



RIGHT ACTION. RIGHT NOW.

**Preliminary Results
for the year to 31 March 2023**



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Definitions

The financial information set out in these Summary Financial Statements for the year ended 31 March 2023 have been prepared in conformity with the requirements of the Companies Act 2006 and in accordance with UK adopted International Accounting Standards.

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 performance management and are believed to present the underlying performance of the Group in the most useful manner for ordinary shareholders and other stakeholders.

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

For the purpose of calculating the 'Net Debt to EBITDA' metric, 'Net Debt' represents the group's 'Adjusted Net Debt and Hybrid Capital' APM and 'EBITDA' represents the full year group "Adjusted EBITDA" APM and including a further adjustment to remove the proportion of "Adjusted EBITDA" from equity-accounted Joint Ventures which relates to project financed debt.

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

In the prior year to 31 March 2022, the Group completed the sale of its Gas Production business on 14 October 2021 and on 22 March 2022 the Group completed the sale of its 33.3% investment in Scotia Gas Networks ('SGN') (see note 12.2.2 of the Summary Financial Statements). Both businesses have been classified as discontinued operations. The Group's adjusted measures therefore exclude the contribution from both of these businesses in all periods presented.

The Group continues to retain a 60% share of the decommissioning obligation of the Gas Production business following disposal. Gas Production was presented as a discontinued operation prior to disposal as the transaction constitutes the exit of all activity in that industry. Following disposal of that business, any further adjustments to the decommissioning obligation are accounted for through the Group's consolidated income statement and removed from the Group's adjusted profit measures as the revaluation of the provision is not considered to be part of the Group's core continuing operations.

Important note: Disposals of other businesses

In the prior year to 31 March 2022, the Group completed the sale of its Contracting and Rail business on 30 June 2021, and on 10 February 2022 the Group completed the sale of a 10% stake in the Dogger Bank C offshore wind farm development (see note 12.2.2 of the Summary Financial Statements).

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

Important note: Non-controlling equity stake sale

On 30 November 2022, the Group completed the sale of a 25% non-controlling equity stake in Scottish Hydro Electric Transmission plc ('SHET') (see note 12.2.1 of the Summary Financial Statements).

As this transaction did not result in a loss of control, the business continues to be classified as a continuing operation and its result continues to be included within the Group's adjusted profit-based measures, after removing the relevant share of profit attributable to holders of non-controlling equity stakes from the point when the ownership structure changed in accordance with the APM definitions.

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

The following Alternative Performance Measures have been adjusted in all periods presented to exclude the contribution of the Group's investment in Scotia Gas Networks Limited which was disposed on 22 March 2022 and Group's Gas Production operations which were disposed on 14 October 2021:

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

'Adjusted net debt and hybrid capital', 'adjusted investment and capital expenditure' and 'adjusted investment, capital and acquisition expenditure', have not been amended as the Group continued to fund the discontinued operations until the date of disposal.

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SSE PLC: PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MARCH 2023

24 MAY 2023

BUILDING FOR CLEAN, SECURE, AFFORDABLE ENERGY

- **Record £2.8bn of capex and investment, greater than profits**, in projects across low-carbon electricity infrastructure that will enhance energy security while creating green jobs and supporting local communities.
- Reporting **adjusted earnings per share of 166.0p**, in line with pre-close guidance, reflecting the performance from a balanced, integrated business model in a year of market volatility.
- Continued focus on Safety, however increased construction activity has contributed to a **Total Recordable Injury Rate of 0.19**, an increase from 0.17.
- Strategic debt refinancing and increasing cash flow generation provides the group with **more financial strength** to weather future market uncertainty, seize opportunities and create value.
- Guiding to **adjusted EPS of more than 150p for 2023/24**, with **capital expenditure and investment of more than £2.8bn in 2023/24**, exceeding the record investment in 2022/23.
- Contributed over £6bn to UK GDP, supporting nearly 40,000 UK jobs with further €429m contribution to Ireland GDP and over 2,000 Irish jobs supported.

ANNOUNCEMENT OF “NET ZERO ACCELERATION PROGRAMME PLUS”

Continuing the acceleration of investment through the “NZAP Plus” five-year strategic plan to 2027, upgrading targets whilst also advancing previous plan by 12 months, to account for changing investment mix:

- Upgraded £18.0bn capital investment plan, an over 40% increase on previous plan.
- **Reshaped capital allocation** between regulated electricity networks (c.50%), renewable electricity generation (c.40%), low-carbon flexible thermal generation and other businesses (c.10%).
- Investment will deliver c.5GW net renewables capacity additions and grow net electricity networks RAV to between £12-14bn by 2027.
- **Adjusted EPS CAGR of 13 – 16%** over the five-year period, excluding developer profits.
- **Investment plan remains fully funded**, supported by strong balance sheet with average 3.5 – 4.0x net debt / EBITDA across the plan, well within strong investment grade credit ratios.
- Rebased 60 pence dividend for 2023/24, enabling growth with **annual dividend increases of between 5 – 10% now targeted to 2026/27**.

Recognising the significant strengthening of the balance sheet and the well-balanced upgraded investment plan, the NZAP Plus reflects SSE’s conclusion that retaining 100% ownership of SSEN Distribution is the right strategy at this time.

Alistair Phillips-Davies, SSE plc Chief Executive, said:

“Action, not just ambition, is what is needed to provide lasting solutions to the problems of climate change, energy affordability and security – and, with a record-breaking investment programme, that is what we are delivering. Through delivery of our societally-aligned strategy we are accelerating the build-out of renewables, reinforcing the networks needed to decarbonise, providing much-needed flexible generation, and working hard to ensure no-one is left behind in the transition to net zero. The results that we have reported today are profits with a purpose. We are creating value for all of our stakeholders and our investments exceed our earnings.”

“On the back of our strong financial performance in the year, the resilience of SSE’s balanced business mix and underlying finances, the pace of strategic delivery and the wealth of opportunities coming our way, we have updated our Net Zero Acceleration Programme (NZAP) that we announced 18 months ago.”

“The “NZAP Plus” raises the bar on our ambitions to 2027, and provides a solid platform for growth that could see us invest up to £40bn over the next decade. The energy landscape is changing fast, and the macroeconomic and geopolitical environment has its challenges, but these are exciting times for SSE and we have both the financial footing and capabilities to go after high quality growth opportunities that will create value for years to come.”

FINANCIAL SUMMARY (continuing operations)

	Adjusted			Reported		
	Mar 2023	Mar 2022	% mvmt	Mar 2023	Mar 2022	% mvmt
Operating profit / (loss) (£m)	2,529.2	1,530.9	+65%	(146.3)	3,749.5	-104%
Profit / (loss) before tax (£m)	2,183.6	1,158.1	+89%	(205.6)	3,476.3	-106%
Earnings / (loss) per share (p)	166.0	94.8	+75%	(14.7)	241.2	-106%
Investment, capital and acquisitions (£m)	2,803.3	2,067.8	+36%	3,188.7	2,313.9	+38%
Net Debt and Hybrid Capital (£bn)	8,894.1	8,598.2	+3%	8,168.1	8,015.4	+2%

STRATEGIC HIGHLIGHTS

- Progress on a significant Transmission investment programme, including ongoing projects such as the **Shetland HVDC link and East Coast upgrade**. The business is now focussed on preparing to deliver its share of Ofgem's **Accelerated Strategic Transmission Investment ("ASTI")** programme.
- Completed the **sale of a 25% non-controlling equity interest in SSEN Transmission** on 30 November 2022, for total cash proceeds of £1,465m, supporting further growth.
- SSEN Distribution **delivering in line with expectations on the final year of RIIO-ED1** whilst reaching a **final settlement with Ofgem on the RIIO-ED2** five-year price control period.
- **First power achieved at 1,075MW Seagreen offshore wind project, with all foundations now installed** ahead of commercial operations in summer 2023, continuing progress on Dogger Bank and at Viking, where the first of 103 turbines was installed in April 2023.
- Completed the **acquisition of a Southern European onshore wind development platform**, adding 2.4GW (secured) and c.2.5GW (future prospects) of onshore wind and solar projects.
- **Acquisition of 1.3GW Triton Power**, in a 50:50 Joint Venture with Equinor, which offers decarbonisation opportunities whilst contributing to security of supply and grid stability.
- **Finished construction of 0.9GW Keadby 2 CCGT** in March 2023, the most efficient plant of its type in Europe which will provide important and efficient flexibility to the electricity system.

FINANCIAL HIGHLIGHTS

- **Adjusted earnings per share of 166.0p, in line with pre-close guidance.**
- **Reported loss per share of (14.7)p mainly driven by a net £2.3bn adverse fair value movement on derivatives**, leaving a £(0.3)bn net derivative liability remaining on balance sheet.
- **Profitability in Renewables reflects strong prices captured by flexible hydro and wind hedging position** offset by **unfavourable weather conditions**, hedge buy-back costs and the effect of the Electricity Generator Levy.
- **Strong performance in Thermal Energy**, with the addition of 670MW from the Triton acquisition, thermal generation offering flexibility to the market and supporting security of supply with gas storage managing gas supply volatility.
- **Raised £1.7bn** in Hybrid Capital, Eurobonds and Private Placements in the first half of the year at well-below current market prices.
- Cash collateral remains comfortably within existing facilities with 8% utilised at 18 May 2023
- **Adjusted investment, capital and acquisition expenditure of £2.8bn.**
- **Adjusted net debt and hybrid capital at £8.9bn, in line with pre-close guidance and well below targeted gearing levels.**

FINAL DIVIDEND IN LINE WITH DIVIDEND PLAN

- Intention to recommend a **final dividend of 67.7p** for payment on 21 September 2023, representing a weighted average annual RPI rate of 12.9%, making a **full year dividend of 96.7p** per share.
- Full year dividend **rebased to 60p for 2023/24**, with increases of 5 – 10% p.a. to 2026/27.
- **Script uptake continues to be capped at 25%** on 2022/23 full-year dividend and thereafter.

KEY PERFORMANCE INDICATORS

Key Financial Indicators (continuing operations)	Adjusted		Reported	
	Mar 2023	Mar 2022	Mar 2023	Mar 2022
Operating profit / (loss) by business £m				
- SSEN Transmission	372.7	380.5	405.5	380.5
- SSEN Distribution	382.4	351.8	382.4	351.8
- SSE Renewables	580.0	568.1	446.3	427.8
- SSE Thermal & Gas Storage	1,244.4	331.1	1,338.7	749.6
- Other businesses inc. corporate unallocated	(50.3)	(100.6)	(2,719.2)	1,839.8
Operating profit / (loss) £m	2,529.2	1,530.9	(146.3)	3,749.5
EBITDA £m	3,382.1	2,251.3	557.9	4,361.5
Profit / (loss) before tax £m	2,183.6	1,158.1	(205.6)	3,476.3
Earnings / (loss) per share (EPS) pence	166.0	94.8	(14.7)	241.2
Full year dividend per share (DPS) pence	96.7	85.7	96.7	85.7
Investment and capital expenditure £m				
- SSEN Transmission	495.5	614.4	543.8	614.4
- SSEN Distribution	421.0	364.8	502.0	456.1
- SSE Renewables	837.5	811.0	997.0	595.1
- SSE Thermal & Gas Storage	159.5	125.5	71.6	70.8
- Other businesses (inc project finance devex refunds)	247.1	10.8	1,074.3	563.6
Acquisition consideration £m	642.7	141.3	642.7	141.3
Investment, capital and acquisitions £m	2,803.3	2,067.8	3,831.4	2,441.3
Net debt and hybrid capital £m	8,894.1	8,598.2	8,168.1	8,015.4

Notes: 2021/22 numbers above restated to recognise Keadby 2 pre-commissioning revenues and costs in Income Statement following adoption of amendments to IAS 16 Property, Plant and Equipment - Proceeds Before Intended Use.

Operational Key Performance Indicators	Mar 2023	Mar 2022
Thermal generation – GWh ¹	18,313	14,265
Renewable generation – GWh (inc. pumped storage and constrained off)	10,159	9,423
Distributed Energy – GWh	96	104
Total generation output – all plant – GWh	28,568	23,792
SSEN Transmission RAV - £m ²	4,836	4,155
SSEN Distribution RAV - £m	4,720	4,054
SSE Total Electricity Networks RAV - £m²	9,556	8,209
Business Energy Electricity Sold – GWh	12,108	12,645
Business Energy Gas Sold – mtherms	200	218
Airtricity Electricity Sold – GWh	5,795	5,219
Airtricity Gas Sold – mtherms	193	177

Notes: ¹2022/23 excludes 1,184GWh of pre-commissioning output from Keadby 2 which entered commercial operation on 15th March 2023 ²Gross of 25% non-controlling interest in SSEN Transmission

ESG Key Performance Indicators	Mar 2023	Sept 2022	Mar 2022
Carbon emissions (scopes 1&2) MtCO ₂ e	6.52	-	6.24
Scope 1 GHG intensity gCO ₂ e/kWh	254	271	259
Total water consumed (million cubic meters)	1.4	-	0.8
Total recordable injury rate per 100,000 hours worked	0.19	0.15	0.17
Total economic contribution – UK/Ireland (£bn/€m) ¹	6.0/429	-	5.8/438
Jobs supported – UK/Ireland (headcount) ²	39,940/2,430	-	45,290/1,840
Total taxes paid UK/Ireland (£m/€m)	501.7/53.8	-	335.3/46.4
Employee retention/turnover rate (%) ³	89.5/10.5	-	90.5/9.5
Employee engagement index (%) ⁴	84	84	82
Average board tenure – years ⁵	4.4	3.9	3.8
Female board members (%) ⁶	46	46	50
Independent board members (%) ⁷	75	75	73
Total number of board members	13	13	12

Notes: ¹ Direct, indirect and induced Gross Value Added, from PwC analysis. ² Direct, indirect and induced jobs supported, PwC analysis. ³ Includes voluntary and involuntary turnover, excludes end of fixed term contracts and internal transfers. ⁴ Results from SSE's annual employee engagement survey. ⁵ Non-Executive directors including non-Executive Chair ⁶At 23 May 2023, changes to the Board mean the proportion of women board members is now 42%. ⁷Excludes non-Executive Chair.

