POWERING CHANGE **TOGETHER**

Preliminary Results for the year to 31 March 2022

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Definitions

The financial information set out in these consolidated financial results for the year ended 31 March 2022 have been prepared in conformity with the requirements of the Companies Act 2006 and in accordance with UK adopted International Financial Reporting Standards ('UK IFRS').

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

The definitions SSE uses for adjusted measures are explained in the Alternative Performance Measures section before the Summary Financial Statements. SSE continues to prioritise the monitoring of developing practice in the use of Alternative Performance Measures, ensuring the financial information in its results statements is clear, consistent, and relevant to the users of those statements.

For the purpose of calculating the 'Net Debt to EBITDA' metric, 'adjusted EBITDA' is further adjusted to remove the proportion of adjusted EBITDA from equity-accounted joint ventures relating to project financed debt (see note 6.3 of the Summary Financial Statements).

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

On 14 October 2021 the Group completed the sale of its Gas Production business and on 22 March 2022 the Group completed the sale of its 33.3% investment in Scotia Gas Networks ('SGN') (see note 12.2 of the Summary Financial Statements). Both businesses have been classified as discontinued operations. The Group's adjusted measures therefore exclude the contribution from both of these businesses in all periods presented.

Important note: Other disposals

On 30 June 2021, the Group completed the sale of its Contracting and Rail business and on 10 February 2022 the Group competed the sale of a 10% stake in the Dogger Bank C offshore wind farm development (see note 12.2 of the Summary Financial Statements). Furthermore, in the prior year to 31 March 2021, the Group completed the sale of a 50% stake in Slough Multifuel on 2 April 2020, a 51% stake in Seagreen Wind Farm on 3 June 2020, its investment in Walney offshore wind farm on 2 September 2020 and its investment in MapleCo smart-metering on 23 September 2020.

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

Important note: Presentation of Reporting Segments

Following the Group's sale of its Contracting and Rail business during the year, the primary retained activities of the Enterprise business is Distributed Energy which will develop and provide the Group's solar and battery storage operations and focus on distributed generation, heat and cooling networks, smart buildings and EV charging. Accordingly, the result from the Group's out of areas networks business and Neos Networks Limited joint venture will now be reported within SSEN Distribution and Corporate Unallocated respectively. Comparative information has been re-presented to reflect the change to these segments (see note 2.3 of the Summary Financial Statements).

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

The following Alternative Performance Measures have been adjusted in all periods presented to exclude the contribution of the Group's Gas Production operations and Scotia Gas Networks Limited which have been presented as discontinued operations as at 31 March 2022:

- 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', 'adjusted investment and capital expenditure' and the new metric 'adjusted investment, capital and acquisition expenditure', have not been amended as the Group continued to fund the discontinued operations until the date of disposal.

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PRELIMINARY RESULTS
FOR THE YEAR ENDED 31 MARCH 2022

25 MAY 2022

STRONG PERFORMANCE, STRATEGIC PROGRESS AND RECORD INVESTMENT IN VOLATILE MACROECONOMIC CONDITIONS

- **Adjusted earnings per share of 95.4p**, within pre-close guidance, reflects the resilience of the Group's integrated and balanced business model in volatile market conditions.
- **£12.5bn strategic capital investment plan to FY26 on track** with **record investment of £2.1bn** reported for the year.
- **Total Recordable Injury Rate of 0.17**, an increase from 0.14, reflecting growing construction activity.
- Progressing well on flagship SSE Renewables projects, with **2.4GW under construction**.
- **Over 1GW pipeline additions** through ScotWind wins and site optimisation, with **up to 4.9GW future additions** through Southern Europe acquisition expected to complete by September 2022.
- Advancing major infrastructure projects in Transmission and greater clarity on asset base growth with **gross RAV now expected to reach £6.5-7bn by FY26, and over £12bn by FY31**.
- Guiding to **adjusted EPS of at least 120p for 2022/23** and updating to an **adjusted EPS CAGR of between 7-10% over the five year period to 2025/26**.
- **Net investment into vital UK and Ireland infrastructure could exceed £25bn this decade**, creating thousands of jobs and directly addressing the energy crisis in the longer term.
- Contributed **over £5.8bn to UK GDP, supporting over 45,000 UK jobs**, and **€438m contribution to Ireland GDP and over 1,800 Irish jobs supported**.

Financial Summary		**Adjusted**			**Reported**	
(continuing operations)	**Mar 2022**	**Mar 2021**	**% mvmt**	**Mar 2022**	**Mar 2021**	**% mvmt**
Operating profit (£m)	1,536.8	1,333.5	15%	3,755.4	2,654.9	41%
Profit before tax (£m)	1,164.0	948.9	23%	3,482.2	2,418.0	44%
Earnings per share (p)	95.4	78.4	22%	241.6	206.3	17%
Investment, capital and acquisitions (£m)**	2,073.7	912.0	127%	2,319.8	1,803.8	29%
Net Debt and Hybrid Capital (£bn)	8,598.2	8,898.9	(3%)	8,015.4	7,810.4	3%

** Comparative information has been re-presented to reflect the classification of Scotia Gas Networks as a discontinued operation and the changes to segmental disclosures made in the period (see note 2.3 of the Summary Financial Statements). ** includes discontinued operations and is net of refund proceeds from project financing.*

Alistair Phillips-Davies, Chief Executive, said:

"This was a year in which our resilient business mix and balanced portfolio of assets helped us navigate volatile markets and meet our financial objectives whilst making record investments in the critical UK infrastructure needed to tackle climate change and deliver more secure, independent energy supplies.

"We set out in November our Net Zero Acceleration Programme, which acts as a floor, not a ceiling, to our ambitions and we are delivering on that plan at pace. In the context of a global energy crisis and intense pressure on the cost of living, we are helping to drive the build-out of vital electricity infrastructure that will reduce dependency on imported gas and help protect consumers from future price spikes, and in doing so we are investing significantly more than we are making in profits.

"We are delivering major projects, building pipelines, and have made inroads in Southern Europe and Japan as we export our renewables capabilities internationally to fulfil SSE's considerable potential. Strategically, operationally and financially, SSE is well-placed to continue to create value for all of our stakeholders and wider society as we create the infrastructure needed to deliver net zero, secure energy supplies and ultimately drive consumer prices down."

STRATEGIC HIGHLIGHTS

- Execution of fully-funded Net Zero Acceleration Programme continues, with investment accelerating across a number of low-carbon opportunities, offering the optimal pathway for SSE to grow.
- Completed final disposal of Scotia Gas Networks for £1.3bn, representing the final divestment in SSE's non-core asset disposal programme with total headline consideration exceeding £2.8bn.
- Increasingly supportive UK policy environment following publication of Government's British Energy Security Strategy, with increased commitment to accelerate delivery of offshore wind and associated network infrastructure and flexible technologies for the second half of the decade.
- Published Net Zero Transition Plan setting out the actions to meet SSE's net zero targets for emissions by 2050.

FINANCIAL SUMMARY FOR THE YEAR TO MARCH 2022

- Adjusted earnings per share up 22% to 95.4p, or up 9% against the 87.5p Net Zero Acceleration Programme baseline, within the expected 92p – 97p range.
- Adjusted operating profit up 15% to £1.5bn / Reported operating profit up 41% to £3.8bn
- Adjusted profit before tax up 23% to £1.2bn / Reported profit before tax up 44% to £3.5bn
- Reported earnings per share increased to 241.6p, including c.£2.1bn fair value remeasurements
- Adjusted investment, capital and acquisition expenditure of £2.1bn, in line with pre-close guidance.
- Adjusted net debt and hybrid capital at £8.6bn, better than pre-close guidance of below £9bn.

** Comparative information has been re-presented to reflect the classification of Scotia Gas Networks as a discontinued operation and the changes to segmental disclosures made in the period (see note 2.3 of the Summary Financial Statements).*

FINAL DIVIDEND IN LINE WITH DIVIDEND PLAN TO 2026

- Intention to recommend a final dividend of 60.2p for payment on 22 September 2022, representing a weighted average annual RPI rate of 5.8%, making a full-year dividend of 85.7p per share.
- Continue to target RPI increase for FY23 followed by rebase to 60p in FY24, with attractive annual growth of at least 5% to FY26.
- Scrip uptake capped at 25% on FY22 full-year dividend and thereafter as previously announced.

FINANCIAL OUTLOOK FOR 2022/23 AND BEYOND

- SSE's focus continues to be on long-term, sustainable financial performance. With high levels of investment expected in Transmission, a step up in earnings expected in Thermal generation and an expected return to normal weather for Renewables, the Group is confident about delivering strong earnings growth for this financial year.
- SSE currently expects to report full year adjusted earnings per share of at least 120p.
- Capital expenditure and investment is expected to total in excess of £2.5bn in 2022/23 (including acquisitions but net of project finance development expenditure refunds) assuming the recent Southern European acquisition successfully completes as planned.
- Over the five-year period to March 2026, SSE now expects to deliver an adjusted EPS CAGR of between 7-10% on the 87.5 p Net Zero Acceleration Programme baseline as a result of: confidence derived from strong delivery in 2021/22; higher RPI forecasts; higher and more volatile energy commodity prices; and evidence of increased value creation potential from flexibility provided by SSE's Thermal and Hydro generation, and gas storage assets as they continue to perform a vital role for the system.
- In line with the plan for disposal of a minority stake, SSE has recently initiated a sales process for a 25% share of the SSEN Transmission business which is expected to formally commence in Summer 2022. Given the SSEN Distribution business is currently progressing its ED2 price control negotiations, a decision on the timing of a similar stake sale will be made later in the financial year.

KEY PERFORMANCE INDICATORS

Key Financial Indicators (continuing operations)	Adjusted March 2022	Adjusted March 2021	Reported March 2022	Reported March 2021
Operating profit by business £m				
- SSEN Transmission	**380.5**	**220.9**	**380.5**	**220.9**
- SSEN Distribution	**351.8**	**275.8**	**351.8**	**275.8**
- SSE Renewables	**568.1**	**731.8**	**427.8**	**856.0**
- Other businesses	236.4	105.0	2,595.3	1,302.2
Operating profit £m	**1,536.8**	**1,333.5**	**3,755.4**	**2,654.9**
EBITDA £m	**2,257.2**	**1,995.3**	**4,514.0**	**3,355.0**
Profit before tax £m	**1,164.0**	**948.9**	**3,482.2**	**2,418.0**
Earnings per share (EPS) pence	**95.4**	**78.4**	**241.6**	**206.3**
Full year dividend per share (DPS) pence	**85.7**	**81.0**	**85.7**	**81.0**
Investment and capital expenditure £m				
- SSEN Transmission	**614.4**	**435.2**	**614.4**	**436.2**
- SSEN Distribution	**364.8**	**350.8**	**456.1**	**412.6**
- SSE Renewables	**811.0**	**294.3**	**458.4**	**223.9**
- Other businesses	278.9	260.3	777.0	704.3
Project finance development expenditure refunds £m	(136.7)	(428.6)	(136.7)	(428.6)
Acquisition consideration £m	141.3	-	141.3	-
Investment, capital and acquisitions £m	**2,073.7**	**912.0**	**2,310.5**	**1,348.4**
Net debt and hybrid capital £m	**8,598.2**	**8,898.9**	**8,015.4**	**7,810.4**

** Comparative information has been re-presented to reflect the classification of Scotia Gas Networks as a discontinued operation and the changes to segmental disclosures made in the period (see note 2.3 of the Summary Financial Statements). ** net of refund proceeds from project financing.*

Operational Key Performance Indicators	March 2022	March 2021
Thermal generation - GWh	14,265	18,008
Renewable generation - GWh (inc. pumped storage and constrained off)	9,423	10,171
Other generation – GWh[1]	104	108
Total generation output – all plant – GWh	**23,792**	**28,287**
SSEN Transmission RAV - £m	4,155	3,631
SSEN Distribution RAV - £m	4,054	3,792
SSE Total Electricity Networks RAV - £m	**8,209**	**7,423**
Business Energy Electricity Sold – GWh	12,645	13,070
Business Energy Gas Sold – mtherms	218	245
Airtricity Electricity Sold – GWh	5,219	7,595
Airtricity Gas Sold – mtherms	177	219

Notes:

[1]Other generation comprises SSE's small biomass capability which is managed by SSE Distributed Energy and which generated 73GWh in 2021/22; and 71GWh 2020/21 in addition to 31GWh in 2021/22 and 37GWh 2020/21 generated by other SSE Distributed Energy assets.

ESG Key Performance Indicators	March 2022	Sept 2021	March 2021
Carbon emissions (scopes 1&2) $MtCO_2e$	6.24	-	7.64
Scope 1 GHG intensity gCO_2e/kWh	259	-	256
Total water consumed (million cubic meters)	0.8	-	3.9
Total recordable injury rate per 100,000 hours worked[1]	0.17	0.16	0.14
Total economic contribution – UK/Ireland (£bn/€m)[2]	5.8/438	-	5.21/439
Jobs supported – UK/Ireland (headcount)[3]	45,290/1,840	-	41,400/2,160
Total taxes paid UK/Ireland (£m/€m)	335.3/46.4	-	379/20.4
Employee retention/turnover rate (%)[4]	90.5/9.5		92.1/7.9
Employee engagement index (%)[5]	82	82	82
Average board tenure – years[6]	3.8	3.3	5.0
Female board members (%)	50	50	36
Independent board members (%)[7]	73	73	70
Total number of board members	12	12	11

Notes:
March 2021 figures relate to 12 months to 31 March 2021
[1] Comparators restated to exclude impact of Contracting and Neos Networks
[2] Direct, indirect and induced Gross Value Added, from PwC analysis
[3] Direct, indirect and induced jobs supported, PwC analysis
[4] Includes voluntary and involuntary turnover, excludes end of fixed term contracts and internal transfers.
[5] Results from SSE's annual employee engagement survey.
[6] Non-Executive directors including non-Executive Chair
[7] Excludes non-Executive Chair.

FURTHER INFORMATION

Investor Timetable

Annual Report 2022 published on sse.com/reportsandresults	17 June 2022
Sustainability Report 2022 published on sse.com/reportsandresults	17 June 2022
Consolidated Segmental Statement 2022 sse.com/reportsandresults	17 June 2022
Q1 Trading Statement	21 July 2022
Annual General Meeting	21 July 2022
Ex-dividend date	28 July 2022
Record date	29 July 2022
Scrip reference pricing days	28 July – 3 Aug 2022
Scrip reference price confirmed and released via RNS	4 August 2022
Final date for receipt of scrip elections	25 August 2022
Final dividend payment date	22 September 2022
Notification of Closed Period	By 30 September 2022
Interim Results for the six months ended 30 September 2022	16 November 2022

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Management presentation webcast and teleconference

SSE will present its preliminary results for the year to 31 March 2022 on Wednesday 25 May at 09:30am BST. 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/v8vdin73. This will also be available as a teleconference, details below. Both facilities will be available to replay.

Confirmation Code: 5144499

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

Online Information

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

STRATEGIC OVERVIEW

DELIVERING ON OUR PROMISE

In November 2021, SSE laid out a fully-funded strategic growth plan to 2026 – the Net Zero Acceleration Programme – focused on delivering new investment in the assets needed to underpin a net zero energy system. In the months since, we have wasted no time in delivering on that promise. Excellent progress has been made on major electricity infrastructure and net zero-focused projects, with record levels of capex. This has consolidated SSE's standing as a national clean energy champion contributing to a more secure energy system which will be less reliant on imported gas and therefore better able to protect consumers from future price spikes.

The fact that the strong financial and operational performance of the past year has played out against the backdrop of volatile macroeconomic and market conditions, as well as adverse weather conditions, is testament to SSE's resilient operating model and the people who make it work. It is thanks to the commitment and capability of our 11,000-strong workforce that SSE is able to stay true to its central purpose of providing energy needed today while building a better world of energy for tomorrow.

I am extremely grateful to colleagues who have shown admirable courage in maintaining critical national infrastructure and helping customers through severe weather challenges and a cost-of-living crisis that has had a direct impact on all energy users. Our ongoing success is dependent on a highly-skilled, diverse and expanding workforce and we anticipate our numbers will rise by 1,000 people per year over the five-years of our current strategic growth plans.

RESILIENCE IN A VOLATILE WORLD

While SSE is not alone among energy companies going for growth in the transition to net zero, our ability to manage output variability through a diverse and well-balanced mix of businesses has served us well through a period that saw energy markets buffeted first by a spike in post-pandemic global demand, and more recently by the war in Ukraine. Having operations across the clean electricity value chain gives SSE a valuable natural hedge against market volatility.

SSE is well positioned thanks to a prudent approach to hedging and an integrated but wide-ranging asset portfolio. In still conditions, reduced output from wind assets can be compensated through the flexibility the Group has elsewhere in the generation fleet. Indeed, flexible generation assets performed particularly well in the balancing market in 2021/22, because the system needed the capacity and flexibility that SSE's thermal and hydro assets provide. Right across the portfolio, much of SSE's revenue is index linked, be it through CfDs, ROCs or Capacity Market payments, while networks income and Regulated Asset Values are backed by price controls and increase in line with inflation. This optimal blend of regulated and market-based income across a balanced range of businesses means we can continue delivering for shareholders and society in exceptionally volatile times, and means we are well placed to capture emerging growth opportunities as they emerge right across the clean energy value chain.

INVESTING IN CLEAN, SECURE ENERGY

While supporting efforts to maintain a 1.5C global warming pathway, the Net Zero Acceleration Programme has been given added impetus by the pressing need for clean, indigenous sources of energy as a long-term solution to an over-reliance on imported gas. SSE is well-placed to deliver on this and it welcomed the supportive policy signals within the British Energy Security Strategy. There are clear opportunities in the latest commitments, including: increasing offshore wind capacity to 50GW by 2030, including more floating wind; approving more strategic networks expenditure more quickly; bringing forward a support mechanism for long-duration storage projects like SSE's Coire Glas; and a doubling of hydrogen production ambitions and continued commitment to carbon capture and storage (CCS). Assuming a continued supportive policy environment, our investment in the UK and Ireland could total in excess of £25bn this decade contributing towards tackling climate change whilst providing indigenous energy supplies and creating high quality low-carbon jobs.

In Europe, meanwhile, the search for alternatives to Russian oil and gas is driving demand for more renewables, more renewables-enabling networks and more low-carbon flexibility. Against this backdrop SSE is securing a foothold in Southern Europe through the agreement to acquire Siemens Gamesa

Renewable Energy's development platform. Most of the 3.9GW of onshore wind in the portfolio is in the early stages of development, but the experienced local teams will be integral to SSE's growth strategy in Europe and complement SSE's world-class renewables capability with local expertise.

STRATEGY IN ACTION

Financial strength underpinned by investment-grade credit ratings and a stable debt profile is enabling SSE to execute a strategy of developing, building, operating and investing in the electricity infrastructure needed in the transition to net zero, and we are growing both at home and abroad as a result. We have completed the sale of our remaining stake in SGN – a key step in the strategic streamlining of the Group – and we invested a record £2.1bn in 2021/22.

Among many strategic delivery highlights we have progressed our major SSE Renewables projects at Dogger Bank, Seagreen and Viking; made progress internationally through our acquisitions in Southern Europe and Japan; and added 1GW to our domestic pipeline with a significant win in the ScotWind auction with our partners CIP and Marubeni.

The future looks bright for SSEN Transmission, too. Our flagship Shetland HVDC link continues at pace, while National Grid's Network Options Assessment made clear the extent of future network development that will be needed and the UK Government threw its weight behind a faster, more strategic networks build-out. In Distribution, we worked through six exceptional weather events in 12 weeks, including back-to-back named storms, while progressing a stakeholder-led plan for ED2 that we continue to engage on with Ofgem and other key stakeholders.

In SSE Thermal, construction at Keadby 2 was highly successful and it will be a useful provider of system flexibility. Elsewhere in the Group we acquired our first new solar and battery sites and signed Green PPAs with customers as we look for well-aligned growth opportunities.

SUSTAINABILITY IN ACTION

SSE is proud of its ESG commitments and this year we announced an update to our interim 2030 Goals, which are aligned to the UN's Sustainable Development Goals. This revision is to keep pace with the bolder ambitions set out in the Net Zero Acceleration Programme. The goals will see us cut carbon intensity by 80%; increase renewable energy output fivefold; enable low-carbon generation and demand; and champion a fair and just energy transition on the journey to net zero.

Shareholder support is critical to meeting the Group's net zero ambitions and that is why they will be given a vote at the 2022 AGM, and subsequent AGMs, on the progress being made by the Company towards decarbonising. The recently-published Net Zero Transition Plan sets out targets for scope 1 and scope 2 emissions by 2040 (subject to security of supply requirements) and for the remaining scope 3 emissions, by 2050 – alongside interim annual science-based targets aligned to a 1.5°C pathway.

CREATING LASTING VALUE

SSE's conviction – that a deliberately integrated and well-balanced group of market-based and economically regulated businesses offers the optimal route to value creation for shareholders – continues to be borne out. We are proposing payment of a full-year dividend of 85.7p, in line with plan, and we remain committed to our existing five-year dividend plan to 2023, which targets dividend increases in line with RPI each year. Our increased confidence in both our operational performance and the growth opportunities ahead means we have today set out our expectation that we will deliver adjusted earnings per share of at least 120p in 22/23, and increased our five year CAGR target to 7-10%, from the same 2021 base of 87.5p.

Through the progress being made on delivery of the Net Zero Acceleration Programme we are providing long-term, homegrown solutions to both climate change and the current energy crisis and we already see scope for contributing much more to efforts to decarbonise the energy system.

Alistair Phillips-Davies
Chief Executive
SSE plc

GROUP FINANCIAL REVIEW

YEAR TO 31 MARCH 2022

This Group Financial Review sets out the financial performance of the SSE Group for the year ended 31 March 2022. See also the separate sections on Group Financial Outlook, 2022/23 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 (continuing operations)	Adjusted March 2022 £m	Adjusted March 2021 £m	Reported March 2022 £m	Reported March 2021 £m
Operating profit from continuing operations	1,536.8	1,333.5	3,755.4	2,654.9
Net Finance costs	(372.8)	(384.6)	273.2	(236.9)
Profit before Tax	1,164.0	948.9	3,482.2	2,418.0
Current Tax charge	(107.1)	(85.9)	(882.8)	(224.3)
Effective current tax rate (%)	*9.2*	*9.1*	*25.4*	*9.3*
Profit after Tax on continuing operations	1,056.9	863.0	2,599.4	2,193.7
Less: hybrid equity coupon payments	(50.7)	(46.6)	(50.7)	(46.6)
Profit after Tax from continuing operations attributable to ordinary shareholders	1,006.2	816.4	2,548.7	2,147.1
EPS from continuing operations (pence)	95.4	78.4	241.6	206.3
Number of shares for basic/reported and adjusted EPS (million)	1,055.0	1,040.9	1,055.0	1,040.9
Shares in issue at 31 March (million)**	1,067.6	1,043.0	1,067.7	1,043.0

** Comparative information has been re-presented to reflect the classification of Scotia Gas Networks as a discontinued operation and the changes to segmental disclosures made in the year (see note 2.3 of the Summary Financial Statements). ** Excludes treasury shares.*

Dividend per Share	March 2022	March 2021
Interim Dividend (pence)	25.5	24.4
Final Dividend (pence)	60.2	56.6
Full Year Dividend (pence)	85.7	81.0

IMPACT FROM MARKET VOLATILITY

The Group reduces direct exposure to short term commodity price volatility through its business mix, the disciplined application of its clearly defined approach to hedging and low VAR trading limits. Nevertheless, the higher and more volatile gas and power market prices, combined with increasing inflation rates have had some impact upon SSE's businesses which can be summarised as follows:

SSEN Transmission and **SSEN Distribution** operate under a regulatory price control framework which is set by Ofgem. Returns under this framework have no direct relationship to gas and power market prices, however both allowed revenues and Regulated Asset Values are index linked (Transmission to CPI(H). Distribution to RPI (for ED1 price control) and CPI(H) (for ED2 price control)).

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

For **SSE Thermal** (as well as the Hydro plant within SSE Renewables), value has come from the ability of the plant to respond to market conditions and provide vital balancing services to provide security of supply and flexibility in higher, more volatile market conditions. The current market conditions are therefore generally positive for these businesses, although this is dependent upon plant availability at times of system stress.

Both **EPM** and **Gas Storage**, through their respective exposure to unsettled commodity contracts and physical gas inventory, have experienced significant positive unrealised mark-to-market remeasurement gains in the year. However, EPM is not expected to realise significant gains upon settlement of the contracts, as they are largely offset by significant adversely marked-to-market 'own use' operating derivatives which are excluded from disclosure as remeasurements under IFRS 9. In addition, for EPM, market volatility and retail energy supplier failure has resulted in a significant increase in the collateral requirements necessary to allow the businesses to continue to trade with counterparties and on exchanges as required. To date these increased collateral requirements have generally been managed by issuing new Letters of Credit, Guarantees and Performance Bonds, however exchange cash collateral requirements have been subject to volatility in recent months. The Group closely monitors this and maintains more than sufficient liquidity to manage these increased collateral requirements.

SSE Business Energy and **SSE Airtricity** (aside from Northern Ireland, where SSE Airtricity is subject to a regulatory pricing mechanism) are not subject to a regulated price cap and therefore variable tariffs are adjusted dynamically and fixed tariff rates are reset for new customers as wholesale costs increase or decrease. Although the businesses are insulated against gas price rises insofar as they are fully hedged, there are external circumstances that would result in hedge adjustments such as weather, supplier failures and broader economic conditions. A dynamic forecasting approach has been in place to quickly respond to volume changes. In relation to Airtricity, vertical integration of generation and customer businesses in the Irish market limits commodity exposures with some benefit received through REFIT receipts on legacy wind assets.

Finally, **SSE Group** is well funded with a strong investment grade credit rating, a high proportion of the £8.6bn adjusted net debt (c.96%) is fixed rate and the long average maturity of SSE's debt is 6.8 years. The Group has been successful in challenging debt markets, issuing a €1bn Hybrid and £350m Private Placement post year-end. SSE's balance sheet strength allows the Group to meet additional collateral increases on higher and volatile commodity contracts, while the high proportion of fixed rate debt provides robust financing in an inflationary environment.

OPERATING PROFIT PERFORMANCE 2021/22

Business-by-business segmental	Adjusted		Reported	
	March 2022 £m	March 2021 £m	March 2022 £m	March 2021 £m
Operating profit/(loss)				
SSEN Transmission	380.5	220.9	380.5	220.9
SSEN Distribution	351.8	275.8	351.8	275.8
Electricity networks total	**732.3**	**496.7**	**732.3**	**496.7**
SSE Renewables	**568.1**	**731.8**	**427.8**	**856.0**
SSE Thermal	306.3	160.5	630.1	775.3
Gas Storage	30.7	(5.7)	125.4	2.8
Thermal Total	**337.0**	**154.8**	**755.5**	**778.1**
Business Energy (GB)	(21.5)	(24.0)	(21.5)	(3.9)
SSE Airtricity (NI and Ire)	60.4	44.0	60.4	50.0
Energy Customer Solutions Total	**38.9**	**20.0**	**38.9**	**46.1**
Energy Portfolio Management	**(16.8)**	**18.4**	**2,083.6**	**608.5**
Distributed Energy	**(10.9)**	**(27.0)**	**(29.2)**	**(76.1)**
Neos	**(16.1)**	**(2.8)**	**(140.0)**	**(14.1)**
Corporate unallocated	**(95.7)**	**(58.4)**	**(113.5)**	**(40.3)**
Total operating profit from continuing operations	**1,536.8**	**1,333.5**	**3,755.4**	**2,654.9**
Net finance costs	(372.8)	(384.6)	(273.2)	(236.9)
Profit before tax from continuing operations	**1,164.0**	**948.9**	**3,482.2**	**2,418.0**
Discontinued operations:				
Gas Production Assets	101.4	33.0	(19.4)	33.0
Scotia Gas Networks	21.0	173.0	495.4	88.6
Total operating profit / (loss) from discontinued operations	**122.4**	**206.0**	**476.0**	**121.6**

** Comparative information has been re-presented to reflect the classification of Scotia Gas Networks as a discontinued operation and the changes to segmental disclosures made in the year (see note 2.3 of the Summary Financial Statements).*

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

The definitions SSE uses for adjusted measures are explained in the Alternative Performance Measures section before the Summary Financial Statements. A reconciliation of adjusted operating profit by segment to reported operating profit by segment can be found in Note 6.2 to the Summary Financial Statements.

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

OPERATING PROFIT

Adjusted and reported operating profit/losses in SSE's business segments for the year to 31 March 2022 are set out below; comparisons are with the same period to 31 March 2021 unless otherwise stated.

SSEN Transmission: Adjusted and reported operating profit increased by 72% to £380.5m. This was mainly due to higher allowed revenues in FY22 (the first year of the RIIO-T2 price control) resulting from an increased proportion of higher totex allowances received through the 'fast money' mechanism, and an over-recovery of £9m, as timing impacts passed from the Electricity System Operator to Transmission Operators. This higher revenue was partially offset by increases in operating costs and depreciation charges, as the business continues to expand its operational capability and asset base.

SSEN Distribution: Adjusted and reported operating profit increased by 28% to £351.8m compared to £275.8m which was lower than expected due to a c.£40m impact of coronavirus in FY21 which will be recovered in FY23. In FY22, higher allowed revenue and an over-recovery of £17m were partially offset by a £51m increase in operating costs, c£40m of which related to expenditure incurred managing the impact of several severe weather events during the year.

