in Note 17 to the Interim 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 focused mix 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. SSE is in the process of a sales process to dispose of its current 33.3% financial stake in Scotia Gas Networks. 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.

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	September 21	September 20
Transmission adjusted and reported operating profit - £m	181.7	115.2
Regulated Asset Value (RAV) - £m	3,875	3,643
Renewable Capacity connected to SSEN Transmission Network – MW	7,850	6,400
Transmission adjusted investment and capital expenditure - £m	291.0	224.4

SSEN TRANSMISSION OVERVIEW

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

Over the duration of the five-year RIIO-T2 price control, which began in April 2021, investment and capital expenditure by SSEN Transmission is expected to total at least £2.8bn (the Certain View), including £291.0m in the first half of 2021/22. Taking the Certain View alone, Transmission RAV would exceed £5bn by the end of RIIO-T2.

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 as it delivers a network for net zero.

OPERATIONAL DELIVERY

SSEN Transmission has made a strong start to RIIO-T2. Building on a proud track record of keeping the lights on for the homes and businesses SSEN Transmission serves, in the six months to 30 September 2021, there have been no faults on the transmission network resulting in a loss of supply for demand users, in line with SSEN Transmission's RIIO-T2 goal to aim for 100% transmission network reliability for homes and businesses. This strong operational performance also means SSEN Transmission remains on track for the full reward through the annual Energy Not Supplied Incentive.

The RIIO-T2 period is expected to deliver significant growth in the volume of renewables connected to SSEN Transmission's network, which is forecast to increase from just under 7GW at the start of RIIO-T2 to between 10GW and around 13GW. This includes growth of 1.1GW in the six months to 30 September 2021, primarily driven by the connection of Moray East offshore windfarm (900MW). This brings the total installed capacity connected to the North of Scotland transmission network to 9.1GW, of which 7.85GW is from renewable sources, supporting SSEN Transmission's RIIO-T2 goal to transport the renewable electricity that powers 10m homes, which will be met once the installed capacity of renewables reaches 10GW.

Connecting the forecast growth in renewables will be underpinned by a series of strategic investments in new and upgraded infrastructure across the North of Scotland. Excellent progress is being made on the Shetland transmission link, which has now been in construction for over 12 months and will see Shetland connected to the GB transmission system for the first time, enabling the connection of renewables and supporting Shetland's future security of supply. The substation and convertor station sites at Kergord (Shetland) and Noss Head (Caithness) are now taking shape, with most building structures now erected. Work to install the land cable on both shore ends is also under way, with cable duct works progressing well. Subsea boulder clearance works are due to begin before the end of 2021 in advance of the subsea cable installation works which will follow from 2022/23 with the project on track for completion in 2024.

The first phase of the Inveraray to Crossaig overhead line replacement project in Argyll was fully energised in July 2021, with work now under way on the second phase from Port Ann to Crossaig, which remains on track for completion by summer 2024.

Excellent progress continues to be made to incrementally increase the capacity of the north east and east coast transmission network to 275kV then to 400kV, with new substations at New Deer (May) and Rothienorman (July) now energised at 275kV, to be subsequently upgraded to 400kV in 2023. The 400kV overhead line (OHL) upgrade works between Peterhead, Rothienorman and Blackhillock are also under way, due for completion in 2023. The overall upgrade of the east coast network to 400kV remains on track for completion in 2026

At Alyth, construction of a new substation, including specialist voltage control devices, has commenced with good progress also being made at Peterhead substation and an upgrade to Tealing substation, which will help facilitate the connection of the Seagreen offshore wind farm in early 2022.

To support SSEN Transmission's 1.5C science-based target emissions reduction commitments, including its RIIO-T2 goal to deliver a one third reduction in greenhouse gas emissions, the business remains at the forefront of industry efforts to remove harmful SF6 gases from its infrastructure, working with its supply chain to develop and deliver innovative alternatives to SF6. This includes the world's largest installation of GE's g3 gas-insulated substation at New Deer substation and the world's first g3 400kV substation at Kintore.

For financial performance commentary please refer to the Group Financial Review.

CMA RIIO-T2 APPEAL

The Competitions and Markets Authority (CMA) published its final determination on SSEN Transmission's appeal against certain elements of Ofgem's RIIO-T2 price control settlement on 28 October. The business welcomed the upholding of appeals against the assumed 'Outperformance Wedge', and for changes to the Licence Modification Process. SSEN Transmission was disappointed, however, that the CMA did not uphold appeals on the flawed Cost of Equity, or on changes to how Transmission Network Use of System Charges are recovered and the associated risk of under recovery this presents.

Nonetheless, the business remains committed to working constructively with Ofgem and other stakeholders as it continues to take forward ambitious plans to deliver a network for net zero.

GROWTH OPPORTUNITIES

During the RIIO-T2 period, SSEN Transmission expects to progress a number of investments over and above its £2.8bn Certain View to put the North of Scotland on a pathway to net zero. SSEN Transmission expects to unlock these additional investments through Ofgem's Uncertainty Mechanisms. Good progress has been made in progressing these additional investments in the first half of 2021/22, including:

In October, Ofgem published its decision on the Initial Needs Case (INC) for two HVDC links connecting Scotland to England, recognising the clear need for these investments. Work on each of the 2GW links, with a combined estimated cost of £3.4bn, will now be split into two projects. The Peterhead to Selby link will be progressed jointly by SSEN Transmission and National Grid Electricity Transmission (NGET); and the Torness to Hawthorn Pit link will be progressed jointly by SP Energy Networks and NGET. A Final Needs Case (FNC) remains on track for submission before the end of 2021. With an energisation date of 2029, development and early construction activity and expenditure would take place during RIIO-T2, with delivery taking place in RIIO-T3.

The Initial Needs Case (INC) for the replacement of the Fort-Augustus to Skye transmission line, at an estimated total investment of around £400m, was submitted to Ofgem in August 2021. The replacement line is required to maintain security of supply and to enable the connection of renewable electricity generation.

Work to prepare the INC to upgrade the Argyll transmission network to 275kV operation is progressing well, with the INC due to be submitted before the end of 2021. The Argyll 275kV strategy is required to support the forecast growth in renewables in the region.

Further expenditure to connect new renewable generation, rail electrification and system security is also expected throughout the RIIO-T2 period and beyond when the need for this investment becomes certain. These investments could see the total installed generation capacity increase to around 14GW by the end of RIIO-T2, with around 13GW of this from renewable sources. Subject to regulatory approval, combined, these investments, alongside the Certain View, could bring the total expenditure across the RIIO-T2 period to over £4bn, with SSEN Transmission RAV increasing to over £6bn by the end of RIIO-T2.

GROWTH BEYOND RIIO-T2

Beyond RIIO-T2, the ScotWind leasing round, the outcome of which is expected in January 2022, is set to unlock up to 10GW of new offshore wind in Scotland which will require significant transmission upgrades both onshore and offshore.

To support the connection of ScotWind and the UK Government's 40GW by 2030 offshore wind target, the National Grid ESO, in collaboration with the three GB Transmission System Operators, is developing a Holistic Network Design (HND) which will set out the onshore and offshore network requirements to deliver 2030 targets. The HND is expected to include a second HVDC link from Peterhead to England, alongside several other major reinforcements required to deliver 2030 offshore wind targets, supporting future earnings and RAV growth.

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. Changes to the structure of the forthcoming Contracts for Difference auction, with offshore wind now in a separate pot to remote island wind, may increase the competitiveness of remote island wind which in turn, could support the investment case for the proposed transmission links. The outcome of the CfD auction is expected in the first half of 2022.

SSEN DISTRIBUTION

SSEN DISTRIBUTION KEY PERFORMANCE INDICATORS

SSEN Distribution	September 21	September 20
Distribution adjusted and reported operating profit - £m	153.3	114.3
Regulated Asset Value (RAV) - £m	3,862	3,825
Distribution adjusted investment and capital expenditure - £m	171.3	167.9
Electricity Distributed - TWh	17.2	15.8
Customer minutes lost (SHEPD) average per customer	23	24
Customer minutes lost (SEPD) average per customer	24	23
Customer interruptions (SHEPD) per 100 customers	26	29
Customer interruptions (SEPD) per 100 customers	25	25

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 18 months 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.

In July 2022, SSEN Distribution published its draft £4.1bn RIIO-ED2 business plan for 2023 to 2028. *Powering Communities to Net Zero* sets out how improvements will be delivered for customers and network investment accelerated to power communities to net zero. Informed by engagement with over 21,000 stakeholders, the draft plan sets out six goals built around SSEN Distribution's strategic outcomes. It proposes £900m of additional potential investment under regulatory Uncertainty Mechanisms to help protect customers and provide the necessary flexibility as opportunities and policy evolves. SSEN Distribution has been engaging extensively with stakeholders following the publication of the draft plan to support, inform and prepare a finalised plan to be submitted to Ofgem on 1 December 2021.

OPERATIONAL DELIVERY

SSEN Distribution continues to undertake a major capital investment programme across both its networks, delivering significant improvements for customers and increasing its Regulated Asset Value.

In the six months to 30 September 2021, the business invested £171.3m, bringing the total invested since the beginning of the RIIO-ED1 price control to around £2.1bn. This is part of a forecast £2.6bn investment throughout the RIIO-ED1 period, supporting future earnings through RAV growth.

SSEN Distribution invests to ensure the communities it serves thrive today and to create a net zero tomorrow. In the first half of 2021/22 this included over £155.5m of investment in projects and network infrastructure, comprised of £88.6m in SEPD and £66.9m in SHEPD. This included works beginning in April 2021 on a £7.9m project to upgrade equipment and future-proof the network for around 114,000 west London customers, to be completed in March 2023; and a £5.6m investment to upgrade a substation in Hampshire to be completed in July 2023. In August 2021, SSEN Distribution successfully concluded a £28m subsea cable replacement between Skye and Harris. The project involved significant offshore works using specialist marine vessels to successfully install and protect the 33kV cable between Ardmore, Skye and Beacravik, Harris.

Incentive performance remains a key revenue driver and SSEN prioritises improving reliability of network performance and to support a positive customer experience. Under the RIIO regulatory regime, and the Interruptions Incentive Scheme (IIS), SSEN Distribution is incentivised on its performance against the loss of electricity supply through the recording of Customer Interruptions (CI) and Customer Minutes Lost (CML) which includes both planned and unplanned supply interruptions. These incentives will typically be collected two years after they are earned.

SSEN has continued to drive improvements in network performance and resilience through investment in automation. In SHEPD CML reduced from 28.5 to 26.1 and CI from 23.9 to 23.5 in comparison to the 2020/21. In SEPD CI remained broadly flat in the first six months of 2021/22, in comparison to the first six months of 2020/21 (24.8 to 24.9). CML rose from 22.5 to 23.6 in comparison to the same period in 2020/21, due to two significant 132kV faults.

SSEN has successfully secured improvement in customer satisfaction levels based on initial RIIO-ED1 Broad Measure incentive scores. The current year-end target is £4m. Whilst performance in SHEPD remains strong, SEPD has had a challenging first half of the year with demand increasing as the economy reopened following the lifting of coronavirus restrictions, resulting in a reduction in customer satisfaction. There is a full improvement plan in place for each Broad Measure category in SEPD to improve customer satisfaction scores. Building on last year's increased revenue, SSEN Distribution secured an improved score from its Stakeholder Engagement and Customer Vulnerability (SECV) submission leading to an indicative income increase from £1.1m to £1.6m.

For financial performance commentary please refer to the Group Financial Review.

GROWTH OPPORTUNITIES

The UK's net zero ambitions will lead to a trebling of demand on electricity networks, according to the Climate Change Committee forecasts. Two key drivers behind the increase in demand will be the electrification of heating and transport which currently account for up to 23% and 27% respectively of annual UK carbon emissions.

The UK Government is targeting 600,000 heat pump installations a year by 2028 and its ambition is to phase out the installation of new gas boilers from 2035. These measures will be supported by its target of reducing heat pump cost by up to 50% by 2025.

SSEN Distribution's ED2 draft (July 2021) Business Plan's proposed investment and utilising of flexibility to optimise the network will support an increase in heat pump numbers from around 20,000 to 800,000 by 2028, aligned with SSEN Distribution's 2020 Future Energy Scenario (DFES) forecasts. SSEN Distribution applies a 'flexibility first' approach to satisfying demand requirements, recognising that the decarbonisation of heat will require a range of solutions and technologies, whilst also ensuring that the network needs to be ready to accommodate rapid heat pump uptake efficiently and at the time needed.

The UK Government's Net Zero Strategy commits to decarbonising the power system by 2035 and highlights that electricity networks will require up to £30bn of investment by 2037 in maintenance and reinforcement. It also announced a Zero Emission Vehicle mandate for car manufacturers, requiring an increasing percentage of zero-emission vehicle sales each year from 2024. In SSEN Distribution's network areas, according to the 2020 DFES, electric vehicle charging capacity could increase from less than 500MW today to 9GW by 2030.

Throughout its strategies both the UK and Scottish governments have emphasised support, and the necessity, for strategic investment in electricity networks to accommodate significant increases in demand. As part of SSEN's commitment to considering flexibility prior to network reinforcement it is part of CrowdFlex, the UK's largest ever domestic flexibility trial. Announced in June 2021, SSEN is working alongside National Grid ESO, Octopus Energy and Ohme. CrowdFlex will include 25,000 UK households and inform innovative approaches to managing low-carbon technology uptake.

SSEN Distribution's RIIO ED2 draft business plan proposed £4.1bn in baseline investment, which represents an increase of around 36% on an equivalent ED1 period. Translating that into the Group's new five-year capital and investment expenditure capex plan to FY26 would see c.£2bn of capex as SSEN Distribution moves into the ED2 price control period from 2023. This equates to a >15% increase on annual investment from the previous capex plan and therefore incorporates just part of the ambitious distribution investment plans out to 2028.

While significant and extensive electrification is required put the UK on the path to realising its net zero target, the pace of change that will take place is not certain. SSEN Distribution has proposed £900m of potential investment under regulatory Uncertainty Mechanisms to help protect customers and provide the necessary flexibility as positions and policy evolves during RIIO-ED2. This flexibility allows SSEN Distribution to respond when greater clarity is available for years 3-5 of the ED2 plan and to avoid committing customers to paying for investment before we know what is fully efficient.

The final RIIO ED2 Business Plan will represent a further refinement of the draft, taking account of feedback and updated through extensive stakeholder engagement on the draft plan.

SSE RENEWABLES

SSE RENEWABLES KEY PERFORMANCE INDICATORS

SSE Renewables	September 21	September 20
Renewables adjusted operating profit - £m	25.4	141.6
Renewables reported operating profit - £m	(33.6)	318.6
Renewables adjusted investment and capital expenditure before refunds – £m	417.5	176.4
Generation capacity - MW		
Onshore wind capacity (GB) – MW	1,285	1,247
Onshore wind capacity (NI) – MW	122	122
Onshore wind capacity (ROI) – MW	567	567
Total onshore wind capacity – MW	**1,974**	**1,936**
Offshore wind capacity (GB) – MW	487	487
Conventional hydro capacity (GB) – MW	1,159	1,159
Pumped storage capacity (GB) – MW	300	300
Total renewable generation capacity (inc. pumped storage) – MW	**3,920**	**3,882**
Contracted capacity	2,792	2,792
Generation output - GWh		
Onshore wind output (GB) – GWh	805	970
Onshore wind output (NI) – GWh	76	103
Onshore wind output (ROI) – GWh	405	533
Total onshore wind output – GWh	**1,286**	**1,606**
Offshore wind output (GB) – GWh	563	792
Conventional hydro output (GB) – GWh	907	1,319
Pumped storage output (GB) – GWh	97	68
Total renewable generation (inc. pumped storage) – GWh	2,853	3,785
Total renewable generation (also inc. constrained off) – GWh	**2,901**	**4,008**

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 44GWh of constrained off generation in HY2021/22 and 223GWh in HY2021/22; Offshore wind output excludes 4GWh constrained off generation in 2021/22 and nil in 2020/21

Note 4: Onshore wind capacity in GB reflects the commissioning of Gordonbush Extension in August 2021

Note 5: Biomass capacity of 15MW and output of 37GWh in HY2021/22 and 22GWh HY2020/21 is excluded, with the associated operating profit or loss reported within Distributed Energy

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 1,459MW respectively.

SSE Renewables is currently building more offshore wind capacity than any other company in the world – the Seagreen and Dogger Bank projects will be the largest in Scotland and in the world respectively when completed. SSE Renewables is on track to have enabled over a quarter of the UK’s 40GW offshore wind target by 2030.

OPERATIONAL DELIVERY

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

SSE Renewables’ hydro assets continue to play an important role in providing cost-effective, low carbon flexibility to the system, which is providing additional diversified income streams. Over the spring and summer, assets were successful in the newly established STOR (Short Term Operating Reserve) auctions run by the

ESO. Additional value has been realised through the ongoing hydro optimisation programme, which has identified further value creation opportunities within the asset base, including increased digitisation and automation of its operations.

The business 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. Grudie Bridge (18.7MW) is in final commissioning and slightly ahead of programme. Civil works on Tummel Bridge (34MW) have started and the replacement turbines have been ordered. Works are well under way at Loch Mhor, the headwater reservoir for Foyers pumped storage power station (300MW), to add 1GWh of storage and enhance the operational capability and flexibility of the asset. The works are anticipated to be completed in Spring 2022.

SSE Renewables has brought the maintenance of more of its onshore wind fleet in-house. It now wholly maintains 454 turbines totalling 847MW equating to 62% of SSE Renewables' wholly-owned fleet.

For financial performance commentary please refer to the Group Financial Review.

CONSTRUCTION PROGRAMME

The first two phases of the world's largest offshore wind farm at Dogger Bank (each 1,200MW, SSE Renewables share 40%) remain on track with onshore works for cables and substation continuing and offshore construction commencing in Q2 2022 with installation of the HVDC export cables for Dogger Bank A. Dogger Bank C (1,200MW) remains on track to reach financial close by the end of this calendar year. SSE has sold down a 10% share of Dogger Bank C to Eni for an equity consideration of £70m. A consistent combination of equity partners across all three phases of the project will enable further synergies across both the construction and operations phase of the Dogger Bank wind farm.

The first turbine jacket foundations have been installed at Seagreen 1 (1,075MW, SSE Renewables share 49%), Scotland's largest and the world's deepest, fixed-bottom offshore wind farm. Full power is targeted at the end of 2022. With 621MW not currently attached to a CfD, there is the potential to compete in the CfD Allocation Round 4 auction opening at the end of 2021 for the uncontracted part of the project.

Construction is progressing well on Viking (443MW) with 60km out of 70km of the access roads completed and 47 out of the 103 turbine foundations at various stages of construction. Work on the DC substation is continuing. It is planned that turbines will be installed in early 2023 and completion is planned for autumn 2024. The wind farm will also have the option to enter the CfD auction later this year. Viking will be among the highest-yielding onshore wind farms in Europe, producing almost 2TWh annually.

At Lenalea wind farm (30MW, SSE Renewables share 50%) in Ireland, construction is progressing and is to be commissioned in late 2022/early 2023.

In July Beatrice Offshore Wind Farm Limited, a joint venture owned 40% by SSE Renewables, agreed Offshore Transmission Owner assets divestment worth an asset value of £437.9m and full asset transfer took place on 5 August.

Gordonbush Extension (38MW), SSE's first merchant onshore wind project, has now been fully commissioned and handed over to operations following its official opening in August.

GROWTH OPPORTUNITIES – DOMESTIC

SSE has a c.10GW secured pipeline of opportunities either in construction, consented or requiring consent. This superior pipeline will deliver c.4GW of added capacity to FY26 with targets to reach 13GW by 2031. Delivering on this pipeline will see, on average, almost 1GW of renewables capacity added each year to 2031. It expects to grow this pipeline to c.15GW by FY26, maintained through the rest of the decade, which will in turn maintain the run rate of at least 1GW of new assets a year. Delivery of this will mean SSE expects to comfortably exceed its target for trebling its renewable output by 2031.

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 2 (520MW) in Ireland. As already mentioned, development work on Seagreen 1A is ongoing with potential to be eligible for CfD Auction Round 4 when it opens in December. The Arklow Bank project will be well placed to take part in the first Irish offshore auction to be scheduled in 2022, the details of which are currently under consultation by the Irish Government. SSE Renewables has a foreshore lease for Arklow Bank Wind Park 2 and is engaged with the Department of Housing, Local Government and Heritage regarding extension of the associated 'Long Stop Dates'. If successful in respective auctions, both Seagreen 1A and Arklow Bank Wind Park 2 projects could be operational by 2025/26.

