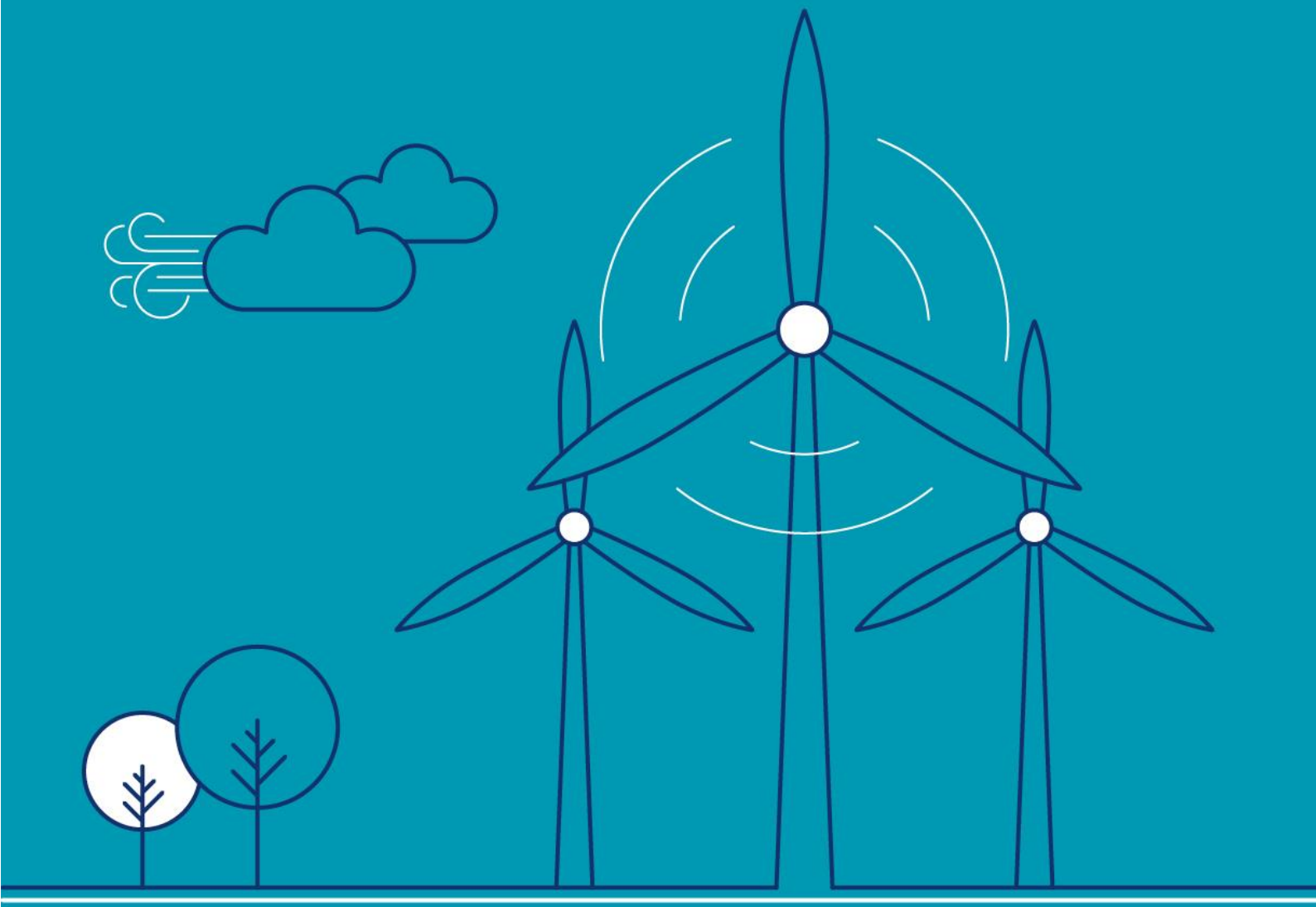
sse | For a better world of energy

PRELIMINARY
FULL YEAR RESULTS

FOR THE 12 MONTHS TO 31 MARCH 2020



Disclaimer

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

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This document does not constitute an offer or invitation to underwrite, subscribe for, or otherwise acquire or dispose of any SSE shares or other securities and the information contained herein cannot be relied upon as a guide to future performance.

Definitions

These financial results for the year to 31 March 2020 are reported under IFRS (International Financial Reporting Standards), as adopted by the EU.

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

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

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

Important note: SSE Energy Services

On 15 January 2020, SSE completed the sale of its SSE Energy Services business to OVO Energy Limited. SSE Energy Services has been presented in these financial statements as a discontinued operation (see note 12.2 (i) of the Summary Financial Statements), therefore the results of SSE Energy Services have been excluded from the Group's adjusted profit and loss metrics.

Important note: Gas Production

At 31 March 2020 SSE has assessed that SSE's investment in Gas Production assets should be classified as held for sale and the business activity classified as a discontinued operation (see note 5.2 (i) of the Summary Financial Statements). Therefore, the results of SSE's investments in Gas Production assets have been excluded from the Group's adjusted profit and loss metrics. While the assets of this business are held for sale, the benefit of an internal gas hedge is being retained within the SSE Group due to the structure of the proposed disposal.

Impact of planned sales on the Group's APMs

The following metrics have been adjusted in all periods presented to exclude the contribution of SSE Energy Services and SSE's investment in Gas Production assets, which have been classified as discontinued operations as at 31 March 2020:

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

Table of Contents

HEADLINES....1
FINANCIAL PERFORMANCE IN 2019/20 AT A GLANCE....3
STRATEGIC OVERVIEW....6
GROUP FINANCIAL REVIEW 2019/20....8
- Operating profit performance 2019/20....9
- Investment and Capital Expenditure....13
- SSE's Hedging Position at 31 March 2020....14
- Adjusted Earnings per Share....15
- Dividend 2019/20....17
- Financial management and balance....17
- Taxation....22
- Impacts of prior year adjustments....22
- Pensions....22

GROUP FINANCIAL OUTLOOK 2020/21 AND BEYOND....23
BUSINESS UNIT OPERATING REVIEW....29
ECONOMICALLY-REGULATED NETWORKS....29
SSEN TRANSMISSION....30
SSEN DISTRIBUTION....33
INVESTMENT IN SCOTIA GAS NETWORKS (SGN)....37
SSE RENEWABLES....38
SSE THERMAL....42
GAS STORAGE....44
SSE BUSINESS ENERGY....45
SSE AIRTRICITY....45
SSE ENTERPRISE....46
ENERGY PORTFOLIO MANAGEMENT....47
GAS PRODUCTION (Held for sale)....48
SSE ENERGY SERVICES (Discontinued)....48
ALTERNATIVE PERFORMANCE MEASURES....49
Financial Statements....56
Consolidated Income Statement....56
Consolidated Statement of Comprehensive Income....57
Consolidated Balance Sheet....58
Consolidated Statement of Changes in Equity....59
Consolidated Cash Flow Statement....60
Notes to the Preliminary Statement....61

SSE plc
Preliminary results for the year ended 31 March 2020

17 June 2020

HEADLINES

Results for 2019/20*

- Adjusted operating profit up 37% to £1,488.4m
  - Despite negative coronavirus impact of £18.2m related to electricity demand[#]
- Reported operating profit down 40% to £963.4m
- Adjusted profit before tax up 49% to £1,023.4m
- Reported profit before tax down 55% to £587.6m
- Adjusted earnings per share up 35% to 83.6p, within forecast 83p-88p range
- Reported earnings per share down 67% to 40.6p
- Net exceptional charge of £738.7m before tax:
  - £529.0m on discontinued operations; and
  - £209.7m on continuing operations (incl. £33.7m relating to coronavirus impacts on bad debts[#])
- Capital and investment expenditure down 5% to £1,357.4m
- Adjusted net debt and hybrid capital at £10.5bn, in line with forecast
- £7.7bn total contribution to UK GDP; 83,040 UK jobs supported; €650m total contribution to Ireland GDP; 3,740 Irish jobs supported.

[#]Total coronavirus impacts of £51.9m

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

Dividend for 2019/20

- Final dividend of 56p per share recommended for payment on 18 September 2020, making a full year dividend of 80p per share in line with five-year 2018/19 to 2022/23 dividend plan

Outlook for 2020/21 and beyond

- Coronavirus impacts on operating profit estimated between £150m and £250m before mitigation
  - Guidance on adjusted earnings per share to be provided later in financial year
- Comprehensive plan to sustain dividends and create value
  - Maintaining good liquidity and effective financial management
  - Reducing planned cash outflow (mainly capex) by at least £250m in 2020/21
  - Securing value from disposals of at least £2bn by autumn 2021
- Plan to invest capital and investment of around £7.5bn net in five years to 2024/25, focused on core strategic decarbonisation projects
  - Includes planned investment in 443MW Viking onshore wind farm – see separate announcement.
- New target to cut carbon intensity of electricity generation by 60% by 2030[#]
- Targeting net debt/EBITDA ratio at lower end of 4.5 to 5 times range between 2021/22 and 2024/25

- Target to maintain credit rating ratios comfortably above those required for investment grade

#Based on 2018 levels; previous target 50%. See sse.com for details

Dividend for 2020/21

- Continuing to target delivery of the five-year 2018/19 to 2022/23 dividend plan

**Based on estimated RPI of 1.5%*

Richard Gillingwater, Chair of SSE, said:

"2019/20 was a year of progress for SSE. Financially, there was a solid recovery from the previous year. Strategically, we reshaped the Group with the sale of Energy Services and increased our focus on our core businesses of regulated electricity networks and renewable energy. Operationally, these businesses made significant progress towards our strategic priorities and ambition to be a leading energy company in a net zero world.

"Since March, SSE's overriding priority has been to support the safe and reliable supply of the electricity upon which the people and organisations responding directly to coronavirus depend and the commitment of people across SSE in challenging circumstances has been outstanding.

"It is still too soon to predict with accuracy the full human, social, economic and business impact of coronavirus; but we have put in place a comprehensive plan to achieve the related objectives of sustaining the dividend payments which provides vital income for people's pensions and savings – income which is now more important than ever; and promoting the long-term success of SSE for the benefit of all its stakeholders.

"Climate change remains a critical issue and we see significant opportunities to create sustainable value for shareholders and society through contributing to a much-needed green economic recovery and supporting the transition to net zero emissions."

FINANCIAL PERFORMANCE IN 2019/20 AT A GLANCE

SSE Energy Services was sold on 15 January 2020 and SSE's investment in Gas Production assets was classified as held for sale at 31 March 2020. Both businesses have been classified as discontinued operations in the Summary Financial Statements and have therefore been excluded from profit- and loss-based measures in the tables below, in all periods.

Key Financial Indicators	Mar 20	Mar 19*	Mar 18*
Adjusted operating profit/(loss)	**£m**	**£m**	**£m**
SSEN Transmission	218.1	252.1	195.6
SSEN Distribution	356.3	401.3	402.2
Electricity Networks Total	**574.4**	**653.4**	**597.8**
Investment in SGN	202.3	176.8	165.3
Economically-regulated networks total	**776.7**	**830.2**	**763.1**
SSE Renewables	**567.3**	**455.9**	**475.9**
Thermal Generation	152.7	(22.3)	107.8
Gas Storage	3.7	(5.7)	(6.5)
Thermal Energy Total	**156.4**	**(28.0)**	**101.3**
Business Energy (GB)	9.2	51.6	64.2
SSE Airtricity (NI and Ire)	48.8	38.6	33.0
Customer Solutions Total	**58.0**	**90.2**	**97.2**
Energy Portfolio Management	(137.4)	(284.9)	46.0
Gas Production Continuing – contracts	77.1	-	-
Enterprise	8.1	31.8	26.9
Corporate Unallocated	(17.8)	(6.5)	10.4
Total adjusted operating profit from continuing operations	**1,488.4**	**1,088.7**	**1,520.8**
Adjusted profit before tax	**1,023.4**	**685.1**	**1,153.3**
Adjusted earnings per share (EPS) pence	**83.6**	**61.8**	**93.3**
Interim dividend per share (DPS) pence	24.0	29.3	28.4
Final dividend per share (DPS) pence	56p	68.2	66.3
Full year dividend per share (DPS) pence	80p	97.5	94.7
Investment and capital expenditure (adjusted & reported) £m	1,357.4	1,422.9	1,503.0
Adjusted net debt and hybrid capital £m	(10,465.9)	(9,437.0)	(9,211.8)
Reported operating profit /(loss) on continuing operations			
SSEN Transmission	218.1	252.1	195.6
SSEN Distribution	351.9	401.3	420.2
Electricity Networks Total	**570.0**	**653.4**	**597.8**
Investment in SGN	80.8	85.1	71.8
Economically-regulated networks total	**650.8**	**738.5**	**669.6**
SSE Renewables	**459.9**	**1,242.9**	**452.0**
Thermal Generation	15.5	(50.6)	71.4
Gas Storage	(1.4)	(5.7)	(6.5)
Thermal Energy Total	**14.1**	**(56.3)**	**64.9**
Business Energy (GB)	(18.5)	51.6	64.2
SSE Airtricity (NI and Ire)	42.8	38.6	26.9
Customer Solutions Total	**24.3**	**90.2**	**91.1**
Energy Portfolio Management	(171.6)	(613.1)	(43.1)
Gas Production Continuing - contracts	77.1		
Enterprise	(2.0)	31.8	15.1
Corporate unallocated	(89.2)	179.6	(21.5)
Total reported operating profit on continuing operations	**963.4**	**1,613.6**	**1,228.1**
Total Reported profit before tax on continuing operations	**587.6**	**1,300.3**	**943.1**
Reported earnings per share (EPS) pence on continuing operations	**40.6**	**123.7**	**69.9**
Unadjusted net debt £m	(10,007.8)	(8,936.0)	(8,378.3)
(Loss)/profit after tax on discontinuing operations	**(478.6)**	**145.5**	**115.0**

**Restated to exclude the contribution of SSE Energy Services and Gas Production assets which have been presented as discontinued operations (see note 5.2 (i)) to the Summary Financial Statements).*

Key Performance Indicators	Mar 20	Mar 19	Mar 18
Total Generation output – all plant – GWh	**28,293**	**30,835**	**33,098**
Total Thermal Generation – GWh	17,725	21,056	23,670
Total Renewable Generation – GWh (inc. pumped storage)	10,694	9,711	9,338
Total Renewable Generation - GWh (also inc. constrained off)	11,384	10,399	9,744
Average carbon intensity of electricity generated (gCO2e/KWh)	288	284	305
Electricity Transmission RAV - £m	3,469	3,276	3,070
Electricity Distribution RAV - £m	3,685	3,555	3,406
Gas Distribution RAV - £m	1,952	1,898	1,828
SSE Total RAV - £m	**9,106**	**8,729**	**8,304**
Business Energy Electricity Sold – GWh	16,914	19,336	20,177
Business Energy Gas Sold – mtherms	272	277	294
All Ireland energy market accounts – m	0.72	0.72	0.74

Notes:
The definitions SSE uses for adjusted measures are consistently applied and are explained in the Alternative Performance Measures section of this document, before the Summary Financial Statements. Throughout this document losses are shown in brackets.
Renewable generation excludes SSE's small biomass capability which is now managed by SSE's Enterprise business and which generated 58GWh 2019/20; 68GWh 2018/19 and 90GWh 2017/18.
SSE's 2030 carbon intensity target is based on generation emissions only. To track progress against this target, previous years' intensity ratios have been restated to only cover electricity generation emissions rather than total scope 1 emissions.

Further Information

Investor Timetable

Annual Report 2020 published on sse.com/investor pages	9 July 2020
Sustainability Report 2020 published on sse.com/investor pages	9 July 2020
Consolidated Segmental Statement 2020 on sse.com/investors	9 July 2020
Q1 Trading Statement	16 July 2020
Annual General Meeting – webcast only	12 August 2020
Ex-dividend date	23 July 2020
Record date	24 July 2020
Scrip reference pricing days	23 -29 July 2020
Scrip reference price confirmed and released via RNS	30 July 2020
Final date for receipt of scrip elections	21 August 2020
Final dividend payment date	18 September 2020
Notification of Closed Period	By 30 September 2020
Interim Results for the six months ended 30 September 2020	18 November 2020

Contact Details

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Media	media@sse.com	+ 44 (0)345 0760 530

Webcast facility

SSE will present its full year results for the 12 months to 31 March 2020 on Wednesday 17 June at 08:30am BST. You can join the webcast by visiting www.sse.com and following the links on either the homepage or investor pages; or directly using https://edge.media-server.com/mmc/p/9t34c7ty. This will also be available as a teleconference, details below. Both facilities will be available to replay.

Confirmation Code:	**5579291**	
Location	**Phone Type**	**Phone Number**
United Kingdom	Toll free/Freephone	0800 279 6619
United Kingdom, Local	Local	+44 (0) 207 192 8338
United States, New York	Local	+1646 741 3167
United States/Canada	Toll free/Freephone	+1877 870 9135

Online information

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

STRATEGIC OVERVIEW

A year of progress

For SSE, 2019/20 was a year of progress towards its goals for 2030 and its vision of being a leading energy company in a net zero world. Financially, results represented a solid recovery from the previous year, with increases in adjusted operating profit, adjusted profit before tax and adjusted earnings per share. Strategically, the completion of the sale of Energy Services in January 2020 was very significant, allowing SSE to become a company focused on successful development, efficient operation and responsible ownership of electricity infrastructure required for the transition to net zero emissions.

Operationally, the establishment of SSE Renewables, and of different management structures for SSEN Transmission and SSEN Distribution, and other business units, has created an operating environment that gets the most out of specialist knowledge and insight - and gets the balance between empowerment and accountability right. The benefits of this were exemplified by SSE Renewables' outstanding success in the CfD auctions for offshore wind farm projects and in the quality of SSEN Transmission's business plan for the RIIO T2 Price Control.

Underpinning all of this is SSE's commitment to four key goals for 2030, aligned to the UN Sustainable Development Goals – a commitment made even stronger through adoption of an even more ambitious target to reduce the amount of carbon in electricity generated.

Comprehensive plan to respond to coronavirus

The results for 2019/20, allied to the reshaping of SSE to focus on core businesses, and the progress made in those core businesses, have given us a good foundation as we make our way through the challenges arising from the impact of coronavirus – namely:

- Reduced demand for electricity affecting DUoS for SSEN Distribution;
- Reduced demand from customers for electricity and related services;
- Excess electricity hedges with negative mark-to-market valuations; and
- Higher levels of customers' bad debt.

These challenges are currently expected to have short-term adverse effects on our business that are substantial in the context of one year, but largely temporary in duration. We have put in place a comprehensive plan with the related objectives of sustaining SSE's ability to pay dividends which provides vital income for pensions and savings – income which is now more important than ever; and promoting the long-term success of the company, realising future opportunities in the transition to net zero, and contributing to a green economic recovery, for the benefit of all of SSE's stakeholders.

Fundamentally, SSE is a resilient business, with quality assets in businesses such as renewables and electricity networks that have a key role to play in the transition to net zero. The quality and nature of our businesses and assets and their potential for sustainable value creation transcends the financial impact of coronavirus in this financial year.

Creating value through the transition to net zero

Our strategic focus on regulated electricity networks and renewable energy, and the quality and nature of those businesses' assets and operations, mean SSE is well placed to benefit in subsequent years from the expected economic recovery and associated focus on the transition to net zero emissions.

The requirement for electricity from renewable sources to support the decarbonisation of energy, heat and transport presents major opportunities for SSE Renewables; and the core role of transmission and distribution companies in enabling the transition to net zero, presents major opportunities for SSEN Transmission and SSEN Distribution. These three businesses are core to SSE and are well placed to realise these opportunities for growth, working closely with stakeholders.

Our new plans to invest £7.5bn in new and upgraded electricity infrastructure over the five years to 2025, and our new target to cut the carbon content of the electricity we generate by 60% by 2030, building on the 50% reduction it has already achieved, is a vote of confidence in a green economic recovery and achievement of net zero emissions.

All of this, allied to the shared talent, skills and values of people across the company, whose commitment and hard work in response to the challenges of recent months in particular has been outstanding, means that SSE is very well placed to emerge from the challenges arising from coronavirus and to create value for shareholders and society for years to come.

Alistair Phillips-Davies
Chief Executive

GROUP FINANCIAL REVIEW 2019/20

This Group Financial Review 2019/20 sets out the financial performance of the SSE Group in the 12 months to March 2020. See also the separate section on **Group Financial Outlook 2020/21 and Beyond**.

The following tables provide a summary of SSE Group financial performance in 2019/20. The definitions SSE uses for adjusted measures are consistently applied and are explained in the Alternative Performance Measures section of this document, before the Summary Financial Statements.

SSE Energy Services was sold on 15 January 2020 and SSE's investment in Gas Production assets was classified as held for sale at 31 March 2020. Both businesses have been classified as discontinued operations in the Summary Financial Statements and have therefore been excluded from profit- and loss-based measures in the tables below in all periods.

Key Adjusted Financial Metrics	Mar 20 £m	Mar 19 £m	Mar 18 £m
Adjusted Operating Profit	**1,488.4**	**1,088.7**	**1,520.8**
Adjusted Net Finance Costs	465.0	403.6	367.5
Adjusted Profit before Tax	**1,023.4**	**685.1**	**1,153.3**
Adjusted Current Tax charge	114.2	7.1	111.7
Effective current tax rate (%)	11.2%	1.0%	9.7%
Adjusted Profit after Tax	**909.2**	**678.0**	**1,041.6**
Less: hybrid equity coupon payments	46.5	46.6	98.5
Adjusted Profit After Tax attributable to ordinary shareholders	**862.7**	**631.4**	**943.1**
Adjusted EPS – pence	**83.6**	**61.8**	**93.3**
Number of shares for basic/reported and adjusted EPS (million)	1032.5	1021.7	1010.9
Shares in issue 31 March (m)	1039.4	1039.1	1023.0

Key Reported Financial Metrics	Mar 20 £m	Mar 19 £m	Mar 18 £m
Reported Operating Profit	**963.4**	**1,613.6**	**1,228.1**
Reported Net Finance Costs	375.8	313.3	285.0
Reported Profit before Tax	587.6	1,300.3	943.1
Reported Tax (credit)/charge	121.5	(9.9)	138.0
Reported Profit after Tax on continuing operations	**466.1**	**1,310.2**	**805.1**
Reported (loss)/Profit for the period on discontinued operations (net of tax)	**(478.6)**	**145.5**	**115.0**
Reported Profit/(Loss) after Tax	**(12.5)**	**1,455.7**	**920.1**
Less: hybrid equity coupon payments	46.5	46.6	98.5
Reported Profit/(Loss) After Tax attributable to ordinary shareholders *(1)*	**(59.0)**	**1,409.1**	**821.6**
Reported earnings per share (including discontinued operations) (pence)	**(5.7)**	**137.9**	**81.3**
(1) After distributions to hybrid capital holders			
Dividend per Share	**Mar 20**	**Mar 19**	**Mar 18**
Interim Dividend pence	24.0	29.3	28.4
Final Dividend pence	56.0	68.2	66.3
Full Year Dividend pence	80.0	97.5	94.7

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

Operating profit performance 2019/20

SSE Group Business-by-business segmental adjusted EBIT / Adjusted Operating Profit analysis	Mar 20 £m	Mar 19 £m	Mar 18 £m
SSEN Transmission	218.1	252.1	195.6
SSEN Distribution	356.3	401.3	402.2
Electricity networks total	**574.4**	**653.4**	**597.8**
Investment in SGN	202.3	176.8	165.3
Economically-regulated networks total	**776.7**	**830.2**	**763.1**
SSE Renewables	**567.3**	**455.9**	**475.9**
Thermal Generation	152.7	(22.3)	107.8
Gas Storage	3.7	(5.7)	(6.5)
Thermal Energy Total	**156.4**	**(28.0)**	**101.3**
Business Energy (GB)	9.2	51.6	64.2
SSE Airtricity (NI and Ire)	48.8	38.6	33.0
Customer Solutions Total	**58.0**	**90.2**	**97.2**
Energy Portfolio Management	(137.4)	(284.9)	46.0
Gas Production Contracts	77.1	-	-
Energy Portfolio Management and Investments	**(60.3)**	**(284.9)**	**46.0**
Enterprise	**8.1**	**31.8**	**26.9**
Corporate Unallocated	(17.8)	(6.5)	10.4
Total Adjusted Operating Profit	**1,488.4**	**1,088.7**	**1,520.8**
Adjusted Net Finance Costs	465.0	403.6	367.5
Adjusted PBT (continuing operations)	**1,023.4**	**685.1**	**1,153.3**
Discontinued Operations:			
Gas Production Assets – held for sale	25.8	48.9	34.0
SSE Energy Services – sold Jan 2020	32.7	89.6	278.7

SSE Group Business-by-business segmental REPORTED EBIT / Operating Profit / (Loss) analysis	Mar 20 £m	Mar 19 £m	Mar 18 £m
SSEN Transmission	218.1	252.1	195.6
SSEN Distribution	351.9	401.3	402.2
Electricity Networks Total	**570.0**	**653.4**	**597.8**
Investment in SGN	80.8	85.1	71.8
Economically-regulated networks total	**650.8**	**738.5**	**669.6**
SSE Renewables	**459.9**	**1,242.9**	**452.0**
Thermal Generation	15.5	(50.6)	71.4
Gas Storage	(1.4)	(5.7)	(6.5)
Thermal Energy Total	**14.1**	**(56.3)**	**64.9**
Business Energy (GB)	(18.5)	51.6	64.2
SSE Airtricity (NI and Ire)	42.8	38.6	26.9
Customer Solutions Total	**24.3**	**90.2**	**91.1**
Energy Portfolio Management	(171.6)	(613.1)	(43.1)
Gas Production Contracts	77.1	-	-
Enterprise	(2.0)	31.8	15.1
Corporate Unallocated	(89.2)	179.6	(21.5)
Total Reported Operating Profit	963.4	1,613.6	1,228.1
Reported Net Finance Costs	375.8	313.3	285.0
Reported PBT (excluding held for sale & discontinued operations)	587.6	1,300.3	943.1
Discontinued Operations:			
Gas Production – held for sale	(265.5)	78.6	(70.7)
SSE Energy Services – sold Jan 2020	(205.0)	35.3	221.8

A reconciliation of adjusted operating profit by segment to reported operating profit by segment can be found in Note 6 (ii) to the Summary Financial Statements.

Operating profit

Adjusted operating profit/losses in SSE's business segments for the twelve months to 31 March 2020 are as set out below; comparisons are with the twelve months to 31 March 2019 unless otherwise stated.

SSEN Transmission: Adjusted and reported operating profit reduced to £218.1m, compared to £252.1m, reflecting the phasing of allowed revenue and increased depreciation costs relating to on-going capital expenditure.

SSEN Distribution: Adjusted operating profit decreased to £356.3m from £401.3m, reflecting a net increase in costs including: increased depreciation; and higher costs associated with supplying Shetland. Despite lower than expected volumes during the year, SSEN Distribution's collected revenue in 2019/20 was still £37m higher than allowed revenue; and tariffs in 2021/22 will be adjusted down to reflect this. Separately, it is expected that £23m of allowances which had been anticipated to be allowed in 2019/20 will now be reflected in increase in allowed revenue in 2021/22. In addition to the above, there was an exceptional charge of £4.4m to reported profit for restructuring expenses.

Investment in SGN: adjusted operating profit was £202.3m, compared to £176.8m, mainly due to the phasing of allowed revenue, totex out-performance and additional commercial income.

The increases to adjusted operating profit were offset by a £31.0m increase in SSE's share of SGN interest and tax. As a result, reported operating profit was £80.8m compared to £85.1m.

SSE Renewables: adjusted operating profit was £567.3m compared to £455.9m, mainly due to a significant increase in output of electricity as a result of more favourable weather conditions and a net increase in wind energy capacity in operation over the period (largely from Beatrice offshore wind farm). This result for 2019/20 also includes £26.5m of GB Capacity Market payments in respect of the 18 months to March 2020, compared to just £2.7m in 2018/19. In addition, as outlined in the 2019/20 Interim Financial Statements, SSE changed the estimated useful life of its onshore wind farms from 20 to 25 years. The financial impact of this in 2019/20 was to reduce the depreciation charge, increasing the adjusted and reported operating profit of £30.2m.

Reported operating profit was £459.9m, compared to £1,242.9m, mainly due to the exceptional gain on partial disposal of Stronelairg, Dunmaglass and Clyde windfarms in 2018/19. The Group's share of joint venture interest and tax also increased by £61.9m compared with the previous year as a result of those windfarms now being joint ventures, and interest from Beatrice as the windfarm was fully commissioned.

