INTERIM **RESULTS**

For the six months to
30 September 2020

For a better world of energy

Disclaimer

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

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Definitions

These financial results for the six months to 30 September 2020 are reported under IFRS (International Financial Reporting Standards), as adopted by the EU.

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

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

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

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

At 30 September 2020 SSE has assessed that its Gas Production assets should continue to be classified as held for sale and on 15 January 2020 SSE completed the sale of its SSE Energy Services business to OVO Energy Limited (see note 9 of the Summary Financial Statements). Both businesses have been classified as discontinued operations.

The Group's adjusted profit-based measures therefore exclude the contribution from both of these businesses in all periods presented.

Important note: Other disposals

At 30 September 2020 SSE has also assessed that SSE's investment in Multifuel Energy, its Enterprise Contracting and Rail business as well as a 10% stake in the Dogger Bank offshore wind farm development should be classified as held for sale (see note 9 of the Summary Financial Statements). SSE has further disposed of a 50% stake in Slough Multifuel on 2 April 2020, a 51% stake in Seagreen Wind Farm on 3 June 2020, and its investments in Walney offshore wind farm on 2 September 2020 and MapleCo smart-metering on 23 September 2020 (see note 12 of the Summary Financial Statements).

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 results continue to be included within the Group's adjusted profit-based measures to the point of disposal.

Impact of planned disposals on the Group's Alternative Performance Measures ('APM')

The following Alternative Performance Measures have been adjusted in all periods presented to exclude the contribution of the Group's Gas Production operations, which continues to be presented as a discontinued operation as at 30 September 2020, and SSE Energy Services, which was disposed on 15 January 2020. However, these measures include the contribution to the point of effective disposal from other businesses or assets held for sale as they have not been classified as discontinued operations.

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

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

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HEADLINES

LEADING THE WAY TO NET ZERO – delivery against strategic priorities

- Total Recordable Injuries in the first six months of the year fell to 27, compared with 35 in the same period last year.
- Strong operational performance, continuing to establish SSE as the pre-eminent green energy company in the UK and Ireland with strategic progress in key areas, including:
  - Making significant progress on its £7.5bn investment plan – early construction work under way and key contracts awarded at both Seagreen and Viking, with financial close on the first two phases of the world's largest offshore wind farm at Dogger Bank expected in the coming days.
  - Delivering £1.4bn of its £2 billion plus disposal programme announced in June, with gains on sale from Walney, MapleCo and Multifuel Energy expected to total over £900m.
  - Undertaking prudent financing activity, raising over £2bn in Hybrid Capital and Eurobonds, leaving the Group with no significant refinancing or funding requirements for the next two years.
- Continued to develop an attractive pipeline of renewables projects that would see SSE treble its renewable output by 2030, with a clear aspiration to reach a run rate of at least 1GW of new assets a year during the second half of this decade.
- Developed a clear case for investments that would, in all reasonable outcomes, see Transmission RAV exceed £5bn by the end of the RIIO-T2 price control in 2026, with opportunities for further growth beyond this.
- Led the industry in making the case for an ambitious green economic recovery from the pandemic, in addition to building on its existing science-based carbon targets announced in June by joining the UN Global Compact's Race to Zero pledge – committing to achieving net zero for both direct and indirect emissions, by 2050 at the latest.
- Established as a principal partner to the UK Government in the run up to and during the COP26 UN climate summit in November 2021.
- Published a Just Transition strategy on the social implications of delivering net zero and SSE's role in supporting fairness for employees, customers and communities.
- Continued to support the safe and reliable supply of electricity to the people and organisations who depend upon it in the fight against coronavirus.
- Not drawn on furlough or any other government support schemes; with its investment programme creating more than 1,000 skilled jobs.

Financial results for six months ended 30 September 2020 – in line with Pre-Close Statement*

- Adjusted operating profit down 15% to £418.3m / reported operating profit up 183% to £985.1m.
- Adjusted profit before tax down 26% to £193.9m / reported profit before tax up 544% to £829.5m.
- Coronavirus impact on operating profit estimated at £115m, none of which has been treated as exceptional.
- Adjusted earnings per share down 34% to 11.9p, within the expected 10p-12.5p range.
- Reported earnings per share of 67.7p, versus 6.2p last year.

- Disposal programme announced in June has delivered exceptional gains on sale of £260.8m before tax recognised during the period on disposal of Walney and MapleCo, with Multifuel Energy exceptional gain to be recognised in second half.
- Adjusted investment and capital expenditure of £434.4m, after project finance development expenditure refunds of £246.1m.
- Adjusted net debt and hybrid capital at £10.6bn.

*Unless otherwise stated, excludes results from discontinuing operations: SSE Energy Services sold on 15 January 2020 and Gas Production assets held for sale at 30 September 2020

Interim dividend in line with five-year dividend plan to 2023

- Interim dividend of 24.4p per share.
- Intention to recommend full-year dividend of 80p per share plus RPI inflation and continue to target RPI increases in the two subsequent years as set out in the 2023 dividend plan.

Financial outlook for 2020/21 and beyond

- Adjusted earnings per share, including below impact of coronavirus and assuming normal weather conditions, estimated to be in the range of 75p to 85p including gains on disposal of stakes in Seagreen and Dogger Bank offshore wind farms.
- Full-year coronavirus impact on operating profit expected to be towards the middle of the £150m to £250m range set out in June.
- Disposal of Multifuel Energy for a total cash consideration of £995m, announced on 13 October 2020, expected to complete by late 2020 subject to antitrust approval by the European Commission, with an exceptional gain in excess of £650m expected to be recognised on completion.
- Reported EPS will reflect gains on disposals for Multifuel Energy, Walney and MapleCo and is expected to be well in excess of 150p excluding any movement in remeasurements under IFRS9.
- Adjusted net debt expected to be around £9.5bn at March 2021.
- Continuing to target a ratio of net debt to EBITDA at the lower end of a 4.5 to 5 times range between 2021/22 and 2024/25.
- Confirming that, with SSE's disposals programme delivering well in excess of £2bn proceeds, the £7.5bn investment plan over the five years to March 2025 is expected to be fully financeable and consistent with its net debt to EBITDA target ratio without any requirement to change capital structure.

Richard Gillingwater, Chair of SSE, said:

"The resilience of SSE's business model and the ongoing commitment of our employees are reflected in the strong operational performance we have reported for the first half of 2020/21. Challenges lie ahead – not least in navigating another wave of the pandemic, the potential operational impact of the weather in the second half and the lingering uncertainties around Brexit – but these are far outweighed by the wealth of significant opportunities we have to create value in the transition to net zero emissions.

"This will be my last set of results before I step down from the SSE Board at the end of the financial year, and, following successful efforts to reshape and refocus the Group in recent years, I am pleased to be leaving SSE on a robust strategic and financial footing and with significant opportunities for growth in the years ahead.

"Our disposals programme is on track, real progress is being made against the capex plan and we have the balance sheet strength to deliver what is an enviable low-carbon development pipeline. In all of this activity we are contributing solutions to the global problem of climate change and ultimately promoting the long-term success of the Company for the benefit of all our stakeholders."

FINANCIAL PERFORMANCE FOR SIX MONTHS TO 30 SEPTEMBER 2020

AT A GLANCE

At 30 September 2020 SSE has assessed that its Gas Production assets should continue to be classified as held for sale and on 15 January 2020 SSE completed the sale of its SSE Energy Services business. Both businesses have been classified as discontinued operations and have therefore been excluded from profit-based measures in the tables below, in all periods presented.

At 30 September 2020 SSE has also assessed that SSE's investment in Multifuel Energy, its Enterprise Contracting and Rail business as well as a 10% stake in the Dogger Bank offshore wind farm development should be classified as held for sale. SSE has further disposed of a 50% stake in Slough Multifuel on 2 April 2020, a 51% stake in Seagreen Wind Farm on 3 June 2020 and its investments in Walney offshore wind farm on 2 September 2020 and MapleCo smart-metering on 23 September 2020. These businesses have not been classified as discontinued operations, as they do not individually constitute a separate major line of business for SSE, and their results continue to be included within profit-based measures in the tables below, in all periods to the point of disposal.

Key Financial Indicators	Adjusted		Reported	
	Sept 20 £m	Sept 19 £m	Sept 20 £m	Sept 19 £m
Operating profit/(loss)				
SSEN Transmission	115.2	110.1	115.2	110.1
SSEN Distribution	109.6	150.8	109.6	150.8
Electricity Networks Total	**224.8**	**260.9**	**224.8**	**260.9**
Investment in SGN	89.4	102.1	45.2	54.5
Economically-regulated networks total	**314.2**	**363.0**	**270.0**	**315.4**
SSE Renewables	**141.6**	**149.9**	**318.6**	**106.4**
Thermal Generation	49.6	57.8	58.1	(53.3)
Gas Storage	(17.9)	(20.7)	4.5	(20.7)
Thermal Energy Total	**31.7**	**37.1**	**62.6**	**(74.0)**
Business Energy (GB)	(27.4)	2.9	(15.5)	2.9
SSE Airtricity (NI and ROI)	16.6	16.4	20.4	16.4
Customer Solutions Total	**(10.8)**	**19.3**	**4.9**	**19.3**
Energy Portfolio Management	(1.5)	(81.2)	319.8	73.4
Enterprise	(33.5)	8.2	(37.0)	5.1
Corporate Unallocated	(23.4)	(4.4)	46.2	(98.1)
Total operating profit from continuing operations	**418.3**	**491.9**	**985.1**	**347.5**
Profit before tax from continuing operations	**193.9**	**263.4**	**829.5**	**128.9**
Earnings per share (EPS) pence on continuing operations	**11.9**	**18.0**	**67.7**	**6.2**
Interim dividend per share (DPS) pence	24.4	24.0	24.4	24.0
Full year dividend per share (DPS) pence	Expected 80 + RPI	80.0	Expected 80 + RPI	80.0
Investment and capital expenditure before refunds £m	680.5	638.2	723.4	876.2
Project finance development expenditure refunds £m	(246.1)	-	-	-
Investment and capital expenditure after refunds £m	**434.4**	**638.2**	**723.4**	**876.2**
Net debt and hybrid capital £m	**(10,622.1)**	**(10,338.9)**	**(9,639.6)**	**(9,936.1)**

Key Performance Indicators	Sept 20	Sept 19
Total Generation output – all plant – GWh		
Total Thermal Generation – GWh	9,438	8,126
Total Renewable Generation – GWh (inc. pumped storage)	3,785	4,045
Total Renewable Generation - GWh (also inc. constrained off)	4,008	4,207
Average carbon intensity of electricity generated (gCO2e/KWh)	275	261
SSEN Transmission RAV - £m	3,643	3,406
SSEN Distribution RAV - £m	3,825	3,642
Gas Distribution RAV - £m	1,957	1,949
SSE Total RAV - £m	9,425	8,997
Business Energy Electricity Sold – GWh	6,301	8,345
Business Energy Gas Sold – mtherms	65.2	90.2
All Ireland energy market accounts – m	0.70	0.72

Notes:
The definitions SSE uses for adjusted measures are consistently applied and are explained in the Alternative Performance Measures section of this document, before the Summary Financial Statements. Throughout this document losses are shown in brackets.
Renewable generation excludes SSE's small biomass capability which is now managed by SSE's Enterprise business and which generated 22GWh in HY2020/21; and 32GWh HY2019/20.
SSE's 2030 carbon intensity target is based on generation emissions only.

Further Information

Investor Timetable

Interim ex-dividend date	14 January 2021
Record date	15 January 2021
Scrip reference pricing days	14 – 20 January 2021
Scrip reference price confirmed and released via RNS	21 January 2021
Final date for receipt of scrip elections	11 February 2021
Interim dividend payment date	11 March 2021
Q3 Trading Statement	2 February 2021
Notification of Closed Period	By 31 March 2021
Preliminary Results for the year ended 31 March 2021	26 May 2021TBC
AGM and Q1 Trading Statement	22 July 2021

Contact Details

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Webcast facility

SSE will present its interim results for the six months ended 30 September 2020 on Wednesday 18 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/ujxwsxtu. This will also be available as a teleconference, details below. Both facilities will be available to replay.

Confirmation Code: 8455694

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United States/Canada	Toll free/Freephone	+1877 870 9135

Online information

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

STRATEGIC OVERVIEW

Strong operational performance

SSE can look back on the half-year to 30 September 2020 as a yet another period of strong operational performance and strategic progress in establishing the SSE Group as the UK and Ireland's pre-eminent green energy company.

SSE has continued to deliver on its responsibilities as a critical service provider throughout the ongoing coronavirus pandemic and has not drawn on furlough or any other government support schemes in doing so. This delivery has been thanks to the commitment and flexibility of SSE's employees and their continued resilience in the face of this unprecedented challenge. Safety is always SSE's first priority and in the first half of the year, eight fewer people were injured while working for or on behalf of SSE than in the same period in 2019/20.

Continuing strategic progress

SSE has a clear strategy to create value for shareholders and society in a sustainable way through the successful development, efficient operation and responsible ownership of energy infrastructure and businesses.

Excellent progress has also been made on the near-term priorities highlighted at Preliminary Full-year Results in June, namely delivering the early stages of a five-year £7.5bn capital and investment expenditure plan, creating value from a disposals programme which will ultimately deliver well in excess of £2bn proceeds and maintaining a strong balance sheet.

SSE has been vocal about the need for a green recovery from coronavirus, but has also been delivering investment in low-carbon infrastructure. The capex plan is progressing well with work started and key contracts awarded at Seagreen and Viking wind farms, and the Company expects to reach financial close on the first two phases of the world's largest offshore wind farm at Dogger Bank in the coming days. These projects will have a real impact in helping the UK 'Build Back Greener' and between them have created more than 1,000 skilled jobs. SSE is keen to continue to invest further and, in doing so, continue to drive a green recovery. The disposals programme is well on target, too, with £1.4bn of planned proceeds already secured through the sales of Walney, MapleCo and Multifuel Energy.

A successful round of refinancing has raised £2bn and SSE has no significant refinancing requirements in the next two years, which means the Group is now well placed to support the capex plan.

The significant opportunities presented by the drive to net zero provides a compelling strategic logic for the shape of the SSE Group. Renewables and electricity networks are low-carbon, asset-rich businesses, requiring world-class skills in developing, building, procuring, operating and owning large-scale, complex electricity infrastructure. They play to SSE's strengths in asset management, large capital projects, managing policy and regulatory risk and efficient financing.

SSE will only retain other businesses where they are highly complementary to that core and where they contribute to the transition to net zero. SSE's Thermal business provides firm, flexible capacity to balance the variability of renewables. Its Customers business provides a valuable route to market for generation in both GB and Ireland. Its Enterprise division provides a platform for growth in the growing distributed energy market. Finally, its EPM division delivers commercial synergies and manage risk across all the market-based businesses.

SSE has also continued to make progress on reshaping the SSE Board. Dame Angela Strank joined SSE as non-Executive Director in May, and brings exceptional operational experience in the energy sector. Sir John Manzoni joined the Board as non-Executive Director in September, allowing for a smooth handover before he succeeds Richard Gillingwater as Chair on 1 April 2021. Sir John also brings a wealth of energy sector expertise, as well as valuable public sector experience from his recent role as Chief Executive of the Civil Service. Tony Cocker was appointed Senior Independent Director, succeeding Crawford Gillies who stepped down from the Board at the end of September and, finally, Martin Pibworth was promoted to an expanded role as Energy and Commercial Director, with a specific mandate to manage risk and drive growth across the Group. These changes leave the

SSE Board extremely well positioned to deliver on its strategy and capitalise on the opportunities ahead.

Future growth opportunities

Each SSE business is fully in line with the Group's purpose of building a better world of energy and creating sustainable value while doing so.

SSE Renewables has a wealth of opportunities with projects in development that will double its renewable output by 2025 and an enviable longer-term pipeline that could treble output by 2030. SSE is leading the development of more offshore wind than any other company, with further auctions still to come and potential to extend the portfolio into other geographies. Delivering SSE's current pipeline would result in average additions of over 500MW of new renewable capacity every year to 2030, and, with upcoming seabed auctions and clear opportunities to expand internationally, SSE has clear aspirations to reach a run rate of at least 1GW of new assets a year during the second half of this decade.

Regulated networks have a supporting but equally important role in meeting net-zero targets. Much of the UK's renewables potential lies in the north of Scotland and SSEN Transmission –with an internationally-accredited science-based carbon reduction target – holds the key to unlocking it.

Following growth of, particularly, offshore wind in Scottish waters, SSEN Transmission can see a clear path to a near trebling of connected capacity from 8GW today to 22GW by 2030 and, while extremely disappointed with the regulator's draft determinations on the RIIO-T2 price control, SSE is hopeful that Ofgem will consider the additional evidence and stakeholder support provided when it publishes its Final Determinations in December. SSE continues to engage constructively with Ofgem with a view to securing a settlement which works for all stakeholders and enables SSEN Transmission to attract investment and create jobs, rather than delaying progress on delivering net zero with the costs to customers ultimately increasing in the long-run.

When considering the known transmission investments in the coming years and the vast opportunities the transition to net zero presents, SSE expects, in all reasonable outcomes, the Transmission RAV will reach over £5bn by the end of the RIIO-T2 price control in 2026, with significant future growth in the years beyond. SSE remains optimistic about its local networks growth too and is working hard on its SSEN Distribution business plan for RIIO-ED2.

Sustainable value for shareholders and society

As the country emerges from coronavirus, there is an obvious 'win-win' from investments in low-carbon infrastructure that help stimulate the economy, boost jobs and level up regions while tackling climate change. For that reason, SSE has led the industry in making the case for an ambitious green economic recovery from the pandemic.

SSE has strengthened its science-based carbon targets by joining the UN Global Compact's Race to Zero pledge: has published a Just Transition Strategy on the social implications of delivering net zero; and the Company is partnering with the UK Government as a principal partner in the run up to and during next year's COP26 climate summit.

In all of this SSE is promoting the long-term success of the Company and creating lasting value for shareholders – remunerating them with dividends to 2023 and beyond – as well as for wider society

With options that are second to none, a strong balance sheet that support plans to develop, own and operate the infrastructure that is so badly needed to build a better world of energy, SSE is well-placed for a successful future.

Alistair Phillips-Davies

Chief Executive

GROUP FINANCIAL REVIEW – six months ended 30 September 2020

This Group Financial Review sets out the financial performance of the SSE Group in the six months to 30 September 2020. See also the separate sections on **Group Financial Outlook 2020/21 and Beyond** and **Supplemental Financial Information**.

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

Key Financial Metrics	**Adjusted**		**Reported**	
	Sep 20 £m	**Sep 19 £m**	**Sep 20 £m**	**Sep 19 £m**
Operating Profit	**418.3**	**491.9**	**985.1**	**347.5**
Net Finance Costs	(224.4)	(228.5)	(155.6)	(218.6)
Profit before Tax	**193.9**	**263.4**	**829.5**	**128.9**
Current Tax charge	(23.7)	(31.6)	(79.3)	(18.2)
Effective current tax rate (%)	*12.2*	*12.0*	*9.6*	*14.1*
Profit after Tax on continuing operations	**170.2**	**231.8**	**750.2**	**110.7**
(Loss) after Tax on discontinued operations	**-**	**-**	**(4.1)**	**(350.1)**
Profit/(Loss) after Tax	**170.2**	**231.8**	**746.1**	**(239.4)**
Less: hybrid equity coupon payments	46.6	46.5	46.6	46.5
Profit/(Loss) after Tax attributable to ordinary shareholders *(1)*	**123.6**	**185.3**	**699.5**	**(285.9)**
(1) After distributions to hybrid capital holders				
EPS (pence)	**11.9**	**18.0**	**67.3**	**(27.7)**
Number of shares for basic/reported and adjusted EPS (million)	1,039.6	1,030.4	1,039.6	1,030.4
Shares in issue 30 September (m)	1,048.2	1,048.1	1,048.2	1,048.1

Dividend per Share	**Mar 21**	**Mar 20**
Interim Dividend pence	24.4	24.0
Full Year Dividend pence	Expected 80 + RPI	80.0

The above adjusted and reported financial metrics include the impact of coronavirus on operating profit in the six months to 30 September 2020, which has been estimated to be around £115m.

Operating profit performance 2019/20

Business-by-business segmental	Adjusted		Reported	
	Sep 20 £m	Sep 19 £m	Sep 20 £m	Sep 19 £m
Operating profit/(loss)				
SSEN Transmission	115.2	110.1	115.2	110.1
SSEN Distribution	109.6	150.8	109.6	150.8
Electricity networks total	**224.8**	**260.9**	**224.8**	**260.9**
Investment in SGN	89.4	102.1	45.2	54.5
Economically-regulated networks total	**314.2**	**363.0**	**270.0**	**315.4**
SSE Renewables	**141.6**	**149.9**	**318.6**	**106.4**
Thermal Generation	49.6	57.8	58.1	(53.3)
Gas Storage	(17.9)	(20.7)	4.5	(20.7)
Thermal Energy Total	**31.7**	**37.1**	**62.6**	**(74.0)**
Business Energy (GB)	(27.4)	2.9	(15.5)	2.9
SSE Airtricity (NI and Ire)	16.6	16.4	20.4	16.4
Customer Solutions Total	**(10.8)**	**19.3**	**4.9**	**19.3**
Energy Portfolio Management	**(1.5)**	**(81.2)**	**319.8**	**73.4**
Enterprise	**(33.5)**	**8.2**	**(37.0)**	**5.1**
Corporate Unallocated	(23.4)	(4.4)	46.2	(98.1)
Total operating profit from continuing operations	**418.3**	**491.9**	**985.1**	**347.5**
Net finance costs	(224.4)	(228.5)	(155.6)	(218.6)
Profit before tax from continuing operations	**193.9**	**263.4**	**829.5**	**128.9**
Discontinued operations:				
Gas Production Assets – held for sale	(3.0)	(15.3)	(3.0)	(15.3)
SSE Energy Services – sold Jan 2020	-	(7.4)	-	(348.4)
Total operating (loss) from discontinued operations	**(3.0)**	**(22.7)**	**(3.0)**	**(363.7)**

A reconciliation of adjusted operating profit by segment to reported operating profit by segment can be found in Note 5 (b) to the Summary Financial Statements.

Segmental EBITDA results are included in note 5 (c) to the Summary Financial Statements.

Impact from coronavirus

Coronavirus is having a significant impact on every company operating in the UK and Ireland, but, relative to many other companies, the impact on SSE is mitigated by its robust business model and the nature and quality of its asset base. Correspondingly, in line with expectations set out in the June Preliminary Full-year Results, the financial performance of the Group's transmission, renewables and thermal businesses has not been significantly adversely impacted by coronavirus in the period to 30 September 2020.

However, as was also expected in June, the wider economic impact of coronavirus on the economies of the UK and Ireland has had an adverse impact on SSE's other businesses. The impact on operating profit during the first six months is estimated to be £115m, slightly lower than the guidance provided in the September Notification of Close Period Statement. The adjusted financial metrics include the effect of coronavirus, with estimated adverse impacts for each business area as follows:

- In **SSEN Distribution**, operating profit has been impacted by approximately £35m due to reduced DUoS revenue resulting from reduced customer demand and reduced new connection activity.
- In **SGN**, reduced activity has led to approximately a £5m share of unproductive costs.
- In **SSE Business Energy**, operating profit has been impacted by approximately £50m due to a combination of reduced demand, increased bad debts and losses incurred on early settlement of excess commodity hedges with negative mark-to-market valuations.
- In **SSE Enterprise**, the Contracting and, to a lesser extent Telecoms, businesses have been impacted by approximately £25m due to a reduced contracting order book and less overall activity.

Based on SSE's latest assessment, the full-year coronavirus impact on operating profit is expected to be towards the middle of a £150m to £250m range. The range of outcomes reflects uncertainty over the extent of future impacts of coronavirus on the economy, given the highly unpredictable current outlook for the virus.

Operating profit – including coronavirus impact

Adjusted and reported operating profit/losses in SSE's business segments for the six months to 30 September 2020 are as set out below; comparisons are with the same six months in 2019 unless otherwise stated.

SSEN Transmission: Adjusted and reported operating profit increased by 5% to £115.2m, compared to £110.1m, mainly due to phasing of allowed revenue which has been partially offset by increased depreciation and operating costs.

SSEN Distribution: Adjusted and reported operating profit decreased by 27% to £109.6m from £150.8m, mainly driven by the impact coronavirus has had on lowering electricity demand and reducing new connections activity. Around £25m of this decrease is expected to be recoverable in future years under established regulatory arrangements in relation to uncollected DUoS revenue.