In the medium term, SSE Renewables has combined the previous Berwick and Marr Bank offshore wind projects located in the Firth of Forth into a single, up to 4.1GW, Berwick Bank project which is working towards a single consent application submission in Spring 2022 with the aim of securing consent in 2023. The project will play a critical role in helping to deliver the 40GW UK offshore wind target by 2030, as well as the Scottish Government's 11GW target.

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 with local consultation under way for a potential grid connection in North Essex. North Falls could also be operational by 2030.

SSE Renewables has submitted bids into Crown Estate Scotland's ScotWind offshore wind seabed leasing process as part of a consortium with Marubeni Corporation and CIP (Copenhagen Infrastructure Partners). The Project Partners are combining their unparalleled local experience and extensive global expertise in the development of fixed and floating offshore wind farms. The results of ScotWind are expected in early 2022.

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 Wind Park project off the north-east coast and an application has been submitted for the 800MW Celtic Sea Array off the south-east coast. Celtic Sea Array and Braymore Wind Park would both progress under the Maritime Area Planning (MAP) Bill, which is currently progressing through the Irish Parliament. This legislation will enable the establishment of a new regulator that will run a process to manage the allocation of leases for seabed. Braymore and Celtic will apply for a Marine Area Consent once the process has been established, which is expected in early 2023.

Future onshore wind growth can be delivered through SSE Renewables' consented sites at Strathy South (consented for 133MW and has submitted variation to increase to 208MW) and Tangy repower (57MW) in Scotland and Yellow River (105MW) in Ireland. SSE Renewables has submitted consent applications to the Scottish Government for Bhlaraidh Extension (in excess of 100MW), and Achany Extension (in excess of 80MW).

There continues to be positive progress on the Coire Glas pumped hydro storage project (up to 1,500MW) which issued an Invitation To Tender (ITT) to shortlisted civil engineering works companies at the end of October. The UK Government published its updated Smart Systems and Flexibility Plan in July, which set out the importance of long duration energy storage technologies like pumped hydro in providing the system flexibility needed to meet net zero. A call for evidence was published on possible policy interventions, such as cap and floor, to support such projects and the UK Government will announce the outcome of that process in early 2022. Subject to the outcome of these policy decisions, Coire Glas could progress to an FID decision by 2023/24 with the objective of being completed before the end of the decade.

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[5]
Seagreen 1	GB	Offshore wind	1,075	527
Viking	GB	Onshore wind	443	443
Lenalea	ROI	Onshore wind	31	31
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
Coire Glas[2]	GB	Pumped storage	Up to 1,500	Up to 1,500
Requiring consent				
Berwick Bank[3]	GB	Offshore wind	Up to 4,100	Up to 4,100
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[4]				
Braymore Point	ROI	Offshore wind	800	800
Celtic Sea Array	ROI	Offshore wind	800	800
Japanese development projects	Japan	Offshore wind	10,000	8,000
Future auctions	-	Offshore wind	TBC	TBC
Other GB	GB	Onshore wind	c250	c250
Other NI	NI	Onshore wind	c50	c50
Other ROI	ROI	Onshore wind	c250	c250
Other GB	GB	Hydro	75	75

Note 1: Partially consented

Note 2: Expected to require revenue stabilisation mechanism

Note 3: Berwick Bank and Marr Bank offshore wind farms were combined into one wind farm in September 2021, known as Berwick Bank Wind Farm

Note 4: Reflects named development areas where some form of development activity is underway and therefore excludes any future or in-flight auction processes such as ScotWind, Thor or NY Bight

Note 5: Dogger Bank C 600MW reflects SSE's current 50% equity stake. A 10% equity stake sale is expected to complete by Q1 2022, which would reduce share to 480MW.

GROWTH OPPORTUNITIES – INTERNATIONAL

SSE Renewables has progressed in exporting its capabilities overseas with the creation of a new joint ownership company, SSE Pacifico (80% stake), which includes the acquisition of an interest in an offshore development platform for US$208m. The new company will develop the 10GW gross portfolio acquired, comprising a number of early development stage offshore wind projects in Japan. It includes a mix of fixed bottom and floating sites with the most advanced projects expected to be constructed by the end of this decade.

In the US, via its newly incorporated entity SSE Renewables North America, SSE Renewables has successfully prequalified for the New York Bight Auction for seabed. The auction is expected to lead to 7GW of offshore wind projects with the Final Sale Notice expected before the end of this calendar year ahead of the auction in Q1/Q2 2022.

In Europe, the tender process for the 800-1000MW Thor offshore wind site in Denmark will conclude by the end of 2021. SSE Renewables is partnering with CIP and local energy company Andel Holding.

Following formation of a partnership with Acciona Energia, SSE Renewables will be submitting an application for Offshore Location Licenses (OLL) for the allocation of development rights for offshore wind farms in Poland. The process is expected to run until Q2 2022.

SSE Renewables also continues to work with Acciona Energia on offshore wind opportunities in Spain. The Spanish government published its draft offshore wind roadmap in August which set out an ambition to target up to 3GW by 2030.

SSE Renewables is also assessing other growth options across Europe, including the potential to bid into the next offshore wind auction in the Netherlands due to take place in 2022.

SSE THERMAL

SSE THERMAL KEY PERFORMANCE INDICATORS

SSE Thermal	September 21	September 20
Thermal adjusted operating profit - £m	36.1	49.6
Thermal reported operating profit - £m	215.6	58.1
Thermal adjusted investment and capital expenditure – £m	93.3	39.8
Generation capacity - MW		
Gas- and oil-fired generation capacity (GB) – MW	3,975	4,002
Gas- and oil-fired generation capacity (ROI) – MW	1,292	1,292
Multifuel capacity – MW	-	68
Total thermal generation capacity – MW	**5,267**	**5,362**
Generation output - GWh		
Gas- and oil-fired output (GB) – GWh	6,021	7,954
Gas- and oil-fired output (ROI) – GWh	1,791	1,233
Multifuel output – GWh	-	251
Total thermal generation – GWh	**7,812**	**9,438**

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: Decreased multifuel capacity relates to disposal of Ferrybridge Multifuel in October 2020

Note 4: Decreased gas- and oil-fired capacity relates to the transfer of 10MW small plant to Distributed Energy and closure of 17MW small diesel plant

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 continues to play an important role in the UK and Ireland electricity systems, with its flexibility providing system security and stability. The SSE Thermal fleet has responded to the unprecedented market conditions in the six months to 30 September, delivering significant value to the system and demonstrating the role it plays in ensuring a resilient transition to net zero. Periods of scarcity have created value for SSE Thermal through increased spark spreads, with the Balancing Mechanism continuing to act as an important earnings stream.

Plant availability was lower in the six months to 30 September 2021, when compared to 30 September 2020, across the SSE Thermal fleet. Reduced availability has been driven by a number of factors including unplanned outages to respond to faults and maintenance requirements, slight overrun of planned outages and the phasing of outages to respond to system needs.

For financial performance commentary please refer to the Group Financial Review.

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

Repurposing the SSE fleet remains a priority to make it fit for a net zero world. The importance of bringing forward investment in lower-carbon flexible generation has come to the fore in recent months. While SSE closed its last remaining coal-fired power station in March 2020, coal-fired generation continues to be relied upon to meet electricity system demand, and has seen increased usage in 2021. This development serves to highlight the urgent need for the carbon capture and hydrogen technologies that SSE Thermal is seeking to develop as alternative sources of flexible generation that can provide lower-carbon back-up.

As set out at Full-year Results, 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. Its focus remains on carbon capture and storage and hydrogen technologies.

In May 2021, the UK Government launched its 'Cluster Sequencing Process' to identify the industrial clusters which will be supported to deploy shared carbon capture and storage infrastructure by the middle of this decade. This is the shared infrastructure which proposed low-carbon power stations jointly developed by SSE and Equinor could plug into. Power station options include:

- Keadby Carbon Capture Power Station – a 900MW gas-fired power station with carbon capture.
- Peterhead Carbon Capture Power Station – a 900MW gas-fired power station with carbon capture.
- Keadby Hydrogen – a 900MW low-carbon hydrogen-fired power station, with a peak demand for hydrogen of 1,800MW. This could be the world's first major hydrogen-fired power station.

In October 2021, the East Coast Cluster was identified as a successful 'Track 1' cluster, which encompasses the Zero Carbon Humber project, and will be one of those clusters supported to deploy carbon pipelines and carbon storage. This includes SSE Thermal and Equinor's Keadby-based projects in North Lincolnshire.

This decision will allow Keadby Carbon Capture Power Station an opportunity to submit an application to UK Government for a Dispatchable Power Agreement, a revenue support scheme which has been designed for power stations with carbon capture, and to explore opportunities to further develop Keadby Hydrogen Power Station. This process is anticipated to launch in autumn 2021.

The Scottish cluster was identified as a 'reserve Track 1' cluster and remains in line to progress to deployment as a 'Track-2' cluster by the end of the decade. The Scottish cluster includes the Acorn CCS infrastructure which Peterhead Carbon Capture and Power Station could be a key early customer for.

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.

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. Keadby 2 achieved its first generation when synchronised with the grid on 31 October. As part of its co-operation agreement with Equinor, SSE Thermal is also developing options to blend hydrogen at Keadby 2.

GAS STORAGE

GAS STORAGE KEY PERFORMANCE INDICATORS

Gas Storage	September 21	September 20
Gas Storage adjusted operating (loss)/profit - £m	28.7	(17.9)
Gas Storage reported operating profit/(loss) - £m	263.9	4.5
Gas storage adjusted investment and capital expenditure - £m	0.8	2.1

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 the six months to 30 September, SSE's gas storage business responded to market and demand changes resulting from volatility in the gas price. Natural gas injections and withdrawals have been re-optimised, delivering value in the first half of the year.

SSE Thermal remains committed to working with UK Government departments and Ofgem to ensure the critical role of UK storage in relation to security of supply and stability of gas price is properly rewarded, as well as a future role for low-carbon hydrogen storage.

In July 2021, SSE Thermal and Equinor announced plans to develop a world-leading hydrogen storage project at Aldbrough, an existing gas storage site on the east Yorkshire coast. Hydrogen storage is expected to play an important role in a low-carbon hydrogen economy balancing supply and demand with an ability store hydrogen produced using carbon capture and electrolytic technologies, as identified in the UK Government's inaugural Hydrogen Strategy published in August 2021.

For financial performance commentary please refer to the Group Financial Review.

SSE BUSINESS ENERGY

SSE BUSINESS ENERGY KEY PERFORMANCE INDICATORS

SSE Business Energy	September 21	September 20
Business Energy adjusted operating (loss)/profit - £m	2.4	(27.4)
Business Energy reported operating profit/(loss) - £m	2.4	(15.5)
Electricity Sold – GWh	6,161	6,301
Gas Sold – mtherms	73.0	65.2
Aged Debt (60 days past due) - £m	72.6	76.9
Bad debt expense - £m	1.4	14.9
Energy customers' accounts – m	0.47	0.51

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. The business markets its products under the SSE Energy Solutions brand alongside SSE Distributed Energy.

OPERATIONAL DELIVERY

Business Energy continues to invest in digital and customer service solutions to adapt and evolve its offerings in a highly competitive market. May saw the launch of a new and simplified Corporate Power Purchase Agreement product, which makes traditionally-complex CPPAs accessible to more companies in Great Britain. This was followed in July by the announcement that all businesses signing up for a fixed contract with SSE Business Energy will receive their electricity from renewable sources. SSE previously offered 100% renewable electricity as an optional extra to business customers. The electricity's green credentials are independently verified by EcoAct, an Atos company, and customers are provided with Renewable Energy Guarantees of Origin (REGOs) certification.

Prioritising the safety and wellbeing of customer service operations remains a priority and in response to coronavirus, remote working continues to be successfully implemented across the business. 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. The second half of 2021 has seen a gradual return to office working, where possible and appropriate.

For financial performance commentary please refer to the Group Financial Review.

GROWTH OPPORTUNITIES

In July, SSE Business Energy joined forces with SSE Distributed Energy to create a new SSE Energy Solutions brand. The launch of SSE Energy Solutions coincided with the announcement that all businesses signing up for fixed contracts with SSE in Great Britain will now receive all their electricity from renewable sources that SSE operates. The move, which aims to make it easier for customers to hit their climate change targets, saw the launch of a new customer website which makes all of SSE's products and services available via one shopfront for the first time. The SSE Energy Solutions website offers an expanded product portfolio including customer workplace EV charging solutions and flexible Corporate Power Purchase Agreement offerings.

The past 12 months have also seen the launch of Business Energy's renewable gas tariff 'Green Gas plus', which is gaining traction in the market and has received third party accreditation from EcoAct.

SSE AIRTRICITY

SSE AIRTRICITY KEY PERFORMANCE INDICATORS

SSE Airtricity	September 21	September 20
Airtricity adjusted operating profit - £m	(2.9)	16.6
Airtricity reported operating profit - £m	(2.9)	20.4
Aged Debt (60 days past due) - £m	8.6	8.7
Bad debt expense - £m	2.0	2.1
Airtricity Electricity Sold – GWh	2,485	3,739
Airtricity Gas Sold – mtherms	65.7	74.0
All Ireland energy market customers (Ire) – m	0.68	0.70

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

Throughout the pandemic, SSE Airtricity's priority has been the safety and wellbeing of its teams. The vast majority of staff continued to work remotely during the first nine months of 2021, in line with government guidance.

Non-domestic demand reduced as economic activity scaled back but was partly offset by increased demand from households. Several physical services, which had been suspended due to lockdown restrictions, returned, including door-to-door sales and residential construction projects such as housing upgrades. These services are now operating effectively as lockdown restrictions have been eased across the island of Ireland.

Against a backdrop of rising wholesale prices, Airtricity in both Northern Ireland and Ireland had to reflect this in the prices charged to customers. SSE Airtricity has taken extra steps to ensure that its customers are supported with their bills. Affordability and customer support remain key priorities for the winter ahead.

For financial performance commentary please refer to the Group Financial Review.

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, as well as a partnership with Volkswagen to bring more customers closer to net zero emissions by providing a green end-to-end solution for motorists switching to electric vehicles. The new partnership aims to encourage and educate drivers on the seamless transition to electric vehicles and how this will help offset carbon emissions. In return for transitioning to a 100% green energy solution, customers will save up to €1,000 on their annual energy bill. Airtricity has also agreed an exclusive partnership with home alarm provider PhoneWatch to give customers discounts on home alarms.

Finally, SSE Airtricity has continued to pursue its strategic imperatives in 2021, including the continued rollout of its 'One-Stop Shop' 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.

DISTRIBUTED ENERGY

DISTRIBUTED ENERGY KEY PERFORMANCE INDICATORS

Distributed Energy	September 21	September 20
Distributed Energy adjusted operating (loss)/profit - £m	(7.3)	(37.8)
Distributed Energy reported operating profit/(loss) - £m	(24.8)	(37.8)
SSE Heat Network Customer Accounts	11,154	9,853

SSE ENTERPRISE/DISTRIBUTED ENERGY OVERVIEW

Following the sale of its Contracting and Rail businesses, SSE's reporting of its Enterprise segment has been adjusted, and rebranding has been implemented. The financial results from the Group's out of areas networks business and Neos Networks Limited (formerly SSE Telecoms) joint venture will now be reported within SSEN Distribution and Corporate Unallocated respectively. Comparative information has been re-presented to reflect the change to these segments. The SSE Enterprise brand name has been replaced by SSE Energy Solutions, which gives customers a single point of entry to the Group's Distributed Energy and Business Energy offerings.

The primary retained activity of the former SSE Enterprise businesses is now in the area of distributed energy. SSE's Distributed Energy business provides the Group's solar and battery storage asset development and operations and focuses on distributed generation, EV infrastructure, heat and cooling networks, and smart buildings and places.

OPERATIONAL DELIVERY

Financial performance in Distributed Energy was impacted by the effects of coronavirus, but the business is now looking to grow market share. Distributed Energy announced it had purchased the project development rights for its first 50MW battery storage asset on a consented site in Wiltshire, from Harmony Energy Ltd. It is also looking at the viability of similar opportunities including at SSE sites such as Ferrybridge and Fiddlers Ferry for 150MW batteries.

Distributed Energy continues to play a key role in helping to decarbonise transport. In London nearly one in every two electric buses has been charged by infrastructure installed by Distributed Energy. In Glasgow it will have completed work to power 150 green buses by the end of 2021. Its EV team is going to develop a network of super-fast charging community hubs to encourage electric vehicle take up.

GROWTH OPPORTUNITIES

Distributed Energy's role in the SSE Group is to explore and develop interesting growth platforms that complement its core low carbon strategy. This includes taking a 'whole system thinking' approach when it comes to partnering and providing solutions for businesses and organisations embarking on their own net zero journeys. Distributed Energy therefore seeks to help provide the platform for a data-driven and sustainable world, including distributed generation, energy optimisation, smart buildings and EV charging.

The business is developing opportunities of over 1GW in solar and battery storage across the UK to help respond to the needs of local generation. Solar is at an earlier stage but offers potential given SSE's capabilities and, together, these technologies could represent a multi-GW opportunity. Finally, it will aim to bring innovation to its heat networks and its IDNO businesses – both of which show the diversity of the Distributed Energy portfolio and offer clients effective pathways to decarbonisation.

ENERGY PORTFOLIO MANAGEMENT

EPM KEY PERFORMANCE INDICATORS

EPM	September 21	September 20
EPM adjusted operating profit/(loss) - £m	5.7	(1.5)
EPM reported operating profit/(loss) - £m	1,209.7	319.8

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 earlier in this document.

OPERATIONAL DELIVERY

As a short-term energy market asset optimiser and a long-term energy market adviser for all of SSE's energy portfolios, through H1 2021/22 EPM has been navigating highly volatile energy markets. EPM has been continuing to ensure the energy portfolios are hedged in accordance with Group policy and optimised through prompt periods to maximise overall Group value.

The value EPM secures for SSE's asset portfolio continues to be reported against individual Business Units.

For detailed financial performance commentary please refer to the Group Financial Review.

GROWTH OPPORTUNITIES

In March 2021, EPM initiated a transformation programme to enable the Business Unit to enhance its capabilities and role as SSE's energy markets heart. In H1 2021/22 substantial progress has been made, with recruitment to bolster capacity and bring in new capabilities, including the establishment of a dedicated Advanced Analytics team.

INVESTMENT IN SCOTIA GAS NETWORKS (SGN) - (DISCONTINUED OPERATION)

SGN KEY PERFORMANCE INDICATORS

Scotia Gas Networks (SGN) SSE's 33.3% share - Held for sale (Discontinued Operation)	September 21	September 20
SGN adjusted operating profit - £m	21.0	89.4
SGN reported operating profit - £m	(81.1)	45.2
Regulated Asset Value - £m	2,024	1,957

OVERVIEW OF SSE'S INVESTMENT IN SGN

As part of its strategic refocusing of the Group, agreement was reached in August 2021 on the disposal of SSE's entire 33% financial investment stake in SGN and the business is now a discontinued operation for SSE. SGN continues to safely and efficiently serve some 5.9m homes and businesses across the south of England, all of Scotland, and the western region of Northern Ireland. While the businesses has been a good long-term financial investment since 2005, it no longer fits within SSE's sharpened focus on its core, low-carbon electricity businesses. SSE expects to complete a sale within the current, 2021/22 financial year.

OPERATIONAL DELIVERY

In the six months to 30 September 2021, 98.5% of uncontrolled gas escapes were attended in under an hour. In the same period SGN delivered 5,836 new gas connections, including 628 assisted connections as part of efforts to help people out of fuel poverty.

SGN's RIIO-GD2 price control business plan, which commenced in April 2021, commits the business to making a positive impact on society, delivering a safe and efficient service and contributing to net-zero goals by accelerating a range of decarbonised gas solutions. SGN was partially successful in its appeal to the CMA on the financial parameters of the settlement with Ofgem, but has accepted the totex settlement. The business expects to use the re-opener process with Ofgem for further net zero aligned investment outside the price control.

END

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.