Thermal Generation: adjusted operating profit was £152.7m, compared to an adjusted operating loss of £(22.3)m, mainly due to the £125m of GB Capacity Market payments received in respect of the 18 months to March 2020, compared to £13m received in 2018/19. Also reflected in 2019/20 results is improved portfolio optimisation of gas-fired generation assets. There was also an increase in multifuel adjusted operating profit, to c.£30m from c.£19m reflecting the start of commercial operation of the new Ferrybridge Multifuel 2 from December 2019 onwards.

Reported operating profit was £15.5m, compared to a loss of £50.6m, due to the above factors and the exceptional charge incurred in 2019/20 at Fiddlers Ferry of £112.3m as the plant consumed its remaining coal stocks until its closure in March 2020.

Gas Storage: adjusted operating profit was £3.7m, compared to an adjusted operating loss of £(5.7)m, reflecting operation of the plant on a merchant basis and better market conditions.

Reported operating loss was £(1.4)m as a result of the change in accounting policy to revalue gas stocks held in storage at year end to fair market price. This resulted in a £5.1m downward valuation at 31 March 2020.

SSE Business Energy: adjusted operating profit was £9.2m, compared to £51.6m, as a result of higher bad debts and other indirect costs, along with increased third-party intermediary and GB Capacity Market charges.

The business also recorded an exceptional charge of £27.7m related to bad debts arising from coronavirus. As a result, the business recorded a reported operating loss of £(18.5m).

SSE Airtricity: adjusted operating profit was £48.8m, compared to £38.6m, reflecting slightly improved margins.

SSE Airtricity also recorded an exceptional charge of £6.0m for a provision against bad debts arising as a result of coronavirus. Reported operating profit was therefore £42.8m.

Energy Portfolio Management (EPM): adjusted operating loss was £(137.4)m, slightly more than expected due to an effect of the sale of SSE Energy Services and the impact of Sterling weakness. This is compared to an adjusted operating loss of £(284.9)m in the same period last year. As previously stated, and in line with implementation of SSE's Approach to Hedging, EPM is expected to earn a small adjusted operating profit from 20/21 onwards through service provision to those SSE businesses requiring access to the energy markets.

Reported operating loss was £(171.6)m compared to £(613.1)m as a result of the above reduction in adjusted operating loss, in addition a smaller net re-measurement loss on open and delivered contracts was recorded of £34.2m, compared to £328.2m in prior year.

SSE Enterprise: adjusted and reported operating profit was £8.1m, compared to £31.8m, mainly reflecting the reduction in SSE's share of SSE Telecoms' profits following the sale of 50% of the business in March 2019, together with some impact on revenues from coronavirus and increased contract provisioning. As a result of SSE Telecoms becoming a joint venture, an £8.3m share of interest and tax was included in reported operating profit, together with depreciation on fair value uplifts of £1.8m, resulting in an overall reported operating loss of £(2.0)m.

Corporate Unallocated: adjusted operating loss of £(17.8)m compared to £(6.5)m reflecting the results of a change in SSE's cost allocation model following the sale of SSE Energy Services.

Reported operating loss was £(89.2)m compared to a profit of £179.6m mainly due to the exceptional gain on sale recorded on the disposal of SSE Telecoms in the prior year and current year IT impairments following the sale of SSE Energy Services.

Investment in Gas Production (held for sale): while the assets of this business are held for sale, the benefit of an internal gas hedge is being retained within the SSE Group due to the structure of the proposed disposal, which is unhedged effective from 1 April 2019. As a result, in 2019/20:

- The internal gas hedge being retained contributed an adjusted and reported operating profit of £77.1m.
- The assets held for sale had an adjusted operating profit of £25.8m, which is excluded from SSE's adjusted results. As the business was held for sale, this operating profit excludes depreciation charges of £61.6m from September 2019 onwards.
- If reported together, and including depreciation, Gas Production would show a total operating profit of £41.3m; compared to an adjusted and reported operating profit of £48.9m in the same period in 2018/19.

The reported operating loss was £265.5m in 2019/20, compared to a reported operating profit of £78.6m in the prior year, primarily due to an exceptional impairment of £291.3m being recognised in 2019/20 to reduce the carrying value of the business to its expected recoverable value from disposal.

In 2018/19 there was also an exceptional reversal of previous impairments of £29.7m due to the estimated gas reserves at that time.

SSE Energy Services (discontinued operations): The sale of SSE Energy Services was completed on 15 January 2020. This business earned an adjusted operating profit of £32.7m in 2019/20 up to the date of disposal. On disposal, SSE recorded an exceptional loss of £226.9m in discontinued operations (an update to the expected loss on disposal impairment provision of £489.1m, published in the September 2019 interim results). In addition, exceptional restructuring costs of £10.8m were incurred in 2019/20 prior to disposal.

Investment and Capital Expenditure

Investment and Capex Summary (adjusted)	Mar 20 Share %	Mar 20 £m	Mar 19 £m	Mar 18 £m
Electricity Transmission	24%	329.0	344.0	434.2
Electricity Distribution	27%	364.9	340.7	326.1
Electricity Networks total	**51%**	**693.9**	**684.7**	**760.3**
SSE Renewables	**26%**	**342.7**	**326.1**	**301.7**
Thermal Generation	13%	177.0	187.7	89.0
Gas Storage	0%	0.2	0.7	1.8
Thermal energy total	**13%**	**177.2**	**188.4**	**90.8**
Customer Solutions total	**0%**	0.3	1.2	1.5
Enterprise	4%	57.4	19.8	61.9
Corporate	6%	85.9	72.2	110.5
Gas Production	-	-	27.9	65.5
SSE Energy Services	-	-	102.6	110.8
Total investment and capital expenditure (adjusted)	**100%**	**1,357.5**	**1,422.9**	**1,503.0**

Gas Production Assets are held for sale and Energy Services was disposed of on 15 January 2020. During 2019/20 the Group incurred £53m of capital expenditure within its Energy Services business (mainly smart meter related) and £44.6m, in Gas Production. However, this capital expenditure has been excluded from SSE's adjusted Investment and Capital Expenditure, as the Group incurred an exceptional loss on disposal of SSE Energy Services and an exceptional impairment in Gas Production.

Investing efficiently in energy assets that the UK and Ireland need in 2019/20

During the year to 31 March 2020, SSE's investment and capital expenditure (excluding SSE Energy Services and Gas Production) totalled £1,357.4m, including £1,036.6m (or 76%) invested in the core businesses of SSEN Transmission, SSEN Distribution and SSE Renewables.

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

- SSEN Transmission investment and capital expenditure of £329.0m included work on the 275kV line between Knocknagael and a new substation at Tomatin, work on the 275kv line between Inveraray and Crossaig plus the construction of new substations at Fort Augustus, Rothienorman and New Deer, to enable renewable energy projects to connect to the network.
- SSEN Distribution investment and capital expenditure of £364.9m consisted primarily of asset replacement and reinforcement projects, including the replacement of subsea cables and several overhead line circuits.
- SSE Renewables investment in renewable energy in GB and Ireland totalled £342.7m and included spend on Seagreen (£166m) and Doggerbank (£58m); along with spend on Beatrice, Gordonbush extension, Viking Wind Farm and upgrades to hydro-electric schemes.
- SSE's flexible thermal gas-fired power stations will play a key part in the transition to a low-carbon economy and investment in thermal generation totalled £177.0m (13% of the SSE Group total) in the year, including the Keadby 2 and Ferrybridge Multifuel 2 projects, along with development spend on the Slough Multifuel project.
- In addition, £57.4m was invested in SSE Enterprise, predominantly in Telecoms, and £86.0m in SSE Group services, which was mainly on shared IT to support the work of business units.

SSE's Hedging Position at 31 March 2020

To aid understanding, the following hedging summary should be read in conjunction with the full 'SSE's Approach to Hedging' document published in November 2018 and the subsequent update published in May 2019.

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

Renewables - GB Wind and Hydro Hedging Position

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

The following table includes an update as at 31 March 2020, showing the hedge position for full years 2020/21, 2021/22 and 2022/23.

		2018/19	2019/20	2020/21	2021/22	2022/23
Wind	Expected volume TWh	4.5	4.5	4.5	4.6	4.6
	Volume hedged %	100%	100%	100%*	61%	19%
	Hedge price £/MWh	£39	£39	£46	£48	£45
Hydro	Expected volume TWh	3.4	3.5	3.4	3.4	3.4
	Volume hedged %	100%	100%	100%*	61%	18%
	Hedge price £/MWh	£39	£43	£48	£50	£45

For comparison purposes, for 2018/19 and 2019/20, volumes are based on average expected output, and the contracted hedge price is at the beginning of each financial year. The table excludes the additional income streams outlined in the May 2018 hedging paper update (ie BM activity, ROCs, ancillary services, cap mech & shape variations) and income relating to Irish Wind, pumped storage and CfD income for Beatrice.

As set out in 'SSE's Approach to Hedging', in order to account for the effect of the 'wind capture price' SSE's target is to hedge only 85% of its anticipated wind energy output for the coming 12 months. Historic hedges in place at 31 March 2020 resulted in 100% of 2020/21 anticipated wind energy output being hedged.

*Since then, in light of low market prices for electricity, and the possibility of reduced windfarm availability due to coronavirus lockdown impacts, SSE Renewables has executed trades to reduce the percentage of wind volume hedged for the remainder of 2020/21 to 85%, bringing it in line with its target.

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

Business Energy's sales demand volumes have been adversely impacted by the coronavirus lockdown and the extent to which this will impact customers' consumption and viability in the medium term remains uncertain. To reflect this expected reduction in demand, Business Energy have reduced hedged volumes for 2020/21, incurring a mark-to-market loss that will be recognised in 2020/21 and which forms part of the coronavirus impacts on Customer Solutions' operating profit estimated between £60m and £110m before mitigation. Further adjustments to hedged volumes may be required as more evidence of the medium-term impact on customers' consumption becomes available.

Thermal: in the 12 months prior to delivery, SSE aims to hedge all of the expected output of its CCGT assets, having progressively established this hedge over the preceding 24 months. Hedging activity depends on the availability of sufficient market depth and liquidity, which can be limited, particularly for periods further into the future.

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

Gas Production: at 31 March 2020, SSE's E&P assets were hedged to around 20% of gas output and 60% of oil exposure for 2020/21 and 2021/22. As the E&P business remains held for sale on an unhedged basis, this position has been kept under review and, in June 2020, SSE reversed these gas hedges resulting in a mark-to-market gain that will be recognised in financial results in coming years.

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

Adjusted Earnings per Share

Adjusted earnings per share – including coronavirus adjustments

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

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

In the year to 31 March 2020, SSE's adjusted earnings per share on continuing operations was 83.6p (after £18.2m negative impact on operating profit from, mainly demand related, coronavirus impacts in 2019/20). This adjusted EPS of 83.6p compares to 61.8p in the previous year and reflects the reduction in the EPM-related loss, the restoration of the GB Capacity Market and increased earnings in SSE Renewables.

Summarising Movements on Derivatives

Operating derivatives

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

SSE shows the change in the fair value of these forward contracts separately as this mark-to-market movement does not reflect the realised operating performance of the businesses. The underlying value of these contracts is recognised as the relevant commodity is delivered, which for the large majority of the position at 31 March 2020 is expected to be in the next 12 months.

The balance sheet movement in the operating derivative mark-to-market valuation for the 2019/20 was a reduction in the out-of-the-money value of derivatives of £197m. This movement consisted of:

- Derivatives with an 'out-the-money' mark-to-market valuation of £231m being novated to SSE Energy Services as part of its disposal to OVO. This benefit to SSE has been netted off against the loss on disposal of SSE Energy Services as part of exceptional items.
- The balance of movements in operating derivatives in 2019/20 is a loss of £39.3m, which also includes the revaluation of gas stocks held in Gas Storage of £5.1m. This balance remains in continuing operations in SSE's profit and loss statement.

Financing derivatives

In addition to the net movement loss of £39.3m recognised on operating derivatives, there were losses of £79.8m recognised on the remeasurement of financing derivatives at 31 March 2020, including SSE's share of remeasurement joint venture financing derivatives. These losses are predominately due to the impact of weaker Sterling against the Dollar and Euro on cross currency swaps linked to Eurobonds, Hybrids and US private placement debt along with lower interest rates on cross currency swaps and interest rate swaps.

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

Summarising Exceptional Items

For the year to 31 March 2020, SSE recognised a net exceptional charge of £209.7m before tax on its continuing operations and £529.0m on its discontinued operations. The following table provides a summary of the key components making up the net charge position:

Exceptional Charges / (Gains)	**Continuing operations £m**	**Discontinued operations £m**	**Total £m**
Reshaping the SSE Group:			
Retail restructuring and loss on disposal	48.8	237.7	286.5
Coal loss on closure	112.3		112.3
Telecoms & Onshore Wind true up (gain)	(30.6)		(30.6)
Restructuring and other impairments	45.5		45.5
Coronavirus impact:			
Coronavirus impact – bad debt	33.7		33.7
Market Conditions:			
Gas Production impairment		291.3	291.3
Total exceptional items	**209.7**	**529.0**	**738.7**

The Group recorded an exceptional loss of £286.5m on disposal of its SSE Energy Services business including an offsetting gain of £231m on the settlement of operating derivatives (as outlined above). This is an update to the expected loss on disposal impairment provision of £489.1m, published in the September 2019 Interim Results. For a full description of exceptional charges see note 7 of the Summary Financial Statements.

Reported Profit/(Loss) Before Tax and Earnings Per Share

Reported results for the year to 31 March 2020 were significantly lower than the previous year, reflecting pre-tax exceptional charges of £738.7m recognised during the year; both in relation to the reshaping of SSE (with the sale of SSE Energy Services and the closure of Fiddler's Ferry coal fired power station) and a deterioration in market conditions (with lower forward gas prices resulting in an impairment in the valuation of the Gas Production business).

Reported results for the prior year benefited from exceptional gains from the disposal of stakes in SSE Telecoms and Stronelairg, Dunmaglass and Clyde windfarms. These are explained in more detail in the notes to the accounts and are the main driver for:

- A reported profit before tax on continuing operations of £587.6m in 2019/20 compared to a reported profit on continuing operations of £1,300.3m in the previous year; and
- A reported profit per share on continuing operations of 40.6p compared a reported profit per share on continuing operations of 123.7p in the previous year.

Dividend 2019/20

SSE understands the importance of its dividend, which provides vital income for people's pensions and savings, which is particularly important following the economic consequences of the coronavirus pandemic. The Board is recommending to shareholders a full year dividend of 80 pence, and payment of the final dividend of 56 pence per share, on 18 September 2020.

Financial management and balance

Debt metrics	Mar 20	Sep 19	Mar 19
	£m	£m	£m
Adjusted net debt and hybrids (£m)	**(10,465.9)**	**(10,338.9)**	**(9,437.0)**
Average debt maturity (years)	6.5	7.0	7.0
Adjusted interest cover (excluding SGN) times	3.3	1.8	2.8
Adjusted interest cover (including SGN) times	3.2	2.0	2.8
Average interest rate for the period excluding JV/assoc. interest and all hybrid coupon payments)	3.18%	3.22%	3.28%
Average cost of debt at period end (including all hybrid coupon payments)	3.51%	3.60%	3.70%
Net Debt/EBITDA (inc. hybrid capital)	5.7	-	5.8

Net finance costs Reconciliation	Mar 20	Mar 19	Mar 18
	£m	£m	£m
Adjusted net finance costs	**465.0**	**403.6**	**367.5**
Add/(less):			
Lease interest charges	(37.6)	(28.6)	(30.8)
Notional interest arising on discounted provisions	(9.2)	(9.1)	(8.3)
Hybrid equity coupon payment	46.5	46.6	98.5
Adjusted finance costs for interest cover calculation	464.7	412.5	426.9

SSE Principal Sources of debt funding	Mar 20	Mar 19	Mar 18
Bonds	48%	46%	49%
Hybrid debt and equity securities	21%	22%	23%
European investment bank loans	12%	12%	13%
US private placement	8%	9%	10%
Index –linked debt & short-term funding	11%	11%	5%
% of total SSE borrowings secured at a fixed rate	87%	88%	90%

Rating Agency	Rating	Criteria	Date of Issue
Moody's	Baa1 'stable outlook'	'Low teens' Retained Cash Flow/Net Debt	September 2019
Standard and Poor's	BBB+ 'outlook stable'	About 18% Funds From Operations/Net Debt	September 2019

Adjusted net debt and hybrid capital

SSE's adjusted net debt and hybrid capital was £10.5bn at 31 March 2020, up from £9.4bn at March 2019. This reflected: the on-going capital investment programme, dividend payments, share buybacks, interest payments, working capital movements and debt revaluation adjustments partially offset by operating profits, dividends received following the refinancing of Beatrice offshore windfarm, and the cash inflow from the sale of Energy Services to OVO.

The debt revaluation adjustment, of £276.8m as at 31 March 2020 (up from £190.6m at 31 March 2019), relates to marked-to-market movements on cross-currency swaps and floating rate swaps that are classed as hedges under IAS39. The hedges ensure that any movement in the value of net debt is predominately offset by a movement in the derivative position. The debt revaluation increase at March 2020 was primarily driven by Sterling weakness against both the Euro and US Dollar partially offset by lower interest rates during the year.

Hybrid Bonds summary as at 31 March 2020

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

A summary of SSE's Hybrid Bonds can be found below:

Issued	Hybrid Bond Value *	All in rate	First Call Date	Accounting Treatment
March 2015	£750m	3.99%	September 2020	Equity accounted
March 2015	€600m(£440m)	4.04%	April 2021	Equity accounted
March 2017	£300m	3.73%	September 2022	Debt accounted
March 2017	$900m(£749m)	2.72%	September 2022	Debt accounted

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

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

Hybrid coupon payments	2020/21		2019/20		2018/19	
	HYe	FYe	HYa	FYa	HYa	FYa
Total equity (cash) accounted	£47m	£47m	£47m	£47m	£47m	£47m
Total debt (accrual) accounted	£15m	£30m	£15m	£30m	£15m	£30m
Total hybrid coupon	**£62m**	**£77m**	**£62m**	**£77m**	**£62m**	**£77m**

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

The coupon payments relating to the March 2015 equity accounted hybrid bonds are presented as distributions to other equity holders and are reflected within adjusted earnings per share when paid. The coupon payments on the March 2017 debt accounted hybrid bonds are treated as finance costs under IFRS9.

Managing net finance costs

SSE's adjusted net finance costs, including interest on debt accounted hybrid bonds but not equity accounted hybrid bonds, were £465.0m in the year to 31 March 2020, compared to £403.6m in the previous year. This reflected higher net debt during 2019/20, higher JV interest costs as Beatrice became fully operational, lower capitalised interest (due to large projects completing in 2018/19), and the impact of IFRS 16.

Reported net finance costs were £375.8m, compared to £313.3m, as a result of higher net debt, lower capitalised interest and the impact of adoption of IFRS 16.

Adoption of IFRS 16

The Group adopted IFRS 16 "Leases" with effect from 1 April 2019, applying the "modified retrospective" approach whereby comparative figures are not restated. In adopting this approach, the results for the year to 31 March 2020 are not directly comparable with those reported in the prior period under the previous applicable accounting standard IAS 17 "Leases".

For the Adoption impact, the disclosures given in the notes to the financial statements are:

Adoption of IFRS 16 (including SSE's share of joint ventures) resulted in adjusted operating profit for the year to 31 March 2020 increasing by £10.8m, offset by increased adjusted interest costs of £18.1m, resulting in a £7.3m net reduction in adjusted profit before tax.

At 31 March 2020, including additions during that year, the net value of right-of-use assets recognised under IFRS 16 totalled £229.1m. In total, lease liabilities at 31 March 2020 were £455.2m.

The revised presentation of lease payments under IFRS 16 results in a £45.9m improvement in net cash flows from operating activities and a corresponding deterioration in net cash flows from financing activities. There is no impact on total cash and cash equivalents.

Summarising cash and cash equivalents

At 31 March 2020, SSE's adjusted net debt included cash and cash equivalents of £0.2bn. This is down from £0.5bn at March 2019 which benefited from receipt of sales proceeds in the month for the part disposal of Stronelairg and Dunmaglass windfarms and SSE's Telecoms business.

The cash collateral value decreased by £87.8m in the year and totalled £256.4m at 31 March 2020. The decrease relates to the unwind of collateral required to cover out of the money commodity positions.

Revolving Credit Facility

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

Date	Issuer	Debt Type	Term	Value
Mar 19	SSE plc	Syndicated Revolving Credit Facility with 10 Relationship Banks	2025: option to extend to 2026	£1.3bn
Oct 19	SSE plc	Revolving Credit Facility with Bank of China	2024: with 2 one-year extension options	£200m

The facilities can also be utilised to cover short-term funding requirements and in line with this £75m drawn was against the Bank of China facility for one week over the year end.

Both facilities are classified as sustainable facilities with interest rate and fees paid dependant on SSE's performance in environmental, social and governance matters, as assessed independently by Vigeo Eiris. In September 2019 Vigeo Eiris published their updated ESG Score for SSE, which has improved significantly to 62, from 51 the previous year, which resulted in the sustainability clauses on the refinanced £1.3bn RCF and £200m Bank of China facilities being triggered, reducing the margin on both by 2.5bps.

Focusing on effective financial management: debt issuance and treasury facilities in 2019/20

During 2019/20 the following debt was issued:

Date	Issuer	Debt Type	Term	Value	Coupon	All in Funding Cost
Sept 2019	Scottish Hydro Electric Transmission plc	Green Bond	16 yr	£350m	2.25%	2.39%

This was the SSE's third Green Bond in three years, affirming SSE as the largest issuer of Green Bonds from the UK corporate sector. In addition, SSE is the only UK corporate to offer up multiple benchmark sized tranches in the Sterling and Euro markets.

Maintaining a prudent Treasury policy

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

As a matter of policy, a minimum of 50% of SSE's debt is subject to fixed rates of interest. Within this policy framework, SSE borrows as required on different interest bases, with financial instruments being used to achieve the desired out-turn interest rate profile. At 31 March 2020, 87% of SSE's borrowings were at fixed rates.

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

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

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

Ensuring a strong debt structure through medium and long-term borrowings

Ability to raise funds at competitive rates is fundamental to investment. SSE's fund-raising over the last five years, including senior bonds, hybrid capital and term loans, now totals £5.2bn and SSE's objective is to maintain a reasonable range of debt maturities. Its average debt maturity, excluding hybrid securities, at 31 March 2020 was 6.5 years, down from 7.0 years at March 2019. This reflects SSE's recent debt issuance, which has taken advantage of the best value on the maturity curve; and SSE's average cost of debt is now 3.5%.

SSE's activities and plans in relation financial management and liquidity from the start of 2020/21 onwards are summarised in the **GROUP FINANCIAL OUTLOOK 2020/21 AND BEYOND** section below.

SSE's principal joint ventures and associates

SSE's financial results include contributions from equity interests in joint ventures ("JVs") and associates, all of which are equity accounted. The details of the most significant of these are included in the table below. This table also highlights SSE's share of off-balance sheet debt associated with its equity interests in JVs, which, including SGN, is just over £2.6bn as at 31 March 2020.

SSE principal JVs and associates	Asset type	SSE holding	SSE share of external debt as at 31 March 2020	SSE Shareholder loans as at 31 March 2020
Seabank Power	1,140MW CCGT	50%	No external debt	No loans outstanding
Marchwood Power	840MW CCGT	50%	No external debt	£59m
Clyde Windfarm (Scotland)	522MW onshore wind farm	50.1%	No external debt	£127m
Walney (UK) Offshore Windfarms	367MW offshore wind farm	25.1%	No external debt	No loans outstanding
Doggerbank Wind Farms	Up to 1,200MW offshore wind farm each. Up to 3,600MW total	50%	No external debt	£117m
Scotia Gas Networks	Gas distribution network	33.3%	£1,571m	£109m
Ferrybridge Multifuel Energy	68MW multifuel	50%	No external debt	£90m
Ferrybridge Multifuel Energy 2	70MW multifuel	50%	No external debt	£167m
Beatrice Offshore Windfarm Ltd	588MW offshore wind farm	40%	£1,006m	£17m (Primarily project financed)
Cloosh Valley Wind Farm	105MW onshore windfarm (part of Galway Wind Park)	25%	£33m	Project financed
SSE Telecoms	Private telecoms network	50%	No external debt	£28m
Stronelairg Windfarm	228MW onshore wind farm	50.1%	No external debt	£88m
Dunmaglass Windfarm	94mw onshore windfarm	50.1%	No external debt	£47m

Greater Gabbard, a 504MW offshore windfarm (SSE share 50%) is proportionally consolidated and is reported as a Joint Operation with no loans outstanding.
SSE's share of Clyde windfarm reduced to 50.1% from 65% in May 2018.
SSE's share of Cloosh windfarms reduced to 25% from 50% in March 2019.
SSE's share of SSE Telecoms reduced to 50% in March 2019.
SSE's share of Stronelairg and Dunmaglass windfarms reduced to 50.1% in March 2019

Going Concern

The Directors regularly review the SSE Group's funding structure and have assessed that the Summary Financial Statements should be prepared on a going concern basis. In making their assessment the Directors have assessed the forecast future cashflows of the SSE Group taking account of the Group's ability to access Capital Markets following a period of disruption due to the Covid-19 crisis, as demonstrated by the recent dual tranche Euro bond issuance and expectation of future available liquidity in the commercial paper market. In addition, the SSE Group still has significant headroom on its committed borrowing facilities.

Scrip Dividend Scheme

The scrip dividend uptake during 2019/20 was:

- 30% for the 2018/19 final dividend; and
- 55% for the 2019/20 interim dividend.

Taxation

SSE is one of the UK's biggest taxpayers, and in the PwC survey published in November 2019 was ranked 16th out of the 100 Group of Companies in 2019 in terms of taxes borne (those which represent a cost to the company, and which are reflected in its financial results).

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

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

In December 2019, SSE published Talking Tax 2019: Being transparent about tax. It did this because it believes building trust with stakeholders on issues relating to tax is important to the long-term sustainability of the business.

In the year to 31 March 2020, SSE paid £421.6m of taxes on profits, property taxes, environmental taxes, and employment taxes in the UK, compared with £403.6m in the previous year. The increase in total taxes paid in 2019/20 compared with the previous year was primarily due to:

- An increase in the level of corporation tax paid. SSE's corporation tax liability for 2018/19 was lower due to a combination of reduced profits, continued investment, and the one-off impact of loss surrenders; and
- A reduction in the level of environmental taxes paid, as a result of lower levels of electricity generation at SSE's coal and gas-fired power stations.

In 2019/20 SSE also paid €18.1m of taxes in Ireland, compared to €14.6m the previous year. Ireland is the only country outside the UK in which it has any trading operations.

As with other key financial indicators, SSE's focus is on adjusted profit before tax and, in line with that, SSE believes that the adjusted current tax charge on that profit is the tax measure that best reflects underlying performance. SSE's adjusted current tax rate, based on adjusted profit before tax, was 11.2%, as compared with 1.0% in 2018/19 on the same basis. SSE's adjusted current tax rate for 2018/19 was extremely low primarily due to the lower corporation tax charge for the year on SSE's reduced underlying profits, being more than eliminated by tax credits from earlier years. As SSE continued to invest heavily in capital projects, at a time when profits were reduced, the capital allowances obtained on that expenditure also had a more significant impact on SSE's adjusted current tax rate for the year. The rate for 2019/20 was more in line with the historic trend.

Impacts of prior year adjustments

In the year the Group has adjusted its balance sheet to correct for four separate prior year adjustments. The prior year adjustments are noted in note 2.5 of the Summary Financial Statements. These adjustments either have no impact, or a limited impact on reserves and net assets, and no impact on the adjusted performance measures of the Group at any reporting date.

Pensions

Contributing to employees' pension schemes – IAS 19	Mar 20 £m	Mar 19 £m	Mar 18 £m
Net pension scheme asset recognised in the balance sheet before deferred tax	341.7	287.1	334.5
Employer cash contributions Scottish Hydro Electric scheme	5.8	12.6	29.0

Deficit repair contribution included above	-	-	14.0
Employer cash contributions Southern Electric scheme	66.5	66.3	68.9
Deficit repair contribution included above	42.6	47.5	45.9

In the year to 31 March 2020, the surplus across SSE's two pension schemes increased by £54.6m, from £287.1m to £341.7m, primarily due to movements in inflation and discount rates.

During 2019/20, the strong funding position of the Hydro Electric scheme enabled trustees to convert the longevity swap covering around £800m of liabilities to a 'buy-in'. This means SSE is now only exposed to fluctuations in the valuation of the obligations associated with active members in the scheme.