SSE Renewables: Adjusted operating profit decreased by 22% to £568.1m, compared to £731.8m, mainly as developer profits of £64m from a 10% stake disposal in Dogger Bank C on 10 February 2022 were lower than the £226m of developer profits in the prior year. Excluding developer profits, operating profit was broadly flat as exceptionally still and dry weather in the summer months led to a decrease in output of 7% or 0.7TWh compared to the prior year, offset by strong financial performance from hydro and pumped storage in volatile markets. The financial impact of lower output – equivalent to 13% or 1.4TWh below planned levels – included the cost of buying back hedged volumes at high market prices.

In addition to the factors outlined above, reported operating profit of £427.8m compared to £856.0m which included one-off exceptional gains of £214.5m. In addition, reported operating profit was also impacted by a £21.5m increase in joint venture share of interest and tax charges and the impact of the UK Corporation tax rate change on deferred tax balances in joint ventures.

SSE Thermal: adjusted operating profit increased 91% to £306.3m, compared to £160.5m. This increase was mainly due to higher achieved spark spread, including buying back forward power sales on high wind days, and strong performance in the balancing market. This was partially offset by non-recurring developer profits on the disposal of a 50% stake in Slough Multifuel in the prior period, lower profit contribution following divestment of Ferrybridge Multifuel and increased depreciation following the part-reversal of historic impairment charges at the half year.

Reported operating profit decreased to £630.1m from £775.3m in the prior year which had included one-off gains of £669.7m on the sale of Multifuel Energy and £21.3m on Slough Multifuel offset by a £58.1m exceptional impairment charge for Great Island CCGT. In addition to the factors affecting operational performance highlighted above, the reported result reflects the associated impairment reversal of £331.6m to the carrying value of SSE's CCGT assets following higher forward price curves, alongside other minor tax and interest movements.

Gas Storage: Adjusted operating profit of £30.7m, compared with a prior year loss of £(5.7)m. SSE continues to operate the plant on a merchant basis, with the ability to capture positive gas price spreads during periods of heightened market volatility. The operating result for the period reflects continued volatile market conditions, which allows Gas Storage to optimise the value from storage of physical gas against changes in the spread between summer and winter prices.

Reported operating profit of £125.4m included an impairment reversal of £97.3m as a result of improved operating prospects given projected gas price volatility, together with a £(2.6)m revaluation loss on gas held in storage, compared to a revaluation gain of £8.5m in the prior year.

SSE Business Energy: Adjusted operating loss of £(21.5)m has slightly improved compared with an adjusted operating loss of £(24.0)m last year. Both years have been impacted by significant volatility; the prior year result included approximately £24m of losses on early settlement of excess commodity hedges linked to Covid, while the current year has borne non-recoverable BSUoS costs of around £20m and £14m of additional mutualisation costs due to a significantly higher number of supplier failures. These were partially offset by an improvement in bad debt recovery of £14m as the economy emerged from the impact of coronavirus. The underlying business remains stable with a solid customer book.

Reported operating loss was also £(21.5)m, compared to £(3.9)m loss in the prior year which included a £20.1m release of excess bad debt provisioning originally expected to arise from coronavirus impact.

SSE Airtricity: Adjusted operating profit increased to £60.4m compared to £44.0m in the previous year, with the increased profit due to £51m of higher generation receipts on wind assets which are contracted through Airtricity. This was partially offset by a £25m adjustment in relation to historic use of system costs.

The business has grown customer numbers year on year but seen a drop in customer margins as energy prices increased; commodity costs increased significantly in the year and were managed through our approach to hedging and where necessary through tariff increases.

Reported operating profit was also £60.4m, compared to £50.0m profit in the prior year which included a £6.0m release of excess bad debt provisioning originally expected to arise from coronavirus impact.

Energy Portfolio Management: Adjusted operating loss of £(16.8)m, compared to an adjusted operating profit of £18.4m which included a net £20.4m income from legacy Gas Production hedges. The operating loss is primarily due to a legacy power contract with Ovo which fully unwound during the year in a higher commodity price environment. EPM continues to expect to earn a small adjusted operating profit through service provision to those SSE businesses requiring access to energy markets.

Reported operating profit of £2,083.6m reflects a material net remeasurement gain in the year on unsettled fair value forward commodity contracts, under IFRS 9. In line with reporting in previous years, this result excludes an adverse remeasurement of ‘own use’ contracts of approximately £2.0bn which largely offsets the IFRS 9 gain.

SSE Distributed Energy: An adjusted operating loss of £(10.9)m was reported, compared with an adjusted operating loss of £(27.0)m which included an impact from coronavirus. This reporting segment includes the result from the Contracting and Rail business, which remains reported within this segment up to the point of disposal on 30 June 2021. The segment no longer includes Out of Area Networks, which is now reported within the Distribution segment, and Neos Networks JV, which has been separately presented below.

Reported operating loss of £(29.2)m reflects the above factors together with an exceptional loss on disposal of £18.3m upon completion of the sale of Contracting and Rail.

Neos Networks JV: SSE’s remaining 50% share in the Telecoms business Neos Networks recorded an adjusted operating loss of £(16.1)m compared with £(2.8)m in FY21. The reported loss of £(140.0)m includes both an impairment of £(106.9)m and an adjustment to original transaction consideration.

Corporate unallocated: Adjusted operating loss of £(95.7)m compared with £(58.4)m, reflecting a natural reduction in external revenues as enduring service agreements with recently divested businesses roll-off, together with higher central costs including increased Group IT costs as the Group accelerates its investment in digitalisation.

Reported operating loss of £(113.5)m reflects the above factors together with a £(13.1)m revaluation adjustment to the legacy Gas Production decommissioning provision, part of Corporate unallocated following the business disposal in the year, and other minor tax and interest movements.

ADJUSTED EARNINGS PER SHARE

To monitor its financial performance over the medium term, SSE reports on its adjusted earnings per share measure. This measure is calculated by excluding the charge for deferred tax, interest costs on net pension liabilities, exceptional items, valuation movements on the retained Gas Production decommissioning liabilities, 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 the items mentioned, adjusted EPS reflects SSE's internal performance management, avoids the volatility associated with mark-to-market IFRS 9 remeasurements and means that items deemed to be exceptional due to their nature and scale do not distort the presentation of SSE's underlying results. For more detail on these and other adjusted items please refer to the Adjusted Performance Measures section of this statement.

In the year to 31 March 2022, SSE's adjusted earnings per share on continuing operations was 95.4p. This compares to 78.4p for the year to 31 March 2021 (restated for SGN disposal – 87.5p previously reported) and reflects the movements in adjusted operating profit outlined in the section above.

GROUP FINANCIAL OUTLOOK – 2022/23 AND BEYOND

KEY POINTS FOR 2022/23

The group has enjoyed a strong start to delivery of the targets it set out in its Net Zero Acceleration Programme with thermal and hydro plant performing particularly well in the second half of 2021/22.

SSE's focus continues to be on long-term, sustainable financial performance. Through high levels of investment expected in Transmission, a step up in profits expected in Thermal generation and an expected return to normal weather for Renewables, SSE is confident about delivery of strong earnings growth for this financial year, specifically:

- For SSEN Transmission: SSE expects to report strong growth in adjusted EBIT with a 20% increase in allowed revenues under the RIIO-T2 price control, as the network continues to expand its operational capability and asset base;
- For SSE Renewables: assuming normal weather and plant availability, SSE expects to report generation output of 11.4TWh, including 0.9TWh from Seagreen; and
- For SSE Thermal and Gas Storage: assuming normal plant availability and excluding the benefit of Keadby 2, SSE expects to report adjusted EBIT for 2022/23 of at least £337m, the same level as 2021/22.

Taking the above into account SSE currently expects to report full year adjusted earnings per share of at least 120p.

The Group remains committed to its five-year dividend plan to March 2026 and is recommending a 2022/23 full-year dividend of 85.7 pence in line with that plan.

Capital expenditure and investment is expected to total in excess of £2.5bn in 2022/23 (including acquisitions but net of project finance development expenditure refunds) assuming the recent Southern European acquisition successfully completes as planned. This is consistent with maintaining SSE's target net debt to EBITDA ratio of 4.5 times or below.

UPDATE TO NET ZERO ACCELERATION PROGRAMME

In November 2021 SSE set out that it expected to deliver adjusted EPS CAGR on the 87.5 pence reported for the year ended March 2021 (before restatement) of between 5-7% in the period to 31 March 2026. This was underpinned by index-linked revenue streams driving 60% of EBITDA and was after a modelling assumption of a 25% minority interest disposal of Transmission and Distribution during FY24.

SSE now expects to deliver an adjusted EPS CAGR of between 7-10%* over the same period as a result of: confidence derived from strong delivery in 2021/22; higher RPI forecasts; higher and more volatile energy commodity prices; and evidence of increased value creation potential from flexibility provided by SSE's Thermal and Hydro generation, and gas storage assets.

* Using the same baseline adjusted EPS of 87.5p (before restatement for SGN disposal) and continuing to model a 25% minority interest disposal of Transmission and Distribution during FY24.

DISPOSAL OF MINORITY STAKE IN NETWORKS

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

In line with the modelling assumption in its Net Zero Acceleration Programme, announced in November 2021, the Group has recently initiated a sales process with banking advisers for a 25% share of the SSEN Transmission business which is expected to formally commence in Summer 2022. Given the

SSEN Distribution business is currently progressing its ED2 price control negotiations, a decision on the timing of a similar stake sale will be made later in the financial year.

While these are high-quality, core businesses and SSE will retain control, the scale of potential growth and the associated investment required mean that bringing in non-controlling partners will create greater long-term value by enabling SSE to harness this significant growth whilst maintaining an attractive balance of capital allocation across the Group.

SUPPLEMENTAL FINANCIAL INFORMATION

Adjusted Investment and Capex Summary	March 2022 Share %	March 2022 £m	March 2021 £m
SSEN Transmission	30	614.4	435.2
SSEN Distribution	18	364.8	350.8
Regulated networks total	**48**	**979.2**	**786.0**
SSE Renewables	**39**	**811.0**	**294.3**
SSE Thermal	6	129.3	106.5
Gas Storage	-	2.1	1.9
Thermal Total	**6**	**131.4**	**108.4**
Energy Customer Solutions	2	39.8	31.2
Energy Portfolio Management	-	2.4	2.1
Gas Production*	-	-	26.8
Distributed Energy	1	26.6	17.6
Corporate unallocated	4	78.7	74.2
Adjusted investment and capital expenditure, before refunds	**100**	**2,069.1**	**1,340.6**
Project finance development expenditure refunds		(136.7)	(428.6)
Adjusted investment and capital expenditure		**1,932.4**	**912.0**
Acquisitions		141.3	-
Adjusted investment, capital and acquisitions expenditure		**2,073.7**	**912.0**

** Discontinued operation, the Gas Production business was disposed on 14 October 2021.*

PROGRESS IN SSE'S CAPITAL EXPENDITURE PROGRAMME

During the year to March 2022, SSE's adjusted investment, capital and acquisition expenditure, which now includes equity expenditure on acquisitions per above, totalled £2,073.7m, an increase of 127% compared with the prior year and representing the highest ever investment recorded by the Group. Almost £2bn of this was invested within SSE's Renewables, Thermal and Networks businesses, all which are fundamental to delivery of the UK's net zero ambitions. In summary:

- Excellent progress was made in SSEN Transmission's investment programme, with a total of £614.4m invested in building out and reinforcing the network in the North of Scotland. Work was completed on Tealing Substation Extension, required to facilitate the connection of Seagreen to the grid. In addition, construction is well under way on the link between Shetland and mainland Scotland, which will see a submarine cable laid in order to transmit power beneath the seabed between converter stations at Weisdale Voe on Shetland and Noss Head in Caithness.
- SSEN Distribution continued its capital investment programme across both the north and south networks, with a total spend of £364.8m, mainly on strategic investment and construction in both the north and south regions, as well as progressing the replacement of the submarine cable between Skye and Harris. All of which is designed to deliver improvements for customers.
- Significant further capex was deployed on SSE Renewables' flagship projects, including nearly £500m investment on Seagreen, Scotland's largest offshore wind farm, and around £100m on Viking onshore wind farm, which will be one of Europe's most productive onshore wind farms, once complete. In addition, progress was made at the 30MW Lenalea onshore wind farm in County

Donegal and the 38MW Gordonbush Extension onshore wind farm in Sutherland was commissioned during the year.
- Investment in SSE Thermal was focused on the final stages of the 893MW Keadby 2 CCGT, with commissioning started in October 2021 and full commercial operation expected 1 October 2022.

In April 2022, an incident occurred on a sub-contractor S7000 installation vessel which is contracted to the Seagreen offshore wind farm construction project. The project team are working closely with contractors to manage and mitigate project impacts and the project is currently expected to achieve first power in July 2022 and full commercial operation in April 2023.

SSE'S HEDGING POSITION AT 18 MAY 2022

SSE has an established approach to hedging through which it generally seeks to reduce its broad exposure to commodity price variation at least 12 months in advance of delivery. As market conditions change, SSE may decide to alter its hedging approach in response to any changes in its exposure profile. SSE will continue to provide a summary of its current hedging approach, including details of any changes in the period, within its Interim and Full-year Results statements.

A summary of the hedging position for each of SSE's market-based businesses is set out below.

SSE Renewables – GB wind and hydro:

Forward power prices and volatility have been increasing, driven by supply-demand tensions, the acceleration in carbon pricing, nuclear outages and closures and the reconfiguration of the merit order in both GB and Ireland. These trends have been amplified by scarcity concerns across Europe. In response to this, SSE Renewables has increased its hedge position against its target volume for financial years 2023/24 and 2024/25.

In order to show this hedge acceleration, the table below has been updated to show the position at 18 May 2022 for those periods.

		As at 31 March 2022		As at 18 May 2022		
		2021/22	2022/23	2023/24	2024/25	2025/26
Wind	Expected volume – TWh	4.2	5.3	6.8	8.4	8.7
	Volume hedged - %	85%	91%	78%	37%	1%
	Hedge price - £MWh	£48	£54	£69	£105	£108
Hydro	Expected volume – TWh	3.6	3.5	3.7	3.8	3.8
	Volume hedged - %	83%	85%	70%	38%	1%
	Hedge price - £/MWh	£50	£63	£74	£110	£108

Volumes are based on average expected output, and the contracted hedge price is either at 31 March or 18 May as noted in the table above.

The expected volumes include anticipated volumes from SSE's wind farms in construction, Seagreen (pre CFD) and Viking. No volumes have been included for Dogger Bank wind farm. Seagreen accounts for approximately 0.9TWh in 22/23 and 2.5TWh in each of 23/24, 24/25 and 25/26 with Viking accounting for 1.6TWh in 24/25 and 1.9TWh in 25/26. These volumes represent SSE's most up to date view of the output from Seagreen taking account of recent issues encountered by the S7000 installation vessel. In the event that further construction delays result in a shortfall against wind hedged volumes, it is expected that the exposure will continue to be managed within the wider SSE generation portfolio.

The table excludes additional volumes and income for BM activity, ROCs, ancillary services, pre-commissioning, capacity mechanism and shape variations. It also excludes volumes and income relating to Irish wind output, pumped storage and CfDs.

Energy output hedges for both wind and hydro are progressively established over the 36 months prior to delivery (although the extent of hedging activity for future periods depends on the level of available market depth and liquidity). Target hedge levels continue to be achieved through the forward sale of either electricity, or gas and carbon equivalents (assuming a constant 1MWh : 69.444 th and 1MWh : 0.3815 te/MWh conversion ratio between commodities), with the balance determined by the optimal hedge price across those markets. This approach aims to reduce the exposure of renewables assets to volatile spot power market outcomes whilst still providing an underlying commodity price hedge.

For wind energy output, SSE's established approach to hedging seeks to account for the effect of the 'wind capture price' by targeting a hedge of less than 100% of its anticipated wind energy output for the coming 12 months. The targeted hedge percentage is reviewed and adjusted as necessary to reflect any changes in future market and wind capture insights. The last such revision occurred in May 2021, with at least 90% of the anticipated energy output from wind for the coming twelve months being hedged from that date.

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

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

Given the pricing and macro-economic context Business Energy is dynamically monitoring nearer term consumption actuals for any early signs of demand variability, and adjusting future volumes hedged accordingly.

GB Thermal: In the six months prior to delivery, SSE aims to hedge all of the expected output of its CCGT assets, having progressively established this hedge over the preceding eighteen months. Hedging activity depends on the availability of sufficient market depth and liquidity, which can be limited, particularly for periods further into the future.

SSE continues to monitor market developments, in particular the recent energy and carbon price volatility, and will adjust its hedging approach to take account of any resultant change in exposures.

Gas Storage: The annual auction to offer gas storage capacity contracts from Atwick, held in April 2022, resulted in no third-party contracts being secured. As such the assets are being commercially operated to optimise value arising from changes in the spread between summer and winter prices, market volatility and plant availability.

Energy Portfolio Management (EPM): EPM provides the route to market and manages the execution for all of SSE's commodity trading outlined above (spark spread, power, gas, oil and carbon). This includes monitoring market conditions and liquidity and reporting net Group exposures. The business operates under strict position limits and VAR controls. There is some scope for small position-taking to permit EPM to manage around shape and liquidity whilst taking small optimisation opportunities. This is contained within a VAR limit of £2m (£1m for the curve period and £1m for the prompt).

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

SUMMARISING MOVEMENTS ON EXCEPTIONAL ITEMS AND CERTAIN REMEASUREMENTS

EXCEPTIONAL ITEMS

In the year to 31 March 2022, SSE recognised a net exceptional gain within continuing operations of £305.0m before tax. The following table provides a summary of the key components making up the net gain position:

Exceptional Credits / (Charges) within continuing operations	Total £m
Disposals of non-core assets:	
Contracting & Rail business – loss on disposal	(18.9)
Impairments and other exceptional items	
Thermal Electricity Generation historic impairment reversal	331.6
Gas Storage historic impairment reversal	97.3
Neos Networks investment impairment and adjustment to consideration	(113.1)
Other historic true-up credits	8.1
	323.9
Total exceptional items	**305.0**

Notes:

- *The definition of exceptional items can be found in Note 4.2 of the Summary Financial Statements.*
- *Non-core assets are defined as being assets in which SSE is not the principal operator or are less aligned with the transition to net-zero emissions.*

In addition to the above exceptional items from continuing operations, a net exceptional gain within discontinued operations of £455.7m before tax was recognised. This net exceptional profit consisted of:

- a £576.5m gain recognised on completion of the disposal of the Group's 33.3% investment in SGN on 22 March 2022; offset by
- a £120.8m loss relating to the disposal of the Gas Production assets and liabilities on 14 October 2021.

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

CERTAIN REMEASUREMENTS

In the year to 31 March 2022, SSE recognised a net remeasurement gain within continuing operations of £2,118.8m before tax. The following table provides a summary of the key components making up the net gain position:

Certain remeasurements within continuing operations	Total £m
Operating derivatives	2,100.4
Commodity stocks held at fair value	(2.6)
Financing derivatives	21.0
Total	**2,118.8**

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 are required to be recorded at their fair value as at the date of the financial statements.

SSE shows the change in the fair value of these forward contracts separately as this mark-to-market movement does not reflect the realised operating performance of the businesses. The underlying value of these contracts is recognised as the relevant commodity is delivered, which for the large majority of the position at 31 March 2022 is expected to be within the next 12-18 months.

The change in the operating derivative mark-to-market valuation was a £2,100.4m increase from a small "in-the-money" position at 31 March 2021 into a significantly "in-the-money" position at 31 March 2022. This movement consisted of:

- Settlement during the year of £(1,426.8)m of previously "in-the-money" contracts in line with the contracted delivery periods; and
- Mark-to-market gains of £3,527.2m on unsettled contracts entered into during the course of 2020/21 and 2021/22 in line with the Group's stated approach to hedging. These mark-to-market gains reflect the significant volatility in commodity markets during the period.

As in prior years, the reported result does not include remeasurement of 'own use' adverse hedging agreements which would have settled at a mark-to-market loss in the year of c.£1.95bn and which would be valued at c.£(2.1)bn at 31 March 2022; these contracts are excluded from recognition under IFRS 9 and largely offset the IFRS 9 remeasurement noted above.

Commodity stocks held at fair value

Gas inventory purchased by the Gas Storage business for secondary trading opportunities is held at fair value with reference to the forward month market price. The £(2.6)m negative movement in the year mainly resulted from a decrease in the underlying volumes of gas held at year end, as gas was sold in the second half of the financial year realising the significant increase in the fair value of that gas during the year.

Financing derivatives

In addition to the positive movements above, a positive movement of £21.0m was recognised on financing derivatives in the year to 31 March 2022, including SSE's share of joint venture financing derivative remeasurements, and related to mark-to-market movements on cross-currency swaps and floating rate swaps that are classed as hedges under IAS 39. These hedges ensure that any movement in the value of net debt is predominately offset by a movement in the derivative position. The adjustment was primarily driven by weaker Sterling against the Dollar partially offset by stronger Sterling against the Euro.

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

REPORTED PROFIT BEFORE TAX AND EARNINGS PER SHARE

Taking all of the above into account, reported results for the year to 31 March 2022 are significantly higher than the previous year. In addition to the £2,118.8m cumulative net gain on forward commodity, gas inventory and financing derivative fair value remeasurements noted above, reported results also reflect the reversal of historic SSE Thermal and Gas Storage impairment charges of £428.9m as well as other pre-tax exceptional items totalling £(123.9)m as detailed within Note 7 of the Summary Financial Statements.

Reported results in the prior year reflected pre-tax exceptional and certain re-measurement gains of £1,503.7m recognised which were driven by a combination of progression with the Group's £2bn plus non-core asset disposal programme and IFRS 9 remeasurements on operating derivatives.

FINANCIAL MANAGEMENT AND BALANCE SHEET

Debt metrics	March 2022 £m	Sept 2021 £m	March 2021 £m
Net Debt / EBITDA*	**4.0**	**N/A**	**4.7**
Adjusted net debt and hybrid capital (£m)	**(8,598.2)**	**(9,611.4)**	**(8,898.9)**
Average debt maturity (years)	6.8	7.2	7.4
Adjusted interest cover (times)	4.0	1.6	3.5
Average interest rate for the period (excluding JV/assoc. interest and all hybrid coupon payments)	3.29%	3.35%	3.12%
Average cost of debt at period end (including all hybrid coupon payments)	3.81%	3.89%	3.75%

** Note: Net debt represents the group adjusted net debt and hybrid capital. EBITDA represents the full year group adjusted EBITDA, less £125.4m (at March 2022) for the proportion of adjusted EBITDA from equity-accounted Joint Ventures relating to project financed debt.*

Net finance costs reconciliation	March 2022 £m	March 2021 £m
Adjusted net finance costs	**372.8**	**384.6**
Add/(less):		
Lease interest charges	(30.4)	(35.3)
Notional interest arising on discounted provisions	(5.7)	(3.8)
Hybrid equity coupon payment	50.7	46.6
Adjusted finance costs for interest cover calculation	387.4	392.1

SSE Principal Sources of debt funding	March 2022	Sept 2021	March 2021
Bonds	55%	58%	58%
Hybrid debt and equity securities	21%	22%	24%
European investment bank loans	7%	7%	8%
US private placement	9%	9%	8%
Short-term funding	5%	1%	0%
Index –linked debt	3%	3%	2%
% Of which has been secured at a fixed rate	**96%**	**100%**	**98%**

Rating Agency	Rating	Criteria	Date of Issue
Moody's	Baa1 'negative outlook'	'Low teens' Retained Cash Flow/Net Debt	November 2021
Standard and Poor's	BBB+ 'outlook stable'	About 18% Funds From Operations/Net Debt	November 2021

MAINTAINING A STRONG BALANCE SHEET

While there may be short-term fluctuations, a key objective of SSE's approach to managing cash outflow and securing value and proceeds from disposals is its target of a net debt/EBITDA ratio of 4.5x or lower across the five years to 31 March 2026.

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

SSE's S&P credit rating remains at BBB+ 'stable outlook' and its Moody's rating also remains at Baa1, but updated to 'stable outlook' following the strategic review update in November 2021.

ADJUSTED NET DEBT AND HYBRID CAPITAL

SSE's adjusted net debt and hybrid capital was £8.6bn at 31 March 2022, down from £8.9bn at 31 March 2021. This movement reflects the completion of the non-core asset disposal programme announced in 2020, which included completion of the sale of the 33.3% investment in SGN in March 2022, partially offset by the ongoing investment programme, including the acquisition of an 80% stake in a Japanese development platform from Pacifico Energy in September 2021, as well as various working capital movements.

Following the significant debt issued in the 20/21 financial year, where the SSE Group accessed the debt and hybrid capital markets three times issuing c.£2.5bn of debt over six tranches, no new medium- long-term debt was issued in the 2021/22 financial year. The SSE Group did however re-enter the short-term Commercial Paper market during the year and at 31 March 2022 had £507m of Commercial Paper outstanding.

DEBT SUMMARY AS AT 31 MARCH 2022

As stated above no new medium- long-term debt was issued and received in 2021/22 however the following two debt issues were committed to or completed either side of the financial year end:

- In March 2022, the SSE Group through its SSEN Transmission entity priced and committed to a £350m dual tranche private placement, being a £175m 10-year tranche at 3.13% and £175m 15-year tranche at 3.24% giving an all-in average rate of 3.19%. The pricing was committed to in March 2022 and the proceeds will be received on 30 June 2022.
- In April 2022, SSE plc issued a €1bn NC6 equity accounted hybrid bond at 4% to refinance the dual tranche debt accounted hybrid bonds issued in March 2017. SSE has taken advantage of the 3-month par call option on these 2017 hybrid bonds, meaning they will now be repaid on 16 June 2022 in advance of the first call date. The €1bn equity accounted hybrid bond has been kept in Euros and the proceeds will be used to cover the portion of the maturing hybrid that was swapped to Euros (€575m) and to finance a portion of the Southern European onshore wind development platform acquisition cost which is expected to complete by September 2022.

In addition to the hybrid bonds called in June 2022 a further £613m of medium- long-term debt matures in 2021/22 being £163m (USPP) which matured in April 2022, £300m (Eurobond) maturing in September 2022 and £150m (EIB) maturing in October 2022. A further £507m of short-term debt in the form of Commercial Paper is also due to mature in the first half of 2021/22, however the current intention is to roll this maturing short-term debt forward where possible.

HYBRID BONDS SUMMARY AS AT 31 MARCH 2022

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.

A summary of SSE's hybrid bonds as at 31 March 2022 can be found below:

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

In accordance with the first call date, the €600m (£440m) March 2015 Hybrid Bond was called and redeemed in April 2021 and therefore not included in the table above. The March 2017 hybrids have a 3-month par call option that SSE has invoked meaning these two hybrids will now be called and settled on 16 June 2022.

Further details on each hybrid bond can be found in Notes 13 and 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	2022/23		2021/22	
	HYe	FYe	HYe	FYe
Total equity (cash) accounted	£39m	£39m	£51m	£51m
Total debt (accrual) accounted	£21m	£21m	£15m	£31m
Total hybrid coupon	**£60m**	**£60m**	**£66m**	**£82m**

SSE's March 2015 and July 2020 hybrid bonds are perpetual instruments and are therefore accounted for as part of equity within the Summary Financial Statements but, as in previous years, have been included within SSE's 'Adjusted net debt and hybrid capital' to aid comparability. The March 2017 hybrid bonds which have been called and will be settled in 2022/23 had a fixed redemption date and have therefore been debt accounted and included within Loans and Other Borrowings; as such they were 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 £372.8m in the year to 31 March 2022, compared to £384.6m in the previous year after restatement for SGN related finance costs. The relatively stable level of finance costs from year to year, despite periods of high inflation, reflects the high proportion of fixed rate debt held by the Group.

Reported net finance costs were £273.2m compared to £236.9m, after restatement for SGN related finance costs, reflecting a £34.6m year-on-year change in the mark-to-market revaluation of financing derivatives held at fair value.

SUMMARISING CASH AND CASH EQUIVALENTS

At 31 March 2022, SSE's adjusted net debt included cash and cash equivalents of £1.0bn, down from £1.6bn at March 2021 which reflects the continued strong cash generation from operating activities, offset by a significant increase in capital investment, a reduction in year-on-year disposal proceeds as the June 2020 non-core asset disposal programme came to an end and a net repayment of borrowings. This continued strong cash position will allow SSE to meet its near-term debt repayment and capital investment needs as set out above.

As the fair value of forward commodity contracts has moved from an 'in the money' position in the prior year to an 'out the money' position in the current year, the related collateral required has similarly unwound. At 31 March 2022, £74.7m of cash was provided as collateral to third parties compared to £37.1m held as collateral from third parties on these 'in the money' contracts in the prior year.

REVOLVING CREDIT FACILITY / SHORT TERM FUNDING

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	2026	£1.3bn
Oct 19	SSE plc	Revolving Credit Facility with Bank of China	2026	£200m

The facilities can also be utilised to cover short-term funding requirements; however, they remain undrawn for most of the time and at 31 March 2022 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.

In addition to these committed bank facilities, the Group has access to £100m of uncommitted bank lines and a £15m overdraft facility.

MAINTAINING A PRUDENT TREASURY POLICY

SSE's treasury policy is designed to be prudent and flexible. In line with that, cash from operations is first used to finance regulatory and maintenance capital expenditure and then dividend payments, with investment and capital expenditure for growth generally financed by a combination of cash from operations, bank borrowings and bond issuance. In 2021/22 growth was also financed by disposal proceeds.

As a matter of policy, a minimum of 50% of SSE's debt is subject to fixed rates of interest. Within this policy framework, SSE borrows as required on different interest bases, with financial instruments being used to achieve the desired out-turn interest rate profile. At 31 March 2022, 96% of SSE's borrowings were at fixed rates.