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 joint venture 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) • Share of joint venture and associates' depreciation and amortisation • Release of deferred income
Adjusted operating profit	**Profit measure**	**Operating profit**	• Movement on operating and joint venture 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 • Interest on net pension assets/liabilities (IAS 19) • Share of non-recurring joint venture refinancing costs • Share of joint ventures and associates' tax
Adjusted net finance costs	**Profit measure**	**Net finance costs**	• Exceptional items • Movement on financing derivatives • Share of joint ventures and associates' interest • Share of non-recurring joint venture refinancing costs • 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-measurements • Reclassification of tax liabilities
Adjusted earnings per share	**Profit measure**	**Earnings per share**	• Exceptional items • Movements on operating and financing derivatives ('certain re-measurements') • Depreciation and amortisation expense on fair value uplifts • Interest on net pension assets/liabilities (IAS 19) • Share of non-recurring joint venture refinancing costs • 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 • Lease obligations • Cash presented as held for sale
Adjusted investment and capital expenditure	**Capex 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 the production from its SSE Renewables and Thermal generation 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 of inventory held also 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 are of such significance that separate disclosure is required for the underlying performance of the Group to be properly understood. Further explanation for the classification of an item as exceptional is included in note 2 (iii).

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 operating profit measure 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 a share of the 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 the range of investment structures utilised.

5 Depreciation and amortisation expense on fair value uplifts

The Group's strategy includes the realisation of value from divestments of stakes in certain assets and businesses namely its offshore and international SSE Renewables developments. In addition, for strategic purposes, the Group may also decide to bring in equity partners to 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 the remeasurement of 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 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 additional depreciation and amortisation expense arising from the fair value uplift given these 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 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 six months ended 30 September 2019, 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 was £12.3m, which was adjusted from the Group's adjusted profit before tax and the Group's adjusted finance costs in the six months ended 30 September 2019, 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)

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 or credits, 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. 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 to which it has access, which in turn better reflects the Group's funding position.

12 Leases

SSE's reported loans and borrowings include lease liabilities on contracts within 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, those balances will be excluded from the Group's debt measures. 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

Where the Group acquires an early stage development company, which is classified as the acquisition of an asset, or group of assets and not a business, the acquisition is treated as an addition to intangible assets or property, plant and equipment and is included within 'adjusted investment and capital expenditure'. Where the Group acquires an established business requiring a fair value assessment in line with the principles of IFRS 3 'Business Combinations', the fair value of consolidated tangible or intangible assets are excluded from the Group's 'adjusted investment and capital expenditure', as they are not direct capital expenditure by the Group.

18 Additions subsequently disposed/impaired

In the year ended 31 March 2020, the Group funded £19.7m of capex additions in relation to the Seagreen windfarm prior to part-disposal. On 3 June 2020, the Group disposed of a 51% stake in Seagreen 1, therefore the capex incurred prior to that date has been excluded from the Group's net adjusted investment and capital expenditure metric.

19 Joint ventures and associates' additions

Joint ventures and associates' additions represent direct loan or equity funding provided to joint venture and associate arrangements in relation to 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 are not included in this adjustment.

20 Refinancing proceeds

The Group's model for developing large scale capital projects within joint ventures and associates will involve 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. This is consistent with the inclusion of the initial investment in the metric as explained at 19, above. In the six months ended 30 September 2020, the Group received reimbursed capex of £246.1m in relation to Seagreen windfarm and in the six months ended 31 March 2021 £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 business and its investment in Scotia Gas Networks Limited ("SGN"), both of which are held for sale at 30 September 2021:

- 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 until the date of disposal.

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

March 2021 (restated*) £m		**September 2021 £m**	September 2020 (restated*) £m	September 2019 (restated*) £m
1,333.5	Adjusted operating profit	**376.8**	328.9	389.8
(384.6)	Adjusted net finance costs	**(202.6)**	(195.0)	(196.4)
948.9	**Adjusted profit before tax (PBT)**	**174.2**	133.9	193.4
(85.9)	Adjusted current tax charge	(12.7)	(11.6)	(18.2)
863.0	**Adjusted profit after tax**	**161.5**	122.3	175.2
(46.6)	Hybrid coupon paid	(50.7)	(46.6)	(46.5)
816.4	**Adjusted profit after tax attributable to ordinary shareholders for earnings per share (EPS)**	**110.8**	75.7	128.7
1,040.9	Number of shares for EPS	1,054.7	1,039.6	1,030.4
78.4	**Adjusted earnings per share (pence)**	**10.5**	7.3	12.5
1,995.3	**Adjusted EBITDA**	**700.2**	664.3	710.8
(556.2)	Depreciation, impairment and amortisation, before exceptional charges	(272.1)	(274.3)	(263.8)
20.6	Depreciation and amortisation expense on fair value uplifts	10.3	10.3	10.3
17.7	Release of deferred income	9.1	7.9	8.7
(143.9)	Share of joint ventures and associates' depreciation and amortisation	(70.7)	(79.3)	(76.2)
1,333.5	**Adjusted operating profit**	**376.8**	328.9	389.8
1,333.5	**Adjusted operating profit**	**376.8**	328.9	389.8
597.8	Movement on operating and joint venture financing derivatives	1,439.2	343.2	154.6
848.9	Exceptional items	157.9	327.0	(186.0)
(20.6)	Depreciation and amortisation expense on fair value uplifts	(10.3)	(10.3)	(10.3)
(104.7)	Share of joint ventures and associates' interest and tax	(59.2)	(48.9)	(55.1)
2,654.9	**Reported operating profit**	**1,904.4**	939.9	293.0
948.9	**Adjusted profit before tax (PBT)**	**174.2**	133.9	193.4
653.4	Movement on operating and financing derivatives	1,383.3	326.7	84.7
850.3	Exceptional items	160.2	327.0	(186.0)
(20.6)	Depreciation and amortisation expense on fair value uplifts	(10.3)	(10.3)	(10.3)
8.3	Interest on net pension assets/(liabilities)	3.7	4.0	3.6
(22.3)	Share of joint ventures and associates' tax	(25.0)	(1.9)	(3.4)
-	Share of non-recurring joint venture refinancing costs	-	-	(12.3)
2,418.0	**Reported profit before tax**	**1,686.1**	779.4	69.7

March 2021 (restated*)		**September 2021**	September 2020 (restated*)	September 2019 (restated*)
384.6	**Adjusted net finance costs**	**202.6**	195.0	196.4
(1.4)	Exceptional items	(2.3)	-	-
(55.6)	Movement on financing derivatives	55.9	16.5	69.9
(82.4)	Share of joint ventures and associates' interest	(34.2)	(47.0)	(51.7)
(8.3)	Interest on net pension assets/(liabilities)	(3.7)	(4.0)	(3.6)
-	Share of non-recurring joint venture refinancing costs	-	-	12.3
236.9	**Reported net finance costs**	**218.3**	160.5	223.3
85.9	**Adjusted current tax charge**	**12.7**	11.6	18.2
(22.3)	Share of joint ventures and associates' tax	(25.0)	(1.9)	(3.4)
37.9	Deferred tax including share of joint ventures and associates	39.0	6.3	15.7
122.8	Tax on exceptional items and certain re-measurements	515.6	63.3	(12.3)
224.3	**Reported tax charge**	**542.3**	79.3	18.2
(8,898.9)	**Adjusted net debt and hybrid capital**	**(9,611.4)**	(10,622.1)	(10,338.9)
1,472.4	Hybrid equity	1,051.0	1,472.4	1,169.7
(7,426.5)	**Adjusted net debt**	**(8,560.4)**	(9,149.7)	(9,169.2)
37.1	Outstanding liquid funds	87.4	(59.7)	(238.0)
(421.0)	Lease obligations	(404.7)	(429.7)	(453.9)
-	Cash presented as held for sale	-	(0.5)	(75.0)
(7,810.4)	**Unadjusted net debt**	**(8,877.7)**	(9,639.6)	(9,936.1)
912.0	**Adjusted investment and capital expenditure**	**1,042.8**	434.4	638.2
428.6	Refinancing proceeds/refunds	**-**	246.1	-
61.8	Customer funded additions	**30.1**	29.4	63.7
509.0	Allowances and certificates	**326.7**	119.3	253.4
-	Additions through business combinations	**-**	-	14.5
19.7	Disposed/impaired additions	**-**	-	-
(172.7)	Joint ventures and associates' additions	**(356.7)**	(114.5)	(93.6)
45.4	IFRS 16 right of use asset additions	**13.7**	8.7	-
1,803.8	**Capital additions to intangible assets and property, plant and equipment**	**1,056.6**	723.4	876.2
701.3	Additions to intangible assets	397.7	213.0	370.7
1,102.5	Capital additions to property, plant and equipment	658.9	510.4	505.5
1,803.8	**Capital additions to intangible assets and property, plant and equipment**	**1,056.6**	723.4	876.2

*The comparative Alternative Performance Measures have been restated. See note 2 (v) of the Interim Financial Statements.

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

March 2021 (restated*) £m		**September 2021 £m**	September 2020 (restated*) £m	September 2019 (restated*) £m
2,262.9	Adjusted EBITDA of SSE Group (including discontinued operations)	810.0	780.5	865.9
-	Less: SSE Energy Services loss	-	-	7.4
(33.0)	Less: Gas Production (profit)/loss	(77.7)	3.0	(30.9)
(234.6)	Less: SGN profit	(32.1)	(119.2)	(131.6)
1,995.3	**Adjusted EBITDA of continuing operations**	**700.2**	664.3	710.8
1,539.5	Adjusted operating profit of SSE Group (including discontinued operations)	475.5	415.3	469.2
-	Less: SSE Energy Services loss	-	-	7.4
(33.0)	Less: Gas Production (profit)/loss	(77.7)	3.0	15.3
(173.0)	Less: SGN profit	(21.0)	(89.4)	(102.1)
1,333.5	**Adjusted operating profit of continuing operations**	**376.8**	328.9	389.8
443.9	Adjusted net finance costs of SSE Group (including discontinued operations)	210.6	225.5	228.5
(2.3)	Less: Gas Production	(1.6)	(1.1)	-
(57.0)	Less: SGN	(6.4)	(29.4)	(32.1)
384.6	**Adjusted net finance costs of continuing operations**	**202.6**	195.0	196.4
1,095.6	Adjusted profit before tax of SSE Group (including discontinued operations)	264.9	189.8	240.7
-	Less: SSE Energy Services loss/(profit)	-	-	7.4
(30.7)	Less: Gas Production loss/(profit)	(76.1)	4.1	15.3
(116.0)	Less: SGN profit	(14.6)	(60.0)	(70.0)
948.9	**Adjusted profit before tax of continuing operations**	**174.2**	133.9	193.4
107.8	Adjusted current tax of SSE Group (including discontinued operations)	15.0	23.7	25.3
-	Less: SSE Energy Services current tax credit/(charge)	-	-	6.3
(21.9)	Less: SGN current tax charge	(2.3)	(12.1)	(13.4)
85.9	**Adjusted current tax of continuing operations**	**12.7**	11.6	18.2
90.5	Adjusted earnings per share of SSE Group (including discontinued operations)	18.9	11.5	16.4
-	Less: SSE Energy Services losses per share	-	-	0.1
(3.0)	Less: Gas Production (earnings)/losses) per share	(7.2)	0.4	1.5
(9.1)	Less: SGN (earnings)/losses per share	(1.2)	(4.6)	(5.5)
78.4	**Adjusted earnings per share of continuing operations**	**10.5**	7.3	12.5

*The comparative Alternative Performance Measures have been restated. See note 2 (v) of the Interim Financial Statements.

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

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

for the period 1 April 2021 to 30 September 2021

		2021			2020		
	Note	**Before exceptional items and certain re-measurements £m**	**Exceptional items and certain re-measurements (note 6) £m**	**Total £m**	Before exceptional items and certain re-measurements (restated*) £m	Exceptional items and certain re-measurements (note 6) (restated*) £m	Total (restated*) £m
Continuing operations							
Revenue	5	**3,543.5**	**-**	**3,543.5**	2,816.4	-	2,816.4
Cost of sales		**(2,625.1)**	**1,439.2**	**(1,185.9)**	(2,024.5)	343.7	(1,680.8)
Gross profit		**918.4**	**1,439.2**	**2,357.6**	791.9	343.7	1,135.6
Operating costs		**(591.8)**	**157.9**	**(433.9)**	(582.2)	15.7	(566.5)
Other operating income		**9.3**	**-**	**9.3**	47.9	311.3	359.2
Operating profit before joint ventures and associates		**335.9**	**1,597.1**	**1,933.0**	257.6	670.7	928.3
Joint ventures and associates:							
Share of operating profit		**30.6**	**-**	**30.6**	61.0	-	61.0
Share of interest		**(34.2)**	**-**	**(34.2)**	(47.0)	-	(47.0)
Share of movement on derivatives		**-**	**-**	**-**	-	(0.5)	(0.5)
Share of tax		**(1.6)**	**(23.4)**	**(25.0)**	(1.9)	-	(1.9)
Share of (loss)/profit on joint ventures and associates		**(5.2)**	**(23.4)**	**(28.6)**	12.1	(0.5)	11.6
Operating profit from continuing operations	5	**330.7**	**1,573.7**	**1,904.4**	269.7	670.2	939.9
Finance income	7	**38.3**	**2.3**	**40.6**	45.5	-	45.5
Finance costs	7	**(203.0)**	**(55.9)**	**(258.9)**	(189.5)	(16.5)	(206.0)
Profit before taxation		**166.0**	**1,520.1**	**1,686.1**	125.7	653.7	779.4
Taxation	8	**(26.7)**	**(515.6)**	**(542.3)**	(16.0)	(63.3)	(79.3)
Profit for the period from continuing operations		**139.3**	**1,004.5**	**1,143.8**	109.7	590.4	700.1
Discontinued operations							
Profit/(loss) from discontinued operations, net of tax	9	**89.4**	**(183.2)**	**(93.8)**	45.3	0.7	46.0
Profit for the period		**228.7**	**821.3**	**1,050.0**	155.0	591.1	746.1
Attributable to:							
Ordinary shareholders of the parent		**178.0**	**821.3**	**999.3**	108.4	591.1	699.5
Other equity holders		**50.7**	**-**	**50.7**	46.6	-	46.6
Earnings per share							
Basic (pence)	11			**94.7**			67.3
Diluted (pence)	11			**94.6**			67.2
Earnings per share – continuing operations							
Basic (pence)	11			**103.6**			62.9
Diluted (pence)	11			**103.4**			62.8

*The comparative Consolidated Income Statement has been restated. See note 2 (v).

The accompanying notes are an integral part of this interim statement.

Consolidated Income Statement

for the year ended 31 March 2021

	Note	Before exceptional items and certain re-measure-ments (restated*) £m	Exceptional items and certain re-measure-ments (note 6) (restated*) £m	Total (restated*) £m
Continuing operations				
Revenue	5	6,826.4	-	6,826.4
Cost of sales		(4,732.7)	598.6	(4,134.1)
Gross profit		2,093.7	598.6	2,692.3
Operating costs		(1,198.4)	(127.1)	(1,325.5)
Other operating income		268.7	976.0	1,244.7
Operating profit before joint ventures and associates		1,164.0	1,447.5	2,611.5
Joint ventures and associates:				
Share of operating profit		149.0	-	149.0
Share of interest		(82.4)	-	(82.4)
Share of movement on derivatives		-	(0.8)	(0.8)
Share of tax		(22.4)	-	(22.4)
Share of profit on joint ventures and associates		44.2	(0.8)	43.4
Operating profit from continuing operations	5	1,208.2	1,446.7	2,654.9
Finance income	7	78.2	57.0	135.2
Finance costs	7	(372.1)	-	(372.1)
Profit before taxation		914.3	1,503.7	2,418.0
Taxation	8	(101.5)	(122.8)	(224.3)
Profit for the year from continuing operations		812.8	1,380.9	2,193.7
Discontinued operations				
Profit from discontinued operations, net of tax	9	127.5	1.6	129.1
Profit for the year		940.3	1,382.5	2,322.8
Attributable to:				
Ordinary shareholders of the parent		893.7	1,382.5	2,276.2
Other equity holders		46.6	-	46.6
Earnings per share				
Basic (pence)	11			218.7
Diluted (pence)	11			218.3
Earnings per share – continuing operations				
Basic (pence)	11			206.3
Diluted (pence)	11			206.0

*The comparative Consolidated Income Statement has been restated. See note 2 (v).

The accompanying notes are an integral part of this interim statement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 April 2021 to 30 September 2021

Year ended 31 March 2021 (restated*) £m		**Six months ended 30 September 2021 £m**	Six months ended 30 September 2020 (restated*) £m
	Profit for the period		
2,193.7	**Continuing operations**	**1,143.8**	700.1
129.1	**Discontinued operations**	**(93.8)**	46.0
2,322.8		**1,050.0**	746.1
	Other comprehensive income:		
	Items that will be reclassified subsequently to profit or loss:		
(44.7)	Net (losses)/gains on cash flow hedges	**30.0**	(46.3)
(5.1)	Transferred to assets and liabilities on cash flow hedges	**0.9**	(4.2)
8.5	Taxation on cash flow hedges	**(8.0)**	8.8
(41.3)		**22.9**	(41.7)
25.0	Share of other comprehensive gain of joint ventures and associates, net of taxation	**43.3**	25.6
(43.3)	Exchange difference on translation of foreign operations	**5.0**	25.9
37.3	Gain/(loss) on net investment hedge	**(9.5)**	(29.0)
(22.3)		**61.7**	(19.2)
	Items that will not be reclassified to profit or loss:		
(12.8)	Actuarial (loss)/gain on retirement benefit schemes, net of taxation	**26.2**	(170.5)
(23.3)	Share of other comprehensive loss)/income of joint ventures, net of taxation	**(1.7)**	(11.9)
1.1	Gains on revaluation of investments in equity instruments, net of taxation	**-**	-
(35.0)		**24.5**	(182.4)
(57.3)	**Other comprehensive (loss)/gain, net of taxation**	**86.2**	(201.6)
2,265.5	**Total comprehensive income for the period**	**1,136.2**	544.5
	Total comprehensive income for the period arises from		
2,155.0	**Continuing operations**	**1,231.2**	510.8
	Discontinued operations		
	Items that will be reclassified subsequently to profit or loss:		
4.7	Share of other comprehensive gain/(loss) of joint ventures and associates, net of taxation	**0.5**	(0.4)
	Items that will not be reclassified to profit or loss:		
(23.3)	Share of other comprehensive loss of joint ventures, net of taxation	**(1.7)**	(11.9)
(18.6)	Other comprehensive loss from discontinued operations	**(1.2)**	(12.3)
110.5	Total comprehensive income/(loss) from discontinued operations	**(95.0)**	33.7
2,265.5	**Total comprehensive income for the period**	**1,136.2**	544.5
	Attributable to:		
2,218.9	Ordinary shareholders of the parent	**1,085.5**	497.9
46.6	Other equity holders	**50.7**	46.6
2,265.5		**1,136.2**	544.5

*The comparative Consolidated Statement of Other Comprehensive Income has been restated. See note 2 (v).

The accompanying notes are an integral part of this interim statement.