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

GROUP FINANCIAL OUTLOOK 2020/21 AND BEYOND

Key points

- Coronavirus impacts on operating profit estimated between £150m and £250m before mitigation
    - Guidance on adjusted earnings per share to be provided later in financial year
- Comprehensive plan to sustain dividends and create value
    - Maintaining good liquidity and effective financial management
    - Reducing planned cash outflow (mainly capex) by at least £250m in 2020/21
    - Securing value from disposals of at least £2bn by autumn 2021
- Plan to invest capital and investment of around £7.5bn net in five years to 2024/25, focused on core strategic decarbonisation projects
- New target to cut carbon intensity of electricity generation by 60% by 2030[#]
- Targeting net debt/EBITDA ratio at lower end of 4.5 to 5 times range between 2021/22 and 2024/25
- Target to maintain credit rating ratios comfortably above those required for investment grade

[#]Based on 2018 levels; previous target 50%. See sse.com for details

Dividend for 2020/21

- Continuing to target 80p + RPI dividend for 2020/21
- Intention to declare 24.4p interim dividend* in November 2020 for payment in March 2021
- Continuing to target delivery of the five-year 2018/19 to 2022/23 dividend plan

**Based on estimated RPI of 1.5%*

Comprehensive plan to deliver two objectives

While it remains too early to forecast with complete accuracy the human, social, economic and business impact of coronavirus, SSE has completed an initial assessment of its potential financial impact on its business units in the 2020/21 financial year. This has confirmed that the impact of coronavirus on the wider economy will, in turn, have adverse effects on a number of SSE's business units that are currently expected to be substantial in the context of one financial year, but temporary in duration. As the wider impact of coronavirus becomes clearer, SSE will keep under review its assessment of the impact on its business units. The comprehensive plan set out below is designed to

give it the best opportunity to mitigate the economic and business impacts of coronavirus and in doing so achieve two clear and related objectives:

- sustain its ability to pay dividends on which people with pensions and savings depend for income – especially in the current financial climate;
- promote the long-term success of the company, realising future opportunities in the transition to net zero for the benefit of its stakeholders.

Coronavirus is having a significant impact on every company operating, like SSE, in the UK and Ireland. Relative to many other companies, however, the impact on SSE is mitigated by its business model and the nature and quality of its asset base in regulated electricity networks and renewable energy, and the role they have to play in the transition to net zero emissions. The quality and nature of SSE's businesses and assets and their potential for sustainable value creation transcends the financial impact of coronavirus in 2020/21.

Employees' talent, skills and values

This comprehensive plan is designed to ensure SSE emerges from the impacts of coronavirus in 2020/21 well placed to play a full part in the transition to net zero emissions, that will – amongst other things – be key to wider economic recovery in the UK and Ireland. In doing so, SSE will benefit from the talent, skills and values of its employees. In its response to coronavirus, SSE has sought to be a responsible employer, working closely with its recognised trades unions and agreed with them a flexibility across working practices and retention of full pay over use of the UK government's Job Retention Scheme - and so has not 'furloughed' any employees. This flexibility has helped to accelerate change that is delivering new, efficient ways of working that will be of enduring benefit.

Adverse effects of coronavirus

While no material net financial impact from coronavirus in 2020/21 is expected for SSE's Transmission, Renewables and Thermal businesses, the wider economic impact of coronavirus on the economies of the UK and Ireland is currently expected to have following main adverse effects on SSE's other businesses in 2020/21, with the greater impacts likely to be experienced in the first six months of the financial year:

- Reduced demand for electricity affecting DUoS for SSEN Distribution;
- Reduced demand from customers for electricity and related services;
- Excess electricity hedges with negative mark-to-market valuations; and
- Higher levels of customers' bad debt.

Potential impacts of coronavirus

The net negative impact of these adverse effects on SSE's adjusted operating profit in 2020/21 is expected to be significant in the context of one financial year, and based on SSE's latest assessment could be in the range of £150m to £250m before mitigation. The unprecedented nature of these events and the uncertainty inherent in any forecast means the outcome could also foreseeably be outside this range. Nevertheless, the estimated impact by business area for 2020/21 is set out below:

- In **Electricity Distribution** operating profit impacts are expected to include reduced DUOS revenue resulting from reduced customer demand and a negative impact on operating profit from reduced new connection activity. SSE's current estimate of the overall impact from these effects on operating profit is between £50m and £90m with over 80% of this expected to be recoverable in future years under established regulatory arrangements in relation to uncollected DUoS revenue;

- In **SGN**, reduced activity is expected to lead to some costs not being recovered and therefore SSE's share of SGN's operating profit is expected to be impacted by between £10m and £15m;
- In **Customers Solutions** (SSE Business Energy and SSE Airtricity) operating profit is expected to be negatively impacted by around £60-110m, including the impact of reduced demand, increased bad debts and losses incurred on the mark-to-market for hedged volumes no longer required; and
- In **SSE Enterprise**, it is expected that Contracting and Telecoms will be impacted by between £30m and £35m as a result of a reduced contracting order book and reduced overall activity.

It is also expected that **adjusted net finance costs** will see an increase, mainly as a result of higher net debt in the period.

Given the unprecedented nature of the impacts of coronavirus, SSE will keep under review the impact on its business units as the wider economic consequences of coronavirus become clearer and will provide updates as and when appropriate. Because this is a forecast, because of the continuing uncertainty about the impact of coronavirus, and because it is early in the financial year, SSE does not believe it would be appropriate to provide any guidance relating to earnings per share for 2020/21 until much later in the financial year.

The continuing uncertainty also means it is possible that some adverse business effects arising from coronavirus may continue in to the 2021/22 financial year.

SSE's plan to respond to coronavirus impacts

SSE's plan features three main approaches to mitigating the potential impact of coronavirus on its business units in 2020/21, with the related objectives of sustaining its ability to pay dividends and promoting the long-term success of the company:

- Maintaining good liquidity effective financial management, demonstrated by the successful launch in April 2020 of a Euro bond with Sterling equivalent proceeds of around £975m;
- Managing cash outflow with a downward pressure by reviewing operational expenditure plans and where possible by deferring capital expenditure until 2021/22; and
- Securing value and cash proceeds from timely disposal of assets and businesses that are non-core to SSE's strategic focus on the transition to net zero emissions.

Maintaining good liquidity and effective financial management

SSE has always viewed optionality, agility and discipline as important qualities in financing, and the importance of these qualities has been emphasised by the disruptions to capital markets following the outbreak of coronavirus. In terms of overall liquidity and financial management, SSE is in a good position for 2020/21 and beyond.

SSE has already moved quickly, following a period of capital market disruption, to launch successfully in April 2020 €1.1bn of senior bonds with a Sterling equivalent proceeds of around £975m. Following this, SSE plans to redeem its €600m Eurobond on 17 June, after which it will hold cash and committed facilities totalling over £2bn.

SSE has a clear plan to secure sale proceeds of at least £2bn by the autumn of 2021, and on that basis its refinancing requirements over the next 2 years are focused on the first call dates for the £1.2bn Hybrid Equity Bonds issued in March 2015; by September 2020 (£750m) and April 2021 (€600m).

SSE is confident in its ability to complete refinancing at this level and intends to issue new hybrid bonds this summer but will make a final decision in light of prevailing capital market conditions in the coming weeks. More generally, SSE will maintain its focus on good liquidity and effective financial management, and the £2bn-plus disposals plan (see below) is part of that. SSE believes it has plenty of options – and the agility and discipline - to ensure it remains a well-financed company through 2020/21 and beyond.

Managing cash outflow

SSE plans to mitigate the impact of reduced demand for electricity and challenging economic conditions for customers arising in 2020/21 by managing cash outflow. Through reducing and deferring operational expenditure plans and prioritising and deferring capital expenditure, SSE expects cash outflow to be at least £250m less than it had planned in early March 2020. Of this around 90% relates to capital expenditure, with the remainder relating to operational expenditure.

This won't jeopardise SSE's core strategic investment projects, which are designed to earn sustainable returns to support earnings in the years ahead, but it does mean less strategic or less advanced projects will be deprioritised and deferred. For example, SSE will pause development of options to extend renewables activities beyond the UK and Ireland.

In addition to this reduction in cash outflow, there will be no new share buy-back programmes in the 2020/21 financial year. Furthermore, SSE will not buy back shares even if uptake of the Scrip Dividend for the 2019/20 dividend exceeds 20%.

Securing value from disposals: sales and partnerships

Since 2014, SSE has undertaken a series of disposals of non-core assets and businesses designed to simplify significantly the SSE Group; sharpen its focus on businesses core to the transition to net zero emissions; recycle capital from mature assets; realise value from development and operation of assets; and establish partnerships to support investment in new assets.

In total, since 2014, these have secured proceeds totalling £3.2bn.

During 2020/21, SSE plans to give renewed impetus to this by preparing for the disposal, subject to market conditions, of a further series of non-core assets. By non-core, SSE means assets in which it is not the principal operator or are less aligned with the transition to net zero emissions.

SSE's non-operating investments in **Walney offshore wind farm** (SSE's 25% share is 92MW) and some or all of SSE's interests in **UK multifuel facilities** (SSE's 50% share is 68MW in operation and c.50MW under development) are assets which meet these criteria and are early priorities for disposal. In addition, SSE still intends to complete the sale of its interests in gas production assets and progress plans to dispose of electrical and rail contracting.

SSE currently retains a non-operating financial interest in **SGN** and, having already sold a 16.7% equity stake in 2016, retains the option of selling its remaining 33.3% stake.

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

In terms of its core **SSE Renewables** business, SSE will continue its established approach to partnering with other organisations to secure investment where that enables the right risk/reward balance to be struck and maximises the ability to develop and then deliver large capital projects that will support future earnings and dividends.

SSE will also consider extending the partnering approach to stakes in its core **SSEN Transmission and SSEN Distribution** businesses, which would be minority, enabling SSE to retain the lead role in relation to governance and also operational control, but only if it is deemed to be in the interests of customers, the electricity system as a whole, and shareholders to do so.

While asset sales, including bringing in partners, result in reductions in future earnings, SSE believes that this is significantly outweighed by the strategic and financial benefits, including supporting dividend payments and aiding investment in new assets that support the transition to net zero emissions and also earn returns to support future dividends.

The timing of any disposals will be subject to market conditions, and other stakeholder considerations, including in relation to employees, and while processes for asset sales are expected to get under way in 2020/21, they may not result in completed sales until later. SSE is targeting disposal proceeds of at least £2bn by the autumn of 2021.

This further reshaping of the SSE Group is consistent with SSE's strategic focus on the transition to net zero emissions and demonstrates the range of options that SSE has to secure value that supports dividend payments and future investment and promotes the company's long-term success.

Impact on capital expenditure plans to 2025

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

SSE's 2018 plan to invest around £6bn across the five years from 18/19 to 22/23, has been re-shaped to focus on the delivery of core strategic projects that will make the greatest early contribution to the achievement of net zero emissions and earn sustainable returns that will support earnings in the years ahead. Projects in the new five-year plan include the Seagreen and Dogger Bank offshore wind farms and the Viking onshore wind farm. SSE's focus on these core strategic projects and to wider plans for investment to support the transition to net zero emissions is currently expected to require total investment expenditure by SSE of around £7.5bn in the period to March 2025, net of project finance development expenditure refunds.

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

Capital and investment expenditure on less strategic projects or less advanced projects will be deprioritised and deferred. As stated above, SSE will pause development of options to extend SSE Renewables' activities to additional jurisdictions.

In 2020/21, as a result of the decisions it has taken to focus capital expenditure on core strategic projects, SSE expects capital and investment expenditure to be just under £1bn. This compares with an annual average of £1.4bn in the five years to March 2020.

Adjusted net debt and credit rating

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

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

In addition to maintaining effective financial management and managing cash outflow, therefore, SSE will ensure that its decisions on capital investment projects are calibrated with the progress of, and prospects for, its planned programme of disposals of non-core assets and businesses (see above) and in line with these commitments to: target a net debt/EBITDA ratio at the lower end of a range of around 4.5 to 5 times; and maintain RCF and FFO ratios that are comfortably above those required for an investment grade credit rating. This represents a sustainable financial framework for the future.

Dividend Plan

SSE's first financial objective has always been to remunerate shareholders for their investment through the payment of dividends. People with pensions and savings depend on dividend payments for income, especially in the current financial climate.

SSE continues to believe that dividends should be sustainable, based on earnings and the longer-term financial outlook and also on the quality and nature of its assets and operations. In terms of its core businesses:

- SSE Renewables has a diverse portfolio of capacity for renewable energy in operation or under construction totaling over 5.3GW (net) and its net capacity in operation is expected to grow to around 6.7GW in 2026.
- The RAV of SSEN Transmission and SSEN Distribution and SSE's investment in SGN is forecast to grow from £9.1bn at March 2020 to around £12bn in by March 2026.

The core businesses of SSE Group provide a good balance, being economically-regulated or operating under public policy targeting net zero emissions; and are complemented by other businesses such as SSE Thermal, which provides a key role in supporting the electricity system through the net zero transition.

The quality and nature of SSE's businesses and assets, and their potential for sustainable value creation, transcends the financial impact of coronavirus in 2020/21.

As stated in March 2020, the Board's final decisions on dividend payments in relation to 2020/21 will have to take account of the impact of the wider economic situation on SSE's businesses and will also have regard to the associated expectations of all of SSE's key stakeholder Groups. They will also be in line with SSE's commitment to promote the success of the company for the long term; but SSE believes that long-term success will be founded on sustaining dividends through short-term adverse economic and business conditions.

In line with that, and based on a RPI rate of 1.5%, the Board expects to declare in November 2020 an interim dividend for 2020/21 of 24.4 pence, to be paid in March 2021.

Looking further ahead, there are clearly uncertainties about the wider economic situation and, therefore the impact on SSE's businesses and the Board will continue to take account of that in making decisions on dividends; but based on SSE's current forecast of the financial impact of coronavirus, it is confident in its ability to deliver all of its existing five year 2019-23 dividend plan including a full-year dividend for 80 pence plus RPI inflation for 2020/21.

Summary – Group Financial Outlook 2020/21 And Beyond

SSE's strategic focus on regulated electricity networks and renewable energy helps to limit the adverse effects of coronavirus on its businesses. The quality and nature of its assets and operations and the earnings derived from them, mean SSE is well placed to manage the substantial, but temporary, adverse effects on its businesses arising from coronavirus, and it has a comprehensive plan for doing so.

SSE is also well placed to play a significant part in helping the UK to complete the transition to net zero emissions. Its core businesses of SSEN Transmission, SSEN Distribution and SSE Renewables in particular have strong opportunities to create value through that transition, and SSE is committed to maintaining a financially-disciplined and agilely-executed approach to value-creation.

SSE is, therefore, in a strong position to support a green economic recovery. More than ever, this economic recovery will have to create value for shareholders and society – and that remains SSE's over-riding strategic goal.

BUSINESS UNIT OPERATING REVIEW

SSE's strategic focus on the successful development, efficient operation and responsible ownership of energy assets and businesses is delivered through a range of business units. These operating segments are designed to allow decision-making to be as effective and efficient as possible, for the benefit of SSE's stakeholder groups, and to give investors visibility over performance and future priorities.

ECONOMICALLY-REGULATED NETWORKS

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

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

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

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

SSEN's Transmission and Distribution networks will play a key part in the low-carbon transition, connecting new renewable generation to the grid and leading the transition from network to system operation. SSE expects its combined RAV (including its third share in SGN) to reach £10bn by 2023.

SSEN TRANSMISSION

SSEN Transmission key performance indicators

ELECTRICITY TRANSMISSION	Mar 20	Mar 19
Transmission adjusted and reported operating profit - £m	218.1	252.1
Regulated Asset Value (RAV) - £m	3,469	3,276
Renewable Capacity connected to SSEN Transmission Network – GW	6,298	6,236
Transmission adjusted Capital expenditure - £m	329.0	344.0

SSEN Transmission overview

Operating as Scottish Hydro Electric Transmission plc, SSEN Transmission owns, operates and develops the high voltage electricity transmission system in the north of Scotland and remote islands. Since the start of the eight-year RIIO-T1 price control in 2013, investment and capital expenditure by SSEN Transmission has totalled over £3bn, including £329m in 2019/20. This investment plays a pivotal role in providing the critical national infrastructure required to facilitate the transition to net zero and to maintain network reliability for the communities SSEN Transmission serves.

For financial performance commentary please refer to the Group Financial Review under Operating Profit Performance 2019/20 and Group Financial Outlook 2020/21 and Beyond.

Maintaining network reliability

The coronavirus pandemic has highlighted the critical importance of electricity network reliability to society, with the people and organisations whose work is crucial to the coronavirus response more dependent than ever on a safe and reliable supply of electricity.

SSEN Transmission is very focused on its role in maintaining a safe and reliable supply of electricity to the communities it serves and during 2019/20 it continued to maintain impressive network reliability of over 99.99%. Faults that impacted end users led to a loss of demand totalling just 1.15MWh resulting in SSEN Transmission earning £1.2m through the Energy Not Supplied (ENS) Incentive. This will be reflected in 2021/22 earnings.

The ENS Incentive provides a financial reward or penalty, on a sliding scale, if the volume of energy not supplied to customers due to faults is below (reward) or above (penalty) a pre-determined annual target, which for SSEN Transmission is 120MWh. SSEN Transmission expects the ENS incentive to continue with a new target in RIIO-T2, during which SSEN Transmission has a clear goal to aim for 100% network reliability, where economic to do so.

SSEN Transmission has an ongoing programme of inspections, maintenance, refurbishment and asset replacement to ensure its critical national infrastructure continues to deliver for electricity customers, generators and wider society. This includes the replacement of the existing transmission line from Inveraray to Crossaig, with these major works essential to maintaining security of supply in Argyll and Kintyre. Construction of the first phase of this project, from Inveraray to Port Ann, is under way and remains on track for completion in 2021; with the second phase, from Port Ann to Crossaig, to be delivered in RIIO-T2.

Connecting renewables in pursuit of net zero

SSEN Transmission's north of Scotland operating area is home to some of the UK's greatest resources of renewable electricity. During 2019/20 it connected around 135MW of new renewable electricity generation, contributing to an overall increase in the total renewable capacity connected to SSEN Transmission's network from 3.3GW at the start of RIIO-T1 to over 6.3GW today.

While there has been a slowdown in new onshore wind connections in the final years of RIIO-T1, SSEN Transmission continues to see strong demand for future grid connections and notes proposed changes in UK Government policy to reintroduce support for onshore wind in future CfD auctions.

The next ScotWind leasing round for future offshore wind farm sites in waters off the coast of Scotland is also likely to result in further growth of renewables connecting to SSEN Transmission's network.

Based on its 'Certain View' of generation growth forecast over the RIIO-T2 period, SSEN Transmission expects the installed renewable capacity connected to its network in the north of Scotland will increase to at least 10GW, the equivalent of powering 10 million homes and playing a pivotal role in UK net zero targets as well as supporting future earnings and RAV growth. However, following the introduction of net zero emissions legislation, based on SSEN Transmission's 'Likely View' this could increase to around 12GW, putting the north of Scotland on a clear pathway to net zero.

As SSEN Transmission plays its part in enabling a net zero economy, it will be guided by its strategy which is focused on innovative and flexible connections, delivered in greater collaboration with customers and other stakeholders.

Delivering a programme of capital investment

The forecast growth and continued renewal of SSEN Transmission's network will support future earnings and RAV growth. Progress made on the capital investment programme can be seen in the new 400kV substation at Fort Augustus, which remains on track for completion in 2021. The substation is a key component to support the growth in renewables unlocked by the replacement Beauly to Denny line that was completed by SSEN Transmission in 2015.

The Fort Augustus substation builds on a number of delivery milestones in 2019/20 including completion, on time and on budget, of the Fort Augustus to Fort William overhead line refurbishment and completion of the 275kV line between Knocknagael and a new substation at Tomatin.

A significant proportion of current and future works are focused on the east coast, building the transmission network infrastructure required to connect and transport the growth in renewable energy. This includes the ongoing construction of new substations at New Deer and Rothienorman, which are progressing well. Both will initially operate at 275kV, increasing to 400kV as part of the wider east coast onshore reinforcements that are scheduled for RIIO-T2, which will see the capacity of the existing east coast line increase to 400kV. These works will also include new substations at Alyth and Peterhead, and an extension to the existing substations at Fetteresso, Kintore and Tealing.

SSEN Transmission is also working with the other GB Transmission Owners, Scottish Power Energy Networks and National Grid Electricity Transmission, on grid reinforcement proposals to develop a subsea High Voltage Direct Current (HVDC) link from Peterhead substation to Drax substation in the north east of England.

Ready to connect Scotland's island groups

SSEN Transmission continues to work with stakeholders across the three Scottish island groups to develop and take forward proposals to enable transmission connections to renewable electricity. Together, the three links could provide an investment opportunity of around £1.5bn for SSEN Transmission.

In September 2019, Ofgem approved SSEN Transmission's Needs Case for the 220kV (220MW) Orkney link, subject to Orkney renewable developers meeting a number of conditions no later than December 2021. Subject to developers meeting Ofgem's conditionality, energisation of the link is not expected before 2025.

In April 2020, Ofgem published a consultation on the Shetland transmission link, in which the regulator stated it is minded to approve a 600MW HVDC link to Shetland, conditional on Viking wind farm (wholly owned by SSE Renewables) reaching a positive final investment decision. As well as unlocking Shetland's renewable potential, the link could help meet Shetland's future security of supply needs and it is scheduled for energisation in 2024, pending construction of Viking.

As developers have been unable to collectively commit to the volume of megawatts required to underpin the regulatory investment case for the proposed 600MW Western Isles HVDC link, the planned energisation date has been moved back to 2025 at the earliest.

SSEN Transmission will continue to engage constructively to take forward proposals for each island link in a timely and efficient manner, as soon as developer commitment and all necessary regulatory and planning approvals are confirmed.

Addressing concerns about competition in transmission

SSEN Transmission remains committed to working constructively with the Electricity System Operator (ESO), Ofgem and other stakeholders as part of the ESO's development of competition for the RIIO-T2 period. It continues to believe that any further extension of competition in onshore transmission should be underpinned by legislation; should only be considered where it can be clearly demonstrated that it does not compromise the security and effective operation of GB's critical national electricity infrastructure; and that it provides demonstrably better value to consumers.

The stakeholder-led case for a Network for Net Zero

In December 2019, SSEN Transmission submitted to Ofgem and published its final Business Plan for the RIIO-T2 price control, A Network for Net Zero, following over two years of detailed stakeholder engagement. The evidence-based business plan makes a powerful investment case that a minimum total expenditure of £2.4bn is required over the five-year price control period to maintain and grow the north of Scotland transmission network to meet the needs of current and future electricity generators and customers. This could see the Regulatory Asset Value of SSEN Transmission increase to over £5bn by 2026.

Whilst the coronavirus pandemic resulted in Ofgem postponing its planned Spring 2020 Open Hearings, Ofgem has confirmed it expects the RIIO-T2 process to remain on track, with draft determinations still expected to be consulted on in the Summer of 2020 with final determinations due to be published towards the end of 2020.

Despite the impact of coronavirus, SSEN Transmission continues to believe its business plan delivers against the needs of, and retains the support of, its stakeholders; it provides the flexibility required to manage uncertainty in the speed and scale of future decarbonisation; and will deliver significant local and national economic benefits as part of a post coronavirus green economic recovery.

SSEN Transmission will continue to engage constructively with all stakeholders as part of the ongoing price control process. It remains committed to delivering the infrastructure investment needed to achieve net zero targets. And it intends to do this through its ambitious Business Plan, under an appropriate regulatory financial framework.

A link to this Business Plan can be found on: **https://www.ssen-transmission.co.uk/riio-t2-plan/**

SSEN DISTRIBUTION

SSEN Distribution key performance indicators

ELECTRICITY DISTRIBUTION	Mar 20	Mar 19
Electricity Distribution Adjusted operating profit - £m	356.3	401.3
Electricity Distribution Reported operating profit - £m	351.9	401.3
Regulated Asset Value (RAV) - £m	3,685	3,555
Distribution adjusted capital expenditure - £m	364.9	340.7
Electricity Distributed - TWh	38.0	38.3
Customer minutes lost (SHEPD) average per customer	56	59
Customer minutes lost (SEPD) average per customer	46	50
Customer interruptions (SHEPD) per 100 customers	63	69
Customer interruptions (SEPD) per 100 customers	47	52

SSEN Distribution overview

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

As with SSEN's Transmission business, Ofgem sets price control frameworks for SSE's electricity distribution business. The RIIO-ED1 Price Control ends in March 2023, with the new RIIO-ED2 running for the five years to 2028.

For financial performance commentary please refer to the Group Financial Review under Operating Profit Performance 2019/20 and Group Financial Outlook 2020/21 and Beyond.

Prioritising delivery in the regulatory framework

Three years remain of the RIIO-ED1 Price Control, and SSEN Distribution continues to deliver significant changes to its operations, process and standards, with the needs of its customers remaining at the forefront of decision making. Operational changes implemented by SSEN Distribution in 2019/20 have positioned the business to deliver in four key areas:

- good performance in relation to incentives available within RIIO-ED1;
- efficient delivery of capital investment;
- focused delivery of regulatory outputs; and
- maintaining a leadership position in innovation.

Driving value through the RIIO-ED1 incentive framework

While the bulk of DNO profits are earned through the RIIO-ED1 allowed return on equity, incentives provide an opportunity to earn additional income in excess of base return and may equally result in penalties being applied for poor performance. SSEN has been targeting improvements in this area, and details of SSEN Distribution's performance on incentives for the financial year 2019/20 are provided below.

Incentive performance in relation to financial year 2019/20 for SSEN's Distribution business is expected to be £16.2m (to be received in financial year 2021/22), compared to £10m in relation to financial year 2018/19. This represents a significant improvement, particularly in light of the tightening nature of targets year-on-year, and is SSEN Distribution's strongest performance since the 2016/17 incentive period. There are three categories of incentives under RIIO-ED1: the Interruptions Incentives Scheme, Customer Services, and Connections, and a summary of each is set out below.

Improvements in Interruptions Incentive Scheme performance

SSEN Distribution's core priority is to provide a safe and reliable supply of electricity to the communities it serves. Equally, under the RIIO regulatory regime, 'keeping the lights on' for customers is a key revenue driver.

As part of the Interruptions Incentive Scheme (IIS), SSEN is incentivised on its performance against the loss of electricity supply through the recording of Customer Interruptions (CI) and Customers Minutes Lost (CML), which include both planned and unplanned supply interruptions. Details of performance compared to the previous year is highlighted in the KPI table above.

Across both its licence areas, overall IIS incentive earnings were £7.8m in 2019/20, up from £2.5m in 2018/19.

These improved returns under the IIS scheme are driven by the strong performance of the high voltage network and the continued implementation of automation measures, enabling the swift and efficient restoration of power supplies to customers, alongside network protection investment.

Strong performance for customers

In 2019/20, SSEN Distribution secured a Broad Measure of Customer Satisfaction Incentive reward of £5.6m, up significantly from £4.7m the previous year. The improvement has been driven through improved communication with customers. Greater notice for planned shutdowns is now provided and action has been taken to improve the Estimated Time of Restoration process, giving advanced notice and accurate information to SSEN customers. These measures have also led to a 20% reduction in complaints in 2019/20 compared to the previous year.

SSEN Distribution was awarded an increased customer satisfaction rating from the Institute of Customer Service of 89%, up from 88% in the previous financial year, and it secured the British Standard for Inclusive Service Provision for the fifth consecutive year, recognising that its policies, procedures and services are accessible and fair to all customers.

Customer-focused connections

The customer-focused improvements SSEN has implemented in its connections business continues to deliver consistent high performance, reflected by the award of £2.7m under the Average Time to Connect (TTC) Incentive for 2019/20. This is consistent with performance last year of £2.8m and represents 90% of maximum allowable incentive.

In October 2019, Ofgem announced its decision not to penalise SSEN under the penalty only Incentive on Connections Engagement (ICE). This is the fourth consecutive year SSEN has avoided a penalty since its introduction at the beginning of the RIIO-ED1 Price Control period. Under RIIO-ED1 incentive targets will become harder to achieve in the second half of the Price Control, but SSEN Distribution remains confident that it will deliver sustained incentive performance in this area.