Investment in SGN: adjusted operating profit decreased by 12% to £89.4m, compared to £102.1m, which includes the impact of coronavirus leading to higher unproductive costs incurred by the business. Included within HY19/20 was non-recurring other income from the disposal of surplus land.

The decreases to adjusted operating profit were offset by a £3.4m reduction in SSE's share of SGN interest, tax and IFRS 9 remeasurements. As a result, reported operating profit was £45.2m compared to £54.5m.

SSE Renewables: adjusted operating profit decreased by 6% to £141.6m, compared to £149.9m. The majority of this adverse movement was due to weather conditions which decreased renewable electricity output by 199GWh on prior period and 428GWh on plan, however this decrease was almost entirely offset by higher achieved power prices. Other movements from the prior period largely offset each other and include lower current Renewables Obligation Certificate prices, higher current GB Balancing Market income, non-recurring GB Capacity Market income in the prior period and a £23.3m non-exceptional gain on disposal of a 51% stake in the Seagreen offshore wind farm development on 3 June 2020.

Reported operating profit was £318.6m compared to £106.4m. The factors outlined above were outweighed by an exceptional gain resulting from the disposal of the Group's financial interests in the Walney offshore wind farm of £188.8m, and a fair value gain of £25.7m arising on revaluation of the retained 49% investment in the Seagreen offshore windfarm development, compared to £6.4m of exceptional income in HY19/20. In addition, joint venture share of interest and tax charges decreased by £12.4m compared to HY19/20.

Thermal Generation: adjusted operating profit decreased by 14% to £49.6m, compared to £57.8m in the prior period, mainly due to £51m of non-recurring GB Capacity Market reinstatement income received in HY19/20. Offsetting this in HY20/21 was: a £23.9m non-exceptional gain on sale of a 50% stake in Slough Multifuel on 2 April 2020; strong GB Balancing Market income; higher recurring GB Capacity Market income; and exceptionally high plant availability across the period.

Reported operating profit increased to £58.1m, compared to a reported operating loss of £53.3m, due to the above factors but including a fair value gain of £24.8m arising on revaluation of the retained 50% investment in Slough Multifuel and a £98.7m net exceptional charge recognised in HY19/20 for Fiddlers Ferry coal station following the decision in that period to close the station.

Gas Storage: adjusted operating loss decreased by 14% to £(17.9)m, compared to £(20.7)m. As with the prior year, this year's auction of storage capacity resulted in no contracted sales. SSE therefore continues to run the plant on a merchant basis, with its business using this capacity over the forthcoming winter with Gas Storage expected to return to a small profit for the full year.

Reported operating profit was £4.5m as a result of a £22.4m revaluation gain on gas held in storage at the period end to fair market price.

SSE Business Energy: adjusted operating loss was £(27.4)m, compared to an adjusted operating profit of £2.9m, driven by coronavirus reducing customers' demand for electricity and related services including a loss of approximately £24m resulting from early settlement of excess commodity hedges with negative mark-to-market valuations.

The reported operating loss was £(15.5)m, compared to a reported operating profit of £2.9m, due to the above factors but including an £11.9m release in HY20/21 of excess bad debt provisioning originally expected to arise from coronavirus impact.

SSE Airtricity: adjusted operating profit was £16.6m, compared to £16.4m, reflecting a number of tariff reductions in FY20/21 being offset by lower commodity costs.

SSE Airtricity also released a £3.8m excess bad debt provision originally expected to arise from coronavirus in HY20/21. Reported operating profit was therefore £20.4m.

Energy Portfolio Management (EPM): adjusted operating loss reduced to £(1.5)m, compared to £(81.2)m. As previously stated, and in line with implementation of SSE's Approach to Hedging, EPM is expected to earn a small adjusted operating profit from 2020/21 onwards through service provision to those SSE businesses requiring access to the energy markets.

Reported operating profit was £319.8m, compared to £73.4m, partly as a result of the above reduction in adjusted operating loss but mainly due to a higher net re-measurement gain in the period on unsettled, previously out of the money, fair value forward gas contracts.

The adjusted and reported operating result for both the current and prior period includes the previously separately presented "Gas Production (continuing)" results. This represented the internal hedging contracts with EPM relating to the Group's Gas Production assets, which are being sold unhedged. The amalgamation of the results from these hedges is aligned with the transfer of operational control to EPM.

SSE Enterprise: adjusted operating loss was £(33.5)m, compared to an adjusted operating profit of £8.2m, reflecting the impact coronavirus has had on activity within the Contracting business in particular as well as an impairment charge of £14.9m relating to Contracting assets and liabilities following classification as held for sale.

Reported operating loss in the year was £(37.0)m compared to £5.1m in prior year due to the factors above and allowing for the Group's share of interest and tax and in SSE Telecoms joint venture.

Corporate Unallocated: adjusted operating loss of £(23.4)m compared to £(4.4)m reflecting a change in the recovery of corporate costs following the sale of SSE Energy Services on 15 January 2020.

Reported operating profit was £46.2m, compared to a loss of £(98.1)m, mainly due to the combination of an exceptional gain on disposal of £72.0m relating to MapleCo in the current period and exceptional charges recognised in the prior period relating to both the disposal of SSE Energy Services of £52.5m and exceptional IT write-offs and redundancy provisions totalling £41.2m.

Gas Production – held for sale (discontinued operations): The assets held for sale had an adjusted and reported operating loss of £(3.0)m, compared to £(15.3)m, which is excluded from SSE's adjusted results. Revenue has significantly decreased as a result of lower gas prices in the period. As the business remains held for sale, depreciation has not been charged during the period, compared to a depreciation charge prior to held for sale classification of £46.2m in HY19/20.

Adjusted earnings per share

Adjusted earnings per share – including coronavirus impact

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

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

In the six months to 30 September 2020, SSE's adjusted earnings per share on continuing operations was 11.9p, compared to 18.0p for the six months to 30 September 2019. This is after the negative impact on pre-tax operating profit from coronavirus estimated at £115m (or around 9 pence on adjusted EPS), and also reflects the non-coronavirus movements in adjusted operating profit outlined in the section above.

GROUP FINANCIAL OUTLOOK 2020/21 AND BEYOND

Outlook for the remainder of 2020/21

SSE's full-year financial results will be dependent on the economic impact from coronavirus in addition to the normal factors like weather and plant availability. While still uncertain, the coronavirus impact on SSE's operating profit for the year to 31 March 2021 is expected to be towards the middle of the £150m to £250m range set out in June. Including this estimated impact of coronavirus and assuming normal weather conditions from mid-November, adjusted earnings per share for 2020/21 is currently forecast to be in the range of 75p to 85p including a gain on disposal of a stake in Dogger Bank offshore wind farm. Reported earnings per share will also include the gain on sale from the disposal of Multifuel Energy which is expected to be in excess of £650m.

SSE's adjusted net debt is expected to be around £9.5bn at March 2021.

Maintaining a strong balance sheet and clear plan for longer-term funding

SSE's programme to securing value from disposals of non-core assets by Autumn of 2021

Since 2014, SSE has undertaken a series of targeted disposals of non-core assets and businesses. This has been to simplify the SSE Group; sharpen its focus on businesses supporting the transition to net zero emissions; recycle capital from mature assets; realise value from development and operation of assets; and establish partnerships to support investment in new assets. In total, since 2014, these have secured proceeds in excess of £4.1bn.

In June 2020, the Group announced a target to achieve disposal proceeds from non-core assets in excess of £2bn by the autumn of 2021. Having already achieved £1.4bn of this target by October, through the announced disposals of investments in Walney offshore wind farm, MapleCo smart meter asset provider and Multifuel Energy, further non-core asset disposal processes are continuing for:

- SSE's **Contracting and Rail** business, with a sale expected to be completed this financial year; and
- SSE's **Gas Production** assets, where completing a sale has proven challenging not least due to the prevailing economic circumstances.

In addition, in June, SSE signalled its intention to explore divestment of all or part of its remaining 33.3% non-operating financial interest in **SGN** and banks have since been appointed to review available options.

Funding SSE's £7.5bn capital investment plan to 2025

In June, the Group set out its plan to invest £7.5bn over the five years to March 2025 together with a sustainable financial framework within which this will be delivered. The framework included a target for a net debt to EBITDA range of 4.5 – 5 times. This target is designed to ensure SSE maintains credit rating ratios that are comparable with private sector utilities across Europe and comfortably above those required for an investment grade credit rating. (see '**Maintaining a Strong Balance Sheet**').

With the planned disposal of non-core assets expected to deliver proceeds well in excess of £2bn, SSE expects its £7.5bn investment plan to be fully financeable and consistent with its target to improve its net debt to EBITDA ratio to be at the lower end of a 4.5 – 5.0 times range between 2021/22 and 2024/25, without any requirement to change capital structure.

SSE has a strong balance sheet and the financial discipline needed to fund its investment plans and take opportunities when they present themselves. Following successful refinancing activity during the first six months of this year, which raised hybrid capital securities and conventional Eurobonds totalling over £2bn, the Group has no significant refinancing or funding requirements for the next two years.

SSE has good liquidity, with £1.5bn of undrawn committed facilities and will continue to be agile with investments, sales of non-core assets and acquisitions. Looking further ahead, the Group is confident that it is in a strong position to capitalise on the opportunities to invest in further value-creating projects on the journey to net zero.

Partnering for future growth in Renewables

SSE continues to regard partnering capability as vital for the future and an important means of unlocking future opportunities in its core businesses.

Through **SSE Renewables**, SSE will continue its established approach to partnering to capitalise on the significant development opportunities ahead related to net zero.

SSE is well placed to manage development risk but selling down stakes to retain typically 30-40% equity interest in a project and working with equity partners for construction, and/or operation brings a number of benefits:

- It allows SSE to secure developer premiums and realise value at the earliest opportunity;
- It reduces overall risk and financial exposure on large-scale projects;
- It avoids a large increase in net debt that is not earning; and
- It appeals to the different risk appetites of different partners at different stages of the project cycle.

This approach to partnering and financing in Renewables provides further optionality to ensure SSE's enviable development pipeline is optimised. Delivering the current pipeline will add, on average, over 500MW of renewables capacity each year to 2030. In addition, with upcoming sea bed auctions and the work being done to identify opportunities to expand the portfolio internationally, SSE has clear aspirations to reach a run rate of at least 1GW of new assets a year during the second half of this decade, in line with government ambitions on net zero.

Extending the partnering approach to Networks

As noted previously, SSE will also consider extending the partnering approach to stakes in its core **SSEN Transmission** and **SSEN Distribution** businesses over the medium term, should it consider that the released capital could facilitate the realisation of greater growth opportunities across its core businesses. These would be minority stakes, enabling SSE to retain the lead role in relation to governance and also operational control, but only if it is deemed to be in the interests of customers, the electricity system as a whole, and shareholders to do so.

Dividend

Dividend Plan

SSE's first financial objective has always been to remunerate shareholders for their investment through the payment of dividends. SSE has today announced an interim dividend of 24.4p per share with an intention to recommend a full-year dividend of 80p per share plus RPI inflation

SSE continues to believe that dividends should be sustainable, based on earnings and the longer-term financial outlook and also on the quality and nature of its assets and operations. The core businesses of the SSE Group provide a good balance, being economically-regulated or operating under public policy targeting net zero emissions; and with the support of SSE's other complementary businesses, provide a good foundation for the dividend. They will therefore underpin SSE's ability to create value for shareholders over the long term.

There are clearly uncertainties about coronavirus and the wider economic situation and, therefore the impact on SSE's businesses, meaning that the Board will continue to take account of external factors impacting the Group when making decisions on dividends; but, based on SSE's current forecast of the financial impact of coronavirus, it is confident in its ability to deliver all of its existing five-year 2019-23 dividend plan.

Scrip Dividend Scheme

Taking account of subscription to the scrip dividend over both the interim and final dividends, and excluding Treasury shares, uptake of the 2019/20 dividend was 19%, made up of:

- 55% for the 2019/20 interim dividend; and
- 4% for the 2019/20 final dividend.

In June 2020, SSE confirmed that it would not buy back shares even if uptake of the Scrip Dividend exceeded 20%. In addition, there will be no new share buy-back programmes in the 2020/21 financial year.

SUPPLEMENTAL FINANCIAL INFORMATION

Investment and capital expenditure

Adjusted Investment and Capex Summary	Sept 20 Share %	Sept 20 £m	Sept 19 £m
SSEN Transmission	33%	224.4	168.6
SSEN Distribution	25%	167.9	152.4
Electricity Networks total	**58%**	**392.3**	**321.0**
SSE Renewables	**26%**	**176.4**	**125.2**
Thermal Generation	6%	39.8	108.0
Gas Storage	-	2.1	1.2
Thermal energy total	**6%**	**41.9**	**109.2**
Customer Solutions	2%	14.8	-
Energy Portfolio Management	-	0.9	-
Enterprise	4%	28.7	25.1
Corporate	2%	13.0	36.0
Gas Production	2%	12.5	21.7
SSE Energy Services	-	-	*
Adjusted investment and capital expenditure before refunds	**100%**	**680.5**	**638.2**
Project finance development expenditure refunds		(246.1)	-
Adjusted investment and capital expenditure		**434.4**	**638.2**

**SSE Energy Services was disposed of on 15 January 2020. During the period to 30 September 2019 the Group incurred £53m of capital expenditure within its SSE Energy Services business (mainly smart meter related). However, this capital expenditure was excluded from SSE's adjusted Investment and Capital Expenditure, as the Group incurred an exceptional loss on disposal of SSE Energy Services.*

Progress of capital expenditure programme

During the six months to 30 September 2020, SSE's investment and capital expenditure (before project finance development expenditure refunds) totalled £680.5m, including £568.7m investment in renewable energy and regulated electricity networks, both of which are fundamental to delivery of net zero.

Total investment and capital expenditure over the period included the following:

- Continued significant investment in **electricity networks** totaling £392.3m (58% of SSE's total investment and capital expenditure).
  - **SSEN Transmission** investment and capital expenditure of £224.4m included delivery of new substations at Alyth, New Deer, Peterhead and Rothienorman as well as extensions to existing substations at Fetteresso, Kintore and Tealing. Furthermore, construction recently commenced on the 600MW High-Voltage Direct-Current transmission link connecting Shetland to the GB transmission system, with £58.8m spent in the period and significant capital expenditure expected in future years.
  - **SSEN Distribution** investment and capital expenditure of £167.9m consisted primarily of asset replacement and reinforcement projects, including the replacement of subsea cables, with significant projects including the Pentland Firth East Submarine Cable.
- Further investment in **renewable energy** totalling £176.4m (26% of the total) of which £80.0m related to SSE's equity share of the Dogger Bank offshore wind farm. This investment excludes a £246.1m refund received on financial close of Seagreen offshore wind farm of early-stage capex made by SSE into that project.

- SSE's flexible thermal gas-fired power stations will play a key part in the transition to a low-carbon economy and investment in **thermal generation** totaled £39.8m (6% of the total) representing the ongoing construction of Keadby 2 (£25m) and Multifuel projects (£13m).
- A total of £28.7m was invested in **Enterprise**, predominantly in the Telecoms Joint Venture, with £14.8m invested in customer relationship management systems for **Customer Solutions**, £13.0m invested in shared IT assets within **Corporate** and £12.5m invested in **Gas Production** assets.

Update on capital expenditure plans to 2025

Securing value from disposals will support SSE's investment in core strategic assets that will support the ongoing transition to net zero emissions, contribute to a green economic recovery and help achieve SSE's ambitious 2030 goals on renewable energy and the wider electrification of the economy.

SSE's 2020 plan to invest around £7.5bn in the period to March 2025, net of project finance development expenditure refunds, focuses on the delivery of core strategic projects that will make the greatest early contribution to the achievement of net zero emissions and earn sustainable returns that will support earnings in the years ahead.

The £7.5bn – net of project finance development expenditure refunds – includes equity investments to March 2025 of £1.5bn in Seagreen and Dogger Bank alone. Of the £7.5bn, almost 90% will be in SSE's core Renewables, Transmission and Distribution businesses.

In 2020/21, SSE expects adjusted investment and capital expenditure, net of project development expenditure refunds, to be around £1bn. This lower run rate is expected to reverse in 2021/22 and 2022/23 when adjusted investment and capital expenditure, again net of project development expenditure refunds, is expected to increase to around £1.8bn in each year.

SSE's hedging position

To aid understanding, the following hedging summary should be read in conjunction with the full 'SSE's Approach to Hedging' document published in November 2018 and the subsequent update published in May 2019. As set out in the document, in order to account for the effect of the 'wind capture price', SSE's target is to hedge only 85% of its anticipated wind energy output for the coming 12 months.

https://sse.com/investors/reportsandresults/media/t14jx1up/sse-approach-to-hedging-may2019-update.pdf
https://sse.com/media/540265/SSEs_approach_to_hedging_November_2018.pdf

Renewables – GB wind and hydro hedging position

Since March 2019, as part of preliminary and interim results, SSE has included its hedge position in relation to its GB wind and hydro generation.

In April, SSE Renewables made changes to its hedging position to bring it in line with the 85% target referred to above, resulting in an upside to future locked-in prices. In addition, due to the market turbulence triggered by the first pandemic national lockdown in March, it elected to suspend its hedging activity in line with policy to avoid the highly volatile market activity caused by falling demand. The circa two-month suspension avoided coronavirus-related impacts on future wholesale market prices.

The following table includes an update as at 30 September 2020, showing the hedge position for full years 2021/22 and 2022/23.

		2021/22	2022/23
Wind	Expected volume TWh	4.3	4.3
	Volume hedged %	78%	40%
	Hedge price £/MWh	£48	£47
Hydro	Expected volume TWh	3.4	3.4
	Volume hedged %	78%	39%
	Hedge price £/MWh	£49	£47

The table excludes the additional income streams outlined in the May 2018 hedging paper update (i.e. BM activity, ROCs, ancillary services, cap mech & shape variations) and income relating to Irish Wind, pumped storage and CfD income for Beatrice.

The hedge position for SSE's other market-facing businesses is as follows:

Business Energy: sales demand volumes were, and continue to be, adversely impacted by the coronavirus lockdown and the extent to which this will impact customers' consumption and viability in the medium term remains under review as regional restrictions and coronavirus management continue to vary. To reflect this expected reduction in demand, Business Energy reduced hedged volumes for 2020/21, incurring mark-to-market losses of approximately £24m during the period. Further adjustments to hedged volumes may be required as more evidence of the medium-term impact on customers' consumption becomes available.

SSE Thermal: in the 12 months prior to delivery, SSE aims to hedge all the expected output of its CCGT assets, having progressively established this hedge over the preceding 24 months and with nothing hedged beyond 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.

Gas Storage: continues to be commercially operated after the annual auction to offer gas storage capacity contracts, held in April 2020, resulted in no contracts being secured. The business continues to manage its exposure to changes in the spread between summer and winter prices, market volatility and plant availability whilst also making capacity available, at fair value, to interested third parties.

Gas Production: as the E&P business remains held for sale on an unhedged basis, the financial impact arising from historical hedging activity for this business has been reported as part of the Energy Portfolio Management (EPM) segment, consistent with the transfer of operational control over these hedges during the period.

The historic hedging positions for the E&P business have been kept under review and, in June 2020, SSE closed all remaining volumetric exposure on gas hedges. At 30 September 2020, SSE's E&P assets effectively remained hedged for around 80% and 87% of oil exposure for 2020/21 and 2021/22 respectively, this continues to be monitored with a view to closing the position ahead of the disposal of the business.

Energy Portfolio Management (EPM): provides the route to market and manages the execution for all of SSE's commodity trading outlined above (spark spread, power, gas, carbon and oil). This includes managing market conditions and liquidity and reporting and monitoring net Group exposures.

Summarising Movements on Exceptional Items and Certain Remeasurements

In the six months to 30 September 2020, SSE recognised a net exceptional gain of £327.0m before tax. The following table provides a summary of the key components making up the net gain position:

Exceptional Gains / (Charges)	Total £m
£2bn disposal programme:	
Walney offshore wind farm	188.8
MapleCo meter asset provider	72.0
Fair value uplifts on loss of control:	
Seagreen offshore wind farm	25.7
Slough Multifuel	24.8
Coronavirus impact:	
Customer Solutions reversal of bad debt provisions	15.7
Total exceptional items	**327.0**

Note: The definition of exceptional items can be found in Note 2(iii) of the Summary Financial Statements. In addition to the exceptional fair value uplifts on loss of control noted above were non-exceptional gains on sales of stakes in Seagreen offshore windfarm (£23.3m) and Slough Multifuel (£23.9m), as detailed in Note 6.

The Group recorded an exceptional gain of £260.8m before tax on disposal of Walney and MapleCo, as part of the Group's strategy to secure value from disposals of non-core assets. The exceptional gain on sale of Multifuel Energy, announced on 13 October 2020, will be recognised following completion, expected in the second half of the financial year.

For a full description of exceptional items see note 6 of the Summary Financial Statements.

Operating derivatives

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

SSE shows the change in the fair value of these forward contracts separately as this mark-to-market movement does not reflect the realised operating performance of the businesses. The underlying value of these contracts is recognised as the relevant commodity is delivered, which for the large majority of the position at 30 September 2020 is expected to be in the next 12 months.

The £321.3m IFRS 9 positive movement on operating derivatives in the six months to 30 September 2020 arose mainly from an improvement in, and unwinding of, previously 'out of the money' fair value forward gas contracts.

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 £22.4m positive movement in the six months to 30 September 2020 arose from increases of the fair value of gas held over historic cost at the period end.

Financing derivatives

In addition to the positive movements above, an adverse movement of £16.5m was recognised on financing derivatives in the six months to 30 September 2020, including SSE's share of joint venture financing derivative remeasurements. These losses are predominately due to the impact of weaker Sterling against the Dollar and Euro on cross currency swaps linked to Eurobonds, Hybrids and US private placement debt along with lower interest rates on cross currency swaps and interest rate swaps.

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

Reported results for the period to 30 September 2020 are significantly higher than the previous year, reflecting pre-tax exceptional gains of £654.4m recognised during the year mainly driven by a combination of progressing with the Group's £2bn plus non-core asset disposal programme and IFRS 9 remeasurements on operating derivatives as detailed in the sections above.

Financial management and balance sheet

Debt metrics	**Sept 20**	**Mar 20**	**Sept 19**
	£m	**£m**	**£m**
Adjusted net debt and hybrid capital (£m)	**(10,622.1)**	**(10,465.9)**	**(10,338.9)**
Average debt maturity (years)	6.9	6.5	7.0
Adjusted interest cover (excluding SGN) times	1.5	3.3	1.8
Adjusted interest cover (including SGN) times	1.7	3.2	2.0
Average interest rate for the period (excluding JV/assoc. interest and all hybrid coupon payments)	3.15%	3.18%	3.22%
Average cost of debt at period end (including all hybrid coupon payments)	3.58%	3.51%	3.60%
Net Debt/EBITDA (inc. hybrid capital)	N/A	5.7	N/A

Net finance costs reconciliation	**Sept 20**	**Sept 19**
	£m	**£m**
Adjusted net finance costs	**224.4**	**228.5**
Add/(less):		
Lease interest charges	(17.6)	(18.5)
Notional interest arising on discounted provisions	(1.9)	(7.8)
Hybrid equity coupon payment	46.6	46.5
Adjusted finance costs for interest cover calculation	251.5	248.7

SSE Principal Sources of debt funding	**Sept 20**	**Mar 20**	**Mar 19**
Bonds	51%	48%	46%
Hybrid debt and equity securities	23%	21%	22%
European investment bank loans	11%	12%	12%
US private placement	8%	8%	9%
Index –linked debt & short-term funding	7%	11%	11%
% of total SSE borrowings secured at a fixed rate	93%	87%	88%

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 to keep its debt/EBITDA ratio at the lower end of a range of 4.5 – 5 times across the four years to 31 March 2025.

As well as promoting the long-term success of the Company and sustaining SSE's ability to pay dividends, 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.

In addition to maintaining effective financial management and managing cash outflow, SSE will ensure that its decisions on capital investment projects are calibrated with the progress of, and prospects for, its planned programme of disposals of non-core assets and businesses. This represents a sustainable financial framework for the future.

