Statement of Directors' responsibilities in respect of the annual report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards ("IFRS"), and have elected to prepare the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101, "Reduced Disclosure Framework".

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable, relevant and reliable;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs (and in respect of the parent Company financial statements, FRS 101) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company financial position and financial performance;
- in respect of the Group financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent Company financial statements, state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease
- operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with UK-adopted international accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Alistair Phillips-Davies
Chief Executive
24 May 2022

Gregor Alexander
Finance Director

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 12.2), 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 joint venture 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 venture 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 joint venture 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

Group APM	Purpose	Closest equivalent IFRS measure	Adjustments to reconcile to primary financial statements
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 financing 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-measurements • 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.

Alternative Performance Measures continued

Rationale for adjustments to profit measure continued

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 3.2.

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 90, '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 5.1(v)).

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 amortisation of deferred income in the year from its adjusted EBITDA metric as it principally relates to 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	Reported £m	Movement on derivatives £m	Exceptional items £m	Adjustments to Gas Production decommissioning provision £m	Depreciation on FV uplifts £m	Joint venture interest and tax £m	Interest on net pension asset £m	Deferred tax £m	Adjusted £m
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	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
Adjusted operating profit from continuing operations	1,536.8	146.6	(17.6)	(20.6)	612.0	2,257.2

Alternative Performance Measures continued

Rationale for adjustments to profit measure continued

March 2021 (restated*)

Continuing operations	Reported £m	Movement on derivatives £m	Exceptional items £m	Adjustments to retained Gas Production decommissioning provision £m	Depreciation on FV uplifts £m	Joint venture interest and tax £m	Interest on net pension asset £m	Deferred tax £m	Adjusted £m
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

EBITDA	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
Adjusted operating profit from continuing operations	1,333.5	143.9	(17.7)	(20.6)	556.2	1,995.3

* The comparative Alternative Performance Measures have been restated. See note 1.2.

March 2020 (restated*)

Continuing operations	Reported £m	Movement on derivatives £m	Exceptional items £m	Adjustments to Gas Production decommissioning provision £m	Depreciation on FV uplifts £m	Joint venture interest and tax £m	Interest on net pension asset £m	Share of non-recurring joint venture financing costs £m	Deferred tax £m	Adjusted £m
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	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
Adjusted operating profit from continuing operations	1,286.1	151.4	(14.7)	(20.6)	530.1	1,932.3

* The comparative Alternative Performance Measures have been restated. See note 1.2.

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.

Alternative Performance Measures continued

Rationale for adjustments to debt measure continued

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 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 ventures and associate additions funding • Non-controlling share of capital expenditure • Refinancing proceeds/refunds
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 ventures and associates' additions funding • Non-controlling share of capital expenditure • Refinancing proceeds/refunds • Acquisition cash consideration

Adjustments to capital 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 acquired 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 ventures 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 & equipment	**1,398.8**	1,102.5	1,097.6
Capital additions to intangible assets and property, plant & 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

Alternative Performance Measures continued

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 (see note 12) and Group's Gas Production operations which were disposed on 14 October 2021:

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

'Adjusted net debt and hybrid capital'; '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 APMs of the continuing activities of the Group in current and prior years:

	March 2022 £m	March 2021 (restated*) £m	March 2020 (restated*) £m
Adjusted EBITDA of SSE Group (including discontinued operations)	**2,390.7**	2,262.9	2,281.0
Less: SSE Energy Services profit	**–**	–	(32.7)
Less: Gas Production profit	**(101.4)**	(33.0)	(56.9)
Less: SGN profit	**(32.1)**	(234.6)	(259.1)
Adjusted EBITDA of continuing operations APM	**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 profit	**–**	–	(32.7)
Less: Gas Production profit	**(101.4)**	(33.0)	(25.8)
Less: SGN profit	**(21.0)**	(173.0)	(202.3)
Adjusted operating profit of continuing operations APM	**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 APM	**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 APM	**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 APM	**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 APM	**95.4**	78.4	73.0

* The comparative Alternative Performance Measures have been restated. See note 1.2.

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

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Consolidated income statement
For the year ended 31 March 2022

	Note	2022 Before exceptional items and certain re-measurements £m	2022 Exceptional items and certain re-measurements (note 7) £m	2022 Total £m	2021 Before exceptional items and certain re-measurements (restated*) £m	2021 Exceptional items and certain re-measurements (note 7) (restated*) £m	2021 Total (restated*) £m
Continuing operations							
Revenue	5	**8,608.2**	**–**	**8,608.2**	6,826.4	–	6,826.4
Cost of sales	6	**(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	6	**(1,118.5)**	**297.5**	**(821.0)**	(1,198.4)	(127.1)	(1,325.5)
Other operating income	6	**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	16	**143.0**	**(33.2)**	**109.8**	44.2	(0.8)	43.4
Operating profit from continuing operations	5	**1,389.0**	**2,366.4**	**3,755.4**	1,208.2	1,446.7	2,654.9
Finance income	9	**79.0**	**24.2**	**103.2**	78.2	57.0	135.2
Finance costs	9	**(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	10	**(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	12	**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	11	**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 (pence)	11			**287.3**			218.7
Diluted (pence)	11			**286.8**			218.3
Earnings per share – continuing operations							
Basic (pence)	11			**241.6**			206.3
Diluted (pence)	11			**241.1**			206.0

* The comparative Consolidated Income Statement has been restated. See note 1.2.

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

Consolidated statement of comprehensive income
For the year ended 31 March 2022

	2022 £m	2021 £m (restated*)
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 1.2.

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

Consolidated balance sheet
As at 31 March 2022

	Note	2022 £m	2021 £m
Assets			
Property, plant and equipment	14	**14,618.7**	13,254.3
Goodwill and other intangible assets	13	**1,127.8**	841.3
Equity investments in joint ventures and associates	16	**1,239.5**	1,643.5
Loans to joint ventures and associates	16	**736.9**	554.3
Other investments	16	**8.7**	3.6
Other receivables	18	**136.4**	115.9
Derivative financial assets	24	**371.7**	114.7
Retirement benefit assets	23	**584.9**	543.1
Non-current assets		**18,824.6**	17,070.7
Intangible assets	13	**459.3**	374.9
Inventories	17	**266.6**	234.9
Trade and other receivables	18	**2,211.0**	1,488.2
Current tax asset	10	**8.8**	12.7
Cash and cash equivalents	21	**1,049.3**	1,600.2
Derivative financial assets	24	**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	21	**1,190.8**	937.6
Trade and other payables	19	**2,672.6**	1,987.3
Current tax liabilities	10	**–**	12.8
Provisions	20	**93.3**	79.3
Derivative financial liabilities	24	**701.5**	238.7
Liabilities held for sale	12	**–**	253.5
Current liabilities		**4,658.2**	3,509.2
Loans and other borrowings	21	**7,873.9**	8,473.0
Deferred tax liabilities	10	**1,645.6**	774.3
Trade and other payables	19	**842.4**	722.5
Provisions	20	**1,017.9**	793.3
Retirement benefit obligations	23	**–**	186.1
Derivative financial liabilities	24	**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	22	**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		**8,082.2**	5,208.7
Hybrid equity	22	**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 statements.

These financial statements were approved by the Board of Directors on 24 May 2022 and signed on their behalf by:

Gregor Alexander,
Finance Director

Sir John Manzoni,
Chairman

SSE plc
Registered No: SC117119

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 (i)	–	(27.1)	–	–	–	24.6	(2.5)	–	(2.5)
Adjustment in relation to historic remeasurement of financial instruments, net of tax (ii)	–	–	–	(6.2)	–	27.5	21.3	–	21.3
At 31 March 2021	524.5	847.1	49.2	(133.6)	0.4	3,921.1	5,208.7	1,472.4	6,681.1

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

(ii) Following review of the recognition of certain derivative financial instruments at inception, a revision to the Retained Earnings, Loans and Borrowings and the Hedge Reserve was recorded during the year. This revision arose through review of the Group's contractual exposure on certain swap arrangements, as well as mark-to-market charges on inception previously recognised through the Income Statement. The cumulative effect on opening reserves on 1 April 2020 was an increase of £21.3m, and the single largest line item impacted was Loans and Borrowings which decreased by £58.8m. It has been assessed that the cumulative effect of this revision does not materially impact the financial statements for the year ended 31 March 2020.

Consolidated cash flow statement
For the year ended 31 March 2022

	Note	2022 £m	2021 £m (restated*)
Operating profit – continuing operations		**3,755.4**	2,654.9
Operating profit – discontinued operations	12	**(100.5)**	121.6
Operating profit – 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	**(23.0)**	(22.8)
Movement on operating derivatives	24	**(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	7,12	**(48.2)**	(1,227.9)
Release of provisions	20	**(1.6)**	(4.1)
Release of deferred income	6	**(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	16	**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	5	**(1,273.6)**	(985.0)
Purchase of other intangible assets	5	**(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	12	**–**	(172.8)
Purchase of businesses and subsidiaries	12	**(145.3)**	–
Joint venture development expenditure refunds	16	**136.7**	182.5
Loans and equity provided to joint ventures and associates	16	**(676.0)**	(188.9)
Loans and equity repaid by joint ventures	16	**10.9**	54.2
Increase in other investments	16	**5.4**	–
Net cash from investing activities		**(744.9)**	443.7
Proceeds from issue of share capital	22	**6.3**	10.4
Dividends paid to company's equity holders	11	**(506.6)**	(797.4)
Hybrid equity dividend payments	22	**(50.7)**	(46.6)
Employee share awards share purchase	22	**(14.1)**	(12.9)
Issue of hybrid instruments	22	**–**	1,051.0
Redemption of hybrid instruments	22	**(426.0)**	(750.0)
New borrowings	21	**506.1**	1,668.5
Seagreen development expenditure refinancing proceeds	21	**–**	246.1
Repayment of borrowings	21	**(960.1)**	(2,189.3)
Settlement of cashflow hedges		**11.2**	(5.1)
Net cash from financing activities		**(1,433.9)**	(825.3)
Net (decrease)/increase in cash and cash equivalents		**(550.9)**	1,435.6
Cash and cash equivalents at the start of year	21	**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 accompanying notes are an integral part of these financial statements.

* The comparative consolidated cash flow statement has been restated. See note 1.2.

Notes to the consolidated financial statements
For the year ended 31 March 2022

1. General information and basis of preparation
1.1. General information
SSE plc (the Company) is a company domiciled in Scotland. The address of the registered office is given on the back cover. The Group's operations and its principal activities are set out in the Strategic Report. The consolidated financial statements for the year ended 31 March 2022 comprise those of the Company and its subsidiaries (together referred to as the Group). The Company financial statements present information about the Company as a separate entity and not about the Group, these can be seen on pages 324 to 335.

1.2. Basis of preparation
Statement of compliance
The financial statements were authorised for issue by the directors on 24 May 2022. The financial statements have been prepared in accordance with UK adopted International Accounting Standards.

Going concern
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.

In addition, further details of the Group's liquidity position and going concern review are provided in A6 Accompanying Information to the Financial Statements on page 312.

Basis of measurement
The financial statements of the Group are prepared on the historical cost basis except for certain gas inventory, derivative financial instruments, financial instruments designated at fair value through profit or loss or other comprehensive income on initial recognition, assets of the Group pension schemes, all of which are measured at their fair value, and liabilities of the Group pension schemes which are measured using the projected unit credit method. The directors believe the financial statements present a true and fair view. The financial statements of the Group are presented in pounds sterling. The basis for including operations and transactions conducted in currencies other than pounds sterling is provided in A1 Accompanying Information to the Financial Statements on page 290.

Use of estimates and judgements
The preparation of financial statements conforming with adopted IFRS requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The areas involving a higher level of judgement or estimation are summarised at pages 222 to 224.

Changes to presentation – prior year adjustments
Discontinued operations

On 2 August 2021, the Group announced it had agreed to sell its 33.3% stake in gas distribution operator SGN to a consortium comprising existing SGN shareholders Ontario Teachers' Pension Plan Board and Brookfield Super-Core Infrastructure Partners for cash consideration of £1,225m. The 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 for the Group in the prior year are unchanged.

Segments

In accordance with the requirements of IFRS 8 'Operating Segments' the Group has aligned its segmental disclosures with its revised internal reporting following changes to the Group's structure and operations. These segments are used internally by the Group Executive Committee to in order to assess operating performance and to make decisions on how to allocate capital. Consequently, the segmental results reported in the Group's operating segments have been restated with effect from 1 April 2021. Following the Group's sale of its Contacting and Rail business to Aurelius Group, the primary retained activities of the Enterprise business is Distributed Energy which will develop and provide the Group's solar and battery storage operations and focus on distributed generation, heat and cooling networks, smart buildings and EV charging. Accordingly, the result from the Group's out of areas networks business and Neos Networks Limited joint venture will now be reported within SSEN Distribution and Corporate Unallocated respectively. Comparative segmental information in note 5 has been 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).

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

Notes to the consolidated financial statements continued
For the year ended 31 March 2022

2. New accounting policies and reporting changes
The principal accounting policies applied in the preparation of these financial statements are set out below and in the A1 Accompanying Information to the Financial Statements on pages 290 to 300.

2.1 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.

2.2 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.

3. 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 204 provides further context and explanation of these terms.

3.1 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 (see note 3.2 below), 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 (see note 3.2 below), 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.

The Group also uses adjusted earnings before interest, taxation, depreciation and amortisation ('adjusted EBITDA') as an alternative operating performance measure which acts as a management proxy for cash generated from operating activities. This does not take into account the rights and obligations that SSE has in relation to its equity-accounted joint ventures and associates. This measure excludes exceptional items and certain re-measurements (see note 3.2 below), 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 90, '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 5.1(v)).

The Group's key performance measure is adjusted earnings per share (EPS), which is based on basic earnings per share before exceptional items and certain re-measurements (see note 3.2 below), 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 sale 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 204 to 212.

APM Where the Group have referred to an adjusted performance measure in the financial statements the following sign is presented to denote this.

3.2 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 or material significant disputes and claims.

The Group operates a policy framework for estimating whether items are considered to be exceptional. This framework, which is reviewed annually, estimates the materiality of each broad set of potentially exceptional circumstances, after consideration of strategic impact and likelihood of recurrence, by reference to the Group's key performance measure of adjusted earnings per share. This framework estimates that any 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.

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. The amount shown in the before exceptional items and certain re-measurements results for these contracts is the amount settled in the year as disclosed in note 24.1.

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.

Notes to the consolidated financial statements continued
For the year ended 31 March 2022

3. Adjusted accounting measures continued

3.3 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.

4. 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.

4.1 Significant financial judgements and estimation uncertainties

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

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

The Group reviews the carrying amounts of its goodwill, other intangible assets, 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.

Further detail of the calculation basis and key assumptions used in the impairment review, the resulting impairment reversals and the sensitivity of this assessment to key assumptions is disclosed at note 15. Detail on the accounting policies applied is included in the Accompanying Information section A1.

(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 23.

(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.

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

(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') set out on pages 4 to 5 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. See note 15.2.

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 (see note 15.1), 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 (see note 15.1).

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.

Notes to the consolidated financial statements continued
For the year ended 31 March 2022

4. Accounting judgements and estimation uncertainty continued
4.2 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.

4.3 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.

5. Segmental information
The changes to the Group's segments in the year are explained at note 1.2 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:

Business area	Reported segments	Description
Continuing operations		
Transmission	SSEN Transmission	The economically regulated high voltage transmission of electricity from generating plant to the distribution network in the North of Scotland. 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.

Business area	Reported segments	Description
Continuing operations		
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.
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		
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.

As referred to in note 3, 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.

Notes to the consolidated financial statements continued
For the year ended 31 March 2022

5. Segmental information continued
5.1 Segmental information disclosure
(i) Revenue by segment

	Reported revenue 2022 £m	Inter-segment revenue (i) 2022 £m	Segment revenue 2022 £m	Reported revenue (restated*) 2021 £m	Inter-segment revenue (i) 2021 £m	Segment revenue (restated*) 2021 £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 continuing operations	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 discontinued operations	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

(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 for the period to 11 June 2021 (2021: £411.8m), is not recorded in the revenue line in the income statement.

* The comparative segment revenue has been restated. See note 1.2.

Disaggregation of revenue

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

	Revenue from contracts with customers									
	Goods or services transferred over time			Goods or services transferred at a point in time						
	Use of electricity networks 2022 £m	Supply of energy and ancillary services 2022 £m	Construction related services 2022 £m	Other contracted services 2022 £m	Physical energy 2022 £m	Gas storage 2022 £m	Other revenue 2022 £m	Total revenue from contracts with customers 2022 £m	Other contract revenue 2022 £m	Total 2022 £m
Continuing operations										
SSEN Transmission	570.8	–	–	16.5	–	–	2.4	589.7	–	589.7
SSEN Distribution	903.3	–	–	10.5	–	–	22.8	936.6	18.0	954.6
SSE Renewables	–	79.7	–	75.0	202.7	–	–	357.4	–	357.4
SSE Thermal	–	840.1	–	–	–	–	4.1	844.2	–	844.2
Gas Storage	–	–	–	–	–	8.7	–	8.7	–	8.7
Energy Customer Solutions										
Business Energy	–	2,289.0	–	–	–	–	–	2,289.0	–	2,289.0
SSE Airtricity	–	1,158.1	–	19.2	–	–	–	1,177.3	–	1,177.3
Distributed Energy	11.9	15.8	77.7	3.9	2.9	–	59.3	171.5	5.4	176.9
EPM	–	–	–	–	1,920.9	–	219.8	2,140.7	–	2,140.7
Corporate unallocated	–	–	–	–	–	–	69.7	69.7	–	69.7
Total continuing operations	1,486.0	4,382.7	77.7	125.1	2,126.5	8.7	378.1	8,584.8	23.4	8,608.2
Discontinued operations										
Gas Production	–	–	–	–	–	–	8.1	8.1	–	8.1
Total discontinued operations	–	–	–	–	–	–	8.1	8.1	–	8.1
Total SSE Group	1,486.0	4,382.7	77.7	125.1	2,126.5	8.7	386.2	8,592.9	23.4	8,616.3

Notes to the consolidated financial statements continued
For the year ended 31 March 2022

5. Segmental information continued
5.1 Segmental information disclosure continued

	(Restated*)									
	Revenue from contracts with customers									
	Goods or services transferred over time				Goods or services transferred at a point in time					
	Use of electricity networks 2021 £m	Supply of energy and ancillary services 2021 £m	Construction related services 2021 £m	Other contracted services 2021 £m	Physical energy 2021 £m	Gas storage 2021 £m	Other revenue 2021 £m	Total revenue from contracts with customers 2021 £m	Other contract revenue 2021 £m	Total 2021 £m
Continuing operations										
SSEN Transmission	373.8	–	–	26.4	–	–	4.7	404.9	–	404.9
SSEN Distribution	787.1	–	–	9.1	–	–	16.2	812.4	22.1	834.5
SSE Renewables (i)	–	117.7	–	42.2	122.0	–	–	281.9	–	281.9
SSE Thermal	–	484.3	–	–	–	–	19.7	504.0	–	504.0
Gas Storage	–	–	–	–	–	7.1	–	7.1	–	7.1
Energy Customer Solutions										
Business Energy	–	1,934.5	–	–	–	–	–	1,934.5	–	1,934.5
SSE Airtricity	–	1,055.2	–	17.5	–	–	–	1,072.7	–	1,072.7
Distributed Energy	12.8	15.4	265.4	33.3	1.2	–	0.5	328.6	5.9	334.5
EPM	–	–	–	–	988.9	–	373.8	1,362.7	–	1,362.7
Corporate unallocated	–	–	–	–	–	–	89.6	89.6	–	89.6
Total continuing operations	1,173.7	3,607.1	265.4	128.5	1,112.1	7.1	504.5	6,798.4	28.0	6,826.4
Discontinued operations										
Gas Production	–	–	–	–	–	–	14.2	14.2	–	14.2
Total discontinued operations	–	–	–	–	–	–	14.2	14.2	–	14.2
Total SSE Group	1,173.7	3,607.1	265.4	128.5	1,112.1	7.1	518.7	6,812.6	28.0	6,840.6

* The comparative disaggregated segment revenue has been restated. See note 1.2.

(i) For the SSE Renewables £42.2m of revenue for the year ended 31 March 2021 has been reallocated from Supply of energy and ancillary services to Other contracted services.

Included within trade and other receivables (note 18) is £492.7m (2021: £325.0m) of unbilled energy income and £nil (2021: £12.8m) of contract related assets. Included within trade and other payables (note 19) is £242.5m (2021: £240.6m) of contract related liabilities. Contract related assets reflect the Group's right to consideration in exchange for goods or services that have transferred to the customer, and contract related liabilities reflect the Group's obligation to transfer future goods or services for which the Group has already received consideration. Contract related assets and liabilities principally arose in the Distributed Energy reporting segment with changes during the periods reflecting ongoing contract progress, offset by cash receipts or customer invoicing.

The Group has not disclosed information related to the transaction price allocated to remaining performance obligations on the basis that the Group's contracts either have an original expected duration of less than one year, or permit the Group to recognise revenue as invoiced.

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

(ii) Operating profit/(loss) by segment

	2022						
	Adjusted operating profit reported to the Board APM £m	Depreciation on fair value uplifts £m	JV/Associate share of interest and tax £m	Adjustments to Gas Production decommissioning provision £m	Before exceptional items and certain re-measurements £m	Exceptional items and certain re-measurements £m	Total £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	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.

The adjusted operating profit of the Group is reported after removal of the Group's share of interest, fair value movements on financing derivatives, Gas Production decommissioning costs, the depreciation charged on fair value uplifts and tax from joint ventures and associates and after adjusting for exceptional items and certain re-measurements (note 7). The share of SGN interest includes loan stock interest payable to the consortium shareholders (included in SGN). The Group has accounted for its 33% share of this, £6.8m (2021: £9.8m), as discontinued finance income (note 9).

The Group's share of operating profit from joint ventures and associates has been recognised in the SSE Renewables, SSE Thermal, Distributed Energy and SGN segments.

Notes to the consolidated financial statements continued
For the year ended 31 March 2022

5. Segmental information continued
5.1 Segmental information disclosure continued
(ii) Operating profit/(loss) by segment

	2021 (restated*)						
	Adjusted operating profit reported to the Board APM £m	Depreciation on fair value uplifts £m	JV/Associate share of interest and tax £m	Adjustments to Gas Production decommissioning provision £m	Before exceptional items and certain re-measurements £m	Exceptional items and certain re-measurements £m	Total £m
Continuing operations							
SSEN Transmission	220.9	–	–	–	220.9	–	220.9
SSEN Distribution	275.8	–	–	–	275.8	–	275.8
SSE Renewables	731.8	(18.8)	(71.4)	–	641.6	214.4	856.0
SSE Thermal	160.5	–	(19.6)	–	140.9	634.4	775.3
Gas Storage	(5.7)	–	–	–	(5.7)	8.5	2.8
Energy Customer Solutions							
Business Energy	(24.0)	–	–	–	(24.0)	20.1	(3.9)
SSE Airtricity	44.0	–	–	–	44.0	6.0	50.0
Distributed Energy	(27.0)	–	–	–	(27.0)	(49.1)	(76.1)
EPM	18.4	–	–	–	18.4	590.1	608.5
Corporate							
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 1.2.

(iii) Capital expenditure by segment

	Capital additions to intangible assets 2022 £m	Capital additions to property, plant and equipment 2022 £m	Capital additions to intangible assets 2021 £m	Capital additions to property, plant and equipment 2021 £m
Continuing operations				
SSEN Transmission	**5.8**	**608.6**	6.3	429.9
SSEN Distribution	**15.6**	**440.5**	12.5	400.1
SSE Renewables	**265.2**	**193.2**	112.7	111.2
SSE Thermal	**9.5**	**65.1**	3.4	76.7
Gas Storage	**–**	**2.1**	–	1.9
Energy Customer Solutions				
Business Energy	**4.6**	**30.6**	–	25.6
SSE Airtricity	**–**	**4.6**	–	5.6
Distributed Energy	**8.7**	**17.9**	2.6	21.9
EPM	**545.3**	**1.6**	509.0	2.1
Corporate unallocated	**65.8**	**21.2**	53.9	1.6
Total continuing operations	**920.5**	**1,385.4**	700.4	1,076.6
Discontinued operations				
Gas Production	**–**	**13.9**	0.9	25.9
Total discontinued operations	**–**	**13.9**	0.9	25.9
Total SSE Group	**920.5**	**1,399.3**	701.3	1,102.5
(Decrease)/increase in prepayments related to capital expenditure	**–**	**(2.0)**	–	0.5
Decrease/(increase) in trade payables related to capital expenditure	**–**	**53.3**	–	(10.8)
IFRS 15 adjustment	**–**	**(91.3)**	–	(61.8)
Lease asset additions	**–**	**(85.7)**	–	(45.4)
Less non-cash items				
Allowance and certificates	**(193.7)**	**–**	(201.6)	–
Assets acquired through acquisitions	**(197.8)**	**–**	–	–
Net cash outflow	**529.0**	**1,273.6**	499.7	985.0

Capital additions do not include assets acquired in acquisitions or assets acquired under leases. Capital additions to intangible assets includes the cash purchase of emissions allowances and certificates (2022: £350.8m; 2021: £307.4m). Other non-cash additions comprise self-generated renewable obligation certificates.

No segmental analysis of assets requires to be disclosed as this information is not presented to the Board.

Notes to the consolidated financial statements continued
For the year ended 31 March 2022

5. Segmental information continued
5.1 Segmental information disclosure continued
(iii) Capital expenditure by segment

At 31 March 2022	Capital additions to intangible assets 2022 £m	Capital additions to property, plant and equipment 2022 £m	Capital Investment relating to Joint Ventures and Associates (i)	Allowances and certificate (ii)	Customer funded additions (iii)	Acquired through business combinations (iv)	Lease asset additions (v)	Additions subsequently disposed (vi)	Refinancing proceeds (vii)	Adjusted Investment and Capital Expenditure 2022 APM £m
Continuing operations										
SSEN Transmission	**5.8**	**608.6**	–	–	–	–	–	–	–	**614.4**
SSEN Distribution	**15.6**	**440.5**	–	–	(91.3)	–	–	–	–	**364.8**
SSE Renewables	**265.2**	**193.2**	588.8	–	–	(197.8)	(38.4)	–	(136.7)	**674.3**
SSE Thermal	**9.5**	**65.1**	54.7	–	–	–	–	–	–	**129.3**
Gas Storage	**–**	**2.1**	–	–	–	–	–	–	–	**2.1**
Energy Customer Solutions										
Business Energy	**4.6**	**30.6**	–	–	–	–	–	–	–	**35.2**
SSE Airtricity	**–**	**4.6**	–	–	–	–	–	–	–	**4.6**
Distributed Energy	**8.7**	**17.9**	–	–	–	–	–	–	–	**26.6**
EPM	**545.3**	**1.6**	–	(544.5)	–	–	–	–	–	**2.4**
Corporate unallocated	**65.8**	**21.2**	39.0	–	–	–	(47.3)	–	–	**78.7**
Total continuing operations	**920.5**	**1,385.4**	682.5	(544.5)	(91.3)	(197.8)	(85.7)	–	(136.7)	**1,932.4**
Discontinued operations										
Gas Production	**0.5**	**13.4**	–	–	–	–	–	(13.9)	–	**–**
Total discontinued operations	**0.5**	**13.4**	–	–	–	–	–	(13.9)	–	**–**
Total SSE Group	**921.0**	**1,398.8**	682.5	(544.5)	(91.3)	(197.8)	(85.7)	(13.9)	(136.7)	**1,932.4**

(i) Represents equity or debt funding provided to joint ventures or associates in relation to capital expenditure projects.
(ii) 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 alternative performance measure.
(iii) Represents removal of additions to electricity and other networks funded by customer contributions.
(iv) Represents removal of additions achieved through business combinations; for Renewables additions of £197.8m refer to note 12. Note that the Group's Adjusted Investment, Capital and Acquisitions metric includes the £141.3m cash consideration paid for Business Combinations and totals £2,073.7m.
(v) Represents removal of additions in respect of right of use assets recognised on the commencement date of a lease arrangement.
(vi) On 14 October 2021, the Group disposed of its Gas Production business but retained a 60% share of the decommissioning obligation of the business.
(vii) Represents the refunding of equity or debt funding provided by the Group (predominately to joint ventures); as the funding is included at i) above, when there is a refinancing and SSE receives a repayment, those proceeds are excluded from its adjusted capex measure. In the year ended 31 March 2022, Doggerbank windfarm reimbursed SSE for previous funding of £136.7m.

At 31 March 2021	Capital additions to intangible assets 2021 £m	Capital additions to property, plant and equipment 2021 £m	Capital Investment relating to Joint Ventures and Associates (i)	Allowances and certificates (ii)	Customer funded additions (iii)	Lease asset additions (iv)	Refinancing proceeds (v)	Additions subsequently disposed (vi)	Adjusted Investment and Capital Expenditure 2021 APM £m
	(restated*)								
Continuing operations									
SSEN Transmission	6.3	429.9	–	–	–	(1.0)	–	–	435.2
SSEN Distribution	12.5	400.1	–	–	(61.8)	–	–	–	350.8
SSE Renewables	112.7	111.2	97.9	–	–	(7.8)	(428.6)	(19.7)	(134.3)
SSE Thermal	3.4	76.7	26.4	–	–	–	–	–	106.5
Gas Storage	–	1.9	–	–	–	–	–	–	1.9
Energy Customer Solutions									
Business Energy	–	25.6	–	–	–	–	–	–	25.6
SSE Airtricity	–	5.6	–	–	–	–	–	–	5.6
Distributed Energy	2.6	21.9	–	–	–	(6.9)	–	–	17.6
EPM	509.0	2.1	–	(509.0)	–	–	–	–	2.1
Corporate unallocated	53.9	1.6	48.4	–	–	(29.7)	–	–	74.2
Total continuing operations	700.4	1,076.6	172.7	(509.0)	(61.8)	(45.4)	(428.6)	(19.7)	885.2
Discontinued operations									
Gas Production	0.9	25.9	–	–	–	–	–	–	26.8
Total discontinued operations	0.9	25.9	–	–	–	–	–	–	26.8
Total SSE Group	701.3	1,102.5	172.7	(509.0)	(61.8)	(45.4)	(428.6)	(19.7)	912.0

* The comparatives have been restated. See note 1.2.

(i) Represents equity or debt funding provided to joint ventures or associates in relation to capital expenditure projects.
(ii) 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 alternative performance measure.
(iii) Represents removal of additions to electricity and other networks funded by customer contributions.
(iv) Represents removal of right of use assets recognised on the commencement date of a lease arrangement.
(v) Represents the refunding of equity or debt funding provided by the Group (predominately to joint ventures); as the funding is included at i) above, when there is a refinancing and SSE receives a repayment, those proceeds are excluded from its adjusted capex measure. In the year to 31 March 2021, the Group received reimbursed capex of £246.1m in relation to Seagreen windfarm (prior to disposal of a stake in the venture) and £182.5m in relation to Doggerbank windfarm.
(vi) In the year the Group funded £19.7m of capex additions in relation to the Seagreen windfarm prior to disposal. On 3 June 2020, the Group disposed of a 51% stake in Seagreen 1 (note 12), therefore the capex incurred prior to that date has been excluded from the Group's net adjusted investment and capital expenditure metric.

Notes to the consolidated financial statements continued
For the year ended 31 March 2022

5. Segmental information continued
5.1 Segmental information disclosure continued
(iv) Items included in operating profit/(loss) by segment

	Depreciation/impairment on property, plant and equipment			Amortisation/impairment of intangible assets		
	Before exceptional charges 2022 £m	Impairment charges/ (credits) 2022 £m	Total 2022 £m	Before exceptional charges 2022 £m	Impairment charges/ (credits) 2022 £m	Total 2022 £m
Continuing operations						
SSEN Transmission	99.6	–	99.6	3.6	–	3.6
SSEN Distribution	165.8	20.7	186.5	9.4	–	9.4
SSE Renewables	160.1	–	160.1	0.8	–	0.8
SSE Thermal	69.8	(331.6)	(261.8)	0.4	–	0.4
Gas Storage	0.8	(97.3)	(96.5)	–	–	–
Energy Customer Solutions						
Business Energy	5.1	–	5.1	6.2	–	6.2
SSE Airtricity	0.2	–	0.2	1.5	–	1.5
Distributed Energy	5.6	(1.6)	4.0	2.3	0.5	2.8
EPM	–	–	–	4.5	–	4.5
Corporate unallocated	38.4	–	38.4	16.7	1.0	17.7
Total continuing operations	545.4	(409.8)	135.6	45.4	1.5	46.9
Discontinued operations						
Gas Production	–	120.8	120.8	–	–	–
Total discontinued operations	–	120.8	120.8	–	–	–
Total SSE Group	545.4	(289.0)	256.4	45.4	1.5	46.9

	(restated*)					
	Depreciation/impairment on property, plant and equipment			Amortisation/impairment of intangible assets		
	Before exceptional charges 2021 £m	Impairment charges 2021 £m	Total 2021 £m	Before exceptional charges 2021 £m	Impairment charges 2021 £m	Total 2021 £m
Continuing operations						
SSEN Transmission	85.1	–	85.1	2.0	–	2.0
SSEN Distribution	159.9	–	159.9	8.9	–	8.9
SSE Renewables	157.7	0.5	158.2	0.5	4.7	5.2
SSE Thermal	54.3	58.1	112.4	–	–	–
Gas Storage	0.8	–	0.8	–	–	–
Energy Customer Solutions						
Business Energy	4.6	–	4.6	0.5	–	0.5
SSE Airtricity	6.0	–	6.0	1.5	–	1.5
Distributed Energy	6.6	(1.9)	4.7	2.1	–	2.1
EPM	0.3	–	0.3	3.9	–	3.9
Corporate unallocated	48.0	15.1	63.1	13.5	5.2	18.7
Total continuing operations	523.3	71.8	595.1	32.9	9.9	42.8
Discontinued operations						
Gas Production	–	–	–	–	–	–
Total discontinued operations	–	–	–	–	–	–
Total SSE Group	523.3	71.8	595.1	32.9	9.9	42.8

* The comparatives have been restated. See note 1.2.

The Group's share of SGN depreciation (2022: £10.4m; 2021: £57.4m) and amortisation (2022: £0.7m; 2021: £4.2m) is not included within operating costs.

Notes to the consolidated financial statements continued
For the year ended 31 March 2022

5. Segmental information continued
5.1 Segmental information disclosure continued
(v) Earnings before interest, taxation, depreciation and amortisation ('EBITDA')

	Adjusted operating profit reported to the Board (note 5.1(ii)) APM 2022 £m	Depreciation on fair value uplifts 2022 £m	Depreciation/ Impairment/ amortisation before exceptional charges (note 5.1(iv)) 2022 £m	JV/Associate share of depreciation and amortisation (note 16.4) 2022 £m	Release of deferred income (note 6) 2022 £m	Adjusted EBITDA APM 2022 £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).

The £612.0m combined depreciation, impairment and amortisation charges included non-exceptional impairments totalling £21.2m.

	Adjusted operating profit reported to the Board (note 5.1 (ii)) APM 2021 £m	Depreciation on fair value uplifts 2021 £m	(restated*) Depreciation/ impairment/ amortisation before exceptional charges (note 5.1 (iv)) 2021 £m	JV/Associate share of depreciation and amortisation (note 16.4) 2021 £m	Release of deferred income (note 6) 2021 £m	Adjusted EBITDA APM 2021 £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 operating profit by segment information has been restated. See note 2.1.

Notes to the consolidated financial statements continued
For the year ended 31 March 2022

6. Other operating income and cost
Group operating profit on continuing operations is stated after charging/(crediting) the following items:

	2022 £m	2021 £m
Depreciation of property, plant and equipment on continuing operations (i) (note 14)	544.8	523.3
Net exceptional gains on disposal (note 7)	(4.3)	(976.0)
Exceptional (credits)/charges (continuing operations) (note 7)	(297.5)	125.7
Research costs	12.0	12.0
Lease charges (ii)	11.0	11.6
Release of deferred income in relation to capital grants and historic customer contributions	(17.6)	(17.7)
Gain on disposals (non-exceptional) (note 12)	(67.1)	(251.9)
Amortisation of other intangible assets	1.5	2.7

(i) Does not include exceptional impairment charges.
(ii) Represents the expense of leases with a duration of 12 months or less and leases for assets which are deemed "low value" under the principles of IFRS 16. In addition, variable lease payments, which are not included within the measurement of lease liabilities as they do not depend on an index or rate, of £7.8m (2021: £4.1m) were charged in the current year.

Auditor's remuneration

	2022 £m	2021 £m
Audit of these financial statements	0.4	0.4
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	3.1	1.9
Audit related assurance services	0.3	0.2
Other services fees	0.1	0.2
	3.5	2.3
Total remuneration paid to auditor	3.9	2.7

Audit fees in the current year include scope changes and overruns of £0.4m (2021: £0.4m) related to the prior year audit. Assurance and Tax service fees incurred in the year were £0.5m (2021: £0.4m). Audit related assurance services include fees incurred in relation to regulatory accounts and returns required by Ofgem and comfort letters in connection with funding and debt issuance. A description of the work of the Audit Committee is set out on pages 152 to 161 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

7. Exceptional items and certain re-measurements

	2022 £m	2021 £m (restated*)
Continuing operations		
Exceptional items (note 7.1)		
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 24)	**2,100.4**	590.1
Movement in fair value of commodity stocks	**(2.6)**	8.5
Movement on financing derivatives (note 24)	**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)**	–
Total exceptional items and certain re-measurements on discontinued operations after taxation	**366.4**	1.6

* The comparatives have been restated. See note 1.2.

Notes to the consolidated financial statements continued
For the year ended 31 March 2022

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

	2022 £m	2021 £m (restated*)
Continuing operations		
Cost of sales:		
Movement on operating derivatives (note 24)	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
	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 24)	21.0	55.6
Interest income on deferred consideration receipt	3.2	1.4
	24.2	57.0
Profit before tax 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 derivatives 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 1.2.

7.1 Exceptional items
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 (note 14) £m	Held for sale £m	Provisions and other charges £m	Investment 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 (see note 15.2). 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 reversal
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 (see note 15.2). 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. See note 15 for detail of this assessment.

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.

(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 12.2 for further information.

Notes to the consolidated financial statements continued
For the year ended 31 March 2022

7. Exceptional items and certain re-measurements continued
7.1 Exceptional items continued
(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 of the business due to the buyer between 1 October 2021 and the disposal date on 14 October 2021. See note 12.2 for further information.

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 SSE Telecommunications Limited by £21.8m.

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

	Property, plant and equipment (note 14) £m	Intangible assets (note 13) £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 – impairment charges
At 31 March 2021, the Group carried out a formal impairment review in order to assess the carrying value of its CCGT plant at Great Island. As a result of the assessment, the Group recognised an exceptional impairment of £58.1m 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.

(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 anerobic 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 3.2).

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 3.2).

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.

Notes to the consolidated financial statements continued
For the year ended 31 March 2022

7. Exceptional items and certain re-measurements continued
7.1 Exceptional items continued
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 24.

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 £85.6m 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.

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

8. Directors and employees

8.1 Staff costs

	2022 £m	2021 £m
Continuing operations		
Staff costs:		
Wages and salaries	**517.6**	526.8
Social security costs	**60.1**	58.7
Share-based remuneration	**17.6**	18.2
Pension costs (note 23)	**93.4**	96.7
	688.7	700.4
Less: capitalised as property, plant and equipment or intangible assets	**(157.4)**	(144.8)
	531.3	555.6

The figures in the table above include £11.9m of staff costs related to the Group's Contracting and Rail business which was sold on 30 June 2021 (2021: £83.3m).

8.2 Employee numbers

	2022 Number	2021 Number
Numbers employed at 31 March in continuing operations	**10,754**	12,512
Numbers employed at 31 March in discontinued operations	**–**	1
	10,754	12,513

The average number of people employed by the Group (including Executive Directors) during the year was:

	2022 Number	2021 Number
Continuing operations		
SSEN Transmission	**814**	572
SSEN Distribution	**3,984**	3,704
SSE Renewables	**1,286**	1,084
SSE Thermal	**432**	466
Gas Storage	**84**	80
Energy Customer Solutions		
Business Energy	**817**	832
SSE Airtricity	**766**	688
Distributed Energy[1]	**735**	2,558
EPM	**238**	158
Corporate Services	**1,598**	1,547
Total from continuing operations	**10,754**	11,689
Discontinued operations		
Gas Production	**–**	2
Total from discontinued operations	**–**	2
Total SSE Group	**10,754**	11,691

1 Distributed energy employee numbers at March 2021 included 1,753 employees of the disposed Contracting and Rail business.

Notes to the consolidated financial statements continued
For the year ended 31 March 2022

8. Directors and employees continued
8.3 Remuneration of key management personnel
The remuneration of the key management personnel of the Group (excluding amounts equivalent to pension value increases as set out in the Remuneration Report), is set out below in aggregate.

	2022			2021		
	Executive committee members £m	**Executive directors £m**	**Total £m**	Executive committee members £m	Executive directors £m	Total £m
Salaries and short term employee benefits	**2.2**	**4.9**	**7.1**	1.9	3.7	5.6
Social security costs	**0.4**	**0.9**	**1.3**	0.3	0.5	0.8
Post-employment benefits	**0.3**	**0.9**	**1.2**	0.4	1.0	1.4
Share based benefits	**1.2**	**4.3**	**5.5**	1.2	2.1	3.3
	4.1	**11.0**	**15.1**	3.8	7.3	11.1

Key management personnel are responsible for planning, directing and controlling the operations of the Group and are designated Persons Discharging Management Responsibilities ('PDMRs') in line with the market abuse regulation definition. The Group has three (2021: three) Executive directors. Executive committee members included in the table above at 31 March 2022 are the Managing Director of Networks; the Managing Director of SSEN Transmission; the Managing Director of SSE Renewables and the Group's General Counsel.