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

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

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

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

The ability to raise funds at competitive rates is fundamental to investment. SSE's fundraising over the past five years, including senior bonds, hybrid capital and term loans, now totals £7.7bn and SSE's objective is to maintain a reasonable range of debt maturities. Its average debt maturity, excluding hybrid securities, at 31 March 2022 was 6.8 years, down from 7.4 years at 31 March 2021. This movement reflects the £2.1bn of debt maturing in the next 12 months and is forecast to return to 7.5 years during 2022/23. SSE's average cost of debt is now 3.81%, compared to 3.75% at 31 March 2021.

GOING CONCERN

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

In making their assessment the Directors have considered sensitivities on the forecast future cashflows of the Group for the period to 31 December 2023 resulting from the current volatile market conditions; the Group's credit rating; the success of the Group's disposal programme through 2020/21 and 2021/22; and the successful issuance of £1.2bn of hybrid equity and private placement debt issued since the March 2022 financial year end. The Directors have also considered the Group's obligations under its debt covenants, with projections to 31 December 2023 supporting the expectation that there will be no breaches.

The Directors have also assessed that the Group remains able to access Capital Markets, as demonstrated by the £3.7bn of debt issued over the last 24 months. There is also an expectation of continued availability of the Commercial Paper market along with future available liquidity in the private placement market in addition to the Group's existing liquidity with £1.5bn of undrawn committed borrowing facilities.

SSE'S PRINCIPAL JOINT VENTURES AND ASSOCIATES

SSE's financial results include contributions from equity interests in joint ventures ("JVs") and associates, all of which are equity accounted. The details of the most significant of these are included in the table below. This table also highlights SSE's share of off-balance sheet debt associated with its equity interests in JVs which totals less than £2.5bn as at 31 March 2022.

SSE principal JVs and associates[1]	Asset type	SSE holding	SSE share of external debt as at 31 March 2022	SSE Shareholder loans as at 31 March 2022
Seabank Power Ltd	1,234MW CCGT	50%	No external debt	No loans outstanding
Marchwood Power Ltd	920MW CCGT	50%	No external debt	£39m
Clyde Windfarm (Scotland) Ltd	522MW onshore wind farm	50.1%	No external debt	£127m
Dogger Bank A Wind Farm	Up to 1,200MW offshore wind farm.	40%	£532m	Project financed
Dogger Bank B Wind Farm	Up to 1,200MW offshore wind farm.	40%	£364m	Project financed
Dogger Bank C Wind Farm	Up to 1,200MW offshore wind farm.	40%	£185m	Project Financed
Seagreen Windfarm Ltd	1,075MW offshore wind farm	49%	£570m	£477m[2]
Seagreen 1a Ltd	Offshore wind farm extension	50%	No external debt	£9m
Lenalea Wind Energy Ltd	30MW of onshore windfarm	50%	No external debt	£3m
Beatrice Offshore Windfarm Ltd	588MW offshore wind farm	40%	£736m	Project financed
Cloosh Valley Wind Farm	105MW onshore windfarm (part of Galway Wind Park)	25%	£25m	Project financed
Neos Networks Ltd	Private telecoms network	50%	No external debt	£91m
Slough Multifuel Ltd	50MW energy-from-waste facility	50%	No external debt	£63m
Stronelairg Windfarm Ltd	228MW onshore wind farm	50.1%	No external debt	£88m
Dunmaglass Windfarm Ltd	94MW onshore windfarm	50.1%	No external debt	£47m

Notes:
[1] Greater Gabbard, a 504MW offshore windfarm (SSE share 50%) is proportionally consolidated and is reported as a Joint Operation with no loans outstanding.
[2] For accounting purposes, £205m of the £477m of SSE Shareholder loans advanced to Seagreen Windfarm Limited as at 31 March 2022 have been classified as equity.

TAXATION

SSE is one of the UK's biggest taxpayers, and in the PwC survey published in November 2021 was ranked 16th out of the 100 Group of Companies in 2021 in terms of taxes borne (those which represent a cost to the company, and which are reflected in its financial results).

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

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

In December 2021, SSE published 'Talking Tax 2021: Tax as a driver for change' report. It did this because it believes building trust with stakeholders on issues relating to tax is important to the long-term sustainability of the business.

In the year to 31 March 2022, SSE paid £335.3m of taxes on profits, property taxes, environmental taxes, and employment taxes in the UK, compared with £379.0m in the previous year. The reduction in total taxes paid in 2021/22 compared with the previous year was primarily due to:

- The sale of SSE's Contracting business in June 2021. Only three months of profit taxes, property taxes and employment taxes are included in relation to that business in 2021/22 compared with a full year in 2020/21;
- Lower Climate Change Levy being paid as a result of outages at SSE's gas-fired power stations.

In 2021/22 SSE also paid €46.4m of taxes in Ireland, compared to €20.4m the previous year, due to increased profits in SSE's Irish businesses. Ireland is the only country outside the UK in which it currently has significant trading operations. SSE's operations elsewhere are still at an early stage and are not yet paying material amounts of tax.

As with other key financial indicators, SSE's focus is on adjusted profit before tax and, in line with that, SSE believes that the adjusted current tax charge on that profit is the tax measure that best reflects underlying performance. SSE's adjusted current tax rate, based on adjusted profit before tax, was 9.2%, compared with 9.1% in 2020/21 on the same basis. Total deferred tax for the period increased to £797.4m from £145.4m and was principally driven by the tax effect on the significant mark-to-market valuation movement on derivative contracts, in addition to a £244.7m adjustment relating to the tax rate change to 25% which was substantively enacted on 24 May 2021.

PENSIONS

Contributing to employees' pension schemes – IAS 19	March 22	Sept 21	March 21
Pension scheme asset recognised in the balance sheet before deferred tax £m	584.9	501.7	543.1
Pension scheme liability recognised in the balance sheet before deferred tax £m	-	(63.7)	(186.1)
Net pension scheme asset recognised in the balance sheet before deferred tax £m	**584.9**	**438.0**	**357.0**
Employer cash contributions Scottish Hydro Electric scheme £m	1.0	0.5	1.1
Employer cash contributions Southern Electric scheme £m	58.0	30.7	55.2
Deficit repair contribution included above £m	40.9	20.4	37.9

In the year to 31 March 2022, the net surplus across SSE's two pension schemes increased by £227.9m, from £357.0m to £584.9m, primarily due to actuarial gains of £197.3m and contributions made to the schemes offset by current service costs.

The valuation of the Southern Electric Pension Scheme ('SEPS') increased by £253.5m in 2021/22 primarily due to actuarial gains of £221.9m, in particular the impact of higher discount rates, and deficit repair contributions exceeding service costs.

The Scottish Hydro Electric Pension Scheme ('SHEPS') has insured against volatility in its deferred and pensioner members through the purchase of 'buy-in' contracts meaning that the Group only retains exposure to volatility in active employees. During the year the SHEPS surplus decreased by £25.6m.

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

BUSINESS OPERATING REVIEW

SSE's strategy of developing, building, operating and investing in the electricity infrastructure and businesses needed in the transition to net zero is delivered through a focused mix of market-based and economically-regulated energy businesses.

SSE's businesses are key to enabling a net zero economy, have significant growth potential and, importantly, fit together. With common skills and capabilities in the development, building and operation of world-class, highly technical electricity assets, there are strong synergies between them. SSE's business mix is very deliberate, highly effective, fully focused and well set to prosper on the journey to net zero and beyond.

The review of the Business Units that follows provides visibility of performance and future priorities.

ECONOMICALLY-REGULATED NETWORKS

SSE owns and operates an electricity transmission network in the North of Scotland and two electricity distribution networks, one in the North of Scotland and the other in central southern England. SSE completed the sale of its entire 33.3% financial stake in Scotia Gas Networks on 22 March 2022 to a consortium comprising existing SGN shareholder Ontario Teachers' Pension Plan Board (Ontario Teachers') and Brookfield Super-Core Infrastructure Partners (Brookfield).

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. Revenues and RAV are index-linked under the regulatory mechanism, providing a valuable hedge against rising inflation. SSEN Distribution's income and asset base is linked to RPI until the end of its current price control in March 2023; while SSEN Transmission is linked to CPIH under its RIIO-T2 price control until March 2026.

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

In 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.

In Transmission, licensees are paid by the System Operator based on a forecast of allowed revenue amount set three months in advance of the regulatory year. While under RIIO-T1 the System Operator assumed the risk of forecast volumes being different to outturn (paying Transmission Operators a fixed allowed revenue irrespective of volumes transported), under the RIIO-T2 price control settlement this risk has been transferred to the Transmission Operators and collected revenue for Transmission Operators can vary depending on actual versus forecast volumes transported. For 2021/22, volumes transported are higher than forecast and therefore SSEN Transmission recovered around £9m in excess of its allowed revenue. Over- or under-recovered volumes are accommodated in allowed revenue in the following regulatory year, based on a forecast set in November prior to that year, with a true-up in the subsequent year for any variance to forecast.

SSEN TRANSMISSION

SSEN Transmission	March 22	March 21
Transmission adjusted and reported operating profit - £m	380.5	220.9
Regulated Asset Value (RAV) - £m	4,155	3,631
Renewable Capacity connected to SSEN Transmission Network – MW	7,790	6,750
Transmission adjusted investment and capital expenditure - £m	614.5	435.2

SSEN TRANSMISSION OVERVIEW

SSEN Transmission owns, operates and develops the high voltage electricity transmission system in the North of Scotland and its islands. Over the duration of the five-year RIIO-T2 price control, which began in April 2021, total expenditure by SSEN Transmission is expected to reach at least £2.8bn (the Certain View) which would take Transmission RAV to in excess of £5bn by the end of RIIO-T2.

In addition to the Certain View expenditure, under Ofgem's Uncertainty Mechanisms changes to the allowed revenue are permitted during the price control period to reflect additional investment requirements, when their need or expected timeframe are not known at the outset. These Uncertainty Mechanisms are used to fund further upgrades to the network during the price control period, when there is more certainty around the scope of work required. This investment plays a pivotal role in providing critical national infrastructure and to maintain network reliability for the communities SSEN Transmission serves as it delivers a network for net zero.

OPERATIONAL DELIVERY

SSEN Transmission has made a strong start in delivering against its regulatory settlement during the first year of the new five-year RIIO-T2 price control period. Building on its strong track record of consistently delivering over 99.99% network reliability – and in line with its RIIO-T2 goal to aim for 100% transmission network reliability for homes and businesses – in 2021/22, SSEN Transmission achieved the full reward of £0.7m through the Energy Not Supplied Incentive. This is the second consecutive year SSEN Transmission has achieved the full Energy Not Supplied Incentive available and the 2021/22 reward will be reflected in revenue in 2023/24.

In addition to exceptional operational performance in the year, SSEN Transmission continues to deliver against its strategic objective to enable the transition to a low-carbon economy as it builds a network for net zero in the North of Scotland. The RIIO-T2 period is expected to deliver significant growth in the capacity of renewables connected to SSEN Transmission's network, from under 7GW at the start of RIIO-T2 to around 14GW by March 2026. This includes growth of around 1GW in 2021/22, which brings the total installed capacity connected to the North of Scotland transmission network to around 9GW, of which just under 8GW is from renewable sources. SSEN Transmission is well on its way to delivering its RIIO-T2 goal to transport the renewable electricity that powers 10m homes, which will be met once the installed capacity of renewables reaches 10GW.

This forecast growth in renewables will be enabled by a series of strategic investments in new and upgraded infrastructure. Excellent progress continues to be made on the Shetland HVDC transmission link, which has now been in construction for over 18 months and will see Shetland connected to the GB transmission system for the first time, enabling the connection of renewables and supporting Shetland's future security of supply. The substation and convertor station sites at Kergord (Shetland) and switching station at Noss Head (Caithness) are taking shape, with all main building structures now complete. Cable installation preparatory works have also progressed well, with all land cable ducting now in place and the first phase of subsea boulder clearing successfully completed. Subsea cable installation works will follow from 2022/23, alongside the fit out of substation and convertor station buildings, with the project on track for completion and energisation in 2024.

The second phase of the Inveraray to Crossaig overhead line replacement project in Argyll, from Port Ann to Crossaig, is also progressing well, with the replacement line remaining on track for completion by summer 2023.

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

At both Alyth and Kinardochy, construction of new substations, including specialist voltage control devices, have commenced with good progress also being made at Peterhead substation and an upgrade to Tealing substation.

To support SSEN Transmission's 1.5°C science-based targets for emissions reductions, including its RIIO-T2 goal to deliver a one third reduction in greenhouse gas emissions, the business remains at the forefront of industry efforts to remove harmful SF_6 gases from its infrastructure, working with its supply chain to develop and deliver innovative alternatives. This includes the world's largest installation of GE's g3 gas-insulated substation at New Deer substation and the world's first g3 400kV substation at Kintore.

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

GROWTH OPPORTUNITIES IN RIIO-T2

During 2021/22, SSEN Transmission has made excellent progress progressing plans for a number of investments over and above its £2.8bn Certain View. These additional investments, which are being taken forward through Ofgem's Uncertainty Mechanisms, will be key to delivering a pathway for net zero.

In March 2022, Ofgem provisionally approved the Final Needs Case (FNC) for the first of two planned HVDC links connecting Peterhead to demand centres in England. Work on the initial 2GW Peterhead to Drax link, with a combined investment of around £2.1bn, will be progressed jointly by SSEN Transmission and National Grid Electricity Transmission (NGET). Development and early construction activity and expenditure will continue during RIIO-T2, with delivery and energisation in 2029 (RIIO-T3).

Also in March 2022, SSEN Transmission submitted its Initial Needs Case (INC) to Ofgem for the Argyll and Kintyre 275kV Strategy. At an estimated total investment of around £400m, this is required to upgrade the main Argyll transmission network from 132kV, supporting the forecast growth in renewables in the region.

In April 2022, Ofgem published its response to SSEN Transmission's INC for the replacement and upgrade of the Fort Augustus to Skye transmission line, recognising the clear need for the project, paving the way to progress to the FNC stage of the regulatory approvals process. At an estimated total investment of around £400m, the replacement line is required to maintain security of supply and to enable the connection of renewable electricity generation along its route.

Further expenditure to connect new renewable generation, rail electrification and system security is also expected throughout the RIIO-T2 period and beyond when the need for this investment becomes certain. These investments could see the total installed generation capacity increase to around 14GW by the end of RIIO-T2, with up to 13GW of this expected from renewable sources. Subject to regulatory approval, combined, these investments, alongside the Certain View, could bring the total expenditure across the RIIO-T2 period to over £4bn, with SSEN Transmission RAV increasing to between £6.5bn to £7bn by the end of RIIO-T2.

GROWTH OPPORTUNITIES BEYOND RIIO-T2

In January 2022, Crown Estate Scotland published the outcome of the ScotWind leasing round, awarding leases with a potential capacity of around 25GW, vastly exceeding the anticipated 10GW of potential capacity expected to be leased. In April 2022, the UK Government published its British Energy Security Strategy (BESS), which included an increased offshore wind ambition from 40GW to 50GW by 2030 and a clear direction for Ofgem to support anticipatory investment in strategic network projects ahead of demand, which will be formalised in a Strategic Policy Statement from BEIS to Ofgem later this year. Enabling ScotWind's ambition and the UK Government's 50GW target will require significant transmission upgrades in both onshore and offshore transmission infrastructure.

In January 2022, National Grid Electricity Transmission (NGESO) published its 2022 Networks Options Assessment (NOA). This provided strong 'proceed' signals recommending several major reinforcements in the North of Scotland to meet forecast future energy scenarios, although these will still require Ofgem approval. The NOA recommended the following investments in SSEN Transmission's network region:

- Two subsea high-voltage direct current (HVDC) links from Peterhead to England;
- A second HVDC link from Spittal in Caithness, connecting to Peterhead; and
- Strategic onshore reinforcements north of Inverness and between Inverness and Peterhead.

In addition to the opportunities outlined above, SSEN Transmission continues to work with stakeholders in Orkney and the Western Isles to develop and take forward proposals to enable mainland transmission connections. Changes to the structure of the forthcoming Contracts for Difference (CfD) auction, with offshore wind now in a separate pot to remote island wind, may increase the competitiveness of remote island wind which, in turn, could support the investment case for the proposed transmission links. The outcome of the next CfD auction is expected in the summer of 2022.

SSEN DISTRIBUTION

SSEN Distribution	March 22	March 21
Distribution adjusted and reported operating profit - £m	351.8	275.8
Regulated Asset Value (RAV) - £m	4,054	3,792
Distribution adjusted investment and capital expenditure - £m	364.8	350.8
Electricity Distributed - TWh	37.6	36.1
Customer minutes lost (SHEPD) average per customer	57	57
Customer minutes lost (SEPD) average per customer	42	44
Customer interruptions (SHEPD) per 100 customers	56	64
Customer interruptions (SEPD) per 100 customers	42	48

SSEN DISTRIBUTION OVERVIEW

SSEN Distribution, operating under licence as Scottish Hydro Electric Power Distribution plc (SHEPD) and Southern Electric Power Distribution plc (SEPD), is responsible for safely and reliably maintaining the electricity distribution networks supplying over 3.8m homes and businesses across central southern England and the North of Scotland. SSEN Distribution's networks cover the greatest land mass of any of the UK's Distribution Network Operators over 75,000km² of extremely diverse terrain.

In December 2021, SSEN Distribution published its RIIO-ED2 Final Business Plan for 2023 to 2028. Titled 'Powering Communities to Net Zero' it sets out the £3.99bn of flexibility and network investment required to accelerate net zero in a way that is efficient and affordable.

OPERATIONAL DELIVERY

SSEN Distribution continues to undertake a major capital investment programme across both its networks, delivering significant improvements for customers and increasing its Regulated Asset Value. In the 12 months to 31 March 2022, the business invested £364.8m, bringing the total invested since the beginning of the RIIO-ED1 price control to around £2.3bn. This is part of a forecast £2.7bn investment throughout the RIIO-ED1 period, supporting future earnings through RAV growth. This includes progressing £41m of strategic investment approved through the Green Recovery programme in 2021.

2021/22 investment has included a multi-million pound upgrade to an essential section of Hampshire's infrastructure in Fareham, completed in January 2022; and a substantial programme of works to boost power supplies to homes and businesses on the Isle of Wight comprising the complete refurbishment of two 132kV transformers along with the replacement of two 33kV circuit breakers. In the North of Scotland, work commenced on a £9.5m project to boost the resilience and reliability of the network around Aultbea and Ullapool, and a £7m investment programme to enhance security of supply across Tayside.

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

The winter of 2021/22 saw six exceptional weather incidents which had a major impact on SSEN Distribution's network, causing in excess of 2,600 points of damage. In total, 10 Met Office Weather Warnings were in place last winter for both licence areas.

Whilst SSEN Overall Customer Satisfaction (CSAT) is broadly in line with last year at 87%, the incentive reward has been impacted due to the unprecedented storm season. The volume of calls presented during the winter period (October to February) was equivalent to a normal year's worth of calls, resulting in reduced customer satisfaction metrics. As a result, the overall incentive reward under the Broad Measure of Customer Satisfaction reduced in 2021/22 to £2.7m from £4.9m the previous year. It is expected that a best ever score from the Stakeholder Engagement and Customer Vulnerability (SECV) incentive will be achieved in 2021/22, which would result in an increased incentive revenue from £1.6m to £1.9m.

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

GROWTH OPPORTUNITIES IN RIIO-ED2

As a provider of critical national infrastructure, SSEN Distribution is playing a vital role in accelerating the transition to net zero. The business is on track to deliver its key ED1 outputs and, in October 2021, became the first DNO to set a 1.5°C-aligned target accredited by the Science Based Target initiative.

In April 2022, the UK Government's British Energy Security Strategy recognised the importance of strategic network investment which is essential to meeting the expected demand growth in RIIO-ED2 and future price control periods. DNOs will unlock billions of pounds in investment in wider economic benefits for a net zero future.

SSEN Distribution now awaits Ofgem's draft determination on its ambitious, stakeholder-led business plan for the RIIO-ED2 period. This will be an acid test of the regulator's alignment with the British Energy Security Strategy and fundamentally its approach to delivering the necessary strategic investment for networks to be an enabler, rather than a blocker, of net zero. SSEN Distribution continues to engage proactively with Ofgem and government on achieving a fair ED2 outcome that protects current and future consumers, and delivers the outcomes customers want at a pace consistent with a rapid growth environment.

The proposals within SSEN Distribution's Final Business Plan for ED2 are a key part of SSE's Net Zero Acceleration Programme. The plan was co-created with stakeholders and this engagement will continue to ensure that their ambitions are reflected in the process. The Final Business Plan proposes a total base expenditure of £3.99bn representing a 32% increase over an equivalent timeframe in RIIO-ED1, and reflecting additional requirements for customers over the five years to 2028. The proposed baseline spend provides a low-regret foundation enabling all scenarios and optionality, without which DNOs risk becoming a blocker to customer demands for EV and heat pump connections through ED2 and beyond and increasing costs for future generations.

Late 2021 saw much-awaited publications and strategies related to heat decarbonisation. The UK Government confirmed its ambition to upscale the installation of heat pumps to at least 600,000 a year by 2028 and to make its Boiler Upgrade Scheme available for early adopters, while the Scottish Government has set a 2030 target for at least 1m homes to have switched to zero emissions heat. It is anticipated that there will be over 800,000 heat pumps across SSEN Distribution's networks by the end of RIIO-ED2. The Final Business Plan sets out the required investment to ready the network for net zero, consistent with this projection.

The Scottish Government's January 2022 publication, A Network Fit For The Future: Draft Vision for Scotland's Public Electric Vehicle Charging Network, confirmed its desire to enable new models of public electric vehicle chargepoint financing and delivery, focused on public and private partnerships, to support and coordinate investment. In March 2022, the UK Government's EV Infrastructure Strategy set out ambitions for EV chargepoints to be seamlessly integrated into a smart energy system with at least 300,000 public chargepoints installed by 2030. By this date, the 2021 DFES projects that SSEN Distribution's licence areas could support up to 10.8GW of electric vehicle charging capacity. SSEN Distribution has set out investment plans to help provide the increased capacity needed to enable these projections and to ready its network to facilitate 1.3m electric vehicles by 2028.

SSE RENEWABLES

SSE RENEWABLES KEY PERFORMANCE INDICATORS

SSE Renewables	March 22	March 21
Renewables adjusted operating profit - £m	568.1	731.8
Renewables reported operating profit - £m	427.8	856.0
Renewables adjusted investment and capital expenditure before refunds – £m	811.0	294.3
Generation capacity - MW		
Onshore wind capacity (GB) – MW	1,285	1,247
Onshore wind capacity (NI) – MW	122	122
Onshore wind capacity (ROI) – MW	567	567
Total onshore wind capacity – MW	**1,974**	**1,936**
Offshore wind capacity (GB) – MW	487	487
Conventional hydro capacity (GB) – MW	1,159	1,159
Pumped storage capacity (GB) – MW	300	300
Total renewable generation capacity (inc. pumped storage) – MW	**3,920**	**3,882**
Contracted capacity	2,792	2,792
Generation output - GWh		
Onshore wind output (GB) – GWh	2,502	2,377
Onshore wind output (NI) – GWh	264	282
Onshore wind output (ROI) – GWh	1,196	1,354
Total onshore wind output – GWh	**3,962**	**4,013**
Offshore wind output (GB) – GWh	1,430	1,845
Conventional hydro output (GB) – GWh	3,107	3,476
Pumped storage output (GB) – GWh	227	244
Total renewable generation (inc. pumped storage) – GWh	8,726	9,578
Total renewable generation (also inc. constrained off) – GWh	**9,423**	**10,171**

Note 1: Capacity and output based on 100% of wholly owned sites and share of joint ventures
Note 2: Contracted capacity includes sites with a CfD, eligible for ROCs, or contracted under REFIT
Note 3: Onshore wind output excludes 469GWh of constrained off generation in 2021/22 and 592GWh in 2020/21; Offshore wind output excludes 228GWh constrained off generation in 2021/22 and 1GWh in 2020/21
Note 4: Onshore wind capacity in GB reflects the commissioning of Gordonbush Extension in August 2021
Note 5: Biomass capacity of 15MW and output of 73GWh in 2021/22 and 71GWh 2020/21 is excluded, with the associated operating profit or loss reported within Distributed Energy

SSE RENEWABLES OVERVIEW

SSE Renewables comprises the Group's existing operational assets and those under development in onshore wind, offshore wind, flexible hydro electricity, run-of-river hydro electricity and pumped storage. Its operational offshore wind installed capacity is 487MW with its onshore wind and hydro electric installed capacity at 1,936MW and 1,459MW respectively.

OPERATIONAL DELIVERY

SSE Renewables' hydro assets continue to play an important role in providing cost-effective, low-carbon flexibility to the system, which is providing additional diversified revenue streams. Hydro assets performed very strongly across the year, with availability at an all-time high between December and March and providing much needed flexible peak capacity to the market. In addition, Foyers pumped hydro station was fully available through periods of very high demand.

Despite natural wind resources being below normal yearly averages, a steady second half of the year – coupled with high plant performance to maximise production – led to a year-end position of onshore wind volumes at 88% of planned volume.

Offshore, Beatrice saw excellent availability in the second half and Greater Gabbard saw improved turbine availability over the 12 months. Offshore wind speeds returned to average after low wind speeds in the first half of the year, resulting in improved volumes.

As part of SSE Renewables' continued investment into its asset management capabilities, it has just been awarded certification in the ISO55001 standard for asset management for its operational organisation.

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

CONSTRUCTION PROGRAMME

All three phases of the world's largest offshore wind farm at Dogger Bank (each 1,200MW, SSE share 40%) remain on track. Onshore works are continuing, and offshore construction is now under way with installation of the HVDC export cables for Dogger Bank A. Dogger Bank C reached financial close in December 2021, and in February 2022, SSE Renewables and Equinor each sold a 10% share in this third phase to Eni.

On Seagreen 1 (1,075MW, SSE share 49%) there are currently 21 jackets and turbines installed on what will be the world's deepest, fixed-bottom offshore wind farm once operational. The offshore substation platform is successfully installed and commencing commissioning works. All onshore cabling works and export cable installation is progressing as planned. SSE currently expects first power in July with commercial operations by mid-April 2023. In April 2022, an incident occurred on a sub-contractor S7000 installation vessel which is contracted to the Seagreen project. The project team is working closely with contractors to manage and mitigate project impacts. Seagreen 1 is eligible to participate in the UK CfD Allocation Round 4 (AR4). Bids are due to be submitted by 15 June 2022 with the results of the auction expected by 8 July 2022.

Construction is progressing well on Viking (443MW) with almost all of the access tracks completed and 83 of 103 bases excavated. Work on the DC substation is continuing with the first two transformers due to be delivered by June 2022. Turbines will be installed in early 2023 and completion is planned for July 2024. Viking is expected to be amongst the highest-yielding onshore wind farms in Europe, producing almost 2TWh annually. It is also eligible to enter AR4.

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

In July 2021, Beatrice Offshore Wind Farm Limited, a joint venture owned 40% by SSE Renewables, agreed divestment of its Offshore Transmission Owner assets at an asset value of £437.9m and full asset transfer took place on 5 August 2021.

Gordonbush Extension (38MW), SSE's first merchant onshore wind project, was fully commissioned and handed over to operations following its official opening in August 2021.

In Hydro, investment in works to modify three key stations, Sloy, Glendoe and Errochty, has started and will increase the capability of these stations in providing essential services to the grid. And in April 2022, a £50m investment to upgrade Tummel Bridge power station commenced which will increase the station's potential power output from 34MW to 40MW, with a return to service expected in Autumn 2023.

GROWTH OPPORTUNITIES – DOMESTIC

SSE Renewables' core markets of the UK and Ireland still offer considerable opportunities for growth over the near, medium and long term.

Near term, onshore wind growth can be delivered through SSE Renewables' consented sites at Strathy South (208MW) and Tangy repower (57MW) in Scotland. Yellow River (104MW) in Ireland was provisionally successful in the May 2022 RESS-2 auction in Ireland and will now progress towards a final investment decision. Consent applications have been submitted to the Scottish Government for Bhlaraidh Extension (in excess of 100MW), and Achany Extension (in excess of 80MW).

Offshore, near-term growth is expected to come from the consented Seagreen 1A (500MW, SSE Renewables share 49%), which is an extension to the Seagreen 1 offshore wind site. Seagreen 1A is eligible to participate in AR4. Should a Financial Investment Decision (FID) be reached, it could be operational by 2025/26.

In the medium term, out to the end of the decade, there is a wealth of opportunities. In addition to the UK's increased offshore target of 50GW by 2030, from 40GW noted above, the British Energy Security Strategy set out a raft of measures which will see permitting of offshore wind projects accelerated. SSE Renewables' unrivalled offshore wind pipeline will play a key role in meeting this new target.

SSE Renewables is working towards a consent application submission in Q3 2022 for the up to 4.1GW Berwick Bank wind farm with the aim of securing consent in 2024 and being operational around the end of the decade.

North Falls wind farm (up to 504MW, SSE Renewables share 50%), which is an extension to the Greater Gabbard wind farm off the east coast of England, continues to progress with local consultation under way for a potential grid connection in North Essex. North Falls could also be operational by 2030.

SSE Renewables has added its first floating offshore wind project to its domestic pipeline with the success in Crown Estate Scotland's ScotWind offshore wind seabed leasing process as part of a consortium with Marubeni Corporation and CIP (Copenhagen Infrastructure Partners). The up to 2.6GW site (SSE Renewables share 40%) in the E1 Zone in the Firth of Forth will be one of the largest floating wind projects in the world and aims to start generating by 2030. This will play an important part in meeting the UK Government's increased floating wind target of 5GW by 2035.