FURTHER INFORMATION

Investor Timetable

2023 Annual Report published on sse.com/reportsandresults	16 June 2023
2023 Sustainability Report published on sse.com/reportsandresults	16 June 2023
2023 Annual Report published on sse.com/reportsandresults	16 June 2023
Q1 Trading Statement	20 July 2023
Annual General Meeting	20 July 2023
Ex-dividend date	27 July 2023
Record date	28 July 2023
Scrip reference pricing days	27 July – 2 August 2023
Scrip reference price confirmed and released via RNS	3 August 2023
Final day for receipt of scrip elections	24 August 2023
Final dividend payment date	21 September 2023
Notification of Closed Period	4 October 2023
Interim Results for the six months ended 30 September 2023	15 November 2023

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Management presentation webcast and teleconference

SSE will present its preliminary results for the year to 31 March 2023 on Wednesday 24 May at 10:00am 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/xkxchosm>

This will also be available as a teleconference, for which participants can register to receive a unique pin code and conference call number using:

<https://register.vevent.com/register/BI8b7d92935ba749a29f6cb9ca04732a67>

Both facilities will be available to replay.

Online Information

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

STRATEGIC OVERVIEW

RIGHT ACTIONS, RIGHT NOW

As a purpose-led developer, builder and operator investing in low-carbon electricity infrastructure, SSE is working to deliver a strategy that is making energy cleaner, more secure, and more affordable. The Net Zero Acceleration Programme that we launched in November 2021 was designed to meet demand for what SSE has to offer as the world weans itself off carbon. But, in the intervening 18 months, that demand has grown exponentially, and we have acted now to upgrade our plans to keep pace.

Getting everyone who works for SSE home safe every day will always be SSE's top priority and we recognise there is a correlation between record levels of investment and heightened risk from the associated increase in construction activity. With the tragic death of a young contractor, Liam Macdonald, in June 2022 – and an overall increase in injuries during the year – we continue to prioritise and focus on all aspects of safety.

Against the backdrop of war in Ukraine, market upheaval and cost inflationary pressures on energy users, 2022/23 has not been without its challenges. I'd like to thank our direct employees and contractors for the hard work and commitment that has gone into a year of excellent financial and operational performance.

And on behalf of the Board and the executive team I'd like to thank Gregor Alexander for the indispensable part he has played as Finance Director for the past 21 years. We are losing one of the FTSE's finest FDs but, after a rigorous selection process, we have a highly capable successor in Barry O'Regan.

CREATING VALUE FOR SHAREHOLDERS AND SOCIETY

This has been a year of strong financial performance that will create lasting shareholder and societal value. These results show the value of a balanced portfolio of market-focused energy assets that are supported by regulated income from electricity networks.

While still weather and project timetables have impacted wind generation output, this has been offset by efficient operation of our thermal and gas storage businesses, and flexible hydro assets, which provided timely backup for the market when it was needed.

The profit we are making has an underlying purpose as we reinvest additional earnings back into critical national infrastructure. We invested £2.8bn in 2022/23 – an all-time record level of capital expenditure and investment for SSE which represented a 36% increase year-on-year – and much of that spend was on major projects in networks and renewables. We have said that we expect to break that record again in 2023, as we continue to put profits to work for all our stakeholders.

DELIVERING ON OUR STRATEGY

Delivery of our net zero-focused strategy is amply demonstrated by a long list of milestones summarised here but covered in greater detail in the Operating Review to be found in the following pages.

Progress was made in the year on flagship projects like Dogger Bank, Seagreen and Viking wind farms; exploratory works got under way on the Coire Glas pumped storage hydro development and repowering continued on the Tummel hydro scheme. The purchase of SGRE's Southern European onshore development platform started to bear fruit, with construction shortly to be under way on the first project in France. And the pipeline continues to grow at home, with Irish developments and domestic solar and battery projects, and abroad, with development projects in Spain, France, Italy and Greece as well as opportunities being explored in Japan, the US, the Netherlands and Poland.

SSE Thermal's performance in the year is matched by our longer-term ambitions for the fleet's lower-carbon future. We were pleased with the delivery of our new high-efficiency Keadby 2 CCGT; Tarbert and Platin secured capacity contracts for new biofuel plant; the signs are good for our Aldborough Pathfinder Hydrogen project and we remain confident that CCS will in time be built at both Keadby 3 and Peterhead 2, both of which are needed to meet net zero targets. The acquisition of Triton Power, meanwhile, added new decarbonisation options to the SSE Thermal portfolio and paid for itself in the year as it provided vital flexible capacity in an exceptionally tight market.

In networks, construction continues at pace on SSEN Transmission's pioneering HVDC link to Shetland and the successful sale of a minority stake in the business to Ontario Teachers will unlock capital for further growth. We achieved final settlement on a RIIO-ED2 price control that balances the needs of customers and net zero and

SSEN Distribution is getting to work on delivering its £3.6bn business plan. And, as ever, the business had to cope with the worst of the British weather in the year but lessons learned from the extreme, back-to-back weather events of 2021/22 led to an improved response to the ice storm that hit Shetland and later during Storm Otto.

NET ZERO ACCELERATION PROGRAMME PLUS

We are on a firm financial footing as we deliver our current portfolio of large capital projects and plan for future investment and growth. World-class assets underpin the balance sheet; our credit ratings compare favourably with our peers; and the recent transmission stake sale, weighted against record levels of capex, mean adjusted net debt and hybrid capital was £8.9bn at the year-end.

This financial strength, combined with performance in 2022/23 and the wealth of opportunities we are generating, gives us the confidence to upgrade the Net Zero Acceleration Programme that was announced in November 2021. The NZAP, as we call it, was only ever a baseline plan and now, 18 months on, the addition of a “Plus” reflects new projections including upgraded capex and new growth targets for Adjusted EPS, renewables capacity and networks RAV as well as supporting a higher dividend growth rate than previously indicated.

Under the NZAP Plus we plan to invest £18bn out to 2026/27, or around £10m a day, in the infrastructure needed for net zero and energy security, compared to £7.5m a day under previous plans. The new plan also promises even more balance than the original NZAP, with more geographical and technological diversity, but also more stability, with higher capex percentages going into regulated networks.

And we have concluded after careful consideration of the balance and financial strength of the new plan, that retaining full ownership of SSEN Distribution is the right strategy at this time. We remain focused on maximising the growth potential in this core business as it plays a key role in enabling net zero for consumers.

DOING MORE FOR THE PLANET

SSE’s long-held purpose – providing energy needed today while building a better world of energy tomorrow – means we seek to provide solutions to the climate-related problems faced by people and the planet. We are doing that by contributing to every stage of the clean electricity value chain and remain accountable to verified business goals that are science-based and aligned to a 1.5C global warming pathway.

We understand decarbonisation of the economy will be disruptive, so every effort must be made to leave no-one behind, and this is why we are championing a just transition. An increasing number of the 1,000 quality green jobs we create each year now go to people moving across from high-carbon industries.

One of the UK’s first shareholder-approved Net Zero Transition Reports, stretching business goals aligned to a 1.5C pathway, commitment to Fair Tax, leadership on the Living Wage, and provision of safe and inclusive workplaces are all reflected in our place in leading sustainability indices and confirm SSE’s standing as an ESG-rated stock.

MORE GROWTH TO COME

SSE is a clean energy champion providing critical, low-carbon infrastructure needed to meet net zero targets and bolster system security in our home markets and further afield. We aim to deliver over 20% of the networks and offshore wind investment required to meet UK climate targets.

Our original investment programme looked to optimise our growth and fulfil our potential though accelerated investment, with net investment potentially exceeding £25bn by 2030/31 in the UK and Ireland by the end of the decade. Eighteen months on, and assuming a supportive policy environment, our investment could total around £40bn by 2031/32, consolidating our position as one of the FTSE’s largest UK’s capital investors.

We offer a compelling investment proposition: with balance sheet strength; wide ranging optionality; depth in capability; investment in Thermal flexibility now paying off and exciting and increasing growth prospects in all our businesses. Ultimately this has allowed us to update our base case plans and provide shareholders with sustainable earnings and dividend growth while creating real value for society.

Alistair Phillips-Davies
Chief Executive
SSE plc

GROUP FINANCIAL REVIEW

YEAR ENDED 31 MARCH 2023

This Group Financial Review sets out the financial performance of the SSE Group for the year ended 31 March 2023. See also the separate sections on Group Financial Outlook, 2023/24 and beyond and Supplemental Financial Information.

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

Key Financial Metrics (continuing operations)	Adjusted		Reported	
	Mar 2023 £m	Mar 2022 £m	Mar 2023 £m	Mar 2022 £m
Operating profit / (loss)	2,529.2	1,530.9	(146.3)	3,749.5
Net Finance (costs) / income	(345.6)	(372.8)	(59.3)	(273.2)
Profit / (loss) before Tax	2,183.6	1,158.1	(205.6)	3,476.3
Current Tax (charge) / credit	(358.8)	(107.1)	110.0	(881.3)
Effective current tax rate (%)	16.4	9.2	12.7	26.2
Profit / (loss) after Tax	1,824.8	1,051.0	(95.6)	2,595.0
Less: hybrid equity coupon payments	(38.8)	(50.7)	(38.8)	(50.7)
Less: profits attributable to minority interests	-	-	(23.6)	-
Profit / (loss) after Tax attributable to ordinary shareholders	1,786.0	1,000.3	(158.0)	2,544.3
Earnings / (loss) per share (pence)	166.0	94.8	(14.7)	241.2
Number of shares for basic/reported and adjusted EPS (million)	1,075.6	1,055.0	1,075.6	1,055.0
Shares in issue at 31 March (million)*	1,090.3	1,067.6	1,090.3	1,067.6

* Excludes treasury shares.

2021/22 numbers above restated to recognise Keadby 2 pre-commissioning revenues and costs in Income Statement following adoption of amendments to IAS 16 Property, Plant and Equipment - Proceeds Before Intended Use.

Dividend per Share (pence)	Mar 2023	Mar 2022
Interim Dividend	29.0	25.5
Final Dividend	67.7	60.2
Full Year Dividend	96.7	85.7

IMPACT FROM MARKET VOLATILITY

The Group's balanced mix of economically regulated and market-based businesses provides a natural hedge against short-term commodity price volatility. Nevertheless, the volatile commodity price environment throughout the year combined with the continued higher power price, gas price and inflation rate environment, will have a continued impact on SSE's businesses which can be summarised as follows:

SSEN Transmission and **SSEN Distribution** operate under a regulatory price control framework which is set by Ofgem. Returns under this framework have no direct relationship to power and gas market prices. However, both allowed revenues and Regulated Asset Values are index linked (Transmission to CPI(H) for the RIIO-T2 price control period which lasts from 1 April 2021 to 31 March 2026, and Distribution to RPI (for RIIO-ED1 which ended on 31 March 2023) and CPI(H) (for RIIO-ED2 which lasts from 1 April 2023 to 31 March 2028).

Within **SSE Renewables**, the established hedging approach generally reduces its broad exposure to commodity price variation at least 12 months in advance of delivery. This approach secures value for the business, by reducing exposure to short-term commodity price movements which would drive variable financial performance.

Hedges may be achieved either through the forward sale of power or gas and carbon equivalents. This approach aims to reduce the exposure of these wind assets to volatile spot power market outcomes whilst still providing an underlying commodity price hedge. When gas-and-carbon hedges are converted into electricity

hedges a “spark spread” is realised which can lead to changes in the average hedge price expected. This can increase the previously published average hedge price, as has been seen in 2022/23, or decrease it.

Whilst this hedging approach provides relatively stable realised power prices, market volatility in periods where wind volumes are significantly lower than expected can necessitate ‘buy-backs’ of excess forward sales contracts at higher prices, which would reduce the trading result, as has also been seen in 2022/23.

For **SSE Thermal** (as well as the Hydro plant within SSE Renewables), value has come from the ability of the plant to respond to market conditions and provide vital balancing services to support security of supply through flexibility provision in less predictable market conditions.

The last twelve months has seen the Thermal business navigate extreme volatility in the forward power markets. Whilst some of this volatility is directly attributable to the war in Ukraine and ensuing gas crisis, there are other more fundamental drivers relating to price uncertainty which are longstanding. These longer-term price drivers include liquidity, carbon price basis risk, regulatory or political interventions, and the availability of risk capital and collateral within the markets. This business therefore aims to reduce earnings volatility by establishing a hedge for the expected economic output in the six months prior to delivery, although this approach is closely monitored for any unexpected changes in exposures as a result of current market conditions, such as the plant availability exposure, counterparty credit risk, and changes to cost of capital for collateral.

Higher power and gas prices are generally more economically favourable for these businesses, driving premiums over forward peak spark prices which includes market-based income from other sources outside of the simple spark spread such as Balancing Mechanism and ancillary Grid contracts. Income from Capacity Mechanism is known ahead of each delivery year and is unrelated to current market conditions.

However, if plant is unavailable at times of system stress then excess forward sales contracts would again need to be ‘bought back’ in the market which would negatively impact the trading result.

The **Gas Storage** assets are operated on a merchant basis, to optimise value arising from changes in the spread between summer and winter prices, market volatility and plant availability. As such, volatile gas prices are generally positive for this business, to the extent that the assets can respond to volatility and capture the positive gas price spreads arising. To the extent that gas remains in storage at the period end, a remeasurement gain or loss may also be recognised with reference to the forward month market price.

However, this remeasurement does not take into account the mark-to-market movement on forward contracted sales in future periods, which will impact the trading result.

Energy Portfolio Management, as the market-facing commodity trader for each business unit, holds the Group’s direct exposure to unsettled commodity contracts and therefore may experience significant unrealised mark-to-market remeasurement gains or losses in periods of volatility. However, these revaluations are unrelated to operating performance with traded volumes backed by SSE’s future generation output or expected customer demand. Whilst EPM is permitted to take small positions in the market to manage the Group’s trading requirements and execute optimisation opportunities, this is contained within strict Value at Risk (‘VAR’) limits that limits trading exposure in volatile markets.

During the year, market volatility and increased margining requirements resulted in a significant increase in the collateral required for trade with counterparties and on exchanges, this was monitored closely by the Group and effectively managed with more than sufficient levels of liquidity maintained. The level of collateral required has decreased over the second six months of the financial year as older trades have been settled and newer trades have experienced lower levels of volatility.