A delivery-focused Regional Operating Model

SSEN Distribution's seven Customer Operations regions now work to a new Regional Operating Model aimed at improving productivity, employee utilisation and customer service. Coordination Centres were established to implement a standardised way of working across the regions and to give teams greater visibility of their programmes of work, resources and performance. The new Regional Operating Model will deliver greater efficiency of network management and operational costs, and improved utilisation and productivity. This, in turn, will drive efficient delivery of regulatory outputs and improvements in incentive performance.

Delivering a major programme of capital investment

Key to successful delivery against a regulatory price control is efficient and focused capital investment. SSEN Distribution has a major capital investment programme for both its network areas which will deliver significant improvements for its customers as well as contributing to sustained and fair returns and increased RAV. During 2019/20, SSEN invested a total of £364.9m across its distribution networks, bringing the total invested since the beginning of the RIIO-ED1 Price Control to

over £1.6bn. This is part of a forecast investment of £2.4bn throughout the RIIO-ED1 period, supporting future earnings through RAV growth.

A whole system recommendation for Shetland

In December 2019, Ofgem approved SSEN Distribution's whole-system proposal to contribute to the cost of the transmission link to Shetland, which is required to meet the islands' energy needs, on condition of appropriate implementation in industry codes and final approval of the Shetland transmission link Needs Case. In line with SSEN Distribution's recommendation, if the transmissions link is approved, SSEN Distribution would contribute £251m towards it, based upon the value of services it would provide to its local distribution network across the Shetland Islands.

Transitioning to a Distribution System Operator

SSEN Distribution is investing £162m during RIIO-ED1 in improving visibility of flexibility opportunities, undertaking a comprehensive upgrade of its IT systems that will facilitate the use of network connectivity models and bridging the gap between planning and operational functions. Underpinning this work is a fundamental realignment of the supporting datasets and how our core systems share data.

In 2019/20, SSEN became the first DNO to utilise an economically-viable Constraint Managed Zone (CMZ) in the UK, avoiding 2,450 tonnes of CO2 emissions (the equivalent of powering half a million homes for a week). Rather than utilising diesel generators or a back-up power station during a period of network maintenance, a low-carbon generator was contracted instead. This is the first example of a low-carbon economically viable CMZ operating in the UK and is an important step forward in SSEN Distribution transitioning to a Distribution System Operator (DSO).

The roll-out of SSEN Distribution's Active Network Management programme will be completed in 2020/21, enabling it to utilise flexibility options over traditional network reinforcement, supporting smarter management of the energy system and establishing SSEN's credentials as a DSO.

Demonstrating DSO through Project LEO

Led by SSEN Distribution, Project Local Energy Oxfordshire (LEO) is one of the most ambitious smart grid trials conducted to date in the UK. The project is demonstrating how the growth in small scale renewables, EVs, battery storage and demand side response can be supported by a local, flexible and responsive electricity grid, ensuring value for consumers and opportunities for communities and market providers. In the first of its three years, Project LEO has made good progress, with 47 assets identified to take part in the trials. Project LEO is backed by £13.8m of funding from the UK Government's Industrial Strategy Challenge fund, and is running concurrently in Oxfordshire with Project TRANSITION, funded by an £11m Ofgem grant, which will replicate DSO models. Further information on the respective projects is available on www.project-leo.co.uk and www.ssen-transition.com .

Enabling the electrification of transport and heat

SSEN strongly supports the UK's net zero emissions targets and the proposed plans to bring forward the phasing out of internal combustion engine vehicles. The Committee on Climate Change's 2019 Net Zero Technical Report states that meeting net zero could double electricity demand in the UK by 2050, and electricity networks will have a critical role in accommodating this. SSEN can provide secure, resilient infrastructure that supports this increasing demand, sharing the data and key learnings from innovation projects, to ensure drivers have the confidence to make the transition to EVs. SSEN published its first Electric Vehicle (EV) Strategy document in March 2020.

Recognising earlier targets in Scotland, SSEN Distribution is part of a first-of-its-kind Strategic EV Partnership alongside the Scottish Government, Transport Scotland and Scottish Power Energy Networks to provide £7.5m of investment and innovation in planning and delivery of the infrastructure required for the EV rollout. A separate Strategic Heat partnership has been created with the Scottish Government recognising the distinct challenge that decarbonising heating poses. SSEN is seeking to progress options for similar collaboration at a UK level.

Continued progress in planning for RIIO-ED2

SSEN Distribution continues to make significant progress in planning for the RIIO-ED2 price control period, with its draft business plan due to be submitted to Ofgem in May 2021 and a final plan due to be submitted later that year. A key focus for the year was the establishment of its RIIO-ED2 Customer Engagement Group (CEG).

The CEG, chaired by Tracey Matthews who also led the SSEN Transmission RIIO-T2 User Group, brings together eight experts with varied backgrounds including energy regulation, consumer advocacy, fuel poverty, community renewables and asset management. SSEN is confident it will provide the right level of industry and consumer insight, independent challenge and scrutiny as it prepares its RIIO-ED2 business plan. SSEN has also commenced an enhanced consumer and stakeholder engagement programme to ensure its business plan is fully shaped by external views and is reflective of societal needs.

To understand the growth potential expected during RIIO-ED2, SSEN worked with energy consultants Regen and local stakeholders to produce local future energy scenarios for each of its distribution areas during 2019/20. This analysis supports SSEN's efforts to understand what energy needs are likely at a local level and provides a strong rationale for strategic investment in anticipation of network demand. In addition to this work, SSEN has also progressed engagement with local authorities and other stakeholders on the role for Local Area Energy Plans (LAEPs), an initiative designed to ensure network investment is progressed in concert with local development.

Ahead of the publication of the RIIO-ED2 sector specific framework later this summer, SSEN has actively participated in a series of working groups held by Ofgem on key areas such as strategic investment and the interruptions incentive framework. SSEN will continue to advocate constructively for a regulatory framework that strikes the right balance between driving efficiency and delivering the necessary investment required for network reliability, innovation and customer service improvements and further decarbonisation of the energy system.

INVESTMENT IN SCOTIA GAS NETWORKS (SGN)

SGN key performance indicators

SCOTIA GAS NETWORKS (SGN) SSE's 33.3% share	**Mar 20**	**Mar 19**
SGN adjusted operating profit (SSE's share) - £m	202.3	176.8
SGN reported operating profit (SSE's share) - £m	80.8	85.1
Regulated Asset Value - £m	1,952	1,898

Investment in SGN

SSE continues to hold a 33% investment stake in SGN, the gas distribution company which serves 5.9 million homes and businesses across the south of England, all of Scotland, and the western region of Northern Ireland. The best performing gas network on Ofgem's customer service measures, SGN is also a leader on innovation and new technologies.

Looking after communities through the provision of a safe and reliable gas distribution network is a key priority, and this focus continued through the coronavirus emergency in line with official guidance on critical work and social distancing. During the year to 31 March 2020, 98% of uncontrolled gas escapes were attended in under an hour and 16,787 new gas connections were delivered, including 2,095 assisted connections as part of efforts to help those in fuel poverty.

Preparing for RIIO-GD2

SGN continues to make progress in its preparation for the next price control (RIIO-GD2) which is due to start from April 2021. Leading on innovation, supporting the decarbonisation agenda and delivering on engineering excellence, SGN has submitted a strong, stakeholder-led business plan to Ofgem in December 2019. This plan commits SGN to making a positive impact on society, delivering a safe and efficient service and contributing to net zero goals by accelerating decarbonised gas solutions.

For financial performance commentary please refer to the Group Financial Review under Operating Profit Performance 2019/20 and Group Financial Outlook 2020/21 and Beyond.

SSE RENEWABLES

SSE Renewables key performance indicators

	Mar 20	Mar 19
Renewable adjusted operating profit - £m	567.3	455.9
Renewable reported operating profit – £m	459.9	1,242.9
Renewable adjusted capital expenditure and investment – £m	342.7	326.1
RENEWABLE GENERATION CAPACITY – MW		
Pumped storage capacity (GB) – MW	300	300
Conventional hydro capacity (GB) – MW	1,159	1,150
Onshore wind capacity (GB) – MW	1,247	1,247
Onshore wind capacity (NI) – MW	122	141
Onshore wind capacity (ROI) – MW	567	567
Offshore wind capacity (GB) – MW	579	344
Total renewable generation capacity (inc. pumped storage) – MW	**3,974**	**3,749**
Renewable capacity qualifying for ROCs - MW	c2,150	c2,150
RENEWABLE GENERATION OUTPUT – GWh		
Pumped storage output – GWh	127	225
Conventional hydro output – GWh	3,743	3,318
Onshore wind output GB – GWh	2,676	2,890
Onshore wind output NI – GWh	373	315
Onshore wind output ROI – GWh	1,531	1,524
Offshore wind output – GWh	2,244	1,439
Total renewable generation (inc. pumped storage) – GWh	**10,694**	**9,711**
Total renewable generation (also inc. constrained off) – GWh	**11,384**	**10,399**

Note 1: Capacity is wholly-owned and share of joint ventures
Note 2: Electricity output is based on SSE 100% share of wholly owned sites and % share of joint ventures
Note 3: Onshore wind output excludes 687GWh of constrained off generation in both 2019/20 and 2018/19; Offshore wind output excludes 2.GWh of constrained off generation in 2019/20 and nil in 2018/19
Note 4: Increase in hydro capacity is due to a review as part of the internal Operating Model improvements and is not related to the delivery of additional hydro plant
Note 5: Onshore wind capacity in GB reflects Stronelairg coming on line December 2018 and the subsequent part disposal of it and Dunmaglass in March 2019. NI onshore wind capacity reflects the disposal of Slieve Divena in February 2020. ROI onshore wind capacity reflects the part disposal of Cloosh in March 19
Note 6: Offshore wind capacity increase due to Beatrice coming on line May 2019
Note 7: Biomass capacity and output at Slough is excluded as now part of the Enterprise business

SSE Renewables overview

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

Further decarbonisation of electricity, heat and transport – on the scale envisaged by the UK Committee on Climate Change's 2019 report – relies on a significant scaling up of renewable sources of electricity, which SSE Renewables is well equipped to play a key part in delivering.

For financial performance commentary please refer to the Group Financial Review under Operating Profit Performance 2019/20 and Group Financial Outlook 2020/21 and Beyond.

Onshore wind

SSE Renewables' onshore wind capacity in GB and Ireland stands at 1,936MW, following the divestment in March 2020 of Slieve Divena II wind farm (18.8MW) to Greencoat UK Wind. Its onshore

development pipeline consists of over 1GW of potential newbuild projects. This includes around 700MW of capacity with consent for development, some of which it is seeking to optimise through planning amendments to accommodate more advanced turbine technology.

Onshore Development

In January 2020, SSE Renewables announced its decision to progress Gordonbush Extension (38MW) subsidy-free on a merchant basis, adding 11 turbines to the existing 35-turbine 70MW Gordonbush onshore wind farm in Sutherland. Construction is under way with the project expected to be operational by Spring 2021. A planning application for Cloiche wind farm, located in the Great Glen, was submitted in May 2020 seeking permission for at least 150MW capacity.

In March 2020, the UK Government announced it would allow onshore wind to compete in future Contracts for Difference (CfD) auctions starting from the next allocation round in 2021. SSE Renewables believes that revenue stabilisation, like the CfD, will be needed to build out the volume of onshore wind required to deliver net zero targets cost-effectively.

SSE Renewables has approved a final investment decision for Viking Wind Farm (443 MW). Located on Shetland, it will be the largest onshore wind farm in the UK in terms of annual electricity output playing a vital role in meeting Scottish and UK net zero targets. Viking is the anchor project that commercially underpins the transmission link which will play a critical role in Shetland's security of supply needs. Both the wind farm and the link will bring vital socio-economic benefits to the islands, opening up much needed and sustainable diversification of the Shetland economy. SSE now awaits the outcome of the consultation on Ofgem's minded-to position to approve a 600MW transmission connection from Shetland to the GB mainland, expected by July 2020. Final approval from Ofgem was conditional on Viking wind farm reaching a positive final investment decision.

In Ireland, the Department of Communication, Climate Action and Environment has completed the pre-qualification process for the first auction under the new Renewable Electricity Support Scheme (RESS) due to be in August 2020. Successful projects will be awarded contracts for up to 15 years of support.

Offshore wind

SSE Renewables' operational offshore wind portfolio continued to perform well in 2019/20, with increased output driven by the Beatrice offshore wind farm (588MW – SSE Renewables' share 40%), which became fully operational in May 2019 and was officially opened by HRH The Duke of Rothesay in July 2019.

SSE Renewables' operational offshore portfolio consists of:

Asset	Capacity	SSE Renewables Share	Status
Walney (UK)	367MW	25%	Operational
Greater Gabbard (UK)	504MW	50%	Operational (Operated by SSE Renewables)
Beatrice (UK)	588MW	40%	Operational (Operated by SSE Renewables)

Offshore Development

In September 2019, SSE Renewables was awarded 15-year contracts in CfD Allocation Round 3 for the offshore wind projects shown in the table below. Outside the 15-year CfD period, the successful offshore wind projects will be important assets with significant earnings capacity anticipated over their operational lifetimes.

Project	CfD Contract Capacity	Strike Price (2012 prices)	Delivery Year
Dogger Bank A	1,200MW	£39.65/MWh	2023/2024
Dogger Bank B	1,200MW	£41.61/MWh	2024/2025
Dogger Bank C	1,200MW	£41.61/MWh	2024/2025
Seagreen 1	454MW	£41.61/MWh	2024/2025

Dogger Bank Wind Farm, located off the North East coast of England, is a joint venture with Equinor in which SSE Renewables has a 50% stake. The three successful Dogger Bank projects are each expected to generate over 5,000GWh of electricity annually. The joint venture continues to progress towards final investment decisions for all three projects, aiming for Q4 2020 for Dogger Bank A and B and late 2021 for Dogger Bank C. SSE Renewables will lead the development and construction phases and Equinor will lead on operations. Preferred suppliers of turbines, turbine installation and foundation installation services, HVCD equipment, HVCD platform and the export cable have been announced, as has the location of the operations and maintenance base at Port of Tyne.

Seagreen, located in the Firth of Forth, has a total capacity of 1,075MW and is expected to generate around 5,000GWh of electricity annually. In early June 2020, Seagreen reached financial close following SSE Renewables' entry into an agreement to divest a 51% stake of Seagreen to Total. The sell-down includes an equivalent stake in a potential extension opportunity at the site of up to 360MW. SSE Renewables will continue to lead on the development and construction of Seagreen and will operate the asset on completion, which is expected in 2022/23. Preferred suppliers of turbines, offshore platform and onshore substation, and offshore and onshore cables and foundations have been announced, as has the Montrose location of the operations and maintenance base.

In March 2020, BEIS confirmed that the Judicial Review against CfD AR3 had been withdrawn.

The Crown Estate's Leasing Round 4 opened in October and will offer seabed rights for at least 7GW of new offshore wind projects in the waters around England and Wales. The process is under way and successful bidders are expected to be announced in late 2021. Crown Estate Scotland's ScotWind seabed leasing process was launched in June 2020 with results expected by mid-2021. SSE Renewables is reviewing its options for participating in both processes.

In Ireland, SSE Renewables continues to progress its Arklow Bank offshore wind project, which is well placed to help Ireland achieve its targets in the Climate Action Plan of 1GW of offshore wind by 2025 and 3.5GW by 2030. An offshore RESS auction is expected to take place in Q2 2021. SSE Renewables has also submitted foreshore lease applications for two further Irish projects in the early stages of development: the 800MW Braymore Point project off the north-east coast and the 800MW Celtic Sea array off the south-east coast.

SSE Renewables' future offshore development pipeline consists of:

Project	**Capacity**	**SSE Renewables Share**	**Status**
Arklow Bank (ROI)	520MW*	100%	Consented and in development
Seagreen Phase 2 & 3 (UK)	Up to 3,200MW	100%	In development
Greater Gabbard Extension (UK)	Up to 500MW	50%	In development

** Following further analysis, the capacity has been revised down from 800MW to c520MW*

Hydro

SSE Renewables owns and operates the largest electricity storage capacity in the UK, comprising 750MW of flexible hydro and 300MW of pumped storage, as well as 400MW of run-of-river hydro. Its hydro fleet is uniquely placed in the GB system to deliver large-scale power that is both flexible and zero-carbon.

Optimising and enhancing this hydro resource is critical to supporting the electricity market and to enabling the transition to a net zero world by supporting the integration of high levels of renewables onto the electricity grid.

Hydro's performance continues to be enhanced by additional focus on flexing "nature's batteries" to provide support to the grid when required and a higher utilisation of the storage and catchment within hydro, consistent with SSE Renewables environmental obligations.

SSE Renewables' hydro assets also provide a valuable option to the System Operator, which can take advantage of hydro's flexibility to meet system requirements. Increasingly, additional revenue opportunities for hydro will come from providing these grid services.

2019/20 saw strong levels of production across the hydro fleet. Improved operational reliability and proactive management of water – the 'fuel source' for hydro – through storage contributed to hydro's strong performance.

The hydro fleet has high levels of availability and continues to perform reliably and efficiently with relatively low levels of operational expenditure supported by a proactive, long-term capital investment programme.

Investments are being made across the hydro fleet through SSE Renewables' capital governance programme to ensure these assets endure over the coming decades. Grudie Bridge (18.7MW) is currently undergoing overhaul (£16m capex) with the first of two machines complete. This work will extend its operational life by at least a further 30 years and improve reliability and efficiency.

The refurbishment of the two generators at Foyers pumped hydro station is progressing well with the first of the two machines back in service. As this machine provides the bulk of Foyers' value, the station will now return to contributing significantly to grid services and income.

Following the completion of these works, SSE Renewables will continue with its rolling programme of life extension fleet refurbishments. This will also increase their efficiency and flexibility, allowing SSE Renewables to capture more value from the available water.

Hydro Development

SSE Renewables' currently has consent for 600MW of pumped storage at Coire Glas and is awaiting a decision on increasing this capacity up to 1,500MW. With no other bulk seasonal storage solution available in the UK, pumped storage can play an important role in the electricity system in the 2030s and beyond. As such, SSE Renewables continues to explore the business case for taking forward Coire Glas.

Other geographies and technologies

In December 2019, SSE Renewables entered an agreement to acquire the development rights for a small portfolio of onshore wind projects in Germany from Holt Holding Group. These are small scale exploratory projects at very early stages of development. As a result of ongoing investigations by the German authorities into Holt Holding Group, it has stopped all development on these early stage projects in Germany and is supporting the authorities with their enquiries. SSE Renewables' potential financial exposure is limited to single digit millions of euros.

SSE THERMAL

Thermal generation key performance indicators

	Mar 20	Mar 19
Thermal adjusted operating profit/(loss) - £m	152.7	(22.3)
Thermal reported operating profit/(loss) – £m	15.5	(50.6)
Thermal adjusted capital expenditure and investment – £m	177.0	187.7
GENERATION CAPACITY – MW		
Gas- and oil-fired generation capacity (GB) – MW	4,004	3,929
Gas- and oil-fired generation capacity (Ire) – MW	1,292	1,292
Coal-fired generation capacity – MW	0	1,510
Multi-fuel capacity – MW	68	34
Total thermal generation capacity – MW	**5,364**	**6,765**
GENERATION OUTPUT – GWh		
Gas- and oil-fired (inc. CHP) output (GB) – GWh	12,948	18,322
Gas- and oil-fired output (Ire) – GWh	2,436	1,861
Coal-fired output – GWh	1,946	579
Multi-fuel output – GWh	395	294
Total thermal generation – GWh	**17,725**	**21,056**

Note 1: Capacity is wholly-owned and share of joint ventures
Note 2: Electricity output is based on SSE 100% share of wholly owned sites, 100% share of Seabank & Marchwood PPAs due to the contractual arrangement and % share multifuel JVs
Note 3: Increase in thermal capacity is due to a review as part of the internal Operating Model improvements and is not related to the delivery of additional thermal plant
Note 4: SSE's last remaining coal fired power station Fiddlers Ferry, closed in March 2020. Output for 2019/20 is reflected above with capacity omitted as at 31 March 2020
Note 5: Increased multifuel capacity relates to Ferrybridge MF2 which came on line in December 2019

SSE Thermal generation overview

SSE Thermal owns and operates conventional thermal generation and energy-from-waste facilities in the UK and Ireland. The SSE Thermal fleet fulfils an important strategic function within SSE, providing the generation flexibility that is needed to support the transition to net zero. Within the wider electricity market, it provides reliable capacity at scale, and the flexibility to respond to market changes and to events and meet the needs of electricity customers in the event of, for example, unplanned nuclear outages and periods of low wind or rain.

SSE's Combined Cycle Gas Turbine (CCGT) fleet is among the most flexible on the GB and Irish electricity systems and has increasingly created value from its intra-day flexibility. Demonstrating flexibility through the Balancing Mechanism to support the electricity system for the benefit of electricity customers will remain an important complementary earnings stream, which varies from year to year but for SSE's thermal plant can exceed £50m gross profit per annum. This flexibility is important in supporting the transition to a low-carbon electricity system whilst ensuring security of supply.

For financial performance commentary please refer to the Group Financial Review under Operating Profit Performance 2019/20 and Group Financial Outlook 2020/21 and Beyond.

Capacity Market

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

Station	Asset type	Station Capacity	Capacity obligation
Medway (GB)	CCGT	735MW SSE 100%	To September 2022
Keadby (GB)	CCGT	755MW SSE 100%	To September 2022
Keadby 2 (GB)	CCGT	840MW SSE 100%	15 year contract commencing October 2023
Peterhead (GB)	CCGT	1,180MW SSE 100%	To September 2024
Seabank (GB)	CCGT	1,234MW SSE 50%	To September 2024
Marchwood (GB)	CCGT	920MW SSE 50%	To September 2024
Great Island (Ire) *	CCGT	464MW SSE 100%	To September 2024
Rhode (Ire)*	Gas/oil peaker	104MW SSE 100%	To September 2024
Tawnaghmore peaking plant Ire)*	Gas/oil peaker	104MW SSE 100%	To September 2024
Tarbert (Ire)	Oil	620MW SSE 100%	To September 2022

** Based on provisional 2023/24 results.*
Capacity contracts are based on de-rating factors issued by the delivery body for each contract year, therefore will not directly match SSE's published station capacity.

An end to coal-fired generation

As part of its low-carbon strategy, SSE Thermal closed its last remaining operational coal-fired generation units (1,510MW) at Fiddlers Ferry on 31 March 2020, opening the way for a decommissioning programme. The closure of Fiddlers Ferry is part of SSE's commitment to a net zero emissions future and comes five years ahead of the UK Government's target to end unabated coal-fired electricity generation by 2025. It also supports SSE's decision, outlined today, to increase its target to reduce the carbon intensity of electricity generated by 50% by 2030 to a 60% reduction as part of setting its science-based targets. The Fiddlers Ferry closure follows the closure of the company's other coal-fired plant, the Ferrybridge 'C' station in West Yorkshire, in 2016. Demolition of Ferrybridge 'C' is under way and is expected to be complete in 2021.

Lower-carbon thermal development

Construction of SSE Thermal's £350m, 840MW CCGT at Keadby 2 in Lincolnshire, is in progress and is expected to be delivered by summer 2022. The project, which is adjacent to the existing Keadby CCGT, will introduce Siemens' first-of-a-kind, high efficiency, gas-fired generation technology to the UK. In March, Keadby 2 won a 15-year contract from capacity year 2023/24 at a price of £15.97/kW (prices indexed annually by CPI which is estimated to be worth c.£17.29/kW when the contract begins in October 2023).

SSE Thermal has opportunities to develop further thermal power stations; these will only be progressed where they have a clear low-carbon pathway and are consistent with SSE's wider decarbonisation targets.

SSE Thermal believes strongly in the potential of pre- and post-combustion Carbon Capture, Use and Storage (CCUS) and hydrogen to decarbonise flexible thermal generation. SSE Thermal is actively

looking at developing generation assets with low carbon pathways at our sites, with a planning application for a low carbon CCGT at Keadby 3 in the early stages. SSE Thermal is a member of the Humber Cluster, which is participating in the UK Government's Industrial Strategy Challenge Fund competition. It is also involved in the Cavendish cluster in the Isle of Grain as well as the NECCUS grouping in Scotland. These clusters provide a forum to work with partners to develop opportunities for decarbonisation of SSE Thermal sites.

Energy-from-waste

Construction of Ferrybridge Multifuel 2 (69MW – SSE Thermal share 50%, a joint venture with Wheelabrator) is now complete and the site began commercial operation in December 2019. The station will generate enough energy to power around 180,000 homes.

Site preparation work is also under way for a new energy-from-waste plant (up to 50MW) at Slough which will be operated by SSE Thermal under a 50:50 joint venture agreed with Copenhagen Infrastructure Partners (CIP) in April 2020. This site is expected to be operational by 2025.

SSE Thermal is also developing a 44MW multifuel unit at Skelton Grange under a 50:50 joint venture with Wheelabrator Technologies; the project is working towards FID by the end of 20/21 and project completion in 2024. The proposed facility will divert around 400,000 tonnes of non-recyclable residential, commercial and industrial waste from landfill annually.

GAS STORAGE

Gas Storage key performance indicators

GAS STORAGE	Mar 20	Mar 19
Gas storage adjusted operating profit/(loss) - £m	3.7	(5.7)
Gas storage reported operating (loss) - £m	(1.4)	(5.7)
Gas storage adjusted capital investment - £m	0.2	0.7

Gas Storage overview

SSE Thermal believes its Gas Storage assets can play an important role in the transition to net zero, despite the challenging economic conditions experienced by the sector in recent years. Gas storage has increasing importance for security of supply with the UK's continuing shift away from coal-fired generation and the resulting loss of inherent energy storage in coal stocks.

SSE Thermal holds around 40% of the UK's conventional underground gas storage capacity and its assets are well placed to provide this service to energy users. While the market has historically undervalued this service, making it challenging to cover the cost of maintaining and operating these assets, SSE Thermal believes that the economics are now improving, and these assets returned to profit in 2019/20.

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

For financial performance commentary please refer to the Group Financial Review under Operating Profit Performance 2019/20 and Group Financial Outlook 2020/21 and Beyond.

SSE BUSINESS ENERGY

Business Energy key performance indicators

	Mar 20	Mar 19
Business Energy adjusted operating profit - £m	9.2	51.6
Business Energy reported operating (loss)/profit - £m	(18.5)	51.6
Business Energy Electricity Sold – GWh	16,914	19,336
Business Energy Gas Sold – mtherms	272	277
Aged Debt (Business Energy) - £m	48.7	35.8
Bad debt expense (Business Energy) - £m	31.3	14.8
Exceptional bad debt expense (Business Energy) - £m	27.7	-
Energy customers' accounts (Business Energy sites) – m	0.52	0.55

SSE Business Energy overview

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

The business continues to innovate, focusing on extending beyond energy supply and into energy solutions such as energy optimisation, electric vehicle tariffs and corporate PPAs (Power Purchase Agreements).

SSE Business Energy is continuing to invest in new and improved data and technology systems with a focus on quality of service and improving outcomes for customers. The business retains a solid book and customer base. It is also responding to regulatory requirements to install smart meters and deliver faster customer switching in order to better serve customers in the future.

It has also been agreed that SSE Business Energy and SSE Enterprise (see below) will move towards a shared brand, so that all of the services provided by the SSE Group to business, public sector and third sector customers in GB are branded SSE Energy Solutions. This is designed to enhance engagement with customers and SSE's profile in its chosen markets.

For financial performance commentary please refer to the Group Financial Review under Operating Profit Performance 2019/20 and Group Financial Outlook 2020/21 and Beyond.

SSE AIRTRICITY

SSE Airtricity key performance indicators

	Mar 20	Mar 19
Airtricity adjusted operating profit - £m	48.8	38.6
Airtricity reported operating profit - £m	42.8	38.6
Adjusted capital expenditure (Airtricity)	0.3	1.2
Aged Debt (Airtricity) - £m	5.6	5.5
Bad debt expense (Airtricity) - £m	3.4	3.3
Exceptional bad debt expense (Airtricity) - £m	6.0	-
All-Island energy market customers (Ire) – m	0.72	0.72

SSE Airtricity overview

SSE Airtricity retains a strong market position as Ireland's largest supplier of 100% green energy, supplying over 700,000 customers across the island of Ireland with a 24% market share from a load perspective.

Eighteen months into the establishment of ISEM, the Irish sector remains strong but increasingly competitive, with a number of new entrants to the domestic market. Favourable Irish government

policy has resulted in continued growth in demand for non-domestic customers such as data centres, with whom Airtricity continues to successfully partner.

With its heritage in green energy supply, Airtricity has taken a strong leadership position on the sustainability agenda, through innovative partnerships such as the 'Solar for Schools' project and the retrofitting of Laura Lynn children's hospice in partnership with Microsoft. The continued success and strength of the 'This is Generation Green' marketing campaign highlights some of the valuable contributions Airtricity has made to Irish communities.