CONSOLIDATED BALANCE SHEET

as at 30 September 2021

At 31 March 2021 £m		Note	**At 30 September 2021 £m**	At 30 September 2020 £m
	Assets			
13,254.3	Property, plant and equipment		**13,903.4**	13,092.9
841.3	Goodwill and other intangible assets		**893.6**	813.7
1,643.5	Equity investments in joint ventures and associates		**1,103.7**	1,697.2
554.3	Loans to joint ventures and associates		**632.8**	628.8
3.6	Other investments		**3.5**	1.7
115.9	Other receivables		**128.2**	109.4
114.7	Derivative financial assets	16	**2,207.1**	176.3
543.1	Retirement benefit assets	17	**501.7**	528.5
17,070.7	**Non-current assets**		**19,374.0**	17,048.5
374.9	Intangible assets		**408.4**	177.9
234.9	Inventories		**456.3**	165.1
1,488.2	Trade and other receivables		**1,629.4**	1,481.2
12.7	Current tax asset		**42.4**	24.4
1,600.2	Cash and cash equivalents		**232.7**	415.5
470.9	Derivative financial assets	16	**419.2**	360.7
339.1	Assets held for sale	9	**845.9**	677.9
4,520.9	**Current assets**		**4,034.3**	3,302.7
21,591.6	**Total assets**		**23,408.3**	20,351.2
	Liabilities			
937.6	Loans and other borrowings	13	**2,066.8**	1,363.5
1,987.3	Trade and other payables		**2,202.9**	1,527.0
12.8	Current tax liabilities		**-**	-
79.3	Provisions		**121.4**	54.6
238.7	Derivative financial liabilities	16	**1,008.0**	276.2
253.5	Liabilities held for sale	9	**172.6**	456.5
3,509.2	**Current liabilities**		**5,571.7**	3,677.8
8,473.0	Loans and other borrowings	13	**7,043.6**	8,691.6
774.3	Deferred tax liabilities		**1,368.2**	663.4
722.5	Trade and other payables		**907.4**	674.3
793.3	Provisions		**866.7**	582.0
186.1	Retirement benefit obligations	17	**63.7**	382.0
452.1	Derivative financial liabilities	16	**500.2**	485.6
11,401.3	**Non-current liabilities**		**10,749.8**	11,478.9
14,910.5	**Total liabilities**		**16,321.5**	15,156.7
6,681.1	**Net assets**		**7,086.8**	5,194.5
	Equity:			
524.5	Share capital	15	**535.6**	524.1
847.1	Share premium		**838.2**	850.9
49.2	Capital redemption reserve		**49.2**	49.2
(133.6)	Hedge reserve		**(67.4)**	(133.4)
0.4	Translation reserve		**(4.1)**	3.3
3,921.1	Retained earnings		**4,684.3**	2,428.0
5,208.7	**Equity attributable to ordinary shareholders of the parent**		**6,035.8**	3,722.1
1,472.4	Hybrid equity	14	**1,051.0**	1,472.4
6,681.1	**Total equity attributable to equity holders of the parent**		**7,086.8**	5,194.5

The accompanying notes are an integral part of this interim statement.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period 1 April 2021 to 30 September 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 2021	524.5	847.1	49.2	(133.6)	0.4	3,921.1	5,208.7	1,472.4	6,681.1
Profit for the period	-	-	-	-	-	999.3	999.3	50.7	1,050.0
Other comprehensive income/(loss)	-	-	-	66.2	(4.5)	24.5	86.2	-	86.2
Total comprehensive income/(loss)	-	-	-	66.2	(4.5)	1,023.8	1,085.5	50.7	1,136.2
Dividends to shareholders	-	-	-	-	-	(590.5)	(590.5)	-	(590.5)
Scrip dividend related share issue	11.1	(11.1)	-	-	-	327.5	327.5	-	327.5
Distributions to Hybrid equity holders	-	-	-	-	-	-	-	(50.7)	(50.7)
Issue of shares	-	2.2	-	-	-	-	2.2	-	2.2
Redemption of Hybrid Equity	-	-	-	-	-	(4.6)	(4.6)	(421.4)	(426.0)
Credit in respect of employee share awards	-	-	-	-	-	8.5	8.5	-	8.5
Investment in own shares	-	-	-	-	-	(1.5)	(1.5)	-	(1.5)
At 30 September 2021	**535.6**	**838.2**	**49.2**	**(67.4)**	**(4.1)**	**4,684.3**	**6,035.8**	**1,051.0**	**7,086.8**

	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 period	-	-	-	-	-	699.5	699.5	46.6	746.1
Other comprehensive loss	-	-	-	(16.1)	(3.1)	(182.4)	(201.6)	-	(201.6)
Total comprehensive income	-	-	-	(16.1)	(3.1)	517.1	497.9	46.6	544.5
Dividends to shareholders	-	-	-	-	-	(582.1)	(582.1)	-	(582.1)
Scrip dividend related share issue	1.0	(1.0)	-	-	-	25.5	25.5	-	25.5
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	-	-	-	-	-	8.8	8.8	-	8.8
Investment in own shares (i)	-	(23.7)	-	-	-	25.7	2.0	-	2.0
Adjustment in relation to historic measurement of financial instruments, net of tax (ii)	-	-	-	(6.2)	-	27.5	21.3	-	21.3
At 30 September 2020	**524.1**	**850.9**	**49.2**	**(133.4)**	**3.3**	**2,428.0**	**3,722.1**	**1,472.4**	**5,194.5**

(i) 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.

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 (i)	-	(27.1)	-	-	-	24.6	(2.5)	-	(2.5)
Adjustment in relation to historic depreciation rates, 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

CONSOLIDATED CASH FLOW STATEMENT

for the period 1 April 2021 to 30 September 2021

Year ended 31 March 2021 (*restated) £m		Note	**Six months ended 30 September 2021 £m**	Six months ended 30 September 2020 (*restated) £m
2,654.9	Operating profit - continuing operations	5	**1,904.4**	939.9
121.6	Operating profit/(loss) - discontinued operations	9	**(97.3)**	42.2
2,776.5	**Operating profit - total operations**		**1,807.1**	982.1
(132.0)	Less share of loss/(profit) of joint ventures and associates		**109.7**	(56.8)
2,644.5	**Operating profit before jointly controlled entities and associates**		**1,916.8**	925.3
(22.8)	Pension service charges, less contributions paid		**(12.5)**	(9.7)
(590.1)	Movement on operating derivatives	5	**(1,204.0)**	(321.3)
637.9	Depreciation, amortisation, write downs and impairments		**184.8**	274.3
18.1	Charge in respect of employee share awards (before tax)		**8.5**	8.8
(1,227.9)	Loss/(profit) on disposal of assets and businesses		**21.5**	(359.2)
(4.1)	Release of provisions		**(23.9)**	(5.1)
(17.7)	Release of deferred income	5	**(9.1)**	(7.9)
1,437.9	**Cash generated from operations before working capital movements**		**882.1**	505.2
(71.7)	(Increase)/decrease in inventories		**12.7**	4.3
155.3	Decrease/(increase) in receivables		**(159.1)**	275.8
420.0	Increase/(decrease) in payables		**42.9**	35.3
36.1	Increase in provisions		**7.0**	7.3
1,977.6	**Cash generated from operations**		**785.6**	827.9
191.1	Dividends received from investments		**83.1**	71.3
(288.7)	Interest paid		**(141.5)**	(140.1)
(62.8)	Taxes paid		**(39.0)**	(19.9)
1,817.2	**Net cash from operating activities**		**688.2**	739.2
(985.0)	Purchase of property, plant and equipment		**(520.0)**	(307.8)
(192.3)	Purchase of other intangible assets		**(74.3)**	(92.9)
11.2	Deferred income received		**7.0**	3.0
1,734.8	Proceeds from disposals	12	**5.0**	433.1
(172.8)	Cash disposed through disposals		**-**	-
182.5	Joint venture development expenditure refunds		**-**	-
(188.9)	Loans and equity provided to joint ventures and associates		**(376.2)**	(122.7)
54.2	Loans and equity repaid by joint ventures		**31.2**	42.2
443.7	**Net cash from investing activities**		**(927.3)**	(45.1)
10.4	Proceeds from issue of share capital		**2.2**	3.4
(797.4)	Dividends paid to the company's equity holders	10	**(263.0)**	(556.6)
(46.6)	Hybrid equity dividend payments	14	**(50.7)**	(46.6)
(12.9)	Employee share awards share purchase	15	**(1.5)**	(1.4)
1,051.0	Issue of hybrid instruments	14	**-**	1,051.0
(750.0)	Redemption of hybrid instruments	14	**(426.0)**	(750.0)
1,668.5	New borrowings		**103.3**	1,313.9
246.1	Seagreen development expenditure refinancing proceeds		**-**	-
(2,189.3)	Repayment of borrowings		**(493.7)**	(1,452.2)
(5.1)	Settlement of cashflow hedges		**1.0**	(4.2)
(825.3)	**Net cash from financing activities**		**(1,128.4)**	(442.7)
1,435.6	**Net increase/(decrease) in cash and cash equivalents**		**(1,367.5)**	251.4
164.6	Cash and cash equivalents at the start of period (including cash presented as held for sale)		**1,600.2**	164.1
1,435.6	Net increase/(decrease) in cash and cash equivalents		**(1,367.5)**	251.4
1,600.2	**Cash and cash equivalents at the end of period**		**232.7**	415.5

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Condensed Financial Statements

SSE plc (the Company) is a company domiciled in Scotland. The Condensed Interim Statements comprise those of the Company and its subsidiaries (together referred to as the Group).

The financial information set out in these Condensed Interim Statements does not constitute the Group's statutory accounts for the periods ended 30 September 2021, 31 March 2021 or 30 September 2020 within the meaning of Section 435 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2021, which were prepared 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'), have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified (ii) did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain statements under section 498 (2) or (3) of the Companies Act 2006. The Group's financial statements for the year ending 31 March 2022 will be prepared in accordance with United Kingdom adopted International Financial Reporting Standards.

The financial information set out in these interim statements has been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and UK adopted International Accounting Standard 34 Interim Financial Reporting. The interim financial information is unaudited but has been formally reviewed by the auditor and its report to the Company is set out on page 102.

These interim statements were authorised by the Board on 16 November 2021.

2. Basis of preparation

These Condensed Interim Statements for the period to 30 September 2021 and the comparative information for the period to 30 September 2020 have been prepared applying the accounting policies used in the Group's consolidated financial statements for the year ended 31 March 2021. The changes to presentation are explained at note 2(v).

(i) 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.

Reconciliations from the reported measures to adjusted measures along with further description of the rationale for those adjustments are included in the 'Alternative Performance Measures' section at pages 52 to 58.

(ii) Going concern

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 reaching their conclusion, the Directors regularly review the Group's funding structure (see note 13) against the current economic climate to ensure that the Group has the short and long term funding required. The Group has performed detailed going concern testing, including the consideration of cashflow forecasts under stressed scenarios for the period to December 2022.

In the six months ended 30 September 2021, the Group has issued new debt instruments totalling £103.3m and has redeemed £871.4m of hybrid capital and maturing debt in the period. The Group also continues to have access to its £1.5bn of committed revolving credit facilities which mature in 2026. Subject to satisfactory completion of conditions precedent, the Group anticipates at least a further £1.295bn of disposals proceeds to be received by the Group in the second half of the year. Note those proceeds have not been taken account of in concluding on the Group's going concern status.

(iii) 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 items will tend to be non-recurring although exceptional charges (or credits) 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 following significant disputes and claims.

The Group operates a policy 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 development projects which are considered non-exceptional in line with the Group's strategy to generate recurring gains from developer divestments.

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 re-measurements on stocks of commodities held at the balance sheet date.

2. Basis of preparation (continued)

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.

(iv) 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.

(v) Changes to presentation – prior year adjustments

Discontinued operations

On 2 August 2021, the Group announced it had agreed to sell its 33.3% stake in gas distribution operator SGN to a consortium comprising existing SGN shareholders Ontario Teachers' Pension Plan Board and Brookfield Super-Core Infrastructure Partners for cash consideration of £1,225m. The agreement is conditional on certain regulatory approvals and is expected to complete by 31 March 2022. The Group assessed that the investment met the criteria to be classified as held for sale on 11 June 2021 when an Exclusivity Agreement was signed by the consortium. Accordingly from 11 June 2021 the Group ceased to equity account for its investment in SGN on designation as held for sale. As the investment in SGN comprised a separate single line of business, the investment has also been classified as a discontinued operation. Therefore, comparative information for the 6 months ended 30 September 2020 and 12 months ended 31 March 2021 have been restated and the Group's investment is presented as held for sale at 30 September 2021. The impact of reclassification of the SGN investment has been to reduce adjusted operating profit (September 2020 £89.4m, March 2021 £173.0m), adjusted PBT (September 2020 £60.0m, March 2021 £116.0m) and adjusted EPS (September 2020 4.6p, March 2021 9.1p).

Segments

In accordance with the requirements of IFRS 8 'Operating Segments' the Group has aligned its segmental disclosures with its revised internal reporting following changes to the Group's structure and operations. These segments are used internally by the Group Executive Committee to in order to assess operating performance and to make decisions on how to allocate capital. Consequently, the segmental results reported in the Group's operating segments have been restated with effect from 1 April 2021. Following the Group's sale of its Contacting and Rail business to Aurelius Group, the primary retained activities of the Enterprise business is Distributed Energy which will develop and provide the Group's solar and battery storage operations and focus on distributed generation, heat and cooling networks, smart buildings and EV charging. Accordingly, the result from the Group's out of areas networks business and Neos Networks Limited joint venture will now be reported within SSEN Distribution and Corporate Unallocated respectively. Comparative segmental information in note 5 has been re-presented to reflect the change to these segments. The impact of the restatements are an increase to reported revenue of SSEN Distribution (September 2020 £12.4m, March 2021 £25.0m) and a decrease to the reported revenue of Distributed Energy (September 2020 £12.4m, March 2021 £25.0m), and an increase to the adjusted operating profit of SSEN Distribution (September 2020 £4.7m, March 2021 £8.5m), an increase to the adjusted operating loss of Distributed Energy (September 2020 £4.3m, March 2021 £5.7m) and an increase to the adjusted operating loss of Corporate Unallocated (September 2020 £0.4m, March 2021 £2.8m).

3. New accounting policies and reporting changes

The accounting policies applied in the preparation of these Interim Financial Statements are consistent with those applied by the Group in the preparation of the consolidated financial statements for the year ended 31 March 2021. Set out below are revisions to accounting standards that have become applicable in the period, or are issued but not yet effective.

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

Phase 2 of the Interest Rate Benchmark Reform became effective for the Group from 1 April 2021. Under Phase 2, provided that the new basis for calculating cash flows is economically equivalent to the previous basis, reliefs permit hedge accounting relationships to continue unaffected. The Group has applied these reliefs to continue hedge accounting on affected instruments and therefore adoption of the amendment had no impact on the Interim Financial Statements.

The amendment to IFRS 16 '*Covid-19 Related Rent Concessions beyond 30 June 2021*' had no impact on the Interim Financial Statements.

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

A number of standards, amendments and interpretations have been issued but not yet adopted by the Group within these Interim Financial Statements, because application is not yet mandatory or because adoption by the UK remains outstanding at this point in time.

Amendments to IAS 16 '*Property, Plant and Equipment: Proceeds Before Intended Use*' is expected to be effective from 1 January 2022 but remains subject to UK endorsement. The standard is available for early adoption, with retrospective application in periods presented. The Group is currently constructing the Keadby 2 CCGT asset which may be tested and earn pre-commissioning revenue in the second half of the current financial year. It is not expected that restatements of prior year comparatives will have a material impact on reported results in those periods.

IFRS 17 '*Insurance contracts*' is expected to be effective from 1 January 2023 (1 April 2023 for the Group) but remains subject to UK endorsement. The Group's initial expectation is that adoption of this standard will not have a material impact on the Group's consolidated financial statements.

Other interpretations and amendments issued but not yet effective are not anticipated to have a material impact on the Group's consolidated financial statements.

4. Accounting judgements and estimation uncertainty

In the process of applying the Group's accounting policies, management necessarily require to make judgements and estimates that will 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 below.

The changes the Group has made to significant financial judgements disclosed at 31 March 2021 are detailed in note 4.1(iv) and 4.2(i) below.

4.1 Significant financial judgements and estimation uncertainties

The preparation of these Condensed Interim Statements has specifically considered the following significant financial judgements, some of which are areas of estimation uncertainty as noted below.

(i) Impairment testing and valuation of certain non-current assets – financial judgement and 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 adjustment to the carrying value of those assets requires to be recorded. Where an indicator of impairment or impairment reversal exists, the recoverable amount of those assets is determined by reference to value in use calculations.

At 30 September 2021, the Group has reviewed assets related to thermal and wind power generation for indicators of impairment (or impairment reversal) arising since the last formal review performed at 31 March 2021. The main assumptions in the Group's impairment assessments performed at 31 March 2021 were: power, gas, carbon and other commodity prices, volatility of gas prices, plant running regimes and load factors, discount rates and other inputs.

At 30 September 2021, observable prices for power and gas have increased, which is considered an indicator of impairment reversal necessitating the formal reassessment of the carrying value of certain thermal assets that have been impaired previously. The conclusions from this impairment assessment are set out in note 6.1 (ii). Wind generation assets have not been impaired previously and so no formal reassessment was performed at 30 September 2021.

The Group will reassess the assets for indicators of impairment, or impairment reversal, at 31 March 2022.

(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, key assumptions used and the resulting movements in obligations are disclosed in note 17 of these Interim Financial Statements.

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

Revenue from energy supply activities undertaken by 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 period end. This estimation comprises both billed revenue and unbilled revenue and is calculated based on applying the tariffs and contract rates applicable to customers against estimate customer consumption, taking account of various factors including usage patterns, weather trends and externally notified aggregated volumes supplied to customers from national settlement bodies. A change in the assumptions underpinning the calculation would have an impact on the amount of revenue recognised in any given period.

Given the non-routine process, the number and the extent of differing inputs and the requirement of management to apply judgement noted above, the estimated revenue estimate is considered a significant estimate made by management in preparing the Interim Financial Statements. A more comprehensive disclosure of the Group's policy, and the judgements applied, is disclosed in note 18 of the Group's 31 March 2021 annual report.

(iv) Valuation of other receivables – financial judgement and estimation uncertainty

The Group holds a £100m loan note due from Ovo Energy Limited following the disposal of SSE Energy Services on 15 January 2020. The loan carries interest at 13.25% and is presented cumulative of accrued interest payments, discounted at 13.25%. Consistent with the prior year, the Group has assessed recoverability of the loan note receivable and has recognised a provision for expected credit loss in accordance with the requirements of IFRS 9. Due to recent market volatility, the Group's assessment of the value of the loan note is now considered a more significant financial judgement. While the carrying value is considered to be appropriate, changes in economic conditions could lead to a change in the level of expected credit loss incurred by the Group.

4.2 Other accounting judgements

(i) Changes from the prior year

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

For the years ended 31 March 2020 and 31 March 2021, the Group included a specific accounting judgement and estimation uncertainty in relation to the impact of coronavirus on its operations and going concern assessments. During the six months ended 30 September 2021, the UK economy has continued to recover from the effects of the pandemic, and therefore the specific accounting judgement and estimation uncertainty in relation to the impact of coronavirus is no longer required.

4. Accounting judgements and estimation uncertainty (continued)

4.3 Other areas of estimation uncertainty

(i) Tax provisioning

The Group has a small number of open tax issues with the tax authorities in the UK. 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 from external tax advisors. These estimates are inherently judgmental 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 paid on settlement will be different from the amounts provided. Provisions for uncertain tax positions are included in current tax liabilities, and total £34.7m at 30 September 2021 (2020: £40.1m; March 2021: £37.6m). 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 and was reassessed at 30 September 2021. 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. The Group's next formal reassessment of the decommissioning liabilities associated with its Thermal and Renewables assets by independent experts will be performed in the financial year to March 2022. Provision is made for the estimated discounted cost of decommissioning at the balance sheet date.

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. At 30 September 2021 the Group's Gas Production assets are held for sale. Under the 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 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.

5. Segmental information

The changes to the Group's segments in the period are explained at note 2(v) and includes the realignment of the activities of the Distributed Energy business (from the Enterprise segment) and the impact of the Group's investment in SGN being classified as a discontinued operation. Comparative information has been re-presented to reflect the change to these segments. The Group's Gas Production business remained 'held for sale' at 30 September 2021 and is presented separately as a discontinued operation. The Group's 'Corporate unallocated' segment is the Group's residual corporate central costs which cannot be allocated to individual segments and which now includes the contribution from the Group's Neos Networks joint venture.

The types of products and services from which each reportable segment derives its revenues are:

Business area	Reported segments	Description
Continuing operations		
Transmission	SSEN Transmission	The economically regulated high voltage transmission of electricity from generating plant to the distribution network in the North of Scotland.
Distribution	SSEN Distribution	The economically regulated lower voltage distribution of electricity to customer premises in the North of Scotland and the South of England. This now includes the result from the Group's out of area networks business.
Renewables	SSE Renewables	The generation of power from renewable sources, such as onshore and offshore windfarms and run of river and pumped storage hydro assets in the UK and Ireland.
Thermal	SSE Thermal	The generation of power from thermal plant and the Group's interests in multifuel assets in the UK and Ireland.
	Gas Storage	The storage of gas for the purpose of benefitting from market price fluctuations.
Energy Customer Solutions	Business Energy	The supply of electricity and gas to business customers in Great Britain.
	SSE Airtricity	The supply of electricity, gas and energy related services to residential and business customers in the Republic of Ireland and Northern Ireland.
Distributed Energy	Distributed Energy	The provision of services to enable customers to optimise and manage low carbon energy use; development and management of battery storage and solar assets; distributed generation, independent distribution, heat and cooling networks, smart buildings and EV charging activities. The results of the Group's Contracting and Rail business are included within this segment until it was disposed on 30 June 2021.
EPM & I	Energy Portfolio Management (EPM)	The provision of a route to market for the Group's Renewable, Thermal and discontinued Gas Production businesses and commodity procurement for the Group's energy supply businesses in line with the Group's stated hedging policies.
Discontinued operations		
EPM & I	Gas Production	The production and processing of gas and oil from North Sea fields.
Gas Distribution	SGN	SSE's share of profits of Scotia Gas Networks, which operates two economically regulated gas distribution networks in Scotland and the South of England.