SSE Business Energy and **SSE Airtricity** (aside from Northern Ireland, where SSE Airtricity’s gas supply business is subject to a regulatory pricing mechanism) are not subject to a regulated price cap and therefore variable tariffs are adjusted dynamically and fixed tariff rates are reset for new customers as wholesale costs increase or decrease. Although the businesses are insulated against gas price rises insofar as they are hedged, there are external circumstances that would result in hedge adjustments such as weather, supplier failures and broader economic conditions. Due to the difficult affordability circumstances created by escalating wholesale prices across the year, a decision was made to protect domestic customers in Ireland from the full impact of

these increases; tariff changes therefore did not fully reflect increases in wholesale prices. A dynamic forecasting approach has been implemented to help the business respond quickly to volume changes.

Both businesses have administered government-backed support schemes during the year, intended to protect domestic and non-domestic customers from the full impact of the heightened power and gas price environment. These schemes provide discounts to customers based on estimated usage and recover amounts from government based on actual customer usage – the most material of these being the Energy Bills Relief Scheme (“EBRS”).

In relation to Airtricity, vertical integration of generation and customer businesses in the Irish market limits commodity exposures with some benefit received through Renewable Energy Feed-in Tariffs (‘REFIT’) receipts on legacy wind assets.

Finally, **SSE Group** is well funded with a strong investment grade credit rating; a high proportion of the £8.9bn adjusted net debt (c.92%) is fixed rate and the average maturity of SSE’s debt is 6.4 years. The Group has been successful despite challenging debt markets, issuing €1bn of Hybrid Bonds, a £350m Private Placement and a €650m Eurobond earlier in the financial year at well-below current market prices. SSE’s balance sheet strength allows the Group to meet additional collateral requirements on higher and more volatile commodity contracts, while the high proportion of fixed-rate debt provides robust financing in an inflationary environment.

OPERATING PROFIT PERFORMANCE FOR THE YEAR TO 31 MARCH 2023

Business-by-business segmental	Adjusted		Reported	
	Mar 2023 £m	Mar 2022 £m	Mar 2023 £m	Mar 2022 £m
Operating profit / (loss)				
SSEN Transmission	372.7	380.5	405.5	380.5
SSEN Distribution	382.4	351.8	382.4	351.8
Electricity networks total	755.1	732.3	787.9	732.3
SSE Renewables	580.0	568.1	446.3	427.8
SSE Thermal	1,031.9	300.4	1,089.5	624.2
Gas Storage	212.5	30.7	249.2	125.4
Thermal Total	1,244.4	331.1	1,338.7	749.6
SSE Business Energy (GB)	17.9	(21.5)	17.9	(21.5)
SSE Airtricity (NI and Ire)	5.6	60.4	5.2	60.4
Energy Customer Solutions Total	23.5	38.9	23.1	38.9
Energy Portfolio Management	80.4	(16.8)	(2,626.0)	2,083.6
Distributed Energy	(27.4)	(10.9)	(33.5)	(29.2)
Neos Networks	(39.8)	(16.1)	(56.0)	(140.0)
Corporate unallocated	(87.0)	(95.7)	(26.8)	(113.5)
Total operating profit / (loss) from continuing operations	2,529.2	1,530.9	(146.3)	3,749.5
Net finance (costs) / income	(345.6)	(372.8)	(59.3)	(273.2)
Profit / (loss) before tax from continuing operations	2,183.6	1,158.1	(205.6)	3,476.3

Notes: Table above excludes any result from discontinued operations, being the Group's investment in Scotia Gas Networks Limited which was disposed on 22 March 2022 (2022/23: £nil; 2021/22: adjusted operating profit of £21.0m) and the Group's Gas Production operations which were disposed on 14 October 2021 (2022/23: adjusted operating profit of £nil; FY2021/22: adjusted operating profit of £101.4m). 2021/22 restated to recognise Keadby 2 pre-commissioning revenues and costs in Income Statement following adoption of amendments to IAS 16 Property, Plant and Equipment - Proceeds Before Intended Use.

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 shareholders and other stakeholders.

Following the acquisition in the year of Triton Power Limited (JV with Equinor, SSE's share 50%), the definitions SSE uses for adjusted measures have been refined to consider the treatment of fair value gains arising from acquisition of a business or a joint venture interest. Aside from this refinement, the definitions are consistently applied and a reconciliation of adjusted operating profit by segment to reported operating profit by segment can be found in Note 6.2 to the Summary Financial Statements.

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

OPERATING PROFIT

Adjusted and reported operating profits/losses in SSE's business segments for the year to 31 March 2023 are set out below; comparisons are with the same period to 31 March 2022 unless otherwise stated.

SSEN Transmission: Adjusted operating profit decreased by 2% to £372.7m, which includes a £(32.8)m minority interest adjustment following completion of the 25% divestment on 30 November 2022. SSEN Transmission's significantly higher allowed revenues in the year were partially offset by a combination of a negative timing impact on lower-than-expected Transmission Network Use of System "TNUoS" volumes, and

increases in operating costs and depreciation charges, as the business continues to grow the asset base and develop its operational capacity.

Reported operating profit increased by 7% to £405.5m, reflecting all of the adjustments above except for the £(32.8)m minority interest adjustment, as minority interests are fully consolidated for all profit metrics except for Earnings Per Share under IFRS.

SSEN Distribution: Adjusted and reported operating profit increased by 9% to £382.4m in the year. Higher allowed revenues including previously under-recovered allowances following the impact of coronavirus on Distribution Use of System "DUoS" volumes in 2020/21, were broadly offset by a negative timing impact on lower-than-expected volumes in 2022/23. In addition, 2022/23 operating costs were lower than prior year mainly driven by a reduction in fault costs, given the impact of severe weather on the network during 2021/22.

SSE Renewables: Adjusted operating profit increased by 2% to £580.0m in the year. Having experienced exceptionally still and dry weather in the prior year, volumes increased 0.7TWh or 7% in the current year but were still around 1.5TWh or 13% behind planned levels due to less favourable weather than the long-term average and delays to construction of the Seagreen project.

In line with SSE's hedging approach, SSE Renewables entered the financial year with around 40% of its wind volume hedged in gas and carbon equivalents, rather than electricity. The conversion of those gas and carbon trades into electricity ahead of delivery in the year – combined with an unusually high and volatile electricity price attributable to factors such as the war in Ukraine and French nuclear outages – drove a significant uplift in the achieved price on hedged volumes in the year, with approximately £216m additional benefit captured. This uplift more than offset a £(143)m net loss from Seagreen which mainly reflected the buy-back costs of undelivered hedged volumes in a higher price environment.

Elsewhere, the higher and more volatile price environment was beneficial for flexible hydro and pumped storage, as those assets efficiently responded to capture peak prices in the market. Finally, the adjusted result also includes a net £43m charge relating to the Electricity Generator Levy, which came into effect from 1 January 2023 and is charged on receipts generated from eligible generation sources which are in excess of a £75/MWh benchmark.

Reported operating profits have increased by 4% to £446.3m in the year. In addition to the factors noted above, the reported result also reflects a £18.6m reduction in exceptional charges mainly as a £28.6m exceptional tax charge recognised in the prior year – driven by the impact on Joint Venture deferred tax balances from the substantive enactment of the UK Corporation Tax rate change, which – was non-recurring. However, this reduction in exceptional charges was partially offset by a £10.1m increase in Joint Venture share of interest and tax charges driven by higher profitability in these entities.

SSE Thermal Generation: Adjusted operating profit increased 244% to £1,031.9m, compared to £300.4m in the prior year. SSE has continued to invest in optimising its thermal generation fleet despite many years of low returns and significant write-downs because it believed the inherent value the fleet offers the energy system through its flexibility would eventually be recognised. As noted previously, the last twelve months has seen the Thermal business navigate extreme volatility in the forward power markets through the flexibility it offers. The increase in adjusted operating profit reflects additional capacity in the year from Triton Power (acquired on 1 September 2022, £220m adjusted operating profit) and Keadby 2 (entered commercial operation on 15 March 2023, £37m adjusted operating profit), and additional generation volumes from SSE Thermal's existing fleet together with higher power prices and a strong performance in the balancing market. In addition, capacity market revenues – which are unaffected by market prices – were £33m higher compared to the prior year.

This was partially offset by £97m of hedge buy-back losses due to unplanned outages – mainly arising from Great Island CCGT but also the reduction in capacity from Tarbert oil-fired station – as well as higher operating costs and increases in depreciation charges due to historic impairment reversals recognised in September 2021 and March 2022.

Reported operating profit increased by 75% to £1,089.5m in the year. The acquisition in September 2022 of Triton Power has resulted in a number of exceptional items being recognised: a £140.7m fair value uplift on acquisition and a £172.0m fair value remeasurement on operating derivatives (net of tax) were mostly offset by a £(291.6)m impairment charge reflecting the profitability delivered to date by that business. These movements,

combined with a £89.1m gain on disposal of Fiddlers Ferry land, a £17.8m reversal of historic Great Island CCGT impairment and an increase in the Joint Venture share of interest and tax charges of £50.9m account for the majority of the difference. The prior year result included £333.3m of exceptional items, mainly comprising the reversal of historic impairment charges relating to the Groups' CCGT plants.

Gas Storage: Adjusted operating profit increased by 592% to £212.5m, compared to £30.7m in the prior year. The higher and more volatile gas market price environment during the year benefitted these assets which operated on a merchant basis to capture positive gas price spreads. In normal market conditions, the seasonal price spread occurs between summer and winter which results in minimal profitability for this segment in the first half of the year. However, due to low Russian gas supplies and increased European demand as gas stores were built up for winter, the usual spread was inverted, with summer gas prices higher than winter at points during the period. That inversion led to around £46m of incremental profitability in the first six months of the year. Aside from that one-off benefit, the assets continued to capture the usual summer-winter spread while supporting vital energy security in times of high gas demand across the winter. Again, the strong performance of the Gas Storage business affirms SSE's decision during previous years when earnings were weaker to continue investing in these critical assets.

Reported operating profit increased by 99% to £249.2m in the year. In addition to the movements above, the prior year included an impairment reversal of £97.3m compared to a £45.7m further reversal during 2022/23 as historic impairment charges against these assets were partially reversed. In addition, the reported results include a £(9.0)m revaluation loss on gas held in storage, compared to a £(2.6)m loss in the prior year.

SSE Business Energy: Adjusted and reported profitability increased to £17.9m of profit in 2022/23 compared to a £(21.5)m loss in the prior year. Market volatility since the start of 2022 continues to create a challenging environment for consumers and consumer-facing businesses such as Business Energy and Airtricity. With the prior year loss including around £34m of one-off charges relating to non-recoverable Balancing System use of Service "BSUoS" costs and additional mutualisation costs, 2022/23 has demonstrated a recovery in underlying profitability as the economy continued to emerge from the impact of coronavirus. However, even with the UK Government's EBRS support scheme, bad debt expenses have increased by £(89.5)m from prior year reflecting the deterioration of aged debt as consumers' finances are stretched.

SSE Airtricity: Adjusted profitability decreased to £5.6m from £60.4m in the prior year. Airtricity responded to the hugely challenging circumstances faced by its domestic energy customers during the 2022/23 financial year and – through a combination of keeping tariffs as low as possible for all consumers through not passing through the full impact of wholesale costs, a price freeze for financially vulnerable consumers, customer support funds and finally, in April 2023, a €35 rebate to each customer – honoured its commitment not to make a profit in the year in recognition of the cost-of-living crisis. The cost of the €35 rebate will be reflected in Airtricity's financial results for 2023/24.

Reported profitability has decreased to £5.2m from £60.4m in the prior year reflecting the movements above as well as a £(0.4)m share of interest and tax in the current year from Joint Ventures.

Energy Portfolio Management: Adjusted operating profit has increased to £80.4m from a £(16.8)m loss in the prior year. EPM continues to generate a relatively low level of baseline operating earnings through service provision to those SSE businesses requiring access to the energy markets. However, in addition to this, the business is permitted to take small optimisation opportunities whilst managing liquidity and shape on external trades. As outlined above, these optimisation opportunities are subject to strict internal VAR limits and controls. The increase in profitability is mainly due to the heightened volatility and price of power and gas trades in the market, which has driven higher profits from the trading and optimisation activities for this business.

A reported operating loss of £(2,626.0)m was recognised in the year, compared to a £2,083.6m profit in the prior year. In addition to the movements above, the reported operating result includes the net remeasurement loss on forward commodity derivatives in the period which are fair valued in accordance with IFRS 9. In line with previous years, this excludes any remeasurement on 'own use' contracts and is unrelated to underlying operating performance.

Distributed Energy: An adjusted operating loss of £(27.4)m was recognised, compared to a loss of £(10.9)m in the prior year. The business continues to incur losses as it invests to support business growth, particularly in the solar and battery storage business which will be reported under SSE Renewables from April 2023.

The reported operating loss of £(33.5)m has increased from a prior year loss of £29.2m which reflects the above factors partially offset by a smaller £(6.1)m charge mainly related to the sale of the Contracting and Rail business in June 2021 compared to the £18.3m charge recognised in the prior year.

Neos Networks: SSE's remaining 50% share in the Telecoms business Neos Networks Limited recorded an adjusted operating loss of £(39.8)m compared to £(16.1)m in the prior year, and a reported operating loss of £(56.0)m compared to a loss of £(140.0)m in the prior year. This result reflects the losses incurred to support future business growth, and includes a £37.7m impairment of the Group's investment in that business of which £31.8m has been treated as non-exceptional.

Corporate unallocated: Adjusted operating loss of £(87.0)m compares against a loss of £(95.7)m in the prior year. Whilst there continues to be an unwind of historic transitional service agreements with SSE Energy Services (disposed to Ovo in January 2020), Neos Networks (part-disposed in January 2019) and SSE Contracting (disposed to Aurelius in July 2021), the segment has also benefited from a review of the corporate cost base at the start of the year.

Reported operating loss of £(26.8)m compares against a loss of £(113.5)m in the prior year which included a £(13.1)m adverse revaluation adjustment relating to the legacy Gas Production decommissioning provision. In the current year, a £50.5m positive revaluation adjustment was recognised on the same provision.