Adjusted net debt and hybrid capital

SSE's adjusted net debt and hybrid capital was £10.6bn at 30 September 2020, up from £10.5bn at 31 March 2020, reflecting the ongoing capital investment programme, working capital movements and debt revaluation adjustments partially offset by proceeds from the disposal of Walney offshore wind farm and divestment of a stake in Seagreen offshore wind farm in addition to the refund of early-stage capex when that joint venture project reached financial close in June 2020.

The Group moved quickly at the start of the year, following a period of capital market disruption, to launch successfully a €1.1bn 5- and 10-year dual tranche Euro bond with both tranches swapped to Sterling:

Date	Issuer	Debt Type	Term	Value	Coupon (€)	All in Funding Cost (£)
Apr 2020	SSE plc	Eurobond	5yr	€600m (£531m)	1.25%	2.38%
Apr 2020	SSE plc	Eurobond	10yr	€500m (£443m)	1.75%	2.87%

Adjusted net debt is expected to be around £9.5bn at March 2021; reflecting cash inflows from completion of the disposal of the Group's 50% share of Multifuel Energy to First Sentier Investors for £995 million, proceeds from the planned sale of a stake in Dogger Bank offshore wind farm and refunds of early-stage capex when that joint venture project reaches financial close.

As SSE has previously outlined, optionality and agility will continue to be important and investment expenditure and net debt can always be impacted if there are opportunities to create value from disposing of assets, or from further investments or acquisitions.

The debt revaluation adjustment of £234.3m as at 30 September 2020, down from £276.8m at 31 March 2020, relates to mark-to-market movements on cross-currency swaps and floating rate swaps that are classed as hedges under IAS39. The hedges ensure that any movement in the value of net debt is predominately offset by a movement in the derivative position. The debt revaluation decrease at September 2020 was primarily driven by an accounting revision recorded during the period following review of the Group's contractual exposure on certain swap arrangements, as well as mark-to-market charges on inception previously recognised through the Income Statement.

Hybrid bonds summary as at 30 September 2020

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

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

A summary of SSE's Hybrid Bonds as at 30 September 2020 can be found below:

Issued	Hybrid Bond Value *	All in rate	First Call Date	Accounting Treatment
March 2015	€600m (£440m)	4.04%	April 2021	Equity accounted
March 2017	£300m	3.73%	September 2022	Debt accounted
March 2017	$900m (£749m)	2.72%	September 2022	Debt accounted
July 2020	£600m	3.74%	April 2026	Equity accounted
July 2020	€500m (£456m)	3.68%	July 2027	Equity accounted

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

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

Hybrid coupon payments	**2020/21**		**2019/20**	
	HYe	**FYe**	**HYa**	**FYa**
Total equity (cash) accounted *	£47m	£47m	£47m	£47m
Total debt (accrual) accounted	£15m	£30m	£15m	£30m
Total hybrid coupon	**£62m**	**£77m**	**£62m**	**£77m**

**Note: The first coupon payments on the new Hybrid bonds, issued in July 2020, don't fall until April 2021 for the £600m Hybrid and July 2021 for the €500m Hybrid.*

SSE's March 2015 and July 2020 hybrid bonds are perpetual instruments and are therefore accounted for as part of equity within the Financial Statements but, as in previous years, have been included within SSE's 'Adjusted net debt and hybrid capital' to aid comparability. The remaining March 2017 hybrid bond has a fixed redemption date and is therefore debt accounted and included within Loans and Other Borrowings; and 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 £224.4m in the six months to 30 September 2020, compared to £228.5m in the previous year reflecting a number of minor movements in the period.

Reported net finance costs were £155.6m, compared to £218.6m, reflecting the reallocation of the Group's share of finance costs arising in joint ventures within reported operating profit as required by IFRS.

Summarising cash and cash equivalents

At 30 September 2020, SSE's adjusted net debt included cash and cash equivalents of £0.4bn, up from £0.2bn at March 2020 and reflecting recent proceeds from disposals.

Since 31 March 2020, the cash collateral value has decreased by £196.7m and totalled £59.7m at 30 September 2020. The decrease relates to the unwinding of collateral required to cover out of the money commodity positions.

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 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	2025: option to extend to 2026	£1.3bn
Oct 19	SSE plc	Revolving Credit Facility with Bank of China	2025: option to extend to 2026	£200m

The facilities can also be utilised to cover short-term funding requirements, however they remain undrawn for the majority of the time and at 30 September 2020 they were both undrawn.

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

Maintaining a prudent Treasury policy

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

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 2020, 93% 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

Ability to raise funds at competitive rates is fundamental to investment. SSE's fundraising over the past five years, including senior bonds, hybrid capital and term loans, now totals £7.2bn (including over £2.0bn of debt and hybrid capital raised in the six months to September 2020) and SSE's objective is to maintain a reasonable range of debt maturities. Its average debt maturity, excluding hybrid securities, at 30 September 2020 was 6.9 years, up from 6.5 years at 31 March 2020. This reflects SSE's recent debt issuance which has replaced maturing debt. SSE's average cost of debt is now 3.6%, compared to 3.5% at 31 March 2020.

Going Concern

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

In making their assessment the Directors have assessed the forecast future cashflows of the Group for the period to 31 December 2021 taking account of the expected impact from coronavirus on operating cashflows. In line with expectations in June, the impact on SSE is mitigated by its robust business model and the nature and quality of its asset base. As such, there has been minimal adverse impact on the financial performance of the Group's transmission, renewables and thermal businesses, with the coronavirus impact limited to the Group's other businesses.

The Directors have also assessed that the Group remains able to access Capital Markets, despite a period of disruption due to coronavirus, as demonstrated by the dual tranche Euro bond issuance in April 2020 and the dual tranche hybrid issuance in July 2020, and expectation of future available liquidity in the commercial paper market. Following the successful refinancing activity during the first six months of this year, and with expected total proceeds well in excess of £2bn arising from the planned disposal of non-core assets, the Group has no significant refinancing or funding requirements for the next two years.

In addition, the Group has good liquidity with £1.5bn of undrawn committed borrowing facilities.

SSE's principal joint ventures and associates

SSE's financial results include contributions from equity interests in joint ventures ("JVs") and associates, all of which are equity accounted. The details of the most significant of these are included in the table below. This table also highlights SSE's share of off-balance sheet debt associated with its equity interests in JVs, which, including SGN, is just under £2.9bn as at 30 September 2020.

SSE principal JVs and associates	Asset type	SSE holding	SSE share of external debt as at 30 September 2020	SSE Shareholder loans as at 30 September 2020
Seabank Power	1,234MW CCGT	50%	No external debt	No loans outstanding
Marchwood Power	920MW CCGT	50%	No external debt	£54m
Clyde Windfarm (Scotland)	522MW onshore wind farm	50.1%	No external debt	£127m
Doggerbank Wind Farms	Up to 1,200MW offshore wind farm each. Up to 3,600MW total	50%	No external debt	£180m
Seagreen Windfarm Ltd	1,075MW offshore wind farm	49%	£359m	No loans outstanding
Scotia Gas Networks	Gas distribution network	33.3%	£1,546m	£114m
Ferrybridge Multifuel Energy	69MW multifuel	50%	No external debt	£81m
Ferrybridge Multifuel Energy 2	69MW multifuel	50%	No external debt	£163m
Beatrice Offshore Windfarm Ltd	588MW offshore wind farm	40%	£927m	No loans outstanding
Cloosh Valley Wind Farm	105MW onshore windfarm (part of Galway Wind Park)	25%	£32m	Project financed
SSE Telecoms	Private telecoms network	50%	No external debt	£44m
Stronelairg Windfarm	228MW onshore wind farm	50.1%	No external debt	£88m
Dunmaglass Windfarm	94MW onshore windfarm	50.1%	No external debt	£47m

Greater Gabbard, a 504MW offshore windfarm (SSE share 50%) is proportionally consolidated and is reported as a Joint Operation with no loans outstanding.
Seagreen Windfarm Ltd has been included for the first time at 30 September 2020, due to loss of control following divestment of a 51% stake on 3 June 2020.

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. In November 2020, it was reaccredited with the Fair Tax Mark, meaning it will have held the mark for seven consecutive years. It also published its fifth Talking Tax booklet outlining what tax is paid, and where.

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 FY20/21, based on adjusted profit before tax, is forecast to be around 11%, as compared with 11.2% in FY19/20 on the same basis, and after prior period adjustments. SSE’s adjusted current tax rate continues to be less than the headline rate of corporation tax in the UK of 19%, primarily due to the impact of tax allowances available on the Group’s capital investment programme.

Impacts of prior year adjustments

The Group has adjusted its comparative statement of comprehensive income and balance sheet to correct for two separate prior year adjustments. The prior year adjustments are noted in Note 2(v) of the Summary Financial Statements and were previously identified as prior year adjustments in the 31 March 2020 Annual Report.

Pensions

Contributing to employees’ pension schemes – IAS 19	Sept 20 £m	Mar 20 £m	Sept 19 £m
Net pension scheme asset recognised in the balance sheet before deferred tax	146.5	341.7	403.9
Employer cash contributions Scottish Hydro Electric scheme	0.5	5.8	5.2
Employer cash contributions Southern Electric scheme	27.4	66.5	34.0
Deficit repair contribution included above	17.7	42.6	24.5

In the period to 30 September 2020, the surplus across SSE’s two pension schemes decreased by £195.2m, from £341.7m to £146.5m, primarily due to an increase in inflation rates and decrease in discount rates due to market volatility associated with coronavirus.

The majority of the adverse movement in the combined pension surplus was recognised in the Southern Electric Scheme, as due to hedging instruments in place including the buy in entered into in the prior year, the Group is less exposed to market volatility in the Scottish Hydro Electric Scheme.

Additional information on employee pension schemes can be found in Note 17 to the Summary Financial Statements.

BUSINESS UNIT OPERATING REVIEW

SSE's strategic focus on the successful development, efficient operation and responsible ownership of energy assets and businesses is delivered through its core networks and renewables businesses, supported by other business units highly complementary to that core. These business units are arranged to support SSE's net zero strategy, allow decision-making to be as effective and efficient as possible and to give investors visibility over performance and future priorities.

ECONOMICALLY-REGULATED NETWORKS

SSE owns and operates an electricity transmission network in Scotland and two electricity distribution networks, in Scotland and in central southern England. Taken together these are SSE's core electricity networks businesses. SSE also has a 33.3% financial stake in Scotia Gas Networks, therefore also has exposure to the distribution of gas.

Owners of energy networks in Great Britain are remunerated according to the RIIO (Revenue = Incentives + Innovation + Outputs) framework set by Ofgem, under which the regulator determines an annual allowed level of required capital expenditure and operating costs, in order to meet required network outputs. These are added together to form total expenditure or 'totex', which is split by defined capitalisation rates which differ between networks.

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

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

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

SSEN TRANSMISSION

SSEN Transmission key performance indicators

SSEN TRANSMISSION	Sept 20	Sept 19
Transmission adjusted and reported operating profit - £m	115.2	110.1
Regulated Asset Value (RAV) - £m	3,643	3,406
Renewable Capacity connected to SSEN Transmission Network – GW	6.4	6.3
Transmission adjusted Capital expenditure - £m	224.4	168.6

Transmission overview

Operating as Scottish Hydro Electric Transmission plc, SSEN Transmission owns, operates and develops the high voltage electricity transmission system in the north of Scotland and remote islands. Since the start of the eight-year RIIO-T1 price control in 2013, investment and capital expenditure by SSEN Transmission has totalled around £3.2bn, including £224.4m in the six months to 30 September 2020. This investment plays a pivotal role in providing the critical national infrastructure required to facilitate the transition to net zero and to maintain network reliability for the communities SSEN Transmission serves

Operational delivery

In the six months to 30 September 2020, SSEN Transmission maintained its strong track record for keeping the lights on for the homes and businesses in its network area, continuing to deliver an impressive network reliability of over 99.9%. As a result of its operational performance, SSEN Transmission remains on track to perform well in relation to the Energy Not Supplied (ENS) Incentive for 2020/21.

SSEN Transmission continues to make excellent progress in the delivery of its large capital investment programme, critical to maintaining network reliability, security of supply and to supporting the transition to net zero. Building on a sector-leading track record for delivering major projects on time and within budget, these projects include major new substations at Alyth, New Deer, Peterhead and Rothienorman as well as extensions to existing substations at Fetteresso, Kintore and Tealing. These investments will support the increase in the capability of the east coast transmission system up to 400kV – supporting the forecast growth in renewables that is looking to connect in the area. In July 2020, Ofgem approved the 600MW High-Voltage Direct-Current transmission link connecting Shetland to the GB transmission system for the first time, unlocking Shetland's renewables potential as well as supporting its future security of supply requirements. Construction has started on this £630m project and it is on track for energisation in 2024.

In August, SSEN Transmission become the world's first network company to be accredited with a science-based carbon reduction target in line with a 1.5°C global warming pathway required to meet net zero, further demonstrating its sector-leading credentials in tackling the climate emergency.

Following a step change in SSEN Transmission's approach to stakeholder engagement, underpinned by the creation of a dedicated Customer and Stakeholder Directorate reporting to the Managing Director of Transmission, in September, SSEN Transmission received its highest ever reward through Ofgem's Stakeholder Engagement Incentive for 2019/20. This resulted in SSEN Transmission rising from 13th place in 2018/19 to 6th place across all GB network companies, the highest of all Transmission Owners, with the financial incentive reward to be confirmed in the second half of the year, which will be reflected in 2021/22 earnings.

Growth opportunities

With the north of Scotland home to some of the world's greatest resources of renewable energy, SSEN Transmission is uniquely placed to play a leading role in the transition to net zero and the significant growth opportunities this presents, through building the transmission infrastructure required to connect renewable electricity generation and transport that electricity to areas of demand.

Underpinning these opportunities are planned changes to the UK Government's Contracts for Difference regime, which are expected to re-introduce support for onshore wind and solar, as well as proposed changes to the CfD pot structure which should improve the competitiveness of remote island wind and floating offshore wind. The ScotWind offshore wind leasing round, launched in summer 2020, further supports growth opportunities necessary to deliver net zero.

In October, SSEN Transmission, alongside Scottish Power Energy Networks and National Grid Electricity Transmission, submitted to Ofgem an Initial Needs Case to develop a subsea HVDC link from Peterhead to Drax in the north east of England. The link, which the System Operator has indicated should proceed for delivery in 2029, is required to facilitate the forecast growth in renewables in the north of Scotland.

SSEN Transmission has a strong pipeline of new renewable connections and can see a clear path to a near trebling of connected generation capacity from 8GW today to 22GW by 2030.

RIIO-T2 and beyond

In July 2020, Ofgem published for consultation its Draft Determination for the RIIO-T2 price control period with SSEN Transmission submitting a robust and evidence-based response, supported by stakeholders, in September. The response challenged Ofgem's unjustified £800m totex cuts, highlighted inaccuracies in the methodologies and calculations used to set allowances and raised concerns about to the potential implications for delivery of net zero and the risk to attracting investment to the UK.

SSEN Transmission is hopeful that Ofgem will consider the additional evidence and stakeholder perspectives provided since July 2020 and also expects Ofgem to reflect the provisional findings of the Competitions and Markets Authority's PR19 water appeal when setting the level of returns for RIIO-T2.

SSEN Transmission will continue to engage constructively with Ofgem ahead of its Final Determination due in December and will keep all options open to secure an acceptable and investable settlement that meets the needs of all stakeholders, including customers.

While still subject to Ofgem's Final Determination, when considering the vast growth opportunities presented by net zero, the Regulatory Asset Value of SSEN Transmission could increase to over £5bn by the end of the RIIO-T2 period.

SSEN DISTRIBUTION

SSEN Distribution key performance indicators

SSEN DISTRIBUTION	Sept 20	Sept 19
Distribution adjusted and reported operating profit - £m	109.6	150.8
Regulated Asset Value (RAV) - £m	3,825	3,643
Distribution adjusted capital expenditure - £m	167.9	152.4
Electricity Distributed - TWh	15.8	17.4
Customer minutes lost (SHEPD) average per customer	23.9	26.0
Customer minutes lost (SEPD) average per customer	22.5	23.2
Customer interruptions (SHEPD) per 100 customers	28.5	27.9
Customer interruptions (SEPD) per 100 customers	24.9	24.3

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 maintaining the electricity distribution networks supplying over 3.8m homes and businesses across central southern England and north of the central belt of Scotland.

Operational delivery

As outlined in the Group Financial Overview, adjusted and reported operating profit in SSEN Distribution decreased by 27% to £109.6m from £150.8m, mainly driven by the impact coronavirus has had on lowering electricity demand and reducing new connections activity. Around £25m of this decrease is expected to be recoverable in future years under established regulatory arrangements in relation to uncollected DUoS revenue.

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

In the six months to 30 September 2020, the business invested £167.9m, bringing the total invested since the beginning of the RIIO-ED1 Price Control to over £1.7bn. This is part of a forecast investment of £2.6bn throughout the RIIO-ED1 period, supporting future earnings through RAV growth.

SSEN invests in its networks to support resilience today and to be prepared for growing demand in the future. Works continue on an £8.4m network upgrade programme between Petersfield and Fernhurst, in SEPD's Thames Valley region. The 19-month project will replace over 14km of network infrastructure improving resilience for over 10,000 customers. The £7m Longcross to Ascot upgrade project is on target to be completed in November 2020.

The £30m project to replace one of the two submarine electricity distribution cables connecting Orkney to mainland Scotland is now complete. Working with the local supply chain, SSEN successfully energised the new cable on 5 November 2020. Work is also under way to assess replacement options for the damaged subsea cable connecting Lewis and Harris to Skye.

Under the Interruptions Incentive Scheme (IIS), SSEN is incentivised on its performance against the loss of electricity supply through the recording of Customer Interruptions (CI) and Customers Minutes Lost (CML), which include both planned and unplanned supply interruptions. These incentives will typically be collected two years after they are earned.

SSEN has continued to drive improvements in its high-voltage automation schemes which are leading to a reduction in CML. In both SEPD and SHEPD, performance is ahead of regulatory targets. In the SEPD region CML fell to 22.5 (3.0% improvement on HY19/20) and CI rose to 24.9 (2.5% deterioration on HY19/20). In the SHEPD region CML fell to 23.9 (8.1% improvement on HY19/20) and CI rose to 28.5 (2.1% deterioration on 2019/20).

SSEN has successfully secured a year-on-year improvement in customer satisfaction levels resulting in improved financial reward through the RIIO-ED1 Broad Measure incentive. The current year-end outturn is expected to be £5.12m, representing a slight fall from the previous year (£5.66m). This is representative of a pattern seen across the industry as the impact of coronavirus altered expectations, particularly due to home working. In response, a recovery plan has been implemented to drive performance to above last year's score. SSEN Distribution's Stakeholder Engagement and Customer Vulnerability (SECV) submission improved by over 40% based on Ofgem's review, securing an extra indicative income of £1.1m.

Growth opportunities

Respective net zero targets set by the UK and Scottish governments are expected to as much as treble electricity demand by 2050. New demand on the distribution network will be driven by electrification of the UK's heat and transport sectors. Research commissioned by SSEN shows that EV ownership will increase from 44,000 today to 5m by 2050 in SHEPD and SEPD distribution areas alone, with a concurrent significant increase in heat pumps. It is critical the RIIO-ED2 (2023-2028) price control provides a platform for cost-effective transition to net zero, prioritising the needs of existing and future customers. SSEN is engaging with Ofgem to support a fair and balanced settlement that builds upon the success of RIIO-ED1 and secures the investment needed for decarbonisation of the system, network reliability and improvements in customer service.

Chris Burchell is succeeding Colin Nicol who retires in April 2021 as Managing Director. Under his leadership, the business will submit its draft business plan for RIIO-ED1 on 1 July 2021. This stakeholder-led plan will be informed by comprehensive engagement with consumers, network users and all interested parties to deliver outcomes that create lasting value and empower the communities SSEN serves. This will include the development of Local Network Plans (LNPs) which will help to inform and target investment to maximise value for money whilst realising local climate plans.

In the shorter term, distribution networks are well placed to accelerate a green economic recovery through targeted investment in network infrastructure. SSEN continues to engage with government and Ofgem on measures that could unlock this investment in the remaining years of RIIO-ED1 and ensure an appropriate mechanism that supports the cost-effective transition to net zero.

INVESTMENT IN SCOTIA GAS NETWORKS (SGN)

SGN key performance indicators

SCOTIA GAS NETWORKS (SGN) SSE's 33.3% share	**Sept 20**	**Sept 19**
SGN adjusted operating profit (SSE's share) - £m	89.4	102.1
SGN reported operating profit (SSE's share) - £m	45.2	54.5
Regulated Asset Value - £m	1,957	1,949

Overview of SSE's investment in SGN

SSE holds a 33% financial investment stake in SGN, the gas distribution company which serves 5.9 million homes and businesses across Scotland, the south of England and the western region of Northern Ireland. As set out in June 2020 as part of its £2bn plus disposals programme, SSE retains the option to sell its stake in the business, subject to market conditions. While no final decision has been made, banks have been appointed to review options for the sale of all or part of SSE's holding.

Operational delivery

In the six months to 30 September 2020, 99% of uncontrolled gas escapes were attended in under an hour. In the same period SGN delivered 3,855 new gas connections, and 376 assisted connections as part of efforts to help those in fuel poverty. SGN has submitted a strong, stakeholder-led business plan for the next price control (RIIO-GD2) from April 2021. Leading on innovation, decarbonisation and engineering excellence, the plan commits SGN to making a positive impact on society, delivering a safe and efficient service and contributing to net zero goals by accelerating decarbonised gas solutions.

SSE RENEWABLES

SSE Renewables key performance indicators

	Sept 20	Sept 19
Renewables adjusted operating profit - £m	141.6	149.9
Renewables reported operating profit – £m	318.6	106.4
Renewables adjusted capital expenditure and investment before refunds – £m	176.4	125.2
RENEWABLE GENERATION CAPACITY – MW		
Pumped storage capacity (GB) – MW	300	300
Conventional hydro capacity (GB) – MW	1,159	1,159
Onshore wind capacity (GB) – MW	1,247	1,247
Onshore wind capacity (NI) – MW	122	141
Onshore wind capacity (ROI) – MW	567	567
Offshore wind capacity (GB) – MW	487	579
Total renewable generation capacity (inc. pumped storage) – MW	**3,882**	**3,993**
Renewable capacity qualifying for ROCs - MW	c2,120	c2,230
RENEWABLE GENERATION OUTPUT – GWh		
Pumped storage output – GWh	68	112
Conventional hydro output – GWh	1,319	1,301
Onshore wind output GB – GWh	970	1,089
Onshore wind output NI – GWh	103	126
Onshore wind output ROI – GWh	533	569
Offshore wind output – GWh	792	848
Total renewable generation (inc. pumped storage) – GWh	3,785	4,045
Total renewable generation (also inc. constrained off) – GWh	**4,008**	**4,207**

Note 1: Capacity is wholly-owned and share of joint ventures
Note 2: Electricity output is based on SSE 100% share of wholly owned sites and % share of joint ventures
Note 3: Onshore wind output excludes 223GWh of constrained off generation in HY2020/21 and 162GWh in HY2019/20; Offshore wind output excludes nil constrained off generation in HY2020/21 and 0.2GWh in HY2019/20
Note 4: Onshore wind capacity in NI reflects the disposal of Slieve Divena II in February 2020
Note 5: Offshore wind capacity in GB reflects the disposal of Walney in September 2020
Note 6: Biomass capacity of 16 MW and output is excluded, with the operating profit or loss reported as part of the Enterprise business

SSE Renewables overview

SSE Renewables is a core part of the SSE Group and central to its future growth plans. It comprises the company's existing operational assets and those under development in onshore wind, offshore wind, flexible hydro-electricity, run-of-river hydro-electricity and pumped storage.

Operational delivery

At 30 September 2020 SSE Renewables' operational offshore wind installed capacity stood at 487MW following the disposal of Walney offshore wind farm. Its onshore wind installed capacity stood at 1,936MW following the disposal of Slieve Divena II onshore wind farm and hydro-electric installed capacity was unchanged at 1,159MW. SSE Renewables' output in the first half of the 2020/21 financial year was down by 199GWh compared to the same period in 2019/20 which was mainly driven by poor weather conditions.

Onshore, SSE Renewables' is making good progress against its plans to bring the maintenance of an increasing proportion of its onshore wind fleet in house. Six more sites were brought in house in first half of the 2020/21 financial year, bringing the total to 56% of SSE Renewables' wholly-owned onshore wind assets (exclusive of joint venture sites).