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 impact of depreciation on fair value uplifts, 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 below. All revenue and profit before taxation arise from operations within the UK and Ireland.

5. **Segmental information (continued)**

5. **(a) Revenue by segment**

	Six months ended 30 September 2021			Six months ended 30 September 2020		
	Reported revenue	**Inter-segment revenue (i)**	**Segment revenue**	Reported revenue	Inter-segment revenue (i)	Segment revenue
	2021 £m	**2021 £m**	**2021 £m**	2020 £m	2020 £m	2020 £m
Continuing operations						
SSEN Transmission	**278.7**	**-**	**278.7**	201.6	-	201.6
SSEN Distribution	**435.3**	**28.5**	**463.8**	370.5	23.1	393.6
SSE Renewables	**133.3**	**93.5**	**226.8**	118.7	190.6	309.3
SSE Thermal	**370.4**	**250.6**	**621.0**	207.6	353.4	561.0
Gas Storage	**3.6**	**667.4**	**671.0**	3.2	152.1	155.3
Energy Customer Solutions						
Business Energy	**909.0**	**14.3**	**923.3**	875.7	13.8	889.5
SSE Airtricity	**442.9**	**159.3**	**602.2**	463.7	17.7	481.4
Distributed Energy	**112.3**	**13.6**	**125.9**	140.6	13.6	154.2
EPM:						
Gross trading	**4,149.6**	**2,333.3**	**6,482.9**	3,967.8	1,274.6	5,242.4
Optimisation trades(ii)	**(3,327.6)**	**(742.7)**	**(4,070.3)**	(3,599.3)	(268.1)	(3,867.4)
EPM	**822.0**	**1,590.6**	**2,412.6**	368.5	1,006.5	1,375.0
Corporate unallocated	**36.0**	**73.1**	**109.1**	66.3	70.9	137.2
Total continuing operations	**3,543.5**	**2,890.9**	**6,434.4**	2,816.4	1,841.7	4,658.1
Discontinued operations						
Gas Production	**6.7**	**109.5**	**116.2**	6.3	70.9	77.2
Total discontinued operations	**6.7**	**109.5**	**116.2**	6.3	70.9	77.2
Total SSE Group	**3,550.2**	**3,000.4**	**6,550.6**	2,822.7	1,912.6	4,735.3

5. Segmental information (continued)

5. (a) Revenue by segment (continued)

	Year ended 31 March 2021		
	Reported revenue	Inter-segment revenue (i)	Segment revenue
Continuing operations			
SSEN Transmission	404.9	-	404.9
SSEN Distribution	834.5	69.1	903.6
SSE Renewables	281.9	544.2	826.1
SSE Thermal	504.0	699.0	1,203.0
Gas Storage	7.1	766.0	773.1
Energy Customer Solutions			
Business Energy	1,934.5	30.5	1,965.0
SSE Airtricity	1,072.7	61.5	1,134.2
Distributed Energy	334.5	33.6	368.1
EPM:			
Gross trading	8,811.9	2,699.3	11,511.2
Optimisation trades(ii)	(7,449.2)	(155.8)	(7,605.0)
EPM	1,362.7	2,543.5	3,906.2
Corporate unallocated	89.6	189.4	279.0
Total continuing operations	6,826.4	4,936.8	11,763.2
Discontinued operations			
Gas Production	14.2	90.8	105.0
Total discontinued operations	14.2	90.8	105.0
Total SSE Group	6,840.6	5,027.6	11,868.2

(i) Revenue from the Group's investment in Scotia Gas Networks Limited, the Group's share being £60.4m for the period to 11 June 2021 (30 September 2020: £199.1m, 31 March 2021: £411.8m) is not recorded in the revenue line in the income statement.

(ii) The Group continues to provide optimisation volume disclosures to disclose the volume of trading in the period by its EPM segment.

5. Segmental information (continued)
5. (a) Revenue by segment (continued)

Disaggregation of revenue

Revenue from contracts with customers can be disaggregated by reported segment, by major service lines and by timing of revenue recognition as follows:

	Six months ended 30 September 2021									
	Revenue from contracts with customers									
	Goods or services transferred over time				Goods or services transferred at a point in time					
	Use of electricity networks	Supply of energy	Construction related services	Other contracted services	Physical energy	Gas storage	Other revenue	Total revenue from contracts with customers	Other contract revenue	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Continuing operations										
SSEN Transmission	268.9	-	-	8.4	-	-	1.4	278.7	-	278.7
SSEN Distribution	413.9	-	-	4.7	-	-	10.6	429.2	6.1	435.3
SSE Renewables	-	59.3	-	-	74.0	-	-	133.3	-	133.3
SSE Thermal	-	368.1	-	-	-	-	2.3	370.4	-	370.4
Gas Storage	-	-	-	-	-	3.6	-	3.6	-	3.6
Distributed Energy										
Business Energy	-	909.0	-	-	-	-	-	909.0	-	909.0
SSE Airtricity	-	432.2	-	10.7	-	-	-	442.9	-	442.9
Distributed Energy	13.2	8.8	66.0	21.6	-	-	-	109.6	2.7	112.3
EPM	-	-	-	-	608.5	-	213.5	822.0	-	822.0
Corporate unallocated	-	-	-	-	-	-	36.0	36.0	-	36.0
Total continuing operations	696.0	1,777.4	66.0	45.4	682.5	3.6	263.8	3,534.7	8.8	3,543.5
Discontinued operations										
Gas Production	-	-	-	-	-	-	6.7	6.7	-	6.7
Total discontinued operations	-	-	-	-	-	-	6.7	6.7	-	6.7
Total SSE Group	696.0	1,777.4	66.0	45.4	682.5	3.6	270.5	3,541.4	8.8	3,550.2

5. Segmental information (continued)

5. (a) Revenue by segment (continued)

Disaggregation of revenue (continued)

	Six months ended 30 September 2020									
	Revenue from contracts with customers									
	Goods or services transferred over time				Goods or services transferred at a point in time					
	Use of electricity networks	Supply of energy	Construction related services	Other contracted services	Physical energy	Gas storage	Other revenue	Total revenue from contracts with customers	Other contract revenue	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Continuing operations										
SSEN Transmission	186.9	-	-	13.2	-	-	1.5	201.6	-	201.6
SSEN Distribution	350.2	-	-	5.3	-	-	6.2	361.7	8.8	370.5
SSE Renewables	-	41.3	-	-	77.4	-	-	118.7	-	118.7
SSE Thermal	-	202.1	-	-	-	-	5.5	207.6	-	207.6
Gas Storage	-	-	-	-	-	3.2	-	3.2	-	3.2
Distributed Energy										
Business Energy	-	875.7	-	-	-	-	-	875.7	-	875.7
SSE Airtricity	-	454.7	-	9.0	-	-	-	463.7	-	463.7
Distributed Energy	10.5	6.9	107.0	13.0	-	-	-	137.4	3.2	140.6
EPM	-	-	-	-	362.8	-	5.7	368.5	-	368.5
Corporate unallocated	-	-	-	-	-	-	66.3	66.3	-	66.3
Total continuing operations	547.6	1,580.7	107.0	40.5	440.2	3.2	85.2	2,804.4	12.0	2,816.4
Discontinued operations										
Gas Production	-	-	-	-	-	-	6.3	6.3	-	6.3
Total discontinued operations	-	-	-	-	-	-	6.3	6.3	-	6.3
Total SSE Group	547.6	1,580.7	107.0	40.5	440.2	3.2	91.5	2,810.7	12.0	2,822.7

5. Segmental information (continued)
5. (a) Revenue by segment (continued)

Disaggregation of revenue (continued)

	Year ended 31 March 2021									
	Revenue from contracts with customers									
	Goods or services transferred over time				Goods or services transferred at a point in time					
	Use of electricity networks	**Supply of energy**	**Construction related services**	**Other contracted services**	**Physical energy**	**Gas storage**	**Other revenue**	**Total revenue from contracts with customers**	**Other contract revenue**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Continuing operations										
SSEN Transmission	373.8	-	-	26.4	-	-	4.7	404.9	-	404.9
SSEN Distribution	787.1	-	-	9.1	-	-	16.2	812.4	22.1	834.5
SSE Renewables	-	159.9	-	-	122.0	-	-	281.9	-	281.9
SSE Thermal	-	484.3	-	-	-	-	19.7	504.0	-	504.0
Gas Storage	-	-	-	-	-	7.1	-	7.1	-	7.1
Distributed Energy										
Business Energy	-	1,934.5	-	-	-	-	-	1,934.5	-	1,934.5
SSE Airtricity	-	1,055.2	-	17.5	-	-	-	1,072.7	-	1,072.7
Distributed Energy	12.8	15.4	265.4	33.3	1.2	-	0.5	328.6	5.9	334.5
EPM	-	-	-	-	988.9	-	373.8	1,362.7	-	1,362.7
Corporate unallocated	-	-	-	-	-	-	89.6	89.6	-	89.6
Total continuing operations	1,173.7	3,649.3	265.4	86.3	1,112.1	7.1	504.5	6,798.4	28.0	6,826.4
Discontinued operations										
Gas Production	-	-	-	-	-	-	14.2	14.2	-	14.2
Total discontinued operations	-	-	-	-	-	-	14.2	14.2	-	14.2
Total SSE Group	1,173.7	3,649.3	265.4	86.3	1,112.1	7.1	518.7	6,812.6	28.0	6,840.6

5. **Segmental information (continued)**

5. **(b) Operating profit/(loss) by segment**

	Six months ended 30 September 2021					
	Adjusted operating profit reported to the Board £m	**Depreciation on fair value uplifts £m**	**Joint Venture/ Associate share of interest and tax (i) £m**	**Before exceptional items and certain remeasurements £m**	**Exceptional items and certain remeasurements £m**	**Total £m**
Continuing operations						
SSEN Transmission	**181.7**	**-**	**-**	**181.7**	**-**	**181.7**
SSEN Distribution	**153.3**	**-**	**-**	**153.3**	**-**	**153.3**
SSE Renewables	**25.4**	**(9.4)**	**(25.6)**	**(9.6)**	**(24.0)**	**(33.6)**
SSE Thermal	**36.1**	**-**	**(4.7)**	**31.4**	**184.2**	**215.6**
Gas Storage	**28.7**	**-**	**-**	**28.7**	**235.2**	**263.9**
Energy Customer Solutions						
Business Energy	**2.4**	**-**	**-**	**2.4**	**-**	**2.4**
SSE Airtricity (ii)	**(2.9)**	**-**	**-**	**(2.9)**	**-**	**(2.9)**
Distributed Energy	**(7.3)**	**-**	**-**	**(7.3)**	**(17.5)**	**(24.8)**
EPM	**5.7**	**-**	**-**	**5.7**	**1,204.0**	**1,209.7**
Corporate unallocated	**(46.3)**	**(0.9)**	**(5.5)**	**(52.7)**	**(8.2)**	**(60.9)**
Total continuing operations	**376.8**	**(10.3)**	**(35.8)**	**330.7**	**1,573.7**	**1,904.4**
Discontinued operations						
Gas Production	**77.7**	**-**	**-**	**77.7**	**(93.9)**	**(16.2)**
SGN	**21.0**	**-**	**(12.8)**	**8.2**	**(89.3)**	**(81.1)**
Total discontinued operations	**98.7**	**-**	**(12.8)**	**85.9**	**(183.2)**	**(97.3)**
Total SSE Group	**475.5**	**(10.3)**	**(48.6)**	**416.6**	**1,390.5**	**1,807.1**

(i) The adjusted operating profit of the Group is reported after removal of the Group's share of interest, fair value movements on financing derivatives, the depreciation charge on fair value uplifts and tax from joint ventures and associates and after adjusting for exceptional items and certain re-measurements (note 6). The share of SGN interest includes loan stock interest payable to the consortium shareholders (included in SGN). The Group has accounted for its 33% share of this, £5.1m (2020: £4.9m, March 2021: £9.8m), as discontinued finance income.

(ii) The adjusted operating profit reported to the Board for SSE Airtricity includes a correction in respect of historic use of system costs of £25.0m. It has been assessed that adjustment in current year does not materially impact prior year financial statements.

5. Segmental information (continued)

5. (b) Operating profit/(loss) by segment

	Six months ended 30 September 2020					
	Adjusted operating profit reported to the Board £m	Depreciation on fair value uplifts £m	Joint Venture/ Associate share of interest and tax (i) £m	Before exceptional items and certain remeasurements £m	Exceptional items and certain remeasurements £m	Total £m
Continuing operations						
SSEN Transmission	115.2	-	-	115.2	-	115.2
SSEN Distribution	114.3	-	-	114.3	-	114.3
SSE Renewables	141.6	(9.4)	(28.1)	104.1	214.5	318.6
SSE Thermal	49.6	-	(16.3)	33.3	24.8	58.1
Gas Storage	(17.9)	-	-	(17.9)	22.4	4.5
Energy Customer Solutions						
Business Energy	(27.4)	-	-	(27.4)	11.9	(15.5)
Airtricity	16.6	-	-	16.6	3.8	20.4
Distributed Energy	(37.8)	-	-	(37.8)	-	(37.8)
EPM	(1.5)	-	-	(1.5)	321.3	319.8
Corporate unallocated	(23.8)	(0.9)	(4.5)	(29.2)	71.5	42.3
Total continuing operations	328.9	(10.3)	(48.9)	269.7	670.2	939.9
Discontinued operations						
Gas Production	(3.0)	-	-	(3.0)	-	(3.0)
SGN	89.4	-	(44.9)	44.5	0.7	45.2
Total discontinued operations	86.4	-	(44.9)	41.5	0.7	42.2
Total SSE Group	415.3	(10.3)	(93.8)	311.2	670.9	982.1

5. Segmental information (continued)

5. (b) Operating profit/(loss) by segment (continued)

	Year ended 31 March 2021					
	Adjusted operating profit reported to the Board £m	Depreciation on fair value uplifts £m	Joint Venture/ Associate share of interest and tax (i) £m	Before exceptional items and certain remeasurements £m	Exceptional items and certain remeasurements £m	Total £m
Continuing operations						
SSEN Transmission	220.9	-	-	220.9	-	220.9
SSEN Distribution	275.8	-	-	275.8	-	275.8
SSE Renewables	731.8	(18.8)	(71.4)	641.6	214.4	856.0
SSE Thermal	160.5	-	(19.6)	140.9	634.4	775.3
Gas Storage	(5.7)	-	-	(5.7)	8.5	2.8
Energy Customer Solutions						
Business Energy	(24.0)	-	-	(24.0)	20.1	(3.9)
SSE Airtricity	44.0	-	-	44.0	6.0	50.0
Distributed Energy	(27.0)	-	-	(27.0)	(49.1)	(76.1)
EPM	18.4	-	-	18.4	590.1	608.5
Corporate unallocated	(61.2)	(1.8)	(13.7)	(76.7)	22.3	(54.4)
Total continuing operations	1,333.5	(20.6)	(104.7)	1,208.2	1,446.7	2,654.9
Discontinued operations						
Gas Production	33.0	-	-	33.0	-	33.0
SGN	173.0	-	(86.0)	87.0	1.6	88.6
Total discontinued operations	206.0	-	(86.0)	120.0	1.6	121.6
Total SSE Group	1,539.5	(20.6)	(190.7)	1,328.2	1,448.3	2,776.5

5. Segmental information (continued)

5. (c) Earnings/(losses) before interest, taxation, depreciation and amortisation ('EBITDA')

	30 September 2021					
	Adjusted operating profit reported to the Board £m	Depreciation on fair value uplifts £m	Depreciation/ impairment/ amortisation before exceptional charges £m	Joint venture/ Associate share of depreciation and amortisation £m	Release of deferred income £m	Adjusted EBITDA £m
Continuing operations						
SSEN Transmission	181.7	-	48.1	-	(2.3)	227.5
SSEN Distribution	153.3	-	86.6	-	(5.9)	234.0
SSE Renewables	25.4	(9.4)	78.7	43.3	-	138.0
SSE Thermal	36.1	-	23.6	8.4	-	68.1
Gas Storage	28.7	-	0.4	-	-	29.1
Energy Customer Solutions						
Business Energy	2.4	-	2.5	-	-	4.9
SSE Airtricity	(2.9)	-	3.6	-	-	0.7
Distributed Energy	(7.3)	-	3.2	-	(0.6)	(4.7)
EPM	5.7	-	2.4	-	-	8.1
Corporate unallocated	(46.3)	(0.9)	23.0	19.0	(0.3)	(5.5)
Total continuing operations	376.8	(10.3)	272.1	70.7	(9.1)	700.2
Discontinued operations						
Gas Production	77.7	-	-	-	-	77.7
SGN	21.0	-	-	11.1	-	32.1
Total discontinued operations	98.7	-	-	11.1	-	109.8
Total SSE Group	475.5	(10.3)	272.1	81.8	(9.1)	810.0

5. Segmental information (continued)

5. (c) Earnings/(losses) before interest, taxation, depreciation and amortisation ('EBITDA') (continued)

30 September 2020	Adjusted operating profit reported to the Board £m	Depreciation on fair value uplifts £m	Depreciation/ impairment/ amortisation before exceptional charges £m	Joint venture/ Associate share of depreciation and amortisation £m	Release of deferred income £m	Adjusted EBITDA £m
Continuing operations						
SSEN Transmission	115.2	-	42.1	-	(1.3)	156.0
SSEN Distribution	114.3	-	83.5	-	(5.7)	192.1
SSE Renewables	141.6	(9.4)	79.0	48.0	-	259.2
SSE Thermal	49.6	-	26.6	11.4	-	87.6
Gas Storage	(17.9)	-	0.4	-	-	(17.5)
Energy Customer Solutions						
Business Energy	(27.4)	-	1.1	-	-	(26.3)
SSE Airtricity	16.6	-	3.6	-	-	20.2
Distributed Energy	(37.8)	-	2.1	-	(0.3)	(36.0)
EPM	(1.5)	-	-	-	-	(1.5)
Corporate unallocated	(23.8)	(0.9)	35.9	19.9	(0.6)	30.5
Total continuing operations	328.9	(10.3)	274.3	79.3	(7.9)	664.3
Discontinued operations						
Gas Production	(3.0)	-	-	-	-	(3.0)
SGN	89.4	-	-	29.8	-	119.2
Total discontinued operations	86.4	-	-	29.8	-	116.2
Total SSE Group	415.3	(10.3)	274.3	109.1	(7.9)	780.5

31 March 2021	Adjusted operating profit reported to the Board £m	Depreciation on fair value uplifts £m	Depreciation/ impairment/ amortisation before exceptional charges £m	Joint venture/ 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	275.8	-	168.8	-	(11.3)	433.3
SSE Renewables	731.8	(18.8)	158.0	90.1	-	961.1
SSE Thermal	160.5	-	54.3	15.8	(1.0)	229.6
Gas Storage	(5.7)	-	0.8	-	-	(4.9)
Energy Customer Solutions						
Business Energy	(24.0)	-	4.6	-	-	(19.4)
Airtricity	44.0	-	7.5	-	-	51.5
Distributed Energy	(27.0)	-	8.2	-	(1.7)	(20.5)
EPM	18.4	-	5.3	-	-	23.7
Corporate unallocated	(61.2)	(1.8)	61.6	38.0	(1.1)	35.5
Total continuing operations	1,333.5	(20.6)	556.2	143.9	(17.7)	1,995.3
Discontinued operations						
Gas Production	33.0	-	-	-	-	33.0
SGN	173.0	-	-	61.6	-	234.6
Total discontinued operations	206.0	-	-	61.6	-	267.6
Total SSE Group	1,539.5	(20.6)	556.2	205.5	(17.7)	2,262.9