ADJUSTED EARNINGS PER SHARE

To monitor its financial performance over the medium term, SSE reports on its adjusted earnings per share measure. This measure is calculated by excluding the charge for deferred tax, interest costs on net pension liabilities, exceptional items, depreciation on fair value adjustments, revaluation adjustments to the retained 60% Gas Production decommissioning obligation and the impact of certain remeasurements.

SSE's adjusted EPS measure provides an important and meaningful measure of underlying financial performance. In adjusting for depreciation on fair value adjustments, revaluation adjustments to the retained 60% Gas Production decommissioning obligation, exceptional items and certain remeasurements, adjusted EPS reflects SSE's internal performance management, avoids the volatility associated with mark-to-market IFRS 9 remeasurements and means that items deemed to be exceptional due to their nature and scale do not distort the presentation of SSE's underlying results. For more detail on these and other adjusted items please refer to the Adjusted Performance Measures section of this statement.

In the year ended 31 March 2023, SSE's adjusted earnings per share on continuing operations was 166.0p. This compares to 94.8p for the previous year and reflects the movements in adjusted operating profit outlined in the section above.

GROUP FINANCIAL OUTLOOK – 2023/24 AND BEYOND

FINANCIAL OUTLOOK FOR 2023/24

The 2022/23 financial year saw SSE's balanced portfolio of market-based and economically-regulated businesses successfully navigate the risks and opportunities arising from the higher and more volatile price environment. In particular, the strong performance from flexible thermal and hydro plant more than offset the impact of the challenges faced by onshore and offshore wind, namely lower than expected windspeeds and construction delays and the associated buy-back costs on Seagreen offshore wind farm.

SSE remains focused on delivering long-term sustainable financial performance. And whilst energy prices and energy price volatility have been reducing from the highs of the last financial year, SSE expects a relatively higher price environment to endure.

Against this backdrop, SSE remains confident that its businesses will continue to deliver strong adjusted operating profit in the 2023/24 financial year, specifically:

- For SSEN Transmission, increases to the allowed revenue under RIIO-T2 combined with timing effects from under-recoveries in the prior year are expected to more than offset both increases to the cost base as well as the impact from an additional eight months of earnings attributable to minority interests;
- For SSEN Distribution, increases to the operational cost base are not expected to be recovered until future periods under the tariff setting process, with allowed revenue therefore expected to be broadly flat.
- For SSE Renewables, assuming normal weather and plant availability, SSE expects to report around 12.5TWh of generation output during 2023/24, excluding any output from the Dogger Bank A wind farm which is expected to achieve first power during the year and remains unhedged.
- For SSE Thermal and Gas Storage, assuming normal plant availability, SSE expects adjusted operating profit to be more than £750m as the full-year effect from the additional Keadby 2 and Triton Power capacity is combined with a sustained higher price environment in the medium-term.

Taking the above factors into account, SSE currently expects to report full-year 2023/24 adjusted earnings per share of more than 150p.

SSE is fulfilling its commitment to growing the 2022/23 dividend by RPI and is recommending a 96.7p full-year dividend in line with that plan. Also in line with that plan, in 2023/24, the dividend will be rebased to 60p in order to align future dividends with SSE's ambitious growth profile.

Capital expenditure and investment in 2023/24 is expected to exceed the £2.8bn record investment in 2022/23, with the net debt to EBITDA ratio expected to be within the 3.5x – 4.0x target range.

NET ZERO ACCELERATION PROGRAMME PLUS

SSE is a purpose-led company, seeking to provide the energy needed today while building a better world of energy for tomorrow. It is a long-term business with a clear strategy aligned with the transition to net zero.

In November 2021, SSE set out a five-year capex plan that aligned capital allocation with the Group's 2030 Business Goals and its changing energy mix. This plan, referred to as the Net Zero Acceleration Programme, or NZAP, provided the optimal pathway at that time to maximise total shareholder returns from both earnings and asset value growth, whilst remunerating shareholders through a rebased dividend with attractive growth.

This plan and the targets contained within it – which were partially updated in May 2022 to reflect the evidence of increasing value creation potential – represented a floor, not a ceiling, and were intended to position SSE to take other opportunities as they emerge.

In the time since the NZAP was launched, the global green transition has accelerated as countries look towards providing energy security by increasing their renewables and low-carbon generation ambitions. It is against this backdrop, and in light of recent business performance, that SSE now expects to meet or exceed the original

NZAP financial targets. SSE has therefore announced an “NZAP Plus” which rolls the plan forward by 12 months and upgrades the targets, ambitions and investment mix to match the enhanced opportunity.

Key targets and ambitions	NZAP (previous)	NZAP Plus (new)
Five-year targets:	to 2025/26	to 2026/27
- Capital investment (net)	£12.5bn	£18.0bn
- Adjusted earnings per share CAGR	7 – 10%	13 – 16%
	From 2020/21 87.5p	From 2021/22 94.8p
- Dividend growth beyond 2023/24 60p rebase	At least 5% to 2025/26	Between 5 – 10% to 2026/27
- Net debt / EBITDA expectations	Below 4.5x	Between 3.5 – 4x
- Net installed Renewable capacity	Around 8GW	More than 9GW
- Net Networks RAV	>£9bn	£12 – 14bn
Ten-year ambition:	to 2030/31	to 2031/32
- Net installed Renewable capacity	>13GW	>16GW
- Net installed low-carbon flexible capacity	>3GW*	>2GW
- Net Networks RAV	>£14bn	>£20bn

* included Distributed Energy capacity from Solar & Battery, now included within Renewable capacity ambition

Upgraded capital investment plan to 2027

The NZAP Plus is a five-year £18.0bn capital investment plan to 2026/27 – mainly driven by new growth (c.£2.2bn or c.20%) but also updating for supply chain cost increases (c.£2.0bn or c.15%), removal of the Distribution minority interest assumption (c.£0.6bn or c.5%) and project phasing (c.£0.7bn or c.5%). This increase – which collectively represents an increase of over 40% on the NZAP – is focused on:

- **Regulated electricity networks (c.50%)**

SSEN Transmission (c.30%) will comprise the majority of expected investment in electricity networks, as the RIIO-T2 baseline investment programme has increased through uncertainty mechanism projects such as the Skye and Orkney subsea links. Whilst the majority of Ofgem’s Accelerated Strategic Transmission Investment (ASTI) framework will be delivered towards the end of the decade, the five-year plan also includes early construction costs as these projects are progressed. As such, SSEN Transmission investment is expected to increase to over £5bn from over £3bn in the previous plan, net of the 25% Minority Interest share, driving the gross Regulatory Asset Value (‘RAV’) to between £8 – 9bn by the end of 2026/27, and deliver expected adjusted operating profits of at least £400m on average across the five year plan.

Whilst **SSEN Distribution** (c.20%) has a lower share of networks investment, the absolute amount of investment is increasing with around £3.5bn of expected investment compared to around £2bn in the previous plan. This increase reflects 100% ownership of the business over the period, and is driven by the £3.6bn of totex in the RIIO-ED2 Final Determination, which runs from April 2023 to March 2028, with the potential for additional investment in other net zero-aligned projects to meet the increasing electrification demands of consumers. This investment is expected to drive the gross RAV to between £6 – 7bn by the end of 2026/27, and deliver expected adjusted operating profits of at least £450m on average across the five year plan.

Overall, as **SSEN Transmission and SSEN Distribution** continue to form a key part of the low-carbon electricity core in SSE, the total electricity networks RAV is expected to increase from £8.2bn at the start of the plan to between £14 – 16bn by the end, of which SSE’s share after Minority Interest is expected to be between £12 – 14bn. On a gross basis, this equates to a c.14% compound average growth rate (‘CAGR’) over the five-year plan.

- **Renewable energy generation (c.40%)**

Since November 2021, **SSE Renewables** has continued to grow its secured pipeline of projects – which currently stands at c.15GW – and also the quality and diversity of these prospects. With a continued focus on financial discipline through targeting attractive returns on new projects, it is

expected that around 5GW of additional net capacity will be added across the five-year plan, with net installed capacity of more than 9GW by March 2027. This growth will be fulfilled through a diverse mix of technologies, with an increasing number of attractive battery and solar projects adding to SSE Renewables' core hydro, onshore and offshore wind projects. The incremental capacity, combined with changing mix and inflationary impacts, means around £7bn of net investment is expected across the five-year period – a £2bn increase on the expected investment in the previous plan – and is expected to drive a c.20% adjusted operating profit CAGR across the five-year plan subject to normal weather and a c.£85/MWh baseload power price in 2026/27.

- **Low-carbon flexible thermal generation and other businesses (c.10%)**

The extreme volatility seen in energy markets over the last year has made it clear that investment in flexible, low-carbon thermal generation – such as sustainable biofuels, carbon capture and storage and ultimately hydrogen – will be critical to society in the transition to net zero as a counterbalance for increasing intermittent renewables generation. The NZAP Plus expects to invest up to £2.5bn in **SSE Thermal's** increasing pipeline of low-carbon flexible generation prospects, which currently stands at around 5GW across a range of technologies, and deliver expected adjusted operating profits of around £500m on average across the remaining four years to 2026/27.

The remaining capital investment will be spent across SSE's corporate centre, distributed energy and customers businesses, which remain part of a very deliberate business model with each playing its own role in delivering SSE's net zero-focused strategy.

With around 90% of the NZAP Plus expected to be invested in renewables and networks, the substantial majority of the investment plan is focused on climate solutions to achieve SSE's interim 2030 Business Goals which are linked to material UN Sustainable Development Goals (SDGs), and it is aligned to the Technical Screening Criteria of the EU Taxonomy.

Maintaining disciplined investment at attractive returns

The changing investment mix within the NZAP Plus reflects SSE's focus on allocating capital based on clear internal investment criteria intended to maximise total shareholder returns whilst ensuring strategic alignment with SSE's net zero electricity focus. This investment criteria includes:

- **Strategic fit** – aligned with SSE's commitment to its 1.5-degree science-based carbon targets, business mix and capabilities;
- **Optimum mix** – balancing risk and returns through a mix of economically regulated and unregulated, market-based assets; and
- **Targeted returns** – focusing investment on high-quality assets where SSE's capabilities can deliver favourable risk-adjusted project returns, namely targeting:
 - **Onshore wind and solar**: returns between 50 – 300 bps over WACC for unlevered projects, depending on the balance of merchant, technology and construction risk for each project;
 - **Offshore wind**: more than 11% equity returns (excluding developer profits) for project financed developments;
 - **Networks**: between 7 – 9% return on equity, assuming a level of outperformance, CPIH inflation of 2% p.a. and an average gearing ratio of 60%;
 - **Emerging technologies**: between 300 – 500 bps over WACC for unlevered projects, reflecting the expected increased risk on newer, first-of-a-kind technologies including carbon capture and storage, hydrogen-fuelled generation and battery storage.

These investment criteria – and targeted returns – are applied in both domestic and overseas markets.

Updating the growth-supporting dividend plan

The original NZAP set out a five-year dividend plan to support accelerated growth by confirming previous commitments to target dividend increases in line with RPI for 2021/22 and 2022/23, before rebasing to 60 pence in 2023/24 and targeting at least 5% dividend increases in 2024/25 and 2025/26.

The Board has delivered on this dividend commitment for 2021/22 and 2022/23 and continues to consider that the rebased dividend to 60 pence in 2023/24 supports SSE's ongoing ambitions to accelerate investment in the assets required to reach net zero.

The capital allocation outlined in the NZAP Plus is expected to drive a 13-16% Group adjusted earnings per share CAGR over the five-year plan – against the 2021/22 baseline of 94.8 pence – with around 50% of adjusted EBITDA expected to be underpinned by index-linked revenue streams.

The NZAP Plus extends the original NZAP dividend plan to 2027 and, reflecting the SSE Board's confidence in future earnings growth, now sets out a commitment to target dividend increases of between 5 to 10% per year in 2024/25, 2025/26 and 2026/27. This updated dividend plan aims to balance income to shareholders with funding and a strong investment grade credit rating alongside an upgraded investment plan that will ultimately create greater value and total returns for shareholders over the long term. This plan also retains the scrip dividend option for shareholders with the cap on take-up still set at 25% and implemented if necessary by means of a share buyback.

A fully-funded plan, supported by a strong balance sheet

Through effective capital allocation, raising debt at highly attractive terms, capital recycling and unlocking value through partnerships, SSE continues to demonstrate that it can take advantage of the accretive opportunities it creates. It has a proven ability to realise value from disposals, create sustainable earnings growth and maintain strong investment grade credit ratings – all whilst aligning with a 1.5-degree pathway.

The Group's business mix, future capital investment and funding plans are designed to ensure that it retains an investment grade credit rating which provides capacity to reach a 4.5x net debt / EBITDA ratio. The financial strength of the Group means that it expects to be within an average of 3.5 – 4.0x net debt / EBITDA across the five-year plan.

More ambitious targets to 2032

The upgraded targets and ambitions within the NZAP Plus provide the platform for SSE's businesses to grow substantially through the remainder of the decade, and are necessary to deliver the Group's 2030 Business Goals and associated 1.5 degree aligned carbon targets.

Looking further ahead, SSE is therefore also rolling forward and upgrading key targets for the 10 years to 2032 as set out below:

- A fourfold increase in SSE's owned renewables capacity to over 16GW (net) from c.4GW today;
- Delivering more than 2GW of net installed low-carbon flexible thermal capacity;
- An increase to more than £20bn (net) in SSE's electricity networks RAV, from £8.2bn (gross) in March 2022, equivalent to a 14% gross RAV CAGR.

DISPOSAL OF MINORITY STAKE IN NETWORKS

The selected use of partnerships remains a key part of SSE's strategy: to spread risk and financial exposure; to unlock value whilst avoiding non-earning debt; and to enable future investment and growth.

During 2022/23, the Group completed a 25% minority interest disposal of the SSEN Transmission business to Ontario Teachers' Pension Plan Board for consideration of £1,465m at a premium to RAV of around 1.9x at 30 September 2022. This successful transaction reflected both the current value and significant growth potential of SSEN Transmission as one of Europe's fastest growing transmission networks, with the proceeds released by the sale supporting the significant growth and investment across the Group.