Offshore, Beatrice offshore wind farm (588MW, SSE Renewables share 40%), which SSE Renewables operates on behalf of the joint venture partners, had an encouraging first full year of operation.

SSE Renewables' fleet of flexible hydro assets, including its 300MW pumped storage at Foyers which was subject to a planned outage for much of the first half, provided vital flexibility to the GB electricity system in spring and summer. Hydro helped manage the volatility caused by low demand and a resultant high proportion of variable generation on the system by utilising its storage capability to manage evolving system needs during the half year to 31 September 2020, including providing significant support via balancing and ancillary services. Distribution connected assets also took part in National Grid's new Optional Downward Flexibility Management service, established to assist in balancing the system. Three hydro sites were also successfully contracted to provide local flexibility management through SSEPD's Constraint Managed Zones.

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

SSE Renewables' continues to make progress with its programme of capital investment focusing on the renewal of its large flexible hydro assets well into the next decade, which will ensure the assets are in an optimal position to operate in future markets. The overhaul of the first unit at Grudie Bridge (18.7MW) is now complete with work on the second unit planned for Spring 2021 to maximise production and value over the winter. This work will extend its operational life by at least a further 30 years and improve reliability and efficiency. The replant of Tummel Bridge (34MW), first commissioned in 1933, is planned for 2021/22. The refurbishment of the second of two turbines at Foyers was completed with the station now fully returned to service and continuing to contribute significantly to grid services and income.

Short-term growth opportunities

SSE's current development pipeline would see, on average, over 500MW of renewables capacity added each year to 2030. SSE Renewables is leading the construction of over 5,000MW across four wind farms (SSE Renewables share c. 2,800MW).

SSE Renewables' growth to 2025 will be driven by its flagship offshore projects, Seagreen 1 and Dogger Bank. Seagreen 1 (1,075MW, SSE Renewables share 49%), located in Scottish waters, is a joint venture with Total and reached a final investment decision in June 2020. When complete, it will be Scotland's largest wind farm and the world's deepest. Construction of the onshore substation and installation of the onshore cable is under way. Offshore construction is due to begin in Autumn 2021 with the installation of turbine foundations.

The first two phases of the world's largest offshore wind farm at Dogger Bank, Dogger Bank A and B (each 1,200MW, SSE Renewables share 50%), are progressing towards financial close in the coming days.

Near-term onshore growth will be delivered through Gordonbush Extension in Scotland (38MW), which will be completed in Spring 2021, and Viking wind farm (443MW) in Shetland, which will achieve first power in Spring 2024. In Ireland, Lenalea wind farm (30MW, SSE Renewables share 50%) was successful in the first RESS auction, which cleared at a weighted average price of €74/MWh, and it is expected to enter construction in mid-2021.

Long-term growth opportunities

While the activity already in development that is described above will double SSE's renewables output by 2025, an enviable pipeline of longer-term projects needed to meet binding government targets could quadruple the Group's wind output by 2030.

Further growth opportunities will come from SSE Renewables' consented offshore sites: Seagreen 1A (360MW, SSE Renewables share 49%), which is an extension to the Seagreen 1 site, and Arklow Bank Wind Park (520MW) in Ireland. These projects are expected to have an opportunity to secure government-backed contracts in the UK's CfD Allocation Round 4 and the Irish RESS-2 auction, respectively, both expected to take place by the end of 2021. If successful, both projects could be operational by 2025/26.

SSE Renewables is also focused on achieving consents for its planned projects at Berwick Bank and Marr Bank offshore wind farms (up to 4,150MW), formerly Seagreen 2 and 3, located off the Firth of Forth. Environmental Impact Assessment scoping reports have been submitted for both projects and planning applications should be submitted by the end of 2021. SSE Renewables is also progressing its 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. North Falls signed an Agreement for Lease with the Crown Estate in September 2020 as part of the process launched in February 2017 by the Crown Estate for wind farm operators to apply for extensions to their existing projects.

Opportunities to secure new seabed leases in England, Wales and Scotland are under way through the Crown Estate's Round 4 and Crown Estate Scotland's ScotWind leasing rounds. These processes are now expected to conclude in 2021. In Ireland, SSE Renewables has submitted foreshore licence applications for site investigations at two further Irish projects in the early stages of development: the 800MW Braymore Point project off the north-east coast and the 800MW Celtic Sea array off the south-east coast.

Future onshore growth can be delivered through SSE Renewables' consented sites at Tangy repower (57MW) in Scotland and Yellow River (105MW) in Ireland. There is a further 700MW of onshore wind in development that, if consented, could be operational by 2030 and further onshore developments are under consideration.

In October 2020, SSE Renewables received consent from the Scottish Government to increase the capacity of its planned pumped storage project, Coire Glas, from 600MW to 1,500MW. With increasing volumes of variable generation expected on the GB electricity system in the 2030s and beyond, SSE Renewables continues to see a critical role for Coire Glas in the efficient transition to a net zero economy. Coire Glas is one of the only large-scale bulk electricity storage solutions available in the next decade and is unique in its scale and potential to deliver vital flexibility and balancing services to the GB energy system.

In addition, SSE sees potential to export its unique end-to-end expertise across the renewables value chain – from developing to building and operating – to new markets and geographies in order to extend its portfolio further. With this and upcoming sea bed auctions, SSE has clear aspirations to reach a run rate of at least 1GW of new assets a year during the second half of this decade.

SSE Renewables' future offshore development pipeline consists of:

Project	**Capacity**	**SSE Renewables Share**	**Status**
Arklow Bank (ROI)	520MW	100%	Consented and in development
Seagreen 1A	360MW	49%	Consented and in development
Berwick Bank and Marr Bank (Seagreen 2 & 3) (UK)	Up to 4,150MW	100%	In development
North Falls (Greater Gabbard Extension) (UK)	Up to 504MW	50%	In development

SSE THERMAL

Thermal generation key performance indicators

	Sept 20	Sept 19
Thermal adjusted operating profit - £m	49.6	57.8
Thermal reported operating profit/(loss) – £m	58.1	(53.3)
Thermal adjusted capital expenditure and investment – £m	39.8	108.0
GENERATION CAPACITY – MW		
Gas- and oil-fired generation capacity (GB) – MW	4,002	4,004
Gas- and oil-fired generation capacity (Ire) – MW	1,292	1,292
Coal-fired generation capacity – MW	-	1,455
Multifuel capacity – MW	68	34
Total thermal generation capacity – MW	**5,362**	**6,785**
GENERATION OUTPUT – GWh		
Gas- and oil-fired output (GB) – GWh	7,954	6,598
Gas- and oil-fired output (Ire) – GWh	1,233	1,339
Coal-fired output – GWh	-	44
Multifuel output – GWh	251	145
Total thermal generation – GWh	**9,438**	**8,126**

Note 1: Capacity is wholly-owned and share of joint ventures
Note 2: Electricity 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: Coal-fired capacity reflects the closure of SSE's last remaining coal-fired station, Fiddlers Ferry, in March 2020
Note 4: Increased multifuel capacity relates to Ferrybridge MF2 which came on line in December 2019
Note 5: Reduced GB gas- and oil-fired capacity reflects CEPs now being part of Enterprise business
Note 6: Less than 15 MW of CHP and CEP capacity is excluded, with the operating profit or loss reported as part of the Enterprise business

SSE Thermal overview

SSE Thermal owns and operates a strong portfolio of conventional thermal generation in the UK and Ireland. The SSE Thermal fleet fulfils an important strategic function within SSE, providing the generation flexibility that is needed to support the transition to net zero.

Operational delivery

SSE Thermal's Combined Cycle Gas Turbine (CCGT) fleet is among the most flexible in the GB and Ireland electricity systems. Over the past six months it has improved its availability performance and has increasingly created value from its intra-day flexibility to ensure system security of supply. Providing flexibility through the Balancing Mechanism to support the electricity system remains an important complementary earnings stream, which varies year to year but in the first six months of 2020/21 has performed strongly.

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

Station	Asset type	Station Capacity	Capacity obligation
Medway (GB)	CCGT	735MW SSE 100%	To September 2022
Keadby (GB)	CCGT	755MW SSE 100%	To September 2022
Keadby 2 (GB)	CCGT	893MW SSE 100%	15 year contract commencing October 2023
Peterhead (GB)	CCGT	1,180MW SSE 100%	To September 2024
Seabank (GB)	CCGT	1,234MW SSE 50%	To September 2024
Marchwood (GB)	CCGT	920MW SSE 50%	To September 2024
Great Island (Ire)	CCGT	464MW SSE 100%	To September 2024
Rhode (Ire)	Gas/oil peaker	104MW SSE 100%	To September 2024
Tawnaghmore peaking plant Ire)	Gas/oil peaker	104MW SSE 100%	To September 2024
Tarbert (Ire)	Oil	620MW SSE 100%	To September 2022

Capacities published in the table above reflect Transmission Entry Capacity (TEC)
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

Construction of SSE Thermal's £350m, 893MW CCGT at Keadby 2 in Lincolnshire, is in progress with the gas turbine now on site and expected operational handover by summer 2022. The project, which is adjacent to the existing Keadby 1 station, will introduce Siemens' first-of-a-kind, high efficiency, gas-fired generation technology to the UK. Its function is to provide flexibility to the market at enhanced thermal efficiency and a lower net carbon cost through the next two decades of transition to net zero. The unit secured a 15-year Capacity Mechanism contract in March, commencing in October 2023, which underpins the business case of Europe's most efficient CCGT.

SSE Thermal has opportunities to develop further thermal power stations, but Keadby 2 will be SSE's last unabated gas station. Future opportunities will be progressed with clear low-carbon pathways, making them consistent with SSE's wider decarbonisation targets.

SSE Thermal believes strongly in the potential of pre- and post-combustion Carbon Capture, Use and Storage (CCUS) and hydrogen to decarbonise flexible thermal generation. It is actively looking at developing generation assets with low-carbon pathways at its sites, with a planning application for a low-carbon CCGT at Keadby 3 under way. In addition, as CCS and hydrogen technologies and routes to market develop, as well as creating new growth options for SSE, they may allow the retrofitting of existing plants to be explored.

Site preparation works continue at a new energy-from-waste plant at Slough to be operated by SSE Thermal under a 50:50 joint venture with Copenhagen Infrastructure Partners agreed in April. With capacity of up to 50MW, Slough is expected to be operational by 2025 and the project is not impacted by the sale of SSE Thermal's stakes in multifuel plant at Ferrybridge and the proposed multifuel facility at Skelton Grange.

GAS STORAGE

Gas Storage key performance indicators

GAS STORAGE	Sept 20	Sept 19
Gas storage adjusted operating (loss) - £m	(17.9)	(20.7)
Gas storage reported operating profit / (loss) - £m	4.5	(20.7)
Gas storage adjusted capital investment - £m	2.1	1.2

Gas Storage overview

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

These assets returned to profit in 2019/20. Performance in the first six months has improved on last year and, as ever, is influenced by seasonal factors.

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

SSE BUSINESS ENERGY

Business Energy key performance indicators

	Sept 20	Sept 19
Business Energy adjusted operating (loss) / profit - £m	(27.4)	2.9
Business Energy reported operating (loss) / profit - £m	(15.5)	2.9
Electricity Sold – GWh	6,301	8,345
Gas Sold – mtherms	65.2	90.2
Aged Debt (60 days past due)- £m	76.9	48.3
Bad debt expense - £m	14.9	14.7
Energy customers' accounts– m	0.51	0.55

SSE Business Energy overview

SSE Business Energy plays an important role in providing a valuable route to market for SSE's electricity generation businesses to over 500,000 non-domestic customers across GB.

Operational delivery

Business Energy retains a solid customer base with 9.5% market share of Power by Volume and 2.7% Gas by Volume.

Financial performance for the six months to 30 September reflects challenging market conditions, driven not least by the effects of coronavirus. Operating profit has been impacted by approximately £50m due to a combination of reduced customer demand, increased bad debts and losses incurred on early settlement of excess commodity hedges with negative mark-to-market valuations.

Swift action was taken to mitigate some first-half losses and Business Energy is expected to move back into profitable territory next year based upon current economic forecasts.

In the first half of the year Business Energy customers – from small start-ups to large clients – used over 2TWh of fully traceable wind and hydro electricity to power their businesses. This year also saw the launch of a renewable gas tariff, which is gaining traction in the market, and has received third party accreditation from international energy consultancy EcoAct.

Business Energy continues to engage with customers materially affected by the economic impact of the coronavirus pandemic to find workable payment solutions.

Growth opportunities

The GB non-domestic market remains key to SSE's strategy, with Business Energy as the shopfront bringing the Group's low-carbon and green products to market.

Business Energy continues to offer GB customers a range of energy optimisation solutions, electric vehicle tariffs and corporate Power Purchase Agreements. As the business further expands into energy solutions in line with the Group's net zero commitments, this will provide additional revenue opportunities. As the business further expands into energy solutions in line with the Group's net zero commitments, this will provide additional revenue opportunities.

The business is also responding to regulatory requirements to install smart meters and facilitate faster customer switching in order to better serve customers in the future.

SSE AIRTRICITY

SSE Airtricity key performance indicators

	Sept 20	Sept 19
Airtricity adjusted operating profit - £m	16.6	16.4
Airtricity reported operating profit - £m	20.4	16.4
Aged Debt (60 days past due)[1] - £m	8.7	6.4
Bad debt expense - £m	2.1	0.7
All-Island energy market customers (Ire) – m	0.70	0.72
Note 1: Aged Debt previously defined as 180 days past due (£4.5m as at 30 Sept 2020; £3.1m at Sept 2019), now defined as 60 days past due following alignment with Business Energy		

SSE Airtricity overview

SSE Airtricity retains a strong market position as Ireland's largest supplier of 100% green energy, supplying over 700,000 customers across the island of Ireland. It is highly complementary to SSE's generation fleet.

Operational delivery

SSE Airtricity has a 22.4% market share of Power by Volume and 21.6% Gas by Volume*. This is split across the Republic of Ireland and Northern Ireland with profits in NI more seasonally weighted to the winter due to the high proportion of gas customers.

The island of Ireland retail energy market continues to have a role to play as a shopfront for SSE's low-carbon products.

In the six months to 30 September, there was a strong performance on load retention in B2B. Overall margins are in line with business expectations.

Overall, lower demand among business customers due to coronavirus has been largely offset by higher domestic demand levels.

**Based on ROI Commission for Regulation of Utilities and NI Utility Regulator data to 30 June 2020*

Growth opportunities

SSE Airtricity continues to support customers and empower communities in their transition towards a greener future. This is being achieved by developing green propositions and launching innovative partnerships that deliver tangible benefits for customers and communities alike.

In the first half, Airtricity further expanded its Energy Services business to offer an increasingly diverse portfolio of green products and services to domestic and business customers, such as solar, EV chargers, smart home technology and electrical energy efficiency audits. The 'Generation Green Home Upgrade' product in partnership with An Post provides a market-leading home retrofit and green finance proposition. The business has ambitions to support the retrofit of up to 30,000 homes in Ireland over the next 10 years.

SSE ENTERPRISE

Enterprise key performance indicators

ENTERPRISE	Sept 20	Sept 19
Adjusted operating (loss) / profit	(33.5)	8.2
Reported operating (loss) / profit	(37.0)	5.1
Heat Network Customer Accounts	9,853	8,366
Telecoms Number of BT exchanges unbundled	319	166

SSE Enterprise overview

The role of Enterprise within SSE is to seek out new opportunities in areas that complement the Group's core energy portfolio, with a forward-looking focus on distributed energy. Enterprise is currently divided into three business divisions: Distributed Energy, Telecoms (50% owned by SSE with the other 50% owned by Infracapital) and a Contracting and Rail division which is currently the subject of a sale process and has also been – along with comparable peers – substantially negatively affected by the pandemic leading to losses in the Enterprise division.

Operational delivery

Financial performance in Enterprise was heavily impacted by the negative effects of coronavirus on its Contracting and, to a lesser extent Telecoms, businesses. These amounted to approximately £25m, due to a reduced contracting order book and less overall activity. This contributed to an overall adjusted operating loss in Enterprise of £(33.5)m, as did an impairment charge of £14.9m relating to Contracting assets and liabilities following its classification as held for sale.

These impacts notwithstanding, the business remains strong and order book pipeline has recovered. Enterprise has taken steps to position itself for longer term success by bringing together its existing multi-utility and energy management capabilities to meet the needs of its customers. Its Distributed Energy division aims to ensure its 'whole system thinking' solutions can best lay the platform for a data-driven and sustainable world, including: distributed generation, energy optimisation, smart buildings and EV charging.

Growth opportunities

SSE Enterprise is developing offerings in solar and battery storage to further respond to the needs of local generation which can help balance supply.

The business is involved in a number of innovative projects, including developing one of the world's largest vehicle-to-grid (VSG) trial sites in London to generate electricity from buses when not in use.

Enterprise's Distributed Energy division is also part of a partnership scheme at Peterborough to design the UK's largest smart city regeneration project.

The business has also recently launched SSE Enhance, a smart grid, aggregation and optimisation platform providing access to the wholesale market, balancing mechanism and ancillary services.

SSE Enterprise Telecoms continues to grow its network and customer base: its route network has increased in size from 12,000km to 20,000km and it is now connected to over 90 data centres. It recently announced its intention to more than double its BT exchange reach by connecting 550 BT exchanges by the end of 2021 – working closely with Three UK which is looking to boost its 4G and 5G networks. SSE Enterprise Telecoms has strengthened its management team and is deploying new internal systems to support further growth.

ENERGY PORTFOLIO MANAGEMENT

EPM key performance Indicators

EPM	Sept 20	Sept 19
EPM adjusted operating (loss) - £m	(1.5)	(81.2)
EPM reported operating profit – £m	319.8	73.4

EPM overview

Energy Portfolio Management provides route to market services to SSE's market-based businesses, namely SSE Renewables, SSE Thermal, SSE Business Energy, SSE Airtricity, Gas Production, Gas Storage and SSE Enterprise. Each of these businesses is responsible for its own hedging strategy and pays EPM a service fee to manage the implementation of hedging and delivery of energy on its behalf.

SSE trades principal commodities, as well as the spreads between two or more commodity prices (e.g. spark spreads): power (baseload and other products); gas; carbon (emissions allowances); and oil. Each commodity has different liquidity characteristics, which impacts on the quantum of hedging possible.

Operational delivery

SSE first set out a new approach to the management of its energy portfolio in November 2018, and subsequently published 'SSE's Approach to Hedging: May 2019 Update'. EPM is expected to earn a small adjusted operating profit from 20/21 onwards.

The sharp reduction in energy demand brought on by coronavirus has reduced market prices but SSE's revised hedging policy has protected the business and the Group from the price volatility.

GAS PRODUCTION – HELD FOR SALE (Discontinued Operation)

Gas Production key performance indicators

GAS PRODUCTION – HELD FOR SALE (Discontinued Operation)	Sept 20	Sept 19
Gas Production assets adjusted and reported operating (loss) - £m	(3.0)	(15.3)
Gas production – M therms	192.3	225.4
Gas production – Mboe	3.4	4.0
Liquids production – Mboe	0.2	0.3
Technical review carried out annually:	**Mar 20**	**Mar 19**
Proved Plus Probable (2P) - (Bn Th)	1.5	1.7
Proved Plus Probable (2P) - (MMboe)	24.9	29.7

Gas Production overview

SSE has a diverse equity share in over 15 producing fields across 25 licences in three regions of the UK Continental Shelf: the Easington Catchment Area, the Bacton Area and Greater Laggan Area.

Investment in gas production assets is, however, no longer consistent with SSE's strategy and focus on net zero, and these assets are accounted for as held for sale.

ALTERNATIVE PERFORMANCE MEASURES

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

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

Purpose

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

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

Changes to APMs in the period

In the period the Group has changed the presentation of its Adjusted Investment and Capital Expenditure measure as a result of refinancing proceeds received from the Seagreen joint venture in the period. The explanation of the change is described fully in adjustment 20 on page 44.

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

Group APM	Purpose	Closest equivalent IFRS measure	Adjustments to reconcile to primary financial statements
Adjusted EBITDA (earnings before interest, tax, depreciation and amortisation)	Profit measure	Operating profit	• Movement on operating and financing derivatives ('certain re-measurements') • Exceptional items • Share of joint ventures and associates' interest and tax • Depreciation and amortisation before exceptional charges (including depreciation and amortisation expense on fair value uplifts) • Share of joint venture and associates' depreciation and amortisation • Release of deferred income
Adjusted operating profit	Profit measure	Operating profit	• Movement on operating and financing derivatives ('certain re-measurements') • Exceptional items • Depreciation and amortisation expense on fair value uplifts • Share of joint ventures and associates' interest and tax
Adjusted profit before tax	Profit measure	Profit before tax	• Movement on operating and financing derivatives ('certain re-measurements') • Exceptional items • Depreciation and amortisation expense on fair value uplifts • Interest on net pension assets/liabilities (IAS 19R) • 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 19R)
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

Group APM	Purpose	Closest equivalent IFRS measure	Adjustments to reconcile to primary financial statements
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 19R) • 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
Investment and capital expenditure (adjusted)	Capex measure	Capital additions to Intangible Assets and Property, Plant and Equipment	• Other expenditure • Customer funded additions • Allowances and certificates • Disposed additions • Group funded joint venture and associate additions • Refinancing proceeds

Rationale for adjustments
Adjustments to Profit Measure

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

This adjustment can be designated between operating and financing derivatives.

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

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

2 Exceptional Items

Exceptional charges or credits, and the tax effects thereof, are considered unusual by nature or scale and 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 relevant adjusted profit measures before its share of the interest and/or tax on joint ventures and associates.

4 Share of joint ventures and associates' depreciation and amortisation

For management purposes, the Group considers EBITDA (earnings before interest, tax, depreciation and amortisation) based on a sum-of-the-parts derived metric which includes 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 operating strategy includes securing value creation from divestments of stakes in certain assets and businesses, specifically but not exclusively in its Renewables business. Where SSE's interest in such vehicles changes from full to joint control, and the joint arrangement is an equity accounted joint venture, SSE will recognise a fair value uplift on its retained equity investment. Those uplifts will be treated as exceptional (and non-cash) gains in the year of the relevant transactions completing. These uplifts create assets which are depreciated or amortised over the remaining life of the underlying assets or contracts in those businesses with the charge being included in the Group's adjusted depreciation and amortisation expense. The Group's adjusted operating profit, adjusted profit before tax and adjusted earnings per share have therefore been adjusted to exclude this depreciation and amortisation expense from the fair value uplift given the charges derived from significant one-off gains which are treated as exceptional when initially recognised.

6 Release of deferred income

The Group deducts the release of deferred income in the year from its adjusted EBITDA metric as it principally relates to 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 of £30.7m being incurred. The Group's 40% share of the 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 and the year ended 31 March 2020, as refinancing of this scale is non-recurring and is not representative of normal operations.

8 Interest on net pension assets/liabilities (IAS 19R)

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 19R. This will mean that the charge recognised in any given year will be dependent on the impact of actuarial assumptions such as inflation and discount rates. To avoid income statement volatility derived from this basis of measurement and reflecting the non-cash nature of these charges, the Group excludes these from its adjusted profit measures.

9 Deferred tax

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

Adjustments to Debt measure
10 Hybrid equity

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

11 Outstanding liquid funds

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

A balance of cash has been presented as held for disposal where it will be disposed of on completion of pending transactions. As the Group continues to fund the businesses which it holds for disposal through intercompany loans and borrowings, and will continue to do so until transactions to dispose of them are completed, the cash included within these businesses has been included as an adjustment in the Group adjusted net debt measure.

Adjustments to Capex Measure
14 Other expenditure

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

15 Customer funded additions

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

16 Allowances and certificates

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

17 Additions through business combinations

In the six months ended 30 September 2018, the Group acquired an additional 50% interest in Seagreen Wind Energy Limited. On consolidation of Seagreen, £143.4m of development asset was included in the Group's consolidated intangible assets. This has been removed from 'adjusted investment and capital expenditure' as it was not direct capital expenditure by the Group.

18 Additions subsequently disposed/impaired

Additions subsequently impaired in the year ended 31 March 2020 represent capital additions of £44.6m in the Group's Gas Production segment which were subsequently impaired following the annual impairment assessment.

19 Joint ventures and associates' additions

Joint ventures and associates' additions represent direct 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. Capital expenditure funded by project finance raised by the Group's joint ventures and associates is not included in this adjustment.