SSE Renewables also aims to contribute additional capacity needed to meet Ireland's offshore wind target of 5GW by 2030. Following the introduction by the Irish Government of the Maritime Area Planning (MAP) Act in December 2021, SSE Renewables will now progress Arklow Bank Wind Park 2 via this new consenting regime. The revised project will proceed with an increased capacity of 800MW. Subject to securing the necessary consents and if successful in the first Offshore Renewable Energy Support Scheme (ORESS) auction, expected at the end of 2022, Arklow Bank Wind Park 2 could be operational by 2028.

A foreshore licence has been secured for site investigations for the 1,000MW Braymore Wind Park project off the north-east coast and an application has been submitted for the 1,200MW Celtic Sea Array off the south-east coast. Celtic Sea Array and Braymore Wind Park will both apply for a Marine Area Consent (akin to a seabed lease) in the Irish Government's next phase, expected in 2023.

Onshore, there continues to be positive progress on SSE Renewables' consented Coire Glas pumped hydro storage project (up to 1,500MW). Coire Glas would double the current amount of electricity storage capacity in Great Britain and create energy storage capacity of 30GWh, equivalent to powering around 3m homes for up to 24 hours. The British Energy Security Strategy identified the importance of long duration storage, and a policy decision in response to the BEIS call for evidence on possible policy interventions, such as cap and floor mechanism to support long duration storage, is expected imminently. Subject to the outcome of these policy decisions, Coire Glas could progress to an FID decision by 2023/24 with the objective of being completed before the end of the decade.

SSE has ambitions to develop, build and operate >1 GW of 'green' hydrogen in industrial clusters and co-located with wind by 2031. As part of this, SSE Renewables has kickstarted its first electrolysis projects.

Currently in the early stages of development, the Gordonbush H2 project will use a portion of the renewable energy from the 100MW-plus Gordonbush onshore wind farm to produce up to 2,000 tonnes of green hydrogen each year, contributing to the new UK 5GW electrolytic hydrogen target. SSE Renewables is also part of Galway Hydrogen Hub (GH2), a consortium proposing to develop an initial flagship demonstrator project at Galway Harbour, for the indigenous production and supply of green hydrogen fuel for public and private vehicles.

SSE RENEWABLES PROJECT PIPELINE

Project	Location	Technology	Capacity (MW)	SSE Share (MW)
Due FID or in Construction				
Dogger Bank A	GB	Offshore wind	1,200	480
Dogger Bank B	GB	Offshore wind	1,200	480
Dogger Bank C	GB	Offshore wind	1,200	480
Seagreen 1	GB	Offshore wind	1,075	527
Viking	GB	Onshore wind	443	443
Lenalea	ROI	Onshore wind	30	15
Consented				
Seagreen 1A[1]	GB	Offshore wind	500	245
Yellow River	ROI	Onshore wind	104	104
Tangy	GB	Onshore wind	57	57
Strathy South	GB	Onshore wind	208	208
Coire Glas	GB	Pumped storage	Up to 1,500	Up to 1,500
Requiring consent				
Berwick Bank[2]	GB	Offshore wind	Up to 4,100	Up to 4,100
ScotWind E1 Lease	GB	Offshore wind	2,600	1,040
Arklow Bank 2[3]	ROI	Offshore wind	800	800
North Falls	GB	Offshore wind	504	252
Cloiche	GB	Onshore wind	155	155
Other	-	Onshore wind	c200	c200
Future prospects[4]				
Braymore Point	ROI	Offshore wind	1,000	1,000
Celtic Sea Array	ROI	Offshore wind	1,200	1,200
Japanese development projects	Japan	Offshore wind	10,000	8,000
Other GB	GB	Onshore wind	c250	c250
Other NI	NI	Onshore wind	c50	c50
Other ROI	ROI	Onshore wind	c250	c250
Other GB	GB	Hydro	75	75

Note 1: Seeking variation to existing consent
Note 2: Berwick Bank and Marr Bank offshore wind farms were combined into one wind farm in September 2021, known as Berwick Bank Wind Farm
Note 3: Entering new Irish Marine Area Planning process with revised capacity proposed
Note 4: Reflects named development areas where some form of development activity is underway and therefore excludes any future or in-flight auction processes
Note 5: SSE agreed to acquire 4.9GW Siemens Gamesa Renewable Energy onshore wind and solar platform in April 2022 with projects excluded above ahead of the acquisition completing. Completion is expected by end September 2022

GROWTH OPPORTUNITIES – INTERNATIONAL

SSE Renewables made important progress in its international expansion plans in April 2022 when it entered into an agreement with Siemens Gamesa Renewable Energy for the acquisition of an onshore wind development platform totalling c.3.9GW across Spain, France, Italy and Greece for a consideration of €580m. The portfolio includes scope for up to 1GW of additional co-located solar development opportunities. The move marks SSE Renewables' entry into Southern Europe and creates a wider opportunity to pursue a balanced range of technologies, e.g. wind, solar, hydrogen, and storage. As part of the transaction, SSE Renewables will take on a team of around 40 employees with vast local experience in the sector. The transaction is likely to complete by the end of September 2022, subject to receipt of relevant foreign direct investment and regulatory approvals.

In September 2021, SSE Renewables progressed into Japan with the creation of a new joint ownership company, SSE Pacifico (80% stake), which includes the acquisition of an interest in an offshore development platform for US$208m. The new company will develop the acquired 10GW gross portfolio, comprising a number of early development stage offshore wind projects in Japan. It includes a mix of fixed bottom and floating sites with the most advanced projects expected to be constructed by the end of this decade.

SSE Renewables has submitted an application to the Polish government for an Offshore Location License (OLL) for the allocation of development rights for an offshore wind farm in the Baltic Sea, which would be developed in partnership with Acciona Energia. The process is expected to run until Q3 2022.

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

In the Netherlands, SSE Renewables has submitted bids in the 1.4GW Hollandse Kust (west) offshore wind tender for two separate sites of 750MW each. Ecological innovation and energy systems integration are key assessment criteria. SSE Renewables has formed a 50/50 strategic partnership with Brookfield for the bid, who have strong offtaker relationships in the Netherlands. SSE Renewables has also recently opened an office in Rotterdam.

SSE Renewables is also assessing other growth options across selected markets in Northern Europe and the United States. Towards the end of the financial year, it opened an office in Boston and is assessing participation in upcoming offshore leasing rounds, for example, in California, which is expected to take place in Autumn 2022.

SSE THERMAL

SSE THERMAL KEY PERFORMANCE INDICATORS

SSE Thermal	March 22	March 21
Thermal adjusted operating profit - £m	306.3	160.5
Thermal reported operating profit - £m	630.1	775.3
Thermal adjusted investment and capital expenditure – £m	129.3	106.5
Generation capacity - MW		
Gas- and oil-fired generation capacity (GB) – MW	3,975	3,992
Gas- and oil-fired generation capacity (ROI) – MW	1,292	1,292
Total thermal generation capacity – MW	**5,267**	**5,284**
Generation output - GWh		
Gas- and oil-fired output (GB) – GWh	11,303	15,324
Gas- and oil-fired output (ROI) – GWh	2,962	2,433
Multifuel output - GWh	-	251
Total thermal generation – GWh	**14,265**	**18,008**

Note 1: Capacity is wholly owned and share of joint ventures
Note 2: Output is based on SSE 100% share of wholly owned sites and 100% share of Marchwood PPAs due to the contractual arrangement. In September 2021 SSE's offtake agreement for 100% of output from its Seabank CCGT JV expired, with output following that date only recognised to the extent of its 50% equity share.
Note 3: SSE announced the sale of its stake in Ferrybridge and Skelton Grange multifuel assets on 13 October 2020
Note 4: Decreased gas- and oil-fired capacity relates to closure of 17MW small diesel plant

SSE THERMAL OVERVIEW

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

OPERATIONAL DELIVERY

SSE Thermal's combined cycle gas turbine (CCGT) fleet has played an important role in the UK, providing flexibility at scale to support a tight and volatile energy market, demonstrating the value it delivers within the SSE Group portfolio, providing balance when wind resource is scarce, and the importance of flexible assets in securing a resilient transition to net zero.

In the GB market, significant periods of scarcity in the year have led to increased forward spark spreads allowing value to be secured by the fleet ahead of delivery. This has been complemented by the fleet's ability to respond to on-the-day market requirements to balance the system, through the Balancing Mechanism. In the Irish market, the system has been tighter than normal, with lower generation capacity available. As a result, SSE Thermal's assets in Ireland have played an important role in keeping the lights on.

With the value of the SSE Thermal portfolio coming from its ability to respond to market conditions, plant availability has been managed responsibly to respond to system balancing needs; an approach that is likely to become more important as the volume of renewable capacity on the system increases. In providing these vital balancing services, strong operational performance is therefore less dependent upon the volume of its output and more on the availability of the plant at times of system stress. Reduced plant availability in the year was predominantly concentrated in the first six months and was driven by a number of factors including unplanned outages to respond to faults and maintenance requirements, slight overrun of planned outages and the phasing of outages towards the first half of the year to respond to system needs.

SSE's UK-based CCGT fleet has secured valuable Capacity Market agreements for winter 2022/23 and for future years out to September 2026, demonstrating the role thermal plant plays in ensuring security of supply. Agreements have also been secured for all of SSE Thermal's fleet in Ireland.

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

The following agreements have been awarded through competitive auctions:

SSE THERMAL CAPACITY CONTRACT AWARDS

Station	Asset type	Station Capacity	SSE share of contract	Capacity obligation
Medway (GB)	CCGT	735MW	100%	To September 2023
Keadby 1 (GB)	CCGT	755MW	100%	To September 2026
Keadby 2 (GB)	CCGT	893MW	100%	16-years commencing October 2022
Peterhead (GB)	CCGT	1,180MW	100%	To September 2026
Seabank (GB)	CCGT	1,234MW	50%	To September 2026
Marchwood (GB)	CCGT	920MW	100%	To September 2026
Slough Multifuel	Energy from Waste	50MW	50%	15-years commencing October 2024
Great Island (Ire)	CCGT	464MW	100%	To September 2026
Rhode (Ire)	Gas/oil peaker	104MW	100%	To September 2026
Tawnaghmore (Ire)	Gas/oil peaker	104MW	100%	To September 2026
Tarbert (Ire)	Oil	620MW	100%	To September 2023

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.
Capacities stated reflect Transmission Entry Capacity
Keadby 1 has capacity obligation in 2022/23 and 2025/26 but none in 2023/24 or 2024/25 contract years
Keadby 2 16 year obligation comprised of a T-1 and a 15 year contract
Marchwood (SSE equity share 50%) tolling arrangement means SSE receives 100% of economic benefit from capacity contract

GROWTH OPPORTUNITIES

Delivering lower-carbon flexibility is a key pillar of SSE's Net Zero Acceleration Programme. Developing more efficient alternatives to the existing CCGT fleet will be vital to deliver SSE's goal to cut carbon intensity by 80% by 2030 and achieve its science-based carbon reduction targets, aligned with a 1.5°C global warming scenario. SSE Thermal is developing projects using carbon capture and storage (CCS) and hydrogen; technologies which will be critical to society in the transition to net zero, enabling enhanced renewables deployment by balancing the system.

In 2021/22 SSE Thermal progressed its carbon capture power stations, which it is co-developing with Equinor, through the planning process. In June 2021, SSE Thermal submitted a planning application for Keadby Carbon Capture Power Station to the UK's Planning Inspectorate. In March 2022 SSE Thermal submitted a planning application for Peterhead Carbon Capture Power Station to Scotland's Energy Consents Unit.

In October 2021 the UK Government announced that the East Coast Cluster – comprising the Humber and Teesside regions – and the HyNet Cluster in north-west England would be Track 1 clusters, or the first clusters supported to deploy shared CCS infrastructure by the middle of this decade. The Scottish cluster was identified as a 'reserve' Track 1 cluster and remains in line to progress to deployment as a Track 2 cluster by the end of the decade. The UK Government's commitment to supporting four clusters by 2030, including two by the middle of this decade, was galvanised in its CCUS Investor Roadmap which emphasised that the technology is a necessity not an option to deliver net zero emissions by 2050.

Published in April 2022, it also confirmed its intention to engage with industry on the ‘Track 2’ process this calendar year.

In November 2021, the UK Government launched the second phase of the Cluster Sequencing Competition to identify which projects would be supported to connect to Track 1 clusters; this process was also open to projects seeking a connection into the ‘reserve’ Scottish Cluster. SSE Thermal submitted applications for Keadby Carbon Capture Power Station, seeking to connect into the East Coast Cluster, and Peterhead Carbon Capture Power Station, seeking to connect into the Scottish Cluster. Successful projects will secure a Dispatchable Power Agreement; a revenue support scheme designed by the UK Government. A decision on which projects will progress into negotiations is expected from July 2022.

Low-carbon hydrogen will be an important facet of a net zero economy. The UK Government’s inaugural hydrogen strategy, published in August 2021, highlighted the role it will play in providing flexible energy for power, heat and transport and the need for large hydrogen storage facilities. SSE Thermal is continuing to develop low-carbon hydrogen projects, alongside Equinor, including Keadby Hydrogen Power Station and Aldbrough Hydrogen Storage and sees significant further growth opportunities in this space, in line with the UK’s target to deliver 10GW of low-carbon hydrogen production by 2030. SSE Thermal is also involved in Project Cavendish, an initiative to promote the Isle of Grain as a location for a low-carbon hydrogen economy. This could provide the opportunity to bring low-carbon hydrogen to SSE’s Medway site.

Commissioning of Keadby 2, SSE Thermal’s 893MW CCGT, started in October 2021 and full commercial operation is targeted for 1 October 2022. Keadby 2 brings Siemens’ cutting-edge turbine technology to the UK; this first-of-a-kind turbine will be Europe’s most efficient CCGT and will displace older, more carbon intensive plant on the system. It is capable of being upgraded to decarbonise the system further, through hydrogen blending or carbon capture and storage.

Keadby 2 also provides a testing ground for SSE Thermal’s new digital strategy to deliver intelligent asset management, building on the digital capabilities already used to manage the SSE Thermal fleet. Using data and technology, the digital strategy aims to enhance asset management and maintenance capabilities.

GAS STORAGE

GAS STORAGE KEY PERFORMANCE INDICATORS

Gas Storage	March 22	March 21
Gas Storage adjusted operating (loss)/profit - £m	30.7	(5.7)
Gas Storage reported operating profit/(loss) - £m	125.4	2.8
Gas storage adjusted investment and capital expenditure - £m	2.1	1.9

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 stability and security of gas supply in the short term as well as potential conversion to hydrogen storage for a net zero future.

In 2021/22 SSE's Gas Storage business has navigated highly volatile gas markets and optimised assets to help ensure security of gas supply for the UK and provide important liquidity to the market. The assets also offer a significant risk management value to the portfolio by offering spot, short-notice flexibility. This helps defend the portfolio from exposures emanating from wind speed or consumer demand variability. Given the increasing focus around gas supply response across Europe, and the need for additional reserve to protect markets against significant geopolitical exposures, SSE anticipates this trend will continue. On that basis Gas Storage assets are likely to make a substantial contribution to the Group in the next financial year.

SSE Thermal remains committed to working with UK Government departments and Ofgem to ensure the critical role of UK storage in relation to security of supply and stability of gas price is properly valued. It is also looking to play a future role as a source of low-carbon hydrogen storage which will be needed to balance supply and demand in a hydrogen economy.

Plans to develop a potentially world-leading hydrogen storage project at Aldbrough, announced in July 2021 with Equinor, are progressing. Since this announcement, the UK Government has committed to develop business models for hydrogen storage as part of the British Energy Security Strategy and SSE is particularly close to this policy discussion.

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

ENERGY CUSTOMER SOLUTIONS

OVERVIEW

SSE Business Energy in GB (non-domestic) and SSE Airtricity in Ireland (domestic and non-domestic) provide a shopfront and route to market for SSE's low-carbon energy solutions and renewable green products.

SSE's customer businesses are committed to high service standards covering all aspects of operations, within contact centres and among colleagues visiting and working in customers' homes and premises. Throughout the coronavirus pandemic and more recent energy wholesale price volatility the businesses have worked with customers across GB and Ireland to provide support through a variety of payment options, and additional support funds have been established for financially vulnerable domestic customers in Ireland. In addition, it was announced on 12 May 2022 that existing financially vulnerable domestic customers in the Republic of Ireland would be insulated from any further price rises for the remainder of the 2022 calendar year.

Considerable focus has been placed on training teams to provide market-leading energy advice across a range of energy solutions to provide a highly skilled level of partnership with customers. Across the customer businesses SSE has extended the range of energy products and digital service capabilities and continues to invest in digital and energy solutions to adapt and evolve the offerings in GB and Ireland.

Throughout all periods, but especially during the pandemic, the safety and wellbeing of employees has been prioritised. Regular employee surveys are acted upon to further improve the working environment. This includes a range of topics from SSE's "Belonging Groups" (e.g. supporting gender and ethnic diversity) to "Flexible First" working practices.

SSE BUSINESS ENERGY

SSE BUSINESS ENERGY KEY PERFORMANCE INDICATORS

SSE Business Energy	March 22	March 21
Business Energy adjusted operating (loss)/profit - £m	(21.5)	(24.0)
Business Energy reported operating profit/(loss) - £m	(21.5)	(3.9)
Electricity Sold – GWh	12,645	13,070
Gas Sold – mtherms	218	245
Aged Debt (60 days past due) - £m	79.3	73.8
Bad debt expense - £m	18.5	37.8
Exceptional bad debt (credit) / expense - £m	-	(20.1)
Energy customers' accounts – m	0.47	0.48

SSE BUSINESS ENERGY OVERVIEW

Business Energy GB retains a solid book and customer base and amongst non-domestic suppliers is ranked for power 4th by meters (market share 11.6%) and 4th by volume (market share 7%); and for gas is ranked 7th by meters (market share 6.5%) and 9th by volume (market share 2.3%). The business markets its products under the SSE Energy Solutions brand alongside SSE Distributed Energy, selling power to over 469,000 non-domestic customers across GB.

OPERATIONAL DELIVERY

During 2021, Business Energy increased its green customer propositions including the launch of a new and simplified Corporate Power Purchase Agreement product, to make them increasingly accessible to a wider range of businesses. This was followed in July by a commitment to businesses on fixed power contracts that they will receive their electricity from renewable sources. Green credentials associated with this electricity supply are independently verified by EcoAct, an Atos company, and customers are provided with Renewable Energy Guarantees of Origin (REGOs) certification. Business Energy's 'Green Gas plus' tariff, a renewable gas tariff which is also independently certified by EcoAct, performed well through the year since its launch.

Smart meters are a key factor in supporting customers on their net zero journey and 2021/22 saw strong performance for the rollout of smart meter installations. Business Energy continues to work towards its first year of challenging smart regulatory installation targets in calendar year 2022.

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

GROWTH OPPORTUNITIES

The platform SSE Business Energy growth is via the SSE Energy Solutions business-to-business brand, launched in July 2021 in partnership with SSE Distributed Energy. The platform provides a single shopfront for a range of SSE customer product offerings to support all business segments on their net zero journey; from renewable power and flexible Corporate Power Purchase Agreement offerings, to customer workplace EV charging solutions and larger scale distributed energy systems. As SSE's electricity generation businesses continue to expand and deliver new technologies, so will SSE Energy Solutions as an important route to market for the Group.

SSE AIRTRICITY

SSE AIRTRICITY KEY PERFORMANCE INDICATORS

SSE Airtricity	March 22	March 21
Airtricity adjusted operating profit - £m	60.4	44.0
Airtricity reported operating profit - £m	60.4	50.0
Aged Debt (60 days past due) - £m	7.3	7.9
Bad debt expense - £m	4.6	6.9
Exceptional bad debt (credit) / expense - £m	-	(6.0)
Airtricity Electricity Sold – GWh	5,219	7,595
Airtricity Gas Sold – mtherms	177	219
All Ireland energy market customers (Ire) – m	0.70	0.68

SSE AIRTRICITY OVERVIEW

SSE Airtricity provides a valuable route to market for SSE's low-carbon energy solutions and green products to customers across the island of Ireland. Airtricity retains a strong market position as Ireland's largest supplier of 100% green energy, supplying approximately 701,000 customers and holding 21.2% market share by load.

OPERATIONAL DELIVERY

As a responsible business, SSE Airtricity has recognised that current market volatility has created challenges for many households and has taken various measures to support financially vulnerable customers. An all-island customer support fund (€1m) has been established, €1m was donated to a trusted all-island charity partner, and a home energy efficiency upgrade programme has been rolled our for up to 600 homes in fuel poverty. In addition Airtricity's financially vulnerable domestic customers in the Republic of Ireland will be insulated from any further price rises for the remainder of the 2022 calendar year.

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

GROWTH OPPORTUNITIES

A positive public policy environment aimed at improving the thermal efficiency of 0.5m buildings provides the backdrop for the Generation Green Home Upgrade product. This is enabling the rapid rollout of a first of its kind one-stop-shop business model, in partnership with An Post, in the Republic of Ireland market. The growth of this business segment remains a key priority for 2022.

Further areas of strategic focus include building on the success of partnerships with brands such as Volkswagen and ePower delivering electric vehicle charging infrastructure and green end-to-end solutions for customers; and continued innovation and delivery of extended customer offerings to help support decarbonisation.

SSE DISTRIBUTED ENERGY

SSE DISTRIBUTED ENERGY KEY PERFORMANCE INDICATORS

SSE DISTRIBUTED ENERGY	March 22	March 21
SSE Distributed Energy adjusted operating (loss)/profit - £m	(10.9)	(27.0)
SSE Distributed Energy reported operating profit/(loss) - £m	(29.2)	(76.1)
SSE Heat Network Customer Accounts	11,291	10,482
Biomass, heat network and other capacity - MW	33	34
Biomass, heat network and other output - GWh	104	108

SSE DISTRIBUTED ENERGY OVERVIEW

SSE's reporting of its Enterprise segment has been updated following the sale of its Contracting and Rail businesses. The primary retained activity of the former SSE Enterprise businesses is now distributed energy. The business provides solar and battery storage asset development and operation and focuses on distributed generation, EV infrastructure, heat and cooling networks, and smart buildings and places.

The financial results from the Group's out of areas networks business and Neos Networks Limited (formerly SSE Telecoms) joint venture are now reported within SSEN Distribution and Corporate Unallocated respectively. Comparative information has been re-stated to reflect these changes.

OPERATIONAL DELIVERY

Over the past 12 months SSE has announced significant milestones in its nascent solar and battery storage business including a secured 380MW solar and battery pipeline, with over 1GW more of other sites currently under assessment. The secured pipeline includes a 50MW battery storage asset on a consented site in Wiltshire, where construction gets under way this summer, with full energisation expected in summer 2023. SSE has also acquired a 30MW solar farm at Littleton Pastures in Worcestershire and, once complete in late 2023, this 77-acre site will be capable of powering some 9,400 homes.

GROWTH OPPORTUNITIES

A key focus will be on battery storage and solar technology. Existing grid connections at legacy coal-fired sites, such as Ferrybridge and Fiddlers Ferry, also puts SSE in a strong position to deploy battery storage at scale and pace.

SSE's Distributed Energy team is helping people and places reach their net zero targets by adopting a 'whole system' approach to connect localised and flexible energy assets. These include energy optimisation, heat and cooling networks, electrical networks, smart buildings, and EV charging. Distributed Energy therefore seeks to help provide the platform for a data-driven and sustainable world.

Distributed Energy has ambitions to build a network of EV charging hubs across the UK – with the first of potentially 300 hubs being built in summer 2022 in Glasgow. Innovation also remains a key tool to unlocking net zero; its heat sector division for example, has an exciting partnership under way with National Grid to utilise heat from electricity transformers that would otherwise go to waste.

ENERGY PORTFOLIO MANAGEMENT (EPM)

EPM KEY PERFORMANCE INDICATORS

EPM	March 22	March 21
EPM adjusted operating profit/(loss) - £m	(16.8)	18.4
EPM reported operating profit/(loss) - £m	2,083.6	608.5

EPM OVERVIEW

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

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

OPERATIONAL DELIVERY

In 2021/22 EPM navigated unprecedented energy market volatility, ensuring the SSE portfolio was hedged in accordance with the Group's approach to hedging and optimised through prompt periods. The value EPM secures for SSE's asset portfolio continues to be reported against individual Business Units. 2021/22 also saw successful delivery of the first year of operation under the UK Emissions Trading Scheme.

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

GROWTH OPPORTUNITIES

Transformation of the EPM Business Unit continues with key external recruits into risk, prompt trading and analytics. Trading has started in France, Belgium and the Netherlands as the business looks to expand into Europe.

INVESTMENT IN SGN
(Scotia Gas Networks – discontinued operation)

SGN KEY PERFORMANCE INDICATORS

SGN (Discontinued Operation) SSE's 33.3% share – Disposed on 22 March 2022	**March 22**	**March 21**
SGN adjusted operating profit/(loss) - £m	21.0	173.0
SGN reported operating profit/(loss) - £m	495.4	88.6

SGN OVERVIEW

As part of its strategic refocusing of the Group, SSE's entire 33.3% financial investment stake in gas distribution operator SGN (Scotia Gas Networks Limited) was sold to a consortium comprising existing SGN shareholder Ontario Teachers' Pension Plan Board and Brookfield Super-Core Infrastructure Partners on 22 March 2022.

Whilst the business had been a good long-term financial investment for SSE since 2005, SSE's focus is now on low-carbon electricity businesses and the role they have in transition to net zero. This disposal marked the completion of SSE's £2bn plus disposals programme announced in June 2020, with a headline consideration amounting to over £2.8bn exceeding that original target.

The adjusted operating profit for the business of £21.0m is retained by the Group for the period to 11 June 2021 when the investment was designated as 'held for sale' and equity accounting ceased. On disposal, the Group recorded an exceptional gain on disposal of £576.5m.

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. The Group has six profit measures, of which adjusted operating profit and adjusted profit before tax are the main focus of management through the financial year and adjusted earnings per share is the main focus of management on an annual basis. In order to derive adjusted earnings per share, the Group has defined adjusted operating profit, adjusted net finance costs, and adjusted current tax charge as components of the adjusted earnings per share calculation. Adjusted EBITDA is used by management as a proxy for cash derived from ordinary operations of the Group.
- **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 and also to provide a measure of progress against the Group's strategic Net Zero Acceleration Programme objectives.
- **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 YEAR

The Group has defined a new capital APM in the year of 'Adjusted investment, capital and acquisition expenditure'. The APM is comprised of the existing 'Adjusted investment and capital expenditure' metric, but also includes cash consideration paid for business combination acquisitions. During the year the Group completed the acquisition of a controlling 80% stake in its Japanese offshore renewable development platform, SSE Pacifico (see note 12) and announced the expected acquisition, in financial year ended 31 March 2023, of a European onshore renewable energy development platform from Siemens Gamesa Renewable Energy ("SGRE"). As the Group expands internationally it is expected that there will be further acquisitions to enhance the Group's development portfolio. These acquisition costs are included in this new APM to better represent the Group's overall investments associated with its Net Zero Acceleration Programme.

As referred above, during the year the Group acquired a controlling 80% stake in SSE Pacifico (see note 12). As a result, the Group has now updated its APMs to clarify how non-controlling interests will be presented in future periods where there are expected to be material non-controlling interests. The Group believes that removing the non-controlling interest share from all of its profit, capital and debt measures on a consistent basis is the most simple, understandable and reflective presentation of the Group's interest in these businesses. There is no significant impact on adjusted metrics in the year ending 31 March 2022.

On 14 October 2021, the Group disposed of its Gas Production business (see note 12), but retained 60% of the decommissioning provision of the business. The Group has amended its adjusted profit measures to remove the effect of prospective revaluation adjustments to the decommissioning provision as it is not considered to be part of the Group's core continuing operations.

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

PROFIT MEASURES

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 • Adjustments to retained Gas Production decommissioning provision • 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 ventures and associates' depreciation and amortisation • Non-controlling share of operating profit • Non-controlling share of 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 • Adjustments to retained Gas Production decommissioning provision • Depreciation and amortisation expense on fair value uplifts • Share of joint ventures and associates' interest and tax • Non-controlling share of operating profit
Adjusted Profit Before Tax	Profit measure	Profit before tax	• Movement on operating and financing derivatives ('certain re-measurements') • Exceptional items • Adjustments to retained Gas Production decommissioning provision • Non-controlling share of profit before tax • Depreciation and amortisation expense on fair value uplifts • Interest on net pension assets/liabilities (IAS 19) • Share of non-recurring joint venture refinancing costs • Share of joint ventures and associates' tax
Adjusted Net Finance Costs	Profit measure	Net finance costs	• Exceptional items • Movement on financing derivatives • Share of joint ventures and associates' interest • Share of non-recurring joint venture refinancing costs • Non-controlling share of finance costs • Interest on net pension assets/liabilities (IAS 19)
Adjusted Current Tax Charge	Profit measure	Tax charge	• Share of joint ventures and associates' tax • Non-controlling share of current tax • Deferred tax including share of joint ventures, associates and non-controlling interests • Tax on exceptional items and certain re-measurement • Reclassification of tax liabilities
Adjusted Earnings Per Share	Profit measure	Earnings per share	• Exceptional items • Adjustments to retained Gas Production decommissioning provision • Movements on operating and financing derivatives ('certain re-measurements') • Depreciation and amortisation expense on fair value uplifts • Interest on net pension assets/liabilities (IAS 19) • Share of non-recurring joint venture refinancing costs

			• Deferred tax including share of joint ventures, associates and non-controlling interests

RATIONALE FOR ADJUSTMENTS TO PROFIT MEASURE

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

This adjustment can be designated between operating and financing derivatives.