While the November 2021 NZAP assumed that a similar 25% minority stake in the SSEN Distribution business would be disposed by the 2025/26 financial year, SSE consistently reviews strategic options and direction and the NZAP Plus plan now reflects retaining 100% of the business. Strategies evolve and a significant strengthening of SSE's balance sheet and an upgraded NZAP Plus investment plan which remains well balanced are the main factors contributing to the Board assessment that continuing to hold 100% of SSEN Distribution is the right strategy at this time.

SSEN Distribution is a high-quality, core business for the Group and will make a significant contribution to delivering sustainable long-term value as it plays a key role in enabling net zero for consumers.

SUPPLEMENTAL FINANCIAL INFORMATION

Adjusted Investment and Capex Summary	Mar 2023 Share %	Mar 2023 £m	Mar 2022 £m
SSEN Transmission (excluding 25% MI from 1 Dec 2022)	23%	495.5	614.4
SSEN Distribution	19%	421.0	364.8
Regulated networks total	42%	916.5	979.2
SSE Renewables	39%	837.5	811.0
SSE Thermal	7%	153.2	123.4
Gas Storage	-	6.3	2.1
Thermal Total	7%	159.5	125.5
Energy Customer Solutions	2%	49.4	39.8
Energy Portfolio Management	-	4.7	2.4
Distributed Energy	6%	124.7	26.6
Corporate unallocated	4%	68.3	78.7
Adjusted investment and capital expenditure, before refunds	100%	2,160.6	2,063.2
Project finance development expenditure refunds		-	(136.7)
Adjusted investment and capital expenditure		2,160.6	1,926.5
Acquisitions		642.7	141.3
Adjusted investment, capital and acquisitions expenditure		2,803.3	2,067.8

Notes: 2021/22 restated to recognise Keadby 2 pre-commissioning revenues and costs in Income Statement following adoption of amendments to IAS 16 Property, Plant and Equipment - Proceeds Before Intended Use.

SSE'S CAPITAL EXPENDITURE PROGRAMME

During the year to 31 March 2023, SSE's adjusted investment, capital and acquisitions expenditure totalled £2,803.3m, representing an increase of 36% versus the prior year. Included within the amount recorded are acquisitions totalling £642.7m of which £519.5m is in respect of the Southern European onshore wind development platform acquisition and £123.2m in respect of SSE's share of the purchase of Triton Power, both transactions completed on 1 September 2022.

The remaining investment was delivered mainly by SSE's Renewables, Networks and Thermal business units including the highlights discussed below.

In **SSEN Transmission**, the second year of RIIO-T2 saw deployment of a further £495.5m of capex (SSE share, excluding 25% from 1 December 2022 onwards), including £152m on the Shetland connection with 160km of the total 260km subsea cable which will connect the Shetland islands to the GB Transmission system now installed. In addition, £144m of spend was invested progressing the East Coast development project which will increase the overhead lines from 132kV to 275kV and ultimately to 400kV, as well as a further £55m on the Argyll project.

In the final year of RIIO-ED1, **SSEN Distribution** invested £178m in the North networks across a broad range of projects, with additional reinforcement spend needed following storm damage in FY22. SSEN Distribution's SHEPD network delivered investment of £10m to upgrade infrastructure at Aultbea-Ullapool and £5m on Islay to maintain and enhance network reliability to these island communities. Both projects are under way and will be complete by 2023/24. Further south, major capital investment continued in the SEPD network with a total spend of £243m in the period, including upgrades to the network in Bordon and Alton to enhance resilience and future proof it for predicted uptake in consumer led low-carbon-technology.

Significant expenditure was delivered on **SSE Renewables'** flagship construction projects, including £339m of equity drawdown for Seagreen Offshore Windfarm, as the development progresses towards commercial operations over the summer of 2023. Construction of Viking wind farm on the Shetland islands has continued according to plan, with an additional £202m deployed, the first turbine erected in April 2023 and the project on track to achieve commercial operations in Summer 2024, while all spend on the Dogger Bank wind farm in the year was funded by debt raised at the project level, and therefore not included in SSE's adjusted investment, capital and acquisitions expenditure.

In **SSE Thermal**, around £88m was invested on the development of the 50MW Slough Multifuel station, a joint venture with CIP, which is progressing towards handover during 2024/25. As well as around £20m of residual spend on Europe's most efficient gas fired station at Keadby 2, which entered commercial operation on 15 March 2023, limited early development expenditure on Keadby 3 was included within Thermal's reported number.

SSE'S HEDGING POSITION AT 31 MARCH 2023

SSE has an established approach to hedging through which it generally seeks to reduce its broad exposure to commodity price variation at least 12 months in advance of delivery. SSE continues to monitor market developments and conditions and alters its hedging approach in response to changes in its exposure profile, such as the acceleration of hedging by SSE Renewables previously disclosed in May 2022. SSE will continue to provide a summary of its hedging approach, including details of any changes in the period, within its Interim and Full-year Results Statements.

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

SSE Renewables – GB wind and hydro:

The following table provides an update for SSE's GB Wind and Hydro generation hedge positions against the forecast merchant volume exposure as at 31 March 2023.

		2021/22	2022/23	2023/24	2024/25	2025/26
Wind	Expected volume – TWh	4.2	5.3	6.5	6.8	6.8
	Volume hedged - %	85%	91%	85%	77%	17%
	Proportion of hedge in electricity - %	100%	62%	68%	30%	20%
	Hedge price - £/MWh	£48	£54	£75	£115	£116
Hydro	Expected volume – TWh	3.6	3.5	3.5	3.6	3.6
	Volume hedged - %	83%	85%	85%	68%	23%
	Proportion of hedge in electricity - %	100%	100%	84%	31%	10%
	Hedge price - £/MWh	£50	£63	£86	£113	£113

Note: where gas and carbon trades have been used as a proxy for electricity, a constant 1 MWh :69.444 th and 1MWh : 0.3815 te/MWh conversion ratio between commodities has been applied.

The expected volumes include SSE's equity share of forecast pre-CFD volumes from Seagreen offshore wind farm. No volumes have yet been included for Viking onshore wind farm nor Dogger Bank offshore wind farm as hedging for these assets has not commenced.

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

Energy output hedges for both wind and hydro are progressively established over the 36 months prior to delivery (although the extent of hedging activity for future periods depends on the level of available market depth and liquidity). Normal target hedge levels continue to be achieved through the forward sale of either electricity, or gas and carbon equivalents. Where the market depth and liquidity significantly differs between gas and carbon, the hedging approach allows for the separate forward sale of either commodity, and for time periods beyond the 36 months prior to delivery, where it is believed that it would reduce risk against or secure value for generation assets. This has not been applied to date.

This approach aims to reduce the exposure of these wind assets to volatile spot power market outcomes whilst still providing an underlying commodity price hedge. When gas-and-carbon hedges are converted into electricity

hedges a “spark spread” is realised which can lead to changes in the average hedge price expected. This can increase the previously published average hedge price, as has been seen in 2022/23, or decrease it.

For wind energy output, SSE’s established approach to hedging seeks to account for the effect of the ‘wind capture price’ by targeting a hedge of less than 100% of its anticipated wind energy output for the coming 12 months. The targeted hedge percentage is reviewed and adjusted as necessary to reflect any changes in future market and wind capture insights. The last such revision occurred in March 2022, with around 90% of the anticipated energy output from wind for the coming twelve months being hedged from that date.

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

GB Thermal: In the six months prior to delivery, SSE aims to hedge all of the expected economic output of its CCGT assets, having progressively established this hedge over the 18 months prior to delivery.

This hedging approach is adjusted to take into account any changes in exposures as a result of current market conditions, such as the plant availability exposure, counterparty credit risk, and changes to cost of capital for collateral.

Hedging activity also depends on the availability of sufficient market depth and liquidity, which can be limited, particularly for periods further into the future.

Gas Storage: The assets are being commercially operated to optimise value arising from changes in the spread between summer and winter prices, market volatility and plant availability. At 31 March 2023, 125.6 mTh of gas inventory was physically held which represents c.65% of SSE’s share of capacity (at 31 March 2022, 0.9mTh of gas inventory representing c.1% of SSE’s share of capacity).

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

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

Energy Portfolio Management (EPM): EPM provides the route to market and manages the execution for all of SSE’s commodity trading outlined above (spark spread, power, gas, oil and carbon). This includes monitoring market conditions and liquidity and reporting net Group exposures. The business operates under strict position limits and VAR controls. There is some scope for small position-taking to permit EPM to manage around shape and liquidity whilst taking small optimisation opportunities. This is contained within a total VAR limit of £5m.

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

SUMMARISING MOVEMENTS ON EXCEPTIONAL ITEMS AND CERTAIN REMEASUREMENTS

EXCEPTIONAL ITEMS

In the year ended 31 March 2023, SSE recognised a net exceptional charge within continuing operations of £(0.4)m before tax. The following table provides a summary of the key components making up the net charge:

Exceptional credits / (charges) within continuing operations	Total £m
Thermal Electricity Generation historic impairment reversal	17.8
Gas Storage historic impairment reversal	45.7
Fiddlers Ferry land sale	89.1
Triton Power Joint Venture bargain purchase gain and impairment	(150.9)
Neos Networks impairment	(5.9)
Reversal of previously recognised exceptional charges or judgements	3.8
Total exceptional charge	(0.4)

Note: The definition of exceptional items can be found in Note 4.2 of the Summary Financial Statements.

In addition to the above exceptional items from continuing operations, a net exceptional gain within discontinued operations of £35.0m after tax was recognised. This related to the release of a provision following further clearance granted in respect of the Group's disposal of its Gas Production business which completed on 14 October 2021.

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

CERTAIN REMEASUREMENTS

In the year ended 31 March 2023, SSE recognised an adverse net remeasurement within continuing operations of £(2,351.5)m before tax. The following table provides a summary of the key components making up the adverse movement:

Certain remeasurements within continuing operations	Total £m
Operating derivatives (including Joint Ventures, net of tax)	(2,544.4)
Commodity stocks held at fair value	(9.0)
Financing derivatives	201.9
Total net adverse remeasurement	(2,351.5)

Operating derivatives

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

SSE shows the change in the fair value of these forward contracts separately as this mark-to-market movement does not reflect the realised operating performance of the businesses. The underlying value of these contracts is recognised as the relevant commodity is delivered, which for the large majority of the position at 31 March 2023 is expected to be within the next 6 – 12 months.

The change in the operating derivative mark-to-market valuation was a £(2,544.4)m adverse movement from the start of the year, reflecting a £(2,708.2)m adverse movement on fully consolidated operating derivatives offset by a £163.8m share of positive movement on derivatives in jointly controlled entities (net of tax) which mainly results from commodity hedging within the Triton Power Joint Venture.

The adverse movement of £(2,708.2)m on fully consolidated operating derivatives includes:

- Settlement during the year of £272.0m of previously net “out-of-the-money” contracts in line with the contracted delivery periods; and

- An adverse net mark-to-market remeasurement of £(2,980.2)m on unsettled contracts, largely entered into during the course of 2021/22 and 2022/23 and in line with the Group's stated approach to hedging. This mark-to-market remeasurement – which compares to a £3,527.2m positive movement in the prior year – reflects the extreme volatility seen in commodity markets during the period.

As in prior years, the reported result does not include remeasurement of 'own use' hedging agreements which do not meet the definition of a derivative financial instrument under IFRS 9 "Financial Instruments".

Commodity stocks held at fair value

Gas inventory purchased by the Gas Storage business for secondary trading opportunities is held at fair value with reference to the forward month market price. The £(9)m adverse movement in the year reflects the increase in the underlying volumes of gas held at year end have been negatively impacted by lower forward market prices.

However, whilst this movement reflects the net change in fair value of physical gas inventory held at the year end, it does not take into account any positive or negative mark-to-market movement on forward contracted sales. Therefore, similar to derivative contracts held at fair value, we do not expect that all of this valuation movement will be realised by the business.

Financing derivatives

In addition to the movements above, a positive movement of £201.9m was recognised on financing derivatives in the year ended 31 March 2023, including mark-to-market movements on cross-currency swaps and floating rate swaps that are classed as hedges under IAS 39. These hedges ensure that any movement in the value of net debt is predominately offset by a movement in the derivative position. The adjustment was primarily driven by higher interest rates driving significant reductions in the "out of the money" position on SSE's fixed rate swaps, in addition to settlement of previously "out-of-the-money" contracts in line with the contracted delivery periods.

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

REPORTED PROFIT BEFORE TAX AND EARNINGS PER SHARE

Taking all of the above into account, reported results for the year to 31 March 2023 are significantly lower than the previous year. In addition to the £(2,351.5)m net pre-tax loss on forward commodity, gas inventory and financing derivative fair value remeasurements and the £(0.4)m net pre-tax exceptional charge noted above – reported results also include £16.2m of interest income on the net pension asset.

Reported results in the prior year reflected pre-tax certain re-measurement gains of £2,118.8m mainly driven by the significant volatility in commodity markets in the prior year, as well as pre-tax exceptional items of £305.0m mainly driven by the reversal of historic SSE Thermal and Gas Storage impairment charges, and £7.6m of interest income on the net pension asset.

FINANCIAL MANAGEMENT AND BALANCE SHEET

Debt metrics	Mar 2023 £m	Sept 2022 £m	Mar 2022 £m
Net Debt / EBITDA*	2.7x	N/A	4.0x
Adjusted net debt and hybrid capital (£m)	(8,894.1)	(9,988.6)	(8,598.2)
Average debt maturity (years)	6.4	6.5	6.8
Adjusted interest cover	7.6x	4.2x	4.0x
Average interest rate for the period (excluding JV/assoc. interest and all hybrid coupon payments)	3.35%	3.25%	3.29%
Average cost of debt at period end (including all hybrid coupon payments)	3.92%	3.83%	3.81%

* Note: Net debt represents the group adjusted net debt and hybrid capital. EBITDA represents the full year group adjusted EBITDA, less £147m (at March 2023) for the proportion of adjusted EBITDA from equity-accounted Joint Ventures relating to project financed debt.