20 Refinancing proceeds

The Group's model for developing large scale capital projects within joint ventures and associates involves project finance being raised within those entities. Where the Group funds early stage capex which is then subsequently reimbursed to SSE following the raising of project finance within the vehicle, the refinance proceeds are included in the Group's net adjusted investment and capital expenditure metric. In the six months ended 30 September 2020, the Group received reimbursed capex of £246.1m in relation to Seagreen windfarm, which has been deducted from the Group's adjusted investment and capital expenditure metric.

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

March 2020		**September 2020**	September 2019	September 2018
£m		**£m**	£m	£m
1,488.4	Adjusted operating profit	**418.3**	491.9	431.3
(465.0)	Adjusted net finance costs	**(224.4)**	(228.5)	(201.9)
1,023.4	**Adjusted profit before tax**	**193.9**	263.4	229.4
(114.2)	Adjusted current tax charge	(23.7)	(31.6)	(15.9)
909.2	**Adjusted profit after tax**	**170.2**	231.8	213.5
(46.5)	Hybrid coupon paid	(46.6)	(46.5)	(46.6)
862.7	**Adjusted profit after tax attributable to ordinary shareholders for earnings per share (EPS)**	**123.6**	185.3	166.9
1,032.5	Number of shares for Earnings per Share	1,039.6	1,030.4	1,015.7
83.6	**Adjusted Earnings per Share (pence)**	**11.9**	18.0	16.4
2,191.4	**Adjusted EBITDA**	**783.5**	842.4	741.5
(530.1)	Depreciation, impairment and amortisation, before exceptional charges	(274.3)	(263.8)	(263.5)
20.6	Depreciation and amortisation expense on fair value uplifts	10.3	10.3	2.3
14.7	Release of deferred income	7.9	8.7	8.8
(208.2)	Share of joint ventures and associates' depreciation and amortisation	(109.1)	(105.7)	(57.8)
1,488.4	**Adjusted operating profit**	**418.3**	491.9	431.3
1,488.4	**Adjusted operating profit**	**418.3**	491.9	431.3
(36.2)	Movement on operating and joint venture financing derivatives	344.0	156.6	(564.0)
(212.1)	Exceptional items	327.0	(186.0)	21.3
(20.6)	Depreciation and amortisation expense on fair value uplifts	(10.3)	(10.3)	(2.3)
(256.1)	Share of joint ventures and associates' interest and tax	(93.9)	(104.7)	(70.9)
963.4	**Reported operating profit/(loss)**	**985.1**	347.5	(184.6)

March 2020		**September 2020**	September 2019	September 2018
1,023.4	**Adjusted Profit before tax**	**193.9**	263.4	229.4
(119.2)	Movement on operating and financing derivatives	327.5	86.7	(524.4)
(209.7)	Exceptional items	327.0	(186.0)	21.3
(20.6)	Depreciation and amortisation expense on fair value uplifts	(10.3)	(10.3)	(2.3)
8.3	Interest on net pension assets/liabilities	5.4	4.2	5.4
(82.3)	Share of joint ventures and associates' tax	(14.0)	(16.8)	(14.0)
(12.3)	Share of non-recurring joint venture refinancing costs	-	(12.3)	-
587.6	**Reported profit/(loss) before tax**	**829.5**	128.9	(284.6)
465.0	**Adjusted net finance costs**	**224.4**	228.5	201.9
(2.4)	Exceptional items	-	-	-
83.0	Movement on financing derivatives	16.5	69.9	(39.6)
(173.8)	Share of joint ventures and associates' interest	(79.9)	(87.9)	(56.9)
(8.3)	Interest on net pension assets/liabilities	(5.4)	(4.2)	(5.4)
12.3	Share of non-recurring joint venture refinancing costs	-	12.3	-
375.8	**Reported net finance costs**	**155.6**	218.6	100.0
114.2	**Adjusted current tax charge**	**23.7**	31.6	15.9
(82.3)	Share of joint ventures and associates' tax	(14.0)	(16.8)	(14.0)
91.9	Deferred tax including share of joint ventures and associates	6.3	15.7	27.1
(2.3)	Tax on exceptional items and certain re-measurement	63.3	(12.3)	(91.7)
121.5	**Reported tax charge/(credit)**	**79.3**	18.2	(62.7)
(10,465.9)	**Adjusted net debt and hybrid capital**	**(10,622.1)**	(10,338.9)	(9,960.3)
1,169.7	Hybrid equity	1,472.4	1,169.7	1,169.7
(9,296.2)	**Adjusted net debt**	**(9,149.7)**	(9,169.2)	(8,790.6)
(256.4)	Outstanding liquid funds	(59.7)	(238.0)	(361.6)
(455.2)	Lease obligations	(429.7)	(453.9)	(239.4)
-	Cash presented as held for sale	(0.5)	(75.0)	(86.3)
(10,007.8)	**Unadjusted net debt**	**(9,639.6)**	(9,936.1)	(9,477.9)
1,357.4	**Investment and capital expenditure (adjusted)**	**434.4**	638.2	783.4
-	Refinancing proceeds	246.1	-	-
110.7	Customer funded additions	29.4	63.7	50.9
652.7	Allowances and certificates	119.3	253.4	304.8
26.4	Additions through business combinations	-	14.5	142.7
44.6	Additions subsequently disposed/impaired	-	-	-
(167.1)	Joint ventures and associates' additions	(114.5)	(93.6)	(135.5)
46.5	IFRS 16 right of use asset additions	8.7	-	-
2,071.2	**Capital additions to Intangible Assets and Property, Plant and Equipment**	**723.4**	876.2	1,146.3
973.6	Additions to Intangible Assets	213.0	370.7	476.2
1,097.6	Capital additions to Property, Plant and Equipment	510.4	505.5	670.1
2,071.2	**Capital additions to Intangible Assets and Property, Plant and Equipment**	**723.4**	876.2	1,146.3

Impact of discontinued operations on the Group's APMs

The following metrics have been adjusted in all periods presented to exclude the contribution of the Group's Gas Production operations, which has been presented as discontinued operations as at 30 September 2020 and SSE Energy Services, which was disposed on 15 January 2020 (see note 9):

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

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

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

March 2020		**September 2020**	September 2019	September 2018
£m		**£m**	£m	£m
2,281.0	Adjusted EBITDA of SSE Group (including discontinued operations)	780.5	865.9	769.6
(32.7)	Less: SSE Energy Services	-	7.4	40.5
(56.9)	Less: Gas Production	3.0	(30.9)	(68.6)
2,191.4	**Adjusted EBITDA of continuing operations**	**783.5**	842.4	741.5
1,546.9	Adjusted operating profit of SSE Group (including discontinued operations)	415.3	469.2	388.5
(32.7)	Less: SSE Energy Services loss/(profit)	-	7.4	62.1
(25.8)	Less: Gas Production loss/(profit)	3.0	15.3	(19.3)
1,488.4	**Adjusted operating profit of continuing operations**	**418.3**	491.9	431.3
471.6	Adjusted net finance costs of SSE Group (including discontinued operations)	225.5	228.5	201.9
-	Less: SSE Energy Services	-	-	-
(6.6)	Less: Gas Production	(1.1)	-	-
465.0	**Adjusted net finance costs of continuing operations**	**224.4**	228.5	201.9
1,075.3	Adjusted profit before tax of SSE Group (including discontinued operations)	189.8	240.7	186.6
(32.7)	Less: SSE Energy Services loss/(profit)	-	7.4	62.1
(19.2)	Less: Gas Production loss/(profit)	4.1	15.3	(19.3)
1,023.4	**Adjusted profit before tax of continuing operations**	**193.9**	263.4	229.4
110.3	Adjusted current tax of SSE Group (including discontinued operations)	23.7	25.3	(0.3)
3.9	Less: SSE Energy Services current tax credit/(charge)	-	6.3	0.9
-	Less: Gas Production current tax credit/(charge)	-	-	15.3
114.2	**Adjusted current tax of continuing operations**	**23.7**	31.6	15.9
89.0	Adjusted earnings per share of SSE Group (including discontinued operations)	11.5	16.4	13.8
(3.6)	Less: SSE Energy Services loss/(earnings) per share	-	0.1	6.0
(1.8)	Less: Gas Production loss/(earnings) per share	0.4	1.5	(3.4)
83.6	**Adjusted earnings per share of continuing operations**	**11.9**	18.0	16.4

The remaining APMs presented on the previous pages are unchanged by the discontinued operations in all periods presented.

INTERIM FINANCIAL STATEMENTS

Consolidated Income Statement

for the period 1 April 2020 to 30 September 2020

		2020			2019		
	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 £m	Exceptional items and certain re-measurements (note 6) (restated*) £m	Total (restated*) £m
Continuing operations							
Revenue	5	**2,816.4**	**-**	**2,816.4**	3,052.2	-	3,052.2
Cost of sales		**(2,024.5)**	**343.7**	**(1,680.8)**	(2,250.7)	154.6	(2,096.1)
Gross profit		**791.9**	**343.7**	**1,135.6**	801.5	154.6	956.1
Operating costs		**(582.2)**	**15.7**	**(566.5)**	(503.4)	(192.4)	(695.8)
Other operating income		**47.9**	**311.3**	**359.2**	3.6	6.4	10.0
Operating profit/(loss) before joint ventures and associates		**257.6**	**670.7**	**928.3**	301.7	(31.4)	270.3
Joint ventures and associates:							
Share of operating profit		**150.4**	**-**	**150.4**	179.9	-	179.9
Share of interest		**(79.9)**	**-**	**(79.9)**	(87.9)	-	(87.9)
Share of movement on derivatives		**-**	**0.3**	**0.3**	-	2.0	2.0
Share of tax		**(13.9)**	**(0.1)**	**(14.0)**	(16.5)	(0.3)	(16.8)
Share of profit on joint ventures and associates		**56.6**	**0.2**	**56.8**	75.5	1.7	77.2
Operating profit/(loss) from continuing operations	5	**314.2**	**670.9**	**985.1**	377.2	(29.7)	347.5
Finance income	7	**50.4**	**-**	**50.4**	41.5	-	41.5
Finance costs	7	**(189.5)**	**(16.5)**	**(206.0)**	(190.2)	(69.9)	(260.1)
Profit/(loss) before taxation		**175.1**	**654.4**	**829.5**	228.5	(99.6)	128.9
Taxation	8	**(16.0)**	**(63.3)**	**(79.3)**	(30.5)	12.3	(18.2)
Profit/(loss) from continuing operations		**159.1**	**591.1**	**750.2**	198.0	(87.3)	110.7
Discontinued operations							
Loss from discontinued operations, net of tax	9	**(4.1)**	**-**	**(4.1)**	(9.1)	(341.0)	(350.1)
Profit/(loss) for the period		**155.0**	**591.1**	**746.1**	188.9	(428.3)	(239.4)
Attributable to:							
Ordinary shareholders of the parent		**108.4**	**591.1**	**699.5**	142.4	(428.3)	(285.9)
Other equity holders		**46.6**	**-**	**46.6**	46.5	-	46.5
Earnings/(losses) per share							
Basic earnings/(losses) per share (pence)	11			**67.3**			(27.7)
Diluted earnings/(losses) per share (pence)	11			**67.2**			(27.7)
Earnings per share – continuing operations							
Basic earnings per share (pence)	11			**67.7**			6.2
Diluted earnings per share (pence)	11			**67.6**			6.2

*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 2020

	Note	Before exceptional items and certain re-measure-ments £m	Exceptional items and certain re-measure-ments (note 6) £m	Total £m
Continuing operations				
Revenue	5	6,800.6	-	6,800.6
Cost of sales		(4,745.0)	(39.3)	(4,784.3)
Gross profit		2,055.6	(39.3)	2,016.3
Operating costs		(1,019.1)	(240.3)	(1,259.4)
Other operating income		24.4	28.2	52.6
Operating profit before joint ventures and associates		1,060.9	(251.4)	809.5
Joint ventures and associates:				
Share of operating profit		406.8	-	406.8
Share of interest		(173.8)	-	(173.8)
Share of movement on derivatives		-	3.2	3.2
Share of tax		(81.7)	(0.6)	(82.3)
Share of profit on joint ventures and associates		151.3	2.6	153.9
Operating profit	5	1,212.2	(248.8)	963.4
Finance income	7	79.2	2.4	81.6
Finance costs	7	(374.4)	(83.0)	(457.4)
Profit before taxation		917.0	(329.4)	587.6
Taxation	8	(123.8)	2.3	(121.5)
Profit from continuing operations		793.2	(327.1)	466.1
Discontinued operations				
Profit from discontinued operations, net of tax	9	44.2	(522.8)	(478.6)
Profit for the period		837.4	(849.9)	(12.5)
Attributable to:				
Ordinary shareholders of the parent		790.9	(849.9)	(59.0)
Other equity holders		46.5	-	46.5
(Loss)/earnings per share				
Basic loss per share (pence)	11			(5.7)
Diluted loss per share (pence)	11			(5.7)
Earnings per share – continuing operations				
Basic earnings per share (pence)	11			40.6
Diluted earnings per share (pence)	11			40.6

Consolidated Statement of Other Comprehensive Income

for the period 1 April 2020 to 30 September 2020

Year ended 31 March 2020 £m		**Six months ended 30 September 2020 £m**	Six months ended 30 September 2019 (restated) £m
(12.5)	Profit/(loss) for the period	**746.1**	(239.4)
	Other comprehensive income:		
	Items that will be reclassified subsequently to profit or loss:		
38.0	Net (losses)/gains on cash flow hedges	**(46.3)**	5.0
3.7	Transferred to assets and liabilities on cash flow hedges	**(4.2)**	3.1
(7.2)	Taxation on cash flow hedges	**8.8**	(0.9)
34.5		**(41.7)**	7.2
(40.3)	Share of other comprehensive (loss)/income of joint ventures and associates, net of taxation	**25.6**	(41.8)
33.0	Exchange difference on translation of foreign operations	**25.9**	30.6
(28.7)	Loss on net investment hedge	**(29.0)**	(32.5)
(1.5)		**(19.2)**	(36.5)
	Items that will not be reclassified to profit or loss:		
97.8	Actuarial (losses)/gains on retirement benefit schemes, net of taxation	**(170.5)**	178.5
36.6	Share of other comprehensive loss of joint ventures, net of taxation	**(11.9)**	14.3
(1.3)	Losses on revaluation of investments in equity instruments, net of taxation	**-**	-
133.1		**(182.4)**	192.8
131.6	Other comprehensive (loss)/gain, net of taxation	**(201.6)**	156.3
119.1	Total comprehensive income/(loss) for the period	**544.5**	(83.1)
	Attributable to:		
72.6	Ordinary shareholders of the parent	**497.9**	(129.6)
46.5	Other equity holders	**46.6**	46.5
119.1		**544.5**	(83.1)

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

Consolidated Balance Sheet

as at 30 September 2020

At 31 March 2020 £m		Note	**At 30 September 2020 £m**	At 30 September 2019 (restated*) £m
	Assets			
12,814.7	Property, plant and equipment		**13,092.9**	12,462.2
1,101.4	Goodwill and other intangible assets		**813.7**	949.8
1,849.4	Equity investments in joint ventures and associates		**1,697.2**	1,799.9
847.5	Loans to joint ventures and associates		**628.8**	797.8
0.2	Other investments		**1.7**	0.5
100.0	Other receivables		**109.4**	-
308.2	Derivative financial assets	16	**176.3**	294.4
534.2	Retirement benefit assets	17	**528.5**	587.1
17,555.6	Non-current assets		**17,048.5**	16,891.7
503.2	Intangible assets		**177.9**	218.9
174.0	Inventories		**165.1**	192.2
1,761.2	Trade and other receivables		**1,481.2**	1,671.8
15.1	Current tax asset		**24.4**	51.1
164.6	Cash and cash equivalents		**415.5**	90.0
631.2	Derivative financial assets	16	**360.7**	251.6
226.8	Assets held for sale	9	**677.9**	1,707.6
3,476.1	Current assets		**3,302.7**	4,183.2
21,031.7	Total assets		**20,351.2**	21,074.9
	Liabilities			
1,966.9	Loans and other borrowings	13	**1,363.5**	1,293.0
1,995.4	Trade and other payables		**1,527.0**	1,718.1
61.4	Provisions		**54.6**	51.1
785.8	Derivative financial liabilities	16	**276.2**	555.0
398.7	Liabilities held for sale	9	**456.5**	1,313.7
5,208.2	Current liabilities		**3,677.8**	4,930.9
8,205.5	Loans and other borrowings	13	**8,691.6**	8,733.1
645.8	Deferred tax liabilities		**663.4**	569.4
639.5	Trade and other payables		**674.3**	614.4
600.1	Provisions		**582.0**	614.0
192.5	Retirement benefit obligations	17	**382.0**	183.2
620.0	Derivative financial liabilities	16	**485.6**	487.4
10,903.4	Non-current liabilities		**11,478.9**	11,201.5
16,111.6	Total liabilities		**15,156.7**	16,132.4
4,920.1	Net assets		**5,194.5**	4,942.5
	Equity:			
523.1	Share capital	15	**524.1**	524.0
875.6	Share premium		**878.0**	870.1
49.2	Capital redemption reserve		**49.2**	43.7
(111.1)	Hedge reserve		**(133.4)**	(139.9)
6.4	Translation reserve		**3.3**	0.2
2,407.2	Retained earnings		**2,400.9**	2,474.7
3,750.4	Equity attributable to ordinary shareholders of the parent		**3,722.1**	3,772.8
1,169.7	Hybrid equity	14	**1,472.4**	1,169.7
4,920.1	Total equity attributable to equity holders of the parent		**5,194.5**	4,942.5

*The comparative Consolidated Balance Sheet at 30 September 2019 has been restated. See note 2(v)

Consolidated Statement of Changes in Equity

for the period 1 April 2020 to 30 September 2020

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Hedge reserve £m	Translation reserve £m	Retained earnings £m	Total attributable to ordinary shareholders £m	Hybrid equity £m	Total £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)/income	-	-	-	(16.1)	(3.1)	(182.4)	(201.6)	-	(201.6)
Total comprehensive (loss)/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 shares	-	3.4	-	-	-	-	3.4	-	3.4
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	-	-	-	-	-	(1.4)	(1.4)	-	(1.4)
Adjustment in relation to historic measurement of financial instruments, net of tax#	-	-	-	(6.2)	-	27.5	21.3	-	21.3
At 30 September 2020	**524.1**	**878.0**	**49.2**	**(133.4)**	**3.3**	**2,400.9**	**3,722.1**	**1,472.4**	**5,194.5**

An adjustment to has been made to reserves in the current year. See note 2 (iv)

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Hedge reserve £m	Translation Reserve (restated) £m	Retained earnings (restated) £m	Total attributable to ordinary shareholders £m	Hybrid equity £m	Total £m
At 1 April 2019 (restated*)	523.4	879.6	34.8	(105.3)	2.1	3,250.9	4,585.5	1,169.7	5,755.2
(Loss) for the period	-	-	-	-	-	(285.9)	(285.9)	46.5	(239.4)
Other comprehensive (loss)/income	-	-	-	(34.6)	(1.9)	192.8	156.3	-	156.3
Total comprehensive (loss)/income	-	-	-	(34.6)	(1.9)	(93.1)	(129.6)	46.5	(83.1)
Dividends to shareholders	-	-	-	-	-	(700.3)	(700.3)	-	(700.3)
Scrip dividend related share issue	9.5	(9.5)	-	-	-	209.2	209.2	-	209.2
Distributions to Hybrid equity holders	-	-	-	-	-	-	-	(46.5)	(46.5)
Share repurchase	(8.9)	-	8.9	-	-	(201.1)	(201.1)	-	(201.1)
Credit in respect of employee share awards	-	-	-	-	-	10.5	10.5	-	10.5
Investment in own shares	-	-	-	-	-	(1.4)	(1.4)	-	(1.4)
At 30 September 2019 (restated*)	524.0	870.1	43.7	(139.9)	0.2	2,474.7	3,772.8	1,169.7	4,942.5

*The comparative Consolidated Statement of Changes in Equity has been restated at 1 April 2019 and 30 September 2019. See note 2(v)

Consolidated Statement of Changes in Equity

for the year ended 31 March 2020

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

Consolidated Cash Flow Statement

for the period 1 April 2020 to 30 September 2020

Year ended 31 March 2020 £m		Note	**Six months ended 30 September 2020 £m**	Six months ended 30 September 2019 (restated*) £m
963.4	**Operating profit - continuing operations**	5	**985.1**	347.5
(243.6)	**Operating loss - discontinued operations**	9	**(3.0)**	(363.7)
719.8	Operating profit/(loss) - total operations		**982.1**	(16.2)
(153.9)	Less share of profit of joint ventures and associates		**(56.8)**	(77.2)
565.9	Operating profit before jointly controlled entities and associates		**925.3**	(93.4)
(25.2)	Pension service charges, less contributions paid		**(9.7)**	(15.2)
34.2	Movement on operating derivatives	16	**(321.3)**	(154.6)
947.2	Depreciation, amortisation, write downs and impairments		**274.3**	727.5
24.5	Charge in respect of employee share awards (before tax)		**8.8**	10.5
(60.5)	Profit on disposal of assets and businesses	12	**(359.2)**	3.5
(21.2)	Release of provisions		**(5.1)**	(6.9)
(14.7)	Release of deferred income		**(7.9)**	(8.7)
1,450.2	Cash generated from operations before working capital movements		**505.2**	462.7
122.5	Decrease in inventories		**4.3**	107.6
155.0	Decrease in receivables		**275.8**	491.9
(269.2)	Increase/(decrease) in payables		**35.3**	(382.9)
(3.0)	Increase/(decrease) in provisions		**7.3**	(17.0)
1,455.5	Cash generated from operations		**827.9**	662.3
213.4	Dividends received from investments		**71.3**	121.7
(272.9)	Interest paid		**(140.1)**	(143.0)
(95.8)	Taxes paid		**(19.9)**	(51.3)
1,300.2	Net cash from operating activities		**739.2**	589.7
(814.1)	Purchase of property, plant and equipment		**(307.8)**	(443.7)
(396.8)	Purchase of other intangible assets		**(92.9)**	(155.8)
11.8	Deferred income received		**3.0**	5.5
413.9	Proceeds from disposals	12	**433.1**	28.3
(235.6)	Cash disposed through disposals		**-**	-
(175.7)	Loans and equity provided to joint ventures and associates		**(122.7)**	(64.5)
213.3	Loans and equity repaid by joint ventures		**42.2**	197.3
(29.0)	Purchase of businesses and subsidiaries		**-**	-
(1,012.2)	Net cash from investing activities		**(45.1)**	(432.9)
10.1	Proceeds from issue of share capital		**3.4**	-
(603.0)	Dividends paid to the company's equity holders	10	**(556.6)**	(491.1)
-	Issue of hybrid equity	13	**1,051.0**	-
-	Redemption of hybrid equity	13	**(750.0)**	-
(46.5)	Hybrid equity dividend payments	14	**(46.6)**	(46.5)
(14.6)	Employee share awards share purchase	15	**(1.4)**	(1.4)
1,122.4	New borrowings		**1,313.9**	791.3
(770.3)	Repayment of borrowings		**(1,452.2)**	(572.9)
3.7	Settlement of cashflow hedges		**(4.2)**	3.1
(352.0)	Repurchase of own shares	15	**-**	(201.1)
(650.2)	Net cash from financing activities		**(442.7)**	(518.6)
(362.2)	Net increase/(decrease) in cash and cash equivalents		**251.4**	(361.8)
526.8	Cash and cash equivalents at the start of period (including cash presented as held for sale)		**164.6**	526.8
(362.2)	Net increase/(decrease) in cash and cash equivalents		**251.4**	(361.8)
-	Classified as held for sale		**(0.5)**	(75.0)
164.6	Cash and cash equivalents at the end of period		**415.5**	90.0

*The comparative Consolidated Cash Flow Statement for the six months ended 30 September 2019 has been restated. See note 2(v)

Notes to the Condensed Interim 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 2020, 31 March 2020 or 30 September 2019 within the meaning of Section 435 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2020, which were prepared in accordance with International Financial Reporting Standards as adopted by the EU (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 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 IAS 34 Interim Financial Reporting as adopted by the EU. 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 80.

These interim statements were authorised by the Board on 17 November 2020.

2. Basis of preparation

These Condensed Interim Statements for the period to 30 September 2020 and the comparative information for the period to 30 September 2019 have been prepared applying the accounting policies and presentation used in the Group's consolidated financial statements for the year ended 31 March 2020.