6. Exceptional items and certain re-measurements

Year ended 31 March 2021 (restated*) £m		**Six months ended 30 September 2021 £m**	Six months ended 30 September 2020 (restated*) £m
	Continuing operations		
	Exceptional items (note 6.1)		
(50.4)	Asset impairments and related (charges) and credits	**182.2**	15.7
(75.3)	Provisions for restructuring and other liabilities	**-**	-
(125.7)		**182.2**	15.7
976.0	Net gains/(losses) on disposals of businesses and other assets	**(22.0)**	311.3
850.3	**Total exceptional items**	**160.2**	327.0
	Certain re-measurements (note 6.2)		
590.1	Movement on operating derivatives	**1,204.0**	321.3
8.5	Movement in fair value of commodity stocks	**235.2**	22.4
55.6	Movement on financing derivatives	**(55.9)**	(16.5)
(0.8)	Share of movement on derivatives in jointly controlled entities (net of tax)	**-**	(0.5)
653.4	**Total certain re-measurements**	**1,383.3**	326.7
1,503.7	**Total exceptional items and certain re-measurements before taxation**	**1,543.5**	653.7
	Taxation		
3.1	Taxation on other exceptional items	**(33.2)**	(2.8)
(125.9)	Taxation on certain re-measurements	**(267.5)**	(60.5)
-	Effect of deferred tax rate change in wholly owned entities	**(214.9)**	-
-	Effect of deferred tax rate change in jointly controlled entities	**(23.4)**	-
(122.8)	Taxation	**(539.0)**	(63.3)
1,380.9	**Total exceptional items and certain re-measurements on continuing operations after taxation**	**1,004.5**	590.4
	Discontinued operations		
	Exceptional items (note 6.1) and certain re-measurements (note 6.2)		
-	Gas production asset impairments and related charges	**(93.9)**	-
1.6	Share of movement on derivatives in jointly controlled entities (net of tax)	**(3.8)**	0.7
-	Effect of deferred tax rate change in jointly controlled entities	**(85.5)**	-
1.6	**Total exceptional items and certain re-measurements on discontinued operations after taxation**	**(183.2)**	0.7

6. Exceptional items and certain re-measurements (continued)

Exceptional items and certain re-measurements are disclosed across the following categories within the income statement:

Year ended 31 March 2021 (restated*) £m		Six months ended 30 September 2021 £m	Six months ended 30 September 2020 (restated*) £m
	Continuing operations		
	Cost of sales:		
590.1	Movement on operating derivatives (note 16)	**1,204.0**	321.3
8.5	Movement in fair value of commodity stocks	**235.2**	22.4
598.6		**1,439.2**	343.7
	Operating costs:		
(30.1)	Asset impairments and reversals	**182.2**	15.7
(24.2)	SSE Energy Services related restructuring costs and asset impairments	**-**	-
(72.8)	Other exceptional provisions and charges	**(24.3)**	-
(127.1)		**157.9**	15.7
	Operating income:		
976.0	Net gains on disposals of businesses and other assets	**-**	311.3
976.0		**-**	311.3
	Joint ventures and associates:		
(0.8)	Share of movement on derivatives in jointly controlled entities (net of tax)	**-**	(0.5)
-	Effect of deferred tax rate change in jointly controlled entities	**(23.4)**	-
(0.8)		**(23.4)**	(0.5)
1,446.7	**Operating profit:**	**1,573.7**	670.2
	Finance costs/(income)		
55.6	Movement on financing derivatives (note 16)	**(55.9)**	(16.5)
1.4	Interest income on deferred consideration receipt	**2.3**	-
57.0		**(53.6)**	(16.5)
1,503.7	**Profit before taxation on continuing operations**	**1,520.1**	653.7
	Discontinued operations		
	Joint ventures and associates:		
-	Gas production asset impairments and related charges	**(93.9)**	-
1.6	Share of movement on derivatives in jointly controlled entities (net of tax)	**(3.8)**	0.7
1.6	**Profit/(loss) on discontinued operations**	**(97.7)**	0.7

*Comparative information has been restated. See note 2 (v).

6. Exceptional items and certain re-measurements (continued)

6.1 Exceptional items

Exceptional items recognised in the current financial period

Exceptional items within continuing operations

i) SSE Contracting – loss on disposal

On 30 June 2021, the Group completed the sale of its Contracting and Rail business to the Aurelius Group for headline consideration of £22.5m and £5m of contingent consideration, based on earning targets within the business. Due to working capital movements in the business subsequent to the transaction agreement, cash consideration received was £0.2m. The Group recorded an additional exceptional loss on disposal of £18.1m on completion, in addition to the exceptional impairment loss of £51.2m recognised during the year ended 31 March 2021.

ii) Thermal Generation - impairment reversals

At 30 September 2021, observable prices for power and gas have increased significantly from prices used in the last formal impairment assessment at 31 March 2021. This is considered an indicator of impairment reversal, necessitating formal reassessment of the carrying value of certain thermal assets that have previously been impaired. A value in use model based on pre-tax discounted cashflows, with an updated observable spark spread input at 30 September 2021 was prepared to assess the fair value of the assets. This was performed for the Group's GB combined cycle gas turbine ('CCGT') power stations and the Group's Great Island CCGT in Ireland as follows:

Assets	Cash flow period assumption	Operating and other valuation assumptions	Commentary and impairment conclusions
GB CCGTs (Keadby, Medway, Peterhead and Marchwood (PPA right of use asset)	Period to end of life	**Modelling methodology and assumptions** The VIU of the Group's GB combined cycle gas turbine ('CCGT') power stations were based on pre-tax discounted cash flows expected to be generated by each plant, based on management's view of operating prospects and operational flexibility within the GB wholesale market, including capacity market clearing prices. Cash flows are subject to a pre-tax real discount rate between 13.3% and 20.9% (31 March 2021: between 8.9% and 19.9%). **Changes from 31 March 2021** Certain assets within the Group's GB CCGT fleet are nearing the end of their operational life and are therefore more sensitive to fluctuations in market assumptions. During the period, observable peak load spark price assumed for the assets has increased significantly which has been reflected in the updated VIU model.	**Conclusion** At 30 September 2021 an impairment reversal totalling £175.8m has been recognised on the GB CCGT assets. Individual impairment reversals were recognised on Peterhead (£25.4m); Keadby (£46.7m); Medway (£49.7m) and Marchwood (£54.0m). **Sensitivity analysis** In line with the formal valuation exercise performed at 31 March 2021, sensitivities to the impairment reversal were calculated to assess the overall write-back within a range of reasonably possible scenarios. A 20% decrease in gross margin would result in an impairment of £17.1m in Peterhead. For Keadby the impairment reversal would reduce to £29.9m and for Medway it would reduce to £30.2m. Marchwood impairment reversal would be unchanged. A 20% increase in gross margin would result in an increase to the impairment reversal Peterhead of £43.4m, Keadby £17.9m and Medway £20.5m Marchwood impairment reversal would be unchanged. A £10/KW decrease in non-contracted capacity market price would reduce the impairment write back in Peterhead to £5.6m. Keadby, Medway and Marchwood impairment reversal would be unchanged. A £10/KW increase in non-contracted capacity market price would result in an increase to the impairment reversal on Peterhead of £20.7m. Keadby, Medway and Marchwood impairment reversal would be unchanged.

6. Exceptional items and certain re-measurements (continued)

6.1 Exceptional items (continued)

Assets	Cash flow period assumption	Operating and other valuation assumptions	Commentary and impairment conclusions
Great Island CCGT	Period to end of life	The VIU of the Group's Great Island CCGT power station was based on pre-tax discounted cash flows expected to be generated based on management's view of operating prospects. Cash flows are subject to a pre-tax real discount rate of 10.8% reflecting the specific risks in the Irish market (31 March 2021: 10.8%).	**Conclusion** At 30 September 2021 an impairment reversal of £5.8m has been recognised. **Sensitivity analysis** In line with the formal valuation exercise performed at 31 March 2021, sensitivities to the impairment reversal were calculated to assess the overall write-back within a range of reasonably possible scenarios. A 20% decrease in gross margin would result in an impairment of £82.0m, a 20% increase in gross margin would result in an impairment reversal of £56.6m. A €10/KW decrease in non-contracted capacity market price would result an impairment of £11.9m. A €10/KW increase would result in an impairment reversal of £23.5m.

iii) Neos Networks – adjustments to consideration

In the year ended 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 6 months ended 30 September 2021, the Group 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 £6.2m.

iv) Other credits

At 30 September 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 resulted in a reversal in impairment of £0.6m (September 2020: £nil, March 2021 £2.2m). While this reversal is not exceptional, it has been classified as exceptional to align to the classification of the initial impairment.

At 30 September 2021 the Group recognised £2.3m (2021: £1.4m) of exceptional finance credits in relation the unwind of discounting on deferred consideration recognised for the part disposal of SSE Slough Multifuel Limited in the year ending 31 March 2021.

Exceptional items within discontinued operations

i) Gas Production – impairment charges

The Group recorded an exceptional impairment charge of £93.9m related to the carrying value of the Gas Production assets and liabilities held for sale, which are not subject to deprecation under IFRS 5, based on their fair value less costs to sell, excluding the deferred tax asset which continues to be measured under IAS 12. The sale to Viaro Energy through its subsidiary RockRose Energy Limited completed on 14 October 2021, subsequent to the balance sheet date. The additional loss on sale, not recognised at 30 September 2021, but due to the buyer based on production between 1 October 2021 and 14 October 2021 is estimated at £24.1m. This has arisen due to the lock box mechanism effective 1 April 2019 within the sale agreement and will be recognised in the second half of the financial year.

Exceptional items recognised in the previous financial year

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 recognised an exceptional impairment of £58.1m (September 2020: £nil) to the carrying value of the asset, which arose following reductions in forward price curves and forecast electricity demand in Ireland.

ii) Customer bad debt provisioning

In the year ended 31 March 2020, 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 2019 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 achieved higher cash collections in recovery of its debt than was expected, largely due to government support schemes and other factors. As a result, a reversal of the exceptional provision of £20.1m (September 2020: £11.9m) in its Business Energy and £6.0m (September 2020: £3.8m) in its Airtricity businesses was recognised.

6. Exceptional items and certain re-measurements (continued)

6.1 Exceptional items (continued)

Exceptional items recognised in the previous financial year (continued)

iii) SSE Contracting – impairment charges

On 1 April 2021, the Group announced the sale of its Contracting and Rail business to Aurelius Group. The transaction was 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 classified its interest in the business as held for sale (see note 9) and impaired the carrying amount of the held for sale asset to its net realisable value, resulting in an impairment of £51.2m (September 2020: £nil). The transaction completed on 30 June 2021.

iv) SSE Energy Services disposal costs

In the year ended 31 March 2020, 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 were subsequently re-estimated in the year to 31 March 2021. These additional costs of disposal, which total £24.2m (September 2020: £nil), included 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.

v) Neos Networks adjustment to consideration

In the year ended 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 year ended 31 March 2021, the Group received further cash proceeds of £44m relating to previously accrued deferred consideration but 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 £20.2m (September 2020: £nil).

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 resulted in a reversal in impairment of £2.2m (September 2020: £nil). While this reversal was not exceptional, it was 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 (September 2020: £nil) reversal of the exceptional impairment recognised in 2017/18. While this reversal was not exceptional, it was classified as exceptional to align to the classification of the initial impairment.

vii) Disposal gains

During the year ended 31 March 2021, the Group progressed with its disposal plan for non-core assets announced in June 2020, which resulted in exceptional gains on disposal. The exceptional gains on disposal totalling £976.0m (September 2020: £311.3m) are summarised below. Further details regarding the disposals during the year ended 31 March 2021 are 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 7 January 2021 when the transaction completed. The Group recorded an exceptional gain on disposal of £669.9m (September 2020: £nil).

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 (September 2020: £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 had been operational for several years, the disposal was 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 was 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, and recognised an exceptional gain on disposal of £70.4m (September 2020: £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 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 (September 2020: £49.0m). Of that gain, £25.7m (September 2020: £25.7m) was recognised as exceptional, as it represented the fair value gain on acquisition of the joint venture investment retained by the Group. The remaining £23.3m (September 2020: £23.3m) of the gain was included in underlying operations, in line with the Group's stated exceptional policy (see note 2 (iii)).

6. Exceptional items and certain re-measurements (continued)

6.1 Exceptional items (continued)

Exceptional items recognised in the previous financial year (continued)

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 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 (September 2020: £48.7m). Of that gain, £21.3m (September 2020: £24.8m) was recognised as exceptional, as it represented the fair value gain on acquisition of the joint venture investment retained by the Group. The remaining £20.4m (September 2020: £23.9m) of the gain was included in underlying operations, in line with the Group's stated exceptional policy (see note 2 (iii)).

6.2 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 SSE Airtricity supply businesses and to optimise the value of its SSE Renewables and SSE Thermal. 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 and are not recorded at fair value. 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.

At 30 September 2021, volatility in global commodity markets has resulted in an 'in the money' mark-to-market remeasurement on commodity contracts designated as financial instruments and trading inventory of £1,439.2m. However, the Group has 'own use' designated commodity contracts which, if classified as financial instruments and remeasured at fair value in accordance with IFRS 9, would significantly reduce the total fair value remeasurement. A significant proportion of 'in the money' mark-to-market remeasurement recorded at 30 September 2021 and 'own use' designated commodity contracts are expected to reverse in the second half of the financial year as the relevant commodity is delivered. The remaining settlement of these contracts will predominately be within the subsequent 12 to 24 months. The mark-to-market gain in the period has resulted in a deferred tax charge of £297.4m, which has also been classified as exceptional.

The re-measurements arising from IFRS 9 and the associated deferred tax charge 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.

6.3 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% was substantively enacted on 24 May 2021. The deferred tax balances have been re-measured at 30 September 2021 accordingly. The impact of the rate change for wholly owned entities is £214.9m within the income statement.

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 were substantively enacted on 24 May 2021, to significantly increase the deduction for Capital Allowances in the financial years ending 31 March 2022 and 31 March 2023. An estimate of the super-deduction has been taken into account when calculating the effective rate of tax for the interim period. The Group notes that final guidance in respect of the application of the super-deduction has not yet been issued by HMRC.

Taxation

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

7. Finance income and costs

Year ended 31 March 2021 (restated*) £m		**Six months ended 30 September 2021 £m**	Six months ended 30 September 2020 (restated*) £m
	Finance income:		
1.9	Interest income from short term deposits	**0.5**	1.5
8.3	Interest on pension scheme assets	**3.7**	4.0
1.3	Foreign exchange translation of monetary assets and liabilities	**-**	-
	Other interest receivable:		
43.9	Joint ventures and associates	**19.5**	28.8
24.2	Other receivable	**16.9**	11.2
68.1		**36.4**	40.0
79.6	**Total finance income**	**40.6**	45.5
	Finance costs:		
(24.0)	Bank loans and overdrafts	**(7.6)**	(15.2)
(323.2)	Other loans and charges	**(173.6)**	(160.9)
-	Foreign exchange translation of monetary assets and liabilities	**(14.9)**	-
(3.8)	Notional interest arising on discounted provisions	**(2.3)**	(1.9)
(35.3)	Lease charges	**(16.2)**	(17.6)
14.2	Less: interest capitalised	**11.6**	6.1
(372.1)	**Total finance costs**	**(203.0)**	(189.5)
55.6	Changes in fair value of financing derivative assets or liabilities at fair value through profit or loss	**(55.9)**	(16.5)
(236.9)	**Net finance costs**	**(218.3)**	(160.5)
	Presented as:		
135.2	**Finance income**	**40.6**	45.5
(372.1)	**Finance costs**	**(258.9)**	(206.0)
(236.9)	**Net finance costs**	**(218.3)**	(160.5)

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

Year ended 31 March 2021 (restated*) £m		**Six months ended 30 September 2021 £m**	Six months ended 30 September 2020 (restated*) £m
(236.9)	**Net finance costs**	**(218.3)**	(160.5)
	(add)/less:		
(82.4)	Share of interest from joint ventures and associates	**(34.2)**	(47.0)
(8.3)	Interest on pension scheme (assets)/liabilities	**(3.7)**	(4.0)
(55.6)	Movement on financing derivatives (note 16)	**55.9**	16.5
(1.4)	Exceptional item	**(2.3)**	-
(384.6)	**Adjusted net finance costs**	**(202.6)**	(195.0)
3.8	Notional interest arising on discounted provisions	**2.3**	1.9
35.3	Lease charges	**16.2**	17.6
(46.6)	Hybrid coupon payment	**(50.7)**	(46.6)
(392.1)	**Adjusted net finance costs for interest cover calculations**	**(234.8)**	(222.1)

*The comparative has been restated. See note 2 (v).

8. Taxation

The income tax expense for the interim period is calculated in accordance with the principles of IAS 34, where the forecast effective rate of tax for the year is applied to the profits for the period, with discreet items arising in the interim period being separately treated.

The income tax expense reflects the anticipated effective rate of tax on profits before taxation for the Group for the year ending 31 March 2022, taking account of the movement in the deferred tax provision in the period so far as it relates to items recognised in the income statement. The reported tax rate on the profit before tax before exceptional items and certain re-measurements on continuing operations is 16.1% (2020: 12.7%, March 2021: 11.1%). The reported tax rate on the profit before tax after exceptional items and certain remeasurements is 32.2% (2020: 10.2%, March 2021: 9.3%).

The charge recognised in the income statement is as follows:

	30 September 2021			30 September 2020		
	Before exceptional items and remeasurements £m	**Exceptional items and remeasurements £m**	**Total £m**	Before exceptional items and remeasurements £m	Exceptional items and remeasurements £m	Total £m
Current tax						
UK corporation tax	**13.4**	**(6.4)**	**7.0**	9.0	6.9	15.9
Adjustments in respect of previous years	**(3.0)**	**(9.0)**	**(12.0)**	0.7	-	0.7
Total current tax	**10.4**	**(15.4)**	**(5.0)**	9.7	6.9	16.6
Deferred tax						
Current year	**16.3**	**316.1**	**332.4**	9.4	56.4	65.8
Effect of change in tax rate	**-**	**214.9**	**214.9**	-	-	-
Adjustments in respect of previous years	**-**	**-**	**-**	(3.1)	-	(3.1)
Total deferred tax	**16.3**	**531.0**	**547.3**	6.3	56.4	62.7
Total taxation charge/(credit)	**26.7**	**515.6**	**542.3**	16.0	63.3	79.3

	31 March 2021		
	Before exceptional items and remeasurements	Exceptional items and remeasurements	Total
Current tax			
UK corporation tax	84.1	6.2	90.3
Adjustments in respect of previous years	(11.4)	-	(11.4)
Total current tax	72.7	6.2	78.9
Deferred tax			
Current year	34.0	113.3	147.3
Adjustments in respect of previous years	(5.2)	3.3	(1.9)
Total deferred tax	28.8	116.6	145.4
Total taxation charge/(credit)	101.5	122.8	224.3

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:

Year ended 31 March 2021 (restated*) £m	%		**Six months ended 30 September 2021 £m**	**%**	Six months ended 30 September 2020 (restated*) £m	%
		Continuing operations				
224.3	9.3	Group tax charge and effective rate	**542.3**	**32.2**	79.3	10.2
(145.4)	(6.1)	Add: reported deferred tax charge and effective rate	**(547.3)**	**(32.5)**	(62.7)	(8.0)
78.9	3.2	Reported current tax charge and effective rate	**(5.0)**	**(0.3)**	16.6	2.2
	5.1	Effect of adjusting items		**(2.5)**		10.2
78.9	8.3	Reported current tax charge on adjusted basis	**(5.0)**	**(2.8)**	16.6	12.4
		add:				
14.9	1.6	Share of current tax from joint ventures and associates	**2.3**	**1.3**	1.9	1.4
		less:				
(7.9)	(0.8)	Current tax charge/credit on exceptional items	**15.4**	**8.8**	(6.9)	(5.1)
85.9	9.1	**Adjusted current tax charge and effective rate**	**12.7**	**7.3**	11.6	8.7

The adjusted effective current tax rate for the period after adjusting for discrete events arising in the first half of the year is 7.3%. The forecast full-year effective current tax rate is expected to be between 8% - 9%.

*The comparative has been restated. See note 2 (v).