Net finance costs reconciliation	Mar 2023 £m	Mar 2022 £m
Adjusted net finance costs	345.6	372.8
Add/(less):		
Lease interest charges	(29.4)	(30.4)
Notional interest arising on discounted provisions	(22.1)	(5.7)
Hybrid equity coupon payment	38.8	50.7
Adjusted finance costs for interest cover calculation	332.9	387.4

SSE Principal Sources of debt funding	Mar 2023	Sept 2022	Mar 2022
Bonds	54%	52%	55%
Hybrid debt and equity securities	18%	18%	21%
European investment bank loans	5%	7%	7%
US private placement	10%	10%	9%
Short-term funding	9%	10%	5%
Index –linked debt	4%	3%	3%
% Of which has been secured at a fixed rate	92%	92%	96%

Rating Agency	Rating	Criteria	Date of Issue
Moody's	Baa1 'stable outlook'	'Low teens' Retained Cash Flow/Net Debt	March 2023
Standard and Poor's	BBB+ 'positive stable'	About 18% Funds From Operations/Net Debt	December 2022

MAINTAINING A STRONG BALANCE SHEET

A key objective of SSE's long-term approach to balancing capital investment, debt issuance and securing value and proceeds from disposals is by maintaining a strong net debt/EBITDA ratio. SSE calculates this ratio based on a methodology that it believes best reflects its activities and commercial structure, in particular its strategy to secure value from partnering by using Joint Ventures and non-recourse project financing.

SSE considers it has the capacity to reach a ratio of up to around 4.5x, comparable with private sector utilities across Europe, whilst remaining above the equivalent ratios required for an investment grade credit rating.

While there may be short-term fluctuations in leverage as demonstrated by the 2.7 net debt/EBITDA achieved at 31 March 2023 (2022: 4.0x), it is expected that this ratio will generally fall between 3.5 – 4.0x across the five years to 31 March 2027.

SSE's S&P credit rating were updated in December 2022 to at BBB+ 'positive outlook' and its Moody's rating remains at Baa1 with 'stable outlook'.

ADJUSTED NET DEBT AND HYBRID CAPITAL

SSE's adjusted net debt and hybrid capital was £8.9bn at 31 March 2023, up from £8.6bn at 31 March 2022. In addition to dividends, capex spend and revaluation of currency debt as well as various working capital movements, this movement includes the completion of two acquisitions and one divestment during the year:

- In September 2022, SSE Renewables completed the acquisition from Siemens Gamesa Renewable Energy of an onshore development platform across Spain, France, Italy and Greece for a consideration of €580m (£519.5m); and
- In September 2022, SSE Thermal, alongside Equinor as 50/50 partners, completed the acquisition of the Triton Power portfolio with SSE's share of the purchase being £123.2m.
- In December 2022, a 25% Minority Interest stake in SSEN Transmission was disposed of, with £1.46bn of proceeds received from Ontario Teachers Pension Plan.

DEBT SUMMARY AS AT 31 MARCH 2023

The SSE Group issued £1.7bn of hybrid capital and new medium- long-term debt in the year ended 31 March 2023 whilst also significantly increasing short-term debt capacity in the form of Commercial Paper:

- In March 2022, the SSE Group through its SSEN Transmission entity priced and committed to a £350m dual tranche private placement, being a £175m 10-year tranche at 3.13% and £175m 15-year tranche at 3.24% giving an all-in average rate of 3.19%. The proceeds were received on 30 June 2022.
- In April 2022, SSE plc issued a €1bn NC6 equity accounted hybrid bond at 4% to refinance the dual tranche debt accounted hybrid bonds issued in March 2017. SSE has taken advantage of the 3-month par call option on these 2017 hybrid bonds, meaning they were repaid on 16 June 2022 in advance of the first call date. The €1bn equity accounted hybrid bond has been kept in Euros and the proceeds were used to cover the portion of the maturing hybrid that was originally swapped to Euros (€575m) and to finance a portion of SSE Renewables' European onshore development platform acquisition as noted above.
- In August 2022, SSE plc issued a 7 year €650m Eurobond at a coupon of 2.875% which was left in Euros as part of our net investment hedge in overseas assets held in that currency. The bond was 8 times oversubscribed which allowed SSE to secure a highly competitive rate for the issuance.
- Over the course of the year, SSE plc rolled maturing short-term debt in the form of Commercial Paper in addition to raising a further £0.4bn, which takes the total outstanding Commercial Paper at 31 March 2023 to €1,376m (£1,048m). Commercial Paper has been issued in Euros and swapped back to Sterling at an average cost of debt of 4.53% and matures between April 2023 and June 2023.

In addition to the March 2017 hybrid bonds which were called in June 2022 as noted above, a further £613m of medium-to-long-term debt has matured in the year comprising £163m (US Private Placement) which matured in April 2022, £300m (Eurobond) which matured in September 2022 and £150m European Investment Bank fixed rate loan which matured in October 2022. In the next twelve months, there is a further £719m of medium-to-long-term debt maturing being £50m (European Investment Bank) maturing in August 2023, £35m maturing in April 2023 and £120m maturing in September 2023 (both US Private Placements) and a €700m bond maturing in September 2023. Despite this, the Group expects to have minimal long-term debt refinancing requirements to 2024/25, given expected asset disposal proceeds. As noted above, a further €1,048m (£929m) of short-term debt in the form of Commercial Paper is also due to mature in the second half of 2023/24, however the current intention is to roll this maturing short-term debt forward throughout the 2023/24 financial year.

HYBRID BONDS SUMMARY AS AT 31 MARCH 2023

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

A summary of SSE's hybrid bonds as at 31 March 2023 can be found below:

Issued	Hybrid Bond Value ¹	All in rate ²	First Call Date	Accounting Treatment
July 2020	£600m	3.74%	Apr 2026	Equity accounted
July 2020	€500m (£453m)	3.68%	July 2027	Equity accounted
April 2022	€1bn (£831m)	4.00%	Apr 2028	Equity accounted

¹ Sterling equivalents shown reflect the fixed exchange rate on date of receipt of proceeds and is not subsequently revalued.

² All in rate reflects coupon on bonds plus any cost of swap into sterling which currently only applies to July 2020 Hybrid.

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

Hybrid coupon payments	2023/24		2022/23	
	HYe	FYe	HYa	FYa
Total equity (cash) accounted	£74m	£74m	£39m	£39m
Total debt (accrual) accounted	-	-	£21m	£21m
Total hybrid coupon	£74m	£74m	£60m	£60m

SSE's July 2020 and April 2022 hybrid bonds are perpetual instruments and are therefore accounted for as part of equity within the Summary Financial Statements but, consistent with previous years, have been included within SSE's 'Adjusted net debt and hybrid capital' to aid comparability. The March 2017 hybrid bonds which were called and settled in 2022/23 had a fixed redemption date and were therefore debt accounted and

included within Loans and Other Borrowings; as such they were already part of SSE's adjusted net debt and hybrid capital.

The coupon payments relating to the equity accounted hybrid bonds are presented as distributions to other equity holders and are reflected within adjusted earnings per share when paid. The coupon payments on debt accounted hybrid bonds are treated as finance costs under IFRS 9 "Financial Instruments".

MANAGING NET FINANCE INCOME / (COSTS)

SSE's adjusted net finance costs – which includes interest on debt accounted hybrid bonds but not equity accounted hybrid bonds – were £345.6m in the year ended 31 March 2023, compared to £372.8m in the previous year. The lower level of finance costs from year to year mainly reflects lower levels of net debt during the financial year given proceeds from the disposal of Scotia Gas Networks on 22 March 2022 (£1,225m) and a 25% minority interest stake in SSEN Transmission on 30 November 2022 (£1,465m).

Reported net finance income was £59.3m compared to a reported net finance cost of £273.2m in the previous year, reflecting the movements above as well as the £201.9m positive movement on financial derivatives previously referenced.

SUMMARISING CASH AND CASH EQUIVALENTS

At 31 March 2023, SSE's adjusted net debt included cash and cash equivalents of £0.9bn, down from £1.0bn at March 2022.

The cash collateral position has increased from £74.7m of cash provided as collateral at 31 March 2022 to £316.3m of cash provided at 31 March 2023. Cash collateral is only required for forward commodity contracts traded through commodity exchanges, and generally comprises an 'initial margin' element based on the size and period of the trade and a 'variation margin' element which will change from day to day depending on the fair value of that trade each day. The level of cash collateral either provided or received therefore depends on the volume of trading through the exchanges, the periods being traded and the associated price volatility. As collateral is only required on a portion of trades, the movement in collateral provided or received will not correlate to the IFRS 9 fair value movement recognised, which also only covers a portion of the total Group trading activity. The cash collateral position had increased at 31 March 2023 due to the continued higher forward power and gas price environment, alongside heightened price volatility in those markets. The collateral position is lower than earlier in the financial year as volatility and risk factors have reduced, although prices do remain heightened when compared to previous years.

REVOLVING CREDIT FACILITY / SHORT-TERM FUNDING

SSE has £3.5bn of committed bank facilities in place to ensure the Group has sufficient liquidity to allow day-to-day operations and investment programmes to continue in the event of disruption to Capital Markets preventing SSE from issuing new debt for a period of time. These facilities are set out in the table below.

Date	Issuer	Debt type	Term	Value
Mar 19	SSE plc	Syndicated Revolving Credit Facility with 10 Relationship Banks	2026	£1.3bn
Oct 19	SSE plc	Revolving Credit Facility with Bank of China	2026	£200m
Nov 22	SHET plc	Syndicated Revolving Credit Facility with 11 Relationship Banks	2025	£750m
Nov 22	SHEPD plc and SEPD plc	Syndicated Revolving Credit Facility with 11 Relationship Banks	2025	£250m
Feb 23	SSE plc	Syndicated Revolving Credit Facility with 10 Relationship Banks	2024	£1.0bn

Ahead of the 25% minority interest stake disposal, SSEN Transmission entered a three-year £750m facility and SSE Distribution entered a similar 3 year £250m facility, both having two one-year optional extensions. These facilities were entered into to help cover the future long-term funding requirements and the working capital of those businesses as they look to become financially independent of the Group. The facilities will therefore support the ongoing capital expenditure investment programmes that are required to deliver their ambitious future growth plans and will be drawn on a regular basis.

The new £1bn facility signed in February 2023 was executed to cover potential cash collateral requirements required to cover commodity position on exchanges or via credit support annex's on bilateral contracts.

The facilities can also be utilised to cover short-term funding requirements; however, the majority remain undrawn for most of the time and at 31 March 2023, £100m was drawn on the new £750m Scottish Hydro Electric Transmission plc facility.

The two SSE plc facilities totalling £1.5bn that mature in 2026 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 Moody's ESG Solutions. The new £750m Transmission facility is also classified as a sustainable facility with interest rate and fees paid dependant on four ESG KPI's being achieved.

In addition to the above, a \$300m private placement shelf facility exists with NY Life which can be drawn in approximately two equal tranches 12 months apart over the next three years. At 31 March 2023 no drawings have been made on this facility.

In addition to these committed bank facilities, the Group has access to £50m of uncommitted bank lines and a £15m overdraft facility.

MAINTAINING A PRUDENT TREASURY POLICY

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

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 2023, 92% of SSE's borrowings were at fixed rates.

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

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

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

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

The ability to raise funds at competitive rates is fundamental to investment. SSE's fundraising over the past five years, including senior bonds, hybrid capital and term loans, now totals £9.5bn and SSE's objective is to maintain a reasonable range of debt maturities. Its average debt maturity, excluding hybrid securities, at 31 March 2023 was 6.4 years, down from 6.8 years at 31 March 2022. This movement reflects the £1.7bn of new hybrid capital and long-term debt issued in the last twelve months but has been offset by a higher short-term funding position via Commercial Paper. SSE's average cost of debt is now 3.92%, compared to 3.81% at 31 March 2022.

GOING CONCERN

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

In making their assessment the Directors have considered sensitivities on the forecast future cashflows of the Group for the period to 31 December 2024 resulting from the current volatile market conditions; the Group's credit rating; the success of the Group's disposal programme through 2020/21 to 2022/23; the successful issuance of £1.7bn of hybrid equity, Eurobond and private placement debt issued during the period; and the likelihood of disposal of assets which have been announced as in progress and related debt funding. The

Directors have also considered the Group's obligations under its debt covenants, with projections to 31 December 2024 supporting the expectation that there will be no breaches.

The Directors have assessed that the Group remains able to access Capital Markets, as demonstrated by the £3.6bn of debt issued over the last 24 months. There is also an expectation of continued availability of the Commercial Paper market along with future available liquidity in the private placement market in addition to the Group's existing liquidity with £3.5bn of undrawn committed borrowing facilities which has been increased by £2.0bn during the 2022/23 financial year.

OPERATING A SCRIP DIVIDEND SCHEME

SSE's Scrip Dividend Scheme was last renewed for a three-year period at the 2021 AGM and continues to be offered to all shareholders. For the period out to 2026/27, take-up from the Scrip Dividend Scheme will be capped at 25%. SSE plans to implement this cap by means of a share repurchase programme, or 'buyback', in October each year following payment of the final dividend. The scale of any share repurchase program would be determined by shareholder subscription to Scrip Dividend Scheme across the full year, taking into account the interim and final dividend elections.

Following approval of the dividend at the Annual General Meeting on 20 July 2023, the scrip reference price will be determined across the period from 27 July to 2 August 2023, with notification of the final scrip reference price issued on 3 August 2023. Following receipt of the final dividend scrip elections on 24 August 2023, the overall scrip dividend take-up for the financial year will be calculated and any intention to initiate a buy-back will be announced. It is intended that any scrip buy-backs in respect of 2022/23 will be completed before 31 March 2024.

SSE believes limiting the dilutive effect of the Scrip in this way strikes the right balance in terms of giving shareholders choice, potentially securing cash dividend payment savings and managing the number of additional shares issued.

SSE'S PRINCIPAL JOINT VENTURES AND ASSOCIATES

SSE's financial results include contributions from equity interests in joint ventures ("JVs") and associates, all of which are equity accounted. The details of the most significant of these are included in the table below. This table also highlights SSE's share of off-balance sheet debt associated with its equity interests in JVs which totals around £3bn as at 31 March 2023.