(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 41 to 46.

(ii) Going concern

The Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and the interim 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 arising from the coronavirus pandemic for the period to December 2021. In the six months ended 30 September 2020, the Group has issued new debt & equity instruments totalling £2,364.9m and has redeemed £2,144.4m of maturing debt in the period. The Group also continues to have access to its £1.5bn of committed revolving credit facilities which mature in 2025, with a one year extension option. In the period the Group has also commenced a disposal programme targeting £2bn of proceeds by Autumn 2021. Proceeds from disposals in the six months ended 30 September 2020 totalled £430m, with a further £1.1bn of disposals proceeds agreed and due to be received by the Group in the second half of the year.

(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, business restructuring costs, significant gains or losses on disposal and provisions in relation to contractual settlements following significant disputes and claims. During the year ended 31 March 2020, the Group refined its framework for estimating whether items are considered to be exceptional. The new framework 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 will be considered non-exceptional in line with the expressed strategy to generate recurring gains in these businesses. The application of these revised estimates in prior periods would not have materially changed the classification or disclosure of exceptional items previously presented. In response to the impact of the coronavirus pandemic on the Group's financial position at 31 March 2020, a specific category of exceptional charge was identified and defined relating to impairment of current assets assessed as being a direct consequence of the outbreak.

2. Basis of preparation (continued)

(iii) Exceptional items and certain re-measurements (continued)

Certain re-measurements arise on certain commodity, interest rate and currency contracts or gas held for trading purposes by Gas Storage which are accounted for as held for trading or as fair value hedges in accordance with the Group's policy for such financial instruments. The amounts shown in the before exceptional items and certain re-measurements results for these contracts is the amount settled in the period. 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.

(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.

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

(v) Changes to presentation – prior year adjustments

Calculation of deferred tax deriving from business combinations – restatement of 30 September 2019 balance sheet

During the 31 March 2020 financial statement audit of the Group, it was identified that in the accounting for the acquisition of Airtricity plc on 15 February 2008 in the Group's 31 March 2008 financial statements, a deferred tax liability was incorrectly recognised on a goodwill balance arising on the acquisition. The Group has corrected its 30 September 2019 balance sheet to remove both the residual goodwill and deferred tax balance balances. In addition, as part of the accounting for the Group's Net Investment Hedge which acts as a hedge against translation risk associated with its businesses transacting in Euros and which was established following the 2008 transaction, a deferred tax asset of £36.5m has been recognised, based on the retranslation of Euro denominated debt through the translation reserve. As this asset would only be realised following disposal of the businesses, it has been derecognised by the Group with corrections required to its 30 September 2019 balance sheet. The impact on the 30 September 2019 balance sheet for both corrections is to decrease goodwill by £30.1m, decrease the net deferred tax liability by £18.3m, reduce translation reserve by £36.5m and increase retained earnings by £24.7m.

Correction to impairment recognised on the carrying value of the Group's SSE Energy Services held for sale assets and liabilities at 30 September 2019

In the Group's interim results to 30 September 2019, an impairment charge of £489.1m was recognised against the carrying value of the SSE Energy Services held for sale assets and liabilities, reflecting the agreed enterprise value and consolidated asset carrying values at that balance sheet date. This charge did not include the value of inter-company payables and derivative financial liabilities at that date. These amounts were eliminated on consolidation in the calculation of the £489.1m impairment and amounted to £148.1m. These inter-company payables and derivative financial liabilities were assumed by Ovo and were therefore derecognised in the consolidated financial statements on disposal. As a result, and as disclosed in the Group's financial statements to 31 March 2020, these balances should have been included as part of the estimated disposal group, which would have reduced the equivalent provision for loss on disposal at 30 September 2019 to £341.0m. The Group has corrected the position presented at 30 September 2019, which has resulted in an increase to the assets held for sale at 30 September 2019 of £148.1m, along with a corresponding reduction in the provision for loss on disposal through discontinued operations in the comparative income statement. Movements in working capital, derivative financial liabilities and intercompany transactions in the period between 30 September 2020 to deal completion on 15 January 2020, attributable to the purchaser, resulted in a reduction to the final loss on disposal, which was £226.9m.

3. 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 financial statements, because application is not yet mandatory or because adoption by the EU remains outstanding at this point in time.

IFRS 17 'Insurance contracts' is expected to be effective from 1 January 2021 (1 April 2021 for the Group), but remains subject to EU endorsement. The Group has yet to commence a project to fully assess the impact from adoption of IFRS 17, however 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 are not anticipated to have a material impact on the Group's consolidated financial statements.

4. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, management necessarily makes judgements and estimates that have a significant effect on the amounts recognised in the financial statements. Changes in the assumptions underlying the estimates could result in a significant impact to the financial statements. The Group's key accounting judgement and estimation areas are noted below. There have been no changes to the accounting judgements and sources of estimation uncertainty the Group discloses since 31 March 2020.

4.1 Significant financial judgements – estimation uncertainties

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

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

The Group reviews the carrying amounts of its goodwill, other intangible assets and specific property, plant and equipment assets to determine whether any impairment of the carrying value of those assets requires to be recorded. At 30 September 2020, the Group has reviewed assets related to thermal and wind power generation for indicators of impairment arising since the last formal review performed at 31 March 2020. In conducting its reviews, the Group makes judgements and estimates in considering the recoverable amount of the respective assets or cash-generating units (CGUs).

The main assumptions in the Group's impairment assessments performed at 31 March 2020 were: power, gas, carbon and other commodity prices; plant running regimes and load factors; and discount rates. The conclusion of this review was that there were no indications of impairment necessitating formal impairment review at 30 September 2020. The Group will reassess the assets for impairment at 31 March 2021.

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

At 31 March 2020, the UK was in a period of lockdown as a result of the coronavirus pandemic. The Group assessed at the time that due to the expected impact on credit risk, specifically the recovery of current and aged debt balances in its Business Energy and Airtricity businesses, an additional exceptional provision of £33.7m should be recognised against these balances.

During the six months ended 30 September 2020, the UK economy continues to be impacted by the effect of the pandemic. The Group has seen reduced electricity demand impact use of system revenue in its Electricity Distribution business; reduced consumption from business and domestic customers in its Customers businesses; and reduced activity in the Group's Enterprise business as a result of the pandemic. During the period the Group has reversed £15.7m of the £33.7m exceptional provision recognised against the recovery of current and aged debt balances, following better than expected cash recoveries in the period (see note 6).

The Group has also considered the impact of reduced demand and stressed scenarios arising as a result of the coronavirus pandemic in its going concern assessment (see note 2 (ii)).

(iii) Revenue recognition – estimated energy consumption – estimation uncertainty

In prior years, the estimation of revenue arising from the Group's SSE Energy Services business was considered a significant financial judgement in the preparation of the Group's consolidated financial statements. Whilst the significance of financial judgement involved for the Group's remaining customer focused energy supply activities has reduced, the Group considers that the estimation uncertainty for the unbilled supply of energy from those businesses remains a significant financial judgement at 30 September 2020.

Revenue from energy supply activities undertaken by the Group's 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 will comprise both billed revenue (disclosed as trade receivables) and unbilled revenue (disclosed as accrued income) and is calculated based on applying the tariffs and contract rates applicable to customers against estimate customer consumption, taking account of various factors including billing cycles, 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 Condensed Interim 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 2020 annual report.

(iv) Retirement benefits – 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 on the calculation basis and key assumptions used is disclosed in Note 17 of these interim statements.

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

4.2 Other key accounting judgements

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

In accordance with IFRS 5, the Group continues to classify its investment in Gas Production assets as held for sale at 30 September 2020. At 30 September 2020 formal offers for the business have been received and the group is continuing to negotiate with potential buyers, although completion of the transaction has taken longer than initially anticipated. As the business constitutes a reportable segment of the Group, it has been considered a discontinued operation and comparative results have been represented to remove the business from continuing operations. The assets and liabilities classified as held for sale continue to be carried at fair value less costs to sell. No adjustment to the carrying value has been recognised in the period.

4.3 Other areas of estimation uncertainty

(i) Tax provisioning – estimation uncertainty

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

In estimating any such liability, the Group applies a risk-based approach, taking into account the specific circumstances of each dispute based on management's interpretation of tax law and supported, where appropriate, by discussion and analysis by external tax advisors. These estimates are inherently judgemental and could change substantially over time as each dispute progresses and new facts emerge. Provisions are reviewed on an ongoing basis, however the resolution of tax issues can take a considerable period of time to conclude and it is possible that amounts ultimately paid will be different from the amounts provided. Provisions for uncertain tax positions are included in current tax liabilities, and total £40.1m at 30 September 2020 (2019: £46.0m; March 2020: £39.4m).

(ii) Decommissioning costs – estimation uncertainty

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 31 March 2020. 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. Provision is made for the estimated discounted cost of decommissioning at the balance sheet date.

The Group is currently decommissioning its Ferrybridge and Fiddler's Ferry power stations. The dates for settlement of the Group's other decommissioning costs are inherently uncertain, particularly for gas exploration and production assets, where reassessment of gas and liquid reserves and the upward and downward movement in commodity prices and operating costs can lengthen or shorten the field life. However, costs are expected to be incurred from 2020 to 2040.

5. Segmental information

The segments of the Group remain largely unchanged from those reported at 31 March 2020. The business included within SSE Energy Services (sold on 15 January 2020) remains within discontinued operations in comparative periods. The Group's Gas Production business also remains held for sale and presented separately as a discontinued operation throughout this note. At 31 March 2020 and 30 September 2019, the Group presented a "Gas Production (continuing)" sub-segment within EPM&I in its segmental profit disclosures. The activity reported in this sub-segment represented the hedging contracts related to the Group's Gas Production assets which are being sold unhedged under a lock box mechanism with an effective date of 1 April 2019. In the current period, the sub-segment has been combined with the Energy Portfolio Management ('EPM') segment noting the business has decided to exit from these contracts. Comparative information has been represented to reflect the change to the segment. The Group's 'Corporate unallocated' segment is the Group's residual corporate central costs which cannot be allocated to individual segments.

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

Business area	Reported segments	Description
Continuing operations		
Transmission	Electricity Transmission	The economically regulated high voltage transmission of electricity from generating plant to the distribution network in the North of Scotland.
Distribution	Electricity Distribution	The economically regulated lower voltage distribution of electricity to customer premises in the North of Scotland and the South of England.
	Gas Distribution	SSE's share of Scotia Gas Networks, which operates two economically regulated gas distribution networks in Scotland and the South of England.
Renewables	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	Thermal Generation	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.
Customers	Business Energy	The supply of electricity and gas to business customers in Great Britain.
	Airtricity	The supply of electricity, gas and energy related services to residential and business customers in the Republic of Ireland and Northern Ireland.
Enterprise	Enterprise	The integrated provision of services in competitive markets for industrial and commercial customers including electrical contracting, private energy networks, lighting services and share of telecoms capacity and bandwidth.
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		
SSE Energy Services	SSE Energy Services	The supply of electricity and gas and related energy goods and services such as meter reading and installation, boiler installation and maintenance and domestic telecoms and broadband services to domestic customers in Great Britain. This business was sold on 15 January 2020.
EPM & I	Gas Production	The production and processing of gas and oil from North Sea fields.

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 2020					Six months ended 30 September 2019				
	Revenue from contracts with customers £m	**Other contract revenue £m**	**Reported revenue £m**	**Inter-segment revenue(i) £m**	**Segment revenue £m**	Revenue from contracts with customers £m	Other contract revenue £m	Reported revenue £m	Inter-segment revenue(i) £m	Segment revenue £m
Continuing operations										
Electricity Transmission	**201.6**	**-**	**201.6**	**-**	**201.6**	189.0	-	189.0	-	189.0
Electricity Distribution	**358.1**	**-**	**358.1**	**23.1**	**381.2**	320.7	-	320.7	91.8	412.5
Renewables	**118.7**	**-**	**118.7**	**190.6**	**309.3**	95.1	-	95.1	218.2	313.3
Thermal Generation	**207.6**	**-**	**207.6**	**353.4**	**561.0**	221.9	-	221.9	301.4	523.3
Gas Storage	**3.2**	**-**	**3.2**	**152.1**	**155.3**	4.4	-	4.4	203.6	208.0
Business Energy	**875.7**	**-**	**875.7**	**13.8**	**889.5**	1,122.5	-	1,122.5	12.0	1,134.5
Airtricity	**463.7**	**-**	**463.7**	**17.7**	**481.4**	503.4	-	503.4	31.6	535.0
Enterprise	**149.8**	**3.2**	**153.0**	**13.6**	**166.6**	189.2	3.8	193.0	6.7	199.7
EPM:										
Gross commodity trading	**3,967.8**	**-**	**3,967.8**	**1,274.6**	**5,242.4**	5,791.3	-	5,791.3	2,153.1	7,944.4
Optimisation trading(ii)	**(3,599.3)**	**-**	**(3,599.3)**	**(268.1)**	**(3,867.4)**	(5,418.7)	-	(5,418.7)	(245.4)	(5,664.1)
EPM	**368.5**	**-**	**368.5**	**1,006.5**	**1,375.0**	372.6	-	372.6	1,907.7	2,280.3
Corporate unallocated	**66.3**	**-**	**66.3**	**70.9**	**137.2**	29.6	-	29.6	115.8	145.4
Total continuing operations	**2,813.2**	**3.2**	**2,816.4**	**1,841.7**	**4,658.1**	3,048.4	3.8	3,052.2	2,888.8	5,941.0
Discontinued operations										
SSE Energy Services	**-**	**-**	**-**	**-**	**-**	1,469.2	-	1,469.2	5.3	1,474.5
Gas Production	**6.3**	**-**	**6.3**	**70.9**	**77.2**	13.5	-	13.5	95.8	109.3
Total discontinued operations	**6.3**	**-**	**6.3**	**70.9**	**77.2**	1,482.7	-	1,482.7	101.1	1,583.8
Total SSE Group	**2,819.5**	**3.2**	**2,822.7**	**1,912.6**	**4,735.3**	4,531.1	3.8	4,534.9	2,989.9	7,524.8

	Year ended 31 March 2020				
	Revenue from contracts with customers £m	Other contract revenue £m	Reported revenue £m	Inter-segment revenue(i) £m	Segment revenue £m
Continuing operations					
Electricity Transmission	378.6	-	378.6	-	378.6
Electricity Distribution	784.7	-	784.7	159.4	944.1
Renewables	252.2	-	252.2	595.9	848.1
Thermal Generation	416.9	-	416.9	790.0	1,206.9
Gas Storage	8.4	-	8.4	586.0	594.4
Business Energy	2,431.0	-	2,431.0	26.4	2,457.4
Airtricity	1,134.5	-	1,134.5	57.4	1,191.9
Enterprise	331.5	7.0	338.5	75.2	413.7
EPM:					
Gross commodity trading	12,814.5	-	12,814.5	4,072.4	16,886.9
Optimisation trading(ii)	(11,826.8)	-	(11,826.8)	(826.5)	(12,653.3)
EPM	987.7	-	987.7	3,245.9	4,233.6
Corporate unallocated	68.1	-	68.1	213.9	282.0
Total continuing operations	6,793.6	7.0	6,800.6	5,750.1	12,550.7
Discontinued operations					
SSE Energy Services	2,711.1	-	2,711.1	136.5	2,847.6
Gas Production	20.9	-	20.9	203.3	224.2
Total discontinued operations	2,732.0	-	2,732.0	339.8	3,071.8
Total SSE Group	9,525.6	7.0	9,532.6	6,089.9	15,622.5

(i) Revenue from the Group's investment in Scotia Gas Networks Limited, the Group's share being £199.1m (2019: £212.8m, March 2020: £423.9m) 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. (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						
Electricity Transmission	115.2	-	-	115.2	-	115.2
Electricity Distribution	109.6	-	-	109.6	-	109.6
Gas Distribution	89.4	-	(44.9)	44.5	0.7	45.2
Renewables	141.6	(9.4)	(28.1)	104.1	214.5	318.6
Thermal Generation	49.6	-	(16.3)	33.3	24.8	58.1
Gas Storage	(17.9)	-	-	(17.9)	22.4	4.5
Business Energy	(27.4)	-	-	(27.4)	11.9	(15.5)
Airtricity	16.6	-	-	16.6	3.8	20.4
Enterprise	(33.5)	(0.9)	(2.6)	(37.0)	-	(37.0)
EPM	(1.5)	-	-	(1.5)	321.3	319.8
Corporate unallocated	(23.4)	-	(1.9)	(25.3)	71.5	46.2
Total continuing operations	418.3	(10.3)	(93.8)	314.2	670.9	985.1
Discontinued operations						
Gas Production	(3.0)	-	-	(3.0)	-	(3.0)
Total discontinued operations	(3.0)	-	-	(3.0)	-	(3.0)
Total SSE Group	415.3	(10.3)	(93.8)	311.2	670.9	982.1

The adjusted operating profit of the Group is reported after removal of the Group's share of interest, fair value movements on financing derivatives and tax from joint ventures and associates and after adjusting for exceptional items and certain re-measurements (note 6). The share of Scotia Gas Networks Limited interest includes loan stock interest payable to the consortium shareholders. The Group has accounted for its 33% share of this, £4.9m (2019: £4.7m, March 2020: £9.4m), as finance income (note 7).

	Six months ended 30 September 2019					
	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						
Electricity Transmission	110.1	-	-	110.1	-	110.1
Electricity Distribution	150.8	-	-	150.8	-	150.8
Gas Distribution	102.1	-	(49.3)	52.8	1.7	54.5
Renewables	149.9	(9.4)	(40.5)	100.0	6.4	106.4
Thermal generation	57.8	-	(12.4)	45.4	(98.7)	(53.3)
Gas Storage	(20.7)	-	-	(20.7)	-	(20.7)
Business Energy	2.9	-	-	2.9	-	2.9
Airtricity	16.4	-	-	16.4	-	16.4
Enterprise	8.2	(0.9)	(2.2)	5.1	-	5.1
EPM	(81.2)	-	-	(81.2)	154.6	73.4
Corporate unallocated	(4.4)	-	-	(4.4)	(93.7)	(98.1)
Total continuing operations	491.9	(10.3)	(104.4)	377.2	(29.7)	347.5
Discontinued operations						
SSE Energy Services	(7.4)	-	-	(7.4)	(341.0)	(348.4)
Gas Production	(15.3)	-	-	(15.3)	-	(15.3)
Total discontinued operations	(22.7)	-	-	(22.7)	(341.0)	(363.7)
Total SSE Group	469.2	(10.3)	(104.4)	354.5	(370.7)	(16.2)

5. Segmental information (continued)

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

	Year ended 31 March 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						
Electricity Transmission	218.1	-	-	218.1	-	218.1
Electricity Distribution	356.3	-	-	356.3	(4.4)	351.9
Gas Distribution	202.3	-	(125.3)	77.0	3.8	80.8
Renewables	567.3	(18.8)	(93.4)	455.1	4.8	459.9
Thermal Generation	152.7	-	(24.9)	127.8	(112.3)	15.5
Gas Storage	3.7	-	-	3.7	(5.1)	(1.4)
Business Energy	9.2	-	-	9.2	(27.7)	(18.5)
Airtricity	48.8	-	-	48.8	(6.0)	42.8
Enterprise	8.1	(1.8)	(8.3)	(2.0)	-	(2.0)
EPM(iii)	(60.3)	-	-	(60.3)	(34.2)	(94.5)
Corporate unallocated	(17.8)	-	(3.7)	(21.5)	(67.7)	(89.2)
Total continuing operations	1,488.4	(20.6)	(255.6)	1,212.2	(248.8)	963.4
Discontinued operations						
SSE Energy Services	32.7	-	-	32.7	(237.7)	(205.0)
Gas Production	25.8	-	-	25.8	(291.3)	(265.5)
Total discontinued operations	58.5	-	-	58.5	(529.0)	(470.5)
Total SSE Group	1,546.9	(20.6)	(255.6)	1,270.7	(777.8)	492.9

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

	30 September 2020					
	Adjusted operating profit reported to the Board £m	**Depreciation on fair value uplifts £m**	**Depreciation/ impairment/ amortisation before exceptional charges £m**	**JV/ Associate share of depreciation and amortisation £m**	**Release of deferred income £m**	**Adjusted EBITDA £m**
Continuing operations						
Electricity Transmission	**115.2**	**-**	**42.1**	**-**	**(1.3)**	**156.0**
Electricity Distribution	**109.6**	**-**	**80.8**	**-**	**(3.9)**	**186.5**
Gas Distribution	**89.4**	**-**	**-**	**29.8**	**-**	**119.2**
Renewables	**141.6**	**(9.4)**	**79.0**	**48.0**	**-**	**259.2**
Thermal generation	**49.6**	**-**	**26.6**	**11.4**	**-**	**87.6**
Gas Storage	**(17.9)**	**-**	**0.4**	**-**	**-**	**(17.5)**
Business Energy	**(27.4)**	**-**	**1.1**	**-**	**-**	**(26.3)**
Airtricity	**16.6**	**-**	**3.6**	**-**		**20.2**
Enterprise	**(33.5)**	**(0.9)**	**4.8**	**17.2**	**(2.1)**	**(14.5)**
EPM	**(1.5)**	**-**	**-**	**-**	**-**	**(1.5)**
Corporate unallocated	**(23.4)**	**-**	**35.9**	**2.7**	**(0.6)**	**14.6**
Total continuing operations	**418.3**	**(10.3)**	**274.3**	**109.1**	**(7.9)**	**783.5**
Discontinued operations						
Gas Production	**(3.0)**	**-**	**-**	**-**	**-**	**(3.0)**
Total discontinued operations	**(3.0)**	**-**	**-**	**-**	**-**	**(3.0)**
Total SSE Group	**415.3**	**(10.3)**	**274.3**	**109.1**	**(7.9)**	**780.5**

5. **Segmental information (continued)**

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

30 September 2019	Adjusted operating profit reported to the Board £m	Depreciation on fair value uplifts £m	Depreciation/ impairment/ amortisation before exceptional charges £m	JV/ Associate share of depreciation and amortisation £m	Release of deferred income £m	Adjusted EBITDA £m
Continuing operations						
Electricity Transmission	110.1	-	39.2	-	(1.7)	147.6
Electricity Distribution	150.8	-	80.0	-	(4.0)	226.8
Gas Distribution	102.1	-	-	29.5	-	131.6
Renewables	149.9	(9.4)	79.1	62.7	-	282.3
Thermal generation	57.8	-	22.1	7.3	(0.1)	87.1
Gas Storage	(20.7)	-	0.4	-	-	(20.3)
Business Energy	2.9	-	0.2	-	-	3.1
Airtricity	16.4	-	3.2	-	-	19.6
Enterprise	8.2	(0.9)	5.2	4.6	(2.3)	14.8
EPM	(81.2)	-	-	-	-	(81.2)
Corporate unallocated	(4.4)	-	34.4	1.6	(0.6)	31.0
Total continuing operations	491.9	(10.3)	263.8	105.7	(8.7)	842.4
Discontinued operations						
SSE Energy Services	(7.4)	-	-	-	-	(7.4)
Gas Production	(15.3)	-	46.2	-	-	30.9
Total discontinued operations	(22.7)	-	46.2	-	-	23.5
Total SSE Group	469.2	(10.3)	310.0	105.7	(8.7)	865.9

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

6. Exceptional items and certain re-measurements

Year ended 31 March 2020 £m		Six months ended 30 September 2020 £m	Six months ended 30 September 2019 (restated) £m
	Continuing operations		
	Exceptional items (note 6.1)		
(158.6)	Asset impairments, write-backs and related charges	**15.7**	(149.4)
(81.7)	Provisions for restructuring and other liabilities	**-**	(43.0)
(240.3)		**15.7**	(192.4)
30.6	Net gains on disposals of businesses and other assets	**311.3**	6.4
209.7	**Total exceptional items**	**327.0**	(186.0)
	Certain re-measurements (note 6.2)		
(34.2)	Movement on operating derivatives	**321.3**	154.6
(5.1)	Movement in fair value of commodity stocks	**22.4**	-
(83.0)	Movement on financing derivatives	**(16.5)**	(69.9)
2.6	Share of movement on derivatives in jointly controlled entities (net of tax)	**0.2**	1.7
(119.7)		**327.4**	86.4
(329.4)	**Exceptional items before taxation**	**654.4**	(99.6)
	Taxation		
46.0	Taxation on other exceptional items	**(2.8)**	33.1
20.9	Taxation on certain re-measurements	**(60.5)**	(20.8)
(64.6)	Effect of deferred tax rate change	**-**	-
2.3	Taxation	**(63.3)**	12.3
(327.1)	**Exceptional items on continuing operations after taxation**	**591.1**	(87.3)
	Discontinued operations		
	Exceptional items (note 6.1)		
(291.3)	Asset impairments**,** write backs and related charges	**-**	-
(237.7)	SSE Energy Services provision for loss on disposal	**-**	(341.0)
6.2	Taxation	**-**	-
(522.8)	Exceptional items on discontinued operations after taxation	**-**	(341.0)

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

Year ended 31 March 2020 £m		Six months ended 30 September 2020 £m	Six months ended 30 September 2019 (restated) £m
	Continuing operations		
	Cost of sales:		
(34.2)	Movement on operating derivatives (note 16)	**321.3**	154.6
(5.1)	Movement in fair value of commodity stocks	**22.4**	-
(39.3)		**343.7**	154.6
	Operating costs:		
(158.7)	Asset impairments and reversals	**15.7**	(98.7)
(81.6)	Other exceptional provisions and impairments	**-**	(41.2)
-	Retail related restructuring costs and IT impairments	**-**	(52.5)
(240.3)		**15.7**	(192.4)
	Operating income:		
28.2	Net gains on disposals of businesses and other assets	**311.3**	6.4
28.2		**311.3**	6.4
	Joint ventures and associates:		
2.6	Movement on derivatives (net of tax)	**0.2**	1.7
2.6		**0.2**	1.7
(248.8)	**Operating (loss)/profit**	**670.9**	(29.7)
	Finance costs		
(83.0)	Movement on financing derivatives (note 16)	**(16.5)**	(69.9)
2.4	Interest income on deferred consideration receipt	**-**	-
(80.6)	**(Loss)/profit before taxation on continuing operations**	**654.4**	(99.6)
	Discontinued operations		
	Operating costs:		
(237.7)	SSE Energy Services related charges	**-**	(341.0)
(291.3)	Gas Production (E&P) related credit/(charges)	**-**	-
(529.0)	**Profit/(loss) before taxation on discontinued operations**	**-**	(341.0)

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

6.1 Exceptional items

(i) Disposal of SSE Renewables Walney Limited

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 £188.8m. SSE Renewables Walney Limited was the holding company of the Group's non-operated 25.1% stake in Walney Offshore Wind Farm. The disposal marks the first stage of SSE's strategic disposal plans targeting at least £2bn in disposal proceeds by autumn 2021 announced on 17 June 2020 (see note 12). As essentially a financial investment and as Walney Offshore Wind Farm Limited has been operational for several years, the disposal is not considered to be aligned to the Group's strategic objective of gaining value from divestment of stakes in offshore or international wind developments.