9. Discontinued operations and assets and liabilities held for sale

Discontinued operations

The discontinued operations are the Group's Gas Production business, which remains held for sale at the balance sheet date, and its joint venture investment in SGN. SGN constitutes a separate major line of business of the Group, therefore it has been classified as a discontinued operation and is included in discontinued operations in all comparative information below. The profit/(loss) of the discontinued operations for the period is as follows:

	30 September 2021			30 September 2020		
	Before exceptional items and remeasurements £m	**Exceptional items and remeasurements £m**	**Total £m**	Before exceptional items and remeasurements(i) (restated*) £m	Exceptional items and remeasurements (restated*) £m	Total(i) (restated*) £m
Revenue(i)	**116.2**	**-**	**116.2**	77.2	-	77.2
Cost of sales(i)	**(36.9)**	**-**	**(36.9)**	(78.5)	-	(78.5)
Gross profit/(loss)	**79.3**	**-**	**79.3**	(1.3)	-	(1.3)
Operating costs	**(1.6)**	**(93.9)**	**(95.5)**	(1.7)	-	(1.7)
Operating profit/(loss) before joint ventures	**77.7**	**(93.9)**	**(16.2)**	(3.0)	-	(3.0)
Joint ventures:						
Share of operating profit	**21.0**	**-**	**21.0**	89.4	-	89.4
Share of interest	**(11.1)**	**-**	**(11.1)**	(32.9)	-	(32.9)
Share of movement on derivatives	**-**	**(4.6)**	**(4.6)**	-	0.8	0.8
Share of tax	**(1.7)**	**(84.7)**	**(86.4)**	(12.0)	(0.1)	(12.1)
Share of profit on joint ventures	**8.2**	**(89.3)**	**(81.1)**	44.5	0.7	45.2
Operating profit/(loss)	**85.9**	**(183.2)**	**(97.3)**	41.5	0.7	42.2
Finance income	**5.1**	**-**	**5.1**	4.9	-	4.9
Finance costs	**(1.6)**	**-**	**(1.6)**	(1.1)	-	(1.1)
Profit/(loss) before tax	**89.4**	**(183.2)**	**(93.8)**	45.3	0.7	46.0
Profit/(loss) from discontinued operations, net of tax	**89.4**	**(183.2)**	**(93.8)**	45.3	0.7	46.0

(i) For the 6 months ended 30 September 2020 revenue and cost of sales have been adjusted by £70.9m to reflect the external revenue and cost of sales that will be lost by SSE on disposal of Gas Production.

	31 March 2021		
	Before exceptional items and remeasurements (restated*) £m	Exceptional items and remeasurements (restated*) £m	Total (restated*) £m
Revenue	105.0	-	105.0
Cost of sales	(68.9)	-	(68.9)
Gross profit	36.1	-	36.1
Operating costs	(3.1)	-	(3.1)
Operating profit before joint ventures	33.0	-	33.0
Joint ventures:			
Share of operating profit	173.0	-	173.0
Share of interest	(64.1)	-	(64.1)
Share of movement on derivatives	-	1.9	1.9
Share of tax	(21.9)	(0.3)	(22.2)
Share of profit on joint ventures	87.0	1.6	88.6
Operating profit/(loss)	120.0	1.6	121.6
Finance income	9.8	-	9.8
Finance costs	(2.3)	-	(2.3)
Profit before taxation	127.5	1.6	129.1
Profit for the year from discontinued operations, net of tax	127.5	1.6	129.1

* The comparative has been restated. See note 2 (v).

Other comprehensive income from discontinued operations

March 2021 £m		**September 2021 £m**	September 2020 £m
	Items that will be reclassified subsequently to profit or loss:		
4.7	Share of other comprehensive gain/(loss) of joint ventures and associates, net of taxation	**0.5**	(0.4)
	Items that will not be reclassified to profit or loss:		
(23.3)	Share of other comprehensive (loss)/income of joint ventures, net of taxation	**(1.7)**	(11.9)
(18.6)	Other comprehensive loss from discontinued operations	**(1.2)**	(12.3)

9. Discontinued operations and assets and liabilities held for sale (continued)

Cashflows from discontinued operations

March 2021 £m		**September 2021 £m**	September 2020 £m
26.8	Cashflows from operating activities	**11.6**	12.5
(26.8)	Cashflows from investing activities	**(11.6)**	(12.5)
-	Net increase/(decrease) in cash and cash equivalents from discontinued operations	**-**	-

Assets and liabilities held for sale

At 30 September 2021, the Group's Gas Production assets and liabilities were deemed available for immediate sale. As referred at note 21.2, the transaction to dispose of Gas Production was completed on 14 October 2021. On 2 August 2021, the Group announced it had agreed to sell its 33.3% investment in SGN to a consortium comprising existing SGN shareholders Ontario Teachers' Pension Plan Board and Brookfield Super-Core Infrastructure Partners for cash consideration of £1,225m. The agreement is conditional on certain regulatory approvals and is expected to complete by 31 March 2022. Accordingly, the investment is presented as held for sale at 30 September 2021. The final gain on sale will be determined on completion of the transaction, but is expected to be in excess of £570m. Finally, a 10% stake in Doggerbank windfarm development C has also been classified as held for sale at 30 September 2021, as the Group was progressed in discussions to sell a 10% stake in Dogger Bank C to Eni. The transaction was announced on 2 November 2021, subsequent to the balance sheet date (see note 21.3).

The assets and liabilities of each of these businesses have been classified as held for sale and have been presented separately after elimination of intercompany balances on the face of the balance sheet.

March 2021 £m		**Gas Production £m**	**SGN £m**	**10% Dogger bank C £m**	**September 2021 £m**	September 2020 £m
167.5	Property plant and equipment	**124.7**	**-**	**-**	**124.7**	180.4
49.6	Goodwill and other intangible assets	**33.7**	**-**	**-**	**33.7**	41.6
-	Equity investments in joint ventures and associates	**-**	**543.1**	**2.6**	**545.7**	71.9
-	Loans to joint ventures and associates	**-**	**118.8**	**-**	**118.8**	281.2
14.9	Deferred tax asset	**14.7**	**-**	**-**	**14.7**	14.7
4.7	Inventories	**5.8**	**-**	**-**	**5.8**	7.1
102.4	Trade and other receivables	**2.5**	**-**	**-**	**2.5**	80.5
-	Cash and cash equivalents	**-**	**-**	**-**	**-**	0.5
339.1	**Total assets**	**181.4**	**661.9**	**2.6**	**845.9**	677.9
(55.4)	Trade and other payables	**(13.2)**	**-**	**-**	**(13.2)**	(50.0)
(0.1)	Current tax liabilities	**-**	**-**	**-**	**-**	-
(195.8)	Provisions	**(159.4)**	**-**	**-**	**(159.4)**	(405.0)
(2.2)	Loans and other borrowings	**-**	**-**	**-**	**-**	(1.5)
(253.5)	**Total liabilities**	**(172.6)**	**-**	**-**	**(172.6)**	(456.5)
85.6	**Net assets/(liabilities)**	**8.8**	**661.9**	**2.6**	**673.3**	221.4

Amounts accumulated in hedge reserve related to SGN total £28.2m, net of tax.

The assets and liabilities classified as held for sale at 30 September 2020 were the Group's investment in Multifuel Energy Limited, the Group's 10% stake in Doggerbank A&B windfarm development, the Group's SSE Contracting business and the Group's investment in Gas Production assets. Multifuel Energy Limited was sold on 7 January 2021 (see note 12) and the 10% stake in Doggerbank A & B windfarm development was sold was sold on 4 December 2020 (see note 12), while the SSE Contracting business and the Group's investment in Gas Production assets remained held for sale at 31 March 2021. As noted above, both SSE Contracting and Gas Production have now been disposed.

10. Dividends

Ordinary dividends

Year ended 31 March 2021 Total £m	Settled via scrip £m	Pence per ordinary share		**Six months ended 30 September 2021** **Total £m**	**Settled via scrip £m**	**Pence per ordinary share**	Six months ended 30 September 2020 Total £m	Settled via scrip £m	Pence per ordinary share
-	-	-	Final – year ended 31 March 2021	**590.5**	**327.5**	**56.6**	-	-	-
254.3	13.5	24.4	Interim – year ended 31 March 2021	**-**	**-**		-	-	-
582.1	25.5	56.0	Final – year ended 31 March 2020	**-**	**-**		582.1	25.5	56.0
836.4	39.0			**590.5**	**327.5**		582.1	25.5	

The final dividend of 56.6p per ordinary share declared in respect of the financial year ended 31 March 2021 (2020: 56.0p) was approved at the Annual General Meeting on 22 July 2021 and was paid to shareholders on 23 September 2021. 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.

An interim dividend of 25.5p per ordinary share (2020: 24.4p) has been proposed and is due to be paid on 10 March 2022 to those shareholders on the SSE plc share register on 14 January 2022. The proposed interim dividend has not been included as a liability in these financial statements. A scrip dividend will be offered as an alternative.

11. Earnings per share

Basic earnings per share

The calculation of basic earnings per ordinary share at 30 September 2021 is based on the net profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the period ended 30 September 2021.

Adjusted earnings per share

Adjusted earnings per share has been calculated by excluding the charge for deferred tax, the interest on net pension liabilities under IAS 19, the depreciation charged on fair value uplifts and the impact of exceptional items and certain re-measurements.

Continuing operations

Year ended 31 March 2021 (restated*) Earnings £m	Earnings per share pence		**Six months ended 30 September 2021** **Earnings £m**	**Earnings per share pence**	Six months ended 30 September 2020 (restated*) Earnings £m	Earnings per share pence
2,276.2	218.7	Earnings attributable to ordinary shareholders	**999.3**	**94.7**	699.5	67.3
(129.1)	(12.4)	Less: losses/(earnings) attributable to discontinued operations	**93.8**	**8.9**	(46.0)	(4.4)
2,147.1	206.3	**Basic earnings on continuing operations used to calculate adjusted EPS**	**1,093.1**	**103.6**	653.5	62.9
(1,380.9)	(132.8)	Exceptional items and certain re-measurements (note 6)	**(1,004.5)**	**(95.2)**	(590.4)	(56.8)
766.2	73.5	Basic excluding exceptional items and certain re-measurements	**88.6**	**8.4**	63.1	6.1
		Adjusted for:				
20.6	2.0	Depreciation charge on fair value uplifts	**10.3**	**1.0**	10.3	1.0
(8.3)	(0.8)	Interest on net pension scheme assets (note 7)	**(3.7)**	**(0.4)**	(4.0)	(0.4)
32.2	3.1	Deferred tax	**16.3**	**1.6**	9.8	0.9
5.7	0.6	Deferred tax from share of joint ventures and associates	**(0.7)**	**(0.1)**	(3.5)	(0.3)
816.4	78.4	**Adjusted**	**110.8**	**10.5**	75.7	7.3

2,147.1	206.3	**Basic**	**1,093.1**	**103.6**	653.5	62.9
-	(0.3)	Dilutive effect of outstanding share options	**-**	**(0.2)**	-	(0.1)
2,147.1	206.0	**Diluted**	**1,093.1**	**103.4**	653.5	62.8

Reported earnings per share

Year ended 31 March 2021 (restated*) Earnings £m	Earnings per share pence		**Six months ended 30 September 2021** **Earnings £m**	**Earnings per share pence**	Six months ended 30 September 2020 (restated*) Earnings £m	Earnings per share pence
		Basic				
2,147.1	206.3	Earnings per share on continuing operations	**1,093.1**	**103.6**	653.5	62.9
129.1	12.4	Earnings/(losses) per share on discontinued operations	**(93.8)**	**(8.9)**	46.0	4.4
2,276.2	218.7	**Earnings per share attributable to ordinary shareholders**	**999.3**	**94.7**	699.5	67.3
-	(0.4)	**Dilutive effect of outstanding share options**	**-**	**(0.1)**	-	(0.1)
2,276.2	218.3	**Diluted**	**999.3**	**94.6**	699.5	67.2

11. Earnings per share (continued)

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

Year ended 31 March 2021 Number of shares (millions)		**Six months ended 30 September 2021 Number of shares (millions)**	Six months ended 30 September 2020 Number of shares (millions)
1,040.9	For basic and adjusted earnings per share	**1,054.7**	1,039.6
1.6	Effect of exercise of share options	**2.2**	1.5
1,042.5	For diluted earnings per share	**1,056.9**	1,041.1

12. Acquisitions and disposals

Acquisitions and disposals in the current period

Acquisitions

There have been no significant acquisitions in the current period.

Disposals

SSE Contracting: on 30 June 2021, the Group completed the sale of its Contracting and Rail business to the Aurelius Group for headline consideration of £22.5m and £5m of contingent consideration based on earnings targets within the business. Due to working capital movements in the business subsequent to the transaction agreement, cash consideration received was £0.2m. The Group recorded an additional exceptional loss on disposal of £18.1m on completion, in addition to the exceptional impairment loss of £51.2m recognised during the year ended 31 March 2021.

Other disposals: On 19 August 2021 the Group received a dividend of £4.8m following the sale of Smarter Grid Solutions by the Environmental Energies Fund Limited, resulting in a gain on sale of £2.8m.

Prior year acquisitions and disposals

During the year ended 31 March 2021, the Group progressed 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 exceptional gains on disposal of £976.0m (September 2020, £311.3m) and non-exceptional gains on disposal of £251.9m (September 2020, £47.2m). The gains at September 2020 related to disposals of investments in Walney Windfarm and Maple Smart Meter Assets, and stakes in Seagreen 1 Windfarm and Slough Multifuel. 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.

There were no significant additions during the year ended 31 March 2021.

Sale of investment in Ferrybridge Multifuel: On 7 January 2021, the Group completed the disposal 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 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. 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 was 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, 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.

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 was recognised as exceptional, as it represented the fair value gain on acquisition of the joint venture investment retained by the Group. The remaining £23.3m of the gain was included in underlying operations, in line with the Group's stated exceptional policy.

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 was recognised as exceptional, as it represented the fair value gain on acquisition of the joint venture investment retained by the Group. The remaining £20.4m of the gain was included in underlying operations, in line with the Group's stated exceptional policy.

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 30 September 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. On 1 April 2021, the Group exercised its option to redeem its €600m hybrid equity bond (£421.4m). 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.

Adjusted net debt and hybrid capital is stated after removing lease obligations and cash held as collateral in line with the Group's presentation basis which is explained at note 2(i). Cash held as collateral refers to amounts deposited on commodity trading exchanges which are reported within 'trade and other receivables' on the face of the balance sheet.

The £1.5bn of committed bank facilities, being a £1.3bn Revolving Credit Facility with a March 2026 maturity date and a £0.2bn bilateral facility with an October 2026 maturity date. These facilities can also be utilised to cover short term funding requirements; however, they remain undrawn for most of the time and were undrawn at 30 September 2021. In addition, the Group has an established €1.5bn Euro commercial paper programme (paper can be issued in a range of currencies and swapped into Sterling). At 30 September 2021, £103m of commercial paper was outstanding (2020: £336m; March 2021: nil).

The Group capital comprises:

March 2021 £m		**September 2021 £m**	September 2020 £m
8,989.6	**Total borrowings (excluding lease obligations)**	**8,705.8**	9,625.4
(1,600.2)	Less: Cash and cash equivalents	**(232.7)**	(415.5)
-	Cash presented as held for sale	**-**	(0.5)
7,389.4	Net debt (excluding hybrid equity)	**8,473.1**	9,209.4
1,472.4	Hybrid equity	**1,051.0**	1,472.4
37.1	Cash held as collateral and other short-term loans	**87.4**	(59.7)
8,898.9	Adjusted net debt and hybrid equity	**9,611.5**	10,622.1
5,208.7	**Equity attributable to shareholders of the parent**	**6,035.8**	3,722.1
14,107.6	**Total capital excluding lease obligations**	**15,647.3**	14,344.2

13.2 Loans and other borrowings

March 2021 £m		**September 2021 £m**	September 2020 £m
	Current		
864.7	Short term loans	**2,014.4**	1,289.1
72.9	Lease obligations	**52.4**	74.4
937.6		**2,066.8**	1,363.5
	Non-current		
8,124.9	Loans	**6,691.3**	8,336.3
348.1	Lease obligations	**352.3**	355.3
8,473.0		**7,043.6**	8,691.6
9,410.6	**Total loans and borrowings**	**9,110.4**	10,055.1
(1,600.2)	Cash and cash equivalents	**(232.7)**	(415.5)
7,810.4	**Unadjusted net debt**	**8,877.7**	9,639.6
	Add/(less):		
1,472.4	Hybrid equity (note 14)	**1,051.0**	1,472.4
(421.0)	Lease obligations	**(404.7)**	(429.7)
37.1	Cash held/(deposited) as collateral and other short term loans	**87.4**	(59.7)
-	Cash presented as held for sale	**-**	(0.5)
8,898.9	**Adjusted net debt and hybrid equity**	**9,611.4**	10,622.1

SSE's adjusted net debt and hybrid capital was £9.6bn at 30 September 2021, compared with £8.9bn at 31 March 2021 and £10.6bn at 30 September 2020.

Adjusted net debt and hybrid capital is stated after removing lease obligations and cash held as collateral in line with the Group's presentation basis which is explained at note 2(i). Cash held as collateral refers to amounts deposited on commodity trading exchanges which are reported within 'trade and other receivables' on the face of the balance sheet.

13. Sources of finance (continued)

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

March 2021 £m		**September 2021 £m**	September 2020 £m
1,435.6	(Decrease)/increase in cash and cash equivalents	**(1,367.5)**	251.4
	Add/(less)		
-	Cash presented as held for sale	**-**	(0.5)
(1,912.9)	New borrowing proceeds	**(103.3)**	(1,313.9)
(1,051.0)	New hybrid equity proceeds	**-**	(1,051.0)
1,895.9	Repayment of borrowings	**450.0**	1,394.4
438.6	Disposal of borrowings	**-**	-
748.3	Repayment of hybrid equity	**421.4**	750.0
306.0	Non-cash movement on borrowings	**(62.8)**	10.1
(293.5)	Decrease in cash held as collateral and other short term borrowings	**(50.3)**	(196.7)
1,567.0	**(Increase)/decrease in adjusted net debt and hybrids**	**(712.5)**	(156.2)

13.4 Hybrid debt

Included within loans and borrowings at 30 September 2021 is £1.0bn (2020: £1.0bn, March 2021: £1.0bn) of hybrid debt securities issued on 16 March 2017 with an issuer first call date on 16 September 2022. Due to the instruments having a fixed redemption date, they have been accounted for as debt and are included within loans and borrowings. This is in contrast to the previous hybrid instruments issued which had no fixed redemption date and are accounted for as equity. The purpose of the SSE's hybrid capital programme is to strengthen SSE's capital base and complement other sources of finance. Further commentary is provided in note 13.1.

14. Hybrid Equity

March 2021 £m	**Perpetual subordinated capital securities**	**September 2021 £m**	September 2020 £m
421.4	EUR 600m 2.375% perpetual subordinated capital securities (i)	**-**	421.4
598.0	GBP 600m 3.74% perpetual subordinated capital securities (ii)	**598.0**	598.0
453.0	EUR 500m 3.125% perpetual subordinated capital securities (ii)	**453.0**	453.0
1,472.4		**1,051.0**	1,472.4

(i) 10 March 2015 €600m Hybrid Capital Bonds

The March 2015 hybrid capital bond has no fixed redemption date, but the Company could, at its sole discretion, redeem all but not part of the capital securities at their principal amount. The date for the first discretionary redemption of the €600m hybrid capital bond was executed and this hybrid bond was redeemed on 1 April 2021.

(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, the final coupon payment of £17.5m (2021: £17.5m) was made on 1 April 2021 and for the £750m hybrid equity bond the final coupon payment of £29.1m was paid on 10 September 2020. In relation to the £600m hybrid equity bond a coupon payment of £16.8m (2021: £nil) was made on 14 April 2021 and for the €500m hybrid equity bond a coupon payment of £16.4m (2021: £nil) was made on 14 July 2021. The coupon payments in the six month period to 30 September 2021 consequently totalled £50.7m (2020: £46.6m).

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 on redemption; or on a dividend payment on ordinary shares, both of which occur at the sole option of the Company. Interest will accrue on any deferred coupon.

15. Share capital

	Number (millions)	**£m**
Allotted, called up and fully paid:		
At 1 April 2021	1,049.1	524.5
Issue of shares	22.2	11.1
At 30 September 2021	**1,071.3**	**535.6**

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.

Shareholders were able to elect to receive ordinary shares in place of the final dividend for the year to 31 March 2021 of 56.6p (2020: 56.0p in relation to the final dividend for the year to 31 March 2020; March 2021: 24.4p in relation to the interim dividend for the year to 31 March 2021) per ordinary share under the terms of the Company's scrip dividend scheme. This resulted in the issue of 22,201,443 (September 2020: 1,918,977; March 2021: 2,802,380) new fully paid ordinary shares.

15. Share capital (continued)

In addition, the Company issued 0.2m shares (2020: 0.3m, March 2021: 0.9m) during the period under the savings-related share option schemes and discretionary share option schemes, all of which were settled by shares held in Treasury for a consideration of £2.2m (2020: £3.4m, March 2021: £10.4m).

No shares were repurchased in the period.

Of the 1,071.3m shares in issue, 5.9m 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 period, on behalf of the Company, the employee share trust purchased 0.1 million shares (2020: 0.1 million, March 2021: 0.9 million) for a consideration of £1.5m (2020: £1.4m, March 2021: £12.9m) to be held in trust for the benefit of employee share schemes.