SSE principal JVs and associates ¹	Asset type	SSE holding	SSE share of external debt as at 31 Mar 2023	SSE Shareholder loans as at 31 Mar 2023
Marchwood Power Ltd	920MW CCGT	50%	No external debt	£26m
Seabank Power Ltd	1,234MW CCGT	50%	No external debt	No loans outstanding
SSE Slough Multifuel Ltd	50MW energy-from-waste facility	50%	No external debt	£128m
Triton Power Holdings Ltd	1,200MW CCGT & 140MW OCGT	50%	No external debt	No loans outstanding
Beatrice Offshore Windfarm Ltd	588MW offshore wind farm	40%	£681m	Project financed
Dogger Bank A Wind Farm	Up to 1,200MW offshore wind farm.	40%	£745m	Project financed
Dogger Bank B Wind Farm	Up to 1,200MW offshore wind farm.	40%	£616m	Project financed
Dogger Bank C Wind Farm	Up to 1,200MW offshore wind farm.	40%	£344m	Project financed
North Falls Offshore Wind Farm Ltd	Offshore wind farm extension	50%	No external debt	No loans outstanding
Ossian Offshore Windfarm Ltd	ScotWind seabed	40%	No external debt	No loans outstanding
Seagreen Offshore Windfarm Ltd	1,075MW offshore wind farm	49%	£628m	£816m ²
Seagreen 1a Ltd	Offshore wind farm extension	49%	No external debt	£16m
Cloosh Valley Wind Farm	105MW onshore windfarm (part of Galway Wind Park)	25%	No external debt	£26m
Clyde Windfarm (Scotland) Ltd	522MW onshore wind farm	50.1%	No external debt	£127m
Dunmaglass Windfarm Ltd	94MW onshore windfarm	50.1%	No external debt	£46m
Lenalea Wind Energy DAC	30MW of onshore windfarm	50%	No external debt	£8m
Stronelairg Windfarm Ltd	228MW onshore wind farm	50.1%	No external debt	£88m
Neos Networks Ltd	Private telecoms network	50%	No external debt	£56m

Notes:

¹ Greater Gabbard, a 504MW offshore windfarm (SSE share 50%) is proportionally consolidated and is reported as a Joint Operation with no loans outstanding.

² For accounting purposes, £223m of the £816m of SSE Shareholder loans advanced to Seagreen Windfarm Limited as at 31 March 2023 have been classified as equity.

TAXATION

SSE is one of the UK's biggest taxpayers, and in the 2022 PwC Total Tax Contribution survey published in November 2022 was ranked 16th out of the 100 Group of Companies in 2022 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 to be a core element of its social contract with the societies in which it operates and seeks to pay the right amount of tax on its profits, in the right place, at the right time. While SSE has an obligation to its shareholders, customers and other stakeholders to efficiently manage its total tax liability, it does not seek to use the tax system in a way it does not consider it was meant to operate or use tax havens to reduce its tax liabilities.

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

SSE was the first FTSE 100 company to be Fair Tax Mark accredited and has now been accredited for nine years. The group's overseas expansion presented the opportunity to move to Fair Tax Foundation's Global Multinational Business Standard Accreditation, which was launched in late 2021, SSE being the first company to transition from the UK headquartered accreditation to the global accreditation.

In November 2022, SSE published 'Talking Tax 2022: Fair tax in a time of change' report. It did this because it believes building trust with stakeholders on issues relating to tax is important to the long-term sustainability of the business.

As part of the Spring Finance Bill, released on 23 March 2023, the UK Government published the final draft legislation behind the Electricity Generator Levy ("EGL"). This measure introduces a temporary 45% charge on exceptional receipts generated by specific generation sources which are in excess of a £75/MWh benchmark price (adjusted in line with Consumer Price Index). The levy will be in effect from 1 January 2023 to 31 March 2028, and therefore a net charge of £43.4m has been recognised in respect of the EGL within the 2022/23 financial year which has been excluded from the Income Tax disclosure in line with current accounting practice.

In the year to 31 March 2023, SSE paid £501.7m of profit taxes, property taxes, environmental taxes, and employment taxes in the UK, compared with £335.3m in the previous year. The increase in total taxes paid in 2022/23 compared with the previous year was primarily due to higher levels of corporation tax being paid on UK profits and higher levels of Climate Change Levy being paid as a result of fewer outages at SSE's gas-fired power stations compared with the previous year.

In 2022/23 SSE also paid €53.8m of taxes in Ireland, compared to €46.4m the previous year, due to increased profits in SSE's Irish businesses. Ireland is the only country outside the UK in which it currently has significant trading operations. SSE's operations elsewhere are still at an early stage and are not yet paying material amounts of tax.

As with other key financial indicators, SSE's focus is on adjusted profit before tax and, in line with that, SSE believes that the adjusted current tax charge on that profit is the tax measure that best reflects underlying performance. SSE's adjusted current tax rate, based on adjusted profit before tax, was 16.4%, compared with 9.2% in 2021/22 on the same basis. The increase in rate is primarily as a result of higher profit before tax, partly mitigated by increased capital allowances. In addition, a decision finding in SSE's favour was released by the Supreme Court on 17 May 2023 on the group's long-running capital allowances case in relation to Glendoe Hydro Electric Station. The successful outcome has resulted in the release of a £27.9m corporation tax provision, which in turn reduced SSE's adjusted underlying current tax rate for the year by 1.3%.

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

PENSIONS

Contributing to employees' pension schemes – IAS 19	Mar 2023 £m	Mar 2022 £m
Pension scheme asset recognised in the balance sheet before deferred tax £m	541.1	584.9
Pension scheme liability recognised in the balance sheet before deferred tax £m	-	-
Net pension scheme asset recognised in the balance sheet before deferred tax £m	541.1	584.9
Employer cash contributions Scottish Hydro Electric scheme £m	1.0	1.0
Employer cash contributions SSE Southern scheme £m	52.1	58.0
Deficit repair contribution included above £m	38.0	40.9

In the year to 31 March 2023, the surplus across SSE's two pension schemes decreased by £43.8m, from £584.9m to £541.1m, primarily due to actuarial losses of £79.2m and contributions made to the schemes.

The valuation of the **SSE Southern Pension Scheme** increased by £107.1m in 2022/23 primarily due to actuarial gains of £72.8m, in particular the impact of higher discount rates, as well as deficit repair contributions exceeding service costs.

The **Scottish Hydro Electric Pension Scheme** has insured against volatility in its deferred and pensioner members through the purchase of 'buy-in' contracts meaning that the Group only retains exposure to volatility in active employees. During the year the Scottish Hydro Electric Pension Scheme surplus decreased by £150.9m mainly as a result of actuarial losses from plan assets.

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

BUSINESS OPERATING REVIEW

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

SSE's businesses are key to enabling a net zero economy, have significant growth potential and, importantly, are highly complementary. With common skills and capabilities in the development, construction, financing and operation of highly technical electricity assets, there are strong synergies between them and valuable links across them. SSE's business mix is very deliberate, highly effective, fully focused and well set to prosper on the journey to net zero, whilst contributing to energy security and affordability.

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

ECONOMICALLY-REGULATED NETWORKS

SSE owns and operates an electricity transmission network in the North of Scotland and two electricity distribution networks in the North of Scotland and in central southern England.

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

Regulatory operational expenditure ('fast money') flows into licensee revenue, whereas regulatory capex ('slow money') is added to the regulatory asset value ('RAV') for each network. Licensees earn a return on regulatory equity and receive an allowance for the cost of debt, both of which are calculated based on a notional split of their RAV. Revenues and RAV are index-linked under the regulatory mechanism, providing a valuable hedge against rising inflation. SSEN Distribution's income and asset base was linked to RPI until the end of the RIIO-ED1 price control in March 2023; both SSEN Transmission and SSEN Distribution are linked to CPIH under their respective RIIO-2 price controls.

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

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

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

SSEN TRANSMISSION

SSEN Transmission	Mar 23	Mar 22
Transmission adjusted operating profit ¹ - £m	372.7	380.5
Transmission reported operating profit - £m	405.5	380.5
Gross Regulated Asset Value (RAV) - £m	4,836	4,155
SSE Share Regulated Asset Value (RAV) ¹ - £m	3,627	4,155
Renewable Capacity connected to SSEN Transmission Network ² – MW	9,208	7,790
Transmission adjusted investment and capital expenditure ¹ - £m	495.5	614.5

¹ Excludes 25% minority interest from 1 December 2022

² Includes full Seagreen Transmission Entry Capacity

SSEN TRANSMISSION OVERVIEW

SSEN Transmission owns, operates and develops the high voltage electricity transmission system in the North of Scotland and its islands. Following a minority stake sale completed in November 2022, the business is owned 75% by SSE plc and 25% by Ontario Teachers' Pension Plan Board. All capex and RAV references in this update relate to 100% of the business unless otherwise stated. The business is well placed to capture significant long-term growth opportunities from investment in enhancing energy security and enabling the development of renewables across the North of Scotland.

OPERATIONAL DELIVERY

In 2022/23, SSEN Transmission delivered another year of exceptional operational performance, achieving the maximum reward available through the Energy Not Supplied Incentive of £0.8m for the third consecutive year, which will be reflected in revenue in 2024/25. This strong operational performance is underpinned by a robust programme of inspection, maintenance, refurbishment and replacement of its transmission assets, keeping the lights on for communities around the North of Scotland and ensuring reliable network access for its electricity generation customers to support security of supply.

SSEN Transmission's capital investment programme remains on track with good progress being made on all major projects. This includes the second phase of the Inveraray-Crossaig overhead line replacement project, with the installation of all steel towers now complete and the project on track for energisation this summer. As well as maintaining and enhancing network reliability to the communities it serves, the Inveraray-Crossaig project will also enable the growth in renewable electricity generation across the region as part of the wider Argyll and Kintyre 275kV Strategy.

The Shetland High Voltage Direct Current (HVDC) transmission link also continues to make excellent progress with the second phase of the subsea cable installation works, which commenced in March 2023, now complete. 160km of the total 260km of subsea cable is now installed. Noss Head Switching Station in Caithness, which the Shetland HVDC link will connect to, was successfully energised in April 2023. Upon completion, the Shetland HVDC link will connect to the existing Caithness-Moray HVDC link, becoming the world's first multi-terminal HVDC system outside of China. It is a key innovation to support the future development of integrated HVDC grids, with HVDC links to date largely point-to-point connections. The project remains on track for completion and energisation in 2024.

Good progress continues to be made to increase the capacity of the North East transmission network to 400kV, with this phase of network upgrades remaining on track for energisation by the end of 2023. Work to incrementally increase the east coast transmission network also remains on track, to 275kV by the end of 2023 and then to 400kV by 2026.

These strategic investments in new and upgraded infrastructure are key to help enable the continued growth in renewable electricity generation across the North of Scotland. These renewable connections includes the completion of the third circuit of the Seagreen offshore wind farm connection to Tealing substation in Angus which completed in November 2022.

As at 31 March 2023, the total installed capacity of the North of Scotland transmission network was around 10.5GW, of which just over 9GW is from renewable sources. This includes the successful energisation of the

Creag Rhiabhach wind farm (92MW) near Lairg in December 2022 and the successful completion of all three phases of the Seagreen (1,075MW) grid connection.

Factoring in the forecast growth in renewables in the remaining years of the RIIO-T2 period, SSEN Transmission remains well on track to meeting, and likely exceeding, its goal to transport the renewable electricity that powers 10m homes.

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

GROWTH OPPORTUNITIES IN RIIO-T2

SSEN Transmission continues to make tangible progress in unlocking several investments over and above its baseline investment case secured at the start of RIIO-T2. These additional projects, which are being taken forward through Ofgem's Uncertainty Mechanisms, will be key to delivering a pathway to net zero and helping support energy security.

In October 2022, SSEN submitted to Scottish Ministers its Section 37 planning application for the replacement and upgrade of the Fort Augustus to Skye transmission line, with Highland Council's Planning Committee unanimously supporting the application in March 2023. The replacement line is required to maintain security of supply and enable the connection of renewable electricity generation along its route. In May 2023, Ofgem published for consultation its response to SSEN Transmission's FNC, setting out its 'minded-to approve' provisional decision. Subject to timely planning and regulatory approvals, the project is on track for completion in 2026.

Following Ofgem's approval of SSEN Transmission's Initial Needs Case for the Argyll 275kV Strategy in December 2022, in May 2023, SSEN Transmission submitted its FNC. This followed a direction from Ofgem to allow submission in advance of securing all main planning consents due to the risk of delay and likely increase in cost that would otherwise have been the case, alongside providing certainty to support the project's procurement process. The Argyll and Kintyre 275kV Strategy is required to upgrade the local transmission network from 132kV to 275kV operation, supporting the forecast growth in renewables in the region.

The decision in October 2022 by Argyll and Bute Council's Planning Committee to raise an objection to SSEN Transmission's proposed overhead line between Creag Dhubh and Dalmally has resulted in a Public Local Inquiry (PLI), which is now under way. SSEN Transmission remains extremely disappointed by the decision, which went against the recommendations of the Council's own Planning Officer, with no other statutory stakeholder objections received, and continues to review what this means for its delivery programme and will work with all stakeholders to minimise the impact of this on new renewable generation connections.

In March 2023, Ofgem provisionally approved long established plans to provide a 220kV subsea transmission link to Orkney, the timing of which remains subject to Ofgem's final decision and ongoing discussions with the supply chain.

Further expenditure to connect new renewable generation, enable rail electrification and support system security is also expected throughout the RIIO-T2 period and beyond when the need for this investment becomes certain.

Subject to regulatory and planning approvals, SSEN Transmission's expenditure across the price control period could take its RAV to between £8bn to £9bn by 2027.

FURTHER GROWTH OPPORTUNITIES

In July 2022, the National Grid Electricity System Operator (ESO) published the Pathway to 2030 Holistic Network Design (HND). It set out the onshore and offshore electricity transmission network infrastructure required to deliver the UK Government's 50GW by 2030 offshore wind target.