Further information about the remuneration of individual directors is provided in the audited part of the Remuneration Report.

Information regarding transactions with post-retirement benefit plans is included in note 23.

Non-executive directors were paid fees of £1.2m during the current year (2021: £1.0m).

9. Finance income and costs

Recognised in 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
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 derivative assets or liabilities 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 1.2.
(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%).

Notes to the consolidated financial statements continued
For the year ended 31 March 2022

9. Finance income and costs continued
Adjusted net finance costs are arrived at after the following adjustments:

	2022 £m	2021 £m (restated*)
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 24)	**(21.0)**	(55.6)
Exceptional item	**(3.2)**	(1.4)
Adjusted net finance costs APM	**(372.8)**	(384.6)
Notional interest arising on discounted provisions	**5.7**	3.8
Lease charges	**30.4**	35.3
Hybrid coupon payment (note 22.5(iii))	**(50.7)**	(46.6)
Adjusted net finance costs for interest cover calculations APM	**(387.4)**	(392.1)

* The comparatives have been restated. See note 1.2.

Recognised in other comprehensive income

	2022 £m	2021 £m
Loss on effective portion of cash flow hedges (before tax)	**22.9**	(44.7)
Share of joint venture/associate loss on effective portion of cash flow hedges (before tax)	**224.0**	30.6
Total recognised in other comprehensive income	**246.9**	(14.1)

Other comprehensive income of £246.9m includes £28.6m, which was realised on the disposal of SGN.

10. Taxation
10.1 Analysis of charge recognised in the income statement

	2022			2021		
	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 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.

SSE continues to be accredited with the Fair Tax Mark. As a consequence, these financial statements include a number of areas of enhanced disclosure which have been provided in order to develop stakeholder understanding of the tax the Group pays and the reported total taxation charge along with additional commentary on the main reconciling items.

These can be seen at section A2.

The majority of the Group's profits are earned in the UK, with the standard rate of UK corporation tax being 19% for the year to 31 March 2022 (2021: 19%). The Group's Gas Production business, which is included within discontinued operations for the year ended 31 March 2022 (and 31 March 2021), is taxed at a UK corporation tax rate of 30% plus a supplementary charge of 10% (combined 40%). Profits earned by the Group in the Republic of Ireland are taxable at either 12.5% or 25%, depending upon the nature of the income.

The majority of the Group's profits are earned in the UK, with the standard rate of UK corporation tax being 19% for the year to 31 March 2021 (2020: 19%). The Group's Gas Production business, which is included within discontinued operations for the year ended 31 March 2022 (and 31 March 2021), is taxed at a UK corporation tax rate of 30% plus a supplementary charge of 10% (combined 40%). Profits earned by the Group in the Republic of Ireland are taxable at either 12.5% or 25%, depending upon the nature of the income.

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:

Continuing operations	2022 £m	2022 %	2021 £m (restated*)	2021 % (restated*)
Group tax charge and effective rate	**882.8**	**25.4**	224.3	9.3
Less: reported deferred tax charge 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 APM	**107.1**	**9.2**	85.9	9.1

* The comparatives have been restated. See note 1.2.

Tax charge/(credit) recognised in other comprehensive income/(loss):

	2022 £m	2021 £m
Relating to:		
Pension scheme actuarial movements	**72.6**	(3.1)
Cash flow and net investment hedge movements	**4.4**	(9.9)
Other	**(1.9)**	(1.7)
	75.1	(14.7)

All tax recognised through other comprehensive income is deferred tax.

See further Taxation disclosures at A2.

10.2 Current tax liabilities

	2022 £m	2021 £m
Corporation tax (asset)/liability	**(8.8)**	0.1

Uncertain tax positions

The Group invests heavily in infrastructure, on which significant amounts of capital allowances are potentially available. The extent to which capital allowances are available on any single asset is, however, very much dependent upon the fact pattern for the asset involved, and there will often be an element of uncertainty as to how capital allowances legislation applies in those circumstances. Reaching agreement with tax authorities as to the amount of capital allowances available can take a number of years and sometimes can only be resolved through a formal legal process.

The calculation of the Group's total tax charge therefore necessarily involves a degree of estimation and judgement in relation to certain items for which the tax treatment cannot be finally determined until resolution has been reached with the tax authorities or, if required, through a formal legal process. At 31 March 2022, the Group has recognised provisions totalling £27.9m in respect of uncertain tax positions, primarily in relation to the availability of capital allowances (2021: £37.6m). The Group estimates that a reasonably possible range of settlement outcomes for the uncertain tax positions could be in the range from nil to the full value of the provision, due to the binary nature of the decision as to whether capital allowances are available or not.

Notes to the consolidated financial statements continued
For the year ended 31 March 2022

10. Taxation continued
10.2 Current tax liabilities continued
Due to the uncertainty associated with such tax positions, it is possible that at a future date, and on conclusion of these open tax positions, the final outcomes may vary significantly. While a range of outcomes is reasonably possible, the Group continues to believe that it has made appropriate provision for periods which are open and not yet agreed with the tax authorities.

In December 2020, the Group's case concerning the availability of capital allowances on Glendoe Hydro Electric Station was heard at the Court of Appeal. A decision was released in February 2021, which was largely in the Group's favour. HMRC have sought permission to have an appeal heard against the decision by the Supreme Court, with the Supreme Court granting HMRC leave to appeal on 30 March 2022. The case has not yet been listed for hearing at the Supreme Court. Any movement in the amounts carried for other uncertain tax positions during the next twelve months will be driven by tax litigation the Group is not directly involved in and is unable to predict the outcome of.

10.3 Deferred taxation
The following are the deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods:

	Accelerated capital allowances £m	Fair value gains/ (losses) on derivatives £m	Retirement benefit obligations £m	Other £m	Total £m
At 31 March 2020	704.5	(140.6)	65.0	16.9	645.8
(Credit)/charge to income statement on continuing operations	13.5	119.0	5.9	7.0	145.4
(Credit)/charge to equity	–	(3.7)	(3.1)	(1.7)	(8.5)
(Credit)/charge recognised on disposal	(0.2)	–	–	(5.7)	(5.9)
Transfers	15.8	–	–	(15.8)	–
Transferred to held for sale	0.2	–	–	–	0.2
Exchange adjustments	–	–	–	(2.7)	(2.7)
At 31 March 2021	733.8	(25.3)	67.8	(2.0)	774.3
(Credit)/charge to income statement on continuing operations	**407.6**	**399.4**	**5.8**	**(15.4)**	**797.4**
(Credit)/charge to equity	**–**	**4.4**	**72.6**	**(1.9)**	**75.1**
Exchange adjustment	**0.2**	**–**	**–**	**(1.4)**	**(1.2)**
At 31 March 2022	**1,141.6**	**378.5**	**146.2**	**(20.7)**	**1,645.6**

Certain deferred tax assets and liabilities have been offset, including the asset balances analysed in the tables above. The following is an analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2022 £m	2021 £m
Deferred tax liabilities	**1,716.0**	801.6
Deferred tax assets	**(70.4)**	(27.3)
Net deferred tax liabilities/(assets)	**1,645.6**	774.3

In total there are £6.0m (2021: £103.5m) of unrecognised deferred tax assets. The Group has now disposed of its offshore interest which formed the majority of the unrecognised deferred tax asset at 31 March 2021. The group has not recognised a deferred tax asset on trading losses of £47.6m (2021: £49.6m) in the Republic of Ireland. These assets have not been recognised as the Group is uncertain that there will be sufficient future profits against which to utilise the assets. There is no time limit for expiry of the losses or allowances to which they relate.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries, associates and joint ventures. As the earnings are continually reinvested by the Group, no tax is expected to be payable on them in the foreseeable future. Total unremitted earnings at 31 March 2022 were £350.8m (2021: £281.5m).

11. Dividends and earnings per share

11.1 Ordinary dividends

	2022 Total £m	Settled via scrip £m	Pence per ordinary share	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.

11.2 Basic and adjusted 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.

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 and the impact of exceptional items and certain re-measurements (note 7).

Continuing operations	**2022 Earnings £m**	**2022 Earnings per share pence**	2021 Earnings £m (restated*)	2021 Earnings per share pence (restated*)
Earnings attributable to ordinary shareholders	**3,031.4**	**287.3**	2,276.2	218.7
Less: earnings attributable to discontinued operations	**(482.7)**	**(45.7)**	(129.1)	(12.4)
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) (note 9)	**(7.6)**	**(0.7)**	(8.3)	(0.8)
Deferred tax	**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 APM	**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

Notes to the consolidated financial statements continued
For the year ended 31 March 2022

11. Dividends and earnings per share continued
11.2 Basic and adjusted earnings per share continued
Reported earnings per share

	2022 Earnings £m	2022 Earnings per share pence	2021 Earnings £m (restated*)	2021 Earnings per share pence (restated*)
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
Diluted earnings per share on continuing operations	**2,548.7**	**241.1**	2,147.1	206.0
Diluted earnings per share on discontinued operations	**482.7**	**45.7**	129.1	12.3
Diluted earnings per share attributable to ordinary shareholders	**3,031.4**	**286.8**	2,276.2	218.3

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

* The comparatives have been restated. See note 1.2.

12. Acquisitions, disposals and held-for-sale assets
12.1 Acquisitions
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 represented the non-controlling interest's proportionate share of the assets and liabilities acquired through the transaction.

	Fair value at 29 October 2021
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 in note 13 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

(i) Significant disposals

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 3.2). 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.

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.

Notes to the consolidated financial statements continued
For the year ended 31 March 2022

12. Acquisitions, disposals and held-for-sale assets continued
12.2 Disposals continued

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 3.2).

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 3.2).

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 3.2).

(ii) 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 £m	2021 £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
Discontinuing operations		
Income statement exceptional credit	**576.5**	–
SSE Group	**624.7**	1,227.9

	2022 £m	2021 £m
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

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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	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 other 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 (see note 12.2). The profit/(loss) of the discontinued operation is as follows:

	2022			2021		
	Before exceptional items and certain re-measurements £m	**Exceptional items and certain re-measurements £m**	**Total £m**	Before exceptional items and certain re-measurements (restated*) £m	Exceptional items and certain re-measurements (restated*) £m	Total (restated*) £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) from discontinued operations, net of tax	**116.3**	**366.4**	**482.7**	127.5	1.6	129.1

* The comparatives have been restated. See note 1.2.

Other comprehensive income from discontinued operations

	2022 £m	2021 £m
Items that will be reclassified subsequently 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	**–**	–

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13. Intangible assets

	Goodwill £m	Allowances & certificates £m	Development assets £m	Other intangibles £m	Software assets £m	Total £m
Cost:						
At 31 March 2020	533.8	730.7	580.7	114.8	782.8	2,742.8
Additions	–	509.0	116.1	2.3	73.0	700.4
Transfer to property plant and equipment (note 14)	–	–	(43.1)	–	–	(43.1)
Disposals/utilised	(5.9)	(637.3)	(348.7)	–	(7.7)	(999.6)
Transferred to held for sale (note 12)	(1.0)	–	–	(1.2)	(2.2)	(4.4)
Exchange adjustments	(4.8)	–	(1.5)	–	(1.6)	(7.9)
At 31 March 2021	522.1	602.4	303.5	115.9	844.3	2,388.2
Additions	**–**	**544.5**	**80.5**	**–**	**97.7**	**722.7**
Acquired through business combinations	**176.7**	**–**	**21.1**	**–**	**–**	**197.8**
Transfer (to)/from property plant and equipment (note 14)	**–**	**–**	**(40.4)**	**–**	**–**	**(40.4)**
Disposals/utilised	**–**	**(459.8)**	**(9.8)**	**–**	**(29.8)**	**(499.4)**
Exchange adjustments	**6.1**	**(0.3)**	**(0.5)**	**–**	**–**	**5.3**
At 31 March 2022	**704.9**	**686.8**	**354.4**	**115.9**	**912.2**	**2,774.2**
Aggregate amortisation and impairment:						
At 31 March 2020	(192.9)	(227.5)	(154.0)	(111.1)	(452.7)	(1,138.2)
Charge for the year	–	–	–	(2.7)	(30.2)	(32.9)
Exceptional impairment charges (note 7)	–	–	–	–	(5.2)	(5.2)
Non-exceptional impairment charge (i)	–	–	(4.7)	–	–	(4.7)
Disposals/utilised	–	–	–	–	7.7	7.7
Transferred to held for sale (note 12)	–	–	–	0.7	0.5	1.2
Exchange adjustments	–	–	0.3	–	(0.2)	0.1
At 31 March 2021	(192.9)	(227.5)	(158.4)	(113.1)	(480.1)	(1,172.0)
Charge for the year	**–**	**–**	**–**	**(1.5)**	**(43.9)**	**(45.4)**
Non-exceptional impairment charge (i)	**–**	**–**	**5.1**	**–**	**26.7**	**31.8**
Exchange adjustments	**–**	**–**	**–**	**–**	**(1.5)**	**(1.5)**
At 31 March 2022	**(192.9)**	**(227.5)**	**(153.3)**	**114.6**	**(498.8)**	**(1,187.1)**
Carrying amount:						
At 31 March 2022	**512.0**	**459.3**	**201.1**	**1.3**	**413.4**	**1,587.1**
At 31 March 2021	329.2	374.9	145.1	2.8	364.2	1,216.2
At 1 April 2020	340.9	503.2	426.7	3.7	330.1	1,604.6

(i) The non-exceptional impairments in both years relate to assets where future development became uncertain or untenable in the year. The impairment of these items does not meet the Group's definition of an exceptional item, therefore they are included in the adjusted and reported results of the Group.

Intangible assets have been analysed as current and non-current as follows:

	2022 £m	2021 £m
Current	**459.3**	374.9
Non-current	**1,127.8**	841.3
	1,587.1	1,216.2

(i) Goodwill

At inception, goodwill arising from business combinations is allocated to cash-generating units (CGUs) for impairment testing purposes. Certain goodwill valuations have changed in the current year following retranslation. Commentary on the impairment testing of the related CGUs, with the exception of two historic balances totalling £8.2m, is included in note 15.

A summary of the goodwill allocated to CGUs and the Group's operating segments is presented below:

Cash-generating unit	Operating segment	2022 £m	2021 £m
Onshore windfarms	SSE Renewables	**71.3**	73.7
Offshore windfarms	SSE Renewables	**214.9**	214.9
SSE Pacifico[1]	SSE Renewables	**185.2**	–
Energy Solutions[2]	GB Business Energy & Distributed Energy	**32.4**	32.4
Ireland Supply[3]	SSE Airtricity	**8.2**	8.2
		512.0	329.2

1 Relates to the acquisition of an 80% equity interest in an offshore wind development platform from Pacifico Energy.
2 Energy Solutions includes goodwill balances arising from the historic acquisitions of The Energy Solutions Group Limited (TESGL) of £31.7m (2021: £31.7m and a further £0.7m (2021: £0.7m) in relation to the acquisition of Fusion Heating Limited. The amount of goodwill associated with the historic businesses is not significant in context of the aggregate carrying value of the business units or the aggregate value of goodwill held by the Group.
3 The value associated with the Ireland supply goodwill represents the difference between the fair value attributed to the Northern Ireland based Phoenix Energy business acquired in 2012 and the book value of those assets. No impairment has been recognised during the year on this balance.

(ii) Allowances and certificates

Allowances and Certificates consist of purchased carbon emissions allowances and generated or purchased renewable obligations certificates (ROCs). These allowances and certificates will be utilised in settlement of environmental obligations incurred by the Group's Thermal and GB Business Energy supply business and are therefore distinct from allowances and certificates in excess of the Group's environmental obligations which are recorded within inventories.

(iii) Development assets

Development costs relate to the design, construction and testing of Thermal and Renewable generation sites, which the Group believes will generate probable future economic benefits. Costs capitalised as development intangibles include options over land rights, planning application costs, environmental impact studies and other costs incurred in bringing windfarms and other development projects to the consented stage. These may be costs incurred directly or at a cost as part of the fair value attribution on acquisition.

At the point the development reaches the consent stage and is approved for construction, the carrying value is transferred to property, plant and equipment (note 14). At the point a project is no longer expected to reach the consented stage, the carrying amount of the project is impaired.

(iv) Other intangible assets

Included within other intangible assets are brands, customer lists and contracts.

No exceptional or non-exceptional impairment charges have been recognised in the year (2021: £nil).

(v) Software assets

Software assets include application software license fees, software development work, software upgrades and purchased PC software packages.

Exceptional charges of £5.2m were recognised in the prior year in relation to the disposal of SSE Energy Services (recognised within continuing operations) (note 7).

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14. Property, plant and equipment

	Thermal power generation assets (i) £m	Renewable power generation assets (i) £m	Distribution network assets £m	Transmission network assets £m	Land and buildings £m	Assets under construction £m	Other assets £m	Total £m
Cost:								
At 31 March 2020	2,738.0	5,743.5	8,687.3	4,143.5	515.1	550.0	1,221.4	23,598.8
Additions	3.6	–	60.5	–	14.7	968.7	29.1	1,076.6
Adjustment to decommissioning asset	2.2	(9.5)	–	–	–	–	(5.3)	(12.6)
Transfer from (to)/from intangible assets (note 13)	–	–	–	–	1.9	41.2	–	43.1
Transfer from assets under construction	36.9	25.5	329.8	415.5	8.8	(870.2)	53.7	–
Disposals (ii)	(0.6)	–	(1.9)	(2.6)	(9.3)	(22.8)	(21.2)	(58.4)
Transfer to assets held for sale	–	–	–	–	(2.3)	–	(0.7)	(3.0)
Exchange rate adjustments	(21.8)	(37.5)	–	–	(1.0)	(1.4)	(2.2)	(63.9)
At 31 March 2021	2,758.3	5,722.0	9,075.7	4,556.4	527.9	665.5	1,274.8	24,580.6
Additions	**–**	**–**	**76.3**	**3.6**	**41.1**	**1,220.2**	**44.2**	**1,385.4**
Adjustment to decommissioning asset	**58.7**	**88.5**	**–**	**–**	**–**	**–**	**–**	**147.2**
Transfer from intangible assets (note 13); (iii)	**–**	**–**	**–**	**–**	**–**	**40.4**	**–**	**40.4**
Transfer from Assets Under Construction	**21.8**	**75.8**	**347.6**	**550.5**	**(0.9)**	**(1,058.6)**	**63.8**	**–**
Disposals (ii)	**(17.8)**	**(18.5)**	**–**	**–**	**(13.8)**	**(7.8)**	**(87.9)**	**(145.8)**
Exchange rate adjustments	**(3.6)**	**(8.1)**	**–**	**–**	**(0.2)**	**(0.2)**	**(0.6)**	**(12.7)**
At 31 March 2022	**2,817.4**	**5,859.7**	**9,499.6**	**5,110.5**	**554.1**	**859.5**	**1,294.3**	**25,995.1**
Depreciation:								
At 31 March 2020	(2,184.9)	(2,624.2)	(4,051.4)	(600.3)	(168.3)	(20.2)	(1,134.8)	(10,784.1)
Charge for the year	(36.5)	(171.3)	(148.7)	(81.1)	(27.2)	–	(58.5)	(523.3)
Impairments charges (note 7); (iv)	(58.6)	–	–	–	(15.1)	1.9	–	(71.8)
Transfers in the year	–	–	(0.1)	–	(0.1)	–	0.2	–
Disposals (ii)	–	–	0.5	0.1	1.5	–	20.5	22.6
Transfer to assets held for sale	–	–	–	–	0.5	–	0.3	0.8
Exchange rate adjustments	21.5	7.3	–	–	–	–	0.7	29.5
At 31 March 2021	(2,258.5)	(2,788.2)	(4,199.7)	(681.3)	(208.7)	(18.3)	(1,171.6)	(11,326.3)
Charge for the year	**(65.3)**	**(158.3)**	**(156.4)**	**(90.5)**	**(17.2)**	**–**	**(57.7)**	**(545.4)**
Impairment reversals (note 7); (iv)	**331.6**	**–**	**–**	**–**	**–**	**–**	**97.9**	**429.5**
Non-exceptional impairment charges	**–**	**–**	**(20.7)**	**–**	**–**	**1.0**	**–**	**(19.7)**
Disposals (ii)	**–**	**18.7**	**–**	**–**	**1.9**	**6.5**	**49.6**	**76.7**
Exchange rate adjustments	**(0.2)**	**0.2**	**–**	**–**	**–**	**–**	**8.8**	**8.8**
At 31 March 2022	**(1,992.4)**	**(2,927.6)**	**(4,376.8)**	**(771.8)**	**(224.0)**	**(10.8)**	**(1,073.0)**	**(11,376.4)**
Net book value								
At 31 March 2022	**825.0**	**2,932.1**	**5,122.8**	**4,338.7**	**330.1**	**848.7**	**221.3**	**14,618.7**
At 31 March 2021	499.8	2,933.8	4,876.0	3,875.1	319.2	647.2	103.2	13,254.3
At 1 April 2020	553.1	3,119.3	4,635.9	3,543.2	346.8	529.8	86.6	12,814.7

(i) Thermal and Renewable generation assets include generation plant and machinery and related land and buildings. The net book value of power generation assets, renewables and thermal includes decommissioning costs with a net book value of £183.5m and £255.0m (2021: £124.6m and £80.3m) respectively.
(ii) Assets disposed in 2021 included £24.4m in respect of the Group's assets relating to the disposal of Slough Multifuel.
(iii) Represents the carrying value of development assets transferred from intangible assets (note 13) which have reached the consent stage and have been approved for construction.
(iv) Impairment (reversals)/charges relate to exceptional impairment reversals of £331.6m in relation to the Group's GB CCGT power stations and the Group's Great Island CCGT plant and £97.3m relating to the Group's gas storage operations at Atwick and Aldbrough (see note 7) and non-exceptional impairments of £1.0m. (2021: exceptional impairments of £71.3m and non-exceptional impairments of £0.5m).

The presentation of this property, plant and equipment note has been restated from that included in the financial statements to 31 March 2021 to more meaningfully represent the Group's primary categories of assets. The disclosure better aligns assets to the Group's major business units, reflecting asset management and ownership and grouping common assets into appropriate asset classes.

Included within property, plant and equipment are the following right of use assets for leased assets:

	Thermal power generation assets £m	Land and buildings £m	Distribution network assets £m	Metering assets and other equipment £m	Total £m
Cost:					
At 31 March 2020	369.6	165.1	12.2	93.2	640.1
Additions	–	15.6	–	29.8	45.4
Disposals	–	(8.0)	–	(4.2)	(12.2)
Exchange rate adjustments	–	(1.5)	–	(0.4)	(1.9)
At 31 March 2021	369.6	171.2	12.2	118.4	671.4
Additions	**–**	**40.6**	**–**	**45.1**	**85.7**
Disposals	**–**	**(8.7)**	**–**	**(67.8)**	**(76.5)**
At 31 March 2022	**369.6**	**203.1**	**12.2**	**95.7**	**680.6**
Depreciation					
At 31 March 2020	(260.4)	(11.7)	(0.4)	(27.1)	(299.6)
Charge for the year	(12.1)	(11.7)	(2.2)	(26.3)	(52.3)
Disposals	–	1.5	–	4.0	5.5
Exchange rate adjustments	–	0.3	–	0.3	0.6
At 31 March 2021	(272.5)	(21.6)	(2.6)	(49.1)	(345.8)
Charge for the year	**(15.1)**	**(10.6)**	**(2.2)**	**(18.9)**	**(46.8)**
Disposals	**–**	**1.1**	**–**	**31.7**	**32.8**
Impairment reversal	**54.0**	**–**	**–**	**–**	**54.0**
At 31 March 2022	**(233.6)**	**(31.1)**	**(4.8)**	**(36.3)**	**(305.8)**
Net book value					
At 31 March 2022	**136.0**	**172.0**	**7.4**	**59.4**	**374.8**
At 31 March 2021	97.1	149.6	9.6	69.3	325.6
At 1 April 2020	109.2	153.4	11.8	66.1	340.5

15. Impairment testing

Goodwill and intangibles that are not amortised are reviewed at least annually for impairment. PPE, investments and other intangibles are assessed annually for impairment (or impairment reversals) triggers.

The Group's accounting policies and methodologies for impairment testing are described at Accompanying Information sections A1.2.

The key operating and valuation assumptions, specific considerations and outcome of tests for all impairment reviews are noted in the following sections. The discount rates used are pre-tax real, except where noted, and reflect specific risks attributable to the relevant assets subject to impairment review. The discount rates applied in both 2022 and 2021 remain consistent across all CGUs, except where noted, reflecting the Group's view of cost of capital and risk. The recoverable amounts derived from the VIU or FVLCS calculations are compared to the carrying amount of each asset or CGU to determine whether an impairment charge requires to be recognised. The reviews carried out for the 2022 financial statements were carried out in the fourth quarter of the year, which is consistent with previous reviews. Note that the actual outcomes may differ from the assumptions included in the assessments at the balance sheet date.

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15. Impairment testing continued
15.1 Goodwill impairment reviews – CGUs testing
The recoverable amounts of the Onshore Windfarm, the Offshore Windfarm and Enterprise Energy Solutions CGUs are determined by reference to value-in-use ('VIU') calculations. The VIU calculations use, as a starting point, pre-tax cash flow projections based on the Group's five year Corporate Model as approved by the Board. The Group's Corporate Model is based both on past experience and reflects the Group's forward view of markets, prices, risks and its strategic objectives. Commodity prices used are based on observable market data and, where this is not available, on internal estimates.

Assets/CGUs	Cash flow period assumption	Operating and other valuation assumptions	Commentary and impairment conclusions
Onshore Windfarm	Period to end of life of portfolio assets	**Onshore** The VIU assessment is used to test the carrying value of £71.3m of goodwill related to the Group's onshore windfarms for impairment. The assessment is based on the discounted pre-tax cash flows expected to be generated by the specific wind farm assets included in the CGU across the remaining useful lives of those assets. This includes over 50 operating assets in both the UK and Republic of Ireland. Cash inflows for the CGUs are based on the expected average annual generation GWh output based on technical assessment and past experience and are valued based on forward power prices. These factors are subject to management review on an annual basis. The prices applied to projected outputs are based either on observable market information during that period, which is deemed to be 3 years, or on internal estimations beyond the observable market period (a Level 3 basis as defined by IFRS 13 Fair Value Measurement). The projections are also dependent on the UK and Irish government's continuing support for existing qualifying wind assets through ROCs or REFIT. Cash outflows are based on planned and expected maintenance profiles and other capital or replacement costs. The Onshore Windfarm CGU includes cashflows for operational assets only, being over 50 individual windfarms across UK and Republic of Ireland, given the risk and uncertainty associated with projects in the development stage. The cash flow projections are based on UK power prices between £64 - £116 per MWh over the next three years and have been discounted applying a pre-tax real discount rate between 5.1% and 6.0% (2021: between 5.1% and 5.6%) based on technology and market risks.	**Impairment conclusion – Onshore** The recoverable amount of the Onshore windfarm CGU continues to significantly exceed the carrying value of the CGU based on the impairment test, therefore no impairment has been recognised. **Sensitivity analysis – Onshore** The principal assumptions impacting the valuation model of the onshore windfarm CGU are discount rate, generation volume and electricity price. While cash flow projections are subject to inherent uncertainty, a 10% power price decrease was modelled, which indicated significant headroom on the carrying value of the assets. A 0.5% increase in the pre-tax real discount rate to between 5.6% - 6.5% also indicated significant headroom on the carrying value of the assets. **TCFD related sensitivity analysis – Onshore** 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 onshore wind generation assets. A downside power price sensitivity, 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 onshore wind generation assets. Changes to weather patterns resulting from global warming could result in calmer weather patterns, which would reduce volumes achievable for the Group's onshore wind generation assets (although noting that this would likely lead to capacity constraints and hence higher prices). Despite a 15% reduction in modelled achievable volume, there remained significant headroom on the carrying value in the Group's onshore wind generation assets.

Assets/CGUs	Cash flow period assumption	Operating and other valuation assumptions	Commentary and impairment conclusions
Offshore Windfarms	Period to end of life of portfolio assets	**Offshore** The VIU assessment is used to test the carrying value of £214.9m of goodwill related to the Group's offshore windfarms for impairment. The assessment is based on the discounted pre-tax cash flows expected to be generated by the specific wind farm assets included in the CGU across the remaining useful lives of those assets. The Offshore Windfarm CGU includes cashflows for operational assets only, being Beatrice and Greater Gabbard wind farms, given the risk and uncertainty associated with projects in the development stage. Seagreen and Doggerbank are currently under construction and have been excluded from the analysis. Cash inflows for the CGUs are based on the expected average annual generation GWh output based on technical assessment and past experience and are valued based on forward power prices. These factors are subject to management review on an annual basis. The prices applied to projected outputs are based either on observable market information during that period, which is deemed to be 3 years, or on internal estimations beyond the observable market period (a Level 3 basis as defined by IFRS 13 Fair Value Measurement). The projections are also dependent on the UK government's continuing support for existing qualifying wind assets through CFD subsidies. Cash outflows are based on planned and expected maintenance profiles and other capital or replacement costs. The cash flow projections are based on UK power prices between £65 - £117 per MWh over the next three years and have been discounted applying a pre-tax real discount rate of 6.0% (2021: 5.6%) based on technology and market risks.	**Impairment conclusion – Offshore** The recoverable amount of the Onshore windfarm CGU significantly exceeds the carrying value of the CGU based on the impairment test, therefore no impairment has been recognised. **Sensitivity analysis – Offshore** The principal assumptions impacting the valuation model of the onshore windfarm CGU are discount rate, generation volume and electricity price. While cash flow projections are subject to inherent uncertainty, a 10% power price decrease was modelled, which indicated significant headroom on the carrying value of the assets. A 0.5% increase in the pre-tax real discount rate to 6.5% also indicated significant headroom on the carrying value of the assets. **TCFD related sensitivity analysis – Offshore** 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 offshore wind generation assets. A downside power price sensitivity, 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 offshore wind generation assets. Changes to weather patterns resulting from global warming could result in calmer weather patterns, which would reduce volumes achievable for the Group's offshore wind generation assets (although noting that this would likely lead to capacity constraints and hence higher prices). Despite a 15% reduction in modelled achievable volume, there remained significant headroom on the carrying value in the Group's offshore wind generation assets.
Enterprise Energy Solutions	5 years	The Group has capitalised goodwill of £31.7m in relation to the acquisition of the Energy Solutions Group in 2016. The business designs, installs and optimises building management technologies which deliver efficient operating environments for its customers. The VIU of the business CGU has been based on a 5.6% (2021: 5.6%) pre-tax real discount rate, which is consistent with the prior year.	**Conclusion** At 31 March 2022, the impairment review indicates headroom on the carrying value. A decrease in forecast cashflows of 20% would result in a £6.0m impairment. An increase in the discount rate of 4% would result in an impairment of £12.4m.

During the year SSE completed the acquisition of SSE Pacifico, which has resulted in the recognition on acquisition of £176.7m of goodwill in the year. Management utilised the cash flow models produced at the time of the acquisition, to test for impairment at the year end and identified no impairment.

Notes to the consolidated financial statements continued
For the year ended 31 March 2022

15. Impairment testing continued
15.2 PP&E, other intangibles and investment impairment reviews – asset testing
Where an indicator of impairment exists, the recoverable amounts of the Group's PP&E, other intangible assets and interests in joint ventures and associates are determined by reference to VIU or, where appropriate, fair value less costs to sell calculations. The calculations use, as their starting point, pre-tax cash flow projections based on the Group's five year Corporate Model as approved by the Board. The Group's Corporate Model is based on past experience and reflects the Group's forward view of markets, prices, risks and its strategic objectives. Commodity prices used are based on observable market data and, where this is not available, on internal estimates. Fair value less costs to sell valuations are derived from market analysis for similar transactions, adjusted to specific circumstances of the Group's investment to reflect the amount the Group believes will be recoverable in a sale transaction.

Changes from prior year
The assets identified for impairment reviews in the prior year (being GB CCGTs, the Great Island CCGTs and the Group's discontinued Gas Production assets) remained subject to impairment testing at 31 March 2022, with the exception of the now disposed Gas Production assets. In addition to these assets, the Group's Gas Storage assets displayed indicators of impairment reversal following improved financial performance during the year. This improved financial performance was mainly due to global gas price volatility during the year, with the asset providing opportunities for the Group to trade within this volatility. Finally, the Group's 50% joint venture investment in Neos Networks Limited displayed indicators of impairment following the loss of a major contract, subsequent to increases in the Group's investment during the year.

Assets	Cash flow period assumption	Operating and other valuation assumptions	Commentary and impairment conclusions
GB CCGTs (Keadby, Medway, Peterhead and Marchwood (PPA Right of use lease asset) power stations	Period to end of life	**Modelling methodology and assumptions** The VIU of the Group's GB combined cycle gas turbine ('CCGT') power stations were based on pre-tax discounted cash flows expected to be generated by each plant, based on management's view of operating prospects and operational flexibility within the GB wholesale market, including capacity market clearing prices. Cash flows are subject to a pre-tax real discount rate between 9.2% and 21.2% (2021: between 8.9% and 19.9%). **Changes from prior year** Certain assets within the Group's GB CCGT fleet are nearing the end of their operational life and are therefore more sensitive to fluctuations in market assumptions. During the year, increases in gas and carbon prices, exacerbated by Russia's invasion of Ukraine in February 2022, have resulted in an increase in UK power prices. The UK market has also experienced periods where available generation capacity above demand has been reduced, which has also resulted in increased power prices. As a result the observable spark margins assumed for the GB CCGT assets has increased and there has been strong operational performance of the assets. These factors were considered an indicator of impairment reversal at 31 March 2022. The Group recorded exceptional impairment reversals totalling £175.8m at 30 September 2021 (Peterhead (£25.4m); Keadby (£46.7m); Medway (£49.7m) and Marchwood (£54.0m)) on its GB CCGT fleet based on observable power prices at that date. In the second half of the financial year, observable power prices have increased further, resulting in further impairment reversals in the second half of the year. The conclusion presented opposite represents the total impairment reversals recognised for the year.	**Conclusion** At 31 March 2022 an impairment reversal of £293.8m, has been recognised across the GB CCGT assets. The impairment assessment returned individually exceptional impairment reversals to Peterhead (£91.4m), Marchwood (£54.0m), Keadby (£65.3m) and Medway (£83.1m). Following this assessment, all historic impairments on these assets have now been reversed. The closing carrying values, subsequent to the impairment reversals, are: Peterhead (£133.1m); Marchwood (£142.4m); Keadby (£72.0m); and Medway (£97.7m). The Group has assessed that the recoverable values of these assets are: Peterhead (£246.5m); Marchwood (£437.8m); Keadby (£250.5m); and Medway (£226.3m). As a result of securing additional supply contracts, the useful economic life of Keadby CCGT has been extended by 4 years to 2028 and Medway by 1 year to 2026. Both of these life extensions have been considered within the impairment testing process. Based on the reinstated asset values, this will result in a £32.2m decrease to FY22/23 depreciation charge. **Sensitivity analysis** A 20% decrease in gross margin would still result in full impairment reversal for each asset. A sensitivity on non-contracted capacity mechanism prices has not been performed as the assets subject to impairment testing are contracted into future periods. **TCFD related sensitivity analysis – GB CCGTs** The future introduction of legislation restricting power generation from unabated gas fired power stations beyond 2030 has been identified as a potential risk the Group could be exposed to as the UK transitions to a net zero economy. However, this has not been treated as an indicator of impairment at 31 March 2022, as legislation has not been introduced or enacted by the balance sheet date. Most of the Group's GB CCGTs are nearing the end of their economic life and are projected to cease operations before 2030. Of the Group's GB CCGTs, only Keadby 2 is projected to operate beyond this date. Keadby 2 is not displaying indicators of impairment and so has not been included in the impairment review above. If legislation was introduced requiring the closure of Keadby 2 by 2030, it would result in no impairment at 31 March 2022.

Notes to the consolidated financial statements continued
For the year ended 31 March 2022

15. Impairment testing continued
15.2 PP&E, other intangibles and investment impairment reviews – asset testing continued

Assets	Cash flow period assumption	Operating and other valuation assumptions	Commentary and impairment conclusions
Great Island CCGT	Period to end of life	The VIU of the Group's Great Island CCGT Power station was based on pre-tax discounted cash flows expected to be generated by the plant based on management's view of the plant's operating prospects. Cash flows are subject to a pre-tax real discount rate of 11.0% (2021: 10.8%) reflecting the specific risks in the Irish market. The Group recorded an exceptional impairment reversal of £5.8m at 30 September 2021 on its Great Island CCGT based on observable power prices at that date. In the second half of the financial year, observable power prices have increased further, resulting in a further impairment reversal in the second half of the year. The conclusion presented opposite represents the total impairment reversal recognised for the year.	**Conclusion** The VIU assessment performed on the asset indicated an exceptional impairment reversal of £37.5m, which has been recognised at 31 March 2022. The carrying value of the asset following the impairment reversal is £259.8m. **Sensitivity analysis** A 0.5% increase in the discount rate would decrease the impairment reversal to £30.7m and a 0.5% decrease in the discount rate would increase the impairment reversal to £44.9m. A 20% decrease in gross margin would result in an impairment of £53.0m, and a 20% increase in gross margin would result in an impairment reversal of £54.2m, which would represent a full reversal of historic impairments. A €10/KW decrease in non-contracted capacity market price would decrease the impairment reversal to £20.2m and a €10/KW increase would increase the impairment reversal to £54.2m, which would represent a full reversal of historic impairments. **TCFD related sensitivity analysis – GB CCGTs** The future introduction of legislation restricting power generation from unabated gas fired power stations beyond 2030 has been identified as a potential risk the Group could be exposed to as Ireland transitions to a net zero economy. However, this has not been treated as an indicator of impairment at 31 March 2022, as legislation has not been introduced or enacted by the balance sheet date. Great Island is projected to operate beyond this date, and so while legislation has not been introduced requiring the shortening of the economic life to this date, the Group has performed a sensitivity analysis to the impairment test noted above. If legislation was introduced requiring the closure of Great Island by 2030, it would result in an impairment of £41.5m at 31 March 2022.

Assets	Cash flow period assumption	Operating and other valuation assumptions	Commentary and impairment conclusions
Gas Storage assets (Atwick and Aldbrough)	Period to end of life	The VIU of the Group's Gas Storage assets at Aldbrough and Atwick were based on pre-tax discounted cash flows expected to be generated by the storage assets based on management's view of the assets' operating prospects. Cash flows are subject to a pre-tax real discount rate of 15.3% reflecting risks specific to the assets. The key assumptions applied in the valuation of the assets are gas price volatility and the mean reversion rate ('MRR'). The gas price volatility assumption reflects management's view of price fluctuations between periods where the Group can purchase gas at a low price, store it and sell during periods of peak prices. The assumption is based off of market observed volatility in the last 3 years and management's view on projected volatility in future periods. MRR represents the time taken for the market to return to average after a period of increase or decline. The MRR combined with the volatility rate derives management's fair value of the assets.	**Conclusion** The VIU assessment performed on the assets indicated an exceptional impairment reversal of £97.3m in total, which has been recognised at 31 March 2022. The impairment assessment returned exceptional impairment reversals to Atwick (£70.2m) and Aldbrough (£27.1m). While an impairment reversal below £30m would not normally be treated as exceptional, it constitutes the reversal of an impairment that was previously treated as exceptional. The Group's policy therefore is to also treat the reversal of the impairment as exceptional. Following the impairment reversals the carrying value of Atwick is £70.2m and the carrying value of Aldbrough is £49.1m. Both of these carrying values represent the net book value of the storage assets and exclude the carrying value of cushion gas volumes. **Sensitivity analysis** A sensitivity performed with a high volatility assumption would result in an impairment reversal of £72.9m to Atwick and £59.5m to Aldbrough. The Atwick reversal would represent a full reversal of historic impairments. A low volatility assumption would result in an impairment reversal of £52.0m in Atwick and £0.6m in Aldbrough. A high sensitivity of the MRR assumption (represents an increase in the rate by 1.0) would result in an impairment reversal of £72.9m to Atwick and £58.6m to Aldbrough. The Atwick reversal would represent a full reversal of historic impairments. A low sensitivity of the MRR assumption (represents a decrease in the rate by 1.0) would result in an impairment reversal of £60.7m in Atwick and £9.3m in Aldbrough.

Notes to the consolidated financial statements continued
For the year ended 31 March 2022

15. Impairment testing continued
15.2 PP&E, other intangibles and investment impairment reviews – asset testing continued

Assets	Cash flow period assumption	Operating and other valuation assumptions	Commentary and impairment conclusions
Investment in Neos Networks Limited	n/a	The Group has valued its 50% joint venture investment in Neos Networks Limited ('NNL') based on projected valuations that could be achieved in a market transaction, using earnings multiples observable from recent similar transactions. Due to the nature of the valuation technique, which was performed to approximate an achievable fair value less costs to sell, a wide range of valuations were derived from this exercise. The Group has used a point estimate valuation within the range of possible valuations based on earnings targets and earning multiples that the Group believes are achievable. The Group has assessed that this is a level 3 valuation in the fair value hierarchy, with the key inputs being EBITDA and the transaction multiple.	**Conclusion** The valuation exercise resulted in a wide range of reasonably probable valuations for the business from an impairment of £154.4m to headroom of £37.0m. The Group has assessed that within this range of valuations, a point valuation resulting in an impairment of £106.9m best represents the recoverable value of the investment. Following the impairment, the Group's carrying value of equity investment, shareholder loans and receivables due from NNL is £195.3m. **Sensitivity analysis** Sensitivity analysis was performed in relation to the EBITDA and the multiple applied in deriving the valuation. A 10% increase in the EBITDA assumption would result in an impairment of £87.4m, whereas a 10% decrease in the EBITDA assumption would result in an impairment of £126.4m. A 5% decrease to the multiple assumption would result in an impairment of £116.7m, whereas a 5% increase to the multiple assumption would result in an impairment of £97.2m.