Airtricity continues to expand its Energy Services business which offers a diverse portfolio of green products and services including solar PV, boiler services, housing retrofit and EV charging. Through innovation and a growing offering, Airtricity Energy Services is leading the way in terms of delivering energy solutions and supporting customers on their path to net zero.

The ongoing delivery of a high standard of customer service remains a key business priority and continues to be recognised by external stakeholders, with Airtricity having recently won the Bonkers.ie Award for Best Customer Service, for the fourth consecutive year.

For financial performance commentary please refer to the Group Financial Review under Operating Profit Performance 2019/20 and Group Financial Outlook 2020/21 and Beyond.

SSE ENTERPRISE

Enterprise key performance indicators

ENTERPRISE	Mar 20	Mar 19
Adjusted operating profit	8.1	31.8
Reported operating (loss)/profit	(2.0)	31.8
SSE Heat Network Customer Accounts	8,851	8,184
Telecoms Number of BT exchanges unbundled	259	137

SSE Enterprise overview

The key role of Enterprise within the SSE Group is to seek out new opportunities in areas that complement the Group's core energy portfolio – with a focus on distributed energy. In addition, it has a 50% share in a telecoms business with a 50% partner, Infracapital, and Enterprise continues to undertake Mechanical and Engineering work in its Contracting and Rail business.

For financial performance commentary please refer to the Group Financial Review under Operating Profit Performance 2019/20 and Group Financial Outlook 2020/21 and Beyond.

Bringing innovation to the marketplace

SSE Enterprise's distributed energy business continues to develop in core markets as well as seeking opportunities to meet the evolving needs of its customers; including services in heat networks and EV infrastructure. For example, it can now provide electricity infrastructure for embedded local networks after securing an Independent Distribution Network Operators (IDNO) licence from Ofgem.

A further example of innovation is a new partnership combining Enterprise's EV infrastructure expertise with access to hundreds of lock up garage sites across London managed by InfraTech Property Solutions (IPS). These garage sites will be transformed into smart charging sites, known as Digital Community Hubs (DCHs) which combine rapid charging with 5G and Edge computing technology – with a pilot project planned near Heathrow Airport later in 2020.

In order to enhance its smart city offering SSE Enterprise has also signed a landmark deal with Smarter Grid Solutions to develop an 'energy as a service' platform to unify its capabilities in distributed energy generation, EV infrastructure, private electricity networks and heat networks. An example of this innovation in action is SSE Enterprise's participation in the Peterborough Integrated Renewables Infrastructure project (PIRI). Led by Peterborough Council, this scheme will bring green energy and transport for residents as part of the largest smart city-wide energy system in the UK.

Providing core services for customers

SSE Enterprise Telecoms continues to deliver strong sales growth across its target sectors. This includes helping to enable the UK's 5G roll out, securing a third substantial contract with Three UK, and helping to connect 250 towns and cities across the UK with fast 5G in the process. It has also successfully won its first metro-cities contract to deploy a new high capacity fibre network, enabling high-speed connections for Aberdeenshire Council, as well as for businesses to boost the local economy.

SSE Enterprise's Contracting division secured significant LED replacement projects with Leeds City Council, Swindon Borough Council, Camden Council and Wirral Council. These contracts will see around 185,000 units replaced over the next four years. Likewise, the Rail division continues to deliver work via the Control Period 6 programme, and it has won new clients like LNER.

It has also been agreed that SSE Enterprise and SSE Business Energy (see above) will move towards a shared brand, so that all of the services provided by the SSE Group to business, public sector and third sector customers in GB are branded SSE Energy Solutions. This is designed to enhance engagement with customers and SSE's profile in its chosen markets.

ENERGY PORTFOLIO MANAGEMENT

EPM key performance Indicators

EPM	Mar 20	Mar 19
EPM adjusted operating (loss) - £m	(137.4)	(284.9)
EPM reported operating (loss) – £m	(171.6)	(613.1)

EPM overview

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

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

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

For financial performance commentary please refer to the Group Financial Review under Operating Profit Performance 2019/20 and Group Financial Outlook 2020/21 and Beyond.

GAS PRODUCTION (Held for sale)

Gas Production key performance indicators

GAS PRODUCTION	Mar 20	Mar 19
Gas production contracts adjusted and reported operating profit (continuing) - £m	77.1	-
Gas Production assets adjusted operating profit (held for sale) - £m	25.8	48.9
Gas Production assets reported operating profit (held for sale) - £m	(265.5)	78.6
Gas production – M therms	456	504
Gas production – Mboe	8.14	9.00
Liquids production – Mboe	0.60	0.62
Technical review carried out annually:		
Proved Plus Probable (2P) - (Bn Th)	1.5	1.7
Proved Plus Probable (2P) - (MMboe)	24.9	29.7

Gas Production overview

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

Investment in gas production assets is however no longer consistent with SSE's strategy and focus on decarbonisation, and these assets are accounted for as held for sale. SSE continues to pursue the sale of these assets, but will only complete this transaction if it is believed to be the right outcome for shareholders.

For financial performance commentary please refer to the Group Financial Review under Operating Profit Performance 2019/20 and Group Financial Outlook 2020/21 and Beyond.

SSE ENERGY SERVICES (Discontinued)

SSE Energy Services key performance indicators

SSE Energy Services (held for disposal)	Mar 20	Mar 19
SSE Energy Services adjusted operating profit - £m	32.7	89.6
SSE Energy Services reported operating (loss)/profit - £m	(205.0)	35.3

SSE Energy Services summary

SSE Energy Services, formerly comprising SSE's domestic energy supply and energy-related services businesses in Great Britain, was sold to OVO Energy Limited on 15 January 2020. As part of the terms of the transaction, transitional service agreements are in place for the provision of some services, such as IT, telecoms and HR, between SSE and OVO in order to ensure continuity of service and a smooth experience for employees and customers.

The transaction was predicated on SSE's belief that it was in the best interests of customers and the wider market. Its successful completion marked a key milestone in the strategic repositioning of the SSE Group as a developer, operator and owner of low-carbon assets and infrastructure that will support the transition to a net zero emissions economy. The adjusted operating profit for the business of £32.7mis retained by the Group for the period to 15 January 2020 when the business was disposed. On disposal, the Group recorded an exceptional loss on disposal of £226.9m, which includes the recognition of a 13.25% unsecured loan note receivable of £100m, due in 2029.

ALTERNATIVE PERFORMANCE MEASURES

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

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

Purpose

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

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

Changes to APMs in the period

In the period the Group changed its adjusted profit before tax, adjusted net finance cost and adjusted earnings per share metrics to adjust for its share of non-recurring joint venture refinancing costs incurred in the year ended 31 March 2020. The rationale for including this adjustment to these APMs is set out in adjustment number 8 on page 52.

Impact of coronavirus on the Group's APMs

The Group has not adjusted its APMs for the impact of coronavirus. However, it has treated certain costs related to coronavirus as exceptional in the year ended 31 March 2020. The coronavirus pandemic happened late in the Group's financial year, therefore the impact on underlying results for the year was limited. Nonetheless, the Group recognised exceptional charges following the impact of coronavirus related factors in relation to the Group's bad debt provisions at 31 March 2020.

The additional bad debt provision charges recognised at 31 March 2020, which the Group has attributed to the coronavirus and classified as exceptional, were £33.7m. In addition to this, the Group has incurred a reduction in underlying operating profit estimated at £18.2m, which has not been adjusted through the APMs. Had this additional expense been treated as exceptional, or excluded from the Group's adjusted performance measures, it would equate to an £18.2m increase in the Group's adjusted EBITDA, adjusted operating profit and adjusted profit before tax measure; an increase of £2.0m to the Group's adjusted current tax measure; and a 1.5 pence per share increase to the Group's adjusted earnings per share measure. The adjusted results of the Group set out in the tables below have not been adjusted to remove this impact. The Group's adjusted net debt and hybrid capital; and adjusted investment and capital expenditure measures are unchanged by the additional charges recognised.

The Group is still to fully assess the impact of the coronavirus on its financial results for the year ending 31 March 2021, however the pandemic is expected to result in a significant reduction in electricity demand, which may be directly attributable to coronavirus.

Impact of IFRS 16 adoption on the Group's APMs

The Group has not adjusted its APMs for the impact of the adoption of IFRS 16. The impact of adoption of IFRS 16 is explained fully in note 3.1 of the Summary Financial Statements. The Group has applied the modified retrospective approach to adoption and has not restated comparative information.

Had the Group adjusted its APMs to remove the impact of IFRS 16 adoption at 31 March 2020, adjusted operating profit would be £1.9m lower; adjusted net finance costs would have been £9.2m lower; adjusted profit before tax would have been £7.3m higher; and adjusted earnings per share would have been 0.6 pence higher.

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

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

Rationale for adjustments

Adjustments to Profit Measure

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

This adjustment can be designated between operating and financing derivatives.

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

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

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

2 Exceptional Items

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

3 Share of joint ventures and associates' interest and tax

This adjustment can be split between the share of interest and the share of tax.

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

4 Share of joint ventures and associates' depreciation and amortisation

For management purposes, the Group considers EBITDA (earnings before interest, tax, depreciation and amortisation) based on a sum-of-the-parts derived metric which includes share of EBITDA from equity-accounted investments. While this is not equal to adjusted cash generated from operating activities, it is considered useful by management in assessing a proxy for such a measure given the complexity of the Group structure and range of investment structures utilised.

5 Reversal of IFRIC 18 adjustment on adoption of IFRS 15

The Group has restated comparative adjusted EBITDA figures following the adoption of IFRS 15 on 1 April 2018. The adoption of the new standard changed the way the Group accounts for electricity distribution connections (see note 3.1), therefore the adjusted measure has been restated to provide consistently prepared comparatives.

6 Depreciation and amortisation expense on fair value uplifts

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

7 Release of deferred income

The Group deducts the release of deferred income in the year from its adjusted EBITDA metric as it principally relates to customer contributions against depreciating assets. As the metric adds back depreciation, the release of the deferred income 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 is £12.3m, which has been adjusted from the Group's adjusted profit before tax and the Group's adjusted finance costs as refinancing of this scale is non-recurring and is not representative of normal operations.

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

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. The current tax APM for 2018 has been presented net of a reclassification adjustment, from current to deferred tax, in respect of liabilities related to historic open tax positions.

Adjustments to Debt measure

11 Hybrid equity

SSE plc has a mixture of perpetual and long dated hybrid capital securities with the perpetual hybrids being treated as equity and the long-dated hybrids being treated as debt. The characteristics of the perpetual hybrid capital securities mean they qualify for recognition as equity rather than debt under IFRSs. 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 PBT 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.

12 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. The Group includes this adjustment in order to better reflect the immediate cash resources it has access to, which in turn better reflects the Group's funding position.

13 Leases

On adoption of IFRS 16, SSE's reported loans and borrowings include lease liabilities which, as explained in note 3.1, which are not directly related to the external debt financing of the Group. The Group therefore 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.

14 Cash presented as held for disposal

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

Adjustments to Capex Measure

15 Other expenditure

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

16 Customer funded additions.

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

17 Allowances and certificates

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

18 Additions through business combinations

In the year ended 31 March 2020, the Group took a controlling interest in the Viking partnership and acquired a windfarm portfolio in Wexford in Ireland, resulting in an addition to intangible assets on consolidation of £26.4m. In the year ended 31 March 2019, the Group acquired 50% interest in Seagreen Wind Energy Limited (see note 12). On consolidation of Seagreen, £143.4m of development asset was included in the Group's consolidated intangible assets. This has been removed from 'adjusted investment and capital expenditure' as it was not direct capital expenditure by the Group.

19 Additions subsequently disposed/impaired

In the year ended 31 March 2020, there were additions of £44.6m in the Group's Gas Production segment which were subsequently impaired following the annual impairment assessment. Additions subsequently disposed in the year ended 31 March 2019 represent capital additions related to Stronelairg and Dunmaglass windfarms and SSE Telecommunications prior to their disposal and subsequent recognition as part of SSE's investment in joint ventures. Additions disposed in the year ended 31 March 2018 related to Ferrybridge MFE2 Limited which was subsequently part-disposed to Wheelabrator Technologies Inc.

20 Joint venture and associate additions

Joint ventures and associates' additions represent funding provided as equity and loans to joint ventures and associates directly related to large capital expenditure projects. This has been included to better reflect the Group's use of directly funded equity-accounted vehicles to grow the Group's asset base. Project finance raised by the Group's joint ventures and associates for capital expenditure is not included in this adjustment.

Impact of discontinued operations on the Group's APMs

The following metrics have been adjusted in all periods presented to exclude the contribution of SSE Energy Services and the Group's Gas Production operations, which have been presented as discontinued operations as at 31 March 2020 (see note 12.2 (i) and 5.2.(i)):

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

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

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

	March 2020	March 2019 (restated)*	March 2018 (restated)*
	£m	£m	£m
Adjusted operating profit	**1,488.4**	1,088.7	1,520.8
Adjusted net finance costs	**(465.0)**	(403.6)	(367.5)
Adjusted profit before tax (PBT)	**1,023.4**	685.1	1,153.3
Adjusted current tax charge	(114.2)	(7.1)	(111.7)
Adjusted profit after tax (PAT)	**909.2**	678.0	1,041.6
Hybrid coupon paid	(46.5)	(46.6)	(98.5)
Adjusted profit after tax attributable to ordinary shareholders for EPS	**862.7**	631.4	943.1
Number of shares for EPS	1,032.5	1,021.7	1,010.9
Adjusted Earnings per Share	**83.6**	61.8	93.3
Adjusted EBITDA	**2,191.4**	1,718.1	2,138.8
Depreciation and amortisation before exceptional charges	(530.1)	(519.0)	(625.9)
Reversal of IFRIC18 adjustment on adoption of IFRS 15	-	-	98.6
Depreciation and amortisation expense on fair value uplifts	20.6	2.9	4.8
Release of deferred income	14.7	10.2	20.6
Share of JV and associate depreciation and amortisation	(208.2)	(123.5)	(116.1)
Adjusted operating profit	**1,488.4**	1,088.7	1,520.8

	March 2020	March 2019 (restated)*	March 2018 (restated)*
Adjusted operating profit	**1,488.4**	1,088.7	1,520.8
Movement on operating and joint ventures financing derivatives	(36.2)	(327.0)	(85.8)
Exceptional items	(212.1)	1,010.2	(51.7)
Depreciation and amortisation expense on fair value uplifts	(20.6)	(2.9)	(4.8)
Share of joint ventures and associates' interest and tax	(256.1)	(155.4)	(150.4)
Reported Operating Profit	**963.4**	1,613.6	1,228.1
Adjusted Profit Before Tax PBT	**1,023.4**	685.1	1,153.3
Movement on operating and financing derivatives	(119.2)	(371.8)	(118.8)
Exceptional items	(209.7)	1,010.2	(51.7)
Depreciation and amortisation expense on fair value uplifts	(20.6)	(2.9)	(4.8)
Interest on net pension assets/(liabilities)	8.3	11.4	2.9
Share of joint ventures and associates tax	(82.3)	(31.7)	(37.8)
Share or non-recurring joint ventures refinancing costs	(12.3)	-	-
Reported profit before tax	**587.6**	1,300.3	943.1
Adjusted net finance costs	**465.0**	403.6	367.5
Exceptional items	(2.4)	-	-
Movement on financing derivatives	83.0	44.8	33.0
Share of joint ventures and associates interest	(173.8)	(123.7)	(112.6)
Interest on net pension assets	(8.3)	(11.4)	(2.9)
Share of non-recurring joint venture refinancing costs	12.3	-	-
Reported net finance costs	**375.8**	313.3	285.0
Adjusted current tax charge	**114.2**	7.1	111.7
Share of joint ventures and associates tax	(82.3)	(31.7)	(37.8)
Deferred tax including share of joint ventures and associates	91.9	87.6	238.6
Reclassification of tax liabilities	-	-	(101.3)
Tax on exceptional items and certain re-measurement	(2.3)	(72.9)	(73.2)
Reported tax charge/(credit)	**121.5**	(9.9)	138.0
Adjusted Net Debt and Hybrid Capital	**(10,465.9)**	(9,437.0)	(9,221.8)
Hybrid Capital	1,169.7	1,169.7	1,169.7
Adjusted Net Debt	**(9,296.2)**	(8,267.3)	(8,052.1)
Outstanding liquid funds	(256.4)	(344.2)	(75.1)
Lease obligations	(455.2)	(229.3)	(251.1)
Cash presented as held for disposal	-	(95.2)	-
Unadjusted net debt	**(10,007.8)**	(8,936.0)	(8,378.3)

Investment and Capital expenditure (adjusted)	**1,357.4**	1,422.9	1,503.0
Other expenditure	-	-	-
Customer funded additions	110.7	224.7	82.0
Allowances and certificates	652.7	954.0	712.9
Additions through business combinations	26.4	143.4	-
Disposed/impaired additions	44.6	195.3	60.6
Joint ventures and associates additions	(167.1)	(292.5)	(110.3)
IFRS 16 right of use assets	46.5	-	-
Capital additions to Intangible Assets and Property, Plant and Equipment	**2,071.2**	2,647.8	2,248.2
Capital additions to Intangible Assets	973.6	1,333.3	967.0
Capital additions to Property, Plant and Equipment	1,097.6	1,314.5	1,281.2
Capital additions to Intangible Assets and Property, Plant and Equipment	**2,071.2**	2,647.8	2,248.2

* The Group's adjusted performance measures have been restated to remove the Group's Gas Production business from the 31 March 2019 and 31 March 2018 comparative disclosures as the business has been classified as a discontinued operation. See note 5.2.(i)

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

	March 2020	March 2019	March 2018
	£m	£m	£m
Adjusted EBITDA of SSE Group (including discontinued operations)	**2,281.0**	2,008.6	2,622.5
Less: SSE Energy Services	(32.7)	(140.0)	(330.7)
Less: Gas Production	(56.9)	(150.5)	(153.0)
Adjusted EBITDA of continuing operations #APM	**2,191.4**	1,718.1	2,138.8
Adjusted operating profit of SSE Group (including discontinued operations)	**1,546.9**	1,227.2	1,833.5
Less: SSE Energy Services	(32.7)	(89.6)	(278.7)
Less: Gas Production	(25.8)	(48.9)	(34.0)
Adjusted operating profit of continuing operations #APM	**1,488.4**	1,088.7	1,520.8
Adjusted net finance costs of SSE Group (including discontinued operations)	**471.6**	411.9	375.5
Less: SSE Energy Services	**-**	-	-
Less: Gas Production	**(6.6)**	(8.3)	(8.0)
Adjusted net finance costs of continuing operations #APM	**465.0**	403.6	367.5
Adjusted profit before tax of SSE Group (including discontinued operations)	**1,075.3**	815.3	1,458.0
Less: SSE Energy Services	(32.7)	(89.6)	(278.7)
Less: Gas Production	(19.2)	(40.6)	(26.0)
Adjusted profit before tax of continuing operations #APM	**1,023.4**	685.1	1,153.3
Adjusted current tax of SSE Group (including discontinued operations)	**110.3**	11.3	130.7
Less: SSE Energy Services	3.9	(18.1)	(48.2)
Less: Gas Production	-	13.9	29.2
Adjusted current tax of continuing operations #APM	**114.2**	7.1	111.7
Adjusted earnings per share of SSE Group (including discontinued operations)	**89.0**	74.1	121.6
Less: SSE Energy Services	(3.6)	(7.0)	(22.8)
Less: Gas Production	(1.8)	(5.3)	(5.5)
Adjusted earnings per share of continuing operations #APM	**83.6**	61.8	93.3

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

Financial Statements

Consolidated Income Statement

for the year ended 31 March 2020

	Note	2020 Before exceptional items and certain re-measurements £m	2020 Exceptional items and certain re-measurements (note 7) £m	2020 Total £m	2019 Before exceptional items and certain re-measurements (*restated) £m	2019 Exceptional items and certain re-measurements (note 7) (*restated) £m	2019 Total (*restated) £m
Continuing operations							
Revenue (i)	6	**6,800.6**	**-**	**6,800.6**	7,301.5	-	7,301.5
Cost of sales (i)		**(4,745.0)**	**(39.3)**	**(4,784.3)**	(5,582.5)	(328.2)	(5,910.7)
Gross profit		**2,055.6**	**(39.3)**	**2,016.3**	1,719.0	(328.2)	1,390.8
Operating costs		**(1,019.1)**	**(240.3)**	**(1,259.4)**	(957.9)	(86.4)	(1,044.3)
Other operating income		**24.4**	**28.2**	**52.6**	41.0	1,096.9	1,137.9
Operating profit before joint ventures and associates		**1,060.9**	**(251.4)**	**809.5**	802.1	682.3	1,484.4
Joint ventures and associates:							
Share of operating profit		**406.8**	**-**	**406.8**	283.7	(0.3)	283.4
Share of interest		**(173.8)**	**-**	**(173.8)**	(123.7)	-	(123.7)
Share of movement on derivatives		**-**	**3.2**	**3.2**	-	1.2	1.2
Share of tax		**(81.7)**	**(0.6)**	**(82.3)**	(31.5)	(0.2)	(31.7)
Share of profit on joint ventures and associates		**151.3**	**2.6**	**153.9**	128.5	0.7	129.2
Operating profit from continuing operations	6	**1,212.2**	**(248.8)**	**963.4**	930.6	683.0	1,613.6
Finance income	8	**79.2**	**2.4**	**81.6**	87.0	-	87.0
Finance costs	8	**(374.4)**	**(83.0)**	**(457.4)**	(355.5)	(44.8)	(400.3)
Profit before taxation		**917.0**	**(329.4)**	**587.6**	662.1	638.2	1,300.3
Taxation	9	**(123.8)**	**2.3**	**(121.5)**	(63.0)	72.9	9.9
Profit for the year from continuing operations		**793.2**	**(327.1)**	**466.1**	599.1	711.1	1,310.2
Discontinued operations							
Profit/(loss) from discontinued operation, net of tax		**44.2**	**(522.8)**	**(478.6)**	141.7	3.8	145.5
Profit/(loss) for the year		**837.4**	**(849.9)**	**(12.5)**	740.8	714.9	1,455.7
Attributable to:							
Ordinary shareholders of the parent		**790.9**	**(849.9)**	**(59.0)**	694.2	714.9	1,409.1
Other equity holders		**46.5**	**-**	**46.5**	46.6	-	46.6
Earnings per share							
Basic earnings per share (pence)	11			**(5.7)**			137.9
Diluted earnings per share (pence)	11			**(5.7)**			137.9
Earnings per share – continuing operations							
Basic earnings per share (pence)				**40.6**			123.7
Diluted earnings per share (pence)				**40.6**			123.7
Dividends							
Interim dividend paid per share (pence)	10			**24.0**			29.3
Proposed final dividend per share (pence)	10			**56.0**			68.2
				80.0			97.5

* Restated to remove the Group's Gas Production business from the 31 March 2019 continuing operations as the business has been classified as a discontinued operation. See note 5.2.(i)

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

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2020

	2020	2019 (*restated)
	£m	£m
(Loss)/profit for the year	**(12.5)**	1,455.7
Other comprehensive income:		
Items that will be reclassified subsequently to profit or loss:		
Net gains/ (losses) on cash flow hedges	**38.0**	(7.9)
Transferred to assets and liabilities on cash flow hedges	**3.7**	(3.6)
Taxation on cashflow hedges	**(7.2)**	1.3
	34.5	(10.2)
Share of other comprehensive loss of joint ventures and associates, net of taxation	**(40.3)**	(33.5)
Exchange difference on translation of foreign operations	**33.0**	(27.1)
(Loss)/gain on net investment hedge	**(28.7)**	20.4
	(1.5)	(50.4)
Items that will not be reclassified to profit or loss:		
Actuarial gain/(loss) on retirement benefit schemes, net of taxation	**97.8**	(61.4)
Share of other comprehensive income/(loss) of joint ventures and associates, net of taxation	**36.6**	(5.2)
Losses on revaluation of investments in equity instruments, net of taxation	**(1.3)**	-
	133.1	(66.6)
Other comprehensive gain/(loss), net of taxation	**131.6**	(117.0)
Total comprehensive income for the period	**119.1**	1,338.7
Attributable to:		
Ordinary shareholders of the parent	**72.6**	1,292.1
Other equity holders	**46.5**	46.6
	119.1	1,338.7

* Restated to remove the Group's Gas Production business from the 31 March 2019 continuing operations as the business has been classified as a discontinued operation. See note 5.2(i).

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

Consolidated Balance Sheet

as at 31 March

	Note	**2020**	2019 Restated	1 April 2018 Restated
		£m	£m	£m
Assets				
Property, plant and equipment		**12,814.7**	12,429.4	12,343.3
Goodwill and other intangible assets		**1,101.4**	960.1	1,456.0
Equity investments in associates and joint ventures		**1,849.4**	1,899.0	977.0
Loans to associates and joint ventures		**847.5**	935.4	781.0
Other investments		**0.2**	0.5	4.8
Other receivables		**100.0**	-	-
Derivative financial assets		**308.2**	244.4	239.5
Retirement benefit assets	15	**534.2**	537.7	572.1
Non-current assets		**17,555.6**	17,006.5	16,373.7
Intangible assets		**503.2**	800.3	712.5
Inventories		**174.0**	228.5	225.9
Trade and other receivables		**1,761.2**	1,836.9	2,403.7
Current tax asset		**15.1**	-	-
Cash and cash equivalents		**164.6**	431.6	232.2
Derivative financial assets		**631.2**	306.1	202.2
Current assets held for disposal	12	**226.8**	1,859.4	117.2
Current assets		**3,476.1**	5,462.8	3,893.7
Total assets		**21,031.7**	22,469.3	20,267.4
Liabilities				
Loans and other borrowings	13	**1,966.9**	697.4	650.3
Trade and other payables		**1,995.4**	2,705.2	3,309.6
Current tax liabilities		**-**	12.5	117.9
Provisions		**61.4**	12.2	20.6
Derivative financial liabilities		**785.8**	796.3	418.9
Liabilities held for disposal	12	**398.7**	1,087.0	-
Current liabilities		**5,208.2**	5,310.6	4,517.3
Loans and other borrowings	13	**8,205.5**	8,670.2	8,015.8
Deferred tax liabilities		**645.8**	611.6	678.3
Trade and other payables		**639.5**	355.4	385.3
Provisions		**600.1**	1,017.7	812.5
Retirement benefit obligations	15	**192.5**	250.6	237.6
Derivative financial liabilities		**620.0**	460.9	446.3
Non-current liabilities		**10,903.4**	11,366.4	10,575.8
Total liabilities		**16,111.6**	16,677.0	15,093.1
Net assets		**4,920.1**	5,792.3	5,174.3
Equity				
Share capital	14	**523.1**	523.4	511.5
Share premium		**875.6**	879.6	890.3
Capital redemption reserve		**49.2**	34.8	34.8
Hedge reserve		**(111.1)**	(105.3)	(61.6)
Translation reserve		**6.4**	2.1	8.8
Retained earnings		**2,407.2**	3,288.0	2,620.8
Equity attributable to ordinary shareholders of the parent		**3,750.4**	4,622.6	4,004.6
Hybrid equity	14	**1,169.7**	1,169.7	1,169.7
Total equity		**4,920.1**	5,792.3	5,174.3

*The comparative balance sheets have been restated. See note 2.5

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

Consolidated Statement of Changes in Equity

for the year ended 31 March 2020

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

(i) Opening retained earnings at 1 April 2019 have been reduced by £37.1m following adoption of IFRS 16 (see note 3.1)

(ii) The hedge reserve at 1 April 2018 and 31 March 2019 has been restated (see note 2.5)

Statement of changes in equity	Share capital £m	Share premium £m	Capital redemption reserve £m	Hedge reserve (restated) £m	Translation reserve £m	Retained earnings £m	Total attributable to ordinary shareholders £m	Hybrid equity £m	Total equity attributable to equity holders of the parent £m
At 1 April 2018 (restated)	511.5	890.3	34.8	(61.6)	8.8	2,623.3	4,007.1	1,169.7	5,176.8
Total comprehensive income for the year	-	-	-	(43.7)	(6.7)	1,342.5	1,292.1	46.6	1,338.7
Dividends to shareholders	-	-	-	-	-	(973.0)	(973.0)	-	(973.0)
Scrip dividend related share issue	11.9	(11.9)	-	-	-	283.1	283.1	-	283.1
Distributions to Hybrid equity holders	-	-	-	-	-	-	-	(46.6)	(46.6)
Issue of shares	-	1.2	-	-	-	-	1.2	-	1.2
Share repurchase	-	-	-	-	-	-	-	-	-
Credit in respect of employee share awards	-	-	-	-	-	15.7	15.7	-	15.7
Investment in own shares	-	-	-	-	-	(3.6)	(3.6)	-	(3.6)
At 31 March 2019	523.4	879.6	34.8	(105.3)	2.1	3,288.0	4,622.6	1,169.7	5,792.3

Consolidated Cash Flow Statement

for the year ended 31 March 2020

	Note	**2020 £m**	2019 £m
Operating profit – continuing operations	6	**963.4**	1,613.6
Operating profit – discontinued operations (i)	12	**(243.6)**	113.9
Operating profits – total operations		**719.8**	1,727.5
Less share of profit of joint ventures and associates		**(153.9)**	(129.2)
Operating profit before jointly controlled entities and associates		**565.9**	1,598.3
Pension service charges less contributions paid		**(25.2)**	(25.5)
Movement on operating derivatives		**34.2**	328.2
Depreciation, amortisation, write downs and impairments		**947.2**	748.2
Charge in respect of employee share awards (before tax)		**24.5**	20.8
Profit on disposal of assets and businesses	12	**(60.5)**	(1,122.2)
Release of provisions		**(21.2)**	(33.9)
Release of deferred income		**(14.7)**	(10.2)
Cash generated from operations before working capital movements		**1,450.2**	1,503.7
Decrease/(increase) in inventories		**122.5**	(3.4)
Decrease/(increase) in receivables		**155.0**	(57.6)
(Decrease) in payables		**(269.2)**	(116.8)
(Decrease)/increase in provisions		**(3.0)**	23.8
Cash generated from operations		**1,455.5**	1,349.7
Dividends received from investments		**213.4**	121.9
Interest paid		**(272.9)**	(251.9)
Taxes paid		**(95.8)**	(43.0)
Net cash from operating activities		**1,300.2**	1,176.7
Purchase of property, plant and equipment		**(814.1)**	(1,226.4)
Purchase of other intangible assets		**(396.8)**	(282.4)
Deferred income received		**11.8**	20.9
Proceeds from disposals	12	**413.9**	1,145.9
Cash disposed from disposals		**(235.6)**	-
Loans and equity provided to joint ventures and associates		**(175.7)**	(318.0)
Purchase of businesses and subsidiaries		**(29.0)**	(119.8)
Loans and equity repaid by joint ventures		**213.3**	57.3
Net cash from investing activities		**(1,012.2)**	(722.5)
Proceeds from issue of share capital		**10.1**	1.2
Dividends paid to company's equity holders	10	**(603.0)**	(689.9)
Hybrid equity dividend payments	14	**(46.5)**	(46.6)
Employee share awards share purchase		**(14.6)**	(3.6)
New borrowings		**1,122.4**	1,260.0
Repayment of borrowings		**(770.3)**	(677.1)
Settlement of cashflow hedges		**3.7**	(3.6)
Repurchase of own shares		**(352.0)**	-
Net cash from financing activities		**(650.2)**	(159.6)
Net (decrease)/increase in cash and cash equivalents		**(362.2)**	294.6
Cash and cash equivalents at the start of year		**526.8**	232.2
Net (decrease)/increase in cash and cash equivalents		**(362.2)**	294.6
Transfer to held for disposal		**-**	(95.2)
Cash and cash equivalents at the end of year		**164.6**	431.6

(i) Excludes loss on disposal of SSE Energy Services of £226.9m, which is not included in the operating loss of discontinued operations.