(ii) Disposal of Maple Topco Limited

On 23 September 2020, the Group disposed of its 33% investment in Maple Topco Limited, the smart meter services provider for proceeds of £95.3m, recognising an exceptional gain on disposal of £72.0m as part of its disposal programme targeting non-core assets. The investment in Maple Topco represented a non-core asset for the Group and the transaction is further progress in the Group's disposal programme noted above (see also note 12).

(iii) Fair value uplift recognised on loss of control of Seagreen windfarm

On 3 June 2020, the Group disposed of a 51% stake in its wholly owned subsidiary, Seagreen Holdco 1 Ltd ('Seagreen 1'), to Total. The transaction was for initial cash proceeds of £70m, plus contingent consideration of up to £60m dependent upon future criteria being met. The Group has assessed that control of the company was lost on that date, and that the investment in Seagreen 1 should be accounted for as an equity accounted joint venture under the principles of IFRS 11 "Joint Arrangements". The Group acquired the joint venture investment at fair value under the principles of IFRS 10 "Consolidated Financial Statements", resulting in a total gain of £49.0m. Of that gain, £25.7m has been recognised as exceptional, as it represents the fair value gain on acquisition of the joint venture investment retained by the Group. The remaining £23.3m of the gain has been included in underlying operations, in line with the Group's stated exceptional policy (see note 2 (iii)).

(iv) Fair value uplift on loss of control of SSE Slough Multifuel Limited

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

(v) Reversal of bad debt provisions related to coronavirus

In the year ended 31 March 2020, the Group recognised an exceptional provision of £33.7m within its Business Energy (£27.7m) and Airtricity (£6.0m) businesses for exposure to bad debts arising as a result of the coronavirus pandemic. At 31 March 2020 the coronavirus pandemic was at the height of the first wave, and the UK remained in national 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.

In the six months to 30 September 2020, the Group has achieved higher cash collections than forecast when recognising the provision, resulting in the release of £15.7m (Business Energy: £11.9m; Airtricity: £3.8m) of the provision in the period. The release of the provision has been classed as exceptional to align to the initial recognition of the provision. Any further bad debt charges arising in future periods as a result of the coronavirus pandemic will be recognised within the underlying results of the Group.

Exceptional items recognised in the previous financial year

(vi) Fiddler's Ferry closure

On 13 June 2019, the Group announced its intention to close the remaining power generation units at Fiddler's Ferry power station**.** Following the announcement, the Group incurred a total exceptional charge of £112.3m (September 2019: £98.7m) related to the decision to close the plant, comprising an impairment of the coal and oil inventory of £77.5m (September 2019: £75.6m); a redundancy provision of £20.5m (September 2019: £21.0m); and operating losses at the plant of £14.3m (September 2019: £2.1m).

(vii) Other charges

At 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 (see note 6.1 (iii) above).

During the first half of the prior year, the Group committed to an investment plan in IT software, operations and infrastructure aimed at transforming the Group's IT systems to drive growth and profitability. New agreements with software providers were entered into to allow employees to benefit from cloud based IT arrangements, which resulted in the impairment of legacy software contracts of £34.2m. The Group also incurred redundancy costs of £6.9m following an agreement to outsource certain IT support roles. In the second half of the year the Group also recognised a charge of £4.4m related to restructuring costs incurred by its Electricity Distribution business.

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

6.1 Exceptional items (continued)

Exceptional items recognised in the previous financial year (continued)

Charges within discontinued operations

(viii) Other income

The Group disposed of 50% of SSE Telecommunications to Infracapital Partners III during the year ended 31 March 2019. The initial consideration was £215.0m, with the potential for a further £165m of contingent consideration. At 31 March 2020, the Group reassessed the components of contingent consideration and recognised a further £33.1m of consideration, including interest unwind of £2.4m which was treated as exceptional finance income. This income was offset by incremental exceptional costs of disposal of the business totalling £7.2m predominantly related to the expected cost of full IT separation for this business.

The Group disposed of a 49.9% stake in the Stronelairg and Dunmaglass windfarms on 31 March 2019, recognising total gain on disposal of £733.0m, including a fair value uplift of £369.2m. Following the completion of the sale, an adjustment to the consideration of £6.4m was received in the six months ended 30 September 2019, offset by a tax adjustment of £1.6m (September 2019: tax adjustment of nil) recognised in the second half of the year. The adjustment to consideration was treated as exceptional to align with the treatment of the original disposal.

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

On 15 January 2020, the Group disposed of SSE Energy Services to OVO Energy Limited for total consideration of £500m, less debt-like items of £59.0m. As a result, the Group recognised an exceptional loss on disposal of £226.9m (September 2019 (restated): provision for loss on disposal of £341.0m (see note 12)) within discontinued operations and incurred exceptional impairments of Group IT assets of £48.8m (September 2019: £39.5m) within continuing operations. In the six months ended 30 September 2019, the Group recognised £13.0m of advisor fees and restructuring expenses within continuing operations. SSE Energy Services also incurred £10.8m of redundancy costs within the discontinued operation in the second half of the year ended 31 March 2020.

(x) Gas production

In the year ended 31 March 2020, the Group recorded an exceptional impairment charge of £291.3m related to the carrying value of its Gas Production assets and liabilities classified as held for sale. The impairment was calculated based on the fair value of the business following negotiations with potential buyers and reflected a reduction in gas prices through the year.

6.2 Certain re-measurements

The Group's EPM function enters into forward commodity purchase (and sales) contracts to meet the future demand requirements of its domestic and business energy supply operating units and to optimise the value of its Renewable and other 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 representative of the underlying performance of its operating segments. The Group will recognise the underlying value of these contracts as the relevant commodity is delivered, which will predominately 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. The re-measurements arising from IFRS 9 are disclosed separately to aid understanding of the underlying performance of the Group. This category also includes income statement movement on financing derivatives (and hedged items) as described in Note 16 and remeasurements on the fair value of gas held for trading purposes by Gas Storage.

7. Net finance costs

Year ended 31 March 2020 £m		**Six months ended 30 September 2020 £m**	Six months ended 30 September 2019 £m
	Finance income:		
1.6	Interest income from short term deposits	**1.5**	1.1
6.6	Interest on pension scheme assets	**4.0**	3.6
0.9	Foreign exchange translation of monetary assets and liabilities	**-**	0.8
	Other interest receivable:		
9.4	Scotia Gas Networks loan stock	**4.9**	4.7
52.5	Other joint ventures and associates	**28.8**	27.4
10.6	Other receivable	**11.2**	3.9
72.5		**44.9**	36.0
81.6	**Total finance income**	**50.4**	41.5
	Finance costs:		
(34.5)	Bank loans and overdrafts	**(15.2)**	(18.3)
(304.1)	Other loans and charges	**(160.9)**	(151.1)
(9.2)	Notional interest arising on discounted provisions	**(1.9)**	(7.8)
(37.8)	Lease interest charges	**(17.6)**	(18.5)
11.2	Less: interest capitalised	**6.1**	5.5
(374.4)	**Total finance costs**	**(189.5)**	(190.2)
(83.0)	Changes in fair value of financing derivative assets or liabilities at fair value through profit or loss	**(16.5)**	(69.9)
(375.8)	**Net finance costs**	**(155.6)**	(218.6)
	Presented as:		
81.6	**Finance income**	**50.4**	41.5
(457.4)	**Finance costs**	**(206.0)**	(260.1)
(375.8)	**Net finance costs**	**(155.6)**	(218.6)

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

Year ended 31 March 2019 £m		**Six months ended 30 September 2020 £m**	Six months ended 30 September 2019 £m
(375.8)	**Net finance costs**	**(155.6)**	(218.6)
	(add)/less:		
	Share of interest from joint ventures and associates:		
(9.4)	Scotia Gas Networks loan stock	**(4.9)**	(4.7)
(164.4)	Other jointly controlled entities and associates	**(75.0)**	(83.2)
(173.8)		**(79.9)**	(87.9)
12.3	Share of non-recurring joint venture refinancing costs (i)	**-**	12.3
(161.5)		**(79.9)**	(75.6)
(6.6)	Interest on pension scheme assets	**(4.0)**	(3.6)
(1.7)	Share of interest on net pension liabilities in joint ventures	**(1.4)**	(0.6)
83.0	Movement on financing derivatives (note 16)	**16.5**	69.9
(2.4)	Exceptional item	**-**	-
(465.0)	**Adjusted net finance costs**	**(224.4)**	(228.5)
9.2	Notional interest arising on discounted provisions	**1.9**	7.8
37.6	Lease interest charges	**17.6**	18.5
(46.5)	Hybrid coupon payment	**(46.6)**	(46.5)
(464.7)	**Adjusted net finance costs for interest cover calculations**	**(251.5)**	(248.7)

(i) 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 the Group incurring its share of one-off finance costs of £12.3m. These are deemed to be non-recurring and have not been incurred as part of normal operations.

8. Taxation

The income tax expense reflects the anticipated effective rate of tax on profits before taxation for the Group for the year ending 31 March 2021, 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 9.1% (2019: 13.3%, March 2020: 13.5%). The reported tax rate on the profit before tax after exceptional items, including the effect of changes in tax rate, and certain re-measurements on continuing operations was 9.6% (2019: 14.1%, March 2020: 20.7%).

The total adjusted effective rate of tax on profits before taxation excluding exceptional items, certain re-measurements, deferred tax associated with interest on net pension liabilities under IAS 19R and adjusted for tax on associates and jointly controlled entities for the period can be represented as follows:

Year ended 31 March 2020		**Six months ended 30 September 2020**	Six months ended 30 September 2019
	Adjusted effective rate:		
11.2%	Current tax	**12.2%**	12.0%
4.8%	Deferred tax	**2.7%**	5.9%
16.0%		**14.9%**	17.9%

The adjusted effective current tax rate for the period after adjusting for discrete events arising in the first half of the year is 12.2%. Excluding the effect of these discrete events, the adjusted current tax rate would have been 11.3%.

9. Discontinued operations and assets and liabilities held for sale

Discontinued operations

The Group's investment in Gas Production assets remains classified as a discontinued operation at 30 September 2020. A transaction to dispose of the business is still considered to be highly probable at the balance sheet date, therefore the assets and liabilities have been presented as held for sale and the business activity has been presented as a discontinued operation. At 31 March 2020 and 30 September 2019, SSE Energy Services (disposed on 15 January 2020 (see note 12)) was also presented as a discontinued operation and is included in the comparative information below. The profits/(losses) of the discontinued operations for period of ownership by the Group, after elimination of intercompany transactions, are as follows:

	30 September 2020			30 September 2019		
	Before exceptional items and remeasurements £m	**Exceptional items and remeasurements £m**	**Total £m**	Before exceptional items and remeasurements £m	Exceptional items and remeasurements (restated) £m	Total £m
Revenue*	**6.3**	-	**6.3**	1,482.7	-	1,482.7
Cost of sales*	**(7.6)**	-	**(7.6)**	(1,150.7)	-	(1,150.7)
Gross (loss)/profit	**(1.3)**	-	**(1.3)**	332.0	-	332.0
Operating costs	**(1.7)**	-	**(1.7)**	(354.7)	(341.0)	(695.7)
Operating (loss)/profit	**(3.0)**	-	**(3.0)**	(22.7)	(341.0)	(363.7)
Finance costs	**(1.1)**	-	**(1.1)**	-	-	-
(Loss)/profit before tax	**(4.1)**	-	**(4.1)**	(22.7)	(341.0)	(363.7)
Taxation	**-**	-	**-**	13.6	-	13.6
(Loss)/profit from discontinued operations, net of tax	**(4.1)**	-	**(4.1)**	(9.1)	(341.0)	(350.1)

*Revenue of £6.3m represents the external revenue of the Group's Gas Production business in the period. Internal revenue of £70.9m has been excluded as it is eliminated on consolidation. An adjustment has been made to cost of sales to present the gross margin on external sales from the business.

	31 March 2020		
	Before exceptional items and remeasurements £m	Exceptional items and remeasurements £m	Total £m
Revenue	2,732.0	-	2,732.0
Cost of sales	(2,169.6)	-	(2,169.6)
Gross profit	562.4	-	562.4
Operating costs	(503.9)	(302.1)	(806.0)
Operating profit/(loss)	58.5	(302.1)	(243.6)
Finance costs	(6.6)	-	(6.6)
Profit before taxation	51.9	(302.1)	(250.2)
Taxation	(7.7)	6.2	(1.5)
	44.2	(295.9)	(251.7)
Loss on disposal of discontinued operations, after tax	-	(226.9)	(226.9)
(Loss)/profit from discontinued operations, net of tax	44.2	(522.8)	(478.6)

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

Cashflows from discontinued operations

March 2020 £m		**September 2020 £m**	September 2019 £m
(15.9)	Cashflows from operating activities	**12.5**	56.7
(79.3)	Cashflows from investing activities	**(12.5)**	(76.9)
(95.2)	Net increase/(decrease) in cash and cash equivalents from discontinued operations	**-**	(20.2)

Assets and liabilities held for sale

At 30 September 2020, the Group's investment in Gas Production remains held for sale. The Group is continuing to pursue a transaction to dispose of the business, which is still considered highly probable (see note 4.2 (i)). In addition, the Group's investment in Multifuel Energy Limited, which holds the Group's 50% equity investment in two waste to energy plant in Yorkshire is also held for sale as the sale process was well progressed at the balance sheet date, and was announced on 13 October 2020, subsequent to the balance sheet date (see note 21.1). During the period the Group's Enterprise Contracting business met the criteria to be classified as held for sale under IFRS 5, with the Group pursuing a disposal in second half of the financial year. Finally, a 10% stake in the Doggerbank windfarm development is also classified as held for sale as the Group is currently engaged in a process to dispose of this stake.

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 2020 £m		**Multifuel Energy £m**	**Dogger bank 10% £m**	**Enterprise Contracting £m**	**Gas Production £m**	**September 2020 £m**	September 2019 (restated) £m
168.3	Property plant and equipment	**-**	**-**	**-**	**180.4**	**180.4**	390.9
40.7	Goodwill and other intangible assets	**-**	**-**	**-**	**41.6**	**41.6**	555.7
-	Equity investments in joint ventures and associates	**63.8**	**8.1**	**-**	**-**	**71.9**	-
-	Loans to joint ventures and associates	**248.2**	**33.0**	**-**	**-**	**281.2**	-
14.9	Deferred tax asset	**-**	**-**	**-**	**14.7**	**14.7**	19.2
2.4	Inventories	**-**	**-**	**3.3**	**3.8**	**7.1**	5.2
0.5	Trade and other receivables	**-**	**-**	**79.8**	**0.7**	**80.5**	661.6
-	Cash and cash equivalents	**-**	**-**	**-**	**0.5**	**0.5**	75.0
226.8	**Total assets**	**312.0**	**41.1**	**83.1**	**241.7**	**677.9**	1,707.6
-	Loans and borrowings	**-**	**-**	**(1.5)**	**-**	**(1.5)**	-
(17.0)	Trade and other payables	**-**	**-**	**(36.5)**	**(13.5)**	**(50.0)**	(915.0)
(1.6)	Derivative financial liabilities	**-**	**-**	**-**	**-**	**-**	-
(380.1)	Provisions	**-**	**-**	**(14.9)**	**(390.1)**	**(405.0)**	(391.8)
(398.7)	**Total liabilities**	**-**	**-**	**(52.9)**	**(403.6)**	**(456.5)**	(1,313.7)
(171.9)	**Net assets/(liabilities)**	**312.0**	**41.1**	**30.2**	**(161.9)**	**221.4**	393.9

The assets and liabilities classified as held for sale at 30 September 2019 were SSE Energy Services and the Group's investment in Gas Production assets. SSE Energy Services was sold on 15 January 2020 (see note 12), while the Group's investment in Gas Production assets remains held for sale at 30 September 2020. Additionally, at 31 March 2020 the Group held the net assets of SSE Slough Multifuel Limited for sale, which was disposed on 2 April 2020 (see note 12).

10. Dividends

Ordinary dividends

Year ended 31 March 2020 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**	Six months ended 30 September 2019 Total £m	Settled via scrip £m	Pence per ordinary share
-	-	-	Final – year ended 31 March 2020	**582.1**	**25.5**	**56.0**	-	-	-
248.2	136.3	24.0	Interim – year ended 31 March 2020	-	-	-	-	-	-
700.3	209.2	68.2	Final – year ended 31 March 2019	-	-	-	700.3	209.2	68.2
948.5	345.5			**582.1**	**25.5**		700.3	209.2	

The final dividend of 56.0p per ordinary share declared in the financial year ended 31 March 2020 (2019: 68.2p) was approved at the Annual General Meeting on 12 August 2020 and was paid to shareholders on 18 September 2020. Shareholders were able to elect to receive ordinary shares credited as fully paid instead of the interim cash dividend under the terms of the Company's scrip dividend scheme.

An interim dividend of 24.4p per ordinary share (2019: 24.0p) has been proposed and is due to be paid on 11 March 2021 to those shareholders on the SSE plc share register on 15 January 2021. 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/(losses) per share

Basic earnings/(losses) per share

The calculation of basic earnings per share at 30 September 2020 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 2020.

Adjusted earnings per share

Adjusted earnings per share has been calculated by excluding the charge for deferred tax, the interest on net pension liabilities and the impact of exceptional items and certain re-measurements.

Continuing operations

Year ended 31 March 2020 Earnings £m	Earnings per share pence		**Six months ended 30 September 2020 Earnings £m**	**Earnings per share pence**	Six months ended 30 September 2019 (restated) (Losses)/ earnings £m	(Losses)/ earnings per share pence
(59.0)	(5.7)	Earnings/(loss) attributable to ordinary shareholders	**699.5**	**67.3**	(285.9)	(27.7)
478.6	46.3	Less: Loss attributable to discontinued operations	**4.1**	**0.4**	350.1	33.9
419.6	40.6	**Basic earnings/(loss) on continuing operations for EPS**	**703.6**	**67.7**	64.2	6.2
327.1	31.7	Exceptional items and certain re-measurements (note 6)	**(591.1)**	**(56.9)**	87.3	8.5
746.7	72.3	Basic excluding exceptional items and certain re- measurements	**112.5**	**10.8**	151.5	14.7
		Adjusted for:				
12.3	1.2	Share of non-recurring joint venture refinancing costs	**-**	**-**	12.3	1.2
20.6	2.0	Depreciation charge on fair value uplifts	**10.3**	**1.0**	10.3	1.0
(6.6)	(0.6)	Interest on net pension scheme liabilities (note 7)	**(4.0)**	**(0.4)**	(3.6)	(0.3)
(1.7)	(0.2)	Share of interest on net pension liabilities in joint venture	**(1.4)**	**(0.1)**	(0.6)	(0.1)
44.8	4.4	Deferred tax	**9.8**	**0.9**	18.3	1.8
46.6	4.5	Deferred tax from share of joint ventures and associates	**(3.6)**	**(0.3)**	(2.9)	(0.3)
862.7	83.6	**Adjusted**	**123.6**	**11.9**	185.3	18.0
419.6	40.6	**Basic**	**703.6**	**67.7**	64.2	6.2
-	-	Dilutive effect of convertible debt and share options	**-**	**(0.1)**	-	-
419.6	40.6	**Diluted**	**703.6**	**67.6**	64.2	6.2

11. Earnings/(losses) per share (continued)

Reported earnings per share

Year ended 31 March 2020 Earnings £m	Year ended 31 March 2020 Earnings per share pence		**Six months ended 30 September 2020 Earnings/ (Losses) £m**	**Six months ended 30 September 2020 Earnings/ (Losses) per share pence**	Six months ended 30 September 2019 Losses £m	Six months ended 30 September 2019 Losses per share pence
		Basic				
419.6	40.6	Earnings/(losses) per share on continuing operations	**703.6**	**67.7**	64.2	6.2
(478.6)	(46.3)	Losses per share on discontinued operations	**(4.1)**	**(0.4)**	(350.1)	(33.9)
(59.0)	(5.7)	**Earnings/(losses) per share attributable to ordinary shareholders**	**699.5**	**67.3**	(285.9)	(27.7)

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

Year ended 31 March 2019 Number of shares (millions)		**Six months ended 30 September 2020 Number of shares (millions)**	Six months ended 30 September 2019 Number of shares (millions)
1,032.5	For basic and adjusted earnings per share	**1,039.6**	1,030.4
1.5	Effect of exercise of share options	**1.5**	0.9
1,034.0		**1,041.1**	1,031.3

12. Acquisitions and disposals

Acquisitions and disposals in the current period

Acquisitions

There have been no significant acquisitions in the current period.

Disposals

In the Group's annual results presentation for the year ended 31 March 2020, it was announced that the Group would aim to divest non-core and non-operated assets with target proceeds of £2bn by autumn 2021. In the six months ended 30 September 2020, the Group has begun this programme, announcing the sale of its 25.1% non-operated investment in the Walney offshore windfarm and the sale of its 33.3% investment in Maple Topco Limited (see below). On 13 October 2020, subsequent to the reporting date, the Group also announced the sale of its 50% investment in the Ferrybridge Multifuel waste to energy plant for proceeds of £995m (see note 21.1).

In addition to transactions completed as part of the disposal programme noted above, the Group has also disposed of a 51% stake in the Seagreen windfarm and a 50% stake in its Slough Multifuel development in the period (see below). These disposals are considered part of the underlying operations of the Group and have not been included in the £2bn target proceeds noted above.

Disposal of SSE Renewables Walney Limited: On 2 September 2020, the Group announced the sale of its 25.1% stake in Walney Offshore Windfarm ('Walney') to Greencoat UK Wind plc. The disposal transaction was for proceeds of £350.0m, resulting in an exceptional gain on sale of £188.8m. The disposal was the Group's first disposal in its intended £2bn disposal plan of non-core and non-operated assets noted above.