Operating derivatives are contracts where the Group's Energy Portfolio Management ('EPM') function enters into forward commitments or options to buy or sell electricity, gas and other commodities to meet the future demand requirements of the Group's Business Energy and Airtricity operating units, or to optimise the value of the production from SSE Renewables and Thermal generation assets. Certain of these contracts (predominately purchase 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 recorded as financial instruments under IFRS 9 (predominately sales contracts) 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 inventory purchased by the Group's Gas Storage business for secondary trading opportunities is also held at fair value with gains and losses on re-measurement recognised as part of 'certain re-measurements'.

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

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

2. Exceptional Items

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

3. Adjustments to retained Gas Production decommissioning provision

On 14 October 2021, the Group disposed of its Gas Production business but retained a 60% share of the decommissioning obligation of the business. Gas Production was presented as a discontinued operation prior to disposal as the transaction constituted the exit of all activity in that industry. Future adjustments to the decommissioning obligation will be accounted for through the Group's consolidated income statement. The adjustment is removed from the Group's adjusted profit measures as the revaluation of the provision is not considered to be part of the Group's core continuing operations.

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

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

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

5. 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. For the purpose of calculating the 'Net Debt to EBITDA' metric referred at page 77, 'adjusted EBITDA' is further refined to remove the proportion of adjusted EBITDA from equity-accounted joint ventures relating to off-balance sheet debt (see note 6.3).

6. Depreciation and amortisation expense on fair value uplifts

The Group's strategy includes the realisation of value and recycling of proceeds from divestments of stakes in its early stage offshore and international SSE Renewables developments. In addition, for strategic purposes the Group may also decide to bring in equity partners to other businesses and assets. Where SSE's interest in such vehicles changes from full to joint control, and the subsequent arrangement is classified as an equity accounted joint venture, SSE will recognise a fair value uplift on the remeasurement of its retained equity investment. Those uplifts will be treated as exceptional (and non-cash) gains in the year of the relevant transactions completing. These uplifts create assets which are subsequently 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 additional 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.

7. Release of deferred income

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

8. Non-recurring joint venture refinancing costs

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

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

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

10. 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.

11. Results attributable to non-controlling interest holders

The Group's structure includes non-wholly owned but controlled subsidiaries which are consolidated within the financial statements of the Group under IFRS. There is no impact to current or future years but in future the Group will remove the share of profit attributable to holders of non-controlling equity stakes in these businesses from all of its profit measures, to report to all metrics based on the share of profits items attributable to the ordinary equity holders of the Group. The adjustment will be applied consistently to all of the Group's adjusted profit measures, including removing proportionate non-controlling share of operating profit and depreciation and amortisation from the Group's adjusted EBITDA metric; removing the non-controlling share of operating profit from the Group's adjusted operating profit metric; removing the non-controlling share of net finance costs from the Group's adjusted net finance costs metric; and removing the non-controlling interest share of current tax from the Group's adjusted current tax metric.

March 2022

Continuing operations (£m)	Reported	Movement on derivatives	Exceptional items	Adjustments to Gas Production decommissioning provision	Depreciation on FV uplifts	Joint venture interest and tax	Interest on net pension asset	Deferred tax	Adjusted
Operating profit	**3,755.4**	**(2,097.8)**	**(301.8)**	**13.1**	**20.6**	**147.3**	**-**	**-**	**1,536.8**
Net finance costs	**(273.2)**	**(21.0)**	**(3.2)**	**-**	**-**	**(67.8)**	**(7.6)**	**-**	**(372.8)**
Profit before taxation	**3,482.2**	**(2,118.8)**	**(305.0)**	**13.1**	**20.6**	**79.5**	**(7.6)**	**-**	**1,164.0**
Taxation	**(882.8)**	**408.0**	**323.7**	**-**	**-**	**(79.5)**	**-**	**123.5**	**(107.1)**
Profit after taxation	**2,599.4**	**(1,710.8)**	**18.7**	**13.1**	**20.6**	**-**	**(7.6)**	**123.5**	**1,056.9**
Attributable to other equity holders	**(50.7)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(50.7)**
Profit attributable to ordinary shareholders	**2,548.7**	**(1,710.8)**	**18.7**	**13.1**	**20.6**	**-**	**(7.6)**	**123.5**	**1,006.2**
Number of shares for EPS	**1,055.0**								**1,055.0**
Earnings per share	**241.6**								**95.4**

EBITDA

March 2022

Adjusted operating profit from continuing operations £m	Share of joint venture and associates' depreciation and amortisation £m	Release of deferred income £m	Depreciation on FV uplifts £m	Depreciation, impairment and amortisation before exceptional charges £m	Adjusted EBITDA £m
1,536.8	**146.6**	**(17.6)**	**(20.6)**	**612.0**	**2,257.2**

March 2021 (restated*)

Continuing operations (£m)	Reported	Movement on derivatives	Exceptional items	Adjustments to Gas Production decommissioning provision	Depreciation on FV uplifts	Joint venture interest and tax	Interest on net pension asset	Deferred tax	Adjusted
Operating profit	2,654.9	(597.8)	(848.9)	-	20.6	104.7	-	-	1,333.5
Net finance costs	(236.9)	(55.6)	(1.4)	-	-	(82.4)	(8.3)	-	(384.6)
Profit before taxation	2,418.0	(653.4)	(850.3)	-	20.6	22.3	(8.3)	-	948.9
Taxation	(224.3)	125.9	(3.1)	-	-	(22.3)	-	37.9	(85.9)
Profit after taxation	2,193.7	(527.5)	(853.4)	-	20.6	-	(8.3)	37.9	863.0
Attributable to other equity holders	(46.6)	-	-	-	-	-	-	-	(46.6)
Profit attributable to ordinary shareholders	2,147.1	(527.5)	(853.4)	-	20.6	-	(8.3)	37.9	816.4
Number of shares for EPS	1,040.9								1,040.9
Earnings per share	206.3								78.4

**The comparative Alternative Performance Measures have been restated. See note 2.3.*

EBITDA

March 2021 (restated*)

Adjusted operating profit from continuing operations £m	Share of joint venture and associates' depreciation and amortisation £m	Release of deferred income £m	Depreciation on FV uplifts £m	Depreciation, impairment and amortisation before exceptional charges £m	Adjusted EBITDA £m
1,333.5	143.9	(17.7)	(20.6)	556.2	1,995.3

March 2020 (restated*)

Continuing operations (£m)	Reported	Movement on derivatives	Exceptional items	Depreciation on FV uplifts	Joint venture interest and tax	Interest on net pension asset	Share of non-recurring joint venture financing costs	Deferred tax	Adjusted
Operating profit	882.6	40.0	212.1	20.6	130.8	-	-	-	1,286.1
Net finance costs	(385.2)	83.0	(2.4)	-	(98.9)	(6.6)	12.3	-	(397.8)
Profit before taxation	497.4	123.0	209.7	20.6	31.9	(6.6)	12.3	-	888.3
Taxation	(121.5)	-	(2.3)	-	(31.9)	-	-	67.4	(88.3)
Profit after taxation	375.9	123.0	207.4	20.6	-	(6.6)	12.3	67.4	800.0
Attributable to other equity holders	(46.5)	-	-	-	-	-	-		(46.5)
Profit attributable to ordinary shareholders	329.4	123.0	207.4	20.6	-	(6.6)	12.3	67.4	753.5
Number of shares for EPS	1,032.5								1,032.5
Earnings per share	31.9								73.0

EBITDA

March 2020 (restated*)

Adjusted operating profit from continuing operations £m	Share of joint venture and associates' depreciation and amortisation £m	Release of deferred income £m	Depreciation on FV uplifts £m	Depreciation, impairment and amortisation before exceptional charges £m	Adjusted EBITDA £m
1,286.1	151.4	(14.7)	(20.6)	530.1	1,932.3

The comparative Alternative Performance Measures have been restated. See note 2.3.

DEBT MEASURE

Group APM	Purpose	Closest Equivalent IFRS measure	Adjustments to reconcile to primary financial statements
Adjusted Net Debt and Hybrid Capital	Debt measure	Unadjusted net debt	• Hybrid equity • Outstanding liquid funds • Lease obligations • Non-controlling share of borrowings and cash

RATIONALE FOR ADJUSTMENTS TO DEBT MEASURE

12. 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.

13. 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.

14. Lease obligations

SSE's reported loans and borrowings include lease liabilities on contracts under the scope of IFRS 16, which are not directly related to the Treasury managed external debt 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.

15. Debt and cash attributable to non-controlling equity holders

The Group's structure includes non-wholly owned but controlled subsidiaries which are consolidated within the financial statements of the Group under IFRS. There is no impact to current or prior years but in future the Group will remove the share of debt and cash in these subsidiaries proportionately attributable to the non-controlling interest holders from its adjusted net debt and hybrid capital metric to present net debt attributable to ordinary equity holders of the Group.

	March 2022 £m	March 2021 £m	March 2020 £m
Unadjusted net debt	**(8,015.4)**	(7,810.4)	(10,007.8)
Outstanding liquid funds	**74.7**	(37.1)	256.4
Lease obligations	**393.5**	421.0	455.2
Adjusted Net Debt	**(7,547.2)**	(7,426.5)	(9,296.2)
Hybrid equity	**(1,051.0)**	(1,472.4)	(1,169.7)
Adjusted Net Debt and Hybrid Capital	**(8,598.2)**	(8,898.9)	(10,465.9)

CAPITAL MEASURES

Group APM	**Purpose**	**Closest Equivalent IFRS measure**	**Adjustments to reconcile to primary financial statements**
Adjusted Investment and Capital Expenditure	Capital measure	Capital additions to intangible assets and property, plant and equipment	• Customer funded additions • Allowances and certificates • Additions acquired through business combinations • Disposed or impaired additions • Joint venture and associates' additions funding • Non-controlling share of capital expenditure • Refinancing proceeds
Adjusted Investment, Capital and Acquisition Expenditure	Capital measure	Capital additions to intangible assets and property, plant and equipment	• Customer funded additions • Allowances and certificates • Additions acquired through business combinations • Disposed or impaired additions • Joint venture and associates' additions funding • Non-controlling share of capital expenditure • Refinancing proceeds/refunds • Acquisition cash consideration

RATIONALE FOR ADJUSTMENTS TO CAPEX MEASURE

16. 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.

17. 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.

18. Additions through business combinations

Where the Group acquires an early stage development company, which is classified as the acquisition of an asset, or group of assets and not a business, the acquisition is treated as an addition to intangible assets or property, plant and equipment and is included within 'adjusted investment and capital expenditure'. Where the Group acquires an established business requiring a fair value assessment in line with the principles of IFRS 3 'Business Combinations', the fair value of consolidated tangible or intangible assets are excluded from the Group's 'adjusted investment and capital expenditure', as they are not direct capital expenditure by the Group. However, these are included in the Group's new 'adjusted investment, capital and acquisition expenditure' metric, see 24 below.

19. Additions subsequently disposed/impaired

In the current year there were capex additions of £13.9m related to the Gas Production business, which was disposed on 14 October 2021. In the prior year the Group funded £19.7m of capex additions in relation to the Seagreen windfarm prior to part disposal. On 3 June 2020, the Group disposed of a 51% stake in Seagreen 1, therefore the capex incurred prior to that date has been excluded from the Group's net adjusted investment and capital expenditure metric. In the year ended 31 March 2020, there were additions of £44.6m in the Group's Gas Production segment which were subsequently impaired following the annual impairment assessment. This adjustment also includes any subsequently derecognised development expenditure.

20. Joint venture and associates' additions funding

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

21. Non-controlling share of capital expenditure

The Group's structure includes non-wholly owned but controlled subsidiaries which are consolidated within the financial statements of the Group under IFRS. In future, the Group will remove the share of capital additions attributable proportionately to these equity holders from its "adjusted investment and capital expenditure" and "adjusted investment, capital and acquisition expenditure" metrics. This is consistent with the adjustments noted elsewhere related to these non-controlling interests. This has no impact on the current or prior year metrics.

22. Refinancing proceeds/refunds

The Group's model for developing large scale capital projects within joint ventures and associates involves project finance being raised within those entities. Where the Group funds early stage capex which is then subsequently reimbursed to SSE following the receipt of project finance within the vehicle, the refinance proceeds are included in the Group's net adjusted investment and capital expenditure metric. This is consistent with the inclusion of the initial investment in the metric as explained at 18, above. In the year ended 31 March 2021, the Group received reimbursed capex of £246.1m in relation to Seagreen windfarm and £182.5m in relation to Doggerbank windfarm. These receipts have been deducted from the Group's adjusted investment and capital expenditure metric.

23. Lease additions

Additions of right of use assets under the Group's IFRS 16 compliant policies for lease contracts are excluded from the Group's adjusted capital measures as they do not represent directly funded capital investment. This is consistent with the treatment of lease obligations explained at 14, above.

24. Acquisition cash consideration in relation to business combinations

The Group has outlined a significant investment programme which will partly be achieved through the acquisition of businesses with development opportunities for the Group. The cash consideration paid for these entities is included within the Group's new adjusted investment, capital and acquisition expenditure metric as it provides stakeholders an accurate basis of cash investment into the Group's total development pipeline and is consistent with the reporting of the Group's Net Zero Acceleration Programme.

	March 2022 £m	March 2021 £m	March 2020 £m
Capital additions to intangible assets	**921.0**	701.3	973.6
Capital additions to property, plant and equipment	**1,398.8**	1,102.5	1,097.6
Capital additions to intangible assets and property, plant and equipment	**2,319.8**	1,803.8	2,071.2
Customer funded additions	**(91.3)**	(61.8)	(110.7)
Allowances and certificates	**(544.5)**	(509.0)	(652.7)
Additions through business combinations	**(197.8)**	-	(26.4)
Additions subsequently disposed/impaired	**(13.9)**	(19.7)	(44.6)
Joint ventures and associates' additions	**682.5**	172.7	167.1
Refinancing proceeds/refunds	**(136.7)**	(428.6)	-
Lease asset additions	**(85.7)**	(45.4)	(46.5)
Adjusted Investment and Capital Expenditure	**1,932.4**	912.0	1,357.4
Acquisition cash consideration	**141.3**	-	-
Adjusted Investment, Capital and Acquisition Expenditure	**2,073.7**	912.0	1,357.4

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 investment in Scotia Gas Networks Limited ("SGN") which was disposed on 22 March 2022 and Group's Gas Production operations which were disposed on 14 October 2021 (see note 12):

- 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'; 'adjusted investment and capital expenditure'; and 'adjusted investment, capital and acquisition expenditure' have not been adjusted as the Group continues to fund the discontinued operations until the date of disposal.

The following table summarises the impact of excluding discontinued operations from the continuing activities of the Group in current and prior years:

	March 2022 £m	March 2021 £m	March 2020 £m
Adjusted EBITDA of SSE Group (including discontinued operations)	**2,390.7**	2,262.9	2,281.0
Less: SSE Energy Services	**-**	-	(32.7)
Less: Gas Production	**(101.4)**	(33.0)	(56.9)
Less: SGN	**(32.1)**	(234.6)	(259.1)
Adjusted EBITDA of continuing operations	**2,257.2**	1,995.3	1,932.3
Adjusted operating profit of SSE Group (including discontinued operations)	**1,659.2**	1,539.5	1,546.9
Less: SSE Energy Services	**-**	-	(32.7)
Less: Gas Production	**(101.4)**	(33.0)	(25.8)
Less: SGN	**(21.0)**	(173.0)	(202.3)
Adjusted operating profit of continuing operations	**1,536.8**	1,333.5	1,286.1
Adjusted net finance costs of SSE Group (including discontinued operations)	**377.6**	443.9	471.6
Less: Gas Production	**(0.1)**	(2.3)	(6.6)
Less: SGN	**(4.7)**	(57.0)	(67.2)
Adjusted net finance costs of continuing operations	**372.8**	384.6	397.8
Adjusted profit before tax of SSE Group (including discontinued operations)	**1,281.6**	1,095.6	1,075.3
Less: SSE Energy Services	**-**	-	(32.7)
Less: Gas Production	**(101.3)**	(30.7)	(19.2)
Less: SGN	**(16.3)**	(116.0)	(135.1)
Adjusted profit before tax of continuing operations	**1,164.0**	948.9	888.3
Adjusted current tax of SSE Group (including discontinued operations)	**109.4**	107.8	110.3
Less: SSE Energy Services current tax credit	**-**	-	3.9
Less: SGN current tax charge	**(2.3)**	(21.9)	(25.9)
Adjusted current tax of continuing operations	**107.1**	85.9	88.3
Adjusted earnings per share of SSE Group (including discontinued operations)	**106.2**	90.5	89.0
Less: SSE Energy Services earnings per share	**-**	-	(3.6)
Less: Gas Production earnings per share	**(9.6)**	(3.0)	(1.8)
Less: SGN earnings per share	**(1.2)**	(9.1)	(10.6)
Adjusted earnings per share of continuing operations	**95.4**	78.4	73.0

**The comparative Alternative Performance Measures have been restated. See note 2.3.*

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

SUMMARY FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2022

	Note	2022 Before exceptional items and certain re-measure ments £m	2022 Exceptional items and certain re-measure-ments (note 7) £m	2022 Total £m	2021 (restated*) Before exceptional items and certain re-measure-ments £m	2021 (restated*) Exceptional items and certain re-measure-ments (note 7) £m	2021 (restated*) Total £m
Continuing operations							
Revenue	6	**8,608.2**	**-**	**8,608.2**	6,826.4	-	6,826.4
Cost of sales		**(6,310.8)**	**2,097.8**	**(4,213.0)**	(4,732.7)	598.6	(4,134.1)
Gross profit		**2,297.4**	**2,097.8**	**4,395.2**	2,093.7	598.6	2,692.3
Operating costs		**(1,118.5)**	**297.5**	**(821.0)**	(1,198.4)	(127.1)	(1,325.5)
Other operating income		**67.1**	**4.3**	**71.4**	268.7	976.0	1,244.7
Operating profit before joint ventures and associates		**1,246.0**	**2,399.6**	**3,645.6**	1,164.0	1,447.5	2,611.5
Joint ventures and associates:							
Share of operating profit		**257.1**	**-**	**257.1**	149.0	-	149.0
Share of interest		**(67.8)**	**-**	**(67.8)**	(82.4)	-	(82.4)
Share of movement on derivatives		**-**	**-**	**-**	-	(0.8)	(0.8)
Share of tax		**(46.3)**	**(33.2)**	**(79.5)**	(22.4)	-	(22.4)
Share of profit on joint ventures and associates		**143.0**	**(33.2)**	**109.8**	44.2	(0.8)	43.4
Operating profit from continuing operations	6	**1,389.0**	**2,366.4**	**3,755.4**	1,208.2	1,446.7	2,654.9
Finance income	8	**79.0**	**24.2**	**103.2**	78.2	57.0	135.2
Finance costs	8	**(376.4)**	**-**	**(376.4)**	(372.1)	-	(372.1)
Profit before taxation		**1,091.6**	**2,390.6**	**3,482.2**	914.3	1,503.7	2,418.0
Taxation	9	**(151.1)**	**(731.7)**	**(882.8)**	(101.5)	(122.8)	(224.3)
Profit for the year from continuing operations		**940.5**	**1,658.9**	**2,599.4**	812.8	1,380.9	2,193.7
Discontinued operations							
Profit from discontinued operation, net of tax		**116.3**	**366.4**	**482.7**	127.5	1.6	129.1
Profit for the year		**1,056.8**	**2,025.3**	**3,082.1**	940.3	1,382.5	2,322.8
Attributable to:							
Ordinary shareholders of the parent		**1,006.1**	**2,025.3**	**3,031.4**	893.7	1,382.5	2,276.2
Other equity holders		**50.7**	**-**	**50.7**	46.6	-	46.6
Earnings/(loss) per share							
Basic earnings per share (pence)	11			**287.3**			218.7
Diluted earnings per share (pence)	11			**286.8**			218.3
Earnings per share – continuing operations							
Basic earnings per share (pence)	11			**241.6**			206.3
Diluted earnings per share (pence)	11			**241.1**			206.0
Dividends							
Interim dividend paid per share (pence)	10			**25.5**			24.4
Proposed final dividend per share (pence)	10			**60.2**			56.6
				85.7			81.0

**The comparative Consolidated Income Statement has been restated. See note 2.3.*

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

	2022 £m	2021 (restated*) £m
Profit for the year		
Continuing operations	**2,599.4**	2,193.7
Discontinued operations	**482.7**	129.1
	3,082.1	2,322.8
Other comprehensive income:		
Items that will be reclassified subsequently to profit or loss:		
Net gains/(losses) on cash flow hedges	**22.9**	(44.7)
Transferred to assets and liabilities on cash flow hedges	**11.2**	(5.1)
Taxation on cashflow hedges	**(4.4)**	8.5
	29.7	(41.3)
Share of other comprehensive gain of joint ventures and associates, net of taxation	**181.4**	25.0
Exchange difference on translation of foreign operations	**(3.2)**	(43.3)
Gain on net investment hedge	**9.4**	37.3
	217.3	(22.3)
Items that will not be reclassified to profit or loss:		
Actuarial gain/(loss) on retirement benefit schemes, net of taxation	**124.7**	(12.8)
Share of other comprehensive (loss)/income of joint ventures and associates, net of taxation	**(1.7)**	(23.3)
Gains on revaluation of investments in equity instruments, net of taxation	**-**	1.1
	123.0	(35.0)
Other comprehensive gain/(loss), net of taxation	**340.3**	(57.3)
Total comprehensive income for the year	**3,422.4**	2,265.5
Total comprehensive income for the year arises from:		
Continuing operations	**2,912.8**	2,155.0
Discontinued operations		
Items that will be reclassified subsequently to profit or loss:		
Share of other comprehensive gain of joint venture and associates, net of taxation	**28.6**	4.7
Items that will not be reclassified to the profit or loss:		
Share of other comprehensive loss of joint ventures, net of taxation	**(1.7)**	(23.3)
Other comprehensive gain/(loss) from discontinued operations	**26.9**	(18.6)
Profit from discontinued operations	**482.7**	129.1
Total comprehensive income from discontinued operations	**509.6**	110.5
Total comprehensive income for the year	**3,422.4**	2,265.5
Attributable to:		
Ordinary shareholders of the parent	**3,371.7**	2,218.9
Other equity holders	**50.7**	46.6
	3,422.4	2,265.5

**The comparative Consolidated Statement of Other Comprehensive Income has been restated. See note 2.3*

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

CONSOLIDATED BALANCE SHEET

as at 31 March

	Note	2022 £m	2021 £m
Assets			
Property, plant and equipment		**14,618.7**	13,254.3
Goodwill and other intangible assets		**1,127.8**	841.3
Equity investments in associates and joint ventures		**1,239.5**	1,643.5
Loans to associates and joint ventures		**736.9**	554.3
Other investments		**8.7**	3.6
Other receivables		**136.4**	115.9
Derivative financial assets		**371.7**	114.7
Retirement benefit assets	15	**584.9**	543.1
Non-current assets		**18,824.6**	17,070.7
Intangible assets		**459.3**	374.9
Inventories		**266.6**	234.9
Trade and other receivables		**2,211.0**	1,488.2
Current tax asset		**8.8**	12.7
Cash and cash equivalents		**1,049.3**	1,600.2
Derivative financial assets		**2,941.8**	470.9
Assets held for sale	12	**-**	339.1
Current assets		**6,936.8**	4,520.9
Total assets		**25,761.4**	21,591.6
Liabilities			
Loans and other borrowings	13	**1,190.8**	937.6
Trade and other payables		**2,672.6**	1,987.3
Current tax liabilities		**-**	12.8
Provisions		**93.3**	79.3
Derivative financial liabilities		**701.5**	238.7
Liabilities held for sale	12	**-**	253.5
Current liabilities		**4,658.2**	3,509.2
Loans and other borrowings	13	**7,873.9**	8,473.0
Deferred tax liabilities		**1,645.6**	774.3
Trade and other payables		**842.4**	722.5
Provisions		**1,017.9**	793.3
Retirement benefit obligations	15	**-**	186.1
Derivative financial liabilities		**549.6**	452.1
Non-current liabilities		**11,929.4**	11,401.3
Total liabilities		**16,587.6**	14,910.5
Net assets		**9,173.8**	6,681.1
Equity			
Share capital	14	**536.5**	524.5
Share premium		**835.1**	847.1
Capital redemption reserve		**49.2**	49.2
Hedge reserve		**77.5**	(133.6)
Translation reserve		**6.6**	0.4
Retained earnings		**6,577.3**	3,921.1
Equity attributable to ordinary shareholders of the parent		**8,082.2**	5,208.7
Hybrid equity	14	**1,051.0**	1,472.4
Attributable to non-controlling interests		**40.6**	-
Total equity		**9,173.8**	6,681.1

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2022

	Share capital £m	Share premium £m	Capital redemption reserve £m	Hedge reserve £m	Translation reserve £m	Retained earnings £m	Total attributable to ordinary shareholders £m	Hybrid equity £m	Total equity before non-controlling interest £m	Non-controlling interest £m	Total equity £m
At 1 April 2021	**524.5**	**847.1**	**49.2**	**(133.6)**	**0.4**	**3,921.1**	**5,208.7**	**1,472.4**	**6,681.1**	**-**	**6,681.1**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**3,031.4**	**3,031.4**	**50.7**	**3,082.1**	**-**	**3,082.1**
Other comprehensive income	**-**	**-**	**-**	**211.1**	**6.2**	**123.0**	**340.3**	**-**	**340.3**	**-**	**340.3**
Total comprehensive income for the year	**-**	**-**	**-**	**211.1**	**6.2**	**3,154.4**	**3,371.7**	**50.7**	**3,422.4**	**-**	**3,422.4**
Dividends to shareholders	**-**	**-**	**-**	**-**	**-**	**(862.3)**	**(862.3)**	**-**	**(862.3)**	**-**	**(862.3)**
Scrip dividend related share issue	**12.0**	**(12.0)**	**-**	**-**	**-**	**355.7**	**355.7**	**-**	**355.7**	**-**	**355.7**
Issue of shares	**-**	**-**	**-**	**-**	**-**	**6.3**	**6.3**	**-**	**6.3**	**-**	**6.3**
Distributions to Hybrid equity holders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(50.7)**	**(50.7)**	**-**	**(50.7)**
Redemption of hybrid equity	**-**	**-**	**-**	**-**	**-**	**(4.6)**	**(4.6)**	**(421.4)**	**(426.0)**	**-**	**(426.0)**
Credit in respect of employee share awards	**-**	**-**	**-**	**-**	**-**	**20.8**	**20.8**	**-**	**20.8**	**-**	**20.8**
Investment in own shares	**-**	**-**	**-**	**-**	**-**	**(14.1)**	**(14.1)**	**-**	**(14.1)**	**-**	**(14.1)**
Acquisition of subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**40.6**	**40.6**
At 31 March 2022	**536.5**	**835.1**	**49.2**	**77.5**	**6.6**	**6,577.3**	**8,082.2**	**1,051.0**	**9,133.2**	**40.6**	**9,173.8**

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

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2022

	Note	2022 £m	2021 (restated*) £m
Operating profit – continuing operations	6	**3,755.4**	2,654.9
Operating (loss) – discontinued operations		**(100.5)**	121.6
Operating profits – total operations		**3,654.9**	2,776.5
Less share of loss/(profit) of joint ventures and associates		**(28.7)**	(132.0)
Operating profit before jointly controlled entities and associates		**3,626.2**	2,644.5
Pension service charges less contributions paid		**(23.0)**	(22.8)
Movement on operating derivatives		**(2,100.4)**	(590.1)
Depreciation, amortisation, write downs and impairments		**303.2**	637.9
Impairment of joint venture investment		**106.9**	-
Charge in respect of employee share awards (before tax)		**20.8**	18.1
Profit on disposal of assets and businesses	12	**(48.2)**	(1,227.9)
Release of provisions		**(1.6)**	(4.1)
Release of deferred income		**(17.6)**	(17.7)
Cash generated from operations before working capital movements		**1,866.3**	1,437.9
Increase in inventories		**(24.4)**	(71.7)
(Increase)/decrease in receivables		**(625.6)**	155.3
Increase in payables		**538.3**	420.0
Increase in provisions		**61.3**	36.1
Cash generated from operations		**1,815.9**	1,977.6
Dividends received from investments		**177.0**	191.1
Interest paid		**(273.5)**	(288.7)
Taxes paid		**(91.5)**	(62.8)
Net cash from operating activities		**1,627.9**	1,817.2
Purchase of property, plant and equipment		**(1,273.6)**	(985.0)
Purchase of other intangible assets		**(182.2)**	(192.3)
Deferred income received		**12.3**	11.2
Proceeds from disposals	12	**1,366.9**	1,734.8
Cash disposed from disposals		**-**	(172.8)
Purchase of businesses and subsidiaries		**(145.3)**	-
Joint venture development expenditure refunds		**136.7**	182.5
Loans and equity provided to joint ventures and associates		**(676.0)**	(188.9)
Loans and equity repaid by joint ventures		**10.9**	54.2
Increase in other investments		**5.4**	-
Net cash from investing activities		**(744.9)**	443.7
Proceeds from issue of share capital	14	**6.3**	10.4
Dividends paid to company's equity holders	10	**(506.6)**	(797.4)
Hybrid equity dividend payments	14	**(50.7)**	(46.6)
Employee share awards share purchase	14	**(14.1)**	(12.9)
Issue of hybrid instruments	14	**-**	1,051.0
Redemption of hybrid instruments	14	**(426.0)**	(750.0)
New borrowings		**506.1**	1,668.5
Seagreen development expenditure refinancing proceeds		**-**	246.1
Repayment of borrowings		**(960.1)**	(2,189.3)
Settlement of cashflow hedges		**11.2**	(5.1)
Net cash from financing activities		**(1,433.9)**	(825.3)
Net increase/(decrease) in cash and cash equivalents		**(550.9)**	1,435.6
Cash and cash equivalents at the start of year		**1,600.2**	164.6
Net (decrease)/increase in cash and cash equivalents		**(550.9)**	1,435.6
Cash and cash equivalents at the end of year		**1,049.3**	1,600.2

**The comparative consolidated cash flow statement has been restated. See note 2.3*

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

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

for the year ended 31 March 2022

1. FINANCIAL INFORMATION

The financial information set out in this announcement does not constitute the Group's consolidated financial statement for the years ended 31 March 2022 or 2021 but is derived from those accounts. Consolidated financial statements for the year ended 31 March 2021 were delivered to the Registrar of Companies, and those for the year ended 31 March 2022 will be delivered in due course. The auditors have reported on those accounts and their reports were (i) unqualified; (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. This preliminary announcement was authorised by the Board on 24 May 2022.