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

Notes to the Preliminary Statement
for the year ended 31 March 2020

1. Financial Information

The financial information set out in this announcement does not constitute the Group's consolidated financial statement for the years ended 31 March 2020 or 2019 but is derived from those accounts. Consolidated financial statements for the year ended 31 March 2019 were delivered to the Registrar of Companies, and those for the year ended 31 March 2020 will be delivered in due course. The auditors have reported on those accounts and their reports were (i) unqualified; (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. This preliminary announcement was authorised by the Board on 16 June 2020.

2. Basis of preparation and presentation

2.1 Basis of preparation

The financial information set out in this announcement has been extracted from the consolidated financial statements of SSE plc for the year ended 31 March 2020. These consolidated financial statements were prepared under the historical cost convention, excepting certain assets and liabilities stated at fair value and in accordance with International Financial Reporting Standards and their interpretations, as adopted by the European Union (adopted IFRS). This consolidated financial information has been prepared on the basis of accounting policies consistent with those applied in the consolidated financial statements for the year ended 31 March 2020 unless expressly stated otherwise.

The Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. The financial statements are therefore prepared on a going concern basis. In assessing the Group's ability to continue as a going concern, the impact of the coronavirus was considered and has been included as a key financial judgement (see note 5.1 (ii)).

The financial statements are presented in Pounds Sterling.

2.2 Basis of presentation

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

2.3 Changes to presentation

During the year, the Group assessed that its Gas Production business met the criteria to be presented as held for sale and a discontinued operation (see note 5.2(i)). As a result, the comparative income statement, cash flow statement and related notes have been re-presented to exclude the activities classified as discontinued, in line with the requirements of IFRS 5 '*Non-current Assets Held for Sale and Discontinued Operations*'.

2.4 Changes to estimates

Extension of useful lives of onshore windfarms

During the year the Group performed a detailed technical review of the operating lives of its onshore and offshore windfarms. Following this review, the Group has changed the estimated useful life of the majority of its onshore windfarms from 20 to 25 years. The financial impact of this extension to the useful economic life is to increase adjusted and reported profit before tax by £30.2m. As this is considered a change in estimate under IAS 8, the change has been applied prospectively and prior period comparatives have not been restated.

2.5 Prior year adjustments

Six separate prior year adjustments have been made to reflect the restatement of certain financial statement line items and balances. These adjustments either have no impact, or a limited impact on reserves and net assets and no impact on adjusted performance measures of the Group, at any reporting date.

Net presentation of financial instruments and deferred taxation balances – restatement of prior period balance sheets

Following the March 2019 IFRS Interpretations Committee (IFRIC) agenda decision on the accounting treatment applied to the physical settlement of contracts to buy or sell a non-financial item, the Group reviewed the balance sheet presentation for EPM commodity trades. Whilst this review reconfirmed that the net presentation approach for the income statement applied by the Group from 1 April 2018 for EPM commodity trades was consistent with the IFRIC pronouncement, it has been subsequently identified that the majority of these commodity trades will, in time, be settled on a 'net' basis with counterparties.

Previously, trade receivables and payables resulting from commodity trades were presented on a 'gross' basis on the balance sheet, as if each underlying trade was individually cash settled. In accordance with the requirements of IAS32 'Financial Instruments', and IFRS 7 'Financial Instruments: Disclosures', these balances should have been presented 'net' on the balance sheet and a restatement has been made to correct this position. In addition, and in line with industry practice, the Group has chosen to present operational derivative balances representing unsettled and undelivered commodity trades 'net' on the balance sheet, assuming normal monthly settlement terms applied.

2.5 Prior year adjustments (continued)

Furthermore, we have reviewed the presentation of deferred tax assets and liabilities and have noted that deferred tax balances meeting the offset criteria in IAS 12 were presented 'gross' rather than 'net' on the balance sheet, with a 'net' presentation included within a note to the accounts. The Group has therefore restated the comparative balance sheets to present deferred tax assets and liabilities net where the offset criteria are met.

In accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', changes in accounting policies and prior period errors should be adjusted retrospectively. Given the errors identified in the presentation of trade receivables and payables and the deferred tax assets and liabilities and consequential presentational changes in operational derivative balances resulting from commodity trades, the Group has changed the balance sheet presentation of these balances from a 'gross' to a 'net' basis for both the current and comparative reporting periods presented. For March 2019, commodity trades have been presented on a 'monthly' net settlement basis reflecting current practice.

The adjustment has no impact on the Income Statement, net assets or adjusted performance measures of the Group at 31 March 2019 or 31 March 2018. The impact of this adjustment on the Balance Sheets at those dates is as follows:

	31 March 2019			1 April 2018		
	As reported	Adjustment	Restated	As reported	Adjustment	Restated
	£m	£m	£m	£m	£m	£m
Derivative financial assets	325.9	(81.5)	244.4	336.4	(96.9)	239.5
Deferred tax assets	302.8	(302.8)	-	294.7	(294.7)	-
Other items	16,792.2	-	16,792.2	16,164.3	-	16,164.3
Non-current assets	17,420.9	(384.3)	17,036.6	16,795.4	(391.6)	16,403.8
Trade and other receivables	3,144.6	(1,307.7)	1,836.9	4,071.7	(1,668.3)	2,403.4
Derivative financial assets	1,452.2	(1,146.1)	306.1	1,060.1	(857.9)	202.2
Other items	3,324.7	-	3,324.7	1,287.8	-	1,287.8
Current assets	7,921.5	(2,453.8)	5,467.7	6,419.6	(2,526.2)	3,893.4
Total assets	25,342.4	(2,838.1)	22,504.3	23,215.0	(2,917.8)	20,297.2
Liabilities						
Trade and other payables	4,012.9	(1,307.7)	2,705.2	4,977.6	(1,668.3)	3,309.3
Derivative financial liabilities	1,882.4	(1,086.1)	796.3	1,253.1	(834.2)	418.9
Other items	1,814.0	-	1,814.0	788.8	-	788.8
Current liabilities	7,709.3	(2,393.8)	5,315.5	7,019.5	(2,502.5)	4,517.0
Derivative financial liabilities	602.4	(141.5)	460.9	566.9	(120.6)	446.3
Deferred tax liabilities	947.0	(302.8)	644.2	1,002.8	(294.7)	708.1
Other items	10,242.4	-	10,242.4	9,395.6	-	9,395.6
Non-current liabilities	11,791.8	(444.3)	11,347.5	10,965.3	(415.3)	10,550.0
Total liabilities	19,501.1	(2,838.1)	16,663.0	17,984.8	(2,917.8)	15,067.0
Net assets	5,841.3	-	5,841.3	5,230.2	-	5,230.2

Calculation of net result on cash flow hedges – restatement of prior period statements of comprehensive income and changes in equity

During the year, it was identified that the calculation of the net result arising from cash flow hedge accounting relationships incorrectly resulted in gains or losses on the effective portion of those relationships being recognised against the hedged item (being foreign currency denominated debt), rather than recognised within the Hedge Reserve. Following a detailed review of all hedging activity, it was confirmed that this calculation error only affected a specific type of financial instruments – fixed rate cross currency swaps – and did not affect the hedge designation of these or other hedge relationships.

Whilst this restatement has no impact on the Income Statement and has limited impact on the Statement of Comprehensive Income and Balance Sheet, it was assessed that there is a material impact to the Hedge Reserve. Therefore, a restatement of prior year balances has been made in accordance with IAS 8. The impact of this adjustment at 31 March 2019 is to increase Loans and Other Borrowings by £51.5m (2018: £55.6m), decrease deferred tax liabilities by £8.8m (2018: £9.5m) and decrease Other Comprehensive Income and the Hedge Reserve by £42.7m (2018: £46.1m).

2.5 Prior year adjustments (continued)

Calculation of deferred tax arising on business combinations – restatement of prior period balance sheets

During the year, it was identified that in the accounting for the acquisition of Airtricity plc on 15 February 2008 in the Group's 31 March 2008 financial statements, a deferred tax liability was incorrectly recognised on a goodwill balance arising on the acquisition. The Group has corrected its 31 March 2019 and 31 March 2018 balance sheets presented to remove both the residual goodwill and deferred tax balance balances. In addition, as part of the accounting for the Group's Net Investment Hedge which acts as a hedge against translation risk associated with its businesses transacting in Euros and which was established following the 2008 transaction, a deferred tax asset of £31.0m (2018: £34.5m) has been recognised based on the retranslation of Euro denominated debt through the translation reserve. As this asset would only be realised following disposal of the businesses, it has been derecognised by the Group with corrections required to its 31 March 2019 and 2018 balance sheets. The impact on the 31 March 2019 balance sheet for both corrections is to decrease goodwill by £30.1m (2018: £30.1m), decrease the net deferred tax liability by £23.8m (2018: £20.7m), reduce translation reserve by £31.0m (2018: £34.4m) and increase retained earnings by £24.7m (2018: £25.0m).

Presentation of gains on disposal – restatement of 31 March 2019 income statement

In the year ended 31 March 2019, the Group made significant gains on disposals (see note 12.2) which were presented as an exceptional offset to operating costs in the 31 March 2019 income statement. The Group has re-presented the 31 March 2019 income statement to present the gains on sale as exceptional 'other operating income'.

3. New accounting policies and reporting changes

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

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

The accounting policies are consistent with those of the prior period, except for the following new standards which became effective for the period beginning on 1 April 2019. There are no other new standards or interpretations effective for the year ended 31 March 2020, in addition to the below, which are considered to have a material impact on the Consolidated Financial Statements of the Group.

IFRS 16 'Leases'

This standard replaces IAS 17 'Leases' and related interpretations in setting out the principles for the recognition, measurement, presentation and disclosure of leases. The principal change from the previous standard is the introduction of a single lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

(i) Transition approach

The Group has applied the "Modified Retrospective" approach, whereby comparative figures are not restated. Instead, the cumulative effect of initially applying IFRS 16 has been recognised as an adjustment to the opening balance of retained earnings as at 1 April 2019. The Group has elected to apply the following practical expedients, as allowed by the standard, on initial application:

- the application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- rely on the assessment of whether leases are onerous through applying IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" immediately prior to transition;
- exclude initial direct costs from the measurement of the right-of-use asset; and
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group did not apply the practical expedient on defining leases, and therefore performed a full reassessment of the lease population under IFRS 16 criteria. Furthermore, the Group has applied the exemptions within the standard whereby both leases with a duration of 12 months or less and leases for assets which are deemed "low value" will continue to be expensed to the income statement on a straight-line basis over the lease term.

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.

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.

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

IFRS 16 'Leases' (continued)

(ii) Impact of transition at 1 April 2019

On transition to IFRS 16 the Group recognised £225.8m of additional right of use assets (presented within property, plant and equipment), £258.1m of additional lease liabilities, a £9.6m reduction in equity investments in joint ventures and associates and a deferred tax asset of £4.8m. This resulted in a £37.1m adjustment on transition to retained earnings. Furthermore, application of IFRS 16 to existing finance lease commitments under IAS 17 resulted in £4.8m of previously recognised leased assets and lease liabilities being derecognised on transition, as the consideration paid for these commitments did not meet the measurement criteria of a lease liability under IFRS 16.

The differences between the operating lease commitments under IAS 17 at 31 March 2019 and the lease liability recognised under IFRS 16 at 1 April 2019 relating to the same contracts are explained below:

	1 April 2019 £m
Operating lease commitments as at 31 March 2019	430.9
Recognition exemption for short term and low value leases on date of transition	(27.7)
IAS 17 leases outside the scope of IFRS 16	(30.5)
IFRS 16 remeasurement of lease payments, break and/or extension clauses reasonably certain to be exercised	30.1
Non-discounted lease liability under IFRS 16	402.8
Discount effect	(144.7)
Additional lease liability recognised on 1 April 2019	258.1

The weighted average incremental borrowing rate applied to calculate the right of use assets and lease liabilities recognised on transition at 1 April 2019 over the contracted residual term was 4.56%. Incremental borrowing rates applied to individual leases in the period ranged between 4.06% to 5.06%. A 2% increase to the incremental borrowing rates would reduce right of use assets and lease liabilities by approximately £30m, with a 2% reduction increasing right of use assets and lease liabilities by approximately £45m with minimal impact on profit after tax in either case.

(iii) Impact on results for the year ended 31 March 2020

Adoption of IFRS 16 resulted in operating costs for the year decreasing by £45.9m, offset by £41.1m of additional depreciation charges and £9.2m of additional interest charges, resulting in a £4.4m net decrease in profit before tax. The Group's share of JV operating profit was £6.0m higher, offset by an increase in the Group's share of JV interest of £8.9m. In total, the Group's profit before tax is £7.4m lower. At 31 March 2020, including additions during that period, the net value of additional right-of-use assets under IFRS 16 totalled £229.1m with a corresponding lease liability of £259.7m. The revised presentation of lease payments under IFRS 16 results in a £45.9m improvement in net cash flows from operating activities and a corresponding deterioration in net cash flows from financing activities. There is no impact on total cash and cash equivalents.

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

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

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

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

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

Other interpretations and amendments

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

4. Adjusted accounting measures

4.1 Adjusted measures

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

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

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

The Group also uses adjusted earnings before interest, taxation, depreciation and amortisation ('adjusted EBITDA') as an alternative operating performance measure which acts as a management proxy for cash generated from operating activities. This does not take into account the rights and obligations that SSE has in relation to its equity-accounted joint ventures and associates. This measure excludes exceptional items and certain re-measurements (see below), the depreciation charged on fair value uplifts, non-recurring financing costs in joint ventures, the net interest costs associated with defined benefit schemes, depreciation and amortisation from equity-accounted joint ventures and associates and interest and taxation on profits from equity-accounted joint ventures and associates.

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

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

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

Reconciliations from reported measures to adjusted measures along with further description of the rationale for those adjustments are included in the Alternative Performance Measures section at pages 49 to 55 before the Summary Financial Statements.

4.2 Exceptional items and certain re-measurements

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

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

4. Adjusted accounting measures (continued)

4.2 Exceptional items and certain re-measurements (continued)

During the year, the Group refined its framework for estimating whether items are considered to be exceptional. This new framework estimates the materiality of each broad set of potentially exceptional circumstances, after consideration of strategic impact and likelihood of recurrence, by reference to the Group's key performance measure of Adjusted Earnings per Share. This framework estimates that any item greater than £30.0m will be considered exceptional, with lower thresholds applied to circumstances that are considered to have a greater strategic impact and are less likely to recur. The only exception to this threshold is for gains or losses on disposal or divestment of international or offshore wind farm projects which will be considered non-exceptional in line with the expressed strategy to generate recurring gains in these businesses. The application of these revised estimates in prior periods would not have materially changed the classification or disclosure of exceptional items previously presented. Finally, in response to the impact of the coronavirus pandemic on the Group's financial position at March 2020, a specific category of exceptional charge was identified and defined relating to impairment of current assets assessed as being a direct consequence of the outbreak. Further detail is noted at 4.1(ii) below.

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

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

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

4.3 Other additional disclosures

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

5. Accounting judgements and estimation uncertainty

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

5.1 Significant financial judgements – estimation uncertainties

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

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

The Group reviews the carrying amounts of its goodwill, other intangible assets and specific property, plant and equipment assets to determine whether any impairment of the carrying value of those assets requires to be recorded. The specific assets under review in the year ended 31 March 2020 are intangible development assets and specific property, plant and equipment assets related to gas production and thermal power generation as they displayed indicators of impairment. In conducting its reviews, the Group makes judgements and estimates in considering both the level of cash generating unit (CGU) at which common assets such as goodwill are assessed against, as well as the estimates and assumptions behind the calculation of recoverable amount of the respective assets or CGUs.

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

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

At the balance sheet date, the UK was in a period of lockdown caused by the coronavirus pandemic. The impact of the pandemic on the Group's results for the year to 31 March 2020 is limited, as the pandemic happened late in the Group's financial year. However, due to the impact on credit risk, specifically recovery of current and aged debt balances, a specific change to the Group's policy for exceptional charges was adopted in relation to increased provisioning directly attributable to coronavirus effects.

In relation to the financial year ended 31 March 2021, there is expected to be a period of reduced demand for electricity, gas and other products and services in the 20/21 financial year which will specifically impact on the profitability of the Group's Distribution, Customers and Enterprise businesses in that year. To assess the impact on the financial position and going concern basis, additional cash flow modelling, including the impact of periods of reduced demand and stressed conditions on the Group's ability to refinance maturing debt was carried out against which operational and financial mitigants were also considered.

5. Accounting judgements and estimation uncertainty (continued)

5.1 Significant financial judgements – estimation uncertainties (continued)

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

At 31 March 2020, applying the revised policy noted above, the Group recorded an exceptional bad debt charge of £33.7m related to the recovery of bad debts and unbilled amounts in the Group's Customers business. In addition, charges estimated at £18.2m primarily related to reduced demand and sales activity in March were recognised within adjusted operating profit. While the provisions are considered to be appropriate, changes in estimation basis or in economic conditions, such as coronavirus, could lead to a change in the level of provisions recorded and consequently on the charge or credit to the income statement.

(iii) Retirement benefit obligations – estimation uncertainty

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

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

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

In the prior year, the estimation of revenue arising from the Group's SSE Energy Services business was considered a significant financial judgement in the preparation of the Group's consolidated financial statements. Whilst the significance of financial judgement involved for the Group's remaining customer focused businesses has reduced, the Group considers that the estimation uncertainly for the unbilled supply of energy at 31 March 2020 remains a significant financial judgement.

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

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

5.1.1 Significant financial judgements – changes from prior year

In the prior year the Group considered that the classification of SSE Energy Services as held for sale at 31 March 2019 was a significant financial judgement. At 31 March 2019, a proposed demerger and combination of the business with Innogy's subsidiary, nPower, had been abandoned and the Group noted it was seeking an alternative method of disposal of the business. On 15 January 2020 the business was disposed in a sale transaction to Ovo Group Limited (see note 12). Consequently, as at 31 March 2020, this no longer represents a significant financial judgement.

5.2 Other key accounting judgements

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

In accordance with IFRS 5, the Group has classified its investment in Gas Production assets as held for sale at 31 March 2020. The Group is engaged in discussions with potential buyers for the business, though due to economic conditions at the balance sheet date, finalising a sale transaction could take longer than expected. The Group has received formal offers for the business and continues to negotiate with potential buyers. As the business constitutes a reportable segment of the Group, it has been considered a discontinued operation and comparative results have been represented to remove the business from continuing operations.

5.2.1 Other key accounting judgements - changes from prior year

Accounting for the Smart meter infrastructure

In the prior year the Group disclosed that the capitalisation of costs related to the UK's Smart Meter infrastructure constituted a key accounting judgement, as other market participants had elected to expense the costs as incurred. Following the disposal of SSE Energy Services during the year (see note 12.2 (i)), the assets are no longer capitalised on the Group's consolidated balance sheet therefore this no longer represents a key accounting judgement as at 31 March 2020.

5. Accounting judgements and estimation uncertainty (continued)

5.2.1 Other key accounting judgements - changes from prior year (continued)

Lease classification for Smart Meter contracts

In the prior year, the Group disclosed that agreements with Meter Fit 10 Limited and Maple Topco Limited, a joint venture company, for the provision of meter asset provider (MAP) services did not contain leases of the smart meters owned by the MAP due to other parties taking a significant amount of the output from the meters and due to the Group being unable to control either the operation or the physical access to the meters. Upon adoption of IFRS 16 "Leases" on 1 April 2019 this assessment did not change. These agreements were part of the disposal of SSE Energy Services (see note 12.2 (i)), and therefore this no longer represents a key accounting judgement as at 31 March 2020.

Accounting for the suspension of the UK Capacity Mechanism scheme

At 31 March 2019 the UK Capacity Market scheme was suspended following legal challenge as to whether payments made to electricity generation companies constituted state aid. At 31 March 2019 the Group considered that the Capacity Market scheme would be reinstated and continued to accrue the costs of the scheme through its UK electricity supply businesses, while income due from the scheme through the Group's UK electricity generation businesses was only recognised to the extent received prior to the standstill. On 24 October 2019, the European Commission announced their approval of the British Capacity Market scheme, which resulted in the resumption of capacity payments in respect of agreements that existed in November 2018. In the year ended 31 March 2020 the Group has recognised income received in the year, including the payment of suspended payments relating to the prior year. As a result of the resumption of the scheme, this is no longer a key accounting judgement.

5.3 Other areas of estimation uncertainty

(i) Tax provisioning

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

In estimating any such liability, the Group applies a risk-based approach, taking into account the specific circumstances of each dispute based on management's interpretation of tax law and supported, where appropriate, by discussion and analysis by external tax advisors. These estimates are inherently judgemental and could change substantially over time as each dispute progresses and new facts emerge. Provisions are reviewed on an ongoing basis, however the resolution of tax issues can take a considerable period of time to conclude and it is possible that amounts ultimately paid will be different from the amounts provided. Provisions for uncertain tax positions are included in current tax liabilities, and total £39.4m at 31 March 2020 (2019: £47.6m). 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.

IFRIC 23 "Uncertainty over Income Tax Treatments", was adopted by the Group on 1 April 2019 and resulted in no changes to the judgements or estimates made for tax provisions.

(ii) Decommissioning costs

The estimated cost of decommissioning at the end of the useful lives of certain property, plant and equipment assets is reviewed periodically with a full reassessment by an independent decommissioning consultant performed in the year to 31 March 2019. Decommissioning costs in relation to gas exploration and production assets are periodically agreed with the field operators and reflect the latest expected economic production lives of the fields. Provision is made for the estimated discounted cost of decommissioning at the balance sheet date and excludes any salvage value related to those assets. The dates for settlement of future decommissioning costs are uncertain, particularly for gas exploration and production assets where reassessment of gas and liquids reserves can lengthen or shorten the field life as well as the upward and downward movement in commodity prices and operating costs, but are currently being incurred, increasing into the subsequent decade and then out to 2040.

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

Notes to the Preliminary Statement

for the year ended 31 March 2020

6. Segmental information

As part of its 2019 Annual Results announcement, the Group announced that from 1 April 2019 it was focusing on its core low-carbon renewable energy generation and network businesses. These low-carbon renewables and networks businesses are supported by thermal generation plant that provides flexibility to complement the variability of renewables output, and the Group's Business Energy and Irish supply businesses that provide key energy services for customers and secure valuable routes to market for SSE's generation fleet. As a result, the Group's operating segments have been redefined from 1 April 2019. These segments are used internally by the Board to run the business and make strategic decisions. The only change to reported segments has been to split the previously reported 'Electricity Generation' segment into two segments – 'Renewables' and 'Thermal'. Comparative information has been re-presented to reflect the changes to these segments.

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

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

Notes to the Preliminary Statement

for the year ended 31 March 2020

6. Segmental information (continued)

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

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

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

Notes to the Preliminary Statement

for the year ended 31 March 2020

6. Segmental information (continued)

(i) Revenue by segment

	Revenue from contracts with customers 2020 £m	**Other contract revenue 2020 2020 £m**	**Reported revenue 2020 £m**	**Inter-segment revenue (i) 2020 £m**	**Segment revenue 2020 £m**	Reported revenue 2019 £m	Inter-segment revenue (i) 2019 £m	Segment revenue 2019 £m
Continuing operations								
Electricity Transmission	**378.6**	**-**	**378.6**	**-**	**378.6**	395.7	0.2	395.9
Electricity Distribution	**784.7**	**-**	**784.7**	**159.4**	**944.1**	676.4	229.5	905.9
Renewables	**252.2**	**-**	**252.2**	**595.9**	**848.1**	224.6	626.2	850.8
Thermal Generation	**416.9**	**-**	**416.9**	**790.0**	**1,206.9**	324.4	910.1	1,234.5
Gas storage	**8.4**	**-**	**8.4**	**586.0**	**594.4**	24.2	488.3	512.5
Business Energy	**2,431.0**	**-**	**2,431.0**	**26.4**	**2,457.4**	2,592.9	26.2	2,619.1
Airtricity	**1,134.5**	**-**	**1,134.5**	**57.4**	**1,191.9**	1,087.3	144.7	1,232.0
Enterprise	**331.5**	**7.0**	**338.5**	**75.2**	**413.7**	483.8	110.1	593.9
EPM:								
Gross trading	***12,814.5***	**-**	***12,814.5***	***4,072.4***	***16,886.9***	*20,240.8*	*4,464.6*	*24,705.4*
Optimisation trades	***(11,826.8)***	**-**	***(11,826.8)***	***(826.5)***	***(12,653.3)***	*(18,808.7)*	*475.7*	*(18,333.0)*
EPM (ii)	**987.7**	**-**	**987.7**	**3,245.9**	**4,233.6**	1,432.1	4,940.3	6,372.4
Corporate unallocated	**68.1**	**-**	**68.1**	**213.9**	**282.0**	60.1	242.7	302.8
Total	**6,793.6**	**7.0**	**6,800.6**	**5,750.1**	**12,550.7**	7,301.5	7,718.3	15,019.8
Discontinued operations								
SSE Energy Services	**2,711.1**	**-**	**2,711.1**	**136.5**	**2,847.6**	3,584.7	184.9	3,769.6
Gas Production	**20.9**	**-**	**20.9**	**203.3**	**224.2**	30.1	210.9	241.0
Total discontinued operations	**2,732.0**	**-**	**2,732.0**	**339.8**	**3,071.8**	3,614.8	395.8	4,010.6
Total SSE Group	**9,525.6**	**7.0**	**9,532.6**	**6,089.9**	**15,622.5**	10,916.3	8,114.1	19,030.4

I. Significant intra-segment revenue is derived from use of system income received by the Electricity Distribution business from SSE Energy Services – Energy Supply and Business Energy; Business Energy provides internal heat and light power supplies to other Group companies; Enterprise provides electrical contracting services and telecoms infrastructure charges to other Group companies; Energy Portfolio Management ('EPM') provides power, gas and other commodities to the SSE Energy Services - Energy Supply, Business Energy and Airtricity segments; Gas Storage provide the use of Gas Storage facilities to Energy Portfolio Management; Gas Production sells gas from producing North Sea fields to the Energy Portfolio Management segment. Corporate unallocated provides corporate and infrastructure services to the operating businesses. SSE Energy Services - Energy-Related Services provides metering and other services to other Group companies. All are provided at arm's length.