16. Investments
16.1 Joint Ventures and associates

	2022			2021 (restated*)		
Share of net assets/cost	**Equity £m**	**Loans £m**	**Total £m**	Equity £m	Loans £m	Total £m
At 1 April	**1,643.5**	**554.3**	**2,197.8**	1,849.4	847.5	2,696.9
Additions	**243.5**	**449.0**	**692.5**	9.0	179.9	188.9
Recognition of investment on loss of control (i)	**–**	**–**	**–**	88.5	10.0	98.5
Repayment of shareholder loans	**–**	**(147.6)**	**(147.6)**	–	(236.7)	(236.7)
Dividends received	**(177.0)**	**–**	**(177.0)**	(191.1)	–	(191.1)
Share of profit/(loss) after tax (ii) – continuing operations	**110.7**	**–**	**110.7**	45.5	–	45.5
Share of profit/(loss) after tax (ii) – discontinued operations	**(81.1)**	**–**	**(81.1)**	88.6	–	88.6
Share of other reserves adjustments	**152.8**	**–**	**152.8**	1.5	–	1.5
Disposals	**(545.7)**	**(118.8)**	**(664.5)**	(226.1)	(264.6)	(490.7)
Transfer – Loans to Equity	**–**	**–**	**–**	(18.4)	18.4	–
Transfers – Other Investments	**–**	**–**	**–**	(2.0)	–	(2.0)
Impairments	**(106.9)**	**–**	**(106.9)**	(0.1)	–	(0.1)
Exchange rate adjustments	**(0.3)**	**–**	**(0.3)**	(1.3)	(0.2)	(1.5)
At 31 March	**1,239.5**	**736.9**	**1,976.4**	1,643.5	554.3	2,197.8

* The comparatives have been restated. See note 1.2.

(i) In the prior year the Group assessed that the equity stakes retained following the disposals of its wholly owned subsidiaries, Seagreen Holdco 1 Ltd and SSE Slough Multifuel Ltd were accounted for as equity accounted joint ventures. In the table above an equity investment of £88.5m (including a fair value uplift of £47.0m on acquisition of the joint venture (see note 12.2) and loans of £10.0m were recognised on deconsolidation.

(ii) Of the £110.7m (2021: £45.5m) share of profits from continuing operations, only £109.8m (2021: £43.4m) is recognised through the income statement. The £0.9m (2021: £2.1m) difference relates to profits earned from SSE Group companies where the costs have been capitalised. This profit has been eliminated on consolidation.

16.2 Additions and disposals of equity in the current year

During the current and prior year the Group progressed with its plan to dispose of equity stakes in non-core or non-operated assets, including equity stakes in investments. Further detail on the Group's disposals in the year is provided in note 12.2 and is summarised below.

Additions in the year arising on loss on control

There were no significant additions of equity in the current year.

Disposals of equity in the year

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 £40.0m, 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 offshore windfarms (see note 3.2). After the sale the Group's shareholding in Dogger Bank C is 40%.

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.

16.3 Acquisitions and disposals of equity in the previous year

Additions in the previous year arising on loss on control

Sale of Slough Multifuel subsidiary and acquisition of joint venture investment: On 2 April 2020, the Group disposed of a 50% stake in its wholly owned subsidiary, SSE Slough Multifuel Ltd, to Copenhagen Infrastructure Partners (see note 12.2). The Group assessed that control of the company was lost on that date, and that the remaining 50% 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 of £31.3m under the principles of IFRS 10 "Consolidated Financial Statements" on that date.

Sale of Seagreen 1 subsidiary and acquisition of investment: On 3 June 2020, the Group disposed of a 51% stake in its wholly owned subsidiary, Seagreen Holdco 1 Ltd ('Seagreen 1'), to Total (see note 12.2). The Group assessed that control of the company was lost on that date, and that the remaining 49% 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 of £67.2m under the principles of IFRS 10 "Consolidated Financial Statements" on that date.

Disposals of equity in the previous year

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.

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 was 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 3).

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.

Notes to the consolidated financial statements continued
For the year ended 31 March 2022

16. Investments continued
16.4 Principal joint ventures and associates
Under IFRS 12 Disclosure of Interests in Other Entities, the Group has evaluated the key joint ventures and associates it holds with the purpose of disclosing any which are materially significant in order to identify the impact on the Group's financial position, performance and cash flows, whilst identifying the nature of the risks associated with these interests. A full listing of the Group's incorporated joint ventures, joint operations, associates and investments are included in the Accompanying Information (A3).

Share of results of joint ventures and associates

	2022 Windfarms £m	2022 Thermal Generation £m	2022 Other (i) £m	2022 Total £m	2021 Total (restated*) £m
Revenue	292.9	179.3	83.2	555.4	389.9
Other Income	112.5	–	–	112.5	102.5
Depreciation and amortisation	(85.4)	(19.0)	(42.2)	(146.6)	(143.9)
Other operating costs	(80.1)	(128.4)	(54.8)	(263.3)	(197.4)
Operating profit	239.9	31.9	(13.8)	258.0	151.1
Interest expense	(52.4)	(3.4)	(12.0)	(67.8)	(82.4)
Changes in fair value of derivatives	–	–	–	–	(0.9)
Corporation tax	(68.8)	(8.7)	(2.0)	(79.5)	(22.3)
Share of post taxation results	118.7	19.8	(27.8)	110.7	45.5
Recognised in other comprehensive income					
Cashflow hedges (ii)	184.9	3.6	–	188.5	24.8
Taxation (ii)	(35.0)	(0.7)	–	(35.7)	(4.5)
Total comprehensive income	268.6	22.7	(27.8)	263.5	65.8

* The comparatives have been restated. See note 1.2.
(i) Other comprises the investments the Group holds in Neos Networks Limited and Marron Activ8 Energies Limited.
(ii) Other comprehensive income from net cashflow hedges of £181.4m includes £28.6m in relation to the disposal of SGN, which is disclosed as a discontinued operation.

Share of joint ventures and associates' assets and liabilities

	2022 Windfarms £m	2022 Thermal Generation £m	2022 Other (i) £m	2022 Total £m	2021 Total £m
Non-current assets	4,009.8	238.7	227.0	4,475.5	5,695.2
Current assets	131.8	51.2	40.5	223.5	431.7
Cash & cash equivalents	192.4	27.7	10.5	230.6	244.2
Current liabilities	(243.2)	(24.9)	(73.1)	(341.2)	(565.3)
Non-current liabilities	(3,618.0)	(156.1)	(139.1)	(3,913.2)	(4,708.0)
	472.8	136.6	65.8	675.2	1,097.8
Other adjustments	589.2	45.6	(70.5)	564.3	545.7
Share of net assets of joint ventures and associates	1,062.0	182.2	(4.7)	1,239.5	1,643.5
Shareholder loans	546.0	101.6	89.3	736.9	554.3
Interest in joint venture and associate	1,608.0	283.8	84.6	1,976.4	2,197.8

Information on Group's investments in joint ventures and associates is provided at A3, A4 and A5.

16.5 Joint operations
Listed are the incorporated joint operations that have a material impact on the financial position and financial results of the Group.

	Principal activity	Country of incorporation	Class of shares held	Proportion of shares held (%)	Group Interest (%)	Year end
Greater Gabbard Offshore Winds Limited	Offshore Windfarm	UK	Ordinary	50	50	31 March
North Falls Offshore Wind Farm Limited	England and Wales	UK	Ordinary	50	50	31 March

The Group's interest in Greater Gabbard Offshore Winds Limited is that of a joint operation designed to provide output to the parties sharing control. The liabilities of the arrangement are principally met by the parties through the contracts for the output of the windfarm. North Falls Offshore Windfarm Limited is the Greater Gabbard extension and thus also a joint operation.

The Group also has an unincorporated arrangement with Equinor under which it accounts for its 66.7% share of the Aldbrough gas storage facility owned by SSE Hornsea Limited. The Group also had a similar arrangement for its North Sea Gas Production assets at Greater Laggan, Sean, ECA and Bacton, all of which are owned by SSE E&P UK Limited and were disposed on 14 October 2021.

16.6 Other investments held at fair value through other comprehensive income

	Total £m
At 31 March 2020	0.2
Additions in year	0.2
Dividends received in the year	0.1
Transfers – Joint Ventures and associates	2.0
Fair value adjustment through other comprehensive income	1.1
At 31 March 2021	**3.6**
Additions in year	**5.4**
Disposals in the year	**(0.4)**
Transfers – Joint Ventures and associates	**–**
Fair value adjustment through other comprehensive income	**0.1**
At 31 March 2022	**8.7**

17. Inventories

	2022 £m	2021 £m
Fuel and consumables	**127.9**	104.2
Renewables Obligation Certificates	**171.3**	147.2
Gas stocks	**1.0**	17.4
Less: provisions held	**(33.6)**	(33.9)
	266.6	234.9

Where Renewables Obligation Certificates ('ROCs') are self-generated or purchased to fulfil the Group's environmental obligations, they are recorded within intangible assets. ROCs held in excess of the Group's environmental obligations are recorded within inventories.

The Group has recognised £685.8m within cost of sales in the year (2021: £376.7m).

18. Trade and other receivables

	2022 £m	2021 £m
Non-current assets		
Loan note receivable	**136.4**	115.9
Current assets		
Trade receivables	**1,433.9**	832.2
Unbilled energy income	**492.7**	325.0
Contract related assets	**–**	12.8
Other receivables	**109.8**	127.5
Cash held as collateral	**83.8**	2.7
Other prepayments and accrued income	**90.8**	188.0
	2,211.0	1,488.2
Total trade and other receivables	**2,347.4**	1,604.1

The non-current loan note receivable includes £131.2m (2021: £115.9m) recognised on the disposal of SSE Energy Services on 15 January 2020 and is payable by Ovo by 2029 and £5.2m (2021: £nil) recognised on the disposal of the Contracting and Rail business to Aurelius Group on 1 April 2021. The Ovo loan note carries interest of 13.25% and is presented cumulative of accrued interest repayments, discounted at 13.25%.

Unbilled energy income represents an estimate of the value of electricity or gas supplied to customers between the date of the last meter reading and the year end. Detail of the calculation applied to estimate this balance is included at note 4.1(iii). A 5% sensitivity on the unbilled energy accrual would equate to an increase or decrease in the receivable balance of £24.6m (2021: £16.3m).

Contract related assets comprise amounts for goods or services provided under customer contracts, where the right to consideration is contingent on a performance obligation other than the passage of time. The Group has therefore recognised a contract asset for any work performed where payment is not yet due. The Group has assessed that the disclosures required under IFRS 15 to reconcile and explain opening and closing contract assets are immaterial for the Group financial statements.

Other receivables include financial assets totalling £4.9m (2021: £3.8m). Cash held as collateral relates to amounts deposited on commodity trading exchanges of £83.8m (2021: £2.7m).

Trade receivables and other financial assets are part of the Group's financial exposure to credit risk as explained in accompanying information note A6.

Notes to the consolidated financial statements continued
For the year ended 31 March 2022

19. Trade and other payables

	2022 £m	2021 £m
Current liabilities		
Trade payables	**919.7**	433.3
Contract related liabilities (i)	**46.3**	38.8
Other creditors	**330.2**	269.7
Other accruals (ii)	**1,376.4**	1,245.5
	2,672.6	1,987.3
Non-current liabilities		
Contract related liabilities (i)	**196.2**	201.8
Other accruals (ii)	**646.2**	520.7
	842.4	722.5
Total trade and other payables	**3,515.0**	2,709.8

(i) Current contract related liabilities includes customer contributions of £15.0m (2021: £15.4m) and non-current contract related liabilities includes customer contributions of £196.2m (2021: £201.8m).
(ii) Current other accruals includes government grants of £nil (2021: £0.1m) and non-current other accruals includes government grants of £1.8m (2021: £1.9m).

20. Provisions

	Decommissioning (restated[1]) £m	Legal & restructuring (restated[1]) £m	Employee related (restated[1]) £m	Other (restated[1]) £m	Total £m
At 1 April 2020	569.7	33.0	38.8	20.0	661.5
Charged in the year	9.0	89.1	5.8	15.8	119.7
Decrease in decommissioning provision	(11.1)	–	–	–	(11.1)
Unwind of discount	3.8	–	–	–	3.8
Released during the year	(1.2)	(2.9)	–	–	(4.1)
Utilised during the year	(24.8)	(18.8)	(8.0)	(16.5)	(68.1)
Transfer (to)/from held for sale	224.0	(51.7)	–	–	172.3
Exchange rate adjustments	(1.4)	–	–	–	(1.4)
At 31 March 2021	768.0	48.7	36.6	19.3	872.6
Charged in the year	**–**	**74.1**	**3.0**	**20.6**	**97.7**
Increase in decommissioning provision	**178.7**	**–**	**–**	**–**	**178.7**
Unwind of discount	**5.7**	**–**	**–**	**–**	**5.7**
Released during the year	**–**	**(1.6)**	**–**	**–**	**(1.6)**
Utilised during the year	**(11.1)**	**(27.2)**	**(0.1)**	**(2.3)**	**(40.7)**
Exchange rate adjustments	**(1.2)**	**–**	**–**	**–**	**(1.2)**
At 31 March 2022	**940.1**	**94.0**	**39.5**	**37.6**	**1,111.2**
At 31 March 2022					
Non-current	**912.2**	**57.4**	**39.5**	**8.8**	**1,017.9**
Current	**27.9**	**36.6**	**–**	**28.8**	**93.3**
	940.1	**94.0**	**39.5**	**37.6**	**1,111.2**
At 31 March 2021					
Non-current	746.6	5.0	36.6	5.1	793.3
Current	21.4	43.7	–	14.2	79.3
	768.0	48.7	36.6	19.3	872.6

1 The Group has changed the presentation of the categories of its provisions following the disposal of its Contracting and Rail business on 30 June 2021. The Contracting and Rail business had its own category of provision due to the materiality of provisions in that business. The Group has reassessed its categories of provision within the continuing operations of the Group and restated comparatives to present on a consistent basis.

Decommissioning provisions

Provision has been made for the estimated net present value of decommissioning the Group's Thermal and Renewable power generation assets, Gas Storage facilities and a retained 60% share of decommissioning costs of the disposed Gas Production business. Cost estimates are based on the forecast remediation or clean-up costs based on current technology and prices for Renewable, Thermal and Gas Storage assets are reviewed by independent valuation experts every three years. In the intervening years, management update cost estimates based on factors arising since the last formal valuation date. Retained decommissioning costs in relation to the disposed Gas Production business are periodically agreed with the field operators. The cost estimates include a risk adjustment and are inflated to the projected decommissioning date using a market observable inflation rate. This projection is discounted using a risk-free discount rate based on UK gilt rates with maturity date similar to the expected decommissioning date.

There is a wide range of assumed decommissioning dates across the obligation due to the number of assets and their varying ages, which is summarised in the table below. Decommissioning dates are based on the useful economic lives of the individual assets based on technology and price forecasts at the balance sheet date. It is possible that the forecast decommissioning dates will change due to technology advances or decisions to repower wind farms when the current turbines reach the end of their respective lives. The date of decommissioning of the Gas Production business can vary based on hydrocarbon reserve estimates and market commodity prices, which can shorten or lengthen the economic life of the field.

Business Unit	Value of provision £m	Number of decommissioning sites	Forecast decommissioning dates
Renewables	297.7	47	2025 – 2049
Thermal	222.6	15	2022 – 2048
Gas Storage	160.8	18[1]	2028 – 2048
Gas Production	249.4	4[2]	2022 – 2037
Distributed Energy	9.6	1	2027
Total	**940.1**		

1 The Group has two Gas Storage assets at Aldbrough and Atwick. In total there are 18 caverns with varying economic lives, therefore the number of sites has been disclosed to more accurately reflect the scale and expected timing of decommissioning activities.
2 The Group has retained a 60% share of the decommissioning obligation for four Gas Production fields, though each field has multiple wells and shared infrastructure that the Group retains an obligation to remediate.

The Group's decommissioning provision has increased significantly during the year from £776.8m to £940.1m, primarily due to the financial assumptions applied in calculating the obligation. An increase in the long term inflation rate to 3.8% (2021: 1.8%) has not been offset by the increase in the risk free discount rates applied of between 1.6%-1.8% (2021: 0.8%-1.3%) which has had a significant impact on the closing provision. During the year, the Group incurred £11.1m of decommissioning spend, primarily related to the Fiddlers Ferry and Ferrybridge sites, included within Thermal above. Based on work completed to date, provisions accrued for the decommissioning of these power stations are expected to be sufficient for the final cost of the works.

Impact of climate change on the Group's decommissioning provisions

The Group has assessed that the most likely impact of climate change on its decommissioning provisions would be the enactment of legislation that would result in the earlier closure of its unabated gas fired power stations. The decommissioning provision included in the table above for these assets is based on forecast closure dates under legislation enacted at the balance sheet date and therefore forecast closure dates have not been accelerated. In the sensitivity analysis below, a scenario has been included assuming legislation is enacted that would result in closure of these assets from 2030.

Sensitivity analysis

Sensitivity analysis reflecting reasonably probable fluctuations to the main assumptions used in the calculation of the decommissioning provisions is set out below:

Estimated impact on the decommissioning provision of:	2022 £m
Increasing the projected cost estimate by 10%	**1,027.8**
Increasing the inflation rate by 1.0%	**1,051.2**
Decreasing the discount rate by 0.5%	**992.1**
Closure of unabated gas CCGTs from 2030	**931.7**[1]

1 The observable inflation rate applied within the model is higher than the risk-free discount rate, which results in a reduction of total obligation at 31 March 2022 when unabated gas CCGT decommissioning is accelerated to 2030.

Notes to the consolidated financial statements continued
For the year ended 31 March 2022

20. Provisions continued

Legal and restructuring provisions

Provision has been made for costs associated with the restructure of the Group, including the disposal of SSE Energy Services, Neos Networks Limited and the Group's Contracting business. Provisions include IT costs, physical separation costs and provisions for onerous contracts arising on disposal and are calculated on a best estimate basis and are expected to be utilised in the next 12-24 months. In the year the Group recognised a charge of £35.0m for a tax indemnity provided to RockRose Energy Limited ('RRE') following the disposal of SSE E&P Limited on 14 October 2021 (see note 12.2). The tax indemnity is contingent upon clearance of RRE's tax treatment for the acquisition and expected to be settled in the next 12-24 months.

Provisions have also been made for ongoing contract and legal disputes. Where outcomes are unknown, a range of possible scenarios is calculated, with the most likely being reflected in the provision. The timing of settlement for legal provisions is more uncertain as it is dependent upon legal resolution being achieved.

Employee related provisions

Employee related provisions include the Group's employer financed retirement benefit provision for certain directors and former directors and employees, which is valued in accordance with IAS 19 using assumptions consistent with the Scottish Hydro Electric Pension Scheme (see note 23 for assumptions applied). In addition, the Group has legal obligations arising from severance payments due to employees, which are measured based on length of service. At 31 March 2022, the provisions for severance are related to the closure of Fiddler's Ferry power station.

Other provisions

Other provisions include onerous contract provisions, mutualisation obligations and other contractual obligations and are calculated based on a best estimate basis. The timing of settlement of these provisions varies by obligation between 2022 and 2025.

21. Sources of finance

21.1 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.

Adjusted net debt and hybrid capital is stated after removing lease obligations and cash held as collateral in line with the Group's presentation basis which is explained on page 210. Cash held as collateral refers to amounts deposited on commodity trading exchanges which are reported within 'trade and other receivables' on the face of the balance sheet.

The £1.5bn of committed bank facilities, being a £1.3bn Revolving Credit Facility with a March 2026 maturity 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 APM	**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

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.

21.2 Loans and other borrowings

	2022 £m	2021 £m
Current		
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	**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 APM	**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.

Notes to the consolidated financial statements continued
For the year ended 31 March 2022

21. Sources of finance continued
21.3 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.

Analysis of borrowings

	2022 Weighted average interest rate (iv)	2022 Face value £m	2022 Fair value £m	2022 Carrying amount £m	2021 Weighted average interest rate (iii)	2021 Face value £m	2021 Fair value £m	2021 Carrying amount £m
Current								
Bank Loans – non-amortising (i)	**3.0%**	**150.0**	**151.1**	**150.0**	0.8%	150.0	150.6	150.0
Other Short term loans – non-amortising (ii)	**0.8%**	**507.1**	**507.5**	**506.1**	–	–	–	–
US Private Placement 16 April 2022	**4.3%**	**162.7**	**197.8**	**162.7**	–	–	–	–
5.875% Eurobond Repayable 22 September 2022	**5.9%**	**300.0**	**306.1**	**299.9**	–	–	–	–
4.25% Eurobond repayable 14 September 2021	**–**	**–**	**–**	**–**	4.3%	300.0	305.0	299.8
2.375% €500m Eurobond repayable 10 February 2022 (v)	**–**	**–**	**–**	**–**	2.4%	415.0	424.6	414.9
Total current borrowings		**1,119.8**	**1,162.5**	**1,118.7**		865.0	880.2	864.7
Non-Current								
Bank loans – non-amortising (i)	**2.2%**	**350.0**	**344.3**	**349.9**	2.9%	200.0	209.0	200.0
US Private Placement 16 April 2022	**–**	**–**	**–**	**–**	4.3%	162.7	193.5	162.6
5.875% Eurobond repayable 22 September 2022	**–**	**–**	**–**	**–**	5.9%	300.0	323.5	299.6
US Private Placement 28 April 2023	**2.8%**	**35.0**	**35.4**	**34.9**	2.8%	35.0	36.3	34.7
US Private Placement 6 September 2023	**2.9%**	**120.0**	**120.1**	**119.4**	2.9%	120.0	124.0	119.2
1.75% €700m Eurobond repayable 8 September 2023 (vi)	**1.8%**	**514.6**	**524.0**	**514.3**	1.8%	514.6	538.5	514.1
US Private Placement 16 April 2024	**4.4%**	**204.1**	**250.6**	**204.0**	4.4%	204.1	253.8	203.9
1.250% Eurobond Repayable 16 April 2025 (ix)	**1.3%**	**531.4**	**533.4**	**531.4**	1.3%	531.4	557.1	531.4
0.875% €600m Eurobond Repayable 8 September 2025	**0.9%**	**510.9**	**504.3**	**504.2**	0.9%	510.9	527.0	508.4
US Private Placement 8 June 2026	**3.1%**	**64.0**	**63.8**	**63.3**	–	–	–	–
US Private Placement 6 September 2026	**3.2%**	**247.1**	**258.7**	**244.3**	–	–	–	–
Between two and five years		**2,577.1**	**2,634.6**	**2,565.7**		2,578.7	2,762.7	2,573.9
Bank loans – non-amortising (i)	**0.8%**	**200.0**	**200.7**	**200.0**	1.6%	500.0	513.4	499.8
US Private Placement 8 June 2026	**–**	**–**	**–**	**–**	3.1%	64.0	67.7	62.9
US Private Placement 6 September 2026	**–**	**–**	**–**	**–**	3.2%	247.1	265.8	243.7
US Private Placement 6 September 2027	**3.2%**	**35.0**	**34.8**	**34.6**	3.2%	35.0	37.2	34.5
1.375% €650m Eurobond repayable 4 September 2027 (vii)	**1.4%**	**591.4**	**588.7**	**590.2**	1.4%	591.4	631.8	590.0
1.50% Eurobond Repayable 24 March 2028	**1.5%**	**250.0**	**232.9**	**249.0**	1.5%	250.0	248.0	248.8
8.375% Eurobond repayable on 20 November 2028	**8.4%**	**500.0**	**659.0**	**497.2**	8.4%	500.0	732.1	496.8
1.750% Eurobond Repayable 16 April 2030 (x)	**1.8%**	**442.9**	**439.6**	**442.9**	1.8%	442.9	485.3	442.9
5.50% Eurobond repayable on 7 June 2032	**5.5%**	**350.0**	**428.6**	**350.1**	5.5%	350.0	476.5	350.1
2.25% Eurobond repayable 27 September 2035	**2.3%**	**350.0**	**314.1**	**347.2**	2.3%	350.0	350.1	347.0
2.125% Eurobond Repayable 24 March 2036	**2.1%**	**250.0**	**220.7**	**248.3**	2.1%	250.0	246.1	248.2
4.625% Eurobond repayable on 20 February 2037	**4.6%**	**325.0**	**375.4**	**324.1**	4.6%	325.0	425.3	324.2
6.25% Eurobond repayable on 27 August 2038	**6.3%**	**350.0**	**473.3**	**347.5**	6.3%	350.0	539.5	347.3
4.454% Index linked loan repayable on 27 February 2044	**4.5%**	**148.5**	**250.8**	**145.1**	4.5%	135.9	241.7	135.4
1.429% Index linked bond repayable on 20 October 2056	**2.0%**	**153.9**	**251.2**	**154.2**	2.0%	147.6	252.1	147.6
4.75% $900m NC5.5 Hybrid debt maturing 16 September 2077 (viii)	**4.8%**	**725.4**	**727.6**	**725.0**	4.8%	730.0	752.2	729.0
3.625% NC5.5 Hybrid maturing 16 September 2077 (viii)	**3.6%**	**300.0**	**301.6**	**299.8**	3.6%	300.0	307.3	299.6
Over five years		**4,972.1**	**5,499.0**	**4,955.2**		5,568.9	6,572.1	5,547.8
Fair value adjustment (iii)				**31.6**				3.2
Total non-current borrowings		**7,549.2**	**8,133.6**	**7,552.5**		8,147.6	9,334.8	8,124.9
Total borrowings		**8,669.0**	**9,296.1**	**8,671.2**		9,012.6	10,215.0	8,989.6

Note: The Sterling-equivalent fair value reflects the fair value of non-Sterling denominated borrowings, post the impact of the hedges noted below.
(i) Balances include term loans and EIB debt and is a mixture of fixed and floating rate debt.
(ii) Balances include Commercial Paper and facility advances (£507.1m of Commercial Paper outstanding at 31 March 2022).
(iii) The fair value adjustment relates to the change in the carrying amount of the borrowings as a result of fair value hedges that are in place. The movement in the fair value adjustment is recognised in the income statement with a corresponding movement on the hedging instrument also being recognised in the income statement.

Notes to the consolidated financial statements continued
For the year ended 31 March 2022

21. Sources of finance continued
21.3 Borrowing facilities continued

(iv) The weighted average interest rates (including the effect of interest rate swaps) for the year ended 31 March 2022 was 3.12% (2021 – 3.12%).
(v) The 2.375% €500m Eurobond maturing 10 February 2022 has been swapped to Sterling giving an effective interest rate of 3.53%.
(vi) The 1.75% €700m Eurobond maturing 8 September 2023 has been swapped to Sterling giving an effective interest rate of 3.16%.
(vii) The 1.375% €650m Eurobond maturing 4 September 2027 has been swapped to Sterling giving an effective interest rate of 2.56%.
(viii) The 4.75% $900m NC5.5 Hybrid maturing 16 September 2077 has been swapped to Euros ($605m) and Sterling ($295m) giving an effective interest rate of 2.25% and 3.29% respectively. This and the 3.625% NC5.5 Hybrid maturing 16 September 2077 are the Group's debt-accounted Hybrids, see (ii) below.
(ix) The 1.250% €600m eurobond maturing 16 April 2025 has been swapped to Sterling giving an effective interest rate of 2.43%.
(x) The 1.750% €500m eurobond maturing 16 April 2030 has been swapped to Sterling giving an effective interest rate of 2.89%.

(i) Lease liabilities
Amounts charged under lease arrangements are detailed within note 6, and right of use assets recognised under lease arrangements are detailed within note 14.

	£m
At 1 April 2020	455.2
Additions during the year	43.6
Disposals during the year	(7.9)
Unwind of discount	33.1
Repayment in the year	(100.8)
Transfer to liabilities held for sale	(2.2)
At 31 March 2021	421.0
Additions during the year	**82.7**
Disposals during the year	**(46.8)**
Unwind of discount	**31.7**
Repayment in the year	**(95.1)**
At 31 March 2022	**393.5**

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%).

The Group has additional committed payments under short term and low value leases at 31 March 2022 of £11.3m (2021: £35.0m).

The maturity of future lease liabilities are as follows:

	2022 £m	2021 £m
Within one year	**88.7**	92.7
Between one and five years	**223.7**	262.1
After five years	**268.9**	267.2
	581.3	622.0
Less: future finance charge	**(187.8)**	(201.0)
Present value of lease obligations	**393.5**	421.0

(ii) Hybrid debt
On 16 March 2017, the Group issued £1.0bn of hybrid debt securities. The securities have an issuer first call date on 16 September 2022 and are able to be redeemed at the Group's discretion. This dual tranche issue comprises £300m with a coupon of 3.625% and $900m with a coupon of 4.75%. The $900m tranche was swapped back to both Euros and Sterling, bringing the all-in rate down to 2.72% and resulting in an all-in funding cost for both tranches to SSE of 3.02% per annum. Due to these hybrid instruments having a fixed redemption date, they are accounted for as a debt item and are included within Loans and Other Borrowings in note 21.2. This is in contrast to the Hybrid instruments issued in 2015 and 2020 which have no fixed redemption date and are accounted for as Equity, see note 22.5.

21.4 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)
Decrease/(increase) in adjusted net debt and hybrids APM	**300.7**	1,567.0

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

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

21.5 Reconciliation of movements in financing liabilities

		Financing cash flows				Non-cash movements					
	At 31 March 2021 £m	New borrowings £m	Disposal of borrowings £m	Repayment of borrowings £m	Repayment of lease creditor £m	Fair value movements £m	Foreign exchange movements £m	Lease liabilities £m	Re-classification £m	Other £m	At 31 March 2022 £m
Financing liabilities											
Bank loans	699.7	–	–	–	–	–	–	–	(150.0)	0.1	549.8
US private placement	915.9	–	–	–	–	29.8	–	–	(162.7)	1.5	784.5
Fixed rate Eurobonds	5,278.1	–	–	–	–	(30.7)	(4.8)	–	(299.9)	2.3	4,945.0
Index linked loans	283.0	–	–	–	–	–	–	–	–	16.3	299.3
Hybrid debt	950.8	–	–	–	–	26.7	(4.7)	–	–	1.1	973.9
Total long term borrowings	8,127.5	–	–	–	–	25.8	(9.5)	–	(612.6)	21.3	7,552.5
Bank loans	150.0	–	–	(150.0)	–	–	–	–	150.0	–	150.0
Fixed rate Eurobonds	712.1	–	–	(715.0)	–	2.6	–	–	299.9	0.3	299.9
Other short term loans – non-amortising	–	506.1	–	–	–	–	–	–	–	–	506.1
US private placement	–	–	–	–	–	–	–	–	162.7	–	162.7
Total short term borrowings	862.1	506.1	–	(865.0)	–	2.6	–	–	612.6	0.3	1,118.7
	8,989.6	506.1	–	(865.0)	–	28.4	(9.5)	–	–	21.6	8,671.2
Lease liabilities	421.0	–	–	–	(95.1)	–	–	67.6	–	–	393.5
Total loans and borrowings	9,410.6	506.1	–	(865.0)	(95.1)	28.4	(9.5)	67.6	–	21.6	9,064.7
Assets held to hedge long term borrowings	(315.4)	–	–	–	–	73.3	–	–	–	–	(242.1)
	9,095.2	506.1	–	(865.0)	(95.1)	101.7	(9.5)	67.6	–	21.6	8,822.6

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21. Sources of finance continued
21.5 Reconciliation of movements in financing liabilities continued

		Financing cash flows				Non-cash movements					
	At 31 March 2020 £m	New borrowings £m	Disposal of borrowings £m	Repayment of borrowings £m	Repayment of lease creditor £m	Fair value movements £m	Foreign exchange movements £m	Lease liabilities £m	Re-classification £m	Other £m	At 31 March 2021 £m
Financing liabilities											
Bank loans	849.7	438.6	(438.6)	–	–	–	–	–	(150.0)	–	699.7
US private placement	1,040.4	–	–	–	–	(126.0)	–	–	–	1.5	915.9
Fixed rate Eurobonds	4,625.2	1,474.3	–	–	–	(86.3)	(20.1)	–	(714.2)	(0.8)	5,278.1
Index linked loans	280.4	–	–	–	–	–	–	–	–	2.6	283.0
Hybrid debt	1,023.5	–	–	–	–	(54.5)	(19.2)	–	–	1.0	950.8
Total long term borrowings	7,819.2	1,912.9	(438.6)	–	–	(266.8)	(39.3)	–	(864.2)	4.3	8,127.5
Bank loans	576.7	–	–	(574.8)	–	(1.9)	–	–	150.0		150.0
Fixed rate Eurobonds	548.9	–	–	(548.7)	–	(5.0)	1.9	–	714.2	0.8	712.1
Other short term loans – non-amortising	772.4	–	–	(772.4)	–	–	–	–	–	–	–
US private placement	–	–	–	–	–	–	–	–	–	–	–
Total short term borrowings	1,898.0	–	–	(1,895.9)	–	(6.9)	1.9	–	864.2	0.8	862.1
	9,717.2	1,912.9	(438.6)	(1,895.9)	–	(273.7)	(37.4)	–	–	5.1	8,989.6
Lease liabilities	455.2	–	–	–	(100.8)	–	–	66.6	–	–	421.0
Total loans and borrowings	10,172.4	1,912.9	(438.6)	(1,895.9)	(100.8)	(273.7)	(37.4)	66.6	–	5.1	9,410.6
Assets held to hedge long term borrowings	(84.8)	1.6	–	–	–	(232.2)	–	–	–	–	(315.4)
	10,087.6	1,914.5	(438.6)	(1,895.9)	(100.8)	(505.9)	(37.4)	66.6	–	5.1	9,095.2

22. Equity
22.1 Share capital

	Number (millions)	£m
Allotted, called up and fully paid:		
At 1 April 2020	1,046.3	523.1
Issue of shares (i)	2.8	1.4
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**

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

(i) Shareholders were able to elect to receive ordinary shares in place of the final dividend of 56.6p 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).

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).

22.2 Capital redemption reserve

The capital redemption reserve comprises the value of shares redeemed or purchased by the Company from distributable profits.

22.3 Hedge reserve

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedge derivative instruments related to hedged transactions that have not yet occurred.

22.4 Translation reserve

Comprises exchange translation differences on foreign currency net investments offset by exchange translation differences on borrowings and derivatives classified as net investment hedges under IAS 39.

22.5 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) 10 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.

22.6 Equity attributable to non-controlling interests

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

Notes to the consolidated financial statements continued
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23. Retirement benefit obligations
Defined benefit schemes

The Group has two funded final salary pension schemes which provide defined benefits based on final pensionable pay. The schemes are subject to independent valuations at least every three years. The future benefit obligations are valued by actuarial methods on the basis of an appropriate assessment of the relevant parameters.

The Group also has an Employer Financed Retirement Benefit scheme and a defined contribution scheme, SSE Pensions+ under a master trust with Aviva. The Group matches employee contributions up to a specified limit, in most circumstances this is set at 6%. The Group may also provide additional contributions of 3% after five years and a further 3% after ten year's continuous Group service.

The Group presents its pension scheme valuations under two different measurement bases, an actuarial valuation and an IAS 19 valuation as required by accounting standards. The IAS 19 valuation is used to determine the assets and obligations recognised in the Group's consolidated balance sheet and is calculated annually by scheme actuaries, whereas the formal actuarial valuation is used to determine the contributions the Group make to the scheme. The actuarial valuation is recalculated for each scheme every three years.

Actuarial valuations

The individual pension scheme details based on the latest formal actuarial valuations are as follows:

	Scottish Hydro Electric	Southern Electric
Latest formal actuarial valuation	31 March 2021	31 March 2019
Valuation carried out by	Hymans Robertson	Aon Hewitt
Value of assets based on valuation	£2,050.5m	£2,257.8m
Value of liabilities based on valuation	£1,782.2m	£2,544.4m
Valuation method adopted	Projected Unit	Projected Unit
Average salary increase	RPI+0.5%	RPI+0.5%
Average pension increase	RPI	RPI
Value of fund assets/accrued benefits	115.1%	88.7%

Future contributions
Scottish Hydro Electric Scheme

The last actuarial valuation of the scheme was carried out at 31 March 2021 and showed a surplus of £268.3m on a projected unit basis. Following this valuation, the Group agreed to a new schedule of contributions to the scheme which continues to cease contributions to the scheme during the year ended 31 March 2021 for a period until the surplus on gilts funding basis is negative for two successive quarterly valuations. Consequently, the Group is not expected to make contributions to the scheme in the year ending 31 March 2023.

The next triennial funding valuation will be carried out as at 31 March 2024.

Southern Electric Pension Scheme

The last actuarial valuation of the Scheme was finalised in the year ended 31 March 2019 and showed a deficit of £286.6m as at 31 March 2019 on a projected unit basis. The Group continues to pay deficit contributions which, along with investment returns from return-seeking assets, is expected to make good this shortfall by 31 March 2027. The next funding valuation will be carried out as at 31 March 2022. This process began during the year and is expected to be finalised by 31 December 2022. As part of that process the Trustee and Company will agree future contributions to the scheme based on the valuation. The Company also pays contributions in respect of current accrual, with some active members also paying contributions. Total contributions of approximately £56.7m are expected to be paid by the Company during the year ending on 31 March 2023, including deficit repair contributions of £38.9m.

Pension summary as measured under IAS 19:

	Scheme type	Net actuarial gain/(loss) recognised in respect of the pension asset in the statement of comprehensive income		Net pension asset/(liability)	
		2022 £m	2021 £m	**2022 £m**	2021 £m
Scottish Hydro Electric	Defined benefit	**(24.6)**	8.6	**517.5**	543.1
Southern Electric	Defined benefit	**221.9**	(24.4)	**67.4**	(186.1)
Net actuarial gain/(loss)		**197.3**	(15.8)	**584.9**	357.0

IFRC 14 surplus restrictions

The value of Scottish Hydro Electric Pension Scheme assets recognised was previously impacted by the asset ceiling test which restricts the surplus that can be recognised to assets that can be recovered through future refunds or reductions in future contributions to the schemes, and may increase the value of scheme liabilities where there are minimum funding liabilities in relation to agreed contributions. IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' clarifies that future refunds may be recognised if the sponsoring entity has an unconditional right to a refund in certain circumstances.

In 2016/17 the Group agreed with the trustees to the Scottish Hydro Electric pensions scheme an amendment to the scheme rules to clarify that the Company has a clear right to any surplus upon final winding up of the scheme. This amendment removes the previous restriction on recognition of any surplus and as such the previously applied restriction is no longer recognised. The net pension asset of the Scottish Hydro Electric Scheme at 31 March 2022 was equal to £517.5m (2021: £543.1m).

At 31 March 2022, the Southern Electric Pension Scheme has a net surplus of £67.4m (2021: £186.1m net deficit), and unrecognised future contributions of £195.7m (2021: £224.9m). The Group has assessed that it has the right to recognise current and any future surpluses on the scheme, therefore has not recognised a liability for future unrecoverable contributions.

23.1 Pension scheme assumptions

Both schemes have been updated to 31 March 2022 by qualified independent actuaries. The valuations have been prepared for the purposes of meeting the requirements of IAS 19. The major assumptions used by the actuaries in both schemes were:

	At 31 March 2022	At 31 March 2021
Rate of increase in pensionable salaries	**4.2%**	3.7%
Rate of increase in pension payments	**3.7%**	3.2%
Discount rate	**2.7%**	2.0%
Inflation rate	**3.7%**	3.2%

The assumptions relating to longevity underlying the pension liabilities at 31 March 2022 are based on standard actuarial mortality tables, and include an allowance for future improvements in longevity. The assumptions, equivalent to future longevity for members in normal health at age 65, are as follows:

Scottish Hydro Electric

	At 31 March 2022		At 31 March 2021	
	Male	**Female**	Male	Female
Currently aged 65	**22**	**24**	23	24
Currently aged 45	**24**	**27**	25	27

Southern Electric

	At 31 March 2022		At 31 March 2021	
	Male	**Female**	Male	Female
Currently aged 65	**23**	**25**	23	25
Currently aged 45	**24**	**26**	24	26

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23. Retirement benefit obligations continued
23.2 Sensitivity analysis
The impact on the schemes' liabilities of changing certain of the major assumptions is as follows:

Scottish Hydro Electric

	At 31 March 2022		At 31 March 2021	
	Increase/ decrease in assumption	Effect on scheme's liabilities	Increase/ decrease in assumption	Effect on scheme's liabilities
Rate of increase in pensionable salaries	**0.1%**	**0.1%**	0.1%	+/- 0.1%
Rate of increase in pension payments	**0.1%**	**0.9%**	0.1%	+/- 1.0%
Discount rate	**0.1%**	**1.0%**	0.1%	+/- 0.9%
Longevity	**1 year**	**2.0%**	1 year	+/- 1.8%

Southern Electric

	At 31 March 2022		At 31 March 2021	
	Increase/ decrease in assumption	Effect on scheme's liabilities	Increase/ decrease in assumption	Effect on scheme's liabilities
Rate of increase in pensionable salaries	**0.1%**	**0.2%**	0.1%	+/- 0.2%
Rate of increase in pension payments	**0.1%**	**1.5%**	0.1%	+/- 1.5%
Discount rate	**0.1%**	**1.5%**	0.1%	+/- 1.6%
Longevity	**1 year**	**5.8%**	1 year	+/- 6.0%

23.3 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 (i)	**–**	**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 (ii)			**(146.2)**			(67.8)
Net pension asset			**438.7**			289.2

(i) See details of valuations of insurance contracts in note 23.6 (ii).
(ii) Deferred tax rate of 25% applied to net pension surplus position (2021: 19%).