2. BASIS OF PREPARATION AND PRESENTATION

2.1 Basis of preparation

The financial information set out in this announcement has been extracted from the consolidated financial statements of SSE plc for the year ended 31 March 2022. These consolidated financial statements were prepared under the historical cost convention, excepting certain assets and liabilities stated at fair value and the liabilities of the Group's pension schemes which are measured using the projected unit credit method, in conformity with the requirements of the Companies Act 2006 and in accordance with UK adopted International Accounting Standards. This consolidated financial information has been prepared on the basis of accounting policies consistent with those applied in the consolidated financial statements for the year ended 31 March 2022 unless expressly stated otherwise.

The Directors consider that the Group has adequate resources to continue in operational existence for the period to 31 December 2023. The financial statements are therefore prepared on a going concern basis with the basis for that conclusion explained in the consolidated financial statements at note A6.3.

The financial statements are presented in Pounds Sterling.

2.2 Basis of presentation

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

2.3 Changes to presentation

2.3.1 Discontinued operations

On 2 August 2021, the Group announced it had agreed to sell its 33.3% stake in gas distribution operator SGN to a consortium comprising existing SGN shareholders Ontario Teachers' Pension Plan Board and Brookfield Super-Core Infrastructure Partners for cash consideration of £1,225m. The transaction completed on 22 March 2022, with the Group recognising an exceptional gain on disposal of £576.5m within discontinued activities. The Group assessed that the investment met the criteria to be classified as held for sale on 11 June 2021 when an Exclusivity Agreement was signed by the consortium. Accordingly, from 11 June 2021 the Group ceased to equity account for its investment in SGN on designation as held for sale. As the investment in SGN comprised a separate single major line of business, the investment was also classified as a discontinued operation. Therefore, comparative information for the year ended 31 March 2021 has been restated. The impact of reclassification of the SGN investment to discontinued operations has been to reduce adjusted operating profit for continuing operations for March 2021 by £173.0m; reduce adjusted profit before tax for continuing operations for March 2021 by £116.0m; and reduce adjusted earnings per share for continuing operations for March 2021 by 9.1p. Total results of the Group in the prior year are unchanged.

2.3.2 Segments

In accordance with the requirements of IFRS 8 'Operating Segments' the Group has aligned its segmental disclosures with its revised internal reporting following changes to the Group's structure and operations. These segments are used internally by the Group Executive Committee to in order to assess operating performance and to make decisions on how to allocate capital. Consequently, the segmental results reported in the Group's operating segments have been restated with effect from 1 April 2021. Following the Group's sale of its Contacting and Rail business to Aurelius Group, the primary retained activities of the Enterprise business is Distributed Energy which will develop and provide the Group's solar and battery storage operations and focus on distributed generation, heat and cooling networks, smart buildings and EV charging. Accordingly, the result from the Group's out of areas networks business and Neos Networks Limited joint venture will now be reported within SSEN Distribution and Corporate Unallocated respectively. Comparative segmental information in note 6 has been represented to reflect the change to these segments. The impact of the restatements are an increase to reported revenue of SSEN Distribution (March 2021: £25.0m) and a decrease to the reported revenue of Distributed Energy (March 2021: £25.0m), and an increase to the adjusted operating profit of SSEN Distribution (March 2021: £8.5m), an increase to the adjusted operating loss of Distributed Energy (March 2021: £5.7m) and an increase to the adjusted operating loss of Corporate Unallocated (March 2021: £2.8m).

2. BASIS OF PREPARATION AND PRESENTATION (CONTINUED)

2.4 Changes to estimates

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

3. NEW ACCOUNTING POLICIES AND REPORTING CHANGES

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

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

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

The amendment to IFRS 16 'Covid-19 Related Rent Concessions beyond 30 June 2021' had no impact on the financial statements.

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

A number of standards, amendments and interpretations have been issued but not yet adopted by the Group within these financial statements, because application is not yet mandatory or because UK adoption remains outstanding at the date the financial statements were authorised for issue.

Amendments to IAS 16 'Property, Plant and Equipment: Proceeds Before Intended Use' is effective from 1 January 2022 and was endorsed by the UK Endorsement Board in April 2022, subsequent to the balance sheet date. The standard will be applied from 1 April 2022, with retrospective application in periods presented. During the year ended 31 March 2022, the Group earned pre-commissioning revenue during the testing and commissioning phases of its Keadby 2 CCGT and Gordonbush windfarm extension project. Restatement of prior year comparatives will not have a material impact on reported results in those periods.

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

There are a number of other interpretations and amendments issued but not yet effective at 31 March 2022. These are not anticipated to have a material impact on the Group's consolidated financial statements.

4. ADJUSTED ACCOUNTING MEASURES

The Group applies the use of adjusted accounting measures or alternative performance measures ('APMs') throughout the Annual Report and Financial Statements. These measures enable the Directors to present the underlying performance of the Group and its segments to the users of the statements in a consistent and meaningful manner. The adjustments applied and certain terms such as 'adjusted operating profit', 'adjusted earnings per share', 'adjusted EBITDA', 'adjusted investment and capital expenditure', 'adjusted investment, capital and acquisition expenditure' and 'adjusted net debt and hybrid equity' that are not defined under IFRS and are explained in more detail below. In addition, the section 'Alternative Performance Measures' at page 2 provides further context and explanation of these terms.

4.1 Adjusted measures

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

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

The performance of the Group is reported based on adjusted profit before tax which excludes exceptional items and certain re-measurements, depreciation on fair value uplifts, the share of profit before tax attributable to non-controlling interests, non-recurring financing costs in joint ventures, the net interest costs associated with defined benefit schemes, adjustments to the retained Gas Production decommissioning provision and taxation on profits from equity-accounted joint ventures and associates. The interest charges or credits on defined benefit schemes removed are non-cash and are subject to variation based on actuarial valuations of scheme liabilities.

4. ADJUSTED ACCOUNTING MEASURES (CONTINUED)

4.1 Adjusted measures (continued)

The Group also uses adjusted earnings before interest, taxation, depreciation and amortisation ('adjusted EBITDA') as an alternative operating performance measure which acts as a management proxy for cash generated from operating activities. This does not take into account the rights and obligations that SSE has in relation to its equity-accounted joint ventures and associates. This measure excludes exceptional items and certain re-measurements, the depreciation charged on fair value uplifts, the share of EBITDA attributable to non-controlling interests, adjustments to the retained Gas Production decommissioning provision, non-recurring financing costs in joint ventures, the net interest costs associated with defined benefit schemes, depreciation and amortisation from equity-accounted joint ventures and associates and interest and taxation on profits from equity-accounted joint ventures and associates. For the purpose of calculating the 'Net Debt to EBITDA' metric referred at page 77, 'adjusted EBITDA' is further adjusted to remove the proportion of adjusted EBITDA from equity-accounted joint ventures relating to off-balance sheet debt (see note 6.3.)

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

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

Finally, the financial statements include an 'adjusted investment and capital expenditure' and an 'adjusted investment, capital and acquisition expenditure' measure. These metrics represent the capital invested by the Group in projects that are anticipated to provide a return on investment over future years or which otherwise support Group operations and is consistent with internally applied metrics. They therefore include capital additions to property, plant and equipment and intangible assets and also the Group's direct funding of joint venture and associates capital projects. The Group has considered it appropriate to report these values both internally and externally in this manner due to its use of equity-accounted investment vehicles to grow the Group's asset base, where the Group is providing a source of funding to the vehicle through either loans or equity. The Group does not include project funded capital additions in these metrics, nor does it include other capital invested in joint ventures and associates. Where initial capital funding of an equity accounted joint venture is refunded, these refunds are deducted from the metrics in the year the refund is received. In addition, the Group excludes from this metric additions to its property, plant and equipment funded by Customer Contributions and additions to intangible assets associated with Allowances and Certificates. The Group also excludes the share of investment and capital expenditure attributable to non-controlling interests. The 'adjusted investment, capital and acquisition expenditure' measure also includes cash consideration paid by the Group in business combinations which contribute to growth of the Group's capital asset base and is considered to be relevant metric in context of the Group's Net Zero Acceleration Programme. As with 'adjusted earnings per share', these measures are considered to be of relevance to the ordinary shareholders of the Group as well as other stakeholders and interested parties.

Reconciliations from reported measures to adjusted measures along with further description of the rationale for those adjustments are included in the "Adjusted Performance Measures" section at pages 52 to 60 before the summary Financial Statements.

4.2 Exceptional items and certain re-measurements

Exceptional items are those charges or credits that are considered unusual by nature and/or scale and of such significance that separate disclosure is required for the financial statements to be properly understood. The trigger points for recognition of items as exceptional 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 or improved significantly over time will only be captured to the extent observable at the balance sheet date. Examples of items that may be considered exceptional include material asset or business impairment charges, reversals of historic impairments, business restructuring costs and reorganisation costs, significant realised gains or losses on disposal, unrealised fair value adjustments on part disposal of a subsidiary and provisions in relation to contractual settlements associated with significant or material disputes and claims.

The Group operates a policy framework for estimating whether items are considered to be exceptional. This framework, which is reviewed annually, estimates the materiality of each broad set of potentially exceptional circumstances, after consideration of strategic impact and likelihood of recurrence, by reference to the Group's key performance measure of adjusted earnings per share. This framework estimates that any relevant 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 early stage international or offshore wind farm development projects which are considered non-exceptional in line with the Group's strategy to generate recurring gains from developer divestments.

4. ADJUSTED ACCOUNTING MEASURES (CONTINUED)

4.2 Exceptional items and certain re-measurements (continued)

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

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

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

4.3 Other additional disclosures

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

5. ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management are required to make 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, with the most significant financial judgement areas as specifically considered by the Audit Committee being highlighted separately.

5.1 Significant financial judgements and estimation uncertainties

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

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

The Group reviews the carrying amounts of its goodwill, other intangible assets, specific property, plant and equipment and investment assets to determine whether any impairment of the carrying value of those assets requires to be recorded. Where an indicator of impairment or impairment reversal exists, the recoverable amount of those assets is determined by reference to value in use calculations or fair value less cost to sell assessments, if more appropriate. The specific assets under review in the year ended 31 March 2022 are intangible development assets and specific property, plant and equipment assets related to gas storage and thermal power generation. In addition, the Group performed an impairment review over the carrying value of its investment in Neos Networks Limited.

In conducting its reviews, the Group makes judgements and estimates in considering both the level of cash generating unit (CGU) at which common assets such as goodwill are assessed against, as well as the estimates and assumptions behind the calculation of recoverable amount of the respective assets or CGUs.

Changes to the estimates and assumptions on factors such as regulation and legislation changes (including climate change related regulation), power, gas, carbon and other commodity prices, volatility of gas prices, plant running regimes and load factors, discount rates and other inputs could impact the assessed recoverable value of assets and CGUs and consequently impact the Group's income statement and balance sheet. Detail of the Group's impairment testing is included in note 15 to the consolidated financial statements.

(ii) Retirement benefit obligations – estimation uncertainty

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

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

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

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

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 is considered a significant estimate made by management in preparing the financial statements.

This estimation is subject to an internal corroboration process which compares of calculated unbilled volumes to a theoretical 'perfect billing' benchmark measure of unbilled volumes (in GWh and millions of therms) derived from historical weather-adjusted consumption patterns and aggregated metering data used in industry reconciliation processes. Furthermore, actual meter

5. ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)

5.1 Significant financial judgements and estimation uncertainties (continued)

readings and billings continue to be compared to unbilled estimates between the balance sheet date and the finalisation of the financial statements.

Given the non-routine process, the number and the extend of differing inputs and the requirement of management to apply judgement noted above, the estimated revenue is considered a significant estimate made by management in preparing the financial statements.

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

The Group holds a £100m loan note due from Ovo Energy Limited following the disposal of SSE Energy Services on 15 January 2020. The loan carries interest at 13.25% and is presented cumulative of accrued interest payments, discounted at 13.25%. At 31 March 2022, the carrying value (net of expected credit loss provision of £1.8m) is £131.0m).

Consistent with the prior year, the Group has assessed recoverability of the loan note receivable and has recognised a provision for expected credit loss in accordance with the requirements of IFRS 9. Due to recent market volatility, the Group's assessment of the value of the loan note is now considered a more significant financial judgement. While the carrying value is considered to be appropriate, changes in economic conditions could lead to a change in the level of expected credit loss incurred by the Group.

(v) Impact of climate change and the transition to net zero – financial judgement and estimation uncertainty

Climate change and the transition to net zero have been considered in the preparation of these financial statements. The Group has a clearly articulated Net Zero Acceleration Programme ('NZAP') to lead in the UK's transition to net zero and aligns its investment plans and business activities to that strategy. The impact of future climate change regulation could have a material impact on the currently reported amounts of the Group's assets and liabilities.

In preparing these financial statements, the following has been considered:

Valuation of property, plant and equipment, and impairment assessment of goodwill

In the medium term, the transition to net zero may result in regulation restricting electricity generation from unabated gas fired power stations. The Group's view is that flexible generation capacity, such as the Group's fleet of CCGT power stations, will be an essential part of the net zero transition in order to provide security of supply to a market which is increasingly dependent upon renewable sources, which are inherently intermittent. The majority of the Group's GB CCGT fleet is nearing the end of its economic life and it is not currently expected that regulation to require abatement would be introduced before the planned closure of those power stations. Of the value capitalised at 31 March 2022, only two assets are forecast to continue to operate beyond 2030, being Great Island and Keadby 2. The Group's view is that Great Island will continue to be essential to providing security of supply in the Irish electricity market. Keadby 2 is nearing completion and has achieved market leading efficiency throughout test operations. Therefore, the Group considers that other assets operating in the market would be more likely to close before Keadby 2 and the plant will continue to be required to balance the UK electricity market beyond 2030. As a result, the useful economic life of both assets has not been shortened when preparing the 31 March 2022 financial statements. The Group assesses the useful economic life of its Property, Plant and Equipment assets annually. In the short term, the economic return from the balancing activity provided by the Group's GB CCGT assets has increased due to scarcity of supply in the UK electricity market, resulting in the reversal of historic impairments at 31 March 2022.

A significant increase in renewable generation capacity in the Group's core markets could potentially result in an oversupply of renewable electricity at a point in the future, which would lead to a consequential decrease in the power price achievable for the Group's wind generation assets. The Group has not assessed that this constitutes an indicator of impairment at 31 March 2022 as the Group's baseline investment case models assume a centrally approved volume of new build in these markets. The Group's policy is to test the goodwill balances associated with wind generation portfolio for impairment on an annual basis. Through this impairment assessment, a sensitivity to power price, which may arise in a market with significant new build, was modelled. This scenario indicated that, despite a modelled 10% reduction in power price, there remained significant headroom on the carrying value in the Group's wind generation assets.

Another climate related risk to SSE's valuation bases could be changes to weather patterns resulting from global warming. This in turn could result in calmer, drier weather patterns, which would reduce volumes achievable for the Group's wind and hydro generation assets (although noting that this would likely lead to capacity constraints and hence higher prices). This has not been assessed as an indicator of impairment at 31 March 2022, as there is no currently observable evidence to support that scenario directly. However, the Group has performed a sensitivity to its impairment modelling and has assessed that a 15% reduction in achievable volume would result in significant headroom on the carrying value of the assets at 31 March 2022.

Valuations of decommissioning provisions

The Group holds decommissioning provisions for its Renewable and Thermal generation assets and has retained a 60% share for the decommissioning of its disposed Gas Production business. As noted above, the Group's view at 31 March 2022 is that climate change regulation will not bring forward the closure dates of its CCGT fleet, many of which are expected to close before 2030. Similarly, it is expected that fundamental changes to weather patterns, or the impact of new wind generation capacity will not bring forward the decommissioning of the Group's current wind farm portfolio.

The discounted share of the Gas Production provision is £249.4m. At 31 March 2022, the impact of discounting of this retained provision is £33.8m, which is expected to be incurred across the period to 31 March 2037. If the decommissioning activity was accelerated due to changes in legislation, the costs of unwinding the discounting of the provision would be recognised earlier.

5. ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)

5.2 Other accounting judgements – changes from prior year

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

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

5.3 Other areas of estimation uncertainty

(i) Tax provisioning

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

In estimating any such liability, the Group applies a risk-based approach, taking into account the specific circumstances of each dispute based on management's interpretation of tax law and supported, where appropriate, by discussion and analysis by external tax advisors. These estimates are inherently judgemental and could change substantially over time as disputes progress 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 £27.9m at 31 March 2022 (2021: £37.6m). The Group estimates that a reasonably possible range of settlement outcomes for the uncertain tax provisions given their binary nature is between nil and the full value of the provision.

(ii) Decommissioning costs

The calculation of the Group's decommissioning provisions involves the estimation of quantum and timing of cash flows to settle the obligation. The Group engages independent valuation experts to estimate the cost of decommissioning its Renewable, Thermal and Gas Storage assets every three years based on current technology and prices. The last independent assessment for Renewable and Thermal generation assets was performed in the year to 31 March 2022. The last formal assessment for Gas Storage assets was performed in the year to 31 March 2020. Retained decommissioning costs in relation to the disposed Gas Production business are periodically agreed with the field operators and reflect the latest expected economic production lives of the fields.

The dates for settlement of future decommissioning costs are uncertain, particularly for the disposed gas exploration and production business where reassessment of gas and liquids reserves and fluctuations in commodity prices can lengthen or shorten the field life.

Further detail on the assumptions applied, including expected decommissioning dates, and movement in decommissioning costs during the year are disclosed at note 20 of the Group's consolidated financial statements.

6. SEGMENTAL INFORMATION

The changes to the Group's segments in the year are explained at note 2.3 and includes the realignment of the activities of the Distributed Energy business (from the Enterprise segment) and the impact of the Group's investment in SGN being classified as a discontinued operation prior to disposal on 22 March 2022. Comparative information has been represented to reflect the change to these segments. The Group's Gas Production business was disposed on 14 October 2021 and is presented separately as a discontinued operation. The Group's 'Corporate unallocated' segment is the Group's residual corporate central costs which cannot be allocated to individual segments and which now includes the contribution from the Group's Neos Networks joint venture.

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

Continuing operations		
Business Area	**Reported Segments**	**Description**
Transmission	SSEN Transmission	The economically regulated high voltage transmission of electricity from generating plant to the distribution network in the North of Scotland. Revenue earned from constructing, maintaining and renovating our transmission network is determined in accordance with the regulatory licence, based on an Ofgem approved revenue model and is recognised as charged to National Grid. The revenue earned from other transmission services such as generator plant connections is recognised in line with delivery of that service over the expected contractual period and at the contracted rate.
Distribution	SSEN Distribution	The economically regulated lower voltage distribution of electricity to customer premises in the North of Scotland and the South of England. This now includes the result from the Group's out of area networks business. Revenue earned from delivery of electricity supply to customers is recognised based on the volume of electricity distributed to those customers and the set customer tariff. The revenue earned from other distribution services such as domestic customer connections is recognised in line with delivery of that service over the expected contractual period and at the contracted rate.
Renewables	SSE Renewables	The generation of electricity from renewable sources, such as onshore and offshore windfarms and run of river and pumped storage hydro assets in the UK and Ireland. Revenue from physical generation of electricity sold to SSE EPM is recognised as generated, based on the contracted or spot price at the time of delivery. Revenue from national support schemes (such as Renewable Obligation Certificates or the Capacity Market) may either be recognised in line with electricity being physically generated or over the contractual period, depending on the underlying performance obligation.
Thermal	SSE Thermal	The generation of electricity from thermal plant and the Group's interests in multifuel assets in the UK and Ireland. Revenue from physical generation of electricity sold to SSE EPM is recognised as generated, based on the contract or spot price at the time of delivery. Revenue from national support schemes (such as the Capacity Market) and ancillary generation services may either be recognised in line with electricity being physically generated or over the contractual period, depending on the underlying performance obligation.
	Gas Storage	The operation of gas storage facilities in the UK, utilising capacity to optimise trading opportunity associated with the assets. Contribution arising from trading activities is recognised as realised based on the executed trades or withdrawal of gas from caverns.
Energy Customer Solutions	Business Energy	The supply of electricity gas to business customers in Great Britain. Revenue earned from the supply of energy is recognised in line with the volume delivered to the customer, based on actual and estimated volumes, and reflecting the applicable customer tariff after deductions or discounts.
	Airtricity	The supply of electricity, gas and energy related services to residential and business customers in the Republic of Ireland and Northern Ireland. Revenue earned from the supply of energy is recognised in line with the volume delivered to the customer, based on actual and estimated volumes, and reflecting the applicable customer tariff after deductions or discounts. Revenue earned from energy related services may either be recognised over the expected contractual period or following performance of the service, depending on the underlying performance obligation.

6. SEGMENTAL INFORMATION (CONTINUED)

Business Area	Reported Segments	Description
Distributed Energy	Distributed Energy	The provision of services to enable customers to optimise and manage low carbon energy use; development and management of battery storage and solar assets; distributed generation, independent distribution, heat and cooling networks, smart buildings and EV charging activities. The results of the Group's Contracting and Rail business was included within this segment until it was disposed on 30 June 2021.
EPM & I	Energy Portfolio Management (EPM)	The provision of a route to market for the Group's Renewable, Thermal and commodity procurement for the Group's energy supply businesses in line with the Group's stated hedging policies. Revenue from physical sales of electricity, gas and other commodities produced by SSE is recognised as supplied to either the national settlements body or the customer, based on either the spot price at the time of delivery or trade price where that trade is eligible for "own use" designation. The sale of commodity optimisation trades is presented net in cost of sales alongside purchase commodity optimisation trades.

Discontinued operations		
Business Area	**Reported Segments**	**Description**
EPM & I	Gas Production	The production and processing of gas and oil from North Sea fields. Revenue is recognised based on the production that has been delivered to the customer at the specified delivery point, at the applicable contractual market price.
Gas Distribution	SGN	SSE's share of Scotia Gas Networks, which operates two economically regulated gas distribution networks in Scotland and the South of England. The revenue earned from transportation of natural gas to customers is recognised based on the volume of gas distributed to those customers and the set customer tariff.

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

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

6. SEGMENTAL INFORMATION (CONTINUED)

6.1 Revenue by segment

	Reported revenue 2022 £m	**Intra-segment revenue (i) 2022 £m**	**Segment revenue 2022 £m**	Reported revenue 2021 (restated*) £m	Intra-segment revenue (i) 2021 £m	Segment revenue 2021 (restated*) £m
Continuing operations						
SSEN Transmission	**589.7**	**-**	**589.7**	404.9	-	404.9
SSEN Distribution	**954.6**	**78.6**	**1,033.2**	834.5	69.1	903.6
SSE Renewables	**357.4**	**418.8**	**776.2**	281.9	544.2	826.1
SSE Thermal	**844.2**	**285.0**	**1,129.2**	504.0	699.0	1,203.0
Gas storage	**8.7**	**2,471.1**	**2,479.8**	7.1	766.0	773.1
Energy Customer Solutions						
Business Energy	**2,289.0**	**34.5**	**2,323.5**	1,934.5	30.5	1,965.0
SSE Airtricity	**1,177.3**	**451.3**	**1,628.6**	1,072.7	61.5	1,134.2
Distributed Energy	**176.9**	**25.4**	**202.3**	334.5	33.6	368.1
EPM:						
Gross trading	**12,808.3**	**7,160.2**	**19,968.5**	8,811.9	2,699.3	11,511.2
Optimisation trades	**(10,667.6)**	**(2,914.0)**	**(13,581.6)**	(7,449.2)	(155.8)	(7,605.0)
EPM	**2,140.7**	**4,246.2**	**6,386.9**	1,362.7	2,543.5	3,906.2
Corporate unallocated	**69.7**	**147.7**	**217.4**	89.6	189.4	279.0
Total	**8,608.2**	**8,158.6**	**16,766.8**	6,826.4	4,936.8	11,763.2
Discontinued operations						
Gas Production	**8.1**	**133.9**	**142.0**	14.2	90.8	105.0
Total SSE Group	**8,616.3**	**8,292.5**	**16,908.8**	6,840.6	5,027.6	11,868.2

**The comparative segment revenue has been restated. See note 2.3.*

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

Revenue from the Group's joint venture investment in Scotia Gas Networks Limited, SSE's share being £60.4m (2021: £411.8m) for the period to 11 June 2021, is not recorded in the revenue line in the income statement.

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

	2022 £m	2021 £m
UK	**7,292.1**	5,834.4
Ireland	**1,316.1**	992.0
	8,608.2	6,826.4

6. SEGMENTAL INFORMATION (CONTINUED)

6.2 Operating profit/(loss) by segment

	2022						
	Adjusted operating profit reported to the Board	Depreciation on fair value uplifts	JV/ Associate share of interest and tax (i)	Adjustments to Gas Production decommissioning provision	Before exceptional items and certain re-measurements	Exceptional items and certain re-measurements	Total
	£m	£m	£m	£m	£m	£m	£m
Continuing operations							
SSEN Transmission	380.5	-	-	-	380.5	-	380.5
SSEN Distribution	351.8	-	-	-	351.8	-	351.8
SSE Renewables	568.1	(18.8)	(92.9)	-	456.4	(28.6)	427.8
SSE Thermal	306.3	-	(9.5)	-	296.8	333.3	630.1
Gas Storage	30.7	-	-	-	30.7	94.7	125.4
Energy Customer Solutions							
Business Energy	(21.5)	-	-	-	(21.5)	-	(21.5)
SSE Airtricity (i)	60.4	-	-	-	60.4	-	60.4
Distributed Energy	(10.9)	-	-	-	(10.9)	(18.3)	(29.2)
EPM	(16.8)	-	-	-	(16.8)	2,100.4	2,083.6
Corporate							
Corporate unallocated	(95.7)	-	(4.7)	(13.1)	(113.5)	-	(113.5)
Neos	(16.1)	(1.8)	(7.0)	-	(24.9)	(115.1)	(140.0)
Total continuing operations	1,536.8	(20.6)	(114.1)	(13.1)	1,389.0	2,366.4	3,755.4
Discontinued operations							
Gas Production	101.4	-	-	-	101.4	(120.8)	(19.4)
SGN	21.0	-	(12.8)	-	8.2	487.2	495.4
Total discontinued operations	122.4	-	(12.8)	-	109.6	366.4	476.0
Total SSE Group	1,659.2	(20.6)	(126.9)	(13.1)	1,498.6	2,732.8	4,231.4

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

6. SEGMENTAL INFORMATION (CONTINUED)

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

	2021 (restated*)						
	Adjusted operating profit reported to the Board	Depreciation on fair value uplifts	JV/ Associate share of interest and tax (i)	Adjustments to Gas Production decommissioning provision	Before exceptional items and certain re-measurements	Exceptional items and certain re-measurements	Total
	£m	£m	£m	£m	£m	£m	£m
Continuing operations							
SSEN Transmission	220.9	-	-	-	220.9	-	220.9
SSEN Distribution	275.8	-	-	-	275.8	-	275.8
SSE Renewables	731.8	(18.8)	(71.4)	-	641.6	214.4	856.0
SSE Thermal	160.5	-	(19.6)	-	140.9	634.4	775.3
Gas Storage	(5.7)	-	-	-	(5.7)	8.5	2.8
Energy Customer Solutions							
Business Energy	(24.0)	-	-	-	(24.0)	20.1	(3.9)
SSE Airtricity	44.0	-	-	-	44.0	6.0	50.0
Distributed Energy	(27.0)	-	-	-	(27.0)	(49.1)	(76.1)
EPM	18.4	-	-	-	18.4	590.1	608.5
Corporate							
Corporate unallocated	(58.4)	(1.8)	(2.4)	-	(62.6)	22.3	(40.3)
Neos	(2.8)	-	(11.3)	-	(14.1)	-	(14.1)
Total continuing operations	1,333.5	(20.6)	(104.7)	-	1,208.2	1,446.7	2,654.9
Discontinued operations							
Gas Production	33.0	-	-	-	33.0	-	33.0
SGN	173.0	-	(86.0)	-	87.0	1.6	88.6
Total discontinued operations	206.0	-	(86.0)	-	120.0	1.6	121.6
Total SSE Group	1,539.5	(20.6)	(190.7)	-	1,328.2	1,448.3	2,776.5

**The comparative operating profit by segment information has been restated. See note 2.3.*

6. SEGMENTAL INFORMATION (CONTINUED)

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

2022	Adjusted operating profit reported to the Board (note 6.2) £m	Depreciation on fair value uplifts £m	Depreciation/ impairment/ amortisation before exceptional charges £m	JV/ Associate share of depreciation and amortisation £m	Release of deferred income £m	Adjusted EBITDA £m
Continuing operations						
SSEN Transmission	380.5	-	103.2	-	(3.8)	479.9
SSEN Distribution	351.8	-	195.9	-	(11.6)	536.1
SSE Renewables	568.1	(18.8)	160.9	85.4	-	795.6
SSE Thermal	306.3	-	70.2	19.0	-	395.5
Gas Storage	30.7	-	0.8	-	-	31.5
Energy Customer Solutions						
Business Energy	(21.5)	-	11.3	-	-	(10.2)
SSE Airtricity	60.4	-	1.7	-	-	62.1
Distributed Energy	(10.9)	-	7.4	-	(1.3)	(4.8)
EPM	(16.8)	-	4.5	-	-	(12.3)
Corporate						
Corporate unallocated	(95.7)	-	56.1	-	(0.9)	(40.5)
Neos	(16.1)	(1.8)	-	42.2	-	24.3
Total continuing operations	1,536.8	(20.6)	612.0	146.6	(17.6)	2,257.2
Discontinued operations						
Gas Production	101.4	-	-	-	-	101.4
SGN	21.0	-	-	11.1	-	32.1
Total discontinued operations	122.4	-	-	11.1	-	133.5
Total SSE Group	1,659.2	(20.6)	612.0	157.7	(17.6)	2,390.7

Note that the Group's 'Net Debt to EBITDA' metric is derived after removing the proportionate EBITDA from the following debt-financed JVs: Beatrice and Cloosh. This adjustment is £125.4m (2021: £110.5m) (restated) resulting in EBITDA on continuing operations for inclusion in the Debt to EBITDA metric of £2,131.2m (2021: £1,884.8m restated).