II. Up to the date of disposal of SSE Energy Services, the Group's EPM business procured power and gas and other commodities for SSE Energy Services and generated internal revenue of £908m in the period to 15 January 2020. In future years these revenue transactions will not exist following the disposal of SSE Energy Services.

Revenue from the Group's investment in Scotia Gas Networks Limited, SSE's share being £423.9m (2019: £411.8m) is not recorded in the revenue line in the income statement.

Revenue by geographical location on continuing operations is as follows:

	2020 £m	2019 £m
UK	**5,804.3**	6,399.9
Ireland	**996.3**	901.6
	6,800.6	7,301.5

Notes to the Preliminary Statement

for the year ended 31 March 2020

6. Segmental information (continued)

(ii) Operating profit/(loss) by segment

	Adjusted operating profit reported to the Board £m	Depreciation on fair value uplifts £m	JV/ Associate share of interest and tax (i) £m	2020 Before exceptional items and certain re-measurements £m	Exceptional items and certain re-measurements £m	Total £m
Continuing operations						
Electricity Transmission	218.1	-	-	218.1	-	218.1
Electricity Distribution	356.3	-	-	356.3	(4.4)	351.9
Gas Distribution	202.3	-	(125.3)	77.0	3.8	80.8
Renewables	567.3	(18.8)	(93.4)	455.1	4.8	459.9
Thermal Generation	152.7	-	(24.9)	127.8	(112.3)	15.5
Gas Storage	3.7	-	-	3.7	(5.1)	(1.4)
Business Energy	9.2	-	-	9.2	(27.7)	(18.5)
Airtricity	48.8	-	-	48.8	(6.0)	42.8
Enterprise	8.1	(1.8)	(8.3)	(2.0)	-	(2.0)
EPM	(137.4)	-	-	(137.4)	(34.2)	(171.6)
Gas Production (continuing)	77.1	-	-	77.1	-	77.1
Corporate unallocated	(17.8)	-	(3.7)	(21.5)	(67.7)	(89.2)
Total	1,488.4	(20.6)	(255.6)	1,212.2	(248.8)	963.4
Discontinued operations						
SSE Energy Services	32.7	-	-	32.7	(237.7)	(205.0)
Gas Production	25.8	-	-	25.8	(291.3)	(265.5)
Total discontinued operations	58.5	-	-	58.5	(529.0)	(470.5)
Total SSE Group	1,546.9	(20.6)	(255.6)	1,270.7	(777.8)	492.9

The Group has assessed that the Gas Production business meets the criteria to be classified as held for sale under IFRS 5 (see note 5.2(i)). The Gas Production business is being marketed for sale unhedged under a "locked box" agreement with an effective date of 1 April 2019. In line with the Group's stated hedging policy, the forecast production of the business since 1 April 2019 has been hedged, resulting in realised gains arising in this period of £77.1m. The Group has retained these profits within continuing operations, as it is not intended that the economic benefit of these contracts will be disposed with the business.

Notes to the Preliminary Statement

for the year ended 31 March 2020

6. Segmental information (continued)

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

	Adjusted operating profit reported to the Board £m	Depreciation on fair value uplifts £m	JV/ Associate share of interest and tax (i) £m	2019 Before exceptional items and certain re-measurements £m	Exceptional items and certain re-measurements £m	Total £m
Continuing operations						
Electricity Transmission	252.1	-	-	252.1	-	252.1
Electricity Distribution	401.3	-	-	401.3	-	401.3
Gas Distribution	176.8	-	(94.3)	82.5	2.6	85.1
Renewables	455.9	(2.9)	(31.5)	421.5	821.4	1,242.9
Thermal Generation	(22.3)	-	(25.6)	(47.9)	(2.7)	(50.6)
Gas Storage	(5.7)	-	-	(5.7)	-	(5.7)
Business Energy	51.6	-	-	51.6	-	51.6
Airtricity	38.6	-	-	38.6	-	38.6
Enterprise	31.8	-	-	31.8	-	31.8
EPM	(284.9)	-	-	(284.9)	(328.2)	(613.1)
Gas Production (continuing)	-	-	-	-	-	-
Corporate unallocated	(6.5)	-	(3.8)	(10.3)	189.9	179.6
Total	1,088.7	(2.9)	(155.2)	930.6	683.0	1,613.6
Discontinued operations						
SSE Energy Services	89.6	-	-	89.6	(54.3)	35.3
Gas Production	48.9	-	-	48.9	29.7	78.6
Total discontinued operations	138.5	-	-	138.5	(24.6)	113.9
Total SSE Group	1,227.2	(2.9)	(155.2)	1,069.1	658.4	1,727.5

Notes to the Preliminary Statement

for the year ended 31 March 2020

6. Segmental information (continued)

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

	2020					
	Adjusted operating profit reported to the Board (Note 6 (ii)) £m	Depreciation on fair value uplifts £m	Depreciation/ impairment/ amortisation before exceptional charges £m	JV/ Associate share of depreciation and amortisation £m	Release of Deferred income £m	Adjusted EBITDA £m
Continuing operations						
Electricity Transmission	218.1	-	79.0	-	(1.5)	295.6
Electricity Distribution	356.3	-	154.9	-	(7.9)	503.3
Gas Distribution	202.3	-	-	56.8	-	259.1
Renewables	567.3	(18.8)	156.7	98.1	-	803.3
Thermal Generation	152.7	-	50.3	17.3	(0.2)	220.1
Gas Storage	3.7	-	0.8	-	-	4.5
Business Energy	9.2	-	0.3	-	-	9.5
Airtricity	48.8	-	6.6	-	-	55.4
Enterprise	8.1	(1.8)	9.5	29.4	(4.1)	41.1
EPM	(137.4)	-	-	-	-	(137.4)
Gas Production (continuing)	77.1	-	-	-	-	77.1
Corporate unallocated	(17.8)	-	72.0	6.6	(1.0)	59.8
Total	1,488.4	(20.6)	530.1	208.2	(14.7)	2,191.4
Discontinued operations						
SSE Energy Services	32.7	-	-	-	-	32.7
Gas Production	25.8	-	31.1	-	-	56.9
Total discontinued operations	58.5	-	31.1	-	-	89.6
Total SSE Group	1,546.9	(20.6)	561.2	208.2	(14.7)	2,281.0

Notes to the Preliminary Statement
for the year ended 31 March 2020

6. Segmental information (continued)

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

	2019					
	Adjusted operating profit reported to the Board (Note 6 (ii)) £m	Depreciation on fair value uplifts £m	Depreciation/impairment/ amortisation before exceptional charges £m	JV/ Associate share of depreciation and amortisation £m	Release of Deferred income £m	Adjusted EBITDA £m
Continuing operations						
Electricity Transmission	252.1	-	69.3	-	(2.8)	318.6
Electricity Distribution	401.3	-	132.1	-	(1.1)	532.3
Gas Distribution	176.8	-	-	57.5	-	234.3
Renewables	455.9	(2.9)	192.7	48.7	(0.4)	694.0
Thermal Generation	(22.3)	-	40.3	14.8	(0.5)	32.3
Gas Storage	(5.7)	-	1.0	-	-	(4.7)
Business Energy	51.6	-	0.3	-	-	51.9
Airtricity	38.6	-	7.6	-	-	46.2
Enterprise	31.8	-	32.3	-	(4.5)	59.6
EPM	(284.9)	-	-	-	-	(284.9)
Corporate unallocated	(6.5)	-	43.4	2.5	(0.9)	38.5
Total	1,088.7	(2.9)	519.0	123.5	(10.2)	1,718.1
Discontinued operations						
SSE Energy Services	89.6	-	50.4	-	-	140.0
Gas Production	48.9	-	101.6	-	-	150.5
Total discontinued operations	138.5	-	152.0	-	-	290.5
Total SSE Group	1,227.2	(2.9)	671.0	123.5	(10.2)	2,008.6

Notes to the Preliminary Statement
for the year ended 31 March 2020

7. Exceptional items and certain re-measurements

	2020 £m	2019 £m
Continuing operations		
Exceptional items		
Asset impairments and related (charges) and credits	**(158.6)**	(49.9)
Provisions for restructuring and other liabilities	**(81.7)**	(27.5)
GMP equalisation charge	**-**	(9.3)
	(240.3)	(86.7)
Net gains on disposals of businesses and other assets	**30.6**	1,096.9
Total exceptional items	**(209.7)**	1,010.2
Certain re-measurements		
Movement on operating derivatives (note 16)	**(34.2)**	(328.2)
Movement in fair value of commodity stocks	**(5.1)**	-
Movement on financing derivatives (note 16)	**(83.0)**	(44.8)
Share of movement on derivatives in jointly controlled entities (net of tax)	**2.6**	1.0
Total certain re-measurements	**(119.7)**	(372.0)
Exceptional items and certain re-measurements before taxation	**(329.4)**	638.2
Taxation		
Taxation on other exceptional items	**46.0**	5.6
Taxation on certain re-measurements	**20.9**	67.3
Effect on deferred tax rate change	**(64.6)**	-
Taxation	**2.3**	72.9
Exceptional items after certain re-measurements after taxation	**(327.1)**	711.1
Discontinued operations		
Exceptional items		
Asset impairments and related charges and credits	**(291.3)**	(24.6)
SSE Energy Services	**(237.7)**	-
Taxation	**6.2**	28.4
Exceptional items on discontinued operations after taxation	**(522.8)**	3.8

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

	2020 £m	2019 £m
Continuing operations		
Cost of sales:		
Movement on operating derivatives (note 16)	**(34.2)**	(328.2)
Movement in fair value of commodity stocks	**(5.1)**	-
	(39.3)	(328.2)
Operating costs:		
Asset impairments and reversals	**(158.7)**	11.5
SSE Energy Services related restructuring costs and IT impairments	**-**	(88.9)
Other exceptional provisions and charges	**(81.6)**	(9.3)
	(240.3)	(86.7)
Operating income:		
Net gains on disposals of businesses and other assets	**28.2**	1,096.9
Joint ventures and associates:		
Share of movement on derivatives in jointly controlled entities (net of tax)	**2.6**	1.0
Operating profit/(loss)	**(248.8)**	683.0
Finance costs		
Movement on financing derivatives (note 16)	**(83.0)**	(44.8)
Interest income on deferred consideration receipt	**2.4**	-
	(80.6)	(44.8)
Profit/(loss) before taxation on continuing operations	**(329.4)**	638.2
Discontinued operations		
Operating costs:		
SSE Energy Services	**(237.7)**	(54.3)
Gas Production (E&P) related credit/(charges)	**(291.3)**	29.7
Loss before tax on discontinued operations	**(529.0)**	(24.6)

Notes to the Preliminary Statement

for the year ended 31 March 2020

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

7.1 Exceptional items

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

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

The net exceptional charges recognised can be summarised as follows:

	Property, Plant & Equipment £m	Intangible assets £m	Inventories £m	Provisions & 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

i) Thermal Electricity Generation

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

ii) Other charges

The Group has recognised an exceptional provision for exposure to bad debts of £33.7m specifically related to the coronavirus pandemic within its Business Energy (£27.7m) and Airtricity (£6.0m) businesses. The provision recognised reflects the Group's best estimate at the date of approval of the financial statements of charges that will be incurred on the Group's debt book and has been treated as an adjusting post balance sheet event. As understanding of the impact of the pandemic on SSE's customer base evolves, further information will become available which may adjust this provision in the next financial year.

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

iii) Other income

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

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

Notes to the Preliminary Statement

for the year ended 31 March 2020

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

7.1 Exceptional Items (continued)

Charges within discontinued operations

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

On 15 January 2020 the Group disposed of its household energy and services business in Great Britain ('SSE Energy Services') to Ovo Group Limited ('Ovo') (see note 12.2 (i)). As a result, the Group has recognised an exceptional loss on disposal of £226.9m (recognised within discontinued operations) and incurred impairment charges on Group IT assets connected to the transaction totalling £48.8m (recognised within continuing operations). Within the business there were also redundancy costs of £10.8m incurred in the year.

In the Group's interim results to 30 September 2019, an impairment charge of £489.1m was recognised reflecting the agreed enterprise value and consolidated asset carrying values at that balance sheet date. This charge did not include the value of inter-company payables and derivative financial liabilities at that date (which were eliminated on consolidation in the interim results) which amounted to £148.1m and, being disposed of as part of the SPA agreement, would have reduced the equivalent loss on disposal to £341.0m. Movements in working capital, derivative financial liabilities and intercompany transactions in the period to deal completion on 15 January 2020, attributable to the purchaser, resulted in a reduction to the cumulative loss recognised on disposal. Further detail is provided in note 12.2 (i).

v) Gas Production – impairment charges

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

31 March 2019

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

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

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

i) Electricity Generation

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

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

ii) Disposal costs – SSE Energy Services

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

iii) Pensions GMP equalisation

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

Notes to the Preliminary Statement

for the year ended 31 March 2020

Charges within discontinued operations

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

31 March 2018

In the year ended 31 March 2018, the Group recognised a net exceptional charge of £213.3m. This consisted of asset impairment and related charges totalling £207.9m and net exceptional charges for provisions of £5.4m.

The exceptional charges recognised can be summarised as follows:

	Property, Plant & Equipment £m	Goodwill & Other Intangibles £m	Provisions & other charges £m	Investments £m	Total charges £m
Gas Production (i)	**104.7**	**-**	**-**	**-**	**104.7**
Retail and technology development (ii)	**6.1**	**56.9**	**-**	**-**	**63.0**
Other (iii)	**20.9**	**(4.4)**	**5.4**	**23.7**	**45.6**
	131.7	**52.5**	**5.4**	**23.7**	**213.3**

i) Gas Production

In the year ended 31 March 2018, the Group recognised net impairment charges of £104.7m related to its North Sea Gas Production assets following an increase in projected costs at certain fields and revised assessments of hydrocarbon reserves. The impairment charges were recognised on the Greater Laggan fields (£104.2m) and Bacton fields (£19.3m). These charges were offset by a £18.8m reversal of previous exceptional impairments on the ECA field following an increase to estimated hydrocarbon reserves.

ii) Retail and other technology developments

The Group undertook an internal restructuring exercise following the announcement on 8 November 2017 that SSE planned to dispose of its UK domestic supply business in a demerger and combination with npower. That restructuring, which was concluded on 1 April 2018, resulted in the transfer of assets and contracts between wholly owned subsidiaries of the Group, and necessitated a detailed impairment review. This review resulted in an impairment of £29.3m to software development costs related to the Group's previous Retail strategic investment in transformation and a further £33.7m of charges in relation to Retail related software developments and programmes within the Group's central service company.

iii) Other

In the year ended 31 March 2018, SSE disposed of its 1.8% shareholding in Faroe Petroleum Limited for cash consideration of £4.0m, crystallising £7.2m of losses on disposal. The Group also disposed of its 15% shareholding in Burntisland Fabrication Limited resulting in an exceptional charge of £16.5m, including £10.0m of losses previously recognised in the statement of other comprehensive income.

The Group also recognised an impairment charge of £15.6m on its Barkip anaerobic digestion plant following experience of operational issues and assessment of future economic prospects; and charges of £11.8m in its Enterprise Utilities business following detailed review and assessment of the assets and contracts in its Heat Network portfolio. As part of its preparation for the proposed demerger of SSE Energy Services, the Group also incurred £11.8m of exceptional transaction-related costs in the year to 31 March 2018.

Offsetting these exceptional charges, the Group recognised a reversal in impairment in its Doggerbank offshore windfarm prospect of £7.9m following a renewed commitment to the project by the joint venture partners. The Group also released £9.3m of provisions related to historic regulatory investigations and legal disputes following satisfaction of remedies and reassessment of liability in relation to the Glendoe dispute.

Notes to the Preliminary Statement

for the year ended 31 March 2020

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

7.2 Certain re-measurements

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

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

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

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

7.3 Change in UK corporation tax rates

The Government announced in the Budget on 11 March 2020 that the main rate of corporation tax for the financial year beginning 1 April 2020 will remain at 19%, rather than falling to 17% as was previously legislated. Finance Bill 2020 will include this amendment and will also set the main rate at 19% for the financial year beginning 1 April 2021. The 19% rate was substantively enacted on 17 March 2020 when the Budget Provisional Collection of Taxes Act resolution was passed, therefore the Group has remeasured the deferred tax balances to be carried at the 19% rate. The remeasurement increases the Group's deferred tax liabilities by £64.6m.

Taxation

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

Notes to the Preliminary Statement

for the year ended 31 March 2020

8. Finance income and costs

	2020			2019		
	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 £m	Total (*restated) £m
Finance income:						
Interest income from short term deposits	**1.6**	**-**	**1.6**	1.1	-	1.1
Interest on pension scheme assets (i)	**6.6**	**-**	**6.6**	9.5	-	9.5
Foreign exchange translation of monetary assets and liabilities	**0.9**	**-**	**0.9**	-	-	-
Other interest receivable:						
Scotia Gas Networks loan stock	**9.4**	**-**	**9.4**	9.4	-	9.4
Other joint ventures and associates	**52.5**	**-**	**52.5**	51.5	-	51.5
Other receivable	**8.2**	**2.4**	**10.6**	15.5	-	15.5
	70.1	**2.4**	**72.5**	76.4	-	76.4
Total finance income	**79.2**	**2.4**	**81.6**	87.0	-	87.0
Finance costs:						
Bank loans and overdrafts	**(34.5)**	**-**	**(34.5)**	(35.3)	-	(35.3)
Other loans and charges	**(304.1)**	**-**	**(304.1)**	(310.2)	-	(310.2)
Notional interest arising on discounted provisions	**(9.2)**	**-**	**(9.2)**	(9.1)	-	(9.1)
Lease charges	**(37.8)**	**-**	**(37.8)**	(28.6)	-	(28.6)
Less: interest capitalised (ii)	**11.2**	**-**	**11.2**	27.7	-	27.7
Total finance costs	**(374.4)**	**-**	**(374.4)**	(355.5)	-	(355.5)
Changes in fair value of financing derivatives at fair value through profit or loss	**-**	**(83.0)**	**(83.0)**	-	(44.8)	(44.8)
Net finance costs	**(295.2)**	**(80.6)**	**(375.8)**	(268.5)	(44.8)	(313.3)
Presented as:						
Finance income	**79.2**	**2.4**	**81.6**	87.0	-	87.0
Finance costs	**(374.4)**	**(83.0)**	**(457.4)**	(355.5)	(44.8)	(400.3)
Net finance costs	**(295.2)**	**(80.6)**	**(375.8)**	(268.5)	(44.8)	(313.3)

**2019 has been restated to remove the interest expense on the discounting of Gas Production's decommissioning liability as a result of the business being classified as a discontinued operation.*

i) The interest on net pension assets for the year ended 31 March 2020 of £6.6m credit (2019: £9.5m) represents the respective credits under IAS 19R.

ii) The capitalisation rate applied in determining the amount of borrowing costs to capitalise in the period was 3.65% (2019: 3.71%).

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

	2020	2019 (*restated)
	£m	£m
Net finance costs	**(375.8)**	(313.3)
(add)/less:		
Share of interest from joint ventures and associates:		
Scotia Gas Networks loan stock	**(9.4)**	(9.4)
Other joint ventures and associates	**(164.4)**	(114.3)
	(173.8)	(123.7)
Share of non-recurring joint venture refinancing costs	**12.3**	-
	(161.5)	(123.7)
Interest on pension scheme liabilities	**(6.6)**	(9.5)
Share of interest on net pension liabilities in joint ventures	**(1.7)**	(1.9)
Movement on financing derivatives (Note 16)	**83.0**	44.8
Exceptional item	**(2.4)**	-
Adjusted net finance costs	**(465.0)**	(403.6)
Notional interest arising on discounted provisions	**9.2**	9.1
Finance lease charges	**37.6**	28.6
Hybrid coupon payment (Note 14)	**(46.5)**	(46.6)
Adjusted net finance costs for interest cover calculations	**(464.7)**	(412.5)

Notes to the Preliminary Statement

for the year ended 31 March 2020

9. Taxation

Analysis of charge recognised in the income statement

	2020			2019		
	Before Exceptional items and certain re-measure-ments	**Exceptional items and certain re-measure-ments**	**Total**	Before Exceptional items and certain re-measure-ments	Exceptional items and certain re-measure-ments	Total
	£m	**£m**	**£m**	£m	£m	£m
Current tax						
UK corporation tax	**107.6**	**(24.9)**	**82.7**	44.6	0.4	45.0
Adjustments in respect of previous years	**(28.6)**	**-**	**(28.6)**	(68.0)	-	(68.0)
Total current tax	**79.0**	**(24.9)**	**54.1**	(23.4)	0.4	(23.0)
Deferred tax						
Current year	**34.2**	**(42.0)**	**(7.8)**	58.7	(76.8)	(18.1)
Effect of change in tax rate	**-**	**64.6**	**64.6**	(5.0)	3.5	(1.5)
Adjustments in respect of previous years	**10.6**	**-**	**10.6**	32.7	-	32.7
Total deferred tax	**44.8**	**22.6**	**67.4**	86.4	(73.3)	13.1
Total taxation charge	**123.8**	**(2.3)**	**121.5**	63.0	(72.9)	(9.9)

The Group has separately recognised the tax effect of the exceptional items and certain re-measurements summarised above, including the impact of the reinstated corporation tax rate of 19% from 1 April 2020. Included within the tax impact of exceptional items in the prior year is a non-recurring £30.0m tax credit in respect of Ring Fence corporation tax losses in prior years, which have been surrendered to non Ring Fenced companies. The tax losses surrendered arose through tax allowances on assets on which exceptional impairments were booked in 2017 and 2018, and therefore the Group considers the tax credit arising to also be exceptional.

Adjusted current tax charge

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

	2020	**2020**	2019	2019
	£m	**%**	£m	%
Group tax (credit)/charge and effective rate	**121.5**	**28.0**	(9.9)	(0.8)
Add: reported deferred tax credit and effective rate	**(67.4)**	**(15.5)**	(13.1)	(1.0)
Current tax charge and effective rate	**54.1**	**12.5**	(23.0)	(1.8)
Effect of adjusting items (see below)	**-**	**(7.2)**	-	(1.6)
Current tax charge and effective rate on adjusted basis	**54.1**	**5.3**	(23.0)	(3.4)
add:				
Share of current tax from joint ventures and associates	**36.7**	**3.6**	30.5	4.5
Less:				
Current tax on exceptional items	**23.4**	**2.3**	(0.4)	(0.1)
Adjusted current tax charge and effective rate	**114.2**	**11.2**	7.1	1.0

Notes to the Preliminary Statement

for the year ended 31 March 2020

9. Taxation (continued)

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

	2020	2019
	£m	£m
Profit before tax	**587.6**	1,300.3
Add/(less):		
Exceptional items and certain re-measurements	**328.9**	(638.4)
Share of tax from joint ventures/associates before exceptional items and certain re-measurements	**82.3**	31.7
Share of non-recurring joint venture refinancing costs	**12.3**	-
Depreciation charge on fair value uplifts	**20.6**	2.9
Interest on pension scheme liabilities	**(6.6)**	(9.5)
Share of interest on net pension liabilities in jointly controlled entities and associates	**(1.7)**	(1.9)
Adjusted profit before tax	**1,023.4**	685.1

10. Dividends

10.1 Ordinary dividends

	Year ended 31 March 2020			Year ended 31 March 2019		
	Total £m	**Settled via scrip £m**	**Pence per ordinary share**	Total £m	Settled via scrip £m	Pence per ordinary share
Interim – year ended 31 March 2020	**248.2**	**136.3**	**24.0**	-	-	-
Final – year ended 31 March 2019	**700.3**	**209.2**	**68.2**	-	-	-
Interim – year ended 31 March 2019	**-**	**-**	**-**	300.5	141.3	29.3
Final – year ended 31 March 2018	**-**	**-**	**-**	672.5	141.8	66.3
	948.5	**345.5**		973.0	283.1	

The final dividend of 68.2p per ordinary share declared in respect of the financial year ended 31 March 2019 (2018: 66.3p) was approved at the Annual General Meeting on 18 July 2019 and was paid to shareholders on 20 September 2019. Shareholders were able to elect to receive ordinary shares credited as fully paid instead of the cash dividend under the terms of the Company's scrip dividend scheme. The Group had previously stated that where the take-up of the scrip dividend scheme exceeded 20% of the total dividend payment, the Group would repurchase shares to reduce the scrip's dilutive effects. In order to maintain capital reserves as a result of the coronavirus pandemic, the Group will no longer repurchase shares when the scrip take-up exceeds 20%.

An interim dividend of 24.0p per ordinary share (2019: 29.3p) was declared and paid on 13 March 2020 to those shareholders on the SSE plc share register on 18 January 2020. Shareholders were able to elect to receive ordinary shares credited as fully paid instead of the interim cash dividend under the terms of the Company's scrip dividend scheme.

The proposed final dividend of 56.0p per ordinary share based on the number of issued ordinary shares at 31 March 2020 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 2020, this would equate to a final dividend of £582.1m.

Notes to the Preliminary Statement

for the year ended 31 March 2020

11. Earnings per Share

11.1 Basic earnings per share

The calculation of basic earnings per ordinary share at 31 March 2020 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 2020.

11.2 Adjusted earnings per share

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

Continuing operations	**Year ended 31 March 2020 Earnings £m**	**Year ended 31 March 2020 Earnings per share pence**	Year ended 31 March 2019 Earnings £m	Year ended 31 March 2019 Earnings per share pence
Basic	**419.6**	**40.6**	1,263.6	123.7
Exceptional items and certain re-measurements (Note 7)	**327.1**	**31.7**	(711.1)	(69.6)
Basic excluding exceptional items and certain re-measurements	**746.7**	**72.3**	552.5	54.1
Adjusted for:				
Share of non-recurring joint venture refinancing costs	**12.3**	**1.2**	-	-
Depreciation charge on fair value uplifts	**20.6**	**2.0**	2.9	0.3
Interest on net pension scheme liabilities	**(6.6)**	**(0.6)**	(9.5)	(0.9)
Share of interest on net pension scheme liabilities in joint venture	**(1.7)**	**(0.2)**	(1.9)	(0.2)
Deferred tax (Note 9)	**44.8**	**4.4**	86.7	8.4
Deferred tax from share of joint ventures and associates	**46.6**	**4.5**	0.7	0.1
Adjusted	**862.7**	**83.6**	631.4	61.8

Basic	**419.6**	**40.6**	1,263.6	123.7
Dilutive effect of outstanding share options	**-**	**-**	-	-
Diluted	**419.6**	**40.6**	1,263.6	123.7

Reported earnings per share

	2020 Earnings £m	**2020 Earnings per share pence**	2019 Earnings £m	2019 Earnings per share pence
Basic				
Earnings per share on continuing operations	**419.6**	**40.6**	1,263.6	123.7
Earnings per share on discontinued operations	**(478.6)**	**(46.3)**	145.5	14.2
Earnings per share attributable to ordinary shareholders	**(59.0)**	**(5.7)**	1,409.1	137.9

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

	31 March 2020 Number of shares (millions)	31 March 2019 Number of shares (millions)
For basic and adjusted earnings per share	**1,032.5**	1,021.7
Effect of exercise of share options	**1.5**	-
For diluted earnings per share	**1,034.0**	1,021.7

Notes to the Preliminary Statement

for the year ended 31 March 2020

11. Earnings per share (continued)

11.3 Dividend cover

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

	2020 Earnings per share (pence)	**2020 Dividend per share (pence)**	**2020 Dividend Cover (times)**	2019 Earnings per share (pence)	2019 Dividend per share (pence)	2019 Dividend cover (times)
Reported	**40.6**	**80.0**	**0.51**	123.7	97.5	1.27
Adjusted	**83.6**	**80.0**	**1.05**	61.8	97.5	0.63

12. Acquisitions, disposals and held-for-sale assets

12.1 Acquisitions

Current year acquisitions

There have been no significant acquisitions in the year.