23.4 Movements in the combined defined benefit asset obligations and assets during the year

	2022			2021		
	Assets £m	**Obligations (i) £m**	**Total**	Assets £m	Obligations (i) £m	Total
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 and curtailments	**(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

Pension scheme contributions and costs

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 from pension scheme assets	**(85.2)**	(88.5)
Interest on pension scheme liabilities	**77.6**	80.2
	(7.6)	(8.3)

The return on pension scheme assets is as follows:

	2022 £m	2021 £m
Return on pension scheme assets	**111.6**	535.5

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23. Retirement benefit obligations continued
23.4 Movements in the combined defined benefit asset obligations and assets during the year continued
Defined contribution scheme
The total contribution paid by the Group to defined contribution pension schemes was £57.3m (2021: £61.6m).

Employer financed retirement benefit (EFRB) pension costs
The decrease in the year in relation to EFRB was £1.1m (2021: £5.8m). This is included in Employee related provisions (note 20).

Staff costs analysis
The pension costs in note 8 can be analysed as follows:

	2022 £m	2021 £m
Service costs	**36.1**	35.1
Defined contribution scheme payments	**57.3**	61.6
	93.4	96.7

23.5 Pension scheme risk assessment and mitigation
Risks to which the Pension Schemes exposes the Group
The nature of the Group's defined benefit pension schemes expose the Group to the risk of paying unanticipated additional contributions to the schemes in times of adverse experience. The most financially significant risks are likely to be:

(i) Asset volatility
The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The schemes hold a proportion of growth assets (equities, diversified growth fund and global absolute return fund) which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the schemes' long term objectives. The SHEPS has a much lower proportion of growth assets than the SEPS reflecting the maturity of each scheme.

(ii) Changes in bond yields
A decrease in corporate bond yields will increase the value placed on the schemes' liabilities for accounting purposes. However, this will be partially offset by an increase in the value of the schemes' bond holdings and its interest rate hedging in both schemes.

(iii) Inflation risk
The majority of the schemes' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit, although this is further limited by the inflation hedging in both schemes.

(iv) Life expectancy
The majority of the schemes' obligations are to provide benefits for the life of the members, so an increase in the life expectancy will result in an increase in the liabilities. The sensitivity analysis disclosed is intended to provide an indication of the impact on the value of the schemes' liabilities of the risks highlighted.

(v) Liability versus asset risk
The risk that movement in the value of the schemes' liabilities are not met by corresponding movements in the value of the schemes' assets will expose the Group to movements in the overall funding surplus.

23.6 Risk mitigation
(i) De-risking
The Trustees have taken a number of steps to control the level of investment risk including reducing the Schemes' exposures to higher risk assets and increasing the level of protection against adverse movements in interest rates and inflation. The Trustees of both schemes continue to review the risk exposures in light of the longer term objectives of the respective schemes. Detailed below are further details on the hedging of pensioner longevity risk.

(ii) Asset buy-in
On 1 October 2019, the Scottish Hydro Electric Pension Scheme entered into an asset buy-in, transferring the risk of volatility in the assumptions used to calculate the obligation for 1,800 pensioners and 567 dependents (covering c.£800m of the scheme's liabilities) to a third party. The asset buy-in is valued under the accounting principles of IFRS 13 and is considered a Level 3 instrument in the fair value hierarchy. This is in addition to a previous buy-in completed during the year ended 31 March 2018 when c.£250m of the scheme's assets and liabilities related to 617 pensioners and 190 dependents were transferred to a third party. The Group has now insured against volatility in obligations related to all pensioners to third parties (insurer PIC) and is now only exposed to valuation fluctuations related to active and deferred members and any members who retire after 1 October 2019.

(iii) Asset-liability matching strategies used by the Scheme

The Company and trustees of the schemes have agreed a long term investment strategy that seeks to reduce investment risk as and when appropriate. The asset-liability matching strategy is part of this approach which aims to reduce the volatility of the funding level of the pension schemes by investing in assets which perform in line with the liabilities of the schemes so as to protect against inflation being higher than expected. This has been adopted for a proportion of the schemes' assets, which is designed to provide partial protection against adverse movements in interest rates and inflation. The trustees of the respective schemes review the schemes' asset allocation on an ongoing basis in light of changes in the funding position and market opportunities.

23.7 Risk assessment

(i) Maturity profile of the defined benefit obligations

The weighted average duration of the defined benefit obligation is 17 years (2021: 18 years) for the Scottish Hydro Electric Pension Scheme and 16 years (2021: 17 years) for the Southern Electric Pension Scheme.

(ii) Information about the defined benefit obligations

Status of members is weighted by the liabilities of each scheme.

	Scottish Hydro Electric %	Southern Electric Scheme %
Active members	23	28
Deferred members	14	9
Pensioners	63	63
	100	100

23.8 Pension scheme policies

(i) Recognition of gains and losses

The Group recognises actuarial gains and losses in the Statement of Other Comprehensive Income following the re-measurement of the net defined benefit liabilities of the schemes.

(ii) Methods and assumptions used in preparing the sensitivity analyses

The sensitivities disclosed are calculated using approximate methods taking into account the duration of the schemes' liabilities. While these have been calculated consistently with the previous financial year, the method applied may change over time with financial conditions and assumptions.

(iii) Asset recognition

The Group has recognised net pension assets in relation to the Scottish Hydro Electric pension scheme due to a surplus existing under IAS 19 accounting. The Group will only recognise a surplus should it have rights to that surplus under the rules of the pension scheme. The company no longer applies the 'asset ceiling' restriction mandated by IFRIC 14. Details on this key accounting consideration are provided above.

(iv) Fair value assessment of scheme assets

The Group seeks to assess whether there is a quotable market value (referenced as "quotable" above) in relation to pension scheme assets held. This assessment is based on regular reviews conducted in conjunction with the trustees of the schemes. For assets where no quotable market value exists, these assets will be valued based on a set methodology agreed by trustees and scheme advisors and then regularly assessed.

Currently only one unquotable value exists within the two pension schemes of the Group, this being insurance contracts (or 'buy-in') held by the Scottish Hydro Electric Scheme. These assets are currently valued consistently with the scheme's liabilities with the expected return on these assets being set equal to the discount rate.

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For the year ended 31 March 2022

24. Financial instruments
For financial reporting purposes, the Group has classified derivative financial instruments into two categories, operating derivatives and financing derivatives. Operating derivatives include all qualifying commodity contracts including those for electricity, gas, oil, and carbon. Financing derivatives include all fair value and cash flow interest rate hedges, non-hedge accounted (mark-to-market) interest rate derivatives, cash flow foreign exchange hedges and non-hedge accounted foreign exchange contracts. Non-hedge accounted contracts are treated as held for trading.

24.1 Financial instruments – income statement

	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.

24.2 Financial instruments – balance sheet
The derivative financial assets and (liabilities) are represented as follows:

	2022 £m	2021 £m
Derivative financial assets		
Non-current	**371.7**	114.7
Current	**2,941.8**	470.9
Total derivative assets	**3,313.5**	585.6
Derivative liabilities		
Non-current	**(549.6)**	(452.1)
Current	**(701.5)**	(238.7)
Total derivative liabilities	**(1,251.1)**	(690.8)
Net liability	**2,062.4**	(105.2)

Information on the Group's financial risk management and the fair value of financial instruments is available at A6 and A7.

25. Commitments and contingencies

25.1 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.

25.2 Contingent assets and liabilities

The Group has unrecognised contingent assets in relation to the part disposal transactions of Neos Networks Limited, SSE Slough Multifuel Limited, Seagreen and Doggerbank C and the disposal of SSE Contracting. In total, contingent consideration receivable is up to £187.1m, for which the Group has recognised a net receivable of £4.1m. The payments of the remaining £183.0m are subject to various earn outs or contract and planning milestones, some of which the Group has assessed are unachievable or are out of the Group's control. At 31 March 2022, the Group has assessed that there is neither the required certainty of receipt, nor the ability to accurately assess the amounts receivable for recognition of these amounts.

Contingent liabilities for the Group solely relate to SSE plc, and have been disclosed within note 12 to the Company Financial Statements.

26. Post balance sheet events

26.1 Acquisition – European onshore renewables 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.

26.2 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 renewables development platform from SGRE.

26.3 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.

26.4 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.

Accompanying information

A1. Basis of consolidation and significant accounting policies

A1.1 Basis of consolidation

The financial statements consolidate the results of the Company and its subsidiaries together with the Group's share of the results and net assets of its interests in joint arrangements and associates. Where necessary to ensure consistency, the accounting policies of the subsidiaries, joint arrangements or associates have been adjusted to align to the accounting policies of the Group. Intra-Group balances and any unrealised gains and losses or income and expenses arising from Intra-Group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains and losses arising from transactions with joint arrangements and associates are eliminated to the extent of the Group's interest in the entity. Non-controlling interests represent the equity in subsidiaries that is not attributable, either directly or indirectly, to SSE plc shareholders.

Subsidiaries (Accompanying Information A3)

Subsidiaries are those entities controlled by the Group or the Company. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity in order to obtain variable returns from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries acquired are consolidated in the financial statements of the Group from the date that control commences until the date control ceases. Transactions with non-controlling interests that relate to their ownership interests and do not result in a loss of control are accounted for as equity transactions.

Interests in joint arrangements and associates (note 16 and Accompanying Information A3)

Joint arrangements, as defined by IFRS 11 "Joint Arrangements", are those arrangements that convey to two or more parties 'joint control'. Joint control exists when decisions about the 'relevant activities', being the financial, operational or strategic policies of the arrangement, are made with the unanimous consent of the parties sharing control. Whilst this assessment is principally focused on any 'Reserved Matters', being the material activities that typically require all significant shareholders to approve, other contractual agreements such as Power Purchase Agreements and Management Services Agreements are also considered. The Group's investments in joint arrangements are classified as either joint operations or joint ventures depending on the investee's legal form and the investor's contractual rights and obligations over the assets and liabilities of the investee.

Associates are those investments over which the Group has significant influence but neither control nor joint control.

The Group's interests in its joint operations are accounted for by recognising its share of the assets, liabilities, revenue and expenses of the operation. In these arrangements, the Group's share of the revenue will be eliminated as it relates to its purchased share of the output from the arrangement.

The Group's joint ventures and associates are accounted for using the equity method of accounting where the joint venture and associate net investments (comprising both equity and long term loans) are carried at historical cost plus the Group's share of post-acquisition results, less any impairment in value. For those investments that were formerly subsidiaries of the Group, this will also include any fair value uplift arising from loss of control. The Group recognises its share of the results of these equity-accounted operations after tax and interest in the income statement.

Foreign currencies

The consolidated financial statements are presented in pounds sterling, which is the functional currency of the parent. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured accordingly.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Any gain or loss arising on the restatement of such items is taken to the income statement as a Finance Cost, with the exception of exchange gains or losses on foreign currency borrowings that provide a hedge against a net investment in a foreign entity or exchange gains or losses incurred as part of a qualifying cash flow hedge. These exchange gains or losses are transferred to the translation reserve to the extent the hedge is effective. Non-monetary assets that are measured in terms of historical cost in a foreign currency are translated at the historic rate at the date of transaction.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into pounds sterling at the balance sheet closing rate. The results of these operations are translated at the average rate in the relevant period. Exchange differences on retranslation of the opening net assets and the results of foreign operations are transferred to the translation reserve and are reported in the consolidated statement of comprehensive income.

The average and spot rates for the principal functional currencies that the Group's foreign operations are denominated in are shown in the table below.

		2022	2021	Change
EUR v GBP	Year end spot rate	**1.1856**	1.1745	0.9%
	Average spot rate	**1.1750**	1.1249	4.5%

A1.2 Significant accounting policies

Revenue (notes 2 and 5)

Revenue from contracts with customers is recognised to the extent that it reflects the expected consideration for goods or services provided to the customer under contract, over the performance obligations they are being provided. For each separable performance obligation identified, the Group determines whether it is satisfied at a "point in time" or "over time" based upon an evaluation of the receipt and consumption of benefits, control of assets and enforceable payment rights associated with that obligation. If the criteria required for "over time" recognition are not met, the performance obligation is deemed to be satisfied at a "point in time".

Revenue principally arises as a result of the Group's activities in energy production, storage, transmission, distribution, supply and related services in the energy markets in Great Britain and Ireland. The key policies applied by each Business Area are as follows:

Transmission

Use of electricity transmission networks

Revenue from use of electricity transmission networks is derived from the allowed revenue as defined by the parameters in the relevant electricity transmission licence, which informs the tariffs we set.

Electricity transmission revenue is determined in accordance with the regulatory licence, based on an Ofgem approved revenue model and is recognised "over time" as charged to National Grid. Where this revenue differs from the allowed revenue, there may be an over- or under-recovery of revenue which will be reflected in future financial year's allowed revenue as set out in the regulatory licence. No accounting adjustments are therefore made for over- or under-recoveries in the year that they arise.

Transmission network contracted services

Where the Group has an ongoing obligation to provide contracted services (transmission network connections), revenues are recognised "over time" consistent with the customer receiving and consuming the benefits of that service across the expected contractual service period. Any assets constructed in order to deliver the service are capitalised and depreciated over their useful life. Payments from customers are typically received from customers in advance of providing the contracted service and are deferred on balance sheet. No extended warranty periods are offered.

Distribution

Use of electricity distribution networks

Revenue from use of electricity distribution networks is derived from the allowed revenue as defined by the parameters in the relevant electricity distribution licence, which informs the tariffs we set.

Electricity distribution revenue recognised is based on the volume of electricity distributed "over time", as use of distribution service is determined by the customer, and the set customer tariff. As with electricity transmission revenue, any over- or under-recovery of revenue is reflected in future financial year's allowed revenue as set out in the regulatory licence. No accounting adjustments are therefore made for over- or under-recoveries in the year that they arise.

The Distribution business is responsible for recovering industry charges for supplier failures from customers under Ofgem's Supplier of Last Resort scheme. The Group's policy is to recognise revenue for recovered amounts when the Group is entitled to invoice customers through its regulated use of system tariff. The Group recognises its obligation to pay amounts recovered to eligible suppliers when the Group is entitled to invoice customers through its regulated use of system tariff.

Distribution network contracted services

Where the Group has an ongoing obligation to provide contracted services (such as for distribution network connections), revenues are recognised "over time" consistent with the customer receiving and consuming the benefits of that service across the expected contractual service period. Any assets constructed in order to deliver the service are capitalised and depreciated over their useful life. Payments from customers are typically received from customers in advance of providing the contracted service and are deferred on balance sheet. No extended warranty periods are offered.

Renewables

Electricity generation

Revenue from the physical generation of electricity is recognised "point in time" as generated and supplied to the national settlements body. Revenue is measured at either the spot price at the time of delivery, or trade price where that trade is eligible for "own use" designation.

Renewables contracted services

Revenue from national support schemes, such as Renewable Obligation Certificates, is recognised at the point the performance obligation has been met. This is typically considered to be either at the point electricity has been physically generated or over the contractual period, depending on the underlying performance obligation. Revenue is measured either at the market rate at the point of generation, or at the fixed contractual consideration, depending on the individual scheme mechanic.

Revenue from other ancillary generation services is recognised "over time" consistent with the customer receiving and consuming the benefits of those services across the expected contractual service period, and at the contracted consideration.

Accompanying information continued

A1. Basis of consolidation and significant accounting policies continued

A1.2 Significant accounting policies continued

Thermal

Electricity generation

Revenue from the physical generation of electricity is recognised "point in time" as generated and supplied to the national settlements body. Revenue is measured at either the spot price at the time of delivery, or trade price where that trade is eligible for "own use" designation.

Gas storage

Revenue from gas storage trading activities is recognised "point in time" as injected back into the network. Revenue is measured at either the spot price at the time of delivery, or trade price where that trade is eligible for "own use" designation.

Thermal Generation contracted services

Revenue from national support schemes, such as the Capacity Market, is recognised at the point the performance obligation has been met. This is typically considered to be either at the point electricity has been physically generated or over the contractual period, depending on the underlying performance obligation. Revenue is measured either at the market rate at the point of generation, or at the fixed contractual consideration, depending on the individual scheme mechanic.

Revenue from other ancillary generation services is recognised "over time" consistent with the customer receiving and consuming the benefits of those services across the expected contractual service period, and at the contracted consideration.

Customers

Supply of energy

Revenue on the supply of energy comprises sales to domestic and business end-user customers based on actual energy consumption including an estimate of the value of electricity and gas supplied to customers between the date of the last meter reading and the year end. Revenue is recognised "over time" consistent with the delivery of energy to the customer as we consider the receipt and consumption of the benefits of the energy to be simultaneous. Revenue is measured based on the applicable customer tariff rate and after deduction of any applicable contractual discounts.

Details of the estimation process for the value of electricity and gas supplied to customers is given within note 4.1(iii).

Payments from customers may be received in advance of providing the contracted service and are deferred on balance sheet. Amounts received from customers in relation to energy management services provided by Third Party Intermediaries ('TPIs') are offset against payments to those TPIs, reflecting the responsibility for providing the energy management service.

Energy related services

Where the Group has an ongoing obligation to provide contracted energy related services, revenues are recognised "over time" consistent with the customer receiving and consuming the benefits of that service across the expected contractual service period at the fixed contracted rate. Where the Group has an obligation to perform a specific service, revenues are recognised "point in time", following performance of the service at the fixed contracted consideration. No extended warranty periods are offered.

Distributed Energy

Construction related services

Construction related service revenue primarily relates to the Contracting and Rail business, which was disposed on 30 June 2021. For construction related services, revenue is recognised for each identified performance obligation "over time" by applying an input method to determine the proportion of total contract revenue (being fixed price consideration plus the latest estimate of variable consideration) that should be recognised. The input method applied is calculated by reference to the costs incurred to date on that performance obligation, relative to the total expected costs to satisfy that performance obligation, provided the contract outcome can be assessed with reasonable certainty. Revenue from non-contracted agreements or variations to contracted work is only recognised to the extent there is additional supporting evidence to their recoverability and may be subject to constraints on recognition. Revenue on contracts in customer dispute is recognised only to the extent it is considered to be highly probable that the revenue will be recovered.

Commissions in relation to acquisition of construction related contracts are expensed as incurred. No extended warranty periods are offered. Payments from customers are based on agreed billing schedules, with payment milestones typically aligned with delivery of performance obligations.

EPM & I

Commodity optimisation and other services

Income from sales commodity optimisation trading occurring in any business unit is presented net in cost of sales alongside purchase commodity optimisation trades.

Revenue arising on commodities purchased in excess of the Group's requirements and recorded as inventory assets, such as Renewables Obligation Certificates, is recognised "point in time" on disposal of these inventory assets to third parties.

Revenue from other ancillary services is recognised "over time" consistent with the customer receiving and consuming the benefits of those services across the expected contractual service period, and at the contracted consideration.

Physical energy production
Revenue from the physical production of natural gas, crude oil and condensates arises from the Group's interest in various joint ventures and associates and is based on the entitlement method; whereby the Group's share of interest and production sharing terms are used to determine the allocation of production to each party in the arrangement. Revenue is recognised "point in time" based on the production that has been delivered to the customer at the specified delivery point and measured based on the applicable market price as specified in the customer contracts. On the 14 October 2021 the Gas Production business was disposed.

Aside from where specifically noted above, consideration is due when the performance obligation has been satisfied. As the period between satisfaction of the performance obligation and receipt of consideration from the customer is expected to be less than a year, the Group has applied the practical expedient not to adjust revenue for the effect of any financing components.

Revenue from sources other than the Group's contracts with customers principally comprise meter rental income within the Enterprise business, and Contract for Difference income within certain Joint Venture arrangements.

Income on meter rental agreements, which are classified as operating leases, are presented as revenue where they relate to the core operating activities of that business. Lease payments are recognised as income on a straight-line basis over the lease term.

Contract for Differences are agreements between a low carbon electricity generator and the Low Carbon Contracts Company ('LCCC'), a UK Government owned entity responsible for delivering support mechanisms for low-carbon electricity generation. These agreements are not considered to be contracts with a customer, as the LCCC does not receive any goods or services from the generator. These arrangements are instead considered to be Government Grants, with income arising from these grants recognised in the income statement in the period in which generation takes place. This income is presented as revenue where they relate to the core operating activities of that business.

Cost of sales (note 6)
Cost of sales includes fuel and energy purchases, direct employee benefits, and depreciation of property, plant and equipment.

The net result from sales and purchases of commodity optimisation trades – comprising both realised and unrealised gains and losses arising from optimisation trading activities – is also presented within cost of sales, reflecting the underlying economic purpose of this trading activity.

Finance income and costs (note 9)
Interest income and costs are recognised in the income statement as they accrue, on an effective interest method. The issue costs and interest payable on bonds and all other interest payable and receivable is reflected in the income statement on the same basis.

Interest on the funding attributable to major capital projects is capitalised during the period of construction and depreciated as part of the total cost over the useful life of the asset.

The accounting policy for foreign exchange translation of monetary assets and liabilities is described on page 290 and for lease liability charges on page 297.

Taxation (note 10)
Taxation on the profit for the year comprises current and deferred tax. Taxation is recognised in the income statement unless it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities other than in business combinations that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset where there is a legally enforceable right of offset within the same tax authority and where the Group intends to either settle them on a net basis, or to realise the asset and settle the liability simultaneously. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Accompanying information continued

A1. Basis of consolidation and significant accounting policies continued

A1.2 Significant accounting policies continued

Business Combinations (note 12)

The acquisition of subsidiaries, and joint operations that meet the definition of a business, is accounted for under the acquisition method as defined by IFRS 3 "Business Combinations".

The cost of acquisition is measured as being the aggregate fair value of consideration to be transferred at the date control is obtained. Goodwill is measured at the acquisition date as the fair value of consideration transferred, plus non-controlling interests, less the net recognised amount (which is generally fair value) of the identifiable assets and liabilities assumed. Goodwill is subject to an annual review for impairment (or more frequently if necessary) in accordance with the Group's impairment accounting policy.

Contingent consideration is classified as a liability and subsequently re-measured through the income statement. Acquisition costs are expensed as incurred.

Changes in ownership that do not result in a change of control are accounted for as equity transactions.

Held for disposal assets and liabilities and discontinued operations (note 12)

Non-current assets are classified as held for disposal if their recoverable value is likely to be recovered via a sale or distribution as opposed to continued use by the Group. In order to be classified as assets held for disposal, assets must meet all of the following conditions; the disposal is highly probable, it is available for immediate disposal, it is being actively marketed and the disposal is likely to occur within one year.

Assets that qualify as held for disposal and related liabilities are disclosed separately from other assets and liabilities in the balance sheet prospectively from the date of classification. Non-current assets determined as held for disposal are measured at the lower of carrying value and fair value less costs to sell, no depreciation is charged in respect of these assets after classification as held for disposal.

Assets or groups of assets and related liabilities that qualify as held for disposal are classified as discontinued operations when they represent a separate major line of business or geographical area, are part of a single plan to dispose of a separate major line of business or geographical area or are acquired exclusively with a view to resale. Income and expenses relating to these discontinued operations are disclosed in a single net amount after taxes in the income statement, with comparative amounts re-presented accordingly.

Intra-Group balances and any unrealised gains and losses or income and expenses arising from trading between continuing and discontinued operations continue to be eliminated in preparing the consolidated financial statements.

Intangible assets (note 13)

Goodwill and impairment testing

Goodwill arising on a business combination represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or joint venture at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment at least on an annual basis.

For the purpose of impairment testing, goodwill is allocated on initial recognition to those cash-generating units (CGUs) expected to benefit from the combination's synergies. The cash-generating units used for goodwill impairment testing purposes will represent how goodwill was attributed but may not represent reportable business segments.

Goodwill may also arise upon investments in joint arrangements and associates. Goodwill arising on a joint operation is recorded as a separate asset and any impairment loss is recognised in the income statement. Goodwill arising on a joint venture or associate is recorded within the carrying amount of the Group's investment and any impairment loss is included within the share of result from joint ventures and associates. On disposal or closure of a previously acquired investment or business, any attributed goodwill will be included in determining the profit or loss on disposal.

Allowances and certificates

Allowances and certificates consist of purchased carbon emissions allowances and generated or purchased obligations certificates. These allowances and certificates will be utilised in settlement of environmental obligations incurred by the Group's Generation and Business and Domestic Energy Supply businesses.

The EU Emissions Trading Scheme (EU ETS) has been in operation since 1 January 2005, with the Group operating under the established EU ETS carbon pricing system since that date. Since 1 January 2021, following Brexit, the UK Government has established a UK Emissions Trading Scheme (UK ETS) to replace the EU ETS with the Group's UK generation assets now operating under the UK ETS carbon pricing system. Carbon allowances purchased are recorded at cost within intangible assets. Forward carbon contracts are measured at fair value with gains or losses arising on re-measurement being recognised in the income statement. A liability is recognised based on the level of emissions recorded. Up to the level of allowances held, including forward carbon contracts, the liability is measured at the cost of purchase. When the carbon emission liability exceeds the carbon allowances held, the difference is measured at market value selling price. Subsequent movements in market value are prospectively recognised in operating profit.

The carbon allowance intangible asset is surrendered at the end of the compliance period to the extent requested reflecting the consumption of the economic benefit and is recorded as being utilised. As a result, no amortisation is booked but an impairment charge may be recognised should the carrying value of allowances exceed market or fair value.

Under the Renewable Obligations Certificates (ROCs) scheme, certificates obtained from own generation are awarded by a third party, Ofgem. ROCs can be traded with third parties and are ultimately used by suppliers to demonstrate to Ofgem that they have met their obligation to source a set proportion of the electricity they supply from renewable sources. The value of a ROC to a supplier comprises two elements: the "buy-out" price which is set annually in advance of the compliance period by Ofgem; and the "recycle" price which is determined after the compliance period by Ofgem. The recycle price element is estimated at the balance sheet date based on assumptions at that point in time around likely levels of renewable generation and supply over the remaining compliance period, and is therefore subject to possible future variation.

Where ROCs are self-generated or purchased to fulfil the Group's liability under the renewables obligation, they are recorded at market value at the point of generation or purchased within intangible assets. Following disposal of the Group's Energy Services business in January 2020, the Group now holds ROCs in excess of the Group's renewables obligation. Due to limited evidence of liquidity or net settlement for ROC trades, we have determined that any purchased ROCs in excess of the Group's renewables obligation are recorded at the lower of cost or net realisable value within inventories. Similarly, the fair value of any forward contracts entered into at the balance sheet date for the purchase or sale of ROCs in future periods are not recognised, as there is insufficient liquidity for net settlement. The Group's liability under the renewables obligation is recognised based on electricity supplied to customers, the obligation level set by Ofgem and the prevailing market price.

The intangible assets are surrendered at the end of the compliance period reflecting the consumption of economic benefit and release of the associated liability. As a result, no amortisation is recorded during the period.

Research and development
Expenditure on research activities is charged to the income statement as incurred.

Expenditure on development activities is capitalised as intangible assets if the project or process is considered to be technically and commercially feasible and the Group intends to complete the project or process for use or for sale. Development projects include wind farm developments, thermal generation and gas storage projects, prospective gas production assets and other developments relating to proven technologies. Costs incurred in bringing these projects to the consent stage include options over land rights, planning application costs and environmental impact studies and may be costs incurred directly or part of the fair value exercise on acquisition of an interest in a project. At the point that the project reaches the consent stage and is approved by the Board, the carrying value of the project is transferred to property, plant and equipment as assets under construction. Once in operation, depreciation will be charged over the expected useful life of the asset. The asset is derecognised on disposal, or when no future economic benefits are expected to arise.

Other intangible assets
Other intangible assets that have been acquired separately by the Group are stated at cost less accumulated amortisation and impairment losses. Expenditure on internally generated brands or customer lists are expensed as incurred. Expenditure on internally developed software assets and application software licences includes contractors' fees and directly attributable labour and overheads. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of these assets. The amortisation periods utilised are as follows:

	Years
Brands	10
Customer lists	Contract term
Developed software assets and application software licences	3-15

The useful lives of all the intangible assets are reviewed annually and amended, as required, on a prospective basis. Intangible assets are derecognised on disposal, or when no future economic benefits are expected from their use.

Property, plant and equipment (note 14)

Owned assets
Items of property, plant and equipment are stated at cost less accumulated depreciation and impairments. The cost of self-constructed assets includes the cost of materials, direct labour and other directly attributable costs. Where the asset is a qualifying asset, for which a considerable period of time is required to prepare the asset for use or sale, borrowing costs will be capitalised as part of the asset's cost. Where an item of property, plant and equipment comprises major components having different useful lives, the components are accounted for as separate items of property, plant and equipment, and depreciated accordingly. An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Accompanying information continued

A1. Basis of consolidation and significant accounting policies continued

A1.2 Significant accounting policies continued

Right of use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where a modification to a lease agreement decreases the scope of the lease, the carrying amount of the right of use asset is adjusted and a gain or loss is recognised in proportion to the decrease in scope of the lease. All other modifications to lease agreements are accounted for as a reassessment of the lease liability with a corresponding adjustment to the right of use asset.

Hydro civil assets

The Group is obliged under the Reservoirs Act 1975 to maintain its hydro infrastructure network, including its dams, tunnels and other hydro civil engineering structures (hydro civil assets). All items of property, plant and equipment within hydro civil assets, with the exception of land, are subject to depreciation.

In accordance with the transition provisions of IFRS 1 "First-time Adoption of IFRS", the Group identified the carrying value of these assets at privatisation and has treated this value as deemed cost. Following this assessment, the assets, and all subsequent enhancement and replacement expenditure, has been subject to depreciation over a useful economic life of 75 years. All subsequent maintenance expenditure is chargeable directly to the income statement.

Depreciation

Depreciation is charged to the income statement to write off cost, less residual values, on a straight line basis over their estimated useful lives. Heritable and freehold land is not depreciated. Depreciation policy, useful lives and residual values are reviewed at least annually, for all asset classes to ensure that the current method is the most appropriate. Depreciation commences following the asset commissioning period and when the asset is available for commercial operation. The estimated useful lives for assets depreciated on a straight line basis are as follows:

	Years
Wholesale specific assets	
Hydro civil assets (classified within Renewable power generation assets)	75 to 100
Thermal and hydro power stations including electrical and mechanical assets (classified within Thermal power generation assets)	20 to 60
Onshore wind farms (classified within Renewable power generation assets)	20 to 25
Offshore wind farms (classified within Renewable power generation assets)	20 to 25
Gas storage facilities (classified within other assets)	25 to 50
Overhead lines, underground cables and other network assets (classified within Distribution or Transmission network assets)	5 to 80
Office buildings (classified within land & buildings)	30 to 40
Fixtures, IT assets, vehicles and mobile plant (classified within other assets)	3 to 15

Assets held under leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease agreement.

Subsequent expenditure

It is the Group policy to capitalise qualifying replacement expenditure and depreciate it over the expected useful life of the replaced asset. Replaced assets are derecognised at this point and the costs recorded as costs of disposal. Where an item of property, plant and equipment is replaced and it is not practicable to determine the carrying amount of the replaced part, the cost of the replacement adjusted for inflation will be used as an approximation of the cost of the replaced part at the time it was acquired or constructed.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits of the item of property, plant and equipment to which it relates. Maintenance and repair costs are expensed as incurred.

Derecognition

An item of property, plant or equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposals are determined by comparing the proceeds received with the carrying amount of the asset and are included in the income statement. Any gain or loss on derecognition of the asset is included in the income statement in the period of derecognition.

Lease arrangements (note 21)

Lease arrangements are separately distinguished from service contracts on the basis of whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If the Group is deemed to control the use of an identified asset, a right of use asset and a corresponding lease liability are recognised on the balance sheet.

Right of use assets are capitalised and held as part of property, plant and equipment. The accounting policy for such arrangements is described on page 296.

Lease liabilities are initially measured at the present value of the future lease payments discounted using the rate implicit in the lease if that can be readily determined. If the interest rate implicit in the lease cannot be readily determined the incremental borrowing rate is used. Where the interest rate implicit in the lease is not readily determinable, the Group has applied the intercompany borrowing rate which is based on the Group's external medium-term borrowing rates with premia adjustments for any subsidiary specific risk factors.

In determining whether any break and/or extension clauses should be included within the lease term, the Group has considered that where an internal decision has been made to break or extend the lease agreement, that decision shall be applied in determining the appropriate lease term. Where an internal decision has not been made, and where the non-cancellable element of the lease term has longer than five years remaining, it is considered that any clauses will not be triggered as any decision beyond that date is not reasonably certain. For all leases with less than five years remaining, an assessment is made at each reporting period on a lease-by-lease basis on whether the clause is reasonably certain to be triggered. Reassessment of break and/or extension judgements made in prior periods could result in recalculation of the lease liability and adjustments to associated balances.

The lease liability is subsequently adjusted for unwind of discounting, repayments and other modifications to the underlying agreement. Lease modifications are accounted for as a separate lease where the scope of the lease increases through the right to use one or more underlying assets and where the consideration of the lease increases by an amount that is equivalent to the standalone price of the increase in scope. Where a modification decreases the scope of the lease, the carrying amount of the right of use asset is adjusted and a gain or loss is recognised in proportion to the decrease in scope of the lease. All other modifications are accounted for as a reassessment of the lease liability with a corresponding adjustment to the right of use asset.

Leases with a duration of 12 months or less and leases for assets which are deemed "low value" are expensed to the income statement on a straight-line basis over the lease term.

Impairment review (note 15)

The carrying amounts of the Group's PP&E and other intangible assets and the Group's investments in joint ventures and associates, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, or where there are indications that a previously recognised impairment loss has reduced. For PP&E assets that have previously been identified as exhibiting indications of impairment, the review of impairment will be performed annually until there is sufficient evidence to confirm that any potential impairment loss has been appropriately recognised, or until previously recognised impairment losses have been fully written back. For goodwill and other intangible assets with an indefinite life or which are not yet ready for use, the test for impairment is carried out annually. In addition, financial assets measured at amortised cost are also reviewed for impairment annually.

For assets subject to impairment testing, the asset's carrying value is compared to the asset's (or cash-generating unit (CGU)'s, in the case of goodwill), recoverable amount. The recoverable amount is determined to be the higher of the fair value less costs to sell (FVLCS) and the value-in-use (VIU) of the asset or CGU. For financial assets measured at amortised cost the impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If the carrying amount of the asset or CGU exceeds its recoverable amount, an impairment charge will be recognised immediately in the income statement. Reversals of previous impairment charges are recognised if the recoverable amount of the asset or CGU significantly exceeds the carrying amount. Previous impairments of goodwill are not reversed.

Value in use (VIU) calculations require the estimation of future cash flows to be derived from the respective assets (or CGUs) and the selection of an appropriate discount rate in order to calculate their present value. The VIU methodology is consistent with the approach taken by management to evaluate economic value and is deemed to be the most appropriate for reviews of PP&E asset and the Group's identified goodwill-related CGUs. The methodology is based on the pre-tax cash flows arising from the specific assets, underlying assets or CGUs, and discounted using a pre-tax discount rate based on the Group's cost of funding and adjusted for any specific risks. The estimation of the timing and value of underlying projected cash flows and the selection of appropriate discount rates involves management judgement. Subsequent changes to these estimates or judgements may impact the carrying value of the assets.

The fair value less costs to sell methodology also uses a present value technique, unless there is a quoted price in an active market for that asset. The methodology is based on the post-tax cash flows arising from the specific assets, underlying assets or CGUs, and discounted using a post-tax discount rate determined in the same manner as the rates used in the VIU calculations, adjusted for the relevant taxation rate.

Any impairment charge identified will initially be adjusted against the goodwill allocated to the cash-generating unit. Any excess charge will be allocated against the remaining assets of the cash-generating unit. Reversals of previous impairment charges are allocated against the carrying value of assets previously subject to an impairment charge.

Accompanying information continued

A1. Basis of consolidation and significant accounting policies continued

A1.2 Significant accounting policies continued

Inventories (note 17)

Inventories – aside from inventory purchased by the Gas Storage business for secondary trading opportunities – are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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. Gains and losses on remeasurement at fair value are recognised within the Income Statement, as a "certain remeasurement" item.

Provisions (note 20)

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, it can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Decommissioning

The Group engages independent experts to estimate the cost of decommissioning its Renewable, Thermal and Gas Storage assets every three years. In the intervening years, management updates the external valuation based on factors arising since the last formal valuation date. Provision is made for the net present value of the estimated cost of decommissioning gas storage facilities, wind farms and power stations at the end of the useful life of the facilities. This includes development assets, where if a present obligation exists, provision is recognised during construction and prior to commencement of operations from the site. The estimates are based on technology and prices at the balance sheet date and excludes any salvage value related to those assets. A corresponding decommissioning asset is recognised and is included within property, plant and equipment when it gives access to future economic benefits, and is depreciated on a straight-line basis over the expected useful life of the asset. Changes in these provisions are recognised prospectively. The unwinding of the discount on the provision is included in finance costs.

The Group retained a decommissioning obligation following the disposal of its Gas Production business. The decommissioning cost estimates are updated periodically by field operators based on current technology and prices. Field operators also provide estimated end of field life dates for each field, which can change based on market commodity prices.

Retirement benefit obligations (note 23)

Defined benefit pension schemes

The Group operates two defined benefit pension schemes, one of which is operated by the Company. Pension scheme assets are measured using bid market values. Pension scheme liabilities are measured using the projected unit credit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

Any increase in the present value of liabilities within the Group's defined benefit pension schemes expected to arise from employee service in the year is charged as service costs to operating profit.

Net interest costs are based on net schemes' liabilities adjusted for minimum funding requirement and pension surplus restrictions under IFRIC 14 'IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. Actuarial gains and losses are recognised in full in the consolidated statement of comprehensive income. Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet.

Defined contribution pension schemes
The Group also operates a number of defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The amounts charged represent the contributions payable to the schemes in the year and are charged directly to the income statement.

Equity and equity-related compensation benefits
The Group operates a number of employee share schemes as described in the Remuneration Report. These schemes enable Group employees to acquire shares of the Company.

The exercise prices of the sharesave scheme are set at a discount to market price at the date of the grant. The fair value of the sharesave scheme option granted is measured at the grant date by use of a Black-Scholes model. The fair value of the options granted is recognised as an expense on a straight-line basis over the period that the scheme vests. Estimates are updated for non-market conditions at each balance sheet date with any adjustment in respect of the current and prior years being recognised in the income statement. The costs associated with the other main employee schemes are recognised over the period to which they relate. The charge related to the equity shares in the Company awarded under the share schemes is treated as an increase in the cost of investment held by the Company in the subsidiary companies of the Group. The disclosures on equity and equity-related compensation benefits have been removed on the grounds of materiality in relation to the Group.

Financial instruments (note 24)
The Group uses a range of financial instruments to hedge exposures to financial risks, such as interest rate, foreign exchange and energy price fluctuations in its normal course of business and in accordance with the Group's risk management policies. The Group's risk management policies are further explained in A6.

As previously noted in the 31 March 2018 Annual Report, the Group's review of the IFRS 9 hedge accounting model concluded that whilst adoption would not change the treatment of existing hedging arrangements, the changes made would not result in any additional hedge designations either. As such, the existing hedge accounting model under IAS 39 appropriately reflects our risk management activities in the financial statements. Therefore, as permitted by IFRS 9, the Group has elected to continue to apply the hedge accounting requirements of IAS 39. This policy choice will be periodically reviewed to consider any changes in our risk management activities.

Interest rate and foreign exchange derivatives
Financial derivative instruments are used by the Group to hedge interest rate and currency exposures. All such derivatives are recognised at fair value and are re-measured to fair value each reporting period. Certain derivative financial instruments are designated as being held for hedging purposes. The designation of the hedge relationship is established at the inception of the hedge and procedures are applied to ensure the derivative is highly effective in achieving its objective and that the effectiveness of the hedge can be reliably measured. The treatment of gains and losses on re-measurement is dependent on the classification of the hedge and whether the hedge relationship is designated as either a 'fair value' or 'cash flow' hedge. Derivatives that are not designated as hedges are treated as if held for trading, with all fair value movements being recorded through the income statement.

A derivative classified as a 'fair value' hedge recognises gains and losses from re-measurement immediately in the income statement. Loans and borrowings are measured at cost except where they form the underlying transaction in an effective fair value hedge relationship. In such cases, the carrying value of the loan or borrowing is adjusted to reflect fair value movements with the gain or loss being reported in the income statement.

A derivative classified as a 'cash flow' hedge recognises the portion of gains or losses on the derivative which are deemed to be effective directly in equity in the hedge reserve. Any ineffective portion of the gains or losses is recognised in the consolidated income statement. When hedged cash flows result in the recognition of a non-financial asset or liability, the associated gains or losses previously recognised in equity are included in the initial measurement of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same period in which the hedged cash flows affect the income statement.

Accompanying information continued

A1. Basis of consolidation and significant accounting policies continued

A1.2 Significant accounting policies continued

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At the point of discontinuation, any cumulative gain or loss on the hedging instrument recognised in equity remains in equity until the forecast transaction affects profit or loss. On settlement, the cumulative gain or loss recognised in equity is recognised in the income statement.

Commodity derivatives

Within its regular course of business, the Group routinely enters into sale and purchase derivative contracts for commodities such as electricity, gas, coal, carbon allowances and oil. Where the contract was entered into and continues to be held for the purpose of receipt or delivery in accordance with the Group's expected sale, purchase or usage requirements, the contracts are designated as 'own use' contracts and are measured at cost. These contracts are not within the scope of IFRS 9.

Derivative commodity contracts which are not designated as own use contracts are accounted for as trading derivatives and are recognised in the balance sheet at fair value. Where a hedge accounting relationship is designated and is proven to be effective, the changes in fair value will be recognised in accordance with the rules noted above. There are currently no designated hedge relationships in relation to commodity contracts.

Other commodity contracts, where own use is not established and a hedge accounting relationship is not designated, are measured at fair value with gains and losses on re-measurement being recognised in the income statement in cost of sales.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives where the characteristics of the derivatives are not closely related to those of the host contracts.