6. SEGMENTAL INFORMATION (CONTINUED)

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

	2021 (restated*)					
	Adjusted operating profit reported to the Board (note 6.2) £m	Depreciation on fair value uplifts £m	Depreciation/ impairment/ amortisation before exceptional charges £m	JV/ Associate share of depreciation and amortisation £m	Release of deferred income £m	Adjusted EBITDA £m
Continuing operations						
SSEN Transmission	220.9	-	87.1	-	(2.6)	305.4
SSEN Distribution	275.8	-	168.8	-	(11.3)	433.3
SSE Renewables	731.8	(18.8)	158.0	90.1	-	961.1
SSE Thermal	160.5	-	54.3	15.8	(1.0)	229.6
Gas Storage	(5.7)	-	0.8	-	-	(4.9)
Energy Customer Solutions						
Business Energy	(24.0)	-	4.6	-	-	(19.4)
SSE Airtricity	44.0	-	7.5	-	-	51.5
Distributed Energy	(27.0)	-	8.2	-	(1.7)	(20.5)
EPM	18.4	-	5.3	-	-	23.7
Corporate						
Corporate unallocated	(58.4)	(1.8)	61.6	2.7	(1.1)	3.0
Neos	(2.8)	-	-	35.3	-	32.5
Total continuing operations	1,333.5	(20.6)	556.2	143.9	(17.7)	1,995.3
Discontinued operations						
Gas Production	33.0	-	-	-	-	33.0
SGN	173.0	-	-	61.6	-	234.6
Total discontinued operations	206.0	-	-	61.6	-	267.6
Total SSE Group	1,539.5	(20.6)	556.2	205.5	(17.7)	2,262.9

**The comparative EBITDA by segment information has been restated. See note 2.3.*

7. EXCEPTIONAL ITEMS AND CERTAIN RE-MEASUREMENTS

	2022 £m	2021 (restated*) £m
Continuing operations		
Exceptional items		
Asset impairments and related (charges) and credits	**322.6**	(50.4)
Provisions for restructuring and other liabilities	**-**	(75.3)
	322.6	(125.7)
Net (losses)/gains on disposals of businesses and other assets	**(17.6)**	976.0
Total exceptional items	**305.0**	850.3
Certain re-measurements		
Movement on operating derivatives (note 16)	**2,100.4**	590.1
Movement in fair value of commodity stocks	**(2.6)**	8.5
Movement on financing derivatives (note 16)	**21.0**	55.6
Share of movement on derivatives in jointly controlled entities (net of tax)	**-**	(0.8)
Total certain re-measurements	**2,118.8**	653.4
Exceptional items and certain re-measurements on continuing operations before taxation	**2,423.8**	1,503.7
Taxation		
Taxation on other exceptional items	**(79.0)**	3.1
Taxation on certain re-measurements	**(408.0)**	(125.9)
Effect of deferred tax rate change in wholly owned entities	**(244.7)**	-
Effect of deferred tax rate change in jointly controlled entities	**(33.2)**	-
Taxation	**(764.9)**	(122.8)
Total exceptional items and certain re-measurements on continuing operations after taxation	**1,658.9**	1,380.9
Discontinued operations		
Exceptional items		
Gas production disposal and related charges	**(120.8)**	-
Net gain on disposal of jointly controlled entities	**576.5**	-
Share of movement on derivatives in jointly controlled entities (net of tax)	**(3.8)**	1.6
Effect of deferred tax rate change in jointly controlled entities	**(85.5)**	-
Exceptional items and certain re-measurements on discontinued operations after taxation	**366.4**	1.6

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

	2022 £m	2021(restated*) £m
Continuing operations		
Cost of sales:		
Movement on operating derivatives (note 16)	**2,100.4**	590.1
Movement in fair value of commodity stocks	**(2.6)**	8.5
	2,097.8	598.6
Operating costs:		
Asset impairments and reversals	**322.6**	(30.1)
SSE Energy Services related restructuring costs and asset impairments	**-**	(24.2)
Other exceptional provisions and charges	**(25.1)**	(72.8)
	297.5	(127.1)
Operating income:		
Net gains on disposals of businesses and other assets	**4.3**	976.0
Joint ventures and associates:		
Share of movement on derivatives in jointly controlled entities (net of tax)	**-**	(0.8)
Effect of deferred tax rate change in jointly controlled entities	**(33.2)**	-
	(33.2)	(0.8)
Operating profit	**2,366.4**	1,446.7
Finance income		
Movement on financing derivatives (note 16)	**21.0**	55.6
Interest income on deferred consideration receipt	**3.2**	1.4
	24.2	57.0
Profit before taxation on continuing operations	**2,390.6**	1,503.7
Discontinued operations		
Gas Production asset impairments and related charges	**(120.8)**	-
Joint ventures and associates:		
Net gain on disposal of jointly controlled entities	**576.5**	-
Share of movement on derivates in jointly controlled entities (net of tax)	**(3.8)**	1.6
Profit before tax on discontinued operations	**451.9**	1.6

**The comparatives have been restated. See note 2.3.*

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

7.1 Exceptional items

7.1.1 Exceptional items in the year ended 31 March 2022

In the year to 31 March 2022, the Group recognised a net exceptional credit of £305.0m arising from its continuing operations. The net exceptional credit is primarily due to impairment reversals of £331.5m in relation to the Group's GB combined cycle gas turbine ('CCGT') power stations and the Group's Great Island CCGT plant in Ireland and impairment reversals of £97.3m related to the Group's Gas Storage operations at Atwick and Aldbrough. These credits have been offset by an impairment loss of £106.9m recognised in relation to the Group's investment in Neos Networks, a further £18.9m loss recognised on completion of the disposal of SSE Contracting on 30 June 2021 and £6.2m consideration adjustment associated with the disposal of the Group's 50% stake in Neos Networks, which completed in the year ended 31 March 2019.

In discontinued operations, the Group recognised an exceptional gain on the disposal of the Group's 33.3% investment in SGN of £576.5m, offset by an exceptional charge of £120.8m associated with the disposal of its Gas Production assets, which completed on 14 October 2021.

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

	Property, plant and equipment £m	Assets held for sale £m	Provisions and other charges £m	Investments in joint ventures £m	Other receivables £m	Total charges/ (credits) £m
Thermal Electricity Generation (i)	**(331.6)**	-	-	-	-	**(331.6)**
Gas storage (ii)	**(97.3)**	-	-	-	-	**(97.3)**
SSE Contracting (iii)	-	-	**18.9**	-	-	**18.9**
Neos Networks (iv)	-	-	**6.2**	**106.9**	-	**113.1**
Other credits (v)	**(0.6)**	-	-	-	**(7.5)**	**(8.1)**
Total exceptional items continuing operations	**(429.5)**	-	**25.1**	**106.9**	**(7.5)**	**(305.0)**
SGN disposal gain (vi)	-	-	-	-	**(576.5)**	**(576.5)**
Gas Production (vii)	-	**120.8**	-	-	-	**120.8**
Total exceptional items discontinued operations	-	**120.8**	-	-	**(576.5)**	**(455.7)**
Total exceptional items	**(429.5)**	**120.8**	**25.1**	**106.9**	**(584.0)**	**(760.7)**

(i) Thermal Electricity Generation – impairment reversals

At 31 March 2022, the Group has carried out a formal impairment review in order to assess the carrying value of its GB combined cycle gas turbine ('CCGT') power stations and the Group's Great Island CCGT plant in Ireland. As a result of the assessment, the Group has recognised an exceptional impairment reversal of £331.6m to the carrying value of the assets.

(ii) Gas Storage – impairment reversals

At 31 March 2022, the Group has carried out a formal impairment review in order to assess the carrying value of its Gas Storage operations at Atwick and Aldbrough. As a result of the assessment, the Group has recognised an exceptional impairment reversal of £97.3m to the carrying value of the assets.

(iii) SSE Contracting – loss on disposal

On 30 June 2021, the Group completed the sale of its Contracting and Rail business to the Aurelius Group for headline consideration of £22.5m and £5m of contingent consideration, based on earning targets within the business. Due to working capital adjustments, cash consideration received was £0.2m. The Group recorded a further exceptional loss on disposal of £18.9m on completion, in addition to the exceptional impairment loss of £51.2m recognised during the year ended 31 March 2021.

(iv) Neos Networks – investment impairment and adjustments to consideration

At 31 March 2022, the Group has assessed that the value of its investment in Neos Networks has been impaired by £106.9m.

In the year ended 31 March 2019, the Group disposed of 50% of its stake in Neos Networks Limited (formerly SSE Telecommunications Limited) to Infracapital Partners III, 'Infracap', for initial consideration of £215.0m and the potential for a further £165m of contingent consideration dependent on achievement of certain targets. In the year ended 31 March 2022, the Group reassessed its position relating to the retained contingent elements and its contractual position with Infracap, with the net impact being the recognition of an exceptional charge of £6.2m.

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

7.1 Exceptional items (continued)

7.1.1 Exceptional items in the year ended 31 March 2022 (continued)

(v) Other credits

At 31 March 2022, the Group recognised further exceptional credits of £8.1m relating to reversal of previously recognised exceptional charges or judgements. These included i) reassessment of impairments associated with Heat Networks assets (credit of £0.6m), ii) credit of £3.2m (2021: £1.4m) in relation the unwind of discounting on deferred consideration recognised on the part disposal of SSE Slough Multifuel Limited in the year ending 31 March 2021, iii) credit of £4.3m in relation to a gain on disposal of historically impaired land at Seabank.

EXCEPTIONAL ITEMS WITHIN DISCONTINUED OPERATIONS IN THE YEAR ENDED 31 MARCH 2022

(vi) SGN disposal gain

On 2 August 2021, the Group announced it had agreed to sell its 33.3% investment in SGN to a consortium comprising existing SGN shareholders Ontario Teachers' Pension Plan Board and Brookfield Super-Core Infrastructure Partners for cash consideration of £1,225m. The transaction completed on 22 March 2022, with the Group recognising an exceptional gain on disposal of £576.5m. See note 12 for further information.

(vii) Gas Production – loss on disposal

The Group recorded an exceptional disposal loss of £120.8m related to sale of its Gas Production assets and liabilities to Viaro Energy through its subsidiary RockRose Energy Limited which completed on 14 October 2021. At 30 September 2021 an impairment charge of £93.9m was recognised in relation to the loss on sale incurred to 30 September 2021 under the transaction's lock box mechanism. The further £26.9m recognised in the second half of the financial year represents the profit for the business due to the buyer between 1 October 2021 and the disposal date on 14 October 2021.

7.1.2 Exceptional items in the year ended 31 March 2021

In the year to 31 March 2021, the Group recognised a net exceptional credit of £850.3m in its continuing operations. The net exceptional credit was primarily due to gains on disposal of the Group's stakes in Ferrybridge Multifuel (£669.9m), Walney offshore windfarm (£188.7m) and Maple SmartMeterCo (£70.4m). In addition, the Group reversed £26.1m of prior year exceptional provisions for bad debt arising from coronavirus and recorded exceptional gains following the fair value uplift of its retained stakes in SSE Slough Multifuel Limited (£21.3m) and Seagreen Holdco 1 Limited (£25.7m). These exceptional credits were offset by an impairment to the Group's Great Island Thermal CCGT plant of £58.1m and a write down to fair value less costs to sell SSE Contracting, which was held for sale at 31 March 2021, of £51.2m. Finally, the Group incurred £24.2m of further charges related to the disposal of SSE Energy Services which was completed in 2020 and reduced the overall gain on disposal, completed in the year ended 31 March 2019, of Neos Networks Limited by £21.8m.

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

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

(i) Thermal Electricity Generation

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

(ii) Customer bad debt provisioning

In the year ending 31 March 2020, the Group recognised an exceptional provision for exposure to bad debts of £33.7m specifically related to the coronavirus pandemic within its Business Energy (£27.7m) and Airtricity (£6.0m) businesses. The initial outbreak of the pandemic happened late in 2019 and the UK remained in lockdown at the date of approval of the Annual Report on 16 June 2020, which meant that there was significant uncertainty surrounded the judgement at that date. The provision reflected the Group's best estimate at that date and was treated as an adjusting post balance sheet event. During the year to 31 March 2021, the Group achieved higher cash collections in recovery of its debt than was expected, largely due to government support schemes and other factors. As a result, an exceptional reversal of the provision of £20.1m in its Business Energy and £6.0m in its Airtricity businesses was recognised.

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

7.1 Exceptional items (continued)

7.1.2 Exceptional items in the year ended 31 March 2021 (continued)

(iii) SSE Contracting – impairment charges

On 1 April 2021, subsequent to the balance sheet date, the Group announced the sale of its Contracting & Rail business to Aurelius Group. The transaction was for initial consideration of £17.5m, plus a loan note receivable of £5m, and a further £5m of contingent consideration based upon future financial performance of the business. At 31 March 2021, the Group classified its interest in the business as held for sale and impaired the carrying amount of the held for sale asset to its net realisable value, resulting in an impairment of £51.2m. The transaction completed on 30 June 2021.

(iv) SSE Energy Services – disposal costs

In 2020, the Group disposed of its SSE Energy Services business to Ovo Energy Limited, incurring an exceptional loss of £237.7m. The calculation of the loss included estimates for costs of disposal and separation which were subsequently re-estimated in the year to 31 March 2021. These additional costs of disposal, which total £24.2m, included increased estimates of the cost of IT separation and decommissioning and the impairment of SSE properties which were wholly (or substantially) leased to the disposal group.

(v) Neos Networks adjustment to consideration

In the financial year to 31 March 2019, the Group disposed of 50% of its stake in Neos Networks Limited (formerly SSE Telecommunications Limited) to Infracapital Partners III, 'Infracap', for initial consideration of £215.0m and the potential for a further £165m of contingent consideration dependent on achievement of certain targets. In the year ended 31 March 2021, the Group received further cash proceeds of £44m relating to previously accrued deferred consideration but also reassessed its position relating to the retained contingent elements and its contractual position with Infracap, with the net impact being the recognition of an exceptional charge of £20.2m.

(vi) Other charges

At 31 March 2021, the Group recognised further exceptional credits of £3.4m relating to reversal of previously recognised exceptional charges or judgements. These included i) reassessment of impairments associated with Heat Networks assets (credit of £2.1m), ii) credit of £1.3m in relation to a gain on disposal of the historically impaired Barkip anaerobic digestion plant.

(vii) Disposal gains

During the year ended 31 March 2021 the Group progressed with its disposal plan for non-core assets announced in June 2020, which resulted in exceptional gains on disposal. The exceptional gains on disposal totalling £976.0m are summarised below. Further detail on the disposals in the year is provided in note 12.

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

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

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

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

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

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

7.1 Exceptional items (continued)

7.1.3 Exceptional items in the year ended 31 March 2020

In the year to 31 March 2020, the Group recognised a net exceptional charge of £209.7m in its continuing operations and a charge of £529.0m in its discontinued operations. The net exceptional charge in continuing operations was primarily due to the closure of Fiddler's Ferry coal fired power station (£112.3m), provisions for bad debts as a result of coronavirus of £33.7m, impairments to SSE assets as a result of the disposal of SSE Energy Services (£48.8m) and other asset impairments and restructuring costs of £45.6m. These exceptional charges were offset by gains on disposal of £30.6m in total related to recognition of additional contingent consideration, offset by related costs and including £2.4m of discount unwind, in relation to the 31 March 2019 disposal of SSE Telecommunications and a completion accounts adjustment to the gain on sale of Stronelairg and Dunmaglass windfarms, also from 31 March 2019 financial year.

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

The net exceptional items recognised can be summarised as follows:

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

7.2 Certain re-measurements

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

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

At 31 March 2022, volatility in global commodity markets has resulted in an 'in the money' mark-to-market remeasurement on commodity contracts (predominately gas purchases) designated as financial instruments and trading inventory of £2,100.4m (2021: £590.1m). However, the Group has executory 'own use' designated commodity contracts (predominately electricity sales) which, if classified as financial instruments and remeasured at fair value in accordance with IFRS 9, would significantly reduce the total fair value remeasurement and closing asset value. A significant proportion of 'in the money' mark-to-market remeasurement recorded at 31 March 2022 and unvalued 'own use' designated commodity contracts are expected to reverse in the next financial year as the relevant commodity is delivered. The remaining settlement of these contracts will predominately be within the subsequent 12 to 24 months. The mark-to-market gain in the year has resulted in a deferred tax charge of £408.0m, which has also been classified as exceptional.

The re-measurements arising from IFRS 9 and the associated deferred tax are disclosed separately to aid understanding of the underlying performance of the Group.

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

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

7.3 Change in UK corporation tax rates

The Government announced in the Budget on 3 March 2021 that the main rate of corporation tax will increase to 25% for the financial year beginning 1 April 2023. Prior to this date, the rate of corporation tax will remain at 19%. The increase to 25% was substantively enacted at 24 May 2021 and therefore the deferred tax balances have been re-measured at 31 March 2022. The rate change resulted in an income statement charge for continuing operations of £244.7m and an increase to the Group's deferred tax liabilities (including the effect of equity accounted items) of £279.5m. The impact of the rate change on the Group's share of profits of its equity accounted investments was a charge of £55.2m for continuing operations and a charge of £5.6m for discontinued operations.

Finance Bill 2021 also included draft legislation in respect of Capital Allowance 'Super-deductions' of 130% in respect of General Pool plant and machinery, alongside First Year Allowances of 50% for Special Rate Pool plant and machinery for the two years commencing 1 April 2021. The Group expects these changes, which were substantively enacted on 24 May 2021, to significantly increase the deduction for Capital Allowances in the financial years ending 31 March 2022 and 31 March 2023. An estimate of the super-deduction has been taken into account when calculating the effective tax for the current year.

7.3.1 Taxation

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

8. FINANCE INCOME AND COSTS

	2022			2021 (restated*)		
	Before exceptional items and certain re-measurements £m	**Exceptional items and certain re-measurements £m**	**Total £m**	Before exceptional items and certain re-measurements £m	Exceptional items and certain re-measurements £m	Total £m
Finance income:						
Interest income from short term deposits	**0.8**	**-**	**0.8**	1.9	-	1.9
Interest on pension scheme assets (i)	**7.6**	**-**	**7.6**	8.3	-	8.3
Foreign exchange translation of monetary assets and liabilities	**-**	**-**	**-**	1.3	-	1.3
Other interest receivable:						
Joint ventures and associates	**46.8**	**-**	**46.8**	43.9	-	43.9
Other receivable	**23.8**	**3.2**	**27.0**	22.8	1.4	24.2
	70.6	**3.2**	**73.8**	66.7	1.4	68.1
Total finance income	**79.0**	**3.2**	**82.2**	78.2	1.4	79.6
Finance costs:						
Bank loans and overdrafts	**(16.2)**	**-**	**(16.2)**	(24.0)	-	(24.0)
Other loans and charges	**(340.2)**	**-**	**(340.2)**	(323.2)	-	(323.2)
Foreign exchange translation of monetary assets and liabilities	**(14.6)**	**-**	**(14.6)**	-	-	-
Notional interest arising on discounted provisions	**(5.7)**	**-**	**(5.7)**	(3.8)	-	(3.8)
Lease charges	**(30.4)**	**-**	**(30.4)**	(35.3)	-	(35.3)
Less: interest capitalised (ii)	**30.7**		**30.7**	14.2	-	14.2
Total finance costs	**(376.4)**	**-**	**(376.4)**	(372.1)	-	(372.1)
Changes in fair value of financing derivatives at fair value through profit or loss	**-**	**21.0**	**21.0**	-	55.6	55.6
Net finance costs	**(297.4)**	**24.2**	**(273.2)**	(293.9)	57.0	(236.9)
Presented as:						
Finance income	**79.0**	**24.2**	**103.2**	78.2	57.0	135.2
Finance costs	**(376.4)**	**-**	**(376.4)**	(372.1)	-	(372.1)
Net finance costs	**(297.4)**	**24.2**	**(273.2)**	(293.9)	57.0	(236.9)

**The comparatives have been restated. See note 2.3.*

i) The interest income on net pension assets for the year ended 31 March 2022 of £7.6m (2021: £8.3m) represents the interest earned under IAS 19.

ii) The capitalisation rate applied in determining the amount of borrowing costs to capitalise in the period was 3.86% (2021: 3.61%).

8. FINANCE INCOME AND COSTS (CONTINUED)

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

	2022 £m	2021 (restated*) £m
Net finance costs	**(273.2)**	(236.9)
(add)/less:		
Share of interest from joint ventures and associates	**(67.8)**	(82.4)
Interest on pension scheme liabilities	**(7.6)**	(8.3)
Movement on financing derivatives (note 16)	**(21.0)**	(55.6)
Exceptional item	**(3.2)**	(1.4)
Adjusted net finance costs	**(372.8)**	(384.6)
Notional interest arising on discounted provisions	**5.7**	3.8
Lease charges	**30.4**	35.3
Hybrid coupon payment (note 14)	**(50.7)**	(46.6)
Adjusted net finance costs for interest cover calculations	**(387.4)**	(392.1)

**The comparatives have been restated. See note 2.3.*

9. TAXATION

9.1 Analysis of charge recognised in the income statement

	2022			2021 (restated*)		
	Before exceptional items and certain re-measurements £m	Exceptional items and certain re-measurements £m	Total £m	Before exceptional items and certain re-measurements £m	Exceptional items and certain re-measurements £m	Total £m
Current tax						
UK corporation tax	**82.5**	**8.8**	**91.3**	84.1	6.2	90.3
Adjustments in respect of previous years	**(5.9)**	**-**	**(5.9)**	(11.4)	-	(11.4)
Total current tax	**76.6**	**8.8**	**85.4**	72.7	6.2	78.9
Deferred tax						
Current year	**76.7**	**478.2**	**554.9**	34.0	113.3	147.3
Effect of change in tax rate	**-**	**244.7**	**244.7**	-	-	-
Adjustments in respect of previous years	**(2.2)**	**-**	**(2.2)**	(5.2)	3.3	(1.9)
Total deferred tax	**74.5**	**722.9**	**797.4**	28.8	116.6	145.4
Total taxation charge	**151.1**	**731.7**	**882.8**	101.5	122.8	224.3

**The comparatives have been restated. See note 2.3*

The Group has separately recognised the tax effect of the exceptional items and certain re-measurements summarised above. The rate change to 25% in respect of periods commencing after 1 April 2023 included in Finance Bill 2021 has been recognised during the year ended 31 March 2022, as it was substantively enacted on 24 May 2021.

9.2 Adjusted current tax charge

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

	2022 £m	2022 %	2021 (restated*) £m	2021 (restated*) %
Group tax charge and effective rate	**882.8**	**25.4**	224.3	9.3
Less: reported deferred tax credit and effective rate	**(797.4)**	**(22.9)**	(145.4)	(6.1)
Reported current tax charge and effective rate	**85.4**	**2.5**	78.9	3.2
Effect of adjusting items		**4.8**		5.1
Reported current tax charge and effective rate on adjusted basis	**85.4**	**7.3**	78.9	8.3
add:				
Share of current tax from joint ventures and associates	**30.6**	**2.6**	13.2	1.4
Less:				
Current tax credit on exceptional items	**(8.9)**	**(0.7)**	(6.2)	(0.6)
Adjusted current tax charge and effective rate	**107.1**	**9.2**	85.9	9.1

**The comparatives have been restated. See note 2.3*

10. DIVIDENDS

10.1 Ordinary dividends

	Year ended 31 March 2022 Total £m	Settled via scrip £m	Pence per ordinary share	Year ended 31 March 2021 Total £m	Settled via scrip £m	Pence per ordinary share
Interim – year ended 31 March 2022	**271.8**	**28.2**	**25.5**	-	-	-
Final – year ended 31 March 2021	**590.5**	**327.5**	**56.6**	-	-	-
Interim – year ended 31 March 2021	**-**	**-**	**-**	254.3	13.5	24.4
Final – year ended 31 March 2020	**-**	**-**	**-**	582.1	25.5	56.0
	862.3	**355.7**		836.4	39.0	

The final dividend of 56.6p per ordinary share declared in respect of the financial year ended 31 March 2021 (2020: 56.0p) was approved at the Annual General Meeting on 22 July 2021 and was paid to shareholders on 23 September 2021. Shareholders were able to elect to receive ordinary shares credited as fully paid instead of the cash dividend under the terms of the Company's scrip dividend scheme. For dividends paid in relation to the financial year ended 31 March 2022 and in relation to the subsequent years to 31 March 2026, the Group will repurchase shares to reduce the scrip's dilutive effects, if the scrip take-up exceeds 25% of the full year dividend in any given year.

An interim dividend of 25.5p per ordinary share (2021: 24.4p) was declared and paid on 10 March 2022 to those shareholders on the SSE plc share register on 14 January 2022. Shareholders were able to elect to receive ordinary shares credited as fully paid instead of the interim cash dividend under the terms of the Company's scrip dividend scheme.

The proposed final dividend of 60.2p per ordinary share based on the number of issued ordinary shares at 31 March 2022 is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. Based on shares in issue at 31 March 2022, this would equate to a final dividend of £646.0m.

11. EARNINGS PER SHARE

11.1 Basic earnings per share

The calculation of basic earnings per ordinary share at 31 March 2022 is based on the net profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the year ended 31 March 2022.

11.2 Adjusted earnings per share

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

Continuing operations	Year ended 31 March 2022 Earnings £m	Year ended 31 March 2022 Earnings per share pence	Year ended 31 March 2021 (restated*) Earnings £m	Year ended 31 March 2021 (restated*) Earnings per share pence
Basic earnings on continuing operations used to calculate adjusted EPS	**2,548.7**	**241.6**	2,147.1	206.3
Exceptional items and certain re-measurements (note 7)	**(1,658.9)**	**(157.3)**	(1,380.9)	(132.8)
Basic excluding exceptional items and certain re-measurements	**889.8**	**84.3**	766.2	73.5
Adjusted for:				
Decommissioning Gas Production	**13.1**	**1.2**	-	-
Depreciation charge on fair value uplifts	**20.6**	**2.0**	20.6	2.0
Interest on net pension scheme assets/(liabilities)	**(7.6)**	**(0.7)**	(8.3)	(0.8)
Deferred tax (note 9)	**74.5**	**7.1**	28.8	2.8
Deferred tax from share of joint ventures and associates	**15.8**	**1.5**	9.1	0.9
Adjusted	**1,006.2**	**95.4**	816.4	78.4
Basic	**2,548.7**	**241.6**	2,147.1	206.3
Dilutive effect of outstanding share options	**-**	**(0.5)**	-	(0.3)
Diluted	**2,548.7**	**241.1**	2,147.1	206.0

**The comparatives have been restated. See note 2.3*

11. EARNINGS PER SHARE (CONTINUED)

11.2 Adjusted earnings per share (Continued)

Reported earnings per share

	2022 Earnings £m	2022 Earnings per share pence	2021 (restated*) Earnings £m	2021 (restated*) Earnings per share pence
Basic				
Earnings per share on continuing operations	**2,548.7**	**241.6**	2,147.1	206.3
Earnings per share on discontinued operations	**482.7**	**45.7**	129.1	12.4
Earnings per share attributable to ordinary shareholders	**3,031.4**	**287.3**	2,276.2	218.7
Dilutive effect of outstanding share options	**-**	**(0.5)**	-	(0.4)
Diluted earnings per share attributable to ordinary shareholders	**3,031.4**	**286.8**	2,276.2	218.3

**The comparatives have been restated. See note 2.3.*

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

	31 March 2022 Number of shares (millions)	31 March 2021 Number of shares (millions)
For basic and adjusted earnings per share	**1,055.0**	1,040.9
Effect of exercise of share options	**2.0**	1.6
For diluted earnings per share	**1,057.0**	1,042.5

11.3 Dividend cover

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

	2022 Earnings per share (pence)	2022 Dividend per share (pence)	2022 Dividend Cover (times)	2021 (restated*) Earnings per share (pence)	2021 Dividend per share (pence)	2021 (restated*) Dividend cover (times)
Reported earnings per share (continuing operations)	**241.6**	**85.7**	**2.82**	206.3	81.0	2.55
Adjusted earnings per share (continuing operations)	**95.4**	**85.7**	**1.11**	78.4	81.0	0.97

**The comparatives have been restated. See note 2.3.*

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

12.1 Acquisitions

12.1.1 Acquisition of 80% equity interest in Japanese offshore wind development platform

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

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

Acquisition costs of £7.2m were expensed to operating costs in the year. The subsidiaries acquired had nil revenue and contributed a loss of £0.1m to the consolidated result of the Group for the year. The assets and liabilities acquired largely comprise tangible and intangible assets, being windfarm site development costs and goodwill as set out in the table below. The goodwill recognised represents early stage intangible development costs that do not qualify for separate recognition. The non-controlling interest acquired was measured at fair value, where fair value represents the non-controlling interest's proportionate share of the assets and liabilities acquired through the transaction.