Disposal of investment in Maple Topco Limited: On 23 September 2020, the Group disposed of its 33% investment in Maple Topco Limited ('Maple'), the smart meter services provider for proceeds of £95.3m, recognising an exceptional gain on disposal of £72.0m. The investment in Maple Topco represented a non-core asset for the Group and the transaction is further progress in the Group's disposal programme noted above.

Disposal of investment in Slough Multifuel: On 2 April 2020, the Group disposed of a 50% stake in its wholly owned subsidiary, SSE Slough Multifuel Ltd ('Slough Multifuel'), to Copenhagen Infrastructure Partners. The transaction was for initial proceeds of £10m, plus contingent consideration 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 £48.7m which includes the Group's probability weighted assessment of future contingent consideration becoming receivable. Of that gain, £24.8m has been recognised as exceptional, as it represents the fair value gain on acquisition of the joint venture investment retained by the Group. The remaining £23.9m of the gain has been classified as non-exceptional and included in underlying operations, in line with the Group's stated exceptional policy (see note 2 (iii)).

Disposal of stake in Seagreen 1: 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 proceeds of £70m, plus contingent consideration of up to £60m dependent upon future criteria being met. The Group has assessed that control of the company was lost on that date, and that the investment in Seagreen 1 should be accounted for as an equity accounted joint venture under the principles of IFRS 11 "Joint Arrangements". The Group acquired the joint venture investment at fair value under the principles of IFRS 10 "Consolidated Financial Statements", resulting in a total gain of £49.0m. Of that gain, £25.7m has been recognised as exceptional, as it represents the fair value gain on acquisition of the joint venture investment retained by the Group (see note 6.1). The remaining £23.3m of the gain has been classified as non-exceptional and included in underlying operations, in line with the Group's stated exceptional policy (see note 2 (iii)).

12. Acquisitions and disposals (continued)

Disposal reconciliation

Disposal	Cash proceeds received £m	Underlying gain on sale £m	Exceptional gain on sale (note 6) £m	Total gain on sale £m
Walney	350.0	-	188.8	188.8
Maple*	-	-	72.0	72.0
Slough Multifuel	10.0	23.9	24.8	48.7
Seagreen 1	70.0	23.3	25.7	49.0
Other	3.1	0.7	-	0.7
Total	433.1	47.9	311.3	359.2

*Maple proceeds, net of transaction costs, were received on 12 November 2020, subsequent to the reporting date.

Prior year acquisitions and disposals

In the year ended 31 March 2020, the Group completed transactions to dispose of SSE Energy Services and Slieve Divena II windfarm, as noted below. There were no significant additions or disposals in the six month period to 30 September 2019 as both transactions occurred in the second half of the year.

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

The "locked box" transaction mechanic, fixed consideration at the effective economic date of 30 June 2019, and ensured that the economic effect of any subsequent movements in the carrying values of assets disposed are also acquired by Ovo. The carrying value of assets disposed at completion, which includes asset and liability movements subsequent to 30 June 2019, resulted in an exceptional loss on disposal of £226.9m (30 September 2019: restated provision for loss on disposal of £341.0m (see note 6) being recognised within discontinuing operations.

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

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 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 2020, the Group's long term credit rating was BBB+ stable outlook by Standard & Poor's and was 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 has the option to purchase its own shares on the market, the timing of these purchases depends on market prices and economic conditions. The use of share buy-backs shall be implemented if the Directors believe that doing so would be in the best interests of shareholders. There were no share buybacks completed in the six months ended 30 September 2020. During the six months to 30 September 2019 SSE bought back 17,850,924 at an average share price of £11.20 for consideration of £201.1m (including stamp duty and commission).

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 7 April 2020 SSE plc successfully issued a €1.1bn dual tranche Eurobond with €600m maturing April 2025 and €500m maturing April 2030 with coupons of 1.25% and 1.75% respectively. Both tranches were swapped back to Sterling resulting in a funding cost of 2.4% and 2.9% respectively. Furthermore, on 2 July 2020 SSE plc issued a dual tranche equity accounted Hybrid to refinance the September 2020 first call for the £750m hybrid and the April 2021 call for the €600m hybrid. SSE plc issued a £600m NC5.75 hybrid with a coupon of 3.74% and a €500m NC7 hybrid with a coupon of 3.125% of which €300m was swapped into sterling resulting in an annual all in cost of just under 3.8% for the dual tranche. These new equity accounted Hybrids will be shown in the Hybrid equity note.

March 2020 £m		**September 2020 £m**	September 2019 £m
9,717.2	**Total borrowings (excluding lease obligations)**	**9,625.4**	9,572.2
(164.6)	Less: Cash and cash equivalents	**(415.5)**	(90.0)
-	Cash presented as held for sale	**(0.5)**	(75.0)
9,552.6	Net debt (excluding hybrid equity)	**9,209.4**	9,407.2
1,169.7	Hybrid equity	**1,472.4**	1,169.7
(256.4)	Cash held as collateral and other short-term loans	**(59.7)**	(238.0)
10,465.9	Adjusted net debt and hybrids	**10,622.1**	10,338.9
3,750.4	**Equity attributable to shareholders of the parent**	**3,722.1**	3,772.8
14,216.3	**Total capital excluding lease obligations**	**14,344.2**	14,111.7

13. Sources of finance (continued)

13.2 Loans and other borrowings

March 2020 £m		September 2020 £m	September 2019 £m
	Current		
1,893.8	Other short-term loans	**1,289.1**	1,243.5
73.1	Lease obligations	**74.4**	49.5
1,966.9		**1,363.5**	1,293.0
	Non-current		
7,823.4	Loans	**8,336.3**	8,328.7
382.1	Lease obligations	**355.3**	404.4
8,205.5		**8,691.6**	8,733.1
10,172.4	**Total loans and borrowings**	**10,055.1**	10,026.1
(164.6)	Cash and cash equivalents	**(415.5)**	(90.0)
10,007.8	**Unadjusted net debt**	**9,639.6**	9,936.1
	Add/(less):		
1,169.7	Hybrid equity (note 14)	**1,472.4**	1,169.7
(455.2)	Lease obligations	**(429.7)**	(453.9)
(256.4)	Cash held as collateral	**(59.7)**	(238.0)
-	Cash presented as held for sale	**(0.5)**	(75.0)
10,465.9	**Adjusted Net Debt and Hybrid Capital**	**10,622.1**	10,338.9

SSE's adjusted net debt and hybrid capital was £10.6bn at 30 September 2020, compared with £10.5bn at 31 March 2020 and £10.3bn at 30 September 2019. The increase in net debt and hybrid capital reflects SSE's ongoing investment programme.

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 and a £0.2bn bilateral facility, mature in 2025 after the first of two one year extension options were invoked during 2020 and it is the Group's intention to invoke the second one year extension option on both facilities during 2021 taking the maturity of these facilities out to 2026. These committed bank facilities can be accessed at short notice for use in managing the Group's short term funding requirements although these committed facilities remain undrawn for the majority of the time and were undrawn at 30 September 2020. 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) and at 30 September 2020 £336m of commercial paper was outstanding compared to £492m at 30 September 2019.

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

March 2020 £m		September 2020 £m	September 2019 £m
(267.0)	Increase/(decrease) in cash and cash equivalents	**251.4**	(341.6)
	Add/(less)		
(95.2)	Cash presented as held for sale	**(0.5)**	(20.2)
-	Issue of hybrid equity	**(1,051.0)**	-
(1,122.4)	New borrowings	**(1,313.9)**	(791.3)
-	Redemption of hybrid equity	**750.0**	-
668.4	Repayment of borrowings	**1,394.4**	516.2
(124.9)	Non-cash movement on borrowings	**10.1**	(158.8)
(87.8)	Decrease in cash held as collateral and other short-term borrowings	**(196.7)**	(106.2)
(1,028.9)	**Increase in adjusted net debt and hybrid capital**	**(156.2)**	(901.9)

13.4 Hybrid debt

Included within loans and borrowings at 30 September 2020 is £1.0bn (2019: £1.0bn, March 2020: £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 2020 £m	Perpetual subordinated capital securities	September 2020 £m	September 2019 £m
748.3	GBP 750m 3.875% perpetual subordinated capital securities (i)	**-**	748.3
421.4	EUR 600m 2.375% perpetual subordinated capital securities (i)	**421.4**	421.4
-	GBP 600m 3.74% perpetual subordinated capital securities (ii)	**598.0**	-
-	EUR 500m 3.125% perpetual subordinated capital securities (ii)	**453.0**	-
1,169.7		**1,472.4**	1,169.7

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

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

(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 capital bond, a coupon payment of £17.5m (2019: £17.4m) was paid on 1 April 2020. For the £750m hybrid capital bond the final coupon payment of £29.1m (2019: £29.1m) was paid on 10 September 2020. The coupon payments in the six month period to 30 September 2020 consequently totalled £46.6m (2019: £46.5m). No coupon payments have been made on the new Hybrids issued in July 2020 with the first coupon payments not due until the 21/22 financial year.

The 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 2020	1,046.3	523.1
Issue of shares	1.9	1.0
At 30 September 2020	**1,048.2**	**524.1**

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 2020 of 56.0p (2019: 68.2p in relation to the final dividend for the year to 31 March 2019; March 2020: 24.0p in relation to the interim dividend for the year to 31 March 2020) per ordinary share under the terms of the Company's scrip dividend scheme. This resulted in the issue of 1,918,977 (September 2019: 19,086,291; March 2020: 19,086,291) new fully paid ordinary shares.

In addition, the Company issued 0.3m shares (2019: 0.0m, March 2020: 0.8m) 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 £3.4m (2019: £0.0m, March 2020: £10.1m).

No shares were repurchased in the period (2019: Under the share buyback programme announced on 1 February 2019, 17.9m shares were repurchased and cancelled in the 6 month period to 30 September 2019 for a total consideration of £201.1m (including stamp duty and commission); (year to 31 March 2020 – 28.8m shares were repurchased and cancelled for a total of £352.0m). The nominal value of share capital repurchased and cancelled is transferred out of share capital and into the capital redemption reserve.

Of the 1,048.2m shares in issue, 6.6m 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 (2019: 0.1 million, March 2020: 1.1 million) for a consideration of £1.4m (2019: £1.4m, March 2020: £14.6m) 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 the commodity, currency and interest rate risks noted arise in the normal course of the Group's business and derivative financial instruments are entered into to hedge exposure to these risks.

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 a Board level sub-committee, the Energy Markets Risk Committee, chaired by Non-Executive Director Tony Cocker, which was established to oversee the Group's approach to hedging.

In the six months to 30 September 2020, the Group continued to be exposed to difficult economic conditions due to the coronavirus outbreak in the United Kingdom and Ireland. Following the disposal of SSE Energy Services in the prior year, the Group is now significantly less exposed to domestic debtor default. However, aged debt levels in the Group's Business Energy business remain high and the Group has continued to commit significant internal resource to managing credit risk in the period.

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 March 2020.

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 2020 £m		**Six months ended 30 September 2020 £m**	Six months ended 30 September 2019 £m
	Operating derivatives		
(526.4)	Total result on operating derivatives (i)	**143.8**	(163.8)
723.2	Less: amounts settled (ii)	**177.5**	318.4
196.8		**321.3**	154.6
(231.0)	Novation of derivatives held by discontinued operation	**-**	-
(34.2)	**Movement in unrealised derivatives**	**321.3**	154.6
	Financing derivatives (and hedged items)		
(74.4)	Total result on financing derivatives (i)	**(90.6)**	(116.4)
(8.6)	Less: amounts settled (ii)	**74.1**	46.5
(83.0)	**Movement in unrealised derivatives**	**(16.5)**	(69.9)
(117.2)	**Net income statement impact**	**304.8**	84.7

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

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 2020 Carrying value £m	March 2020 Fair value £m		**September 2020 Carrying value £m**	**September 2020 Fair value £m**	September 2019 Carrying value £m	September 2019 Fair value £m
		Financial Assets				
		Current				
913.8	913.8	Trade receivables	**792.6**	**792.6**	871.3	871.3
6.3	6.3	Other receivables	**6.7**	**6.7**	5.1	5.1
256.4	256.4	Cash collateral and other short term loans	**59.7**	**59.7**	238.0	238.0
164.6	164.6	Cash and cash equivalents	**415.5**	**415.5**	90.0	90.0
631.2	631.2	Derivative financial assets	**360.7**	**360.7**	251.6	251.6
1,972.3	1,972.3		**1,635.2**	**1,635.2**	1,456.0	1,456.0
		Non-current				
0.2	0.2	Unquoted equity investments	**1.7**	**1.7**	0.5	0.5
100.0	100.0	Loan note receivable	**109.4**	**109.4**	-	-
847.5	847.5	Loans to associates and jointly controlled entities	**643.9**	**643.9**	797.8	797.8
308.2	308.2	Derivative financial assets	**176.3**	**176.3**	294.4	294.4
1,255.9	1,255.9		**931.3**	**931.3**	1,092.7	1,092.7
3,228.2	3,228.2		**2,566.5**	**2,566.5**	2,548.7	2,548.7
		Financial Liabilities				
		Current				
(413.2)	(413.2)	Trade payables	**(304.8)**	**(304.8)**	(539.0)	(539.0)
(1,893.8)	(1,905.0)	Bank loans commercial paper and overdrafts	**(1,289.1)**	**(1,303.2)**	(1,243.5)	(1,257.9)
(73.1)	(73.1)	Lease liabilities	**(74.4)**	**(74.4)**	(49.5)	(49.5)
(785.8)	(785.8)	Derivative financial liabilities	**(276.2)**	**(276.2)**	(555.0)	(555.0)
(3,165.9)	(3,177.1)		**(1,944.5)**	**(1,958.6)**	(2,387.0)	(2,401.4)
		Non-current				
(7,823.4)	(8,502.8)	Loans and borrowings	**(8,336.3)**	**(9,441.9)**	(8,328.7)	(9,321.9)
(382.1)	(382.1)	Lease liabilities	**(355.3)**	**(355.3)**	(404.4)	(404.4)
(620.0)	(620.0)	Derivative financial liabilities	**(485.6)**	**(485.6)**	(487.4)	(487.4)
(8,825.5)	(9,504.9)		**(9,177.2)**	**(10,282.8)**	(9,220.5)	(10,213.7)
(11,991.4)	(12,682.0)		**(11,121.7)**	**(12,241.4)**	(11,607.5)	(12,615.1)
(8,763.2)	(9,453.8)	**Net financial liabilities**	**(8,555.2)**	**(9,674.9)**	(9,058.8)	(10,066.4)

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 2020 Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**	September 2019 Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial Assets								
Energy derivatives	-	**147.8**	-	**147.8**	7.5	89.5	-	97.0
Interest rate derivatives	-	**374.9**	-	**374.9**	-	441.3	-	441.3
Foreign exchange derivatives	-	**14.3**	-	**14.3**	-	7.7	-	7.7
Loan note receivable	-	-	**109.4**	**109.4**	-	-	-	-
Unquoted equity instruments	-	-	**1.7**	**1.7**	-	-	0.5	0.5
	-	**537.0**	**111.1**	**648.1**	7.5	538.5	0.5	546.5
Financial Liabilities								
Energy derivatives	**(8.4)**	**(202.7)**	-	**(211.1)**	(239.6)	(283.7)	-	(523.3)
Interest rate derivatives	-	**(534.7)**	-	**(534.7)**	-	(508.1)	-	(508.1)
Foreign exchange derivatives	-	**(16.0)**	-	**(16.0)**	-	(11.0)	-	(11.0)
Loans and borrowings	-	**(234.3)**	-	**(234.3)**	-	(311.4)	-	(311.4)
	(8.4)	**(987.7)**	-	**(996.1)**	(239.6)	(1,114.2)	-	(1,353.8)

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 2020, nor in the 6 months ended 30 September 2019.

16. Financial Risk Management (continued)

Fair Value Hierarchy (continued)

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

There were no significant transfers out of level 1 into level 2 and out of level 2 into level 1 during the year ended 31 March 2020. The level 3 movements during the year were related to the recognition of £100.0m of unquoted loan notes due from Ovo Group Limited following the disposal of SSE Energy Services.

17. Retirement Benefit Obligations

Defined Benefit Schemes

The Group has two final salary pension schemes which provide defined benefits based on final pensionable pay, which are subject to independent valuations at least every three years. The Group also has an Employer Financed Retirement Benefit scheme and a Group Personal Pension Plan, details of which were provided in the Group's Financial Statements to 31 March 2020.

Summary of Defined Benefit Pension Schemes:

Movement recognised in the SoCI March 2020 £m	Pension asset/(liability) March 2020 £m		**Movement recognised in respect of the pension asset in the SoCI** **September 2020 £m**	September 2019 £m	**Pension asset/(liability)** **September 2020 £m**	September 2019 £m
(2.8)	534.2	Scottish Hydro Electric Pension Scheme	**(6.3)**	47.6	**528.5**	587.1
11.1	(192.5)	Southern Electric Pension Scheme	**(204.2)**	50.4	**(382.0)**	(183.2)
8.3	341.7	**Net actuarial gain/(loss) and combined asset/(liability)**	**(210.5)**	98.0	**146.5**	403.9

A triennial valuation of the Southern Electric Pension Scheme ('SEPS') was finalised in the year ended 31 March 2020 which showed a deficit of £286.6m as at 31 March 2019. The Group continues to pay deficit contributions to the scheme 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 2018 and showed a surplus on a funding basis of £156.7m. The Company agreed to a new schedule of contributions to the scheme during prior year which resulted in the Company ceasing contributions to the scheme for a period until the surplus on a funding basis is negative for two successive quarterly valuations. As a result of the suspension of contributions to the scheme, the Group assessed during the prior year that the surplus on the scheme could be recovered through means other than through cash withdrawals. As a result, the Group has recognised deferred tax on the surplus at 19% at 30 September 2020 (31 March 2020: 19%; 30 September 2019: 17%), rather than the 35% tax rate which would have been expected to have been incurred if the Group had taken cash withdrawals from the scheme. The next funding valuation will be carried out as at 31 March 2021.

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

Year ended 31 March 2020 £m		**Six months ended 30 September 2020 £m**	Six months ended 30 September 2019 £m
8.3	Actuarial gains/(losses) recognised	**(210.5)**	98.0
(6.7)	Deferred tax thereon	**40.0**	(25.2)
96.2	Change in deferred tax rate recognised on the SHEPS surplus	-	105.7
97.8	**Net gain recognised in statement of changes in equity**	**(170.5)**	178.5

17. Retirement Benefit Obligations (continued)

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

March 2020		**September 2020**	September 2019
3.20%	Rate of increase in pensionable salaries	**3.55%**	3.70%
2.70%	Rate of increase in pension payments	**3.05%**	3.20%
2.30%	Discount rate	**1.50%**	1.80%
2.70%	Inflation rate	**3.05%**	3.20%

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 2020			**September 2020**		September 2019	
Male	Female		**Male**	**Female**	Male	Female
		Scottish Hydro Electric Pension Scheme				
23	24	Currently aged 65	**23**	**24**	23	24
24	26	Currently aged 45	**24**	**26**	24	27
		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 2020		**September 2020**	September 2019
£m		**£m**	£m
	Capital Expenditure		
596.7	Contracted for but not provided	**1,254.8**	653.4

Capital commitments have increased in the period following the awarding of significant contracts related to Viking windfarm and the Shetland HVDC transmission link, totalling £752.6m.

Capital commitments of £1.5m (2019: £38.1m; March 2020: £2.8m) related to business activities that are held for sale at the respective reporting dates, which are excluded from the number above.

19. Related Party Transactions

The following trading 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 joint control or significant influence over.

	September 2020				September 2019			
	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:								
Scotia Gas Networks Ltd	**12.0**	**(6.7)**	**11.7**	**(1.1)**	22.4	(66.8)	-	(15.1)
Seabank Power Ltd	**24.9**	**(23.2)**	**0.8**	**(16.9)**	18.6	(25.9)	0.1	(6.5)
Marchwood Power Ltd	**20.9**	**(76.3)**	**0.3**	**(14.7)**	7.2	(63.6)	0.4	(20.9)
Clyde Windfarm (Scotland) Ltd	**2.1**	**(37.8)**	**1.3**	**(30.4)**	1.7	(47.5)	3.6	(33.6)
Beatrice Offshore Windfarm Ltd	**2.9**	**(11.2)**	**0.6**	**(3.5)**	3.9	(17.1)	1.4	(3.5)
Stronelairg Windfarm Ltd	**0.9**	**(14.9)**	**-**	**(9.6)**	1.3	(22.7)	1.4	(13.4)
Dunmaglass Windfarm Ltd	**0.4**	**(7.7)**	**-**	**(5.7)**	0.5	(10.6)	0.5	(6.7)
SSE Telecommunications ltd	**6.9**	**(19.5)**	**0.8**	**(7.9)**	20.9	(20.1)	1.6	(13.2)
Other Joint Ventures	**23.7**	**(78.6)**	**7.1**	**(45.8)**	6.8	(116.6)	20.0	(41.4)
Associates	**-**	**(16.2)**	**-**	**-**	-	(18.4)	-	(3.8)

	March 2020			
	Sale of goods and services	Purchase of goods and services	Amounts owed from	Amounts owed to
	£m	£m	£m	£m
Joint ventures:				
Scotia Gas Networks Ltd	39.5	(113.7)	0.1	(15.0)
Seabank Power Ltd	44.3	(66.1)	0.1	(5.8)
Marchwood Power Ltd	13.6	(96.2)	0.2	(6.8)
Clyde Windfarm (Scotland) Ltd	4.2	(118.0)	1.3	(41.3)
Beatrice Offshore Windfarm Ltd	7.1	(40.8)	1.9	(3.3)
Stronelairg Windfarm Ltd	2.2	(55.4)	0.4	(16.3)
Dunmaglass Windfarm Ltd	0.9	(24.5)	-	(6.7)
SSE Telecommunications ltd	14.4	(59.5)	11.8	(11.6)
Other Joint Ventures	45.3	(205.5)	12.8	(60.5)
Associates	-	(36.7)	-	-

19. Related Party Transactions (continued)

The Group's gas supply activities in Business Energy and the disposed SSE Energy Services incur gas distribution charges from Scotia Gas Networks, while the Group also provides services to Scotia Gas Networks in the form of a management service agreement for corporate services and stock procurement services. 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. The amounts outstanding are trading balances, are unsecured and will be settled in cash. The transactions with Clyde Windfarm (Scotland) Limited, Beatrice Offshore Windfarm Limited, Stronelairg Windfarm Limited and Dunmaglass Windfarm Limited relate to contracts for the provisions of energy under power purchase agreements. SSE Telecommunications Limited provides telecommunication services to the Group. These related parties were previously wholly owned by the Group. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

In addition to the above trading transactions the Group was owed the following loans from its principal joint ventures and associates: Scotia Gas Networks £113.9m (2019: £109.2m, March 2020: £109.2m), Multifuel Energy Limited £244.3m (2019: £249.7m, March 2020: £257.1m), Marchwood Power Limited £53.5m (2019: £65.1m, March 2020: £59.2m), Clyde Windfarm (Scotland) Limited £127.1m (2019: £127.0m, March 2020: £127.1m), Beatrice Offshore Windfarm Ltd £nil (2019: £17.1m, March 2020: £16.5m), Dunmaglass Windfarm Limited £46.5m (2019: £46.5m, March 2020: £46.5m), Stronelairg Windfarm Ltd £88.2m (2019: £88.7m, March 2020: £88.2m) and SSE Telecommunications Ltd £44.2m (2019: £27.2m, March 2020: £28.3m).

20. Seasonality of operations

Certain activities of the Group are affected by weather and temperature conditions and seasonal market price fluctuations. As a result of this, the 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 customer demand 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 Disposal of Ferrybridge Multifuel assets

On 13 October 2020, subsequent to the reporting date, the Group announced the disposal of its 50% investment in Multifuel Energy Limited and Multifuel Energy 2 Limited to European Diversified Infrastructure Fund III, an infrastructure fund managed by First Sentier Investors. The disposal is for total cash consideration of £995m and is expected to complete in the second half of the financial year, subject to antitrust approval by the European Commission. The Group is continuing to assess the gain on sale from the transaction, which will be finalised post completion. The disposal is further progress in the Group's announced £2bn disposal programme (see note 12).

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 IAS 34 *Interim Financial Reporting* as adopted by the EU;

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;

(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; and

(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

17 November 2020

Independent review report to SSE plc

Introduction

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 2020 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.

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.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, 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.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. 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.

Conclusion

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 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP

Glasgow

17 November 2020