Net investment hedges

Hedges of net investments in foreign operations are accounted in a manner similar to effective cash flow hedges. Any gain or loss on the effective portion of the hedge is recognised in equity, in the translation reserve, and any gain or loss on the ineffective portion of the hedge is recognised in the income statement. On disposal of the foreign operation, the cumulative value of any gains or losses recognised directly in equity is transferred to the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade receivables

Trade receivables do not carry any interest and are measured at cost less an appropriate allowance for lifetime expected credit losses.

Interest-bearing loans and borrowings

All such loans and borrowings are initially recognised at fair value including transaction costs and are subsequently measured at amortised cost, except where the loan or borrowing is the hedged item in an effective fair value hedge relationship.

Share capital

Ordinary shares are accounted for as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds received. Own equity instruments that are reacquired are deducted from equity. No gain or loss is recognised in the Group Income Statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Hybrid equity

Hybrid equity comprises issued bonds that qualify for recognition as equity. Accordingly, any coupon payments are accounted for as dividends and are recognised directly in equity at the time the payment obligation arises. This is because the coupon payments are discretionary and relate to equity. Coupon payments consequently do not have any impact on the income statement. Coupon payments are recognised in the cash flow statement in the same way as dividends to ordinary shareholders. Tax credits in relation to the coupon payments are linked to the past transactions or events that support the coupon payments and consequently the tax credits are reported in the income statement.

Hybrid debt

Hybrid debt comprises issued bonds that have a fixed redemption date and are accounted within Loans and Borrowings. Coupon payments are recognised within the income statement as a finance cost.

A2. Taxation

The Group's primary tax disclosures are included at note 10. The following tables represent enhanced disclosures adopted in order to assist stakeholder understanding of the Group's tax position and policies as part of the Group's commitment to its Fair Tax Mark accredited status.

Reconciliation of tax charge to adjusted underlying current tax

	2022 £m	2022 %	2021 £m (restated*)	2021 %
Group profit before tax	3,482.2		2,418.0	
Less: share of results of associates and jointly controlled entities	(109.8)		(43.4)	
Profit before tax	3,372.4		2,374.6	
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2021: 19%)	640.8	19.0	451.2	19.0
Tax effect of:				
Capital allowances less than depreciation	(121.6)	(3.6)	10.8	0.4
Increase in restructuring and settlement provisions	1.1	–	(5.6)	(0.2)
Non-taxable gain on sale of assets	(14.8)	(0.4)	(229.1)	(9.6)
Fair value movements on derivatives	(393.8)	(11.7)	(116.1)	(4.9)
Pension movements	(5.8)	(0.2)	(5.9)	(0.2)
Relief for capitalised interest and revenue costs	(22.7)	(0.7)	(19.3)	(0.8)
Hybrid equity coupon payments	(9.7)	(0.3)	(8.9)	(0.4)
Expenses not deductible for tax purposes	35.3	1.0	9.7	0.4
Utilisation of tax losses brought forward	(6.2)	(0.2)	(2.1)	(0.1)
Other items	0.4	–	5.6	0.2
Impact of foreign tax rates	(6.2)	(0.2)	–	–
Permanent benefit of super-deduction capital allowances	(6.0)	(0.2)	–	–
Adjustments to tax charge in respect of previous years	(5.9)	(0.2)	(11.4)	(0.5)
Reported current tax charge and effective rate	85.4	2.5	78.9	3.2
Depreciation in excess of capital allowances	129.4	3.8	(2.8)	(0.1)
Increase in provisions	(1.1)	–	5.6	0.2
Fair value movements on derivatives	393.3	11.7	116.1	4.9
Pension movements	5.8	0.2	5.9	0.2
Relief for capitalised interest and revenue costs	22.7	0.7	19.3	0.8
Impact of higher deferred tax rates on Gas Production profits	–	–	1.2	0.1
Impact of foreign tax rates	0.1	–		
Adjustments to tax charge in respect of previous years	(2.2)	(0.1)	(1.9)	(0.1)
Change in rate of UK corporation tax	244.7	7.3	–	–
Tax losses utilised	6.0	0.2	2.1	0.1
Other items	(1.3)	–	(0.1)	–
Reported deferred tax credit and effective rate	797.4	23.6	145.4	6.1
Group tax charge and effective rate	882.8	26.2	224.3	9.4

As noted at note 3 to the accounts, the Group's results are reported on an 'adjusted' basis in order to allow focus on underlying business performance. The following table explains the adjustments that are made in order to arrive at adjusted profit before tax. This is the measure utilised in calculation of the Group's 'adjusted effective rate of tax'.

	2022 £m	2021 £m (restated*)
Profit before tax	3,482.2	2,418.0
Add/(less):		
Exceptional items and certain re-measurements	(2,390.6)	(1,503.7)
Share of tax from jointly controlled entities and associates before exceptional items and certain re-measurements	46.3	22.3
Depreciation charge on fair value uplifts	20.6	20.6
Adjustment to Gas Production decommissioning provision	13.1	–
Interest income/(charge) on pension scheme assets/(liabilities)	(7.6)	(8.3)
Adjusted profit before tax APM	1,164.0	948.9

Accompanying information continued

A2. Taxation continued

Reconciliation of tax charge to adjusted underlying current tax continued

The adjusted current tax charge can therefore be reconciled to the adjusted profit before tax as follows:

	2022 £m	2022 %	2021 £m	2021 %
Adjusted profit before tax	**1,164.0**			
Tax on profit on ordinary activities at standard UK corporation tax rate	**221.2**	**19.0**	180.3	19.0
Tax effect of:				
Capital allowances in excess of depreciation	**(80.3)**	**(6.9)**	(31.4)	(3.3)
Non-taxable gain on sale of assets	**(9.5)**	**(0.8)**	(47.7)	(5.0)
Non-qualifying depreciation	**12.0**	**1.0**	10.6	1.1
Adjustment for profit on internal trading	**1.7**	**0.1**	1.9	0.2
Increase in restructuring and settlement provisions	**1.1**	**0.1**	(2.7)	(0.3)
Pension movements	**(5.8)**	**(0.5)**	(6.8)	(0.7)
Relief for capitalised interest and revenue costs	**(9.9)**	**(0.9)**	(4.8)	(0.5)
Hybrid equity coupon payments	**(9.7)**	**(0.8)**	(8.9)	(0.9)
Expenses not deductible for tax purposes	**4.2**	**0.4**	4.4	0.5
Permanent benefit of super-deduction capital allowances	**(6.1)**	**(0.5)**	–	–
Losses carried back to earlier years	**(0.8)**	**(0.1)**	1.7	0.2
Adjustments to tax charge in respect of previous years	**(6.7)**	**(0.6)**	(12.0)	(1.3)
Impact of foreign tax rates	**(5.7)**	**(0.5)**	–	–
Other	**1.4**	**0.2**	1.3	0.1
Adjusted current tax charge and effective rate APM	**107.1**	**9.2**	85.9	9.1

The above reconciling adjustments differ from those analysed in the Group tax charge reconciliation above because they include SSE's share of associates and joint ventures, and are based on adjusted profit before tax.

The majority of the Group's profits are earned in the UK, with the standard rate of UK corporation tax being 19% for the year to 31 March 2022 (2021: 19%). The Group's Gas Production business, which is presented as a discontinued operation in the current year (until the business was disposed on 14 October 2021) and prior year, is taxed at a UK corporation tax rate of 30% plus a supplementary charge of 10% (combined 40%). Profits earned by the Group in the Republic of Ireland are taxable at either 12.5% or 25%, depending upon the nature of the income.

Capital allowances are tax reliefs provided in law for the expenditure the Group makes on property, plant and equipment. The rates are determined by Parliament annually and spread the tax relief due over a number of years. This contrasts with the accounting treatment for such spending, where the expenditure on property, plant and equipment is treated as an asset with the cost being depreciated over the useful life of the asset, or impaired if the value of such assets is considered to have reduced materially.

The different accounting treatment of property, plant and equipment for tax and accounting purposes means that the taxable income of the Group is not the same as the profit reported in the financial statements. The substantial reversals of impairments and impairments undertaken in previous years in relation to certain property, plant and equipment assets, result in the depreciation or impairment charge to profit for the year differing to the amount of capital allowances due to the Group.

Short term temporary differences arise on items such as provisions for restructuring costs and onerous contracts, and retirement benefit obligations, because the treatment of such items is different for tax and accounting purposes. These differences usually reverse in the year following that in which they arise, as is reflected in the deferred tax charge in these financial statements. Where interest charges or other costs are capitalised in the accounts, tax relief is either given as the charges are incurred or when the costs are taken to the income statement.

As explained at Accompanying Information A1 and A6, the Group measures its operating and financing derivatives at fair value under IFRS 9. As a result of the Group's subsidiaries applying the HMRC's "disregard regulations", the re-measurement movements have no current tax effect impacting only the deferred tax position.

As detailed at note 22 and explained in the Accompanying Information A1, the Group has issued Hybrid equity securities which are treated as a component of equity. While the coupon payments relating to these securities are treated as distributions to the holders of the equity instruments, tax relief is allowed on the amount paid in the year. These tax credits are linked to the past transactions or events that support the coupon payments and consequently the tax credits are reported in the income statement.

A3. Related undertakings

A3.1.1. Subsidiary undertakings

Details of the Group's subsidiary undertakings at 31 March are as follows:

Company	Country of incorporation	Registered address (key)	**2022 Holding %**	2021 Holding %	Principal activity
Abernedd Power Company Limited	England and Wales	B	**100.0**	100.0	Holding Company
Aichi Offshore Wind Power No. 1 G.K.	Japan	AJ	**80.0**	–	Renewable Development
Aichi Offshore Wind Power No. 2 G.K.	Japan	AJ	**80.0**	–	Renewable Development
Airtricity Windfarm Finance Limited	Ireland	C	**100.0**	100.0	Holding Company
Arklow Offshore Phase II Company Limited	Ireland	C	**100.0**	100.0	Dormant
Beithe (HK) Limited	Hong Kong	AF	**100.0**	100.0	Holding Company
Beithe AG	Switzerland	Z	**100.0**	100.0	Holding Company
Berwick Bank A Limited (formerly Berwick Bank Wind Limited)	England and Wales	B	**100.0**	100.0	Power Generation
Berwick Bank Holdings A Limited (formerly Berwick Bank Wind Holdings Limited)	England and Wales	B	**100.0**	100.0	Holding Company
Berwick Bank B Limited	England and Wales	B	**100.0**	–	Renewable Development
Berwick Bank Holdings B Limited	England and Wales	B	**100.0**	–	Holding Company
Berwick Bank C Limited (formerly Marr Bank Wind Limited)	England and Wales	B	**100.0**	100.0	Power Generation
Berwick Bank Holdings C Limited (formerly Marr Bank Wind Holdings Limited)	England and Wales	B	**100.0**	100.0	Holding Company
Berwick Bank Wind Farm Limited	England and Wales	B	**100.0**	–	Renewable Development
Bhlaraidh Wind Farm Limited	Scotland	A	**100.0**	100.0	Power Generation
Bindoo Windfarm (ROI) Limited	Ireland	C	**100.0**	100.0	Power Generation
Brickmount Limited	Ireland	C	**100.0**	100.0	Power Generation
Building Automation Solutions Limited	England and Wales	D	**100.0**	100.0	Dormant
Coire Glas Hydro Pumped Storage Limited	Scotland	A	**100.0**	100.0	Power Generation
Comhlacht Gaoithe Teoranta	Ireland	C	**100.0**	100.0	Power Generation
Coomacheo Wind Farm Limited	Ireland	C	**100.0**	100.0	Power Generation
Coomatallin Windfarm (ROI) Limited	Ireland	C	**100.0**	100.0	Power Generation
Curragh Mountain Windfarm Limited	Ireland	C	**100.0**	100.0	Power Generation
Dedondo Limited	Ireland	C	**100.0**	100.0	Power Generation
Dromada Windfarm (ROI) Limited	Ireland	C	**100.0**	100.0	Power Generation
Drumnahough Wind Farm Designated Activity Company	Ireland	C	**100.0**	100.0	Power Generation
Enshunada Offshore Wind Power No. 1 G.K.	Japan	AJ	**80.0**	–	Renewable Development
Fibre Fuel Limited	England and Wales	B	**100.0**	100.0	Dormant
Fibre Power (Slough) Limited	England and Wales	B	**100.0**	100.0	Power Generation
Fusion Heating Limited	Northern Ireland	W	**100.0**	100.0	Energy Related Services
Galway Wind Park Phase 3 Designated Activity Company	Ireland	C	**100.0**	100.0	Renewable Development
Ganderoy Limited	Ireland	C	**100.0**	100.0	Power Generation
Gartnaneane Limited	Ireland	C	**100.0***	100.0*	Power Generation
Glenora Wind Farm Designated Activity Company	Ireland	C	**100.0**	–	Renewable Development
Goto-Fukue Offshore Wind Power G.K.	Japan	AJ	**80.0**	–	Renewable Development
Green Wind Energy (Wexford) Limited	Ireland	C	**100.0***	100.0*	Renewable Development
Griffin Wind Farm Limited	Scotland	A	**100.0**	100.0	Power Generation
Hadyard Hill Wind Farm Limited	Scotland	A	**100.0**	100.0	Power Generation
Hydro Electric Pension Scheme Trustees Limited	Scotland	A	**100.0**	100.0	Dormant
Izu Islands Offshore Wind Power No. 1 G.K.	Japan	AJ	**80.0**	–	Renewable Development
Keadby Developments Limited	England and Wales	B	**100.0**	100.0	Dormant
Keadby Generation Limited	England and Wales	E	**100.0**	100.0	Power Generation
Keadby Wind Farm Limited	England and Wales	B	**100.0**	100.0	Power Generation
Leanamore Wind Farm Limited	Ireland	C	**100.0**	100.0	Power Generation
Lenalea Wind Farm Designated Activity Company	Ireland	C	**100.0**	100.0	Renewable Development
Limerick West Windfarm Limited	Ireland	C	**100.0**	100.0	Power Generation
Littleton Pastures Solar Limited	England and Wales	B	**100.0**	–	Power Generation
March Winds Limited	Ireland	C	**100.0**	100.0	Power Generation
Medway Power Limited	England and Wales	B	**100.0**	100.0	Power Generation
Meentycat Limited	Ireland	C	**100.0**	100.0	Power Generation
Milane Holdings Limited	Ireland	C	**100.0**	100.0	Dormant
Minami-Izu Offshore Wind Power No. 1 G.K.	Japan	AJ	**80.0**	–	Renewable Development
Mullananalt Wind Farm (ROI) Limited	Ireland	C	**100.0**	100.0	Power Generation

Accompanying information continued

A3. Related undertakings continued

A3.1.1. Subsidiary undertakings continued

Company	Country of incorporation	Registered address (key)	2022 Holding %	2021 Holding %	Principal activity
Niigata Offshore Wind Power No.1 G.K.	Japan	AJ	**80.0**	–	Renewable Development
Oki Islands Offshore Wind Power G.K.	Japan	AJ	**80.0**	–	Renewable Development
Optimal Power Networks Limited (formerly Forbury Assets Limited)	England and Wales	B	**100.0**	100.0	Construction of utility projects
Platin Power Limited	Ireland	C	**100.0**	100.0	Dormant
Power from Waste Limited	England and Wales	B	**100.0**	100.0	Dormant
Richfield Windfarm (ROI) Limited	Ireland	C	**100.0**	100.0	Power Generation
Scottish and Southern Energy Power Distribution Limited	Scotland	A	**100.0**	100.0	Holding Company
Scottish Hydro Electric Power Distribution plc	Scotland	A	**100.0**	100.0	Power Distribution
Scottish Hydro Electric Transmission plc	Scotland	A	**100.0**	100.0	Power Transmission
Sheskin South Renewables Power Designated Activity Company	Ireland	C	**100.0**	–	Renewable Development
Slough Domestic Electricity Limited	England and Wales	B	**100.0**	100.0	Dormant
Slough Electricity Contracts Limited	England and Wales	B	**100.0**	100.0	Electricity Contracting
Slough Energy Supplies Limited	England and Wales	B	**100.0**	100.0	Dormant
Slough Heat & Power Limited	England and Wales	B	**100.0**	100.0	Power Generation
Slough Utility Services Limited	England and Wales	B	**100.0**	100.0	Distribution of Electricity
Southern Electric Power Distribution plc	England and Wales	B	**100.0**	100.0	Power Distribution
SSE Airtricity Limited	Ireland	C	**100.0**	100.0	Energy Supply
SSE Airtricity Distributed Energy Limited	Ireland	C	**100.0**	100.0	Power Distribution
SSE Airtricity Energy Services (NI) Limited	Northern Ireland	F	**–**	100.0	Energy Supply
SSE Airtricity Energy Services Limited	Ireland	C	**100.0**	100.0	Energy Supply
SSE Airtricity Energy Supply (NI) Limited	Northern Ireland	F	**100.0**	100.0	Energy Supply
SSE Airtricity Gas Limited	Ireland	C	**100.0**	100.0	Energy Supply
SSE Airtricity Gas Supply (NI) Limited	Northern Ireland	F	**100.0**	100.0	Energy Supply
SSE Airtricity Utility Solutions Limited	Ireland	C	**–**	100.0	Utility Contracting
SSE Battery Salisbury Limited	England and Wales	B	**100.0**	–	Power Generation
SSE Beatrice Offshore Windfarm Holdings Limited	Scotland	A	**100.0**	100.0	Holding Company
SSE Contracting Group Limited	England and Wales	B	**100.0**	100.0	Holding Company
SSE Contracting Limited	England and Wales	B	**–**	100.0	Contracting
SSE Cumarsáid Teoranta	Ireland	C	**100.0**	100.0	Telecommunications
SSE DE Battery Holdco Limited	England and Wales	B	**100.0**	–	Holding company
SSE E&P UK Limited	Scotland	A	**–**	100.0	Gas Production
SSE Energy Supply Limited	England and Wales	B	**100.0**	100.0	Energy Supply
SSE Enterprise Limited	England and Wales	B	**100.0**	100.0	Corporate Services
SSE EPM Limited	England and Wales	B	**100.0**	100.0	Energy Trading
SSE Galloper Offshore Windfarm Holdings Limited	England and Wales	B	**100.0**	100.0	Holding Company
SSE Generation Ireland Limited	Ireland	C	**100.0**	100.0	Power Generation
SSE Generation Limited	England and Wales	B	**100.0**	100.0	Power Generation
SSE Group Limited	Scotland	A	**100.0**	100.0	Dormant
SSE Heat Networks (Battersea) Limited	England and Wales	B	**100.0**	100.0	Dormant
SSE Heat Networks Limited	Scotland	A	**100.0**	100.0	Utility Services
SSE Hornsea Limited	England and Wales	B	**100.0**	100.0	Gas Storage
SSE Insurance Limited	Isle of Man	G	**100.0**	100.0	Insurance
SSE Maple Limited	England and Wales	B	**100.0**	100.0	Investment Holding
SSE Medway Operations Limited	England and Wales	B	**100.0**	100.0	Holding Company
SSE Micro Renewables Limited	Scotland	A	**100.0**	100.0	Energy Related Services
SSE Multifuel Generation Holdings Limited	England and Wales	B	**100.0**	100.0	Holding Company
SSE OWS Glasgow Limited	Scotland	A	**100.0**	100.0	Property Holding
SSE Pacifico K.K.	Japan	AJ	**80.0**	–	Renewable Development
SSE Production Services Limited	England and Wales	B	**100.0**	100.0	Maintenance Services
SSE Renewables (Ireland) Limited	Ireland	C	**100.0**	100.0	Holding Company
SSE Renewables Developments (Germany) GmbH	Germany	AA	**100.0**	100.0	Renewable Development
SSE Renewables Generation Ireland Limited	Ireland	C	**100.0**	100.0	Power Generation
SSE Renewables Holdings (Europe) Limited	Ireland	C	**100.0**	100.0	Holding Company
SSE Renewables Holdings (UK) Limited	Northern Ireland	F	**100.0**	100.0	Holding Company
SSE Renewables Holdings Germany GmbH	Germany	H	**100.0**	100.0	Dormant
SSE Renewables Holdings Limited	Ireland	C	**100.0**	100.0	Holding Company
SSE Renewables International Holdings	Scotland	A	**100.0**	100.0	Holding Company

Company	Country of incorporation	Registered address (key)	**2022 Holding %**	2021 Holding %	Principal activity
SSE Renewables Limited	Scotland	A	**100.0**	100.0	Holding Company
SSE Renewables (Netherlands) Holdings B.V.	Netherlands	AL	**100.0**	–	Holding Company
SSE Renewables North America Inc.	United States	AH	**100.0**	–	Renewable Development
SSE Renewables North America Offshore Wind LLC.	United States	AH	**100.0**	–	Renewable Development
SSE Renewables Off Shore Limited	Ireland	C	**100.0**	100.0	Holding Company
SSE Renewables Offshore Windfarm Holdings Limited	Scotland	A	**100.0**	100.0	Holding Company
SSE Renewables Onshore Windfarm Holdings Limited	Northern Ireland	F	**100.0**	100.0	Holding Company
SSE Renewables Poland Holdings Limited	Scotland	A	**100.0**	–	Holding Company
SSE Renewables Poland sp z.o.o. (formerly Virtomille Investments sp z.o.o.)	Poland	AI	**100.0**	–	Renewable Development
SSE Renewables Services (UK) Limited	Northern Ireland	F	**100.0**	100.0	Renewable Development
SSE Renewables UK Limited	Northern Ireland	F	**100.0**	100.0	Power Generation
SSE Renewables Wind (Ireland) Holdings Limited	Ireland	C	**100.0**	100.0	Holding Company
SSE Renewables Wind Farms (Ireland) Limited	Ireland	C	**100.0**	100.0	Power Generation
SSE Renewables Wind Farms (UK) Limited	Scotland	A	**100.0**	100.0	Power Generation
SSE Retail Limited	Scotland	A	**100.0**	100.0	Energy Related Services
SSE Seabank Investments Limited	England and Wales	B	**100.0**	100.0	Dormant
SSE Seabank Land Investments Limited	England and Wales	B	**100.0**	100.0	Dormant
SSE Services plc	England and Wales	B	**100.0**	100.0	Corporate Services
SSE Southern Group Trustee Limited	England and Wales	B	**100.0**	100.0	Dormant
SSE Stock Limited	Scotland	A	**100.0**	100.0	Stock Holding
SSE Sunflower Offshore Wind Holdco B.V.	Netherlands	AL	**100.0**	–	Renewable Development
SSE Thermal Energy Holdings Limited	England and Wales	B	**100.0**	100.0	Holding Company
SSE Thermal Energy Operations Limited	England and Wales	B	**100.0**	100.0	Power Generation
SSE Thermal Generation (Scotland) Limited	Scotland	A	**100.0**	100.0	Power Generation
SSE Thermal Generation Holdings Limited	England and Wales	B	**100.0**	100.0	Holding Company
SSE Toddleburn Limited	Scotland	A	**100.0**	100.0	Power Generation
SSE Trading Limited	England and Wales	B	**100.0**	100.0	Energy Trading
SSE Tulip Offshore Wind Holdco B.V.	Netherlands	AL	**100.0**	–	Renewable Development
SSE Trustees Limited	England and Wales	B	**100.0**	100.0	Dormant
SSE Utility Services Limited	England and Wales	B	**100.0**	100.0	Dormant
SSE Utility Solutions Limited	England and Wales	B	**100.0**	100.0	Utility Services
SSE Venture Capital Limited	Scotland	A	**100.0**	100.0	Investment Holding
SSE Viking Limited	England and Wales	B	**100.0**	100.0	Renewable Development
SSE(SE) Quest Trustee Limited	England and Wales	B	**100.0**	100.0	Dormant
SSEPG (Operations) Limited	England and Wales	B	**100.0**	100.0	Power Generation
Strathy Wind Farm Limited	Scotland	A	**100.0**	100.0	Power Generation
Sure Partners Limited	Ireland	C	**100.0**	100.0	Renewable Development
Tealing Solar Park Limited	England and Wales	B	**100.0**	100.0	Power Generation
TESGL Limited	England and Wales	D	**100.0**	100.0	Building Energy Management
The Energy Solutions Group Bidco Limited	England and Wales	D	**100.0**	100.0	Dormant
The Energy Solutions Group Midco Limited	England and Wales	D	**100.0**	100.0	Dormant
The Energy Solutions Group Topco Limited	England and Wales	D	**100.0**	100.0	Dormant
Tournafulla Windfarm (ROI) Limited	Ireland	C	**100.0**	100.0	Power Generation
Viking Energy (Scottish Partnership)	Scotland	I	**100.0**	100.0	Renewable Development
Viking Energy Wind Farm LLP	Scotland	AK	**100.0**	100.0	Renewable Development
Wakayama-West Offshore Wind Power No. 1 G.K.	Japan	AJ	**80.0**	–	Renewable Development
Wakayama-West Offshore Wind Power No.2 G.K.	Japan	AJ	**80.0**	–	Renewable Development

All shares in subsidiary companies are ordinary share capital, unless otherwise stated.

* 100% of voting rights held.

Accompanying information continued

A3. Related undertakings continued

A3.1.1. Subsidiary undertakings continued

Statutory audit exemptions

SSE plc parent company has provided guarantees under section 479C of the Companies Act 2006 over the liabilities of the following companies, which are therefore exempt from audit under the requirements of s479A-479C of the Companies Act 2006.

Company	Registered number
Fibre Power (Slough) Limited	02902170
SSE Bhlaraidh Wind Farm Limited	SC663027
SSE Enterprise Limited	10060563
SSE Retail Limited	10060563
SSE Maple Limited	10604848
SSE Medway Operations Limited	02647585
SSE Micro Renewables Limited	SC386017
SSE Production Services Limited	02499702
SSE Renewables Wind Farms (UK) Limited	SC654502
SSE Seabank Investments Limited	02631512
Tealing Solar Park Limited	08783684
Slough Utility Services Limited	03486590

A3.1.2. Partnerships

Company	Country of incorporation	Registered address (key)	2022 Holding %	2021 Holding %	Principal activity
The Glasa LLP	Scotland	A	–	90.0	Renewable Development

A3.1.3 Joint arrangements (incorporated)

Company	Country of incorporation	Registered address (key)	2022 Holding %	2021 Holding %	Principal activity
AtlasConnect Limited	Scotland	A	50.0	50.0	Dormant
Baglan Pipeline Limited	England and Wales	L	50.0	50.0	Dormant
Beatrice Offshore Windfarm Holdco Limited	Scotland	A	40.0	40.0	Holding Company
Beatrice Offshore Windfarm Limited	Scotland	A	40.0	40.0	Power Generation
Brims Tidal Array Limited	Scotland	M	–	50.0	Renewable Development
Cloosh Valley Wind Farm Designated Activity Company	Ireland	N	25.0	25.0	Power Generation
Cloosh Valley Wind Farm Holdings Designated Activity Company	Ireland	N	25.0	25.0	Holding Company
Clyde Windfarm (Scotland) Limited**	Scotland	A	50.1	50.1	Power Generation
DB Operational Base Limited	England and Wales	K	40.0	40.0	Warehousing and storage facilities
Digital Reach Partners Limited	Scotland	A	50.0	–	Other Communication Projects
Doggerbank Offshore Wind Farm Project 1 Holdco Limited	England and Wales	B	40.0	40.0	Holding Company
Doggerbank Offshore Wind Farm Project 1 Projco Limited	England and Wales	B	40.0	40.0	Renewable Development
Doggerbank Offshore Wind Farm Project 2 Holdco Limited	England and Wales	B	40.0	40.0	Holding Company
Doggerbank Offshore Wind Farm Project 2 Projco Limited	England and Wales	B	40.0	40.0	Renewable Development
Doggerbank Offshore Wind Farm Project 3 Holdco Limited	England and Wales	B	40.0	50.0	Holding Company
Doggerbank Offshore Wind Farm Project 3 Projco Limited	England and Wales	B	40.0	50.0	Renewable Development
Dunmaglass Wind Farm Limited	Scotland	A	50.1	50.1	Power Generation
Everwind Limited	Ireland	Y	49.0	49.0	Power Generation
Gatroben Offshore Developments 1 Limited	England and Wales	B	40.0	–	Renewable Development
Gatroben Offshore Developments 2 Limited	England and Wales	B	40.0	–	Renewable Development
Gatroben Offshore Developments 3 Limited	England and Wales	B	40.0	–	Renewable Development
Greater Gabbard Offshore Winds Limited	England and Wales	B	50.0	50.0	Power Generation
Green Energy Company Limited	Ireland	O	47.5	47.5	Dormant
Green Way Energy Limited	Ireland	O	50.0	50.0	Holding Company

Company	Country of incorporation	Registered address (key)	**2022 Holding %**	2021 Holding %	Principal activity
Kerry Power Limited	Ireland	O	**49.0**	49.0	Power Generation
Marchwood Power Limited	England and Wales	P	**50.0**	50.0	Power Generation
Marron Activ8 Energies Limited	Ireland	X	**45.0**	45.0	Energy Related Services
Midas Energy Limited	Ireland	O	**49.0**	49.0	Power Generation
Neos Networks Limited	Scotland	A	**50.0**	50.0	Telecommunications
NNXYZ Limited	England and Wales	B	**50.0**	50.0	Telecommunications
North Falls Offshore Wind Farm Holdco Limited	England and Wales	B	**50.0**	50.0	Holding company
North Falls Offshore Wind Farm Limited	England and Wales	B	**50.0**	50.0	Renewable Development
PriDE (Serp) Ltd	England and Wales	Q	**–**	50.0	Estate Maintenance and Improvement
Scohoco 1 Limited	Scotland	A	**40.0**	–	Holding company
Scoprojco 1 Limited	Scotland	A	**40.0**	–	Renewable Development
Scotia Gas Networks Limited	England and Wales	R	**–**	33.3	Gas Distribution
Scotland Gas Networks plc	Scotland	AC	**–**	33.3	Gas Distribution
Seabank Power Limited	England and Wales	S	**50.0**	50.0	Power Generation
Seagreen 1A (Holdco) Limited	England and Wales	B	**49.0**	49.0	Holding company
Seagreen 1A Limited	England and Wales	B	**49.0**	49.0	Renewable Development
Seagreen Alpha Wind Energy Limited	England and Wales	B	**49.0**	49.0	Renewable Development
Seagreen Bravo Wind Energy Limited	England and Wales	B	**49.0**	49.0	Renewable Development
Seagreen Holdco 1 Limited	England and Wales	B	**49.0**	49.0	Holding company
Seagreen Wind Energy Limited	England and Wales	B	**49.0**	49.0	Renewable Development
SGN Belvedere Limited	England and Wales	R	**–**	33.3	Property
SGN Brighton Limited	England and Wales	R	**–**	33.3	Property
SGN Commercial Services Limited	England and Wales	R	**–**	33.3	Energy Related Services
SGN Connections Limited	England and Wales	R	**–**	33.3	Gas Distribution
SGN Contracting Limited	England and Wales	R	**–**	33.3	Energy Related Services
SGN Epsom Limited	England and Wales	R	**–**	33.3	Property
SGN Greenwich Limited	England and Wales	R	**–**	33.3	Property
SGN Kennington Limited	England and Wales	R	**–**	33.3	Property
SGN Lessona Limited	England and Wales	R	**–**	33.3	Holding company
SGN MidCo Limited	England and Wales	R	**–**	33.3	Holding company
SGN Motspur Park Limited	England and Wales	R	**–**	33.3	Property
SGN Natural Gas Limited	England and Wales	R	**–**	33.3	Gas Distribution
SGN Old Kent Road Limited	England and Wales	R	**–**	33.3	Property
SGN Place Limited	England and Wales	R	**–**	33.3	Holding company
SGN PledgeCo Limited	England and Wales	R	**–**	33.3	Holding company
SGN Property Holdings Limited	England and Wales	R	**–**	33.3	Property
SGN Property Services Limited	England and Wales	R	**–**	33.3	Property
SGN Rotherhithe Limited	England and Wales	R	**–**	33.3	Property
SGN Smart Limited	England and Wales	R	**–**	33.3	Gas Distribution
SGN Southampton Limited	England and Wales	R	**–**	33.3	Property
Southern Gas Networks plc	England and Wales	R	**–**	33.3	Gas Distribution
SSE Slough Multifuel Holdco Limited	England and Wales	B	**50.0**	100.0	Holding company
SSE Slough Multifuel Limited	England and Wales	B	**50.0**	50.0	Power Generation
Stronelairg Wind Farm Limited	Scotland	A	**50.1**	50.1	Power Generation

** 50.1% of voting rights held.

A3.1.4 Associates

Company	Country of incorporation	Registered address (key (i))	**2022 Holding %**	2021 Holding %	Principal activity
Murphy Asset Services Limited	England and Wales	AD	**–**	16.6	Holding Company
Shetland Land Lease Limited	England and Wales	T	**–**	20.0	Development Company
St Clements Services Limited	England and Wales	U	**25.0**	25.0	Utilities Software

Accompanying information continued

A3. Related undertakings continued

A3.1.5 Registered address key

Reference	Company registered address
A	Inveralmond House, 200 Dunkeld Road, Perth PH1 3AQ
B	No 1 Forbury Place, 43 Forbury Road, Reading RG1 3JH
C	Red Oak South, South County Business Park, Leopardstown, Dublin 18
D	Ocean Court, Caspian Road, Atlantic Street, Altrincham, WA14 5HH
E	Keadby Power Station, Trentside, Keadby, Scunthorpe, North Lincs DN17 3AZ
F	3rd Floor, Millennium House, 17-25 Great Victoria Street, Belfast, BT2 7AQ
G	Tower House, Loch Promenade, Douglas, Isle of Man
H	Büro München, Elektrastrasse 6, 81925, München, Germany
I	The Gutters' Hut, North Ness Business Park, Lerwick, Shetland ZE1 0LZ
J	Dunedin House Auckland Park, Mount Farm, Milton Keynes, Buckinghamshire, MK1 1BU
K	City Point, 65 Haymarket Terrace, Edinburgh, EH12 5HD
L	16 Axis Way, Mallard Way, Swansea Vale, Swansea, SA7 OAJ
M	The Vision Building, 20 Greenmarket, Dundee, DD1 4QB
N	6th Floor, South Bank House, Barrow Street, Dublin 4
O	Lissarda Industrial Park, Lissarda, Macroom, County Cork
P	Oceanic Way, Marchwood Industrial Park, Marchwood, Southampton SO40 4BD
Q	Capital Tower, 91 Waterloo Road, London, SE1 8RT
R	St Lawrence House, Station Approach, Horley, Surrey RH6 9HJ
S	Severn Road, Hallen, Bristol, BS10 7SP
T	18th Floor, 10 Upper Bank Street, Canary Wharf, London, E14 5BF
U	4-6 Church Walk, Daventry, NN11 4BL
V	5 Horwick Place, London, England, SWIP 1WG
W	Unit 14 Maryland Industrial Estate, Ballygowan Road, Belfast
X	Dunoge, Carrickmacross, Co. Monaghan, Ireland
Y	Gorthleahy, Macroom, Co Cork, Ireland
Z	c/o Fiduservice SA, Route de Beaumont 20, 1701 Freiburg, Switzerland
AA	c/o CMS Hasche Sigle, Stadthausbrücke 1-3, 20355 Hamburg
AB	Windmill Hill Business Park, Whitehill Way, Swindon, Wiltshire SN5 6PB
AC	Axis House 5 Lonehead Drive, Newbridge, Edinburgh, Scotland, EH28 8TG
AD	Hiview House, Highgate Road, London, United Kingdom, NW5 1TN
AE	CMS Edinburgh, Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EN
AF	Rm 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
AG	Hiview House, Highgate Road, London, NW5 1TN
AH	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808
AI	Towarowa no.28, suite 00-839, Warsaw, Poland
AJ	Roppongi Grand Tower, 3-2-1 Roppongi, Minato-ku, Tokyo, Japan
AK	Stewart Building Esplanade, Lerwick, Shetland, Scotland, ZE1 0LL
AL	Hofplein 20, Rotterdam, 3032 AC, Netherlands

A4. Joint ventures and associates

The Directors have assessed that the investments in the following equity accounted joint ventures and associates are of a sufficiently material impact to warrant additional disclosure on an individual basis. Details of on the financial position and financial results of the Group:

Company	Principal activity	Country of incorporation	Class of shares held	Proportion of shares held %	Group interest %	Year end date	Consolidation basis
Scotia Gas Networks Limited	Gas Distribution	UK	Ordinary	–	33.3	31 March	Equity
Seabank Power Limited	Power Generation	UK	Ordinary	50.0	50.0	31 December	Equity
Marchwood Power Limited	Power Generation	UK	Ordinary	50.0	50.0	31 December	Equity
Clyde Windfarm (Scotland) Limited	Power Generation	UK	Ordinary	50.1	50.1	31 March	Equity
Beatrice Offshore Windfarm Limited	Power Generation	UK	Ordinary	40.0	40.0	31 March	Equity
Dunmaglass Wind Farm Limited	Power Generation	UK	Ordinary	50.1	50.1	31 March	Equity
Stronelairg Wind Farm Limited	Power Generation	UK	Ordinary	50.1	50.1	31 March	Equity
Neos Networks Limited	Telecoms	UK	Ordinary	50.0	50.0	31 March	Equity

Summary information for material joint ventures and associates from unaudited financial statements is as follows:

	Seabank Power Limited 2022 £m	Marchwood Power Limited 2022 £m	SSE Slough Multifuel Limited 2022 £m	Clyde Windfarm (Scotland) Limited 2022 £m	Seagreen Offshore Windfarm Limited 2022 £m	Beatrice Offshore Windfarm Limited 2022 £m	Dunmaglass Wind Farm Limited 2022 £m	Stronelairg Wind Farm Limited 2022 £m	Neos Networks Limited 2022 £m	Other 2022 £m	Total continuing operations 2022 £m	SGN discontinued operation 2022 £m
Revenue	260.9	97.6	–	270.9	–	111.6	59.6	142.0	156.8	42.7	1,142.1	181.3
Other income	–	–	–	–	–	281.3	–	–	–	–	281.3	–
Depreciation and amortisation	(5.7)	(32.2)	–	(29.8)	–	(90.6)	(8.0)	(14.1)	(84.0)	(30.5)	(294.9)	(33.3)
Other operating costs	(235.6)	(21.2)	–	(48.9)	–	(84.3)	(10.8)	(25.3)	(102.6)	(16.5)	(545.2)	(85.0)
Operating profit	19.6	44.2	–	192.2	–	218.0	40.8	102.6	(29.8)	(4.3)	583.3	63.0
Interest expense	(0.1)	(6.6)	–	(18.3)	–	(69.0)	(6.2)	(12.5)	(24.0)	(13.5)	(150.2)	(46.9)
Profit before tax	19.5	37.6	–	173.9	–	149.0	34.6	90.1	(53.8)	(17.8)	433.1	16.1
Corporation tax	(9.8)	(7.6)	–	(54.2)	–	(55.8)	(13.8)	(25.4)	(4.0)	–	(170.6)	(259.3)
Profit after tax	9.7	30.0	–	119.7	–	93.2	20.8	64.7	(57.8)	(17.8)	262.5	(243.2)
Recognised in other comprehensive income												
Actuarial gain on retirement benefit schemes	–	–	–	–	–	–	–	–	–	–	–	6.3
Taxation	–	–	–	–	–	–	–	–	–	–	–	(7.1)
Cash flow hedges	–	–	7.2	–	–	131.9	–	–	–	267.1	406.2	(1.9)
Taxation	–	–	(1.4)	–	–	(25.1)	–	–	–	(50.4)	(76.9)	4.8
	–	–	5.8	–	–	106.8	–	–	–	216.7	329.3	2.1
Total comprehensive income/(loss)	9.7	30.0	5.8	119.7	–	200.0	20.8	64.7	(57.8)	198.9	591.8	(241.1)
SSE share of profit (based on % equity)	4.8	15.0	–	60.0	–	37.3	10.4	32.5	(29.0)	(20.3)	110.7	(81.0)
Dividends paid to shareholders	–	29.2	–	105.9	–	183.2	21.7	47.5	4.4	–	391.9	–
Non-current assets	105.8	194.2	177.3	599.5	2,253.8	2,018.7	186.3	350.1	445.5	3,716.5	10,047.7	–
Current assets	58.0	39.7	4.6	110.8	6.1	44.0	23.7	52.6	79.4	41.4	460.3	–
Cash and cash equivalents	29.0	21.5	4.9	69.9	73.7	130.7	13.8	47.5	20.0	93.7	504.7	–
Current liabilities	(4.4)	(38.2)	(7.2)	(16.9)	(151.1)	(167.3)	(4.2)	(18.1)	(145.0)	(200.9)	(753.3)	–
Non-current liabilities	(64.8)	(100.4)	(146.9)	(429.2)	(2,129.3)	(1,892.8)	(135.5)	(253.5)	(278.4)	(3,402.9)	(8,833.7)	–
Net assets	123.6	116.8	32.7	334.1	53.2	133.3	84.1	178.6	121.5	247.8	1,425.7	–
Group equity interest	50%	50%	50%	50.1%	49%	40%	50.1%	50.1%	50%	–	–	–
Net assets	123.6	116.8	32.7	334.1	53.2	133.3	84.1	178.6	121.5	247.8	1,425.7	–
Group's share of ownership interest	61.8	58.4	16.4	167.4	26.1	53.4	42.1	89.5	60.7	99.4	675.2	–
Other adjustments	(11.7)	0.8	56.5	25.2	220.2	(53.4)	69.2	224.4	(5.4)	38.5	564.3	–
Carrying value of group's equity interest	50.1	59.2	72.9	192.6	246.3	–	111.3	313.9	55.3	137.9	1,239.5	–

Accompanying information continued

A4. Joint ventures and associates continued

	Seabank Power Limited 2021 £m	Marchwood Power Limited 2021 £m	Multifuel Energy Limited 2021 £m	Clyde Windfarm (Scotland) Limited 2021 £m	Walney (UK) Offshore Windfarms Limited 2021 £m	Beatrice Offshore Windfarm Limited 2021 £m	Dunmaglass Wind Farm Limited 2021 £m	Stronelairg Wind Farm Limited 2021 £m	Neos Networks Limited 2021 £m	Other 2021 £m	Total continuing operations 2021 £m	SGN discontinued operation 2021 £m
Revenue	144.6	88.0	53.7	135.7	57.8	87.5	26.7	51.0	133.2	65.5	843.7	1,235.4
Other income	–	–	–	–	–	256.2	–	–	–	–	256.2	–
Depreciation and amortisation	(11.6)	(2.2)	(17.9)	(29.4)	(22.9)	(89.0)	(7.8)	(13.9)	(70.6)	(38.7)	(304.0)	(184.7)
Other operating costs	(115.9)	(47.6)	(9.0)	(37.5)	(27.5)	(74.6)	(6.4)	(18.6)	(71.8)	(16.6)	(425.5)	(531.7)
Operating profit	17.1	38.2	26.8	68.8	7.4	180.1	12.5	18.5	(9.2)	10.2	370.4	519.0
Interest expense	(0.2)	(7.7)	(18.9)	(17.9)	(1.1)	(75.2)	(6.1)	(12.3)	(22.6)	(24.1)	186.1	(189.3)
Profit before tax	16.9	30.5	7.9	50.9	6.3	104.9	6.4	6.2	(31.8)	(13.9)	184.3	329.7
Corporation tax	(3.9)	(6.8)	(1.6)	(11.5)	(1.2)	(23.2)	(1.6)	(1.8)	–	(1.3)	(52.9)	(63.9)
Profit after tax	13.0	23.7	6.3	39.4	5.1	81.7	4.8	4.4	(31.8)	(15.2)	131.4	265.8
Recognised in other comprehensive income												
Actuarial gain on retirement benefit schemes	–	–	–	–	–	–	–	–	–	–	–	(68.1)
Taxation	–	–	–	–	–	–	–	–	–	–	–	13.3
Cash flow hedges	–	–	–	–	–	75.1	–	–	–	(13.7)	61.4	17.4
Taxation	–	–	–	–	–	(14.3)	–	–	–	1.7	(12.6)	(3.3)
	–	–	–	–	–	60.8	–	–	–	(12.0)	48.8	(40.7)
Total comprehensive income/(loss)	13.0	23.7	6.3	39.4	5.1	142.5	4.8	4.4	(31.8)	(27.2)	180.2	225.1
SSE share of profit (based on % equity)	6.5	11.9	3.2	19.7	1.3	32.7	2.4	2.2	(15.9)	(18.5)	45.5	88.6
Dividends paid to shareholders	17.0	16.6	–	66.1	–	56.4	15.8	28.9	4.4	–	205.2	38.3
Non-current assets	107.5	228.5	–	612.0	–	1,994.1	191.4	353.9	535.1	2,885.8	6,908.3	7,901.3
Current assets	39.7	36.6	–	53.6	–	478.7	9.8	20.7	67.9	111.6	818.6	215.5
Cash and cash equivalents	25.7	3.9	–	35.5	–	95.2	5.1	22.7	18.5	123.8	330.4	283.6
Current liabilities	(5.7)	(26.5)	–	(7.7)	–	(495.3)	(1.7)	(14.9)	(145.8)	(246.5)	(944.1)	(441.8)
Non-current liabilities	(37.3)	(128.7)	–	(410.8)	–	(2,111.0)	(132.0)	(244.9)	(216.0)	(2,869.6)	(6,150.3)	(6,114.9)
Net assets	129.9	113.8	–	282.6	–	(38.3)	72.6	137.5	259.7	5.1	962.9	1,843.7
Group equity interest	50%	50%	–	50.1%	–	40%	50.1%	50.1%	50%	–	–	33.3%
Net assets	129.9	113.8	–	282.6	–	(38.3)	72.6	137.5	259.7	5.1	962.9	1,843.7
Group's share of ownership interest	65.0	56.9	–	141.6	–	(15.3)	36.3	68.9	129.9	–	483.3	614.5
Other adjustments	(19.7)	1.9	–	49.0	–	(6.3)	80.1	250.4	61.3	118.0	534.7	11.0
Carrying value of group's equity interest	45.3	58.8	–	190.6	–	(21.6)	116.4	319.3	191.2	118.0	1,018.0	625.5

In addition to the above at 31 March 2022, the Group was owed the following loans from its principal joint ventures: Marchwood Power Limited £39.1m (2021: £47.1m); Clyde Windfarm (Scotland) Ltd £127.1m (2021: £127.1m); Dunmaglass Wind Farm Limited £46.5m (2021: £46.5m); Stronelairg Wind Farm Limited £88.2m (2021: £88.2m) Neos Networks Limited £90.2m (2021: £60.9m); Seagreen Offshore Windfarm Ltd £271.7m (2021: £4.1m) and Slough Multifuel Limited £62.5m (2021: £nil).