Prior year acquisitions

Seagreen: On 24 September 2018, the Group acquired the remaining 50% of Seagreen Wind Energy Limited ('Seagreen') for consideration of £118.0m. The Group previously held 50% of Seagreen as an equity accounted joint venture and assessed that the assets acquired do not meet the IFRS 3 'Business Combinations' criteria to be classified as a business. The 50% stake in Seagreen that the Group held prior to the transaction continues to be carried at historical cost.

12.2 Disposals

(i) Significant disposals

Current year disposals

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

As part of determining the result on disposal, consideration was given to the fair value of the £100m par value 13.25% unsecured Loan Notes due 2029. A discounted cashflow valuation technique, based upon a Level 3 IFRS 13 input of estimated repayment profiles driven by the projected cashflows for the business and after applying a calculated discount rate of between 10.9% and 14.8%, determined a valuation between £88m and £125m for the loan notes. Given the range of fair values calculated, and after consideration of cashflow forecast sensitivities, the Group concluded that an appropriate fair value at completion was £100m. As a financial asset held by the Group to collect contractual cashflows only, the Group will measure this asset in subsequent periods at amortised cost in line with its policy on similar financial assets.

The "locked box" transaction mechanic, which fixes consideration at the effective economic date of 30 June 2019, ensures that the economic effect of any subsequent movements in the carrying values of assets disposed are also acquired by Ovo. The carrying value of assets disposed at completion, which includes asset and liability movements subsequent to 30 June 2019, resulted in an exceptional loss on disposal of £226.9m being recognised. This loss includes the effect of impairment charges previously recognised during the year and is recognised within discontinuing operations.

The Group incurred a further £48.8m of asset impairment charges, recognised within continuing operations, as a result of this transaction. These comprised a £39.5m impairment charge on Group IT assets reflecting the expected cost of providing certain services to Ovo under a Transitional Service Agreement for an agreed period following disposal, and a further £9.3m of impairment charges on SSE Customers' IT assets triggered by entry into a limited Reverse Transitional Service Agreement with Ovo on completion.

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

Notes to the Preliminary Statement

for the year ended 31 March 2020

12. Acquisitions, disposals and held-for-sale assets (continued)

12.1 Acquisitions (continued)

Prior year disposals

Clyde windfarm: On 8 May 2018, the Group disposed of a 14.9% stake in Clyde Windfarm (Scotland) Limited ("Clyde") for consideration of £202.0m to joint venture partners Greencoat UK Wind Plc and GLIL Infrastructure LLP. The Group recognised an exceptional gain on sale of £74.2m on the disposal and continues to retain a 50.1% interest in Clyde.

Stronelairg & Dunmaglass windfarms: On 31 March 2019, the Group disposed of a 49.9% equity stake in its wholly owned subsidiaries, Stronelairg Windfarm Limited ('Stronelairg') and Dunmaglass Windfarm Limited ('Dunmaglass'), to Greencoat UK Wind Plc ("UKW") for total consideration of £635.0m. The Group assessed that it lost control of Stronelairg and Dunmaglass on that date. The 50.1% interest retained in the entities was acquired at fair value under the principles of IFRS 3 'Business Combinations', resulting in a total gain of £733.0m, including fair value gain on acquisition of the joint venture investments of £369.2m.

SSE Telecommunications: On 29 March 2019, the Group disposed of a 50.0% equity stake in its wholly owned subsidiary, SSE Telecommunications Limited ('SSE Telecoms'), to Infracapital Partners III for initial consideration of £215.0m. Under the terms of the sale agreement, SSE had the ability to earn a further £85m in deferred consideration based on SSE Telecoms achieving certain business objectives and a further £80m in contingent consideration to be paid in a series of instalments in the five-year period to 2024, based on financial targets for out-performance. The total consideration was initially assessed at £230.5m, reflecting the span of contingent payments. The Group assessed that it lost control of SSE Telecoms and the 50.0% equity stake retained was acquired at fair value under the principles of IFRS 3 'Business Combinations', resulting in a total gain of £235.4m, including fair value gain on acquisition of the joint venture investment of £119.3m.

Indigo pipelines: The Group holds an investment in the Scottish Equity Partners ('SEP') Fund, which disposed of its investment in Indigo Pipelines in the year. On 5 March 2019, the SEP Fund paid a special dividend of £69.2m to SSE, resulting a £54.3m exceptional profit.

Cloosh windfarm: On 28 March 2019, the Group disposed of a 25.0% equity stake in its joint venture investment in Cloosh Valley Wind Farm Holdings DAC to GR Wind Farms 1 Limited for consideration of €34.5m (£29.8m), recognising a non-exceptional gain on sale of £23.6m in the year.

Notes to the Preliminary Statement

for the year ended 31 March 2020

12. Acquisitions, disposals and held-for-sale assets (continued)

12.2 Disposals (continued)

(ii) Disposal reconciliation

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

			2020	2019
	SSE Energy Services	**Other**	**Total**	Total
Net assets disposed:	**£m**	**£m**	**£m**	£m
Property, plant and equipment	**34.8**	**39.7**	**74.5**	744.3
Intangible and biological assets	**812.8**	**-**	**812.8**	10.9
Investments and loans – joint ventures	**-**	**11.8**	**11.8**	149.1
Deferred tax asset	**23.9**	**-**	**23.9**	-
Inventories	**0.9**	**-**	**0.9**	-
Trade and other receivables	**1,047.1**	**5.1**	**1,052.2**	227.1
Cash and cash equivalents	**235.6**	**-**	**235.6**	1.2
Trade and other payables	**(1,300.6)**	**(6.7)**	**(1,307.3)**	(207.7)
Deferred tax liability	**-**	**(1.8)**	**(1.8)**	(30.9)
Derivative financial liabilities	**(231.0)**	**-**	**(231.0)**	-
Provisions	**(3.5)**	**(1.8)**	**(5.3)**	(24.4)
Loans and borrowings	**-**	**(37.8)**	**(37.8)**	(270.1)
Retirement obligation benefits	**6.9**	**-**	**6.9**	-
Net assets	**626.9**	**8.5**	**635.4**	599.5
Proceeds of disposal:				
Consideration	**440.1**	**73.8**	**513.9**	1,161.4
Fair value uplift	**-**	**-**	**-**	488.5
Transfer to joint ventures on loss of control	**-**	**-**	**-**	225.5
Debt reduction	**-**	**(36.6)**	**(36.6)**	(146.6)
Costs of disposal	**(40.1)**	**(0.5)**	**(40.6)**	(7.1)
Net proceeds	**400.0**	**36.7**	**436.7**	1,721.7
(Loss)/gain on disposal	**(226.9)**	**28.2**	**(198.7)**	1,122.2
Presentation:				
Income statement exceptional (debit)/credit	**(226.9)**	**-**	**(226.9)**	1,096.9
Income statement non-exceptional credit	**-**	**28.2**	**28.2**	25.3

	2020	2019
	£m	£m
Net proceeds of disposal	**436.7**	1,721.7
Fair value uplift	**-**	(488.5)
Equity investment – joint ventures	**-**	(225.5)
Debt reduction	**36.6**	146.6
Other payables	**40.3**	7.1
Other receivables	**-**	(15.5)
2029 13.25% unsecured Loan Notes	**(100.0)**	-
Total cash proceeds	**413.6**	1,145.9
Less: cash disposed	**(235.6)**	(1.2)
Net cash proceeds	**178.0**	1,144.7

Notes to the Preliminary Statement

for the year ended 31 March 2020

12. Acquisitions, disposals and held-for-sale assets (continued)

12.3 Held-for-sale assets and liabilities

The Group's Gas Production assets and liabilities are deemed available for immediate sale (see note 4.2(i)) and have been separately presented on the face of the balance sheet at 31 March 2020. The assets have been written down to their fair value less costs to sell in accordance with IFRS 5, excluding the deferred tax asset which continues to be measured under IAS 12. In addition, the Group disposed of 50% of its equity in SSE Slough Multifuel Limited on 2 April 2020, subsequent to the balance sheet date (see note 19 (ii)). Accordingly, 50% of the business' net assets are also presented as held for sale at 31 March 2020.

The assets and liabilities classified as held for disposal, and the comparative balances at 31 March 2019, are as follows:

	2020	2019
	£m	£m
Property, plant and equipment	**168.3**	39.1
Goodwill and other intangible assets	**40.7**	736.1
Deferred tax asset	**14.9**	-
Inventories	**2.4**	0.9
Trade and other receivables	**0.5**	988.1
Cash and cash equivalents	**-**	95.2
Total assets	**226.8**	1,859.4
Trade and other payables	**(17.0)**	(1,069.0)
Current tax liabilities	**-**	(6.8)
Deferred tax liabilities	**-**	(6.5)
Derivative financial liabilities	**(1.6)**	-
Provisions	**(380.1)**	(4.7)
Total liabilities	**(398.7)**	(1,087.0)
Net (liabilities)/assets	**(171.9)**	772.4

The aggregated pre-tax profit contribution of the held for sale businesses in the year to 31 March 2020 was a loss of £250.2m (2019: profit of £113.9m), including exceptional charges of £302.1m, but excluding the loss on disposal of SSE Energy Services. There are no accumulated gains or losses recognised in other comprehensive income related to assets and liabilities held for sale.

Prior year assets and liabilities held for sale

The assets and liabilities classified as held for disposal at 31 March 2019 were the Group's energy supply and related services businesses in Great Britain ('SSE Energy Services') which were sold to Ovo Energy Limited on 15 January 2020 (see note 12.2 (i)) and the Group's subsidiary SSE Water Limited, which was sold to Leep Utilities Limited on 4 June 2019.

12.4 Discontinued operations

The discontinued operations represent the Group's GB domestic energy supply and related services businesses (SSE Energy Services) and the Group's investment in Gas Production assets. The sale of SSE Energy Services completed on 15 January 2020 (see note 12.2(i)) and the Group's investment in Gas Production remains held for sale at the balance sheet date. The profit/(loss) of the discontinued operation, after elimination of intercompany transactions, is as follows:

	2020			2019		
	Before exceptional items and certain re-measurements	**Exceptional items and certain re-measurements**	**Total**	Before exceptional items and certain re-measurements	Exceptional items and certain re-measurements	Total
	£m	**£m**	**£m**	£m	£m	£m
Revenue	**2,732.0**	**-**	**2,732.0**	3,614.8	-	3,614.8
Cost of sales	**(2,169.6)**	**-**	**(2,169.6)**	(2,726.9)	-	(2,726.9)
Gross profit	**562.4**	**-**	**562.4**	887.9	-	887.9
Operating costs	**(503.9)**	**(302.1)**	**(806.0)**	(749.4)	(24.6)	(774.0)
Operating profit	**58.5**	**(302.1)**	**(243.6)**	138.5	(24.6)	113.9
Finance costs	**(6.6)**	**-**	**(6.6)**	-	-	-
Profit before taxation	**51.9**	**(302.1)**	**(250.2)**	138.5	(24.6)	113.9
Taxation	**(7.7)**	**6.2**	**(1.5)**	3.2	28.4	31.6
Profit/(loss) for the period	**44.2**	**(295.9)**	**(251.7)**	141.7	3.8	145.5
Loss on disposal of discontinued operations, after tax	**-**	**(226.9)**	**(226.9)**	-	-	-
Profit/(loss) for the period from discontinued operations	**44.2**	**(522.8)**	**(478.6)**	141.7	3.8	145.5

Notes to the Preliminary Statement

for the year ended 31 March 2020

12. Acquisitions, disposals and held-for-sale assets (continued)

12.4 Discontinued operations (continued)

Included within the prior year tax impact of exceptional items is a non-recurring £30m tax credit in respect of Ring Fence corporation tax losses in prior years, which have been surrendered to non-Ring Fenced companies. The tax losses surrendered arose through tax allowances on assets on which exceptional impairments were booked in 2017 and 2018, and therefore the Group considers the tax credit arising to also be exceptional. There was no such surrender in the current year.

Cashflows from discontinued operations

	2020	2019
	£m	£m
Cashflows from operating activities	**(15.9)**	158.6
Cashflows from investing activities	**(79.3)**	(145.5)
Net (decrease)/increase in cash and cash equivalents in discontinued operations	**(95.2)**	13.1

12.5 Acquisitions and disposals in the previous year

(i) Acquisitions in the previous year

Seagreen: On 24 September 2018, the Group acquired the remaining 50% of Seagreen Wind Energy Limited ('Seagreen') for consideration of £118.0m. The Group previously held 50% of Seagreen as an equity accounted joint venture and assessed that the assets acquired do not meet the IFRS 3 'Business Combinations' criteria to be classified as a business. The 50% stake in Seagreen that the Group held prior to the transaction continues to be carried at historical cost.

13. Sources of finance

13.1 Capital management

The Board's policy is to maintain a strong balance sheet and credit rating to support investor, counterparty and market confidence in the Group and to underpin future development of the business. The Group's credit ratings are also important in maintaining an efficient cost of capital and in determining collateral requirements throughout the Group. As at 31 March 2020, 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. During the year to 31 March 2020, SSE successfully issued its third Green Bond being a £350m, sixteen year bond with a coupon of 2.25%. This was a debut issue for Scottish Hydro Electric Transmission Ltd and was the Group's third Green Bond in three years, affirming SSE's position as the largest issuer of Green Bonds from the UK Corporate sector

In March 2019, SSE refinanced its £1.3bn Revolving Credit Facility (RCF) to have an extended maturity date of March 2024 with an option to extend by two years to 2026. This is now classified as a Sustainable RCF with interest rate and fees paid dependant on SSE's performance in environmental, social and governance matters, as assessed independently by Vigeo Eiris. The £200m bilateral facility matures in November 2022. The £1.5bn of committed bank facilities can be accessed at short notice for use in managing the Group's short term funding requirements, however these committed facilities remain undrawn for the majority of the time.

The Group capital comprises:

	2020	2019 (*restated)
	£m	£m
Total borrowings (excluding lease obligations)	**9,717.2**	9,138.3
Less: Cash and cash equivalents	**(164.6)**	(431.6)
Cash presented as held for disposal	**-**	(95.2)
Net debt (excluding hybrid equity)	**9,552.6**	8,611.5
Hybrid equity	**1,169.7**	1,169.7
Cash held as collateral and other short term loans	**(256.4)**	(344.2)
Adjusted Net Debt and Hybrid Equity #APM	**10,465.9**	9,437.0
Equity attributable to shareholders of the parent	**3,750.4**	4,622.6
Total capital excluding lease obligations	**14,216.3**	14,059.6

Notes to the Preliminary Statement

for the year ended 31 March 2020

13. Sources of finance (continued)

13.1 Capital management (continued)

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

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

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

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

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

13.2 Loans and borrowings

	2020 £m	2019 £m (restated)
Current		
Other short-term loans	**1,893.8**	668.4
Lease obligations	**73.1**	29.0
	1,966.9	697.4
Non current		
Loans	**7,823.4**	8,469.9
Lease obligations	**382.1**	200.3
	8,205.5	8,670.2
Total loans and borrowings	**10,172.4**	9,367.6
Cash and cash equivalents	**(164.6)**	(431.6)
Unadjusted Net Debt	**10,007.8**	8,936.0
Add/(less):		
Hybrid equity (Note 14)	**1,169.7**	1,169.7
Obligations under finance leases	**(455.2)**	(229.3)
Cash held as collateral and other short-term loans	**(256.4)**	(344.2)
Cash presented as held for disposal	**-**	(95.2)
Adjusted Net Debt and Hybrid Capital	**10,465.9**	9,437.0

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and short term highly liquid investments with a maturity of three months or less. The cash and cash equivalents are lower year on year due to a lower surplus cash position at March 2020.

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 2020, £672.4m of commercial paper was outstanding (2019: £497.7m). The Group also has £1.5bn of revolving credit facilities. These facilities continue to provide back-up to the commercial paper programme and, as at 31 March 2020, there was £75m drawn which was repaid on 6 April 2020, subsequent to the year end.

During the year to 31 March 2020, the SSE Group successfully issued its third Green Bond being a £350m, sixteen year bond with a coupon of 2.25%. This was a debut issue for Scottish Hydro Electric Transmission Ltd and was the Group's third Green Bond in three years, affirming SSE as the largest issuer of Green Bonds from the UK Corporate sector.

On 7 April 2020, subsequent to the year end, SSE plc successfully launched a €1.1bn five and 10 year dual tranche Eurobond with €600m maturing April 2025 and €500m maturing April 2030, with coupons of 1.25% and 1.75% respectively. Both tranches have been swapped to Sterling resulting in a funding cost of 2.4% and 2.9% respectively.

Notes to the Preliminary Statement

for the year ended 31 March 2020

13. Sources of finance (continued)

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

	2020	2019 (*restated)
	£m	£m
(Decrease)/increase in cash and cash equivalents	**(267.0)**	199.4
Add/(less):		
Cash presented as held for disposal	**(95.2)**	95.2
New borrowings	**(1,122.4)**	(1,260.0)
Repayment of borrowings	**668.4**	626.6
Non-cash movement on borrowings	**(124.9)**	(145.5)
Increase/(decrease) in cash held as collateral and other short term loans	**(87.8)**	269.1
Movement in adjusted net debt and hybrids #APM	**(1,028.9)**	(215.2)

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.

14. Equity

14.1 Share capital

	Number (millions)	**£m**
Allotted, called up and fully paid:		
At 31 March 2019	1,046.9	523.4
Issue of shares (i)	28.2	14.1
Shares repurchased (ii)	(28.8)	(14.4)
At 31 March 2020	1,046.3	523.1

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

i. Shareholders were able to elect to receive ordinary shares in place of the final dividend of 68.2p per ordinary share (in relation to year ended 31 March 2019) and the interim dividend of 24.0p (in relation to the current year) under the terms of the Company's scrip dividend scheme. This resulted in the issue of 19,086,291 and 9,136,089 new fully paid ordinary shares respectively (2019: 11,316,873 and 12,543,773). In addition, the Company issued 0.8m (2019: 0.1m) shares during the year under the savings-related share option schemes (all of which were settled by shares held in Treasury) for a consideration of £10.1m (2019: £1.2m).

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

Of the 1,046.3m shares in issue, 6.9m are held as treasury shares. These shares will be held by the Group and used to award shares to employees under the Sharesave scheme in the UK.

During the year, on behalf of the Company, the employee share trust purchased 1.1m shares for a total consideration of £14.6m (2019: 0.3m shares, consideration of £3.6m) to be held in trust for the benefit of employee share schemes. At 31 March 2020, the trust held 7.6m shares (2019: 2.8m) which had a market value of £99.3m (2019: £32.8m).

14.2 Hybrid Equity

	2020	2019
	£m	£m
GBP 750m 3.875% perpetual subordinated capital securities	**748.3**	748.3
EUR 600m 2.375% perpetual subordinated capital securities	**421.4**	421.4
	1,169.7	1,169.7

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

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

Notes to the Preliminary Statement

for the year ended 31 March 2020

14. Equity (continued)

14.2 Hybrid Equity (continued)

(iii) Coupon Payments

In relation to the €600m hybrid equity bond a coupon payment of £17.4m (2019: £17.5m) was made on 1 April 2019 and for the £750m hybrid equity bond a coupon payment of £29.1m (2019: £29.1m) was made on 10 September 2019.

The coupon payments in the year to 31 March 2020 consequently totalled £46.5m (2019: £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 in the following circumstances, all of which occur at the sole option of the Company:

-- redemption; or

-- dividend payment on ordinary shares.

Interest will accrue on any deferred coupon.

15. Retirement Benefit Obligations

15.1 Valuation of combined Pension Schemes

	Quoted £m	**Unquoted £m**	**Value at 31 March 2020 £m**	Quoted £m	Unquoted £m	Value at 31 March 2019 £m
Equities	**500.6**	**-**	**500.6**	571.4	-	571.4
Government bonds	**857.8**	**-**	**857.8**	2,081.6	-	2,081.6
Corporate bonds	**145.1**	**-**	**145.1**	537.9	-	537.9
Insurance contracts	**-**	**725.4**	**725.4**	-	194.4	194.4
Other investments	**1,694.0**	**-**	**1,694.0**	944.3	-	944.3
Total fair value of plan assets			**3,922.9**			4,329.6
Present value of defined benefit obligation			**(3,581.2)**			(4,042.5)
Surplus in the schemes			**341.7**			287.1
Deferred tax thereon (i)			**(64.9)**			(145.6)
Net pension asset			**276.8**			141.5

i) Deferred tax rate of 19% applied to pension surplus and deficit positions (2019: 35% to surplus positions and 17% to deficit positions).

	Balance Sheet presentation 2020 £m	Balance sheet presentation 2019 £m
Retirement benefit asset	**534.2**	537.7
Retirement benefit liability	**(192.5)**	(250.6)
Net pension asset	**341.7**	287.1

Notes to the Preliminary Statement

for the year ended 31 March 2020

15. Retirement Benefit Obligations (continued)

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

	2020			2019		
	Assets £m	**Obligations £m**	**Total £m**	Assets £m	Obligations £m	Total £m
at 1 April	**4,329.6**	**(4,042.5)**	**287.1**	4,197.3	(3,862.8)	334.5
Included in Income Statement						
Current service cost	**-**	**(39.0)**	**(39.0)**	-	(43.0)	(43.0)
Past service cost(i)	**-**	**(8.1)**	**(8.1)**	-	(10.4)	(10.4)
Settlements	**(69.4)**	**83.9**	**14.5**			
Interest income/(cost)	**99.8**	**(93.2)**	**6.6**	109.2	(99.7)	9.5
	30.4	**(56.4)**	**(26.0)**	109.2	(153.1)	(43.9)
Included in Other Comprehensive Income						
Actuarial (loss)/gain arising from:						
Demographic assumptions	**-**	**6.6**	**6.6**	-	23.6	23.6
Financial assumptions	**-**	**284.4**	**284.4**	-	(214.5)	(214.5)
Experience assumptions	**-**	**36.6**	**36.6**	-	(65.2)	(65.2)
Return on plan assets excluding interest income	**(319.3)**	**-**	**(319.3)**	173.7	-	173.7
	(319.3)	**327.6**	**8.3**	173.7	(256.1)	(82.4)
Other						
Contributions paid by the employer	**72.3**	**-**	**72.3**	78.9	-	78.9
Scheme participants' contributions	**0.2**	**(0.2)**	**-**	0.2	(0.2)	-
Benefits paid	**(190.3)**	**190.3**	**-**	(229.7)	229.7	-
	(117.8)	**190.1**	**72.3**	(150.6)	229.5	78.9
Balance at 31 March	**3,922.9**	**(3,581.2)**	**341.7**	4,329.6	(4,042.5)	287.1

Charges / (credits) recognised:

	2020 £m	2019 £m
Service costs (charged to operating profit)(i)	**47.1**	53.4
Settlements and curtailment (gains)/losses (ii)	**(14.5)**	-
	32.6	53.4
(Credited)/charged to finance costs:		
Interest on pension scheme assets	**(99.8)**	(109.2)
Interest on pension scheme liabilities	**93.2**	99.7
	(6.6)	(9.5)

(i) Service costs charged to operating profit in the prior year includes an exceptional charge of £9.0m for GMP equalisation

(ii) During the year the Group disposed of SSE Energy Services which resulted in an exceptional gain of £14.5m being recognised in the pension schemes on the transfer values of assets and liabilities transferred from the schemes to a new Ovo defined benefit scheme. The gain has been treated as exceptional and included in the overall loss on disposal of the business.

Notes to the Preliminary Statement

for the year ended 31 March 2020

16. Financial risk management

16.1 Financial risk management

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. During the financial year, the Risk Committees in the Wholesale and Retail divisions reported directly to the Executive Committee to support the Group's risk management responsibilities to review the strategic, market, credit operational and liquidity risks and exposures that arise from the Group's energy portfolio management, generation, energy supply and treasury.

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

From April 2019 and, following a comprehensive assessment of SSE's governance framework during the reporting period, the Risk Committees in the Wholesale and Retail divisions have been reshaped to form a Group-wide committee reporting to the Group Executive Committee to support the Group's risk management responsibilities.

In addition, a Board level sub-committee, the Energy Markets Risk Committee, was established with the principal purpose to oversee the implementation of the Group's new approach to hedging. This new hedging approach was published on sse.com in November 2018.

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.

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

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

	2020	2019
	£m	£m
Operating derivatives		
Total result on operating derivatives (i)	**(526.4)**	(695.9)
Less: amounts settled (ii)	**723.2**	367.7
	196.8	(328.2)
Loss on novation of derivatives held by discontinued operation	**(231.0)**	-
Movement in unrealised derivatives	**(34.2)**	(328.2)
Financing derivatives (and hedged items)		
Total result on financing derivatives (i)	**(74.4)**	(35.7)
Less: amounts settled (ii)	**(8.6)**	(9.1)
Movement in unrealised derivatives	**(83.0)**	(44.8)
Net income statement impact	**(117.2)**	(373.0)

(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.

Notes to the Preliminary Statement

for the year ended 31 March 2020

16. Financial risk management (continued)

16.2 Fair Value Hierarchy

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

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

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

There were no significant transfers out of level 1 into level 2 and out of level 2 into level 1 during the year ended 31 March 2020. The level 3 movements during the year were related to the recognition of £100m of unquoted loan notes due from Ovo Group Limited following the disposal of SSE Energy Services.

17. Capital commitments

	2020	2019
	£m	£m
Capital expenditure:		
Contracted for but not provided	596.7	768.8

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.

Notes to the Preliminary Statement

for the year ended 31 March 2020

18. Related party transactions

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

	2020	**2020**	**2020**	**2020**	2019	2019	2019	2019
Joint ventures:	**Sale of goods and services £m**	**Purchase of goods and services £m**	**Amounts owed from £m**	**Amounts owed to £m**	Sale of goods and services £m	Purchase of goods and services £m	Amounts owed from £m	Amounts owed to £m
Seabank Power Ltd	**44.3**	**(66.1)**	**0.1**	**(5.8)**	45.9	(60.5)	0.1	(10.2)
Marchwood Power Ltd	**13.6**	**(96.2)**	**0.2**	**(6.8)**	15.4	(116.2)	0.4	(14.6)
Scotia Gas Networks Ltd	**39.5**	**(113.7)**	**12.1**	**(16.4)**	46.2	(140.3)	11.8	(1.2)
Clyde Windfarm (Scotland) Ltd	**4.2**	**(118.0)**	**1.3**	**(41.3)**	3.5	(150.3)	3.7	(41.3)
Beatrice Offshore Windfarm Ltd	**7.1**	**(40.8)**	**1.9**	**(3.3)**	-	-	-	-
Stronelairg Windfarm Ltd	**2.2**	**(55.4)**	**0.4**	**(16.3)**	-	-	-	-
Dunmaglass Windfarm Ltd	**0.9**	**(24.5)**	**-**	**(6.7)**	-	-	-	-
SSE Telecommunications Ltd	**14.4**	**(59.5)**	**11.8**	**(11.6)**	-	-	-	-
Other Joint Ventures	**45.3**	**(205.5)**	**12.8**	**(60.5)**	55.9	(171.4)	19.4	(44.3)
Associates	**-**	**(36.7)**	**-**	**-**	-	(35.4)	-	-

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

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

19 Post balance sheet events

(i) Bond issuance

On 7 April 2020, SSE plc successfully launched a €1.1bn five and 10 year dual tranche Eurobond with €600m maturing April 2025 and €500m maturing April 2030, with coupons of 1.25% and 1.75% respectively. Both tranches have been swapped to Sterling resulting in funding costs of 2.4% and 2.9% respectively.

(ii) Sale of stake in Slough Multifuel

On 2 April 2020, the Group entered into an agreement with Copenhagen Infrastructure Partners ('CIP') to sell a 50% stake in the Group's subsidiary SSE Slough Multifuel Limited for initial consideration on £10m. The sale agreement includes further contingent consideration of up to £59.6m, dependent upon the successful delivery of certain milestones. The Group is continuing to assess the probability of contingent consideration receivable from the transaction.

(iii) Sale of stake in Seagreen Windfarm

On 3 June 2020, the Group entered into an agreement to sell a 51% stake in its Seagreen 1 offshore wind farm project to Total for an initial consideration of £70m. The sale includes an equivalent stake in a potential extension opportunity at the site of up to 360MW. The Group is continuing to assess the gain on sale that will be recognised from the transaction.