16. Financial Risk Management

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. 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. Exposure to commodity, currency and interest rate risks arise in the normal course of the Group's business and derivative financial instruments are entered into to hedge exposure to these risks.

There is a Group wide risk committee reporting to the Group Executive Committee, which is responsible for reviewing the strategic, market, credit, operational and liquidity risks and exposures that arise from the Group's operating activities. In addition, the Group has two dedicated Energy Market risk committees reporting to the Group Executive Committee and Board respectively, with the Group Executive Sub-committee chaired by the Group Finance Director and the Board Sub-committee chaired by Non-Executive Director Tony Cocker. These Committees oversee the Group's management of its energy market exposures, including its approach to hedging.

In the six months to 30 September 2021, the Group was exposed to exceptional volatility in energy markets impacting the primary commodities to which it is exposed (Gas, Carbon and Power). The Group's approach to hedging, and the diversity of its energy portfolios (across Wind, Hydro, Thermal and Customers) has provided significant mitigation of these exposures. Exceptional rises and volatility in commodity prices have created a particular challenge in managing counter-party credit and collateral exposures and requirements, to ensure continued access to energy markets to enable hedging and prompt optimisation of SSE's energy portfolios. This market access has been successfully maintained.

The Group's policy in relation to liquidity risk continues to be to ensure, in so far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. Further detail is noted in the Group's financial statements at 31 March 2021.

For financial reporting purposes, the Group has classified derivative financial instruments into two categories, operating derivatives and financing derivatives. Operating derivatives relate to all qualifying commodity contracts including those 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 as follows:

Year ended 31 March 2021 £m		**Six months ended 30 September 2021 £m**	Six months ended 30 September 2020 £m
	Operating derivatives		
429.1	Total result on operating derivatives (i)	**1,584.1**	143.8
161.0	Less: amounts settled (ii)	**(380.1)**	177.5
590.1	**Movement in unrealised derivatives**	**1,204.0**	321.3
	Financing derivatives (and hedged items)		
35.2	Total result on financing derivatives (i)	**(55.3)**	(90.6)
20.4	Less: amounts settled (ii)	**(0.6)**	74.1
55.6	**Movement in unrealised derivatives**	**(55.9)**	(16.5)
645.7	**Net income statement impact**	**1,148.1**	304.8

(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 period 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)

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

March 2021 Carrying value £m	March 2021 Fair value £m		**September 2021 Carrying value £m**	**September 2021 Fair value £m**	September 2020 Carrying value £m	September 2020 Fair value £m
		Financial Assets				
		Current				
832.2	832.2	Trade receivables	**947.5**	**947.5**	792.6	792.6
3.8	3.8	Other receivables	**3.2**	**3.2**	6.7	6.7
2.7	2.7	Cash collateral and other short term loans	**59.4**	**59.4**	59.7	59.7
1,600.2	1,600.2	Cash and cash equivalents	**232.7**	**232.7**	415.5	415.5
470.9	470.9	Derivative financial assets	**419.2**	**419.2**	360.7	360.7
2,909.8	2,909.8		**1,662.0**	**1,662.0**	1,635.2	1,635.2
		Non-current				
3.6	3.6	Unquoted equity investments	**3.5**	**3.5**	1.7	1.7
115.9	115.9	Loan note receivable	**128.2**	**128.2**	109.4	109.4
554.3	554.3	Loans to associates and jointly controlled entities	**632.8**	**632.8**	643.9	643.9
114.7	114.7	Derivative financial assets	**2,207.1**	**2,207.1**	176.3	176.3
788.5	788.5		**2,971.6**	**2,971.6**	931.3	931.3
3,698.3	3,698.3		**4,633.6**	**4,633.6**	2,566.5	2,566.5
		Financial Liabilities				
		Current				
(433.3)	(433.3)	Trade payables	**(610.0)**	**(610.0)**	(304.8)	(304.8)
(39.8)	(39.8)	Outstanding liquid funds	**(146.8)**	**(146.8)**	-	-
(864.7)	(880.2)	Loans and borrowings	**(2,014.4)**	**(2,087.4)**	(1,289.1)	(1,303.2)
(72.9)	(72.9)	Lease liabilities	**(52.4)**	**(52.4)**	(74.4)	(74.4)
(238.7)	(238.7)	Derivative financial liabilities	**(1,008.0)**	**(1,008.0)**	(276.2)	(276.2)
(1,649.4)	(1,664.9)		**(3,831.6)**	**(3,904.6)**	(1,944.5)	(1,958.6)
		Non-current				
(8,124.9)	(9,373.1)	Loans and borrowings	**(6,691.3)**	**(7,703.5)**	(8,336.3)	(9,441.9)
(348.1)	(348.1)	Lease liabilities	**(352.3)**	**(352.3)**	(355.3)	(355.3)
(452.1)	(452.1)	Derivative financial liabilities	**(500.2)**	**(500.2)**	(485.6)	(485.6)
(8,925.1)	(10,173.3)		**(7,543.8)**	**(8,556.0)**	(9,177.2)	(10,282.8)
(10,574.5)	(11,838.2)		**(11,375.4)**	**(12,460.6)**	(11,121.7)	(12,241.4)
(6,876.2)	(8,139.9)	**Net financial liabilities**	**(6,741.8)**	**(7,827.0)**	(8,555.2)	(9,674.9)

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.

	September 2021 Level 1 £m	**September 2021 Level 2 £m**	**September 2021 Level 3 £m**	**September 2021 Total £m**	September 2020 Level 1 £m	September 2020 Level 2 £m	September 2020 Level 3 £m	September 2020 Total £m
Financial Assets								
Energy derivatives	**132.5**	**2,302.0**	**-**	**2,434.5**	-	147.8	-	147.8
Interest rate derivatives	**-**	**177.7**	**-**	**177.7**	-	374.9	-	374.9
Foreign exchange derivatives	**-**	**14.0**	**-**	**14.0**	-	14.3	-	14.3
Loan note receivable	**-**	**-**	**128.2**	**128.2**	-	-	109.4	109.4
Unquoted equity instruments	**-**	**-**	**3.5**	**3.5**	-	-	1.7	1.7
	132.5	**2,493.7**	**131.7**	**2,757.9**	-	537.0	111.1	648.1
Financial Liabilities								
Energy derivatives	**-**	**(1,023.9)**	-	**(1,023.9)**	(8.4)	(202.7)	-	(211.1)
Interest rate derivatives	**-**	**(433.2)**	-	**(433.2)**	-	(534.7)	-	(534.7)
Foreign exchange derivatives	**-**	**(51.1)**	-	**(51.1)**	-	(16.0)	-	(16.0)
Loans and borrowings	**-**	**(48.9)**	-	**(48.9)**	-	(234.3)	-	(234.3)
	-	**(1,557.1)**	-	**(1,557.1)**	(8.4)	(987.7)	-	(996.1)

There were no significant transfers out of Level 1 into Level 2 and out of Level 2 into Level 1 during the 6 months ended 30 September 2021, nor the 6 months ended 30 September 2020.

16. Financial Risk Management (continued)

Fair Value Hierarchy (continued)

	March 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 instruments	-	-	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)

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.

17. Retirement Benefit Obligations

Defined Benefit Schemes

The Group has two funded final salary pension schemes which provide defined benefits based on final pensionable pay. The schemes are subject to independent valuations at least every three years. The Group also has an Employer Financed Retirement Benefit scheme and a defined contribution scheme, SSE Pensions+ under a master trust with Aviva, details of which were provided in the Group's Financial Statements to 31 March 2021.

Summary of Defined Benefit Pension Schemes:

Movement recognised in the SoCI March 2021 £m	Pension asset/(liability) March 2021 £m		**Movement recognised in respect of the pension asset in the SoCI** **September 2021 £m**	September 2020 £m	**Pension asset/(liability)** **September 2021 £m**	September 2020 £m
8.6	543.1	Scottish Hydro Electric Pension Scheme	**(41.7)**	(6.3)	**501.7**	528.5
(24.4)	(186.1)	Southern Electric Pension Scheme	**106.5**	(204.2)	**(63.7)**	(382.0)
(15.8)	357.0	**Net actuarial gain/(loss) and combined asset/(liability)**	**64.8**	(210.5)	**438.0**	146.5

A triennial valuation of the Southern Electric Pension Scheme ('SEPS') was finalised in the year ended 31 March 2020 and showed a deficit of £286.6m as at 31 March 2019. The Group continues to pay deficit contributions which, along with investments returns from return seeking assets, is expected to make good this shortfall by 31 March 2027. The next funding valuation will be carried out as at 31 March 2022.

The last triennial valuation for the Scottish Hydro Electric Pension Scheme ('SHEPS') was carried out as at 31 March 2021 and showed a surplus on a cash funding basis of £268.4m. Following this valuation, the Group agreed to a new schedule of contributions to the scheme which continues to cease contributions to the scheme for a period until the surplus on a gilts funding basis is negative for two successive quarterly valuations.

A summary of the movement presented in the statement of changes in equity is shown below:

Year ended 31 March 2021 £m		**Six months ended 30 September 2021 £m**	Six months ended 30 September 2020 £m
(15.8)	Actuarial gains/(losses) recognised	**64.8**	(210.5)
3.0	Deferred tax thereon	**(38.6)**	40.0
(12.8)	**Net gain recognised in statement of changes in equity**	**26.2**	(170.5)

17. Retirement Benefit Obligations (continued)

The major assumptions used by the actuaries in both schemes in preparing the IAS19 valuations were:

March 2021		**September 2021**	September 2020
3.70%	Rate of increase in pensionable salaries	**3.85%**	3.55%
3.20%	Rate of increase in pension payments	**3.35%**	3.05%
2.00%	Discount rate	**1.95%**	1.50%
3.20%	Inflation rate	**3.35%**	3.05%

The assumptions relating to longevity underlying the pension liabilities are based on standard actuarial mortality tables, and include an allowance for future improvements in longevity. The assumptions, equivalent to future longevity for members in normal health at age 65, are as follows:

March 2021			**September 2021**		September 2020	
Male	Female		**Male**	**Female**	Male	Female
		Scottish Hydro Electric Pension Scheme				
23	24	Currently aged 65	**22**	**24**	23	24
25	27	Currently aged 45	**24**	**27**	24	26
		Southern Electric Pension Scheme				
23	25	Currently aged 65	**23**	**25**	23	25
24	26	Currently aged 45	**24**	**26**	24	26

18. Capital Commitments

March 2021		**September 2021**	September 2020
£m		**£m**	£m
	Capital Expenditure		
1,189.5	Contracted for but not provided	**1,285.8**	1,254.8

19. Related Party Transactions

The following transactions took place during the period 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.

	September 2021				September 2020			
	Sale of goods and services	**Purchase of goods and services**	**Amounts owed from**	**Amounts owed to**	Sale of goods and services	Purchase of goods and services	Amounts owed from	Amounts owed to
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Joint ventures:								
Seabank Power Ltd	**47.2**	**(47.5)**	**0.1**	**(35.3)**	24.9	(23.2)	0.8	(16.9)
Marchwood Power Ltd	**32.5**	**(107.8)**	**19.5**	**(43.6)**	20.9	(76.3)	0.3	(14.7)
Scotia Gas Networks Ltd(ii)	**15.3**	**(5.0)**	**15.5**	**(0.8)**	12.0	(6.7)	11.7	(1.1)
Clyde Windfarm (Scotland) Ltd	**2.3**	**(52.8)**	**-**	**(33.6)**	2.1	(37.8)	1.3	(30.4)
Beatrice Offshore Windfarm Ltd	**2.8**	**(31.4)**	**1.0**	**(10.7)**	2.9	(11.2)	0.6	(3.5)
Stronelairg Windfarm Ltd	**1.1**	**(28.6)**	**1.1**	**(16.5)**	0.9	(14.9)	-	(9.6)
Dunmaglass Windfarm Ltd	**0.5**	**(12.7)**	**0.2**	**(8.1)**	0.4	(7.7)	-	(5.7)
Neos Networks Ltd(i)	**15.0**	**(13.8)**	**2.2**	**(42.7)**	6.9	(19.5)	0.8	(7.9)
Other Joint Ventures	**24.4**	**(71.9)**	**11.7**	**(41.0)**	23.7	(78.6)	7.1	(45.8)
Associates	**-**	**-**	**-**	**-**	-	(16.2)	-	-

	March 2021			
	Sale of goods and services	Purchase of goods and services	Amounts owed from	Amounts owed to
	£m	£m	£m	£m
Joint ventures:				
Seabank Power Ltd	75.2	(86.7)	0.1	(16.8)
Marchwood Power Ltd	45.3	(142.3)	0.6	(11.2)
Scotia Gas Networks Ltd	29.9	(13.1)	17.3	(1.1)
Clyde Windfarm (Scotland) Ltd	4.3	(116.1)	0.1	(38.2)
Beatrice Offshore Windfarm Ltd	5.3	(43.7)	1.1	(5.3)
Stronelairg Windfarm Ltd	1.9	(44.7)	-	(17.1)
Dunmaglass Windfarm Ltd	0.9	(22.2)	-	(6.6)
Neos Networks Ltd(i)	38.0	(26.3)	41.4	(1.4)
Other Joint Ventures	22.5	(193.8)	54.8	(1.9)
Associates	-	(16.2)	-	-

(i) Formerly SSE Telecommunications Limited.

19. Related Party Transactions (continued)

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 ('SGN') operates the gas distribution networks in Scotland and the South of England. The Group's gas supply activity incurs gas distribution charges while the Group also provides services to SGN in the form of a management services agreement for corporate and shared services. On 2 August 2021, the Group announced it had agreed to sell its 33.3% stake in SGN. The Group assessed that the investment met the criteria to be classified as held for sale on 11 June 2021 when an Exclusivity Agreement was signed by the acquiring consortium. Accordingly, from 11 June 2021 the Group ceased to equity account for SGN.

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 the related parties.

In addition to the above at 30 September 2021, the Group was owed the following loans from its principal joint ventures : Marchwood Power Limited £43.6m (2020: £53.5m, March 2021: £47.1m), Scotia Gas Networks Limited £118.8m (2020: £113.9m, March 2021: £118.8m), Clyde Windfarm (Scotland) Limited £127.1m (2020: £127.1m, March 2021: £127.1m), Stronelairg Windfarm Limited £88.7m (2020: £88.2m, March 2021: £88.2m), Dunmaglass Windfarm Limited £46.5m (2020: £46.5m, March 2021: £46.5m), Neos Networks Limited £77.8m (2020: £44.2m, March 2021: £60.9m) and Multifuel Energy Limited £48.6m (2020: £244.3m, March 2021: £nil).

20. Seasonality of operations

Certain activities of the Group are affected by weather and temperature conditions and seasonal market price fluctuations. Within the six months ending 30 September 2021, the summer period was one of the calmest across most of the UK and Ireland, and one of the driest in the last seventy years in SSE's Hydro catchment areas. Therefore, amounts reported for the interim period may not be indicative of the amounts that will be reported for the full year due to seasonal fluctuations in customer demand for gas, electricity and services, the impact of weather on demand, renewable generation output and commodity prices and market changes in commodity prices. In Transmission and Distribution, the volumes of electricity and gas distributed or transmitted across network assets are dependent on levels of customer demand which are generally higher in winter months. In Business Energy and Airtricity, notable seasonal effects include the impact on customer demand of warmer temperatures in the first half of the financial year. In Thermal Generation, Renewables and Gas Production (discontinued), there is the impact of lower production on commodity prices. The weather impact on Renewable generation production in relation to hydro and wind assets is particularly affected by seasonal fluctuation. The impact of temperature on customer demand for gas is more volatile than the equivalent demand for electricity.

21. Post Balance Sheet Events

21.1 Acquisition 80% equity interest in Japanese offshore wind development platform

On 29 October 2021 the Group, through its wholly owned subsidiary SSE Renewables International Holdings Ltd, completed the acquisition of an 80% equity interest in an offshore wind development platform from Pacifico Energy and its affiliates for $193m USD upfront cash consideration and a further $30m USD deferred consideration subject to a number of conditions. This acquisition is aligned to the Group's published strategy to pursue overseas renewable opportunities.

An 80% equity stake has been acquired in the SSE Pacifico K.K., Aichi Offshore Wind Power No.1 G.K., Aichi Offshore Wind Power No.2 G.K., Enshunada Offshore Wind Power No.1 G.K., Goto-Fukue Offshore Wind Power G.K., Izu Islands Offshore Wind Power G.K., Minami-Izu Offshore Wind Power No.1 G.K., Niigata Offshore Wind Power No.1 G.K., Oki Islands Offshore Wind Power G.K., Wakayama-West Offshore Wind Power No.1 G.K. and Wakayama-West Offshore Wind Power No.2 G.K..

The assets and liabilities acquired largely comprise tangible and intangible assets, being early-stage development costs, grid connections and goodwill. Given the timing of the completion of the acquisition and the proximity to the reporting date, a formal PPA assessment has not yet been completed, therefore the Group is unable to provide a quantification of the fair values of the assets and liabilities acquired. The Group will include an acquisition balance sheet in its full year results for 31 March 2022.

21.2 Gas production – disposal

On 14 October 2021, the Group completed the sale of its Gas Production business to Viaro Energy through its subsidiary RockRose Energy Limited. In the period ended 30 September 2021, the Gas Production business had an operating profit (recognised in discontinued operations) of £77.7m (see note 9). The Group recorded an exceptional impairment charge of £93.9m for the period ended 30 September 2021 related to the carrying value of the Gas Production assets and liabilities held for sale, based on their fair value less costs to sell. The additional loss on sale, not recognised at 30 September 2021, but due to the buyer based on production between 1 October 2021 and 14 October 2021 is estimated at £24.1m. This has arisen due to the lock box mechanism effective 1 April 2019 within the sale agreement and will be recognised in the second half of the financial year.

21.3 Dogger Bank C - disposal

On 2 November 2021, SSE announced it had entered into an agreement to sell a 10% stake in Dogger Bank C to Eni for an equity consideration of £70m and contingent consideration of up to £40m. The transaction is expected to complete by Q1 2022 subject to regulatory approvals and customary purchase price adjustments. The initial indicative gain on sale is anticipated to be in excess of £60m. After the sale the Group's shareholding in Dogger Bank C will be 40%.

PRINCIPAL RISKS AND UNCERTAINTIES

SSE's established Risk Management Framework and wider system of internal control continues to inform strategic decision-making in 2021/22. This, combined with a resilient business model, helps the Group manage and minimise the human, operational and financial impacts from external conditions such as volatile commodity prices and to meet its objective of supporting the reliable supply of electricity to those who needed it.

The Directors continually monitor the Principal Risks and Uncertainties of the Group and have determined that those reported in the 2021 Annual Report and summarised below remain relevant for the remaining half of the financial year.

- Climate Change
- Commodity Prices **
- Cyber Security and Resilience
- Energy Affordability **
- Energy Infrastructure Failure
- Financial Liabilities
- Large Capital Projects Management
- People and Culture
- Politics, Regulation and Compliance **
- Safety and the Environment *
- Speed of Change

* Safety remains SSE's most important value, and management of this risk remains SSE's highest priority.
** It should be noted that Energy Affordability is particularly closely linked to – and therefore impacted by – Politics, Regulation and Compliance and Commodity Prices.

As noted in the 2021 Annual Report, an additional review of the "Joint Venture and Partner Management" emerging risk was undertaken by the Group Risk Committee in Q2 of the financial year 21/22 which concluded it should remain an emerging risk for now.

For more information on these risks, and the wider system of internal control, please refer to pages 54 to 63 of the SSE plc 2021 Annual Report which is available on the company website www.sse.com.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

We confirm that to the best of our knowledge:

i) the condensed set of financial statements has been prepared in accordance with UK adopted IAS 34 *Interim Financial Reporting*;

ii) the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

(c) DTR 4.2.10 of the *Disclosure and Transparency Rules*, being the condensed set of financial statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole.

For and on behalf of the Board

Alistair Phillips-Davies	Gregor Alexander
Chief Executive	Finance Director

London

16 November 2021

INDEPENDENT REVIEW REPORT TO SSE PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half yearly financial report for the six months ended 30 September 2021 which comprises the Consolidated Income Statement, Consolidated Statement of Other Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related explanatory notes 1 to 21. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 30 September 2021 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the group will be prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, “Interim Financial Reporting”.

Responsibilities of the directors

The directors are responsible for preparing the half yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Auditor’s Responsibilities for the review of the financial information

In reviewing the half yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half yearly financial report. Our conclusion is based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP

Glasgow

16 November 2021