This represents 99% (2021: 86.2%) of the loans provided to equity-accounted joint ventures and associates.

Doggerbank A, B & C joint ventures are predominately project financed in the earlier phases of construction. The carrying value of the equity and debt investment in these joint ventures is £97.5m at 31 March 2022.

A5. Related party transactions

The immediate parent and ultimate controlling party of the Group is SSE plc (incorporated in Scotland). Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Trading 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 Sale of goods and services £m	**2022 Purchase of goods and services £m**	**2022 Amounts owed from £m**	**2022 Amounts owed to £m**	2021 Sale of goods and services £m	2021 Purchase of goods and services £m	2021 Amounts owed from £m	2021 Amounts owed to £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	**54.3**	**(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 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. Aggregate capital loans to joint ventures and associates are shown in note 16.

A6. Financial risk management

This note presents information about the fair value of the Group's financial instruments, the Group's exposure to the risks associated with those instruments, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further qualitative disclosures are included throughout these consolidated financial statements.

The Group has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Commodity risk
- Currency risk
- Interest rate risk

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.

Accompanying information continued

A6. Financial risk management continued

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 below.

A6.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations.

Credit risk arising from the Group's normal commercial operations is controlled by individual business units operating in accordance with Group policies and procedures. Generally, for significant contracts, individual business units enter into contracts or agreements with counterparties having investment grade credit ratings only, or where suitable collateral or other security has been provided. Counterparty credit validation is undertaken prior to contractual commitment.

Credit risk management for the Group's SSEN Transmission and SSEN Distribution businesses is performed in accordance with industry standards as set out by the Regulator and is financially controlled by the individual business units. The Group's greatest credit risks lie with the operations of the Customers business, the wholesale procurement activities conducted by Energy Portfolio Management ('EPM') under a trust arrangement and the activities carried out by the Group's Treasury function. In all cases, specific credit risk controls that match the risk profile of those activities are applied. Exposure to credit risk in the retail supply of electricity and gas to end user customers arises from the potential of a customer defaulting on their invoiced payables. The Group exposure to retail supply customers is limited to customers of the Group's Airtricity business. The creditworthiness of these customers is reviewed from a variety of internal and external information. The financial strength and creditworthiness of business customers is assessed prior to commencing, and for the duration of, their contract of supply.

Exposure to credit risk in the procurement of wholesale energy and fuel is managed by reference to agreed transaction credit limits which are determined by whether the counterparty:
- holds an investment grade credit rating; or
- can be assessed as adequately creditworthy in accordance with internal credit rules using information from other external credit agencies; or
- can provide a guarantee from an investment grade rated entity or post suitable collateral or provide other acceptable assurances in accordance with group procedures where they have failed to meet the above conditions; or
- can be allocated a non-standard credit limit approved by the relevant Risk or Treasury Committee within its authorised limits as delegated by the Group Board.

Credit support clauses and Master Netting Agreements are typically included or entered into in order to mitigate the impact to the Group against counterparty failure or non-delivery. As part of its normal activities, EPM transacts significant volumes of commodity derivative products through cleared exchanges to mitigate credit risk. Such exchanges are subject to strict regulation by the UK Financial Conduct Authority (FCA) and participants in these exchanges are obliged to meet rigorous capital adequacy requirements.

Individual counterparty credit exposures are monitored regularly and are subject to approved limits. At 31 March 2022, EPM had pledged £545.9m (2021: £201.8m) of cash collateral and letters of credit and had received £95.8m (2021: £80.1m) of cash collateral and letters of credit principally to reduce exposures on credit risk.

Bank credit exposures, which are monitored and reported on daily, are calculated on a mark-to-market basis and adjusted for future volatility and probability of default. Any issues relating to these credit exposures are presented for discussion and review by the Tax and Treasury Committee.

Cash and cash equivalents comprise cash in hand and deposits which are readily convertible to cash. These are subject to insignificant risk of change in value or credit risk.

Derivative financial instruments are entered into to cover the Group's market risks – commodity risk, interest rate risk, currency risk – and are consequently covered elsewhere in this note.

Trade receivables represent the most significant exposure to credit risk and are stated after an allowance for impairment.

A6.2 Concentrations of risk

Trade receivables recorded by reported segment held at the 31 March were:

	2022 £m	2021 £m
Continuing operations		
SSEN Transmission	7.9	7.8
SSEN Distribution	122.3	96.2
SSE Renewables	84.1	77.3
SSE Thermal	21.2	7.0
Gas Storage	1.4	1.4
Energy Customer Solutions		
Business Energy	231.3	199.3
SSE Airticity	231.6	228.8
Distributed Energy	38.4	5.3
EPM	679.3	192.4
Corporate Unallocated	16.4	16.7
Total continuing operations	1,433.9	832.2
Held for sale assets and discontinued operations		
Gas Production	–	7.7
Contracting and Rail	–	70.2
Total discontinued operations	–	77.9
Total SSE Group	1,433.9	910.1

The Energy Customers Solution segment (Business Energy and SSE Airtricity) accounts for 32.3% (2021: 51.4%) of the Group's trade receivables from continuing operations. Trade receivables associated with the Group's 1.2 million electricity and gas customers (from continuing operations) are recorded in this segment. The Group also has significant receivables associated with its EPM activities which are generally settled within two to four weeks from invoicing. The Group's exposure to credit risk is therefore subject to diversification with no exposure to individual retail customers totalling >10% of trade receivables. The largest customer balance, due from an EPM customer (also an EPM supplier), is 7% (2021: 4%) of the total trade receivables.

The ageing of trade receivables at the reporting date was:

	2022 £m	2021 £m
Not past due	1,167.7	812.0
Past due but not individually impaired:		
0 – 30 days	185.3	58.2
31 – 90 days	60.8	27.9
Over 90 days	98.3	89.8
	1,512.1	987.9
Less: allowance for impairment	(78.2)	(77.8)
Net trade receivables	1,433.9	910.1

The Group has past due debt which has not had an impairment allowance set aside to cover potential credit losses. The Group has certain procedures to pursue customers in significant arrears and believes its impairment policy in relation to such balances is appropriate.

The Group has other receivables which are financial assets totalling £4.9m (2021: £3.8m).

Accompanying information continued

A6. Financial risk management continued

A6.2 Concentrations of risk continued

The movement in the allowance for impairment of trade receivables (continuing operations only) was:

	2022 £m	2021 £m
Balance at 1 April	**77.1**	77.7
(Decrease)/increase in allowance for impairment	**(16.8)**	17.6
Impairment losses recognised	**17.9**	(17.5)
Transfer to held for sale	**–**	(0.7)
Balance at 31 March	**78.2**	77.1

At the end of each reporting period a review of the allowance for impairment of trade receivables is performed. Trade receivables do not contain a significant financing element, and therefore expected credit losses are measured using the simplified approach permitted by IFRS 9, which requires lifetime expected credit losses to be recognised on initial recognition. A provision matrix is utilised to estimate the lifetime expected credit losses, based on the age, status and risk of each class of receivable, which is updated periodically to include changes to both forward-looking and historical inputs.

A6.3 Liquidity risk and Going Concern

Liquidity risk, the risk that the Group will have insufficient funds to meet its liabilities, is managed by the Group's Treasury function. The Group can be exposed to significant movements in its liquidity position due to changes in commodity prices, working capital requirements, the impact of the seasonal nature of the business and phasing of its capital investment and recycling programmes.

Treasury is responsible for managing the banking and liquidity requirements of the Group, risk management relating to interest rate and foreign exchange exposures, and for managing the credit risk relating to the banking counterparties with which it transacts. Short term liquidity is reviewed daily by Treasury, while the longer term liquidity position is reviewed on a regular basis by the Board. The department's operations are governed by policies determined by the Board and any breaches of these policies are reported to the Tax and Treasury Committee and Audit Committee.

In relation to the Group's liquidity risk, the Group's policy is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

During the year, the Group's internal approach to managing liquidity was to seek to ensure that the Group had available committed borrowings and facilities equal to at least 105% of forecast borrowings over a rolling 6 month period.

The Group uses cash flow forecasts to monitor its ongoing borrowing requirements. Typically, the Group will fund any short term borrowing positions by issuing commercial paper or borrowing from committed and uncommitted bank lines and will invest in money market funds when it has a cash surplus. Details of the Group's borrowings are disclosed at note 21. In addition to the borrowing facilities listed at note 21.3, the Group has £100m of uncommitted bank lines and a £15m overdraft facility.

The refinancing requirement in the 22/23 financial year is £2.1bn, being the $255m (£163m) US Private Placement maturing 19 April 2022; £507m of short term Commercial Paper that matures over April and May; £300m Eurobond maturing 22 September 2022; £150m of EIB loans maturing in October 2022. On 22 April 2022, subsequent to the balance sheet date, the Group announced it would redeem its $900m and £300m debt accounted hybrid securities on 16 June 2022. The redemption of these instruments has been included in the assumed refinancing requirement within the going concern assessment. The directors are confident in the ability of the Group to maintain a funding level above 105% for the going concern assessment period based on the strong credit standing and borrowing history of the Group for both fixed debt and commercial paper, as discussed more fully below.

Given the committed bank facilities of £1.5bn maintained by the Group and the current commercial paper market conditions, the Directors have concluded that both the Group and SSE plc as parent company have sufficient headroom to continue as a going concern. In coming to this conclusion, the Directors have taken into account the Group's credit rating and the successful issuance of £12.8bn of medium to long term debt and Hybrid equity since February 2012, including £1.2bn in March and April 2022 (being £350m dual tranche 10 and 15 year private placement and €1bn (£830m) NC6 equity accounted Hybrid). The Group's period of Going Concern assessment is performed to 31 December 2023, 21 months from the balance sheet date, which is at least 12 months from the filing deadline of its subsidiary companies. As well as taking account of the factors noted, the Going Concern conclusion is arrived at after applying stress testing sensitivities to the Group's cash flow and funding projections including removal of proceeds from unconfirmed future divestments, negative and positive sensitivities on operating cash flows and uncommitted capex and other adjustments. The Group has also considered its obligations under its debt covenants. There have been no breaches of covenant in the year and the Group's projections support the expectation that there will be no breach of covenants over the period to 31 December 2023. The statement of going concern is included in the Audit Committee Report.

Treasury also manage the Group's interaction with its relationship banks (defined as those banks that support the Group's financing activities through their ongoing participation in the committed lending facilities that are maintained by the Group). These are each allocated financial limits, subject to the maintenance of a minimum credit rating of investment grade or better allocated by a recognised major ratings group. In respect of short-term cash management, counterparties are subject to review and approval according to defined criteria.

As at 31 March 2022, the value of outstanding cash collateral posted in respect of mark-to-market related margin calls on exchange traded positions was (£74.7m) (2021: £37.1m).

The contractual cash flows shown in the following tables are the contractual undiscounted cashflows under the relevant financial instruments. Where the contractual cashflows are variable based on a price, foreign exchange rate or index in the future, the contractual cashflows in the following tables have been determined with reference to the relevant price, foreign exchange rate, interest rate or index as at the balance sheet date. In determining the interest element of contractual cashflows in cases where the Group has a choice as to the length of interest calculation periods and the interest rate that applies varies with the period selected, the contractual cashflows have been calculated assuming the Group selects the shortest available interest calculation periods. Where the holder of an instrument has a choice of when to redeem, the amounts in the following tables are on the assumption the holder redeems at the earliest opportunity.

The following are the undiscounted contractual maturities of financial liabilities, including interest and excluding the impact of netting agreements:

Liquidity Risk	2022 Carrying value £m	2022 Contractual cash flows £m	2022 0-12 months £m	2022 1-2 years £m	2022 2-5 years £m	2022 > 5 years £m
Financial Liabilities						
Loans and Borrowings						
Commercial paper and cash advances	506.1	(507.1)	(507.1)	–	–	–
Loans – floating	200.0	(209.7)	(1.6)	(1.6)	(4.9)	(201.6)
Loans – fixed	1,508.1	(1,913.7)	(358.9)	(240.5)	(905.4)	(408.9)
Unsecured bonds – fixed	6,425.4	(8,392.3)	(1,529.7)	(681.1)	(1,985.5)	(4,196.0)
Fair value adjustment	31.6	–	–	–	–	–
	8,671.2	(11,022.8)	(2,397.3)	(923.2)	(2,895.8)	(4,806.5)
Lease liabilities	393.5	(581.2)	(88.7)	(61.7)	(162.0)	(268.8)
	9,064.7	(11,604.0)	(2,486.0)	(984.9)	(3,057.8)	(5,075.3)
Derivative Financial Liabilities						
Operating derivatives designated at fair value	828.7	(3,079.0)	(2,790.0)	(178.0)	(111.0)	–
Interest rate swaps used for hedging	129.2	(129.0)	(55.3)	(19.0)	43.3	(98.0)
Interest rate swaps designated at fair value	246.2	(246.2)	(16.1)	(15.6)	(46.0)	(168.5)
Forward exchange contracts held for hedging	43.4	(521.8)	(347.9)	(137.2)	(36.7)	–
Forward exchange contracts designated at fair value	3.6	(208.2)	(194.4)	(13.8)	–	–
	1,251.1	(4,184.2)	(3,403.7)	(363.6)	(150.4)	(266.5)
Other financial liabilities						
Trade payables	919.7	(919.7)	(919.7)	–	–	–
	919.7	(919.7)	(919.7)	–	–	–
Total	11,235.5	(16,707.9)	(6,809.4)	(1,348.5)	(3,208.2)	(5,341.8)
Derivative Financial Assets						
Financing derivatives	(182.9)	441.3	382.4	41.6	15.6	1.7
Operating derivatives designated at fair value	(3,130.5)	3,057.3	2,597.6	311.1	148.6	–
	(3,313.4)	3,498.6	2,980.0	352.7	164.2	1.7
Net total (i)	7,922.1	(13,209.3)	(3,829.4)	(995.8)	(3,044.0)	(5,340.1)

Accompanying information continued

A6. Financial risk management continued

A6.3 Liquidity risk and Going Concern continued

Liquidity Risk	2021 Carrying value £m	2021 Contractual cash flows £m	2021 0-12 months £m	2021 1-2 years £m	2021 2-5 years £m	2021 > 5 years £m
Financial Liabilities						
Loans and Borrowings						
Loans – floating	350.0	(362.0)	(152.2)	(1.6)	(4.9)	(203.3)
Loans – fixed	1,496.8	(1,937.3)	(47.9)	(359.0)	(519.2)	(1,011.2)
Unsecured bonds – fixed	7,139.6	(9,344.5)	(956.3)	(1,534.4)	(1,935.6)	(4,918.2)
Fair value adjustment	3.2	–	–	–	–	–
	8,989.6	(11,643.8)	(1,156.4)	(1,895.0)	(2,459.7)	(6,132.7)
Lease liabilities	421.0	(622.0)	(92.7)	(86.2)	(175.9)	(267.2)
	9,410.6	(12,265.8)	(1,249.1)	(1,981.2)	(2,635.6)	(6,399.9)
Derivative Financial Liabilities						
Operating derivatives designated at fair value	138.1	(1,590.1)	(1,475.5)	(81.3)	(33.3)	–
Interest rate swaps used for hedging	164.6	(165.3)	(63.3)	(38.1)	(42.9)	(21.0)
Interest rate swaps designated at fair value	325.1	(328.1)	(20.0)	(20.0)	(57.1)	(231.0)
Forward exchange contracts held for hedging	52.0	(890.1)	(292.7)	(430.7)	(166.7)	–
Forward exchange contracts designated at fair value	11.0	(274.7)	(262.8)	(11.4)	(0.5)	–
	690.8	(3,248.3)	(2,114.3)	(581.5)	(300.5)	(252.0)
Other financial liabilities						
Trade payables	433.3	(433.3)	(433.3)	–	–	–
	433.3	(433.3)	(433.3)	–	–	–
Total	10,534.7	(15,947.4)	(3,796.7)	(2,562.7)	(2,936.1)	(6,651.9)
Derivative Financial Assets						
Financing derivatives	(240.9)	697.7	581.0	85.8	30.7	0.2
Operating derivatives designated at fair value	(344.7)	2,250.6	1,932.8	213.5	104.3	–
	(585.6)	2,948.3	2,513.8	299.3	135.0	0.2
Net total (i)	9,949.1	(12,999.1)	(1,282.9)	(2,263.4)	(2,801.1)	(6,651.7)

(i) The Group believes the liquidity risk associated with out-of-the-money operating derivative contracts needs to be considered in conjunction with the profile of payments or receipts arising from derivative financial assets. It should be noted that cash flows associated with future energy sales and commodity contracts which are not IFRS 9 financial instruments are not included in this analysis, which is prepared in accordance with IFRS 7 "Financial Instruments: Disclosures".

A6.4 Commodity risk

The Group's Energy Portfolio Management ('EPM') business implements the hedging policy through trading in the commodity markets and manages the requirement for the delivery of the Group's physical commodity needs as part of its normal course of business. The risk management activity carried out by EPM arises from the Group's requirement to source gas, electricity or other commodities such as renewable obligation certificates for Business Energy and SSE Airticity, and to procure fuel and other commodities and provide a route-to-market for SSE Renewables, SSE Thermal, Gas Storage and the discontinued Gas Production business.

Current hedging approach

The Group has traded in three principal commodities during the year, as well as the spreads between two or more commodity prices: power (baseload and other products); gas; and carbon (emissions allowances). Each commodity has different liquidity characteristics, which impacts on the degree of hedging possible. Similarly, each of the Group's assets carries different exposures to the commodity market and thus requires a different approach to hedging. As such, the Group's current hedging approach varies by each class of asset as follows:

Asset class	Minimum hedge target	Principal commodity exposures
GB Wind	Target to hedge of less than 100% of anticipated wind energy output for the coming 12 months. From May 2021, this has been at least 90%.	Power, Gas, Carbon
Hydro	85% of forecast generation 12 months in advance of delivery.	Power, Gas, Carbon
GB Thermal	100% of expected output 6 months in advance of delivery, progressively established over the preceding 24 months.	Power, Gas, Carbon
Gas Storage	The annual auction to offer gas storage capacity contracts from Atwick for the 2020/21 (and 21/22) financial year resulted in no third party contracts being secured. The assets were commercially operated throughout the year and the business managed its exposure to changes in the spread between summer and winter prices, market volatility and plant availability.	Gas
Business Energy	Sales to contract customers are 100% hedged: at point of sale for fixed, upon instruction for flexi and on a rolling basis for tariff customers.	Power, Gas, Carbon

However, there are three principal areas where significant variations in earnings cannot be fully mitigated through hedging:

- The impact of the weather on the volume of electricity produced from renewable sources;
- The impact of operational matters such as unplanned outages; and
- The ability of flexible thermal power stations to earn extrinsic income by providing services to the electricity system and by responding to shorter-term electricity market conditions.

Hedging is carried out by each asset class trading internally with EPM to affect these hedges and EPM trading onwards with external counterparties. EPM is only able to accept internal trades when there is sufficient liquidity to offset them in the external market or they can be offset with internal trades from other asset classes. In this way, the commodity risks to which EPM is individually exposed, are minimised.

The volumetric extent to which assets are hedged are reported monthly, and to the EMRC on at least a quarterly basis. Variations to the hedging approach above will be required as markets and other factors (such as asset disposals) change. The EMRC also receives reporting on credit risk, other risk measures, and market liquidity in assessing whether any variations to the hedging approach are required.

The Group measures and manages the Commodity Risk associated with the financial and non-financial commodity contracts it is exposed to. However, only certain commodity contracts within the Group constitute financial instruments under IFRS 9. As a result, it is only the fair value of IFRS 9 financial instruments which represents the exposure of the Group's commodity price risk under IFRS 7. This is a consequence of the Group's accounting policy which stipulates that commodity contracts which are designated as financial instruments under IFRS 9 should be accounted for on a fair value basis with changes in fair value reflected in profit or equity. Conversely, commodity contracts that are not designated as financial instruments under IFRS 9 will be accounted for as 'own use' contracts. As fair value changes in own use contracts are not reflected through profit or equity, these do not represent the IFRS 7 commodity price risk. Furthermore, other physical contracts can be treated as the hedging instrument in documented cash flow hedging relationships where the hedged item is the forecast future purchase requirement to meet production or customer demand. The accounting policies associated with financial instruments are explained in the Accompanying Information section A1.

Sensitivity analysis

The Group's exposure to commodity price risk according to IFRS 7 is measured by reference to the Group's IFRS 9 commodity contracts. IFRS 7 requires disclosure of a sensitivity analysis for market risks that is intended to illustrate the sensitivity of the Group's financial position and performance to changes in market variables impacting upon the fair value or cash flows associated with the Group's financial instruments.

Therefore, the sensitivity analysis provided discloses the effect on profit or loss and equity at the balance sheet date assuming that a reasonably possible change in the relevant commodity price had occurred and been applied to the risk exposures in existence at that date. The reasonably possible changes in commodity prices used in the sensitivity analysis were determined based on calculated or implied volatilities where available, or historical data.

Accompanying information continued

A6. Financial risk management continued

A6.4 Commodity risk continued

The sensitivity analysis has been calculated on the basis that the proportion of commodity contracts that are IFRS 9 financial instruments remains consistent with those at that point. Excluded from this analysis are all commodity contracts that are not financial instruments under IFRS 9.

	2022		2021	
	Base Price (i)	**Reasonably possible increase/ decrease in variable**	Base Price (i)	Reasonably possible increase/ decrease in variable
Commodity prices				
UK gas (p/therm)	**313**	**+/-190**	44	+/-20
UK power (£/MWh)	**250**	**+/-119**	53	+/-24
UK carbon (£/tonne)	**76**	**+/-73**	72	+/-11
EU emissions (€/tonne)	**79**	**+/-76**	43	+/-11
UK oil (US$/bbl)	**260**	**+/-145**	59	+/-11
IRL power (€/MWh)	**310**	**+/-120**	53	+/-24

(i) The base price represents the average forward market price over the duration of the active market curve used to calculate the sensitivity analysis. The volatility assumptions used to determine the reasonably possible increase/decrease in market prices have been determined based on a calculation by SSE EPM and models simulations and calibrates the volatility assumption using a look-back on market prices over the previous five year period.

The impacts of reasonably possible changes in commodity prices on profit after taxation based on the rationale described are as follows:

Incremental profit/(loss)	**2022 Impact on profit and equity (£m)**	2021 Impact on profit and equity (£m)
Commodity prices combined – increase	**2,349.8**	428.5
Commodity prices combined – decrease	**(2,349.8)**	(428.5)

The sensitivity analysis provided is hypothetical and is based on the exposure to energy-related commodities, and their corresponding valuation under IFRS 9, that the Group has at each period end. This analysis should be used with caution as the impacts disclosed are not necessarily indicative of the actual impacts that would be experienced given it does not consider all interrelationships, consequences and effects of such a change in those prices.

A6.5 Currency risk

The Group publishes its consolidated financial statements in Sterling but also conducts business in foreign currencies. As a result, it is subject to foreign currency exchange risk arising from exchange rate movements which will be reflected in the Group's transaction costs or in the underlying foreign currency assets of its foreign operations.

The Group's policy is to use forward contracts, swaps and options to manage its exposures to foreign exchange risk. All such exposures are transactional in nature, and relate primarily to procurement contracts, commodity purchasing and related freight requirements, commodity hedging, long term plant servicing and maintenance agreements, and the purchase and sale of carbon emission certificates. The policy is to seek to hedge 100% of its currency requirements arising under all committed contracts excepting commodity hedge transactions, the requirements for which are significantly less predictable. The policy for these latter transactions is to assess the Group's requirements on a rolling basis and to enter into cover contracts as appropriate.

The Group has foreign subsidiary operations with significant Euro-denominated net assets. The Group's policy is to hedge its net investment in its foreign operations by ensuring the net assets whose functional currency cash flows are denominated in Euros are matched by borrowings in Euros. For the acquired net assets whose functional cash flows are in Sterling, the Group will ensure Sterling denominated borrowings are in place to minimise currency risk.

Significant exposures are reported to, and discussed by, the Tax and Treasury Committee on an ongoing basis and additionally form part of the bi-annual Treasury report to the Audit Committee.

At the balance sheet date, the total nominal value of outstanding forward foreign exchange contracts that the Group has committed to is:

	2022 £m	2021 £m
Forward foreign exchange contracts	**4,176.4**	4,395.5

The Group's exposure to foreign currency risk was as follows:

	2022				2021		
	SEK (million)	**€ (million)**	**$ (million)**	**CHF (million)**	SEK (million)	€ (million)	$ (million)
Loans and borrowings	**–**	**1,719.0**	**3,625.0**	**–**	–	4,125.0	1,719.0
Purchase and commodity contract commitments	**1,694.8**	**17.8**	**713.3**	**58.3**	2,383.4	518.1	27.9
Gross exposure	**1,694.8**	**1,736.8**	**4,338.3**	**58.3**	2,383.4	4,643.1	1,746.9
Forward exchange/ swap contracts	**1,694.8**	**1,736.8**	**3,163.8**	**58.3**	2,383.4	3,443.0	1,746.9
Net exposure (in currency)	**–**	**–**	**1,174.5**	**–**	–	1,200.1	–
Net exposure (in £m)	**–**	**–**	**990.7**	**–**	–	1,021.8	–

This represents the net exposure to foreign currencies, reported in pounds Sterling, and arising from all Group activities. All sensitivity analysis has been prepared on the basis of the relative proportions of instruments in foreign currencies being consistent as at the balance sheet date. This includes only monetary assets and liabilities denominated in a currency other than Sterling and excludes the translation of the net assets of foreign operations but not the corresponding impact of the net investment hedge.

The sensitivity analysis is indicative only and it should be noted that the Group's exposure to such market rate changes is continually changing. The calculations are based on linear extrapolations of rate changes which may not reflect the actual result which would impact upon the Group.

A 10% change in foreign currency exchange rates would have had the following impact on profit after taxation, based on the assumptions presented above:

	Equity		Income Statement	
	At 31 March 2022 £m	At 31 March 2021 £m	**At 31 March 2022 £m**	At 31 March 2021 £m
US Dollars	**–**	–	**–**	–
Euro	**89.2**	90.0	**–**	1.9
SEK	**–**	–	**–**	–
CHF	**–**	–	**–**	–
	89.2	90.0	**–**	1.9

The impact of a decrease in rates would be an identical reduction in the annual charge.

A6.6 Interest rate risk

Interest rate risk derives from the Group's exposure to changes in the value of an asset or liability or future cash flows through changes in interest rates.

The Group's policy is to manage this risk by stipulating that a minimum of 50% of Group borrowings be subject to fixed rates of interest, either directly through the debt instruments themselves or through the use of derivative financial instruments. The floating rate borrowings are provided by banks including the European Investment Bank (EIB). Such instruments include interest rate swaps and options, forward rate agreements and, in the case of debt raised in currencies other than Sterling, cross currency swaps. These practices serve to reduce the volatility of the Group's financial performance.

Although interest rate derivatives are primarily used to hedge risk relating to current borrowings, under certain circumstances they may also be used to hedge future borrowings. Any such pre-hedging is unwound at the time of pricing the underlying debt, either through cash settlement on a net present value basis or by transacting offsetting trades. The floating rate borrowings mainly comprise cash advances from the European Investment Bank (EIB), however the Group is currently carrying a surplus cash position of £1.0bn.

The impact of a change in interest rates is dependent on the specific details of the financial asset or liability in question. Changes in fixed rate financial assets and liabilities, which account for the majority of cash, loans and borrowings, are not measured at fair value through the income statement. In addition to this, changes to fixed-to-floating hedging instruments which are recorded under cash flow hedge accounting also do not impact the income statement. Changes in variable rate instruments and hedging instruments and hedged items recorded under fair value hedge accounting are recorded through the income statement. The exposure measured is therefore based on variable rate debt and instruments.

Accompanying information continued

A6. Financial risk management continued

A6.6 Interest rate risk continued

The net exposure to interest rates at the balance sheet date can be summarised thus:

	2022 Carrying amount £m	2021 Carrying amount £m
Interest bearing/earning assets and liabilities:		
– fixed	(8,543.6)	(9,804.2)
– floating	328.9	1,721.7
	(8,214.7)	(8,082.5)
Represented by:		
Cash and cash equivalents	1,049.3	1,600.2
Derivative financial liabilities	(199.3)	(272.1)
Loans and borrowings	(8,671.2)	(8,989.6)
Lease liabilities	(393.5)	(421.0)
	(8,214.7)	(8,082.5)

Following from this, the table below represents the expected impact of a change of 100 basis points in short term interest rates at the reporting date in relation to equity and income statement. The analysis assumes that all other variables, in particular foreign currency rates, remain constant. An increase in exchange rates would be a change to either the income statement or equity. The assessment is based on a revision of the fair value assumptions included in the calculated exposures in the previous table.

All sensitivity analysis has been prepared on the basis of the proportion of fixed to floating instruments being consistent as at the balance sheet date and is stated after the effect of taxation.

The sensitivity analysis is indicative only and it should be noted that the Group's exposure to such market rate changes is continually changing. The calculations are based on linear extrapolations of rate changes which may not reflect the actual result which would impact upon the Group.

	2022 £m	2021 £m
Income statement	2.5	(0.9)

The impact of a decrease in rates would be an equal reduction in the annual charge. There is no impact on equity as the analysis relates to the Group's net exposure at the balance sheet date. Contracts qualifying for hedge accounting are, by definition, part of the Group's covered position.

A7. Fair value of financial instruments

A7.1 Fair value of financial instruments within the group

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

	2022 Amortised cost (i) £m	2022 FVTPL/ FVTOCI (ii) £m	2022 Total carrying value £m	2022 Fair value £m	2021 Amortised cost (i) £m	2021 FVTPL/ FVTOCI (ii) £m	2021 Total carrying value £m	2021 Fair value £m
Financial assets								
Current								
Trade receivables	1,433.9	–	1,433.9	1,433.9	832.2	–	832.2	832.2
Other receivables	4.9	–	4.9	4.9	3.8	–	3.8	3.8
Cash collateral and other short term loans	83.8	–	83.8	83.8	2.7	–	2.7	2.7
Cash and cash equivalents	1,049.3	–	1,049.3	1,049.3	1,600.2	–	1,600.2	1,600.2
Derivative financial assets	–	2,941.8	2,941.8	2,941.8	–	470.9	470.9	470.9
	2,571.9	2,941.8	5,513.7	5,513.7	2,438.9	470.9	2,909.8	2,909.8
Non-current								
Unquoted equity investments	–	8.7	8.7	8.7	–	3.6	3.6	3.6
Loan note receivable	136.4	–	136.4	136.4	115.9	–	115.9	115.9
Loans to associates and jointly controlled entities	736.9	–	736.9	736.9	554.3	–	554.3	554.3
Derivative financial assets	–	371.7	371.7	371.7	–	114.7	114.7	114.7
	873.3	380.4	1,253.7	1,253.7	670.2	118.3	788.5	788.5
	3,445.2	3,322.2	6,767.4	6,767.4	3,109.1	589.2	3,698.3	3,698.3
Financial liabilities								
Current								
Trade payables	(919.7)	–	(919.7)	(919.7)	(433.3)	–	(433.3)	(433.3)
Outstanding liquid funds	(9.1)	–	(9.1)	(9.1)	(39.8)	–	(39.8)	(39.8)
Loans and borrowings	(1,118.7)	–	(1,118.7)	(1,162.4)	(864.7)	–	(864.7)	(880.2)
Lease liabilities	(72.1)	–	(72.1)	(72.1)	(72.9)	–	(72.9)	(72.9)
Derivative financial liabilities	–	(701.5)	(701.5)	(701.5)	–	(238.7)	(238.7)	(238.7)
	(2,119.6)	(701.5)	(2,821.1)	(2,864.8)	(1,410.7)	(238.7)	(1,649.4)	(1,664.9)
Non-current								
Loans and borrowings	(7,520.9)	(31.6)	(7,552.5)	(8,133.7)	(8,121.7)	(3.2)	(8,124.9)	(9,373.1)
Lease liabilities	(321.4)	–	(321.4)	(321.4)	(348.1)	–	(348.1)	(348.1)
Derivative financial liabilities	–	(549.6)	(549.6)	(549.6)	–	(452.1)	(452.1)	(452.1)
	(7,842.3)	(581.2)	(8,423.5)	(9,004.7)	(8,469.8)	(455.3)	(8,925.1)	(10,173.3)
	(9,961.9)	(1,282.7)	(11,244.6)	(11,869.5)	(9,880.5)	(694.0)	(10,574.5)	(11,838.2)
Net financial liabilities	(6,516.7)	2,039.5	(4,477.2)	(5,102.1)	(6,771.4)	(104.8)	(6,876.2)	(8,139.9)

(i) Financial assets and liabilities that are measured at amortised cost.
(ii) Financial assets and liabilities that are measured at either Fair Value through Profit and Loss (Derivative Financial Assets and Liabilities) or Fair Value through Other Comprehensive Income (Unquoted Equity Investments)

Accompanying information continued

A7. Fair value of financial instruments continued

A7.1 Fair value of financial instruments within the group continued

A7.1.1 Basis of determining fair value

Certain assets and liabilities have been classified and carried at amortised cost on inception in line with IFRS 9 criteria. The carrying value of these assets are approximately equivalent to fair value due to short term maturity aside from loans and borrowings which are subject to longer maturity dates.

All other financial assets and liabilities are measured at either Fair Value through Profit and Loss ('FVTPL') or Fair Value through Other Comprehensive Income ('FVTOCI'). Fair values for energy derivatives are based on unadjusted quoted market prices, where actively traded. For energy derivatives that are not actively traded, interest rate instruments, foreign currency hedge contracts and cross currency swap contracts associated with foreign currency denominated long-term fixed rate debt, the fair values are determined by reference to closing rate market prices for similar instruments. Fair values for unquoted equity instruments are derived from venture capital or growth equity firm valuation statements.

The fair values are stated at a specific date and may be different from the amounts which will actually be paid or received on settlement of the instruments. The fair value of items such as property, plant and equipment, internally generated brands or the Group's customer base are not included as these are not considered financial instruments.

A7.2 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	2022 Level 2 £m	2022 Level 3 £m	2022 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	2021 Level 2 £m	2021 Level 3 £m	2021 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.

A8. Hedge accounting

A8.1 Cash flow hedges

The Group designates contracts which qualify as hedges for accounting purposes either as cash flow hedges or fair value hedges. Cash flow hedges are contracts entered into to hedge a forecast transaction or cash flow risk generally arising from a change in interest rates or foreign currency exchange rates and which meet the effectiveness criteria prescribed by IFRS 9. The Group's accounting policy on cash flow hedges is explained in the Accompanying Information section A1.

The following table indicates the contractual maturities of the expected transactions and the qualifying cash flow hedges associated. Non-Sterling denominated contractual cash flows have been converted at the forward foreign exchange rate.

Cash flow hedges	2022 Carrying amount	2022 Expected cash flows	2022 0-12 months	2022 1-2 years	2022 2-5 years	2022 > 5 years	2021 Carrying amount	2021 Expected cash flows	2021 0-12 months	2021 1-2 years	2021 2-5 years	2021 > 5 years
Interest rate swaps:												
Assets	**5.7**	**6.1**	**–**	**2.3**	**3.4**	**0.4**	0.1	0.2	–	(0.1)	–	0.3
Liabilities	**–**	**–**	**–**	**–**	**–**	**–**	(8.4)	(8.5)	–	(1.9)	(5.5)	(1.1)
	5.7	**6.1**	**–**	**2.3**	**3.4**	**0.4**	(8.3)	(8.3)	–	(2.0)	(5.5)	(0.8)
Cross currency swaps:												
Assets	**160.5**	**169.9**	**27.8**	**96.5**	**45.6**	**–**	137.1	142.3	4.5	17.0	123.0	(2.2)
Liabilities	**(132.7)**	**(127.9)**	**(54.2)**	**(19.0)**	**(47.7)**	**(7.0)**	(157.0)	(151.1)	(7.6)	(98.6)	(49.1)	4.2
	27.8	**42.0**	**(26.4)**	**77.5**	**(2.1)**	**(7.0)**	(19.9)	(8.8)	(3.1)	(81.6)	73.9	2.0
Forward exchange contracts:												
Assets	**0.6**	**9.6**	**9.6**	**–**	**–**	**–**	11.7	169.6	169.6	–	–	–
Liabilities	**(43.4)**	**521.8**	**348.0**	**137.1**	**36.7**	**–**	(52.6)	(890.1)	(292.7)	(430.7)	(166.7)	–
	(42.8)	**531.4**	**357.6**	**137.1**	**36.7**	**–**	(40.9)	(720.5)	(123.1)	(430.7)	(166.7)	–

A8.2 Net investment hedge

The Group's net investment hedge consists of debt issued in the same currency (€) as the net investment in foreign subsidiaries with € denominated functional currencies being the Airtricity Supply business and the thermal plants and wind farms in Ireland. The hedge compares the element of the net assets whose functional cash flows are denominated in € to the matching portion of the € borrowings held by the Group. This therefore provides protection against movements in foreign exchange rates.