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

12.1 Acquisitions (continued)

12.1.1 Acquisition of 80% equity interest in Japanese offshore wind development platform (continued)

The assets and liabilities acquired largely comprise tangible and intangible assets, being early-stage development costs and goodwill as below:

	Fair value at 29 October 2021 £m
Net assets acquired:	
Intangible development assets	**20.5**
Cash	**4.3**
Other assets	**0.4**
Total net assets acquired	**25.2**
Non-controlling interest	**(40.6)**
Goodwill	**176.7**
	161.3
Cash consideration	**141.3**
Deferred consideration	**20.0**
	161.3

During the year the Group made other smaller asset acquisitions (of special purpose vehicles as opposed to businesses) for consideration of £4.0m. In the prior year there were no significant acquisitions. The acquired intangible assets of £197.8m consist of the goodwill balance and development assets noted above (£197.2m) plus other immaterial acquired assets. The cash consideration for the business combination of £141.3m is included in the Group's Adjusted investment, capital and acquisition metric.

12.2 Disposals

12.2.1 Current year disposals

During the year the Group completed its strategic disposal plan for non-core assets announced in June 2020, and continued its programme of strategic partnering generating developer gains. As a result, it recognised an exceptional gain on disposal of £576.5m of its investment in SGN (discontinued), a combined exceptional loss of £120.8m on disposal of SSE E&P UK Limited (discontinued) and other less material exceptional gains and losses on disposal (see note 7) and a non-exceptional gain on disposal of £67.1m. The disposals below primarily comprise sales of stakes in non-operated investment assets, or the sale of a stake in early stage offshore windfarm development, which aligns to the Group's stated policy to realise value from these assets.

Sale of investment in SSE Contracting: On 30 June 2021, the Group completed the sale of its Contracting and Rail business to the Aurelius Group for headline consideration of £22.5m and £5m of contingent consideration, based on earning targets within the business. Due to working capital movements in the business subsequent to the transaction agreement, cash consideration received was £0.2m. The Group recorded an additional exceptional loss on disposal of £18.9m on completion, in addition to the exceptional impairment loss of £51.2m recognised during the year ended 31 March 2021.

Sale of stake in Dogger Bank C: On 10 February 2022, SSE completed the sale of a 10% stake in Dogger Bank C to Eni for consideration of £70.0m and contingent consideration of up to £40m, resulting in a non-exceptional gain on disposal of £64.3m. The gain has been recognised within the adjusted profit of the Group in line with the Group's stated exceptional policy for gains on disposal of divestments in early stage offshore windfarms (see note 4.2). After the sale the Group's shareholding in Dogger Bank C is 40%.

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

SALE OF DISCONTINUED OPERATIONS

Sale of investment in SGN: On 2 August 2021, the Group announced it had agreed to sell its 33.3% investment in SGN to a consortium comprising existing SGN shareholders Ontario Teachers' Pension Plan Board and Brookfield Super-Core Infrastructure Partners for cash consideration of £1,225m. The agreement was conditional on certain regulatory approvals and completed on 22 March 2022, with the Group recognising an exceptional gain on disposal of £576.5m.

Sale of investment in Gas Production: On 14 October 2021, the Group completed the sale of its Gas Production business to Viaro Energy through its subsidiary RockRose Energy Limited. In the period to 14 October 2021, the Gas Production business had an operating profit (recognised in discontinued operations) of £101.4m. The Group recorded a combined loss on sale of £120.8m following on completion of the disposal.

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

12.2 Disposals (continued)

12.2.2 Prior year disposals

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

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

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

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

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

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

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

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

12.2 Disposals (continued)

12.2.3 Disposal reconciliation

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

	2022 Total £m	2021 Total £m
Net assets disposed:		
Property, plant and equipment	**105.1**	25.7
Intangible and biological assets	**28.4**	348.4
Investments and loans – joint ventures	**662.5**	490.3
Other investments	**2.0**	-
Deferred tax asset	**14.8**	0.6
Inventories	**6.9**	-
Trade and other receivables	**28.5**	29.2
Cash and cash equivalents	**-**	172.8
Trade and other payables	**(33.2)**	(23.8)
Deferred tax liability	**-**	(0.2)
Derivative financial liabilities	**-**	(3.1)
Provisions	**(159.8)**	-
Loans and borrowings	**(0.8)**	(438.7)
Net assets	**654.4**	601.2
Proceeds of disposal:		
Consideration	**1,372.1**	1,753.6
Fair value uplift	**-**	47.0
Recognition of investment on loss of control	**-**	51.5
Provision recognised on disposal	**(35.0)**	-
Costs of disposal	**(29.8)**	(23.0)
Net proceeds	**1,307.3**	1,829.1
Recycle of amounts recognised in hedge reserve	**(28.2)**	
Gain on disposal	**624.7**	1,227.9
Presentation:		
Continuing operations		
Income statement exceptional (loss)/gain	**(18.9)**	976.0
Income statement non-exceptional credit	**67.1**	251.9
	48.2	1,227.9
Discontinued operations		
Income statement exceptional credit	**576.5**	-
Total SSE Group	**624.7**	1,227.9

Net proceeds of disposal	**1,279.1**	1,829.1
Fair value uplift	**-**	(47.0)
Recycle of amounts recognised in hedge reserve	**28.2**	-
Provision recognised on disposal	**35.0**	-
Recognition of investment on loss of control	**-**	(51.5)
Costs of disposal	**29.8**	23.0
Deferred consideration	**(5.2)**	(18.8)
Total cash proceeds	**1,366.9**	1,734.8
Less: cash disposed	**-**	(172.8)
Net cash proceeds	**1,366.9**	1,562.0

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

12.3 Held-for-sale assets and liabilities

There were no assets and liabilities classified as held for disposal at 31 March 2022. The assets held for disposal at 31 March 2021 the Group's Gas Production assets and liabilities, which were sold to Viaro Energy through its subsidiary RockRose Energy Limited on 14 October 2021 and the assets and liabilities of the Group's Enterprise Contracting and Rail Business, which was sold to Aurelius Group on 30 June 2021.

	Gas Production £m	SSE Contracting £m	Total 2021 £m
Property, plant and equipment	**167.5**	**-**	**167.5**
Goodwill and other intangible assets	**49.6**	**-**	**49.6**
Deferred tax asset	**14.7**	**0.2**	**14.9**
Inventories	**2.6**	**2.1**	**4.7**
Trade and other receivables	**7.7**	**94.7**	**102.4**
Total assets	**242.1**	**97.0**	**339.1**
Trade and other payables	**(9.1)**	**(46.3)**	**(55.4)**
Current tax liabilities	**-**	**(0.1)**	**(0.1)**
Provisions	**(149.3)**	**(46.5)**	**(195.8)**
Loans and borrowings	**-**	**(2.2)**	**(2.2)**
Total liabilities	**(158.4)**	**(95.1)**	**(253.5)**
Net assets/(liabilities) held for sale	**83.7**	**1.9**	**85.6**

12.4 Discontinued operations

The discontinued operations during 31 March 2022 represent the Group's investment in SGN, which was disposed on 22 March 2022 and the Group's investment in Gas Production assets, which was sold on 14 October 2021. In the prior year comparative, the discontinued operations included Gas Production, and the Group's Enterprise Contracting and Rail Business, which was sold on 30 June 2021. The profit/(loss) of the discontinued operation is as follows:

	2022			2021 (restated*)		
	Before exceptional items and certain re-measurements £m	**Exceptional items and certain re-measurements £m**	**Total £m**	Before exceptional items and certain re-measurements £m	Exceptional items and certain re-measurements £m	Total £m
Revenue	**142.0**	**-**	**142.0**	105.0	-	105.0
Cost of sales	**(38.9)**	**-**	**(38.9)**	(68.9)	-	(68.9)
Gross profit	**103.1**	**-**	**103.1**	36.1	-	36.1
Operating costs	**(1.7)**	**(120.8)**	**(122.5)**	(3.1)	-	(3.1)
Operating profit/(loss) before joint ventures	**101.4**	**(120.8)**	**(19.4)**	33.0	-	33.0
Joint ventures:						
Share of operating profit	**21.0**	**-**	**21.0**	173.0	-	173.0
Share of interest	**(11.1)**	**-**	**(11.1)**	(64.1)	-	(64.1)
Share of movement on derivatives	**-**	**(4.6)**	**(4.6)**	-	1.9	1.9
Share of tax	**(1.7)**	**(84.7)**	**(86.4)**	(21.9)	(0.3)	(22.2)
Share of profit/(loss) on joint ventures	**8.2**	**(89.3)**	**(81.1)**	87.0	1.6	88.6
Operating profit/(loss)	**109.6**	**(210.1)**	**(100.5)**	120.0	1.6	121.6
Finance income	**6.8**	**-**	**6.8**	9.8	-	9.8
Finance costs	**(0.1)**	**-**	**(0.1)**	(2.3)	-	(2.3)
Profit/(loss) for the year	**116.3**	**(210.1)**	**(93.8)**	127.5	1.6	129.1
Profit on disposal of discontinued operations, after tax	**-**	**576.5**	**576.5**	-	-	-
Profit/(loss) form discontinued operations, net of tax	**116.3**	**366.4**	**482.7**	127.5	1.6	129.1

**The comparatives have been restated. See note 2.3.*

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

12.4 Discontinued operations (continued)

Other comprehensive income from discontinued operations

	2022 £m	2021 £m
Items that will subsequently be reclassified to profit or loss:		
Share of other comprehensive gain/(loss) of joint ventures and associates, net of taxation	**0.5**	4.7
Items that will not be reclassified to profit or loss:		
Share of other comprehensive (loss)/income of joint ventures, net of taxation	**(1.7)**	(23.3)
Other comprehensive loss from discontinued operations	**(1.2)**	(18.6)

Cashflows from discontinued operations

	2022 £m	2021 £m
Cashflows from operating activities	**11.6**	26.8
Cashflows from investing activities	**(11.6)**	(26.8)
Net (decrease)/increase in cash and cash equivalents in discontinued operations	**-**	-

13. SOURCES OF FINANCE

13.1 Capital management

The Board's policy is to maintain a strong balance sheet and credit rating to support investor, counterparty and market confidence in the Group and to underpin future development of the business. The Group's credit ratings are also important in maintaining an efficient cost of capital and in determining collateral requirements throughout the Group. As at 31 March 2022, the Group's long-term credit rating was BBB+ stable outlook for Standard & Poor's and Baa1 stable outlook for Moody's.

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

The Group's debt requirements are principally met through issuing bonds denominated in Sterling and Euros as well as private placements and medium term bank loans including those with the European Investment Bank. On 1 April 2021, the Group exercised its option to redeem its €600m hybrid equity bond (£421.1m). The bond had no fixed redemption date, but the Group had the option to redeem all of the bond on 1 April 2021 or every 5 years thereafter.

SSE's adjusted net debt and hybrid capital was £8.6bn at 31 March 2022, compared with £8.9bn at 31 March 2021.

The £1.5bn of committed bank facilities, being a £1.3bn Revolving Credit Facility with a March 2026 maturity and a £0.2bn bilateral facility with an October 2026 maturity. These facilities can also be utilised to cover short term funding requirements; however, they remain undrawn for most of the time and were undrawn at 31 March 2022. 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 31 March 2022 £507m of commercial paper was outstanding compared to £nil at 31 March 2021.

The Group capital comprises:

	2022 £m	2021 £m
Total borrowings (excluding lease obligations)	**8,671.2**	8,989.6
Less: Cash and cash equivalents	**(1,049.3)**	(1,600.2)
Net debt (excluding hybrid equity)	**7,621.9**	7,389.4
Hybrid equity	**1,051.0**	1,472.4
Cash held as collateral and other short term loans	**(74.7)**	37.1
Adjusted Net Debt and Hybrid Equity	**8,598.2**	8,898.9
Equity attributable to shareholders of the parent	**8,082.2**	5,208.7
Total capital excluding lease obligations	**16,680.4**	14,107.6

13. SOURCES OF FINANCE (CONTINUED)

13.1 Capital management (continued)

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

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

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

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

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

13.2 Loans and borrowings

	2022 £m	2021 £m
Current		
Other short-term loans	**1,118.7**	864.7
Lease obligations	**72.1**	72.9
	1,190.8	937.6
Non-current		
Loans	**7,552.5**	8,124.9
Lease obligations	**321.4**	348.1
	7,873.9	8,473.0
Total loans and borrowings	**9,064.7**	9,410.6
Cash and cash equivalents	**(1,049.3)**	(1,600.2)
Unadjusted net debt	**8,015.4**	7,810.4
Add/(less):		
Hybrid equity (note 14)	**1,051.0**	1,472.4
Lease obligations	**(393.5)**	(421.0)
Cash held as collateral and other short term loans	**(74.7)**	37.1
Adjusted net debt and hybrid capital	**8,598.2**	8,898.9

Cash and cash equivalents (which are presented as a single class of asset on the face of the balance sheet) comprise cash at bank and short term highly liquid investments with a maturity of six months or less. The cash and cash equivalents are lower year on year due to a lower surplus cash position at March 2022 as a result no debt issue in March 2022 compared to a £500m debt issue in March 2021.

13.2.1 Borrowing facilities

The Group has an established €1.5bn Euro commercial paper programme (paper can be issued in a range of currencies and swapped into sterling) and as at 31 March 2022 there was £507m commercial paper outstanding (2021: £nil). The Group also has £1.5bn of revolving credit facilities (see note 21.1). These facilities continue to provide back-up to the commercial paper programme and, as at 31 March 2022 these facilities were undrawn (2021: undrawn).

During the year to 31 March 2022, the Group through its Scottish Hydro Electric Transmission entity priced and committed to a £350m dual tranche private placement being a £175m 10 year tranche @ 3.13% and £175m 15 year tranche @ 3.24% giving an all in average rate of 3.19%. The pricing was committed to in March 2022 and the proceeds will be received on 30 June 2022.

In April 2022 SSE plc issued a €1bn NC6 equity accounted Hybrid bond @ 4% to re-finance the dual tranche debt accounted Hybrid bonds whose first call date occurs on 16 September 2022 although SSE will take advantage of the 3 month par call option on these Hybrid bonds meaning the bonds will be repaid on 16 June 2022. The €1bn equity accounted Hybrid bond was left in Euros with the proceeds used to cover the portion of the maturing Hybrid that was swapped to Euros and a portion of the costs associated with the acquisition of the European onshore renewables development platform from Siemens Gamesa Renewables Energy.

The weighted average incremental borrowing rate applied to lease liabilities during the year was 4.92% (2021: 4.84%). Incremental borrowing rates applied to individual lease additions in the year ranged between 4.81% to 5.06% (2021: 4.01% to 5.06%).

13. SOURCES OF FINANCE (CONTINUED)

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

	2022 £m	2021 £m
(Decrease)/increase in cash and cash equivalents	**(550.9)**	1,435.6
Add/(less):		
New borrowing proceeds	**(506.1)**	(1,912.9)
New hybrid equity proceeds	**-**	(1,051.0)
Repayment of borrowings	**865.0**	1,895.9
Disposal of borrowings	**-**	438.6
Repayment of hybrid equity (i)	**421.4**	748.3
Non-cash movement on borrowings	**(40.5)**	306.0
Increase/(decrease) in cash held as collateral and other short-term loans	**111.8**	(293.5)
Movement in adjusted net debt and hybrids	**300.7**	1,567.0

(i) On redemption of the hybrid equity £4.6m of costs were recognised within retained earnings.

14. EQUITY

14.1 Share capital

	Number (millions)	£m
Allotted, called up and fully paid:		
At 31 March 2021	**1,049.1**	524.5
Issue of shares (i)	**24.0**	12.0
At 31 March 2022	**1,073.1**	536.5

i. Shareholders were able to elect to receive ordinary shares in place of the final dividend of 56.6p per ordinary share (in relation to year ended 31 March 2021) and the interim dividend of 25.5p (in relation to the current year) under the terms of the Company's scrip dividend scheme. This resulted in the issue of 22,201,443 and 1,782,473 new fully paid ordinary shares respectively (2021: 1,918,977 and 883,408). In addition, the Company issued 0.6m (2021: 0.9m) shares during the year under the savings-related share option schemes (all of which were settled by shares held in Treasury) for a consideration of £6.3m (2021: £10.4m).

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.

Of the 1,073m shares in issue, 5.5m are held as treasury shares. These shares will be held by the Group and used to award shares to employees under the Sharesave scheme in the UK.

During the year, on behalf of the Company, the employee share trust purchased 0.9m shares for a total consideration of £14.1m (2021: 0.9m shares, consideration of £12.9m) to be held in trust for the benefit of employee share schemes. At 31 March 2022, the trust held 6.3m shares (2021: 7.7m) which had a market value of £110.0m (2021: £112.5m).

14. EQUITY (CONTINUED)

14.2 Hybrid Equity

	2022 £m	2021 £m
EUR 600m 2.375% perpetual subordinated capital securities (i)	-	421.4
GBP 600m 3.74% perpetual subordinated capital securities (ii)	598.0	598.0
EUR 500m 3.125% perpetual subordinated capital securities (ii)	453.0	453.0
	1,051.0	1,472.4

(i) March 2015 €600m Hybrid Capital Bonds

The March 2015 hybrid equity bonds had 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 discretionary redemption of the €600m hybrid equity bond was executed and this hybrid bond was redeemed on 1 April 2021.

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

The 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.

(iii) Coupon Payments

In relation to the €600m hybrid equity bond, the final coupon payment of £17.5m (2021: £17.5m) was made on 1 April 2021 and for the £750m hybrid equity bond the final coupon payment of £29.1m was made on 10 September 2020. In relation to the £600m hybrid equity bond a coupon payment of £16.8m (2021: £nil) was made on 14 April 2021 and for the €500m hybrid equity bond a coupon payment of £16.4m (2021: £nil) was made on 14 July 2021.

The coupon payments in the year to 31 March 2022 consequently totalled £50.7m (2021: £46.6m).

The Company has the option to defer coupon payments on the bonds on any relevant payment date, as long as a dividend on the ordinary shares has not been declared. Deferred coupons shall be satisfied only on redemption; or on a dividend payment on ordinary shares, both of which occur at the sole option of the Company. Interest will accrue on any deferred coupon.

14.3 Equity attributable to non-controlling interests

Equity attributable to non-wholly owned subsidiaries which are consolidated within the financial statements of the Group under IFRS.

15. RETIREMENT BENEFIT OBLIGATIONS

15.1 Valuation of combined pension schemes

	Quoted £m	Unquoted £m	Value at 31 March 2022 £m	Quoted £m	Unquoted £m	Value at 31 March 2021 £m
Equities	511.5	-	511.5	626.8	-	626.8
Government bonds	1,332.7	-	1,332.7	1,139.9	-	1,139.9
Corporate bonds	167.6	-	167.6	176.7	-	176.7
Insurance contracts	-	713.5	713.5	-	780.3	780.3
Other investments	1,585.9	-	1,585.9	1,588.4	-	1,588.4
Total fair value of plan assets			4,311.2			4,312.1
Present value of defined benefit obligation			(3,726.3)			(3,955.1)
Surplus in the schemes			584.9			357.0
Deferred tax thereon (i)			(146.2)			(67.8)
Net pension asset			438.7			289.2

(i) Deferred tax rate of 25% applied to pension surplus and deficit positions (2021: 19%).

	Balance sheet presentation 2022 £m	Balance sheet presentation 2021 £m
Retirement benefit asset	584.9	543.1
Retirement benefit liability	-	(186.1)
Net pension asset	584.9	357.0

15. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

15.1 Valuation of combined pension schemes (continued)

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

	2022 Assets £m	2022 Obligations £m	2022 Total £m	2021 Assets £m	2021 Obligations £m	2021 Total £m
at 1 April	**4,312.1**	**(3,955.1)**	**357.0**	3,922.9	(3,581.2)	341.7
Included in Income Statement						
Current service cost	**-**	**(31.0)**	**(31.0)**	-	(29.3)	(29.3)
Past service cost	**-**	**(5.1)**	**(5.1)**	-	(5.8)	(5.8)
Settlements	**(2.5)**	**2.6**	**0.1**	(7.7)	9.3	1.6
Interest income/(cost)	**85.2**	**(77.6)**	**7.6**	88.5	(80.2)	8.3
	82.7	**(111.1)**	**(28.4)**	80.8	(106.0)	(25.2)
Included in Other Comprehensive Income						
Actuarial gain/(loss) arising from:						
Demographic assumptions	**-**	**16.8**	**16.8**	-	(23.1)	(23.1)
Financial assumptions	**-**	**195.6**	**195.6**	-	(461.5)	(461.5)
Experience assumptions	**-**	**(41.5)**	**(41.5)**	-	21.8	21.8
Return on plan assets excluding interest income	**26.4**	**-**	**26.4**	447.0	-	447.0
	26.4	**170.9**	**197.3**	447.0	(462.8)	(15.8)
Other						
Contributions paid by the employer	**59.0**	**-**	**59.0**	56.3	-	56.3
Scheme participant's contributions	**0.1**	**(0.1)**	**-**	0.1	(0.1)	-
Benefits paid	**(169.1)**	**169.1**	**-**	(195.0)	195.0	-
	(110.0)	**169.0**	**59.0**	(138.6)	194.9	56.3
Balance at 31 March	**4,311.2**	**(3,726.3)**	**584.9**	4,312.1	(3,955.1)	357.0

Charges/(credits) recognised:

	2022 £m	2021 £m
Service costs (charged to operating profit)	**36.1**	35.1
Settlements and curtailment gains	**(0.1)**	(1.6)
	36.0	33.5
(Credited)/charged to finance costs:		
Interest on pension scheme assets	**(85.2)**	(88.5)
Interest on pension scheme liabilities	**77.6**	80.2
	(7.6)	(8.3)

16. FINANCIAL RISK MANAGEMENT

16.1 Financial risk management

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's policies for risk management are established to identify the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Exposure to commodity, currency and interest rate risks arise in the normal course of the Group's business and derivative financial instruments are entered into to hedge exposure to these risks.

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

During the year ended 31 March 2022, the Group was exposed to exceptional volatility in energy markets impacting the primary commodities to which it is exposed (Gas, Carbon and Power). The Group's approach to hedging, and the diversity of its energy portfolios (across Wind, Hydro, Thermal and Customers) has provided significant mitigation of these exposures. Exceptional rises and volatility in commodity prices have created a particular challenge in managing counter-party credit and collateral exposures and requirements, to ensure continued access to energy markets to enable hedging and prompt optimisation of SSE's energy portfolios. This market access has been successfully maintained.

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. The objectives and policies for holding or issuing financial instruments and similar contracts, and the strategies for achieving those objectives that have been followed during the year are explained within A6 Accompanying Information to the Group's consolidated Financial Statements

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

	2022 £m	2021 £m
Operating derivatives		
Total result on operating derivatives (i)	**3,527.2**	429.1
Less: amounts settled (ii)	**(1,426.8)**	161.0
Movement in unrealised derivatives	**2,100.4**	590.1
Financing derivatives (and hedged items)		
Total result on financing derivatives (i)	**(43.3)**	35.2
Less: amounts settled (ii)	**64.3**	20.4
Movement in unrealised derivatives	**21.0**	55.6
Net income statement impact	**2,121.4**	645.7

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

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

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

16.2 Fair Value Hierarchy

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

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

		2022		
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial Assets				
Energy derivatives	**884.1**	**2,246.4**	**-**	**3,130.5**
Interest rate derivatives	**-**	**176.8**	**-**	**176.8**
Foreign exchange derivatives	**-**	**6.1**	**-**	**6.1**
Loan note receivable	**-**	**-**	**136.4**	**136.4**
Unquoted equity investments	**-**	**-**	**8.7**	**8.7**
	884.1	**2,429.3**	**145.1**	**3,458.5**
Financial Liabilities				
Energy derivatives	**-**	**(828.7)**	**-**	**(828.7)**
Interest rate derivatives	**-**	**(376.1)**	**-**	**(376.1)**
Foreign exchange derivatives	**-**	**(46.3)**	**-**	**(46.3)**
Loans and borrowings	**-**	**(31.6)**	**-**	**(31.6)**
	-	**(1,282.7)**	**-**	**(1,282.7)**

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 2022.

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

There were no significant transfers out of level 1 into level 2 and out of level 2 into level 1 during the year ended 31 March 2021.

17. CAPITAL COMMITMENTS

	2022 £m	2021 £m
Capital expenditure:		
Contracted for but not provided	**985.9**	1,189.5

Contracted for but not provided capital commitments include the fixed contracted costs of the Group's major capital projects. In practice contractual variations may arise on the final settlement of these contractual costs.

18. RELATED PARTY TRANSACTIONS

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

	2022				2021			
	Sale of goods and services	**Purchase of goods and services**	**Amounts owed from**	**Amounts owed to**	Sale of goods and services	Purchase of goods and services	Amounts owed from	Amounts owed to
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Joint ventures:								
Seabank Power Ltd	**51.9**	**(49.1)**	**-**	**-**	75.2	(86.7)	0.1	(16.8)
Marchwood Power Ltd	**104.3**	**(229.3)**	**-**	**(7.6)**	45.3	(142.3)	0.6	(11.2)
Scotia Gas Networks Ltd	**42.9**	**(10.1)**	**-**	**-**	29.9	(13.1)	17.3	(1.1)
Clyde Windfarm (Scotland) Ltd	**4.6**	**(259.3)**	**0.1**	**(74.2)**	4.3	(116.1)	0.1	(38.2)
Beatrice Offshore Windfarm Ltd	**5.0**	**(163.7)**	**0.9**	**(20.6)**	5.3	(43.7)	1.1	(5.3)
Stronelairg Windfarm Ltd	**2.1**	**(138.5)**	**-**	**(36.7)**	1.9	(44.7)	-	(17.1)
Dunmaglass Windfarm Ltd	**1.0**	**(57.9)**	**-**	**(13.7)**	0.9	(22.2)	-	(6.6)
Neos Networks Ltd	**31.2**	**(27.1)**	**52.2**	**(13.8)**	38.0	(26.3)	41.4	(1.4)
Other Joint Ventures	**54.5**	**(196.3)**	**15.8**	**(23.8)**	22.5	(193.8)	54.8	(1.9)
Associates	**-**	**-**	**-**	**-**	-	(16.2)	-	-

The transactions with Seabank Power Limited and Marchwood Power Limited relate to the contracts for the provision of energy or the tolling of energy under power purchase arrangements. Scotia Gas Networks Limited ('SGN') operates the gas distribution networks in Scotland and the South of England. The Group's gas supply activity incurs gas distribution charges while the Group also provides services to SGN in the form of a management services agreement for corporate and shared services. On 2 August 2021, the Group announced it had agreed to sell its 33.3% stake in SGN. The Group assessed that the investment met the criteria to be classified as held for sale on 11 June 2021 when an Exclusivity Agreement was signed by the acquiring consortium. Accordingly, from 11 June 2021 the Group ceased to equity account for SGN. On 22 March 2022 the Group completed its disposal of its interest in SGN.

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

19. POST BALANCE SHEET EVENTS

19.1 Acquisition of European onshore wind development platform

On 19 April 2022 the Group announced that it had entered into an agreement with Siemens Gamesa Renewable Energy ("SGRE") to acquire SGRE's existing European onshore renewable energy development platform for consideration of €580m, subject to a number of conditions. The SGRE portfolio is mainly located in Spain with the remainder across France, Italy and Greece. The transaction is expected to complete by the end of September 2022 subject to the receipt of relevant foreign direct investment and regulatory approvals. This acquisition is aligned to the Group's published strategy to pursue overseas renewable opportunities

19.2 Issuance of hybrid equity bond

In April 2022 SSE plc issued a €1bn NC6 equity accounted Hybrid bond @ 4% to re-finance the dual tranche debt accounted Hybrid bonds whose first call date occurs on 16 September 2022 although SSE will take advantage of the 3 month par call option on these Hybrid bonds meaning the bonds will be repaid on 16 June 2022. The €1bn equity accounted Hybrid bond was left in Euros with the proceeds used to cover the portion of the maturing Hybrid that was swapped to Euros and a portion of the costs associated with the acquisition of the European onshore renewable development platform from SGRE.

19.3 Issuance of private placement debt

In March 2022 the Group, through its Scottish Hydro Electric Transmission entity, priced and committed to a £350m dual tranche private placement being a £175m 10 year tranche @ 3.13% and £175m 15 year tranche @ 3.24% giving an all in average rate of 3.19%. The pricing was committed to in March 2022 and the proceeds will be received on 30 June 2022.

19.4 Fiddlers Ferry site disposal

Subsequent to the year end, the Board committed to dispose of the Fiddlers Ferry site, pending resolution of a final agreement with anticipated completion expected within 6 months.