Gains and losses in the hedge are recognised in equity and will be transferred to the income statement on disposal of the foreign operation (2022: £9.4m gain, 2021: £37.3m gain). Gains and losses on the ineffective portion of the hedge are recognised immediately in the income statement (2022: £nil, 2021: £nil).

Company balance sheet
As at 31 March 2022

	Note	2022 £m	2021 £m
Assets			
Equity investments in joint ventures and associates	3	**12.7**	139.2
Loans to joint ventures and associates	3	**129.2**	226.8
Investments in subsidiaries	4	**1,883.6**	2,004.5
Trade and other receivables	5	**9,365.5**	8,386.5
Derivative financial assets	11	**64.6**	68.1
Retirement benefit assets	10	**517.5**	543.1
Non-current assets		**11,973.1**	11,368.2
Trade and other receivables	5	**720.1**	902.6
Current tax asset	7	**3.8**	3.8
Cash and cash equivalents	8	**1,006.7**	1,564.7
Derivative financial assets	11	**112.0**	149.5
Current assets		**1,842.6**	2,620.6
Total assets		**13,815.7**	13,988.8
Liabilities			
Loans and other borrowings	8	**968.7**	714.7
Trade and other payables	6	**2,035.3**	2,146.8
Provisions	13	**84.0**	20.3
Derivative financial liabilities	11	**70.6**	83.4
Current liabilities		**3,158.6**	2,965.2
Loans and other borrowings	8	**5,284.7**	5,723.8
Deferred tax liabilities	7	**65.0**	49.1
Provisions	13	**242.9**	–
Derivative financial liabilities	11	**301.1**	399.4
Non-current liabilities		**5,893.7**	6,172.3
Total liabilities		**9,052.3**	9,137.5
Net assets		**4,763.4**	4,851.3
Equity:			
Share capital	9	**536.5**	524.5
Share premium		**835.1**	847.1
Capital redemption reserve		**49.2**	49.2
Hedge reserve		**13.3**	(14.2)
Retained earnings		**2,278.3**	1,972.3
Equity attributable to ordinary shareholders of the parent		**3,712.4**	3,378.9
Hybrid equity	9	**1,051.0**	1,472.4
Total equity		**4,763.4**	4,851.3

Result for the year

The profit for the year attributable to ordinary shareholders dealt with in the financial statements of the Company was £902.9m (2021: £1,726.0m) including an exceptional gain on the disposal of SGN of £1,024.8m, offset by a loss on the disposal of the Company's investment in Gas Production of £263.5m.

These financial statements were approved by the Board of Directors on 24 May 2022 and signed on their behalf by

Gregor Alexander,
Finance Director

Sir John Manzoni,
Chairman

SSE plc
Registered No: SC117119

Company statement of changes in equity
For the year ended 31 March 2022

Statement of changes in equity

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Hedge reserve £m	Retained earnings £m	Total attributable to ordinary shareholders £m	Hybrid capital £m	Total £m
At 1 April 2021	524.5	847.1	49.2	(14.2)	1,972.3	3,378.9	1,472.4	4,851.3
Profit for the year	–	–	–	–	852.2	852.2	50.7	902.9
Other comprehensive income	–	–	–	27.5	(48.0)	(20.5)	–	(20.5)
Total comprehensive income for the year	–	–	–	27.5	804.2	831.7	50.7	882.4
Dividends to shareholders	–	–	–	–	(862.3)	(862.3)	–	(862.3)
Scrip dividend related share issue	12.0	(12.0)	–	–	355.7	355.7	–	355.7
Issue of shares	–	–	–	–	6.3	6.3	–	6.3
Distributions to Hybrid equity holders	–	–	–	–	–	–	(50.7)	(50.7)
Redemption of Hybrid equity	–	–	–	–	(4.6)	(4.6)	(421.4)	(426.0)
Credit in respect of employee share awards	–	–	–	–	20.8	20.8	–	20.8
Investment in own shares (i)	–	–	–	–	(14.1)	(14.1)	–	(14.1)
At 31 March 2022	**536.5**	**835.1**	**49.2**	**13.3**	**2,278.3**	**3,712.4**	**1,051.0**	**4,763.4**

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Hedge reserve £m	Retained earnings £m	Total attributable to ordinary shareholders £m	Hybrid capital £m	Total £m
At 1 April 2020	523.1	875.6	49.2	(3.6)	966.7	2,411.0	1,169.7	3,580.7
Profit for the year	–	–	–	–	1,726.0	1,726.0	46.6	1,772.6
Other comprehensive income	–	–	–	(4.4)	6.9	2.5	–	2.5
Total comprehensive income for the year	–	–	–	(4.4)	1,732.9	1,728.5	46.6	1,775.1
Dividends to shareholders	–	–	–	–	(836.4)	(836.4)	–	(836.4)
Scrip dividend related share issue	1.4	(1.4)	–	–	39.0	39.0	–	39.0
Distributions to Hybrid equity holders	–	–	–	–	–	–	(46.6)	(46.6)
Issue of Hybrid equity	–	–	–	–	–	–	1,051.0	1,051.0
Redemption of Hybrid equity	–	–	–	–	(1.7)	(1.7)	(748.3)	(750.0)
Credit in respect of employee share awards	–	–	–	–	19.7	19.7	–	19.7
Investment in own shares (i)	–	(27.1)	–	–	24.6	(2.5)	–	(2.5)
Adjustment in relation to historic remeasurement of financial instruments, net of tax (ii)	–	–	–	(6.2)	27.5	21.3	–	21.3
At 31 March 2021	524.5	847.1	49.2	(14.2)	1,972.3	3,378.9	1,472.4	4,851.3

(i) Investment in own shares is the purchase of own shares less the settlement of Treasury shares for sharesave schemes.
(ii) Following review of the recognition of certain derivative financial instruments at inception, a revision to the Retained Earnings, Loans and Borrowings and the Hedge Reserve has been recorded during the prior year. This revision arose through review of the Company's contractual exposure on certain swap arrangements, as well as mark-to-market charges on inception previously recognised through the Income Statement. The cumulative effect on opening reserves on 1 April 2020 is an increase of £21.3m, and the single largest line item impacted was Loans and Borrowings which decreased by £58.8m.

Notes to the Company financial statements
For the year ended 31 March 2022

1. Principal accounting policies
1.1 General information
SSE plc (the Company) is a company domiciled in Scotland. The address of the registered office is given on the back cover. The Company financial statements present information about the Company as a separate entity and not about the Group.

1.2 Basis of preparation
The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101, "Reduced Disclosure Framework".

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement and related notes.

It has also taken advantage of the following disclosure exemptions available under FRS 101.
- A Cash flow statement and related notes;
- Related party disclosures;
- Disclosures in respect of capital management; and
- The effects of new but not yet effective IFRSs.

As the consolidated financial statements of SSE plc include the equivalent disclosure, the Company has also taken advantage of the exemptions, under FRS 101, available in respect of the following disclosure:
- Certain disclosures required by IFRS 13 Fair value measurement and the disclosures required by IFRS 7 Financial instrument disclosures.

The Company previously assessed that, on the basis of materiality, the disclosures required under IFRS 2 Share-based Payment should be removed. The Company has assessed that at 31 March 2022 these disclosures continue to be immaterial to the Company's financial statements.

Going concern
The Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future (further details are contained in A6 Accompanying Information of the consolidated financial statements). The financial statements are therefore prepared on a going concern basis.

Basis of measurement
The financial statements of the Company are prepared on the historical cost basis except for derivative financial instruments, available-for-sale financial assets and assets of the Company pension scheme which are stated at their fair value, and liabilities of the Company pension scheme which are measured using the projected unit credit method. The directors believe the financial statements present a true and fair view. The financial statements of the Company are presented in pounds sterling.

Critical accounting judgements and estimation uncertainty
In the process of applying the Company's accounting policies, management necessarily makes judgements and estimates that have a significant effect on the amounts recognised in the financial statements. Changes in the assumptions underlying the estimates could result in a significant impact to the financial statements. The Group's key accounting judgement and estimation areas are noted in note 4.1 of the consolidated financial statements, with the most significant financial judgement areas as specifically discussed by the Audit Committee being highlighted separately. In particular, note 4.1(ii), Retirement Benefit Obligations, and the related disclosures in note 23 of the consolidated financial statements are relevant to the Company.

Significant accounting policies
The significant accounting policies applied in the preparation of these individual financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

Investments
Investments in subsidiaries are carried at cost less any impairment charges.

Interests in joint arrangements and associates
Associates are those investments over which the Company has significant influence but neither control nor joint control.

The Company's joint ventures and associates are stated at cost less any impairment.

Applicable Group accounting policies
The following significant accounting policies are consistent with those applied for the Group consolidated financial statements:
- Equity and equity-related compensation benefits (Supplementary information A1.2)
- Defined benefit pension scheme (Supplementary information A1.2)
- Taxation (Supplementary information A1.2)
- Financial instruments (Supplementary information A1 and A6)

2. Supplementary financial information

2.1 Auditor remuneration

The amounts paid to the Company's auditor in respect of the audit of these financial statements was £0.4m (2021: £0.4m).

Amounts paid to the Company's auditor in respect of services to the Company other than the audit of the Company's financial statements have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

2.2 Employee numbers

The average number of people employed by the Company (including Executive Directors) during the year was 3 (2021: 3).

The costs associated with the employees of the Company, who are the Executive Directors of the Group, are borne by Group companies. No amounts are charged to the Company.

2.3 Directors' remuneration and interests

Information concerning Directors' remuneration, shareholdings, options, long term incentive schemes and pensions is shown in the Remuneration Report on pages 168 to 199. No Director had, during or at the end of the year, any material interest in any other contract of significance in relation to the Group's business.

3. Investments in associates and joint ventures

	2022			2021		
	Equity £m	**Loans £m**	**Total £m**	Equity £m	Loans £m	Total £m
Share of net assets/cost						
At 1 April	**139.2**	**226.8**	**366.0**	12.7	196.8	209.5
Additions	**–**	**29.3**	**29.3**	–	42.0	42.0
Disposal	**(126.5)**	**(118.8)**	**(245.3)**	–	–	–
Repayment of shareholder loans	**–**	**(8.1)**	**(8.1)**	–	(12.0)	(12.0)
Transfer from subsidiary	**–**	**–**	**–**	126.5	–	126.5
At 31 March	**12.7**	**129.2**	**141.9**	139.2	226.8	366.0

The disposal recognised during the year of £245.3m relates to the disposal of Company's investment in SGN, which completed on 22 March 2022.

4. Subsidiary undertakings

Details of the Company's subsidiary undertakings are disclosed in the Accompanying Information section (A3).

Investment in subsidiaries

	2022 £m	2021 £m
At 1 April	**2,004.5**	2,112.9
Decrease in existing investments (i)	**(120.9)**	(108.4)
At 31 March	**1,883.6**	2,004.5

(i) The overall decrease in investments held by the Company primarily relates to the net of: the transfer of SSE Generation Limited investment to another Group company and the equity shares in the Company awarded to the employees of the subsidiaries of the Group under the Group's share schemes, which are recognised as an increase in the cost of investment in those subsidiaries as directed by IFRIC 11 (2022: £18.8m; 2021: £18.1m (both before tax)). Additionally, the Company disposed of its Gas Production investment on 14 October 2021, which was carried at a £nil value. The decrease in the prior year also includes the transfer of SGN from Beithe AG to SSE plc and the subsequent reduction in the carrying value of Beithe AG (£126.5m).

5. Trade and other receivables

The balances of current and non-current trade and other receivables in the current and prior financial year predominantly consists of amounts owed by subsidiary undertakings. At 31 March 2022 the Company assessed its exposure to expected credit losses on related party receivables under IFRS 9 and held a provision against future losses of £126.5m (2021: £61.0m).

6. Trade and other payables

The balances of current trade and other payables in the current and prior financial year predominantly consists of amounts due to subsidiary undertakings.

Notes to the Company financial statements continued
For the year ended 31 March 2022

7. Taxation
Current tax asset

	2022 £m	2021 £m
Corporation tax asset	**3.8**	3.8

Deferred taxation
The following are the deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting periods:

	Fair value gains/ (losses) on derivatives £m	Retirement benefit obligations £m	Other £m	Total £m
At 31 March 2020	(66.8)	101.5	4.3	39.0
Charge/(credit) to income statement	9.9	0.1	(5.0)	5.0
Charge/(credit) to equity	5.2	1.6	(1.7)	5.1
At 31 March 2021	(51.7)	103.2	(2.4)	49.1
Charge/(credit) to income statement	**(10.2)**	**(0.2)**	**(0.2)**	**(10.6)**
Charge/(credit) to equity	**5.2**	**26.4**	**(5.1)**	**26.5**
At 31 March 2022	**(56.7)**	**129.4**	**(7.7)**	**65.0**

Certain deferred tax assets and liabilities have been offset, including the asset balances analysed in the tables above. The following is an analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2022 £m	2021 £m
Deferred tax liabilities	**129.4**	103.2
Deferred tax assets	**(64.4)**	(54.1)
Net deferred tax (asset)/liability	**65.0**	49.1

The deferred tax assets/liabilities disclosed include the deferred tax relating to the Company's pension scheme liabilities.

8. Loans and borrowings

	2022 £m	2021 £m
Current		
Other short-term loans	**968.7**	714.7
	968.7	714.7
Non-current		
Loans	**5,284.7**	5,723.8
	5,284.7	5,723.8
Total loans and borrowings	**6,253.4**	6,438.5
Cash and cash equivalents	**(1,006.7)**	(1,564.7)
Unadjusted Net Debt	**5,246.7**	4,873.8
Add/(less):		
Hybrid equity (note 9)	**1,051.0**	1,472.4
Adjusted Net Debt and Hybrids	**6,297.7**	6,346.2

Cash and cash equivalents (which are presented as a single class of assets in the face of the balance sheet) comprise cash at bank and short term highly liquid investments with a maturity of three months or less.

8.1 Borrowing facilities

The Company 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 £506.1m commercial paper outstanding (2021: £nil). The Company 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.

Analysis of borrowings

	2022 Weighted average interest rate	2022 Face value	2022 Fair value	2022 Carrying amount	2021 Weighted average interest rate	2021 Face value £m	2021 Fair value £m	2021 Carrying amount £m
Current								
Other short term loans – non-amortising (ii)	**0.8%**	**507.1**	**507.5**	**506.1**	–	–	–	–
US Private Placement 16 April 2022	**4.3%**	**162.7**	**197.8**	**162.7**	–	–	–	–
5.875% Eurobond Repayable 22 September 2022	**5.9%**	**300.0**	**306.1**	**299.9**	–	–	–	–
4.25% Eurobond repayable 14 September 2021	**–**	**–**	**–**	**–**	4.3%	300.0	305.0	299.8
2.375% €500m Eurobond repayable 10 February 2022 (iv)	**–**	**–**	**–**	**–**	2.4%	415.0	424.6	414.9
Total current borrowings		**969.8**	**1,011.4**	**968.7**		715.0	729.6	714.7
Non-Current								
US Private Placement 16 April 2022	**–**	**–**	**–**	**–**	4.3%	162.7	193.5	162.6
US Private Placement 28 April 2023	**2.8%**	**35.0**	**35.4**	**34.9**	2.8%	35.0	36.3	34.7
US Private Placement 6 September 2023	**2.9%**	**120.0**	**120.1**	**119.4**	2.9%	120.0	124.0	119.2
US Private Placement 16 April 2024	**4.4%**	**204.1**	**250.6**	**204.0**	4.4%	204.1	253.8	203.9
5.875% Eurobond repayable 22 September 2022	**–**	**–**	**–**	**–**	5.9%	300.0	323.5	299.6
1.75% €700m Eurobond repayable 8 September 2023 (v)	**1.8%**	**514.6**	**524.0**	**514.3**	1.8%	514.6	538.5	514.1
1.25% Eurobond Repayable 16 April 2025 (vi)	**1.3%**	**531.4**	**533.4**	**531.4**	1.3%	531.4	557.1	531.4
0.875% €600m Eurobond Repayable 8 September 2025	**0.9%**	**510.9**	**504.3**	**504.2**	0.9%	510.9	527.0	508.4
US Private Placement 8 June 2026	**3.1%**	**64.0**	**63.8**	**63.3**	–	–	–	–
US Private Placement 8 June 2026	**3.2%**	**247.1**	**258.7**	**244.3**	–	–	–	–
Between two and five years		**2,227.1**	**2,290.3**	**2,215.8**		2,378.7	2,553.7	2,373.9
Bank Loans – non-amortising (i)	**0.8%**	**100.0**	**100.4**	**100.0**	0.8%	100.0	100.4	100.0
US Private Placement 8 June 2026	**–**	**–**	**–**	**–**	3.1%	64.0	67.7	62.9
US Private Placement 6 September 2026	**–**	**–**	**–**	**–**	3.2%	247.1	265.8	243.7
US Private Placement 6 September 2027	**3.2%**	**35.0**	**34.8**	**34.6**	3.2%	35.0	37.2	34.5
1.375% €650m Eurobond repayable 4 September 2027 (viii)	**1.4%**	**591.4**	**588.7**	**590.2**	1.4%	591.4	631.8	590.0
8.375% Eurobond repayable on 20 November 2028	**8.4%**	**500.0**	**659.0**	**497.2**	8.4%	500.0	732.1	496.8
1.750% Eurobond Repayable 16 April 2030 (ix)	**1.8%**	**442.9**	**439.6**	**442.9**	1.8%	442.9	485.3	442.9
6.25% Eurobond repayable on 27 August 2038	**6.3%**	**350.0**	**473.3**	**347.4**	6.3%	350.0	539.5	347.3
4.75% $900m NC5.5 Hybrid maturing 16 September 2077 (vii)	**4.8%**	**725.4**	**727.6**	**725.1**	4.8%	730.0	752.2	729.0
3.625% NC5.5 Hybrid maturing 16 September 2077	**3.6%**	**300.0**	**301.6**	**299.9**	3.6%	300.0	307.3	299.6
Over five years		**3,044.7**	**3,325.0**	**3,037.3**		3,360.4	3,919.3	3,346.7
Fair value adjustment (iii)		**–**	**–**	**31.6**		–	–	3.2
Total non-current borrowings		**5,271.8**	**5,615.3**	**5,284.7**		5,739.1	6,473.0	5,723.8
Total borrowings		**6,241.6**	**6,626.7**	**6,253.4**		6,454.1	7,202.6	6,438.5

(i) Balances include term loans and EIB debt and is a mixture of fixed and floating rate debt.
(ii) Balances include Commercial Paper and facility advances (£506.1m of Commercial Paper outstanding at 31 March 2022).

Notes to the Company financial statements continued
For the year ended 31 March 2022

8. Loans and borrowings continued
8.1 Borrowing facilities continued

(iii) The fair value adjustment relates to the change in the carrying amount of the borrowings as a result of fair value hedges that are in place. The movement in the fair value adjustment is recognised in the income statement with a corresponding movement on the hedging instrument also being recognised in the income statement.
(iv) The 2.375% €500m Eurobond maturing 10 February 2022 has been swapped to Sterling giving an effective interest rate of 3.53%.
(v) The 1.75% €700m Eurobond maturing 8 September 2023 has been swapped to Sterling giving an effective interest rate of 3.16%.
(vi) The 1.250% €600m eurobond maturing 16 April 2025 has been swapped to Sterling giving an effective interest rate of 2.43%.
(vii) The 4.75% $900m NC5.5 Hybrid maturing 16 September 2077 has been swapped to Euros ($605m) and Sterling ($295m) giving an effective interest rate of 2.25% and 3.29% respectively.
(viii) The 1.375% €650m eurobond maturing 4 September 2027 has been swapped to Sterling giving an effective interest rate of 2.56%.
(ix) The 1.750% €500m eurobond maturing 16 April 2030 has been swapped to Sterling giving an effective interest rate of 2.89%.

9. Equity
Share capital

	Number (millions)	£m
Allotted, called up and fully paid:		
At 1 April 2020	1,046.3	523.1
Issue of shares (i)	2.8	1.4
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**

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

(i) Shareholders were able to elect to receive ordinary shares in place of the final dividend of 56.6p 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).

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).

Capital redemption reserve
The capital redemption reserve comprises the value of shares redeemed or purchased by the Company from distributable profits.

Hedge reserve
The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedge derivative instruments related to hedged transactions that have not yet occurred.

Hybrid equity

	2022 £m	2021 £m
EUR 600m 2.375% perpetual subordinated capital securities	–	421.4
GBP 600m 3.74% perpetual subordinated capital securities	**598.0**	598.0
EUR 500m 3.125% perpetual subordinated capital securities	**453.0**	453.0
	1,051.0	1,472.4

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.

10. Retirement benefit obligations

Defined benefit scheme

The Company has a funded final salary pension scheme ('Scottish Hydro Electric Pension Scheme') which provides defined benefits based on final pensionable pay. The scheme is subject to an independent valuation at least every three years. The future benefit obligations are valued by actuarial methods on the basis of an appropriate assessment of the relevant parameters.

Pension summary:

	Scheme type	Net actuarial gain/(loss) recognised in respect of the pension asset in the statement of comprehensive income		Net pension asset	
		2022 £m	2021 £m	**2022 £m**	2021 £m
Scottish Hydro Electric	Defined benefit	**(24.6)**	8.6	**517.5**	543.1
Net actuarial (loss)/gain		**(24.6)**	8.6	**517.5**	543.1

IFRIC 14 surplus restrictions

The value of Scottish Hydro Electric Pension Scheme assets recognised was previously impacted by the asset ceiling test which restricts the surplus that can be recognised to assets that can be recovered through future refunds or reductions in future contributions to the schemes, and may increase the value of scheme liabilities where there are minimum funding liabilities in relation to agreed contributions.

In 2016/17 the Group agreed with the trustees to the Scottish Hydro Electric pensions scheme an amendment to the scheme rules to clarify that the Company has a clear right to any surplus upon final winding up of the scheme. This amendment removes the previous restriction on recognition of any surplus. The net pension asset of the Scottish Hydro Electric Scheme at 31 March 2022 was equal to £517.5m (2021: £543.1m).

The individual pension scheme details based on the latest formal actuarial valuations are as follows:

	Scottish Hydro Electric
Latest formal actuarial valuation	31 March 2021
Valuation carried out by	Hymans Robertson
Value of assets based on valuation	£2,050.5m
Value of liabilities based on valuation	£1,782.2m
Valuation method adopted	Projected Unit
Average salary increase	RPI +0.5%
Average pension increase	RPI
Value of fund assets/accrued benefits	115.1%

10.1 Pension scheme assumptions

The scheme has been updated to 31 March 2022 by qualified independent actuaries. The valuations have been prepared for the purposes of meeting the requirements of IAS 19. The major assumptions used by the actuaries in the scheme were:

	At 31 March 2022	At 31 March 2021
Rate of increase in pensionable salaries	**4.2%**	3.7%
Rate of increase in pension payments	**3.7%**	3.2%
Discount rate	**2.7%**	2.0%
Inflation rate	**3.7%**	3.2%

The assumptions relating to longevity underlying the pension liabilities at 31 March 2022 are based on standard actuarial mortality tables, and include an allowance for future improvements in longevity. The assumptions, equivalent to future longevity for members in normal health at age 65, are as follows:

	At 31 March 2022 Male	**At 31 March 2022 Female**	At 31 March 2021 Male	At 31 March 2021 Female
Currently aged 65	**22**	**24**	23	24
Currently aged 45	**24**	**27**	25	27

Notes to the Company financial statements continued
For the year ended 31 March 2022

10. Retirement benefit obligations continued
10.1 Pension scheme assumptions continued
The impact on the scheme's liabilities of changing certain of the major assumptions is as follows:

	At 31 March 2022		At 31 March 2021	
	Increase/ decrease in assumption	Effect on scheme liabilities	Increase/ decrease in assumption	Effect on scheme liabilities
Rate of increase in pensionable salaries	**0.1%**	**+/-0.1%**	0.1%	+/-0.1%
Rate of increase in pension payments	**0.1%**	**+/-0.9%**	0.1%	+/-1.0%
Discount rate	**0.1%**	**+/-1.0%**	0.1%	+/-0.9%
Longevity	**1 year**	**+/-2.0%**	1 year	+/-1.8%

These assumptions are considered to have the most significant impact on the scheme valuations. The reduction in sensitivity is due to the conversion of the longevity swap to buy-in in during the year.

Asset buy-in
On 1 October 2019, the Scottish Hydro Electric Pension Scheme entered into an asset buy-in, transferring the risk of volatility in the assumptions used to calculate the obligation for 1,800 pensioners and 567 dependents (covering c£800m of the scheme's liabilities) to a third party. The asset buy-in is valued under the accounting principles of IFRS 13 and is considered a Level 3 instrument in the fair value hierarchy. This is in addition to a previous buy-in completed during the year ended 31 March 2018 when c£250m of the scheme's assets and liabilities related to 617 pensioners and 190 dependents were transferred to a third party. The Company has now insured against volatility in obligations related to all pensioners to third parties (insurer PIC) and is now only exposed to valuation fluctuations related to active and deferred members.

10.2 Valuation of pension scheme

	Quoted £m	Unquoted £m	Value at 31 March 2022 £m	Quoted £m	Unquoted £m	Value at 31 March 2021 £m
Equities	**39.5**	**–**	**39.5**	50.3	–	50.3
Government bonds	**719.1**	**–**	**719.1**	660.9	–	660.9
Insurance contracts	**–**	**713.5**	**713.5**	–	780.3	780.3
Other investments	**448.9**	**–**	**448.9**	482.6	–	482.6
Total fair value of plan assets			**1,921.0**			1,974.1
Present value of defined benefit obligation			**(1,403.5)**			(1,431.0)
Surplus in the scheme			**517.5**			543.1
Deferred tax thereon (i)			**(129.4)**			(103.2)
Net pension asset			**388.1**			439.9

(i) Deferred tax is recognised at 25% (2021: 19%) on the surplus.

10.3 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	**1,974.1**	**(1,431.0)**	**543.1**	1,845.6	(1,311.4)	534.2
Included in income statement						
Current service cost	**–**	**(12.9)**	**(12.9)**	–	(11.4)	(11.4)
Past service cost	**–**	**–**	**–**	–	(1.7)	(1.7)
Settlements and curtailments	**–**	**–**	**–**	(0.6)	0.6	–
Interest income/(cost)	**38.8**	**(27.9)**	**10.9**	41.5	(29.2)	12.3
	38.8	**(40.8)**	**(2.0)**	40.9	(41.7)	(0.8)
Included in other comprehensive income						
Actuarial (loss)/gain arising from:						
Demographic assumptions	**–**	**13.1**	**13.1**	–	(8.1)	(8.1)
Financial assumptions	**–**	**72.5**	**72.5**	–	(161.1)	(161.1)
Experience assumptions	**–**	**(90.6)**	**(90.6)**	–	5.8	5.8
Return on plan assets excluding interest income	**(19.6)**	**–**	**(19.6)**	172.0	–	172.0
	(19.6)	**(5.0)**	**(24.6)**	172.0	(163.4)	8.6
Other						
Contributions paid by the employer	**1.0**	**–**	**1.0**	1.1	–	1.1
Benefits paid	**(73.3)**	**73.3**	**–**	(85.5)	85.5	–
	(72.3)	**73.3**	**1.0**	(84.4)	85.5	1.1
Balance at 31 March	**1,921.0**	**(1,403.5)**	**517.5**	1,974.1	(1,431.0)	543.1

10.4 Pension scheme contributions and costs

Charges/(credits) recognised:

	2022 £m	2021 £m
Current service cost (charged to operating profit)	**12.9**	11.4
Past service cost	**–**	1.7
	12.9	13.1
Charged/(credited) to finance costs:		
Interest from pension scheme assets	**(38.8)**	(41.5)
Interest on pension scheme liabilities	**27.9**	29.2
	(10.9)	(12.3)

The return on pension scheme assets is as follows:

	2022 £m	2021 £m
Return on pension scheme assets	**19.2**	213.5

Employer financed retirement benefit (EFRB) pension costs

The decrease in the year in relation EFRB was £1.1m (2021: increase of £5.8m). This is included in employee related provisions.

Further discussion of the pension scheme assets, liabilities, polices, risk and strategy can be found in note 23 of the Group consolidated financial statements.

Notes to the Company financial statements continued
For the year ended 31 March 2022

11. Financial instruments
For financial reporting purposes, the Company has classified derivative financial instruments as financing derivatives. Financing derivatives include all fair value and cash flow interest rate hedges, non-hedge accounted (mark-to-market) interest rate derivatives, cash flow foreign exchange hedges and non-hedge accounted foreign exchange contracts. Non-hedge accounted contracts are treated as held for trading.

The derivative financial assets and (liabilities) are represented as follows:

Derivative financial assets	**2022 £m**	2021 £m
Non-current	**64.6**	68.1
Current	**112.0**	149.5
	176.6	217.6
Derivative Liabilities		
Non-current	**(301.1)**	(399.4)
Current	**(70.6)**	(83.4)
Total derivative liabilities	**(371.7)**	(482.8)
Net liability	**(195.1)**	(265.2)

Information on the Group's Financial risk management and the fair value of financial instruments is available at A6 and A7.

12. Commitments and contingencies
Guarantees, indemnities and other contingent liabilities
SSE plc has provided guarantees on behalf of subsidiary, joint venture and associated undertakings as follows:

	2022				2021
	SSE on behalf of subsidiary £m	**SSE on behalf of joint operations and ventures £m**	**SSE on behalf of 3rd parties £m**	**Total £m**	Total £m
Bank borrowing	**604.6**	**–**	**–**	**604.6**	754.6
Performance of contracts (i)	**3,542.1**	**976.7**	**121.9**	**4,640.7**	4,199.2

Subsidiaries have provided guarantees on behalf of the Company as follows:

	2022 £m	2021 £m
Bank borrowing	**1,286.5**	1,494.7

(i) Included within the performance contracts above are guarantees of £nil (2021: £nil) relating to discontinued operations.

Around £367m of guarantees have been provided during the year in connection with Doggerbank Offshore Windfarm Project 3 Projco Limited and additional £110m of guarantees have also been provided during the year in connection with various entities relating to the Seagreen Offshore Wind Farm projects. The £150m drawdown facility with the European Investment Bank, guaranteed by SSE plc on behalf of Scottish Hydro Electric Transmission plc was repaid.

The Company has previously provided unlimited guarantees on behalf of subsidiary undertakings in relation to ten contracts in respect of performance of work and any liabilities arising. Two unlimited guarantees were provided on behalf of SSE Renewables Developments (UK) Limited, a wholly owned subsidiary of the Company, both in favour of Total Gas and Power Infrastructure Limited in respect of a Share Purchase Agreement and payment obligations for Seagreen Wind Energy Limited SSE Services Plc, a wholly owned subsidiary of the Company, has provided a guarantee to Group Trustee Independent Trustees in respect of Southern Electric Group of the Electricity Supply Pension Scheme in respect of funding required by the Scheme. SSE Contracting Limited, formerly a wholly owned subsidiary, has provided a guarantee to Tay Street Lighting (Leeds) Ltd, Tay Valley Lighting (Newcastle & North Tayside) Ltd and Tay Valley Lighting (Stoke on Trent) Ltd in respect of provision and maintenance of public street lighting and illuminated traffic signage. SSE E&P (UK) Limited, formerly a wholly owned subsidiary of the Company, has provided a guarantee to Hess Limited in respect of decommissioning liabilities. SSE E&P (UK) Limited has also provided a guarantee to Britoil Limited and Arco British Limited in respect of the acquisition of the Sean Field. SSE E&P (UK) Limited has also provided a guarantee to Perenco UK Limited in respect of a Sale and Purchase Agreement for the Minerva, Apollo and Mercury Fields. Scottish Hydro Electric Transmission Plc, a wholly owned subsidiary of the Company, has provided a guarantee to ABB Limited in connection with the use of HVDC Replica Control Panels for Caithness-Moray Project.

Where the Company enters into financial guarantee contracts to guarantee indebtedness of the other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make payment under the guarantee.

13. Provisions

	Decommissioning £m	Other legal & restructuring[1] £m	Total £m
At 1 April 2020	–	7.0	7.0
Charged in the year	–	20.4	20.4
Released during the year	–	(1.5)	(1.5)
Utilised during the year	–	(5.6)	(5.6)
At 31 March 2021	–	20.3	20.3
Charged in the year	**251.3**	**57.2**	**308.5**
Utilised during the year	**(1.9)**	**–**	**(1.9)**
At 31 March 2022	**249.4**	**77.5**	**326.9**
At 31 March 2022			
Non-current	**241.8**	**51.0**	**242.9**
Current	**7.6**	**26.5**	**84.0**
	249.4	**77.5**	**326.9**
At 31 March 2021			
Non-current	–	–	–
Current	–	20.3	20.3
	–	20.3	20.3

1 The Company has represented the category of its provision to change the category from 'Other' to 'Legal & Restructuring' to better reflect the provisions held by the Company.

Decommissioning provision

Provision has been made for the estimated net present value of decommissioning Gas Production assets (retained as part of the disposal agreement for this business). Estimates are based on the forecast remediation or clean-up costs at the projected date of decommissioning and are discounted for the time value of money. Within the agreement for the disposal of its Gas Production assets to Viaro Energy on 14 October 2021 (see note 12), the Company agreed to retain 60% (£238.2m) of the decommissioning provision within the business. £13.1m has been provided for decommissioning since the completion of the disposal due to post disposal movements in inflation and discounting assumptions. It is expected that the costs associated with decommissioning of these Gas Production assets will be incurred between 2022 and 2037.

Legal & restructuring provisions

The Company holds provision related to reorganisation of the Group and certain provisions arising on disposal of subsidiaries or investments. In the year the Company recognised a charge of £35.0m for a tax indemnity provided to RockRose Energy Limited following the disposal of SSE E&P Limited on 14 October 2021. The tax indemnity is expected to be settled in the next 12-24 months. In the year the Company also recognised a provision for transaction costs associated with the disposal of its investment in SGN. These costs are expected to be settled in the next financial year.

Independent auditor's report to the members of SSE plc

Opinion

In our opinion:

- SSE plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of SSE plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2022 which comprise:

Group	Parent company
Consolidated income statement for the year ended 31 March 2022	
Consolidated statement of comprehensive income for the year then ended	
Consolidated balance sheet as at 31 March 2022	Balance sheet as at 31 March 2022
Consolidated statement of changes in equity for the year then ended	Statement of changes in equity for the year then ended
Consolidated cash flow statement for the year then ended	
Related notes 1 to 26 and A1 to A8 to the group financial statements, including a summary of significant accounting policies	Related notes 1 to 13 to the company financial statements including a summary of significant accounting policies

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- Confirming our understanding of management's Going Concern process as well as the review controls in place over the preparation of the group's Going Concern model and the memoranda on going concern;
- Engaging early with management to ensure all key matters were considered in their assessment;
- Obtaining management's board approved forecast cash flows, covenant forecasts and sensitivities prepared by management to 31 December 2023, ensuring the same forecasts are used elsewhere within the group for accounting estimates and that the forecasts were consistent with the accelerated climate commitments made in November 2021. We tested for arithmetical accuracy of the models as well as checking the net debt position at the year-end date which is the starting point for the model. We assessed the reasonableness of the cashflow forecast by analysing management's historical forecasting accuracy. We also ensured climate change considerations were factored into future cash flows. We performed reverse stress testing to understand how severe the downside scenarios would need be to result in negative liquidity or a covenant breach and how plausible were the scenarios. The EY assessment included consideration of all maturing debt through to 31 March 2024;
- We assessed management ability to raise new external funding by reviewing the strength of subscriptions to the €1bn April 22 bond issue and the interest in, and rates attached to the £350m Private placement in March 22. We engaged with specialist debt advisory colleagues to assess SSE's on going attractiveness to lenders and their ability to continue to raise new debt;
- Reviewing management's assessment of mitigating options potentially available to the group to reduce cash flow spend in the Going Concern period, to determine their plausibility and whether such actions could be implemented by management. We have obtained support to determine whether these were within the control of management and evaluated the impact of these mitigations in light of our understanding of the business and its cost structures;

- Read the borrowing facilities agreements to assess their continued availability to the group and to ensure completeness of covenants identified by management;
- Reviewed market data for indicators of potential contradictory evidence to challenge the company's going concern assessment including review of profit warnings within the sector and review of industry analyst reports. We held discussions with the Audit Committee to confirm the going concern position prepared by management; and
- We considered whether management's disclosures in the financial statements sufficiently and appropriately reflect the going concern assessment and outcomes.

The audit procedures performed in evaluating the director's assessment were performed by the Group audit team, and specialist colleagues from our capital debt advisory team. We also considered the financial and non-financial information communicated to us from our component teams for sources of potential contrary indicators which may cast doubt over the going concern assessment.

Our key observations

The group is forecast to continue to be profitable and generate positive cashflows during the going concern period. The group is forecast to raise new debt to maintain adequate liquidity and headroom within its covenants. The strength of the ability of the group to raise new funds is evidenced by the successful issue of a £350m private placement in March 22 and a €1bn Hybrid bond in April 22 and continued strong credit rating agency positions. Our reverse stress test scenario indicated that the group would need to be exposed to severe downside events impacting profitability and cash flows in order to breach liquidity or covenants. The severe downside scenario assumed full repayment of debt maturing over the going concern period, no new refinancing over the going concern period, no uncommitted disposal proceeds, a central contingency against budget performance, offset by mitigating actions within managements control. Management consider such a scenario to be highly unlikely, however, in such unlikely event management consider that the impact can be mitigated by further cash and cost saving measures which are within their control, or through external fund raising, or a combination of both during the going concern period.

The group's principal source of funding (the revolving credit facility) extends beyond the going concern period (to 2025/2026). Having considered the severe downside and reverse stress test scenarios, we have not identified a plausible scenario where the Group would be unable to maintain cash flow liquidity and covenant headroom during the going concern period.

We found the capital commitments in the cash flow forecasts to be aligned with the accelerated climate commitments made in November 2021.

Going concern conclusion

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period to 31 December 2023.

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of 19 components, audit procedures on specific balances for a further 16 components and specified procedures for 3 components. • The components where we performed full or specific audit procedures accounted for 98% of adjusted profit before tax, 96% of Revenue and 93% of Total assets.
Key audit matters	• Impairment and reversal of impairment of certain power stations and gas storage assets; • Group and parent pension obligations; • Accounting for estimated revenue recognised; • Accounting for the SSE disposal programme.
Materiality	• Overall Group materiality of £57.9m which represents 5% of adjusted profit before tax.

An overview of the scope of the parent company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent Internal Audit results when assessing the level of work to be performed at each entity.

Independent auditor's report to the members of SSE plc continued

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 149 (2021: 131) reporting components of the Group, we selected 35 (2021: 37) components (including the parent entity) covering entities within the UK and Ireland, which represent the principal business units within the Group. Separate procedures were performed in relation to the acquisition accounting in Japan by the Primary team.

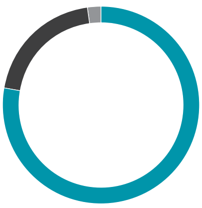
Of the 35 components selected, we performed an audit of the complete financial information of 19 (2021: 20) components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 16 (2021: 17) components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 98% (2021: 95%) of the Group's adjusted profit before tax, 96% (2021: 94%) of the Group's Revenue and 93% (2021: 93%) of the Group's Total assets. For the current year, the full scope components contributed 78% (2021: 56%) of the Group's adjusted profit before tax, 94% (2021: 92%) of the Group's Revenue and 77% (2021: 83%) of the Group's Total assets. The specific scope component contributed 20% (2021: 39%) of the Group's adjusted profit before tax, 2% (2021: 2%) of the Group's Revenue and 16% (2021: 10%) of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. We also instructed 3 locations to perform specified procedures over certain aspects of Cash & Bank, Goodwill and Equity Investments in associates and JCE, due to significant balances held within each location.

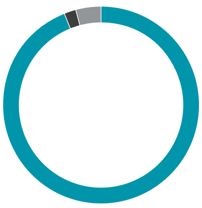
Of the remaining 114 (2021: 97) components that together represent 2% (2021: 5%) of the Group's adjusted profit before tax, none are individually greater than 1% (2021: 1%) of the Group's adjusted profit before tax. For these components, we performed other procedures, including analytical review, intercompany eliminations and obtaining audit evidence to respond to any potential risks of material misstatement to the group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

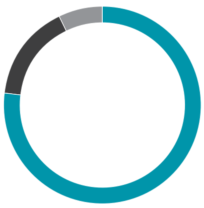
PROFIT BEFORE TAX
(OR ADJUSTED PBT MEASURE USED)



REVENUE



TOTAL ASSETS



Changes from the prior year
There have been minimal changes in scoping from the prior year. Both SGN and E&P have been removed reflecting the disposals of each entity. There have been some modifications to specific scope entities to reflect higher levels of trading within certain entities compared to the prior period to maintain appropriate coverage.

Involvement with component teams
In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the 19 full scope components, audit procedures were performed on 2 of these directly by the primary audit team. For the 17 full scope and 16 specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The majority of full and specific scope components were led by the lead audit engagement partner, Annie Graham. For the remaining entities there were regular calls held between the lead audit engagement partner and component partners, with either file reviews performed by the primary team over audit documentation that has not been retained within the group audit file, or retention of key audit documentation on the group audit file.

This has been the first audit conducted by EY that was not fully remote due to COVID-19 restrictions. Other than the Irish Airtricity entities in scope, all other entities in scope were based within Scotland (Perth and Glasgow), where lead audit partner Annie Graham visited UK divisions throughout the year-end audit. The majority of management meetings continued to be held remotely across both the UK and Ireland.

These visits involved discussion of audit approach, attending planning and closing meetings (some of which were held virtually), meeting with local management and reviewing relevant audit working papers on risk areas. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed relevant working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact SSE plc. The energy sector has a critical role to play in decarbonisation, by removing carbon from electricity which in turn will support other sectors. SSE operates principally within the UK and Ireland and both are seeking to achieve net zero across their economies by 2050. The UK Government's Net Zero Strategy outlines plans to decarbonise the UK's power system by 2035 and Ireland's Climate Action Plan 2021 is targeting up to 81% emission reduction from electricity by 2030.

SSE's long-term net zero ambitions are supported by a series of interim targets approved by the Science Based Targets Initiative (SBTi), as referenced by SSE within page 54.

Following on from COP26, in November 2021 SSE plc published new accelerated science-based targets on the 1.5°C power sector pathway, committing to a £12.5bn five-year investment plan. SSE intend to cut absolute scope 1 and 2 emissions by 72.5% between 2017 and 2030 and are targeting net zero for scopes 1 and 2 by 2040, providing the appropriate policy mechanisms are in place to support security of supply for customers.

The Group has determined that the most significant future impacts from climate change on its operations will be from variable wind generation risk caused by changes in climate patterns, storm damage network risk through increased severity of extreme weather events, accelerated gas closure risk through climate change and wind-capture market risk where the average wholesale power prices are lower as a result of more zero marginal cost wind generation coming on to the electricity system. These are explained on pages 42 to 55 in the required Task Force for Climate related Financial Disclosures and on pages 68 to 81 in the principal risks and uncertainties, which form part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

As explained in note 2 within Accounting judgments and estimation uncertainty governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of IAS 36. Budgets and forecasts for SSE plc reflect the £12.5bn investment programme announced by SSE in November 2021. In notes 15 and 20 to the financial statements supplementary sensitivity disclosures reflecting the impact of climate with regards to valuation of property, plant and equipment, impairment assessment of goodwill and valuation of decommissioning provisions and the impact of reasonably possible changes in key assumptions have been provided and significant judgements and estimates relating to climate change have been described within the aforementioned notes. We have ensured the completeness of climate consideration as part of our impairment audit procedures, including those referred to within our impairment KAM below.

In order to respond to the impact of climate change, we ensured we had the appropriate skills and experience on the audit team. Our audit team included professionals with significant experience in climate change and energy valuations. Our audit procedures were carried out by the group and component teams, with the component teams working under the direction of the group team.

Our audit effort in considering climate change was focused on ensuring that the effects of material climate risks disclosed on pages 42 to 55 have been appropriately reflected in asset values and useful life and associated disclosures where values are determined through modelling future cash flows, being Impairment considerations over Intangible assets and PP&E, and in the timing and nature of liabilities recognised, being decommissioning provisions. Details of our procedures and findings on impairment are included in our key audit matters below. We also challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

In addition, in connection with our audit of the financial statements, we read the Other information in the annual report and Accounts and, in doing so, considered whether the Other information is materiality inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appeared to be materially misstated.

Whilst the group have stated their commitment to the Paris Agreement to achieve net zero emissions by 2050, and also to their acceleration plan of their net zero ambitions which plans a 5 year, 10 year and 30 year roadmap, there may still be some areas in which the group currently unable to determine the full future economic impact on their business model, operational plans and customers to achieve this and therefore as set out above the potential impacts are incorporated to the extent of management's best estimate at 31 March 2022.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report to the members of SSE plc continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Impairment or reversal of impairment of certain power stations & gas storage assets (Impairment reversal 2022: £428.9m, Impairment charge 2021: £58.1m) Refer to the Audit Committee Report (page 157); Accounting policies (page 222); and note 15.2 of the Consolidated Financial Statements (page 264) **Forecast based estimate:** Certain power stations and gas storage assets are at risk of impairment or impairment reversal. This is due to a number of global and national factors reducing or increasing their value in use or fair value less cost of sale, triggering an impairment assessment. Our risk focussed on the following power stations: Peterhead, Keadby, Medway Marchwood, Great Island, Tarbet power plants and Aldborough and Atwick gas storage assets. The key assumptions include future power prices, price volatility, forecast power demand, carbon prices, discounting, useful economic life and operating expenditure. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows as a result of the above factors. In the current year the risk has moved from impairment to impairment reversals.	**Scoping:** Testing was performed over this risk area, covering both full and specific scope components (covering six components), which represented 100% of the risk amount. All audit work in relation to this key audit matter was undertaken by the component audit teams, with oversight from the group audit team. We obtained management's assessment of potential impairment indicators in accordance with IAS 36 for powerplants and for gas storage assets. **Audit procedures included:** We have understood management's process and methodology for assessing assets for indicators of impairment, including indicators of reversal and, where applicable, we have understood management's modelling of value in use cash flows including the source of the key input assumptions. We checked the historical accuracy of management's forecasting and verified that the assumptions are consistent with those used in other areas. We considered prior period impairments for indication of reversal. This involved considering indicators of reversal, focussed on demand and gas prices, review of historic impairment charges now requiring reversal in full and consideration of future assumptions impacting reversal considerations. We involved three EY specialists in our assessment: a specialist with energy industry experience; a discount rate specialist and a specialist with experience of assessing forward energy prices. Using our sector experience and our specialists, we assessed any unusual or unexpected trends identified within the cashflows year on year and assessed the impact on the overall forecasted position. We understood the basis for refinements to useful economic life assessment. We considered incremental repairs and capital expenditure required for the extensions and obtained management's assessment of the technical feasibility of the extensions and reviewed the extension to the revised contracted power period. We embedded modelling expertise within the audit team to assess the appropriateness of the model parameters and clerical accuracy of the models used. We applied sensitivities to management's models to evaluate headroom, including sensitivities relating to climate change reflecting useful life assessment versus climate commitments and price and margin sensitivities. **Key assumptions:** Using our sector experience and our specialists we benchmarked to industry sources, where appropriate, the directors' judgement on the key assumptions including, power prices, forecast power demand, carbon prices and, discount rates. We verified that the assumptions are consistent with those used in other areas. **Disclosures:** We assessed the accuracy and adequacy of the disclosures in line with IAS 36, ensuring key assumptions are included and that the disclosures adequately reflect the risks inherent in the valuation of non-current assets and the impact of changes in assumptions on the reversal of impairment booked or headroom remaining.	We confirmed that the impairment reversal of £331.4m recognised by management for all Power Plants listed except Tarbert and £97.3m for Gas Storage assets was appropriate and was driven predominately by increased market driven demand and price assumptions and was correctly recorded in the current period. We communicated that the pricing assumptions applied were appropriate. We concluded that the 3 year extension in useful economic life on Keadby plant and 1 year extension on Medway plant was supportable and that the appropriate costs of which were reflected in the impairment models. The other assumptions were in line with EY assessment of expected future price movements and we highlighted the significant headroom on the power plant assets. We also noted that we are satisfied with the adequacy of disclosure within the group financial statements including climate related disclosures.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Group and parent pension obligation (2022: £584.9m, 2021: £357.0m) Refer to the Audit Committee Report (page 156); Accounting policies (page 222); and note 23 of the group financial statements (page 282) **Subjective valuation:** Small changes in the assumptions and estimates used to value the group and parent company pension obligations (before deducting scheme assets) would have a significant effect on the carrying value of those pension obligations. The effect of these matters is that, as part of our risk assessment, we determined that the group's and parent company's pension obligation has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. Additional focus in FY22 has been given to the results of the SHEPS pension triennial valuation completed in 2021. The financial statements (note 4.1(ii)) disclose the estimation uncertainty identified by the group and company. There has been no change in this risk from the prior year, however additional procedures have been performed to consider the results of the triennial valuation for SHEPS.	**Scoping:** We performed audit procedures over this risk area centrally by the group team, which covered 100% of the risk amount. **Our procedures included:** **Assessing management process:** We have understood management's process and methodology for calculating the pension liability for each scheme, including discussions with management's external actuaries, walkthrough of the processes, understanding the key inputs and the design and implementation of key controls. We performed a fully substantive audit approach rather than testing the operating effectiveness of key controls. For the SHEPS scheme we checked the member data used in the triennial valuation for consistency with that of the IAS 19 valuation and understood the difference in basis for key assumptions which we found to be in line with our expectations. **Assessing management experts:** We have assessed the independence, objectivity and competence of the group's external actuaries, which included understanding of the scope of services being provided and considering the appropriateness of the qualifications of the external actuary. **Assessing source data:** We tested a sample of the membership data used by the actuaries to the group's records. We performed an additional sample for source data used for the SHEPS triennial valuation to ensure consistency of source data used. **Benchmarking assumptions:** With the support of our pension actuarial specialists, we assessed the appropriateness of the assumptions adopted by the directors by comparing them to the expectations of our pension actuarial specialists which they derived from broader market data. **Disclosure:** We considered the adequacy of IAS 19 disclosures, including presentation of commitments associated with deficit recovery plans and in respect of sensitivity of the defined benefit obligation to changes in the key assumptions.	We conclude that management's actuarial assumptions are appropriate and sit in the centre of our independently determined range. We are satisfied with the adequacy of disclosure within the financial statements.

Independent auditor's report to the members of SSE plc continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Accounting for estimated revenue recognition (2022: £492.7m, 2021: £325.0m) Refer to the Audit Committee Report (page 157); Accounting policies (page 222); and note 18 of the group financial statements (page 271) **Subjective estimate:** 68% of the unbilled revenue is recognised within the Business Energy division and is based on estimates of values and volumes of electricity and gas supplied between last meter date and year end date. The method of estimating such revenues is complex, judgemental and significant for UK business customers and requires estimates and assumptions in relation to: 1. the volumes of electricity and gas supplied to the customers between the meter reading and year-end; 2. the value attributed to those volumes in the range of tariffs; and 3. embedded impairment risk over the unbilled revenue. As a result of the estimation uncertainty this has been identified as a significant risk. There has been no change in this risk from the prior year.	**Scope:** This balance relates to one component, Business Energy. Testing was performed covering 100% of the balance in Business Energy which accounts for 68% of the unbilled balance at 31 March 2022. All audit work in relation to this key audit matter was undertaken by the component audit teams with oversight from the group audit team. **Audit methodology:** Our response to the assessed risk included understanding the process for estimating unbilled revenue, testing selected IT general and application key controls, substantive audit procedures and revenue data analytics. **Tests of detail:** We agreed the opening unbilled accrued income to the closing 31 March 2021 balance sheet. We agreed the volume data for customer usage of energy in the year used in the calculation to external settlement systems and agreed the volume data in relation to customer billings for the year to SSE's internal billing systems to assess for consistency and to understand remaining estimation risk. We have tested the unbilled unit pricing by agreeing historical pricing to sample bills, sensitising the pricing to understand the impact of different pricing assumptions, tested a sample of billing dates from the listing to confirm billing frequency and agreeing to post year end billing prices. We have understood and tested the historical accuracy of management's forecasting of unbilled revenue by comparing estimates to final billed and settlement amounts. We considered contra indicators to management's assumptions by assessing the impact of macro economic conditions on demand and consumption volatility and benchmarked assumptions in the underlying unbilled calculations to external publications from the industry. **Analytical review:** We set expectations as to the likely level of total unbilled revenue, and compared this with actual unbilled revenue, obtaining explanation for significant variances. We compared the unbilled revenue estimation to benchmark expectation. Benchmark expectation was derived from the external settlements data combined with billing frequency at an MPAN (Meter Point Administration Number) level, usage and price movement from last billing date to year end. We have analysed and assessed explanations for variances arising from the benchmark expectation. We also tested the appropriateness of manual adjustments made by management. **Disclosure:** We assessed the adequacy of the group's disclosures about the degree of estimation and judgement involved in arriving at the estimated revenue.	We have performed our procedures over revenue within the Business Energy business and we are satisfied that the accrued revenue recognised by management in relation to unbilled revenue is appropriately recognised.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Accounting for the SSE disposal programme (2022 continuing exceptional loss £17.6m, discontinuing exceptional gain £576.5m):, 2021 exceptional gain: £976.0m) Refer to the Audit Committee Report (page 157); Accounting policies (page 294); and note 12 of the group financial statements (page 252) **Subjective estimate:** SSE announced a £2bn disposal programme in FY21, which has continued into FY22. There is a significant risk in relation to the appropriate accounting for the disposals as a result of the complexity in the final negotiated deal, specifically considering any risk regarding complex terms per the SPA or non-cash consideration elements, warranty provisions and any transitional services arrangements arising. The risk is focussed on the following key areas: Disposals in the current period: • E&P (divestment of 100% ownership) • SGN (divestment of remaining 33% ownership) • Contracting (divestment of 100% ownership) • Doggerbank C (divestment of 10% of ownership) Disposals in the prior period with ongoing material contingent or deferred consideration: • Seagreen (divestment of 51% ownership) • Slough Multifuel (divestment of 50% ownership) This risk has been amended in the current year to reflect ongoing disposals and significant contingent or deferred consideration assessments.	**Scope:** Testing was performed across the primary and component teams for 77% of the disposal programme. The SGN divestment, and any held for sale considerations were audited by the group audit team. Where audit work in relation to this key audit matter was undertaken by the component audit teams, this was supported with oversight from the group audit team. **Audit procedure performed:** **Disposals in the current period** We obtained and read the signed Share Purchase Agreements (SPA) and any subsequent amendments in relation to each of the disposals. We identified key matters within these agreements that could have a potential impact on the calculation of the disposal proceeds and the resulting gain/loss on disposal, including transitional services arrangements. We ensured key matters were agreed to supporting evidence and appropriately reflected in the gain/loss calculation. We agreed the cash consideration received to the SPA and traced cash receipts to bank accounts. Where disposed of in the current year, we verified that the initial held for sale date was appropriate and appropriate accounting commenced upon this date. We verified that the balances that related to the entity were deconsolidated from the group financial statements at the date of disposal. This included verifying that the assets and liabilities disposed of were adjusted accordingly to reflect closing adjustments in line with the SPA. Where a change in control was identified we have assessed this under IFRS 10 and IFRS 11 to ensure that appropriate classification and accounting treatment has been applied. We have assessed non-cash consideration terms within the deals and assessed the appropriateness of the accounting for contingent consideration recognised at 31 March 2022. We have checked that the completion obligations and warranties and any disposal costs have been correctly accounted for within the gain/loss on sale calculations. **Past disposals:** We have re-assessed management's assumptions and received an update on key matters which could change the original assessment of contingent consideration for past disposals.	We conclude that the accounting for the current year disposals is appropriate. We are satisfied that the contingent consideration recognised is appropriate. We are satisfied that the group financial statements appropriately disclose these transactions.

There are no significant changes from the KAMs disclosed in the prior year audit report, other than modification of the disposal programme to focus on the current year disposals and the consideration of a wider scope with regards to impairment and to include impairment reversals.

Independent auditor's report to the members of SSE plc continued

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £57.9m (2021: £54.1m), which is 5% (2021: 5%) of adjusted profit before tax. We believe that adjusted profit before tax provides us with consistent measure of underlying year-on-year performance as it excludes the impact of non-recurring items as well as recurring items (namely movement on operating and financing derivatives) which can significantly fluctuate year-on-year and do not provide a true picture of the profit benchmark that would affect the decisions of the users of the financial statements.

We determined materiality for the Parent Company to be £95.0m (2021: £97.0m), which is 2% (2021: 2%) of Net Assets. The materiality has been capped at the group materiality of £57.9m.

Starting basis	• Profit before tax – £3,482.2m
Adjustments	• Movement on operating and financing derivatives – (£2,121.4m) • Non-recurring exceptional items – (£269.2m) • JV Tax – £46.3m • Variance from forecast to actual PBT – £21.1m
Materiality	• Totals £1,159m adjusted profit before tax • Materiality of £57.9m (5% of materiality basis)

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2021: 50%) of our planning materiality, namely £28.9m (2021: £27.0m). We have set performance materiality at this percentage due to the differences identified during the prior year audit.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £4.9m to £15.9m (2021: £3.9m to £7.9m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £2.9m (2021: £2.7m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 203, including the strategic report and the directors' report set out on pages 1 to 111 and 112 to 203 respectively, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 92;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 86;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 203;
- Directors' statement on fair, balanced and understandable set out on page 153;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 68 and 161;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 161; and
- The section describing the work of the audit committee set out on page 152.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 203, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report to the members of SSE plc continued

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are IFRS, FRS101, the Companies Act 2006 and UK Corporate Governance Code and relevant tax compliance regulations in the jurisdictions in which the group operates. We also considered non-compliance of regulatory requirements, including the Office of Gas and Electricity Markets (Ofgem) and regulations levied by the UK Financial Conduct Authority and Prudential Regulatory Authority. We have spoken with the SSE head of regulation to confirm our understanding.
- We understood how SSE plc is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the company Secretary. We verified our enquiries through our review of board minutes and papers provided to the Audit Committee.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there was susceptibility to fraud. We also considered performance targets and their propensity to influence on efforts made by management to manage earnings. We considered the programmes and controls that the group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved: journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of legal counsel, group management, internal audit, business area management at all full and specific scope management; and focused testing. In addition, we completed procedures to conclude on the compliance of the disclosures in the annual report and accounts with all applicable requirements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the audit committee we were appointed by the company on 18 July 2019 to audit the financial statements for the year ending 31 March 2020 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 3 years, covering the years ending 31 March 2020 to 31 March 2022.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Annie Graham (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
24 May 2022

Consolidated segmental statement
For the year ended 31 March 2022

SSE consolidated segmental statement for the year ended 31 March 2022

Year ended 31 March 2022	Unit	Electricity Generation Thermal	Electricity Generation Renewable	Aggregate Generation business	Electricity supply Non-domestic	Gas supply Non-domestic	Aggregate Supply business
Total revenue	£m	1,050.3	1,071.4	2,121.7	2,086.2	237.3	2,323.5
Sales of electricity & gas	£m	541.8	864.5	1,406.3	2,086.2	237.3	2,323.5
Other revenue	£m	508.5	206.9	715.4	–	–	–
Total operating costs	£m	763.1	414.4	1,177.5	2,121.9	218.6	2,340.5
Direct fuel costs	£m	148.5	–	148.5	1,080.1	157.1	1,237.0
Transportation costs	£m	93.4	115.6	209.0	474.6	38.4	513.0
Environmental & social obligation costs	£m	165.4	–	165.4	464.7	1.4	466.1
Other direct costs	£m	261.5	47.5	309.0	9.0	1.8	10.8
Indirect costs	£m	94.3	251.3	345.6	93.6	20.0	113.6
EBITDA	£m	287.2	657.0	944.2	(35.7)	18.7	(17.0)
Depreciation and Amortisation	£m	71.7	183.5	255.2	3.8	0.7	4.5
EBIT	£m	215.5	473.5	689.0	(39.5)	18.0	(21.5)
Volume	TWh/ mTherms	10.7	9.0	19.7	12.6	218.0	
WACOF/E/G	£/MWh/p/th	13.9	–		85.4	72.0	
Customer numbers	'000s				403.0	67.9	470.9

Basis of preparation and disclosure notes

The Group's operating segments are those used internally by the board to run the business and make strategic decisions. The types of products and services from which each reportable segment derives its revenues are:

Business area	Reported segments	Description
Continuing operations		
Transmission	SSEN Transmission	The economically regulated high voltage transmission of electricity from generating plant to the distribution network in the North of Scotland. 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 (covered by CSS)	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 (covered by CSS)	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.

Consolidated segmental statement continued
For the year ended 31 March 2022

Business area	Reported segments	Description
Energy Customer Solutions	Business Energy (covered by CSS)	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.
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 and Investments (EPM&I)	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		
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 Group's reportable operating segments for 'Renewables', 'Thermal Generation' and 'Business Energy' are substantially aligned to the business segments reported in the Consolidated Segmental Statement (CSS). However, it should be recognised that there are differences between the two disclosures, primarily driven by the Licence requirements – these are described in the notes below and shown in the table reconciling the CSS to the financial statements.

How the accounts are presented
The financial information presented in the CSS is based on operating activities of the Group's electricity generation businesses ("Renewables" and "Thermal Generation" segments described above) and the non-domestic electricity and gas supply business ("Business Energy" segment described above) in Great Britain. The paragraphs that follow describe how SSE's Renewable and Thermal Generation and Business Energy (non-domestic supply) businesses interact with Energy Portfolio Management (EPM), which is the Group's energy markets business. The basis of preparation defines the revenues, costs and profits of each business and describe in more detail the transfer pricing arrangements in place for the financial year ended 31 March 2022. The CSS has been prepared on a going concern basis as set out in note A6.3 of SSE plc's Annual Report.

Summary

The Group's 'Renewables' business sells electricity and Renewable Obligation Certificates (ROCs) from onshore and offshore windfarms and qualifying hydro to the Group's EPM business.

'Thermal Generation' sells electricity in respect of gas generation to EPM. It also receives external income in respect of ancillary services, balancing market participation and other contractual arrangements with third parties including government. It purchases its requirement for gas, oil and carbon from EPM.

'Business Energy' sells electricity and gas to circa 0.5m business customer accounts in Great Britain and procures electricity, gas REGOS, RGGOs and ROCs from EPM.

EPM acts as a route to market for Renewables and Thermal Generation and as counterparty with the external market for the procurement of electricity and gas for SSE Energy Services and Business Energy. EPM does not form part of the CSS as it is not within the scope defined by Ofgem. The policies governing the forward hedging activity undertaken by EPM are overseen by Energy Markets Risk Committee, whose responsibilities and roles are described on page 162 of SSE Annual Report for the year ended 31 March 2022.

Renewable Electricity Generation

The Renewables profit and loss account above is based on the Group's electricity generation activity derived from natural sources of energy to produce electricity which includes wind, hydro and pump storage powered generation.

Renewables as presented in the CSS includes revenue and operating profit for wholly owned renewable generation assets and also a proportion of turnover and operating profit in respect of joint ventures, joint operations and associate generation companies[1]. The principal Joint Ventures, Joint Operations and Associates included are Beatrice Offshore Windfarm Limited, Clyde Windfarm (Scotland) Limited, Stronelairg Windfarm Limited, Dunmaglass Windfarm Limited and Greater Gabbard Offshore Winds Ltd. A full list can be found in note A3 of SSE's audited financial statements.

The Renewables profitability statement bears the risks and rewards for plant performance and renewable generation output, changes in the power price achieved for renewable generation and the impact of weather.

Individual line items in the Renewables profit and loss account above are comprised of:

Revenue From Sales of Electricity – revenue is recognised as generated and supplied to the national settlements body. Revenue is sold to the wholesale market through EPM at either the spot price at the time of delivery, or trade price where that trade is eligible for 'own use' designation. Revenue includes the sale of ROCs generated from qualifying plant to EPM. Generation volumes are the volume of power actually sold to the wholesale market.

Other Revenue – includes ancillary services, capacity income, balancing market participation and other miscellaneous income.

Transportation Costs – include Use of System charges and market participation costs.

Other Direct Costs – include power purchase agreement ('PPA') costs, site costs and management charges from EPM.

Indirect Costs – include salaries and other people costs, asset maintenance, rates, corporate costs and IT charges.

Depreciation and Amortisation – the depreciation shown in the CSS is the underlying charge based on the useful remaining life of the assets.

1 The PPA's that SSE has with its joint venture companies Clyde Windfarm (Scotland) Limited, Stronelairg Windfarm Limited and Dunmaglass Windfarm Limited provide SSE with contractual entitlement to 100% of the output of the windfarms. Accordingly, SSE has reported its rights to those volumes within its Renewables statistics and has also, as mandated by Ofgem, included 50% of the JV revenue in the CSS.

Thermal Electricity Generation

The Thermal profit and loss account above is based on the Group's conventional (thermal) electricity generation activity. Conventional generation is considered to be any generation where fuel is consumed to produce electricity and includes gas and oil fuelled generation.

Thermal Generation as presented in the CSS includes revenue and operating profit for wholly owned thermal generation assets and also a proportion of turnover and operating profit in respect of joint ventures[2]. The principal joint ventures included are Seabank Power Ltd and Marchwood Power Ltd. A full list can be found in note A3 of SSE's audited financial statements.

The Thermal Generation profitability statement bears the risks and rewards for plant performance, changes in market 'spark' (the marginal profit for generating electricity by gas), changes in government and EU policy particularly surrounding emissions.

Individual line items in the Thermal profit and loss account above are comprised of:

Revenue From Sales of Electricity – revenue is recognised as generated and supplied to the national settlements body. Revenue is sold to the wholesale market through EPM at either the spot price at the time of delivery, or trade price where that trade is eligible for 'own use' designation. Generation volumes are the volume of power sold to the wholesale market.

Consolidated segmental statement continued
For the year ended 31 March 2022

Other Revenue – includes ancillary services, capacity income, balancing market participation and other miscellaneous income.

Direct Fuel Costs – Thermal Generation procures fuel and carbon from EPM at wholesale market prices. The cost of fuel also includes the long term external purchase contracts and the impact of financial hedges. The WACOF (weighted average cost of fuel) calculation includes the costs of carbon emissions (reported in the environmental and social obligations cost line in the CSS).

Transportation Costs – include Use of System charges and market participation costs.

Environmental and Social Costs – include carbon costs.

Other Direct Costs – include power purchase agreement ('PPA') costs, site costs and management charges from EPM.

Indirect Costs – include salaries and other people costs, asset maintenance, rates, corporate costs and IT charges.

Depreciation and Amortisation – the depreciation shown in the CSS is the underlying charge based on the useful remaining life of the assets and excludes exceptional asset impairments.

2 The tolling arrangements that SSE has with its joint venture companies Seabank Power Ltd (ended 30 September 2021) and Marchwood Power Ltd provide SSE with contractual entitlement to 100% of the output of the power stations. Accordingly, SSE has reported its rights to those volumes within its Thermal Generation statistics and has also, as mandated by Ofgem, included 50% of the JV revenue in the CSS.

Business Energy (Non-domestic)

Revenue from Sales of Electricity and Gas – revenues are the value of electricity and gas supplied to business customers in Great Britain during the year and includes an estimate of the value of units supplied between the date of the last bill and the year end. Non-domestic volumes are expressed at customer meter point. RCRC has been allocated to direct fuel costs in the year ended 31 March 2022. In the year ended 31 March 2021 this was allocated to Revenue.

Direct Fuel Costs – Business Energy does not engage in the trading of electricity and gas and procures all of its electricity and gas from EPM. The method by which EPM procures energy is at an arm's length arrangement on behalf of Business Energy is governed by Business Energy's forward hedging policy. The forward trades between Business Energy and EPM are priced at wholesale market prices at the time of execution and any differences in volume and reconciliation at the time of delivery is marked to the spot price on the day. WACOG (weighted average cost of gas) also includes all Allocation reconciliations and Unidentified Gas. The WACOE and WACOG also consist of trades marked to wholesale prices when committed at the point of sale for fixed price customer contracts or when a customer instructs SSE to purchase energy in respect of flexi-priced contracts. This transfer pricing methodology reflects how Business Energy actually acquired its energy. There have been no material changes in the transfer pricing policy in respect of Business Energy since the CSS for the financial year ending 31 March 2022.

Transportation Costs – these include transportation, transmission and distribution use of system costs and BSUOS.

Environmental and Social Obligation Costs – relate to policies designed to modernise and decarbonise the energy system in Great Britain and include ROCs, Feed in Tariff, charges under the Capacity Mechanism and CfD schemes and charges in relation to 'assistance for areas with high electricity distribution costs' (AAHEDC). REGO, RGGOs and GOO costs related to these schemes are also included in this section of the CSS. Industry Mutualisation costs have also been allocated to this element of the statement.

Other Direct Costs – include: industry settlement costs, management and market access charges from EPM and other miscellaneous costs.

Indirect Costs – include: sales and marketing, customer service, bad debts and collections, metering costs, commercial costs, central costs – including information technology, property, corporate, telecoms costs and costs incurred to meet Smart Metering rollout obligations for the year. Where costs cannot be directly allocated to a fuel (electricity/gas), they have been allocated using costing models based on activity, customer revenue or customer numbers – whichever is the most appropriate.

Business Energy's profit and loss account bears the risk and rewards arising from the volatility in demand for energy, caused by the weather, consumption per customer and customer churn. It is also exposed to swings in wholesale costs and the uncertainty surrounding its share of government environmental and social schemes.

EPM

EPM is responsible for optimising the Group's electricity, gas and other commodity requirements. The hedging activity undertaken by EPM is governed by the Group's Energy and Markets Risk Committee in accordance with the Statement on SSE's Approach to Hedging published in November 2018.

Business functions

The business functions in SSE have already been described in this document. The column headed 'Not included in the CSS' principally relates to EPM.

Business function	Note	Generation	Supply	Not included in CSS
Operates and maintains generation assets		✓		
Responsible for scheduling decisions	1	P/L		F
Responsible for interactions with the Balancing Market	2	P/L		F
Responsible for determining hedging policy	3	✓	✓	
Responsible for implementing hedging policy/makes decisions to buy/sell energy	4	P/L	P/L	F
Interacts with wider market participants to buy/sell energy	5			✓
Holds unhedged positions (either short or long)	3	✓	✓	✓
Procures fuel for generation		P/L		F
Procures allowances for generation		P/L		F
Holds volume risk on positions sold (either internal or external)		✓	✓	
Matches own generation with own supply	6			✓
Forecasts total system demand	7	P/L	P/L	F
Forecasts wholesale price		P/L	P/L	F
Forecasts customer demand	8		P/L	F
Determines retail pricing and marketing strategies			✓	
Bears shape risk after initial hedge until market allows full hedge	9	P/L	P/L	F
Bears short term risk for variance between demand and forecast	10		✓	

Key:

✓ function and P&L impacting that area;
P/L profit/losses of function recorded in that area;
F function performed in that area.

Glossary and notes

1 "Scheduling decisions" means the decision to run individual power generation assets.
2 "Responsible for interactions with the Balancing Market" means interactions with the Balancing Mechanism in electricity.
3 Hedging policy was the responsibility of the Energy Markets Risk Committee which is a sub committee of the SSE Executive Committee.
4 SSE EPM implements the hedging policy determined by the Energy Markets Risk committee on behalf of Renewables, Thermal Generation, Business Energy and SSE Energy Services.
5 "Interacts with wider market participants to buy/sell energy" means the business unit responsible for interacting with wider market participants to buy/sell energy, not the entity responsible for the buy/sell decision itself, which falls under "Responsible for implementing hedging policy/makes decisions to buy/sell energy".
6 "Matches own generation with own supply" means where there is some internal matching of generation and supply before either generation or supply interact with the wider market. The total electricity demand for Business Energy and SSE Energy Services (expressed at NBP) was 19.2TWh and the total UK Generation output was 13.7TWh (71%).
7 "Forecasts total system demand" means forecasting total system electricity demand or total system gas demand.
8 "Forecasts customer demand" means forecasting the total demand of own supply customers.
9 "Bears shape risk after initial hedge until market allows full hedge" means the business unit which bears financial risk associated with hedges made before the market allows fully shaped hedging.
10 "Bears short term risk for variance between demand and forecast" means the business unit which bears financial risk associated with too little or too much supply for own customer demand.

Consolidated segmental statement continued
For the year ended 31 March 2022

Reconciliation of CSS to SSE Financial Statements 2021/22

The table below shows how the CSS reconciles with the adjusted earnings before tax in the SSE financial statements (note 5 of SSE's financial statements):

Reconciliation of CSS to Financial Statements	Note	Revenue £m	EBIT £m
Business Energy			
CSS Supply – Business Energy		2,323.5	(21.5)
Total Business Energy in SSE Financial Statements		**2,323.5**	**(21.5)**
Generation Business			
Renewables			
CSS Renewables Electricity Generation		1,071.4	473.5
Non-GB Generation	1	98.8	30.3
JVs/Associates revenue in CSS	2	(394.0)	–
Non-recurring disposal gains	3	–	64.3
Total Renewables in SSE Financial Statements		**776.2**	**568.1**
Thermal			
CSS Thermal Electricity Generation		1,050.3	215.5
Non-GB Generation	4	258.2	90.8
JVs/Associates revenue in CSS	2	(179.3)	–
Total Thermal in SSE Financial Statements		**1,129.2**	**306.3**

There are some differences between SSE's financial statements and the CSS. There are items which are in the financial statements and not in the CSS; and also there are items which Ofgem has requested be included in the CSS which are not in the financial statements.

Notes
1 Non-GB Electricity Generation relates to SSE's Renewables business in the Republic of Ireland and Northern Ireland;
2 SSE applies equity accounting for the majority of its investments in JVs and Associates (which means it only includes its share of the profits/losses), in accordance with International Financial Reporting Standards (IFRS). The Ofgem mandated basis of preparation of the CSS requires that the proportionate share of revenue, costs and profits are shown in the CSS. The revenue shown in the CSS for JVs and Associates is not present in the financial statements and is therefore a reconciling item. The share of profits however are present in both CSS and financial statements, therefore no reconciliation is necessary;
3 During the year the Group disposed of a 10% stake in Doggerbank C, recognising total gain on disposal of £64.3m (see note 12 of SSE's Annual Report). The gain has been excluded from the regulated revenue and profit presented in the CSS, but is included in the underlying operating profit within the financial statements in accordance with the Group's accounting policy for such divestments;
4 Non-GB Electricity Generation relates to SSE's Thermal business in the Republic of Ireland.

Adjustments to reported profit before tax

SSE focuses its internal and external reporting on 'adjusted profit before tax' which excludes exceptional items, re-measurements arising from IFRS 9, depreciation on fair value uplifts and removes taxation on profits of joint ventures and associates, because this reflects the underlying profits of SSE, reflects the basis on which it is managed and avoids the volatility that arises out of IFRS 9. Therefore, these items have been excluded from the CSS.

CSS audit opinion

Opinion

We have audited the financial statements of SSE plc (the Company) for the year ended 31 March 2022, which comprise the Consolidated Segmental Statement (CSS), Basis of preparation, Reconciliation of CSS to the Annual Report of SSE plc and the related disclosure notes. The financial reporting framework that has been applied in their preparation is a special purpose framework comprising the financial reporting provisions of Ofgem's Standard condition 16B of Electricity Generation licences and Standard 19A of Electricity and Gas Supply Licences.

In our opinion, the accompanying CSS of the Company for the year ended 31 March 2022 is prepared, in all material respects, in accordance with the requirements of Standard condition 16B of Electricity Generation licences and Standard 19A of Electricity and Gas Supply Licences and the basis of preparation on pages 347 to 351.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including '*ISA (UK) 800 (Revised) Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*'. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the CSS, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 19 months through to 31 December 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Emphasis of matter – basis of accounting and restriction on distribution and use

We draw attention to pages 347 to 351 of the CSS, which describe the basis of accounting. The CSS is prepared to assist the Company in complying with the financial reporting provisions of the contract referred to above. As a result, the CSS may not be suitable for another purpose. Our report is intended solely for the Company, in accordance with our engagement letter dated 10 May 2022, and should not be distributed to or used by parties other than the Company. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report, other than the CSS and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the CSS does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the CSS itself. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

Management is responsible for the preparation of the CSS in accordance with the financial reporting provisions of Section Z of the contract, and for such internal control as management determines is necessary to enable the preparation of CSS that are free from material misstatement, whether due to fraud or error.

In preparing the CSS, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

CSS audit opinion continued

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are IFRS, FRS 101, the Companies Act 2006, the UK Corporate Governance Code and relevant tax compliance regulations in the jurisdictions in which the group operates. We also considered non-compliance of regulatory requirements, including the Office of Gas and Electricity Markets (Ofgem) and regulations levied by the UK Financial Conduct Authority and Prudential Regulatory Authority. We have spoken with the SSE head of regulation to confirm our understanding.
- We understood how SSE plc is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the company Secretary. We verified our enquiries through our review of board minutes and papers provided to the Audit Committee.
- We assessed the susceptibility of the Company's CCS to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there was susceptibility to fraud. We also considered performance targets and their propensity to influence on efforts made by management to manage earnings. We considered the programmes and controls that the group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved: journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of legal counsel, group management, internal audit, business area management at all full and specific scope management; and focused testing. In addition, we completed procedures to conclude on the compliance of the disclosures in the annual report and accounts with all applicable requirements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matter

We have reported separately on the statutory financial statements of SSE plc.

Ernst & Young LLP
Glasgow
24 May 2022

Shareholder information

Shareholder enquiries
The Company's register of members is maintained by our appointed Registrar, Link Group. Shareholders with queries relating to their shareholdings should contact Link directly:

Link Group
10th Floor,
Central Square
29 Wellington Street
Leeds
LS1 4DL

Telephone: 0345 143 4005
Email: SSE@linkgroup.co.uk

Financial calendar

Publication of Annual Report	17 June 2022
Q1 Trading Statement	21 July 2022
AGM	21 July 2022
Ex-dividend date for final dividend	28 July 2022
Record date for final dividend	29 July 2022
Final date for Scrip elections	25 August 2022
Payment date	22 September 2022
Notification of Close Period by	30 September 2022
Results for six months to 30 September	16 November 2022

Website
SSE maintains its website, www.sse.com, to provide ease of shareholder access to information about the Company and its performance. It includes a dedicated Investors section where you can find electronic copies of Company reports and further information about shareholder services including:
- share price information;
- dividend history and trading graphs;
- the Scrip dividend scheme;
- telephone and internet share dealing; and
- downloadable shareholder forms.

Digital news
SSE uses a dedicated news and views website (available at www.sse.com/news-and-views) and Twitter (www.twitter.com/sse) to keep shareholders, investors, journalists, employees and other interested parties up-to-date with news from the Company.

Sustainable communications
SSE's sustainable communications strategy aims to reduce the volume of paper being used in its communications with shareholders and other stakeholders. Shareholders are able to access a wide range of shareholder documentation, including Annual Reports, the Notice of Annual General Meeting and useful forms through the Investors section of SSE's website, www.sse.com/investors. We encourage shareholders to accept electronic formats as the default method for accessing shareholder documentation and dividend information.

All new shareholders are automatically registered as opting to access shareholder documentation through the 'Investors' area of our website. These shareholders receive a notification, by post, when new relevant documentation has been placed on the website. Shareholders who wish to opt for printed documentation and communication should confirm this in writing to Link Group.

Shareholder portal
www.sse-shares.com

This free online service, provided by Link Group, allows shareholders to easily manage their share portfolios, including:
- View, update and calculate the market value of their shareholdings.
- Change address details and dividend payment instructions.
- View share price histories and trading graphs of listed companies.

E-communications programme
You can also choose to go a step further and sign-up to SSE's eCommunication programme which allows you to receive notification of the availability of new shareholder documentation.

Simply register on our shareholder portal www.sse-shares.com. You will require your Investor Code (IVC), which can be found on any recent shareholder communications from SSE.

Where delivery of an email fails, we will attempt to contact you by post to update your details. Keep us informed of changes to your email address through our shareholder portal www.sse-shares.com.

Dividends
The Company typically pays dividends twice yearly. Interim dividends are paid in March, and final dividends are paid in September once approved by shareholders at the AGM. With significant focus on payment methods for dividends in recent years, in terms of efficiency, cost and security, SSE plc made the decision that from September 2019, it would no longer be paying dividends by cheque. All dividends are now credited to a shareholder's nominated UK bank/building society account. If you haven't already registered your UK bank/building society account details with Link Registrar or would like to amend the details on your account, you can do this by:
- logging in to the dedicated Shareholder Portal at www.sse-shares.com; or
- calling Link on 0345 143 4005* and speaking to one of the team.

If you do not have a UK bank or building society account, your dividends can be paid directly into a bank account outside of the UK using the International Payment service. Please visit https://ww2.linkgroup.eu/ips for further information.

Scrip dividend
Alternatively, shareholders may want to join the Scrip dividend scheme and receive future dividends in the form of additional new shares. Further details of the Scrip dividend scheme can be found at www.sse.com/investors/shareholder-services/dividends-and-scripscheme/. You should still complete a bank mandate to enable future dividend payments should you ever withdraw from the Scrip scheme.

Share dealing
Share dealing services are available from Link Share Dealing Services.

Telephone dealing
For information on the telephone dealing service call 0371 664 0445*
Lines are open Monday-Friday, 8.00am – 4.30pm
Please have your Investor Code (IVC) ready.

Shareholder information continued

Internet dealing

For information on the internet dealing service log on to: https://ww2.linkgroup.eu/share-deal/. Information provided on these services should not be construed as a recommendation to buy, sell or hold shares in SSE plc, nor to use the services of Link Share Dealing Services. Link Share Dealing Services is a trading name of Link Market Services Trustees Limited which is authorised and regulated by the Financial Conduct Authority. If you live in a country where the provisions of such services would be contrary to local laws or regulations, this should be treated for information only.

Dissentient shareholders

Scottish and Southern Energy plc (now known as SSE plc) was formed in 1998 following the merger of Scottish Hydro Electric plc and Southern Electric plc. The terms of the offer through which the merger was effected was that for every Southern Electric plc ordinary share held, shareholders received one Scottish and Southern Energy plc (now SSE plc) ordinary share. A number of shareholders did not respond to the original merger offer, resulting in subsequent tracing communications over the following years. In 2017, more than 12 years after the formation of SSE, a complete tracing programme was initiated through the asset reunification company Capita Employee Benefits (Consulting) Limited (Capita Tracing), to locate dissentient shareholders and reunite them with their funds. The steps agreed were designed to enable the best possible outcome for dissentient shareholders and provided clear details of the actions required to claim their asset entitlement. Following the completion of all reasonable steps over £2m (in a combination of shares and accrued dividends) was returned to dissentient shareholders. As required by the Companies Act 2006, the remainder totalling over £9m was transferred to the Chancery Division of the High Court of Justice. Unclaimed monies can still be claimed through direct application to the Chancery Division of the High Court of Justice. The process for making such an application was provided to outstanding claimants and further details are provided at www.sse.com/investors/shareholder-services/useful-information/southern-electric-unclaimed-dividends/.