In December 2022, Ofgem published its Accelerated Strategic Transmission Investment (ASTI) framework decision, which provided the regulatory framework under which those investments will be taken forward. Ofgem's ASTI decision is a major step forward in strategic network planning for electricity transmission infrastructure and included 'approval of need' of all investments in SSEN Transmission's network region set out

in the HND report as 'required' to enable 2030 targets. The ASTI framework also unlocks early pre-construction expenditure to help secure the supply chain, alongside allowances to support early construction activities.

In light of these developments, SSEN Transmission has upgraded its long term RAV target, which is now expected to exceed £15bn by 2032. Subject to timely and positive planning decisions and the outcome of competitive tenders for delivery of these projects, SSEN Transmission is committed to 2030 delivery of these projects.

Beyond these investments, in October 2022, Ofgem published its decision on the onshore and offshore classification of the offshore HND assets. It confirmed that a proposed subsea connection from Fetteresso to a new substation in Lincolnshire will be classed as an onshore electricity transmission asset, which is likely to support further growth.

With the HND enabling around 11GW of ScotWind's 28GW ambition, a follow-up exercise is now under way which will set out how ScotWind's full offshore wind ambition will be realised, the outcome of which is expected before the end of 2023. The Scottish Government is also consulting on its Draft Energy Strategy and Just Transition Plan, which includes proposals for an additional 8-12GW of onshore wind by 2030.

Recognition by Ofgem and the ESO of these further potential growth and investment opportunities, alongside ever-increasing UK and Scottish Government energy targets and ambitions, underlines the importance of the Transmission network, particularly in the North of Scotland, in transitioning the GB energy system to net zero.

Given the scale of investment required to deliver net zero, it is crucial that the policy landscape and regulatory framework, particularly financial parameters, continue to attract the investment required to support delivery of the most ambitious investment plan in low carbon infrastructure for a generation.

SSEN DISTRIBUTION

SSEN Distribution	March 23	March 22
Distribution adjusted and reported operating profit - £m	382.4	351.8
Regulated Asset Value (RAV) - £m	4,720	4,054
Distribution adjusted investment and capital expenditure - £m	421.0	364.8
Electricity Distributed - TWh	36.1	37.6
Customer minutes lost (SHEPD) average per customer	59	57
Customer minutes lost (SEPD) average per customer	46	42
Customer interruptions (SHEPD) per 100 customers	60	56
Customer interruptions (SEPD) per 100 customers	44	42

SSEN DISTRIBUTION OVERVIEW

SSEN Distribution, operating under licence as Scottish Hydro Electric Power Distribution plc (SHEPD) and Southern Electric Power Distribution plc (SEPD), is responsible for safely and reliably maintaining the electricity distribution networks supplying over 3.9m homes and businesses across central southern England and the North of Scotland. SSEN Distribution's networks cover the greatest land mass of any of the UK's Distribution Network Operators with over 75,000km² of extremely diverse terrain. The business has significant growth opportunities as a key enabler of the local and national transition to a net zero future.

OPERATIONAL DELIVERY

In December 2022, Ofgem published its Final Determinations for the RIIO-ED2 price control outlining its response to SSEN's Business Plan 'Powering Communities to Net Zero'. SSEN Distribution accepted Ofgem's Final Determination in March and will continue to work closely with the regulator to ensure the price control has the agility and flexibility required to keep pace with net zero requirements. The price control began in April 2023 and will run until March 2028.

MAJOR CAPITAL INVESTMENT

The new price control period will see the acceleration of SSEN Distribution's major capital investment programme across both its networks, delivering significant improvements for customers and supporting future earnings through RAV growth. This builds on continued capital delivery in the final year of RIIO-ED1, where SSEN Distribution invested £421m, bringing the total investment since the beginning of the price control to £2.7bn.

CUSTOMER INTERRUPTIONS AND INCENTIVE SCORE

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

The SHEPD CI rate increased from 56 in 2021/22 to 60 in 2022/23, with CML increasing from 57 to 59. Whilst performance in response to unplanned network faults improved in comparison to 2021/22, reflecting investment in automation and operational response, a rise in planned interruptions to facilitate new connections has impacted IIS performance. In SEPD, the CI rate increased to 44 up from 42 the previous year and CMLs also increased to 46 from 42 the previous year. Adverse weather which did not qualify as exceptional under IIS provisions and a major transmission fault affecting 55,000 customers were also contributory factors in performance for the period.

In 2022/23 the SSEN Distribution network was affected by two extreme weather events, an ice storm in Shetland in December 2022 and Storm Otto in February 2023. Power restoration efforts during both weather events were swift and effective as reflected in a motion in the Scottish Parliament praising SSEN Distribution's 'exceptional response' to Storm Otto, citing improvements in restoration, communications and customer service.

In response to the security of supply concerns across GB and possibility of emergency disconnections, Distribution was the first Distribution Network Operator (DNO) to develop an emergency planning portal for

customers and conducted engagement with over 2,500 stakeholders to help ensure preparedness and community resilience.

IMPROVING CUSTOMER SATISFACTION: BROAD MEASURE SCORES

SSEN Distribution's Broad Measure performance has again improved in 22/23 achieving a total incentive return of £4.4m and continuing the upward trend which has been supported by a comprehensive improvement plan for each Broad Measure category. In 2022/23 SSEN Distribution was the most improved DNO for Customer Satisfaction, with the speed of improvement being five times that of the industry average.

In 2022/23 SSEN Distribution received its highest ever league table position in the Stakeholder Engagement and Customer Vulnerability (SECV) standings, resulting in an estimated revenue of £1.5m. Support for customers in vulnerable situations also increased with registrations to SSEN's Priority Services Register rising by 11% compared to the previous financial year through targeted communications and partnerships. In addition, over 14,500 households were supported by fuel poverty and energy efficiency measures, an increase of almost 70% on 2021/22.

In March 2023, SSEN published its Fair Energy Future report, and in doing so became the first DNO to publish a consumer-led just transition action plan aimed at securing a fair and inclusive net zero transition for all.

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

GROWTH OPPORTUNITIES

DELIVERING IN THE NEW RIIO-ED2 PRICE CONTROL PERIOD

SSEN Distribution's RIIO-ED2 Business Plan, which was co-created with stakeholders, is a core component of SSE Group's NZAP Plus. The Final Determination from Ofgem provides SSEN Distribution with a proposed total base expenditure of £3.6bn, an uplift of over 22% on the equivalent period in RIIO-ED1, including potential additional investment opportunities of up to £0.7bn over the period through uncertainty mechanisms and reopeners

ACCELERATING CONNECTIONS

With the transition to net zero gathering pace, SSEN Distribution is seeing a significant rise in the uptake of low-carbon technologies, particularly EV charge points, heat pumps, and battery storage. The business has seen a 75% uplift in the number of electric vehicle charge points connected compared to last year.

The SEPD network is experiencing rapid growth in both generation and demand requests, with significant large load requests coming from data centres and contracted batteries doubling over the past year. In SHEPD, generation demand has tripled from 3.7GW to 9.5GW over the past 18 months.

EMPOWERING LOCAL INVESTMENT AND GROWING FLEXIBILITY

Project LEO, SSEN Distribution's industry-leading project established to replicate the future energy system and test flexibility services at the 'grid edge', has concluded. Insights are now being used to facilitate extensive engagement with local authorities and stakeholders to support local net zero planning. This includes collaborative work with the Isle of Wight Council and local generators to produce a first-of-its-kind local net zero island study, which has identified core network development needed to unlock renewables and meet future demands. This provides a robust case to unlock further investment through uncertainty mechanisms early in the price control.

SSEN Distribution is also increasing tendering its flexibility services in areas where localised high demand can be offset to extend overall network capacity. SSEN's RIIO-ED2 Distribution System Operator Strategy targets delivery of 5GW in flexible services and 3.7GW of flexible connections by 2028. Overall, SSEN will invest around £70m in DSO capabilities in the five-year period, enabling greater consumer take-up of low-carbon technologies while delivering an estimated £460m of benefits through deferred reinforcement and avoided capital expenditure.

BUILDING A WORKFORCE FOR THE FUTURE

During the RIIO-ED2 price control period, SSEN Distribution will increase its workforce materially as it delivers the infrastructure required for net zero, safely, efficiently and in line with customers' expectations. In the last

year alone, its graduate intake increased by 180% and trainee engineers by 90%, with specific pipelines for digital skills, alignment to and a focus on recruiting for difference, including neurodiversity.

SSE RENEWABLES

SSE Renewables	Mar 23	Mar 22
Renewables adjusted operating profit - £m	580.0	568.1
Renewables reported operating (loss) - £m	446.3	427.8
Renewables adjusted investment and capital expenditure before acquisitions – £m	837.5	811.0
Generation capacity - MW		
Onshore wind capacity (GB) – MW	1,285	1,285
Onshore wind capacity (NI) – MW	117	122
Onshore wind capacity (ROI) – MW	567	567
Total onshore wind capacity – MW	1,969	1,974
Offshore wind capacity (GB) – MW	487	487
Conventional hydro capacity (GB) – MW	1,159	1,159
Pumped storage capacity (GB) – MW	300	300
Total renewable generation capacity (inc. pumped storage) – MW	3,915	3,920
Contracted capacity	2,787	2,792
Generation output - GWh		
Onshore wind output (GB) – GWh	2,770	2,502
Onshore wind output (NI) – GWh	286	264
Onshore wind output (ROI) – GWh	1,357	1,196
Total onshore wind output – GWh	4,413	3,962
Offshore wind output (GB) – GWh	1,846	1,430
Conventional hydro output (GB) – GWh	3,037	3,107
Pumped storage output (GB) – GWh	301	227
Total renewable generation (inc. pumped storage) – GWh	9,597	8,726
Total renewable generation (also inc. constrained off) – GWh	10,159	9,423

Note 1: Capacity and output based on 100% of wholly owned sites and share of joint ventures

Note 2: Contracted capacity includes sites with a CfD, eligible for ROCs, or contracted under REFIT

Note 3: Onshore wind output excludes 456GWh of constrained off generation in FY2022/23 and 469GWh in FY2021/22; Offshore wind output excludes 106GWh constrained off generation in FY2022/23 and 228GWh in FY2021/22

Note 4: Biomass capacity of 15MW and output of 68GWh in FY2022/23 and 73GWh FY2021/22 is excluded, with the associated operating profit or loss reported within Distributed Energy

Note 5: Onshore NI and contracted capacity reduced by 5MW in the period following the sale of Bessy Bell I in July 2022

SSE RENEWABLES OVERVIEW

SSE Renewables develops and generates zero carbon electricity at scale from wind farms and provides clean flexible power from its hydro schemes. The business comprises existing operational assets and those under development in onshore wind, offshore wind, flexible hydro electricity, run-of-river hydro electricity, pumped storage, as well as solar and battery technology co-located on existing UK and new international markets. In April 2023, the standalone Solar and Battery business, that had previously reported alongside SSE Distributed Energy, was integrated into SSE Renewables to optimise technological, planning and development synergies.

OPERATIONAL DELIVERY

SSE Renewables' operational offshore wind installed capacity is 487MW with its onshore wind and hydroelectric installed capacity at 1,969MW and 1,459MW respectively. SSE Renewables is currently leading the construction of more offshore wind than any other company in the world. Whilst availability across all technologies has remained high, the lower-than-expected wind and rainfall observed over the last three years continued in the last financial year, resulting in lower than normal production.

SSE Renewables' hydro assets play an increasingly critical role in delivering cost-effective, low-carbon flexibility to the system, providing additional diversified revenue streams. Following a very dry summer, autumn rain was above average followed by drier than average conditions over the winter months resulting in output for the year being behind plan. Plant availability, however, was very strong and following an intensive period of summer maintenance outages, which were delivered to plan, winter plant availability was exceptional with the fully flexible plant and the pumped storage asset at Foyers performing particularly well.

SSE Renewables is actively progressing plans to enhance assets across its operational hydro fleet, including the addition of pumping capacity, generation capacity increases and grid services capabilities.

SSE Renewables is the leading owner, operator and developer of onshore wind farms across the UK and Ireland. Operational onshore wind fleet availability was high throughout the year. Volumes finished at 93% of plan at year end with lower than forecast wind resource in Q4 impacting volumes.

While the end of the financial year saw lower wind resource than anticipated, autumn and winter saw an improved performance with Beatrice and Greater Gabbard offshore wind farms achieving 91% of plan overall, reducing to 73% when including Seagreen and the impact of its construction delay. There are now 50 turbines generating at Seagreen producing significant volumes and a new-build Vestas operational service vessel has been mobilised to site.

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

CONSTRUCTION PROGRAMME

All three phases of the world's largest offshore wind farm at Dogger Bank (each 1,200MW, SSE share 40%) continue to progress. Onshore works are continuing on all three phases, with the three converter stations at various stages of construction and the onshore HVDC cables already installed on Dogger Bank A and B. The operation and maintenance base at Port of Tyne is complete and was officially opened in March.

Offshore work is well under way for Dogger Bank A with successful installation of the first monopiles and transition pieces and the 175km offshore export cable. In April, Dogger Bank A reached another milestone with the installation of the world's first unmanned HVDC offshore substation, making it the first project in the UK to use this technology to transmit the electricity produced back to shore, ensuring that the electricity is transmitted efficiently over long distances while minimising losses.

Dogger Bank A is still expecting to achieve first power during Summer 2023, assuming normal weather. However, due to delays to the manufacturing of nacelles for the GE Haliade X turbine, the commercial operations date for Dogger Bank A has been pushed back by a few months to Q3 2024. The project is working with GE to assess whether impacts on Dogger Bank B and C are likely, as well as options to mitigate.

On Seagreen 1 (1,075MW, SSE share 49%), which will be Scotland's largest and the world's deepest fixed-bottom offshore wind farm once operational, installation of all 114 foundations ('jackets') was completed in April 2023 including the world's deepest jacket at a depth of 58.6m. With 84 turbines installed and 53 turbines exporting power to the grid as of 18 April 2023, the project continues to make significant progress towards its commercial operations date during the summer of 2023.

Onshore, construction is progressing well on Viking (443MW) in Shetland with turbine installation under way and all turbines expected to be up by the end of 2023. Viking is expected to be fully operational by Autumn 2024.

In Ireland, Lenalea wind farm (30MW, SSE share 50%) construction is progressing and it is due to be completed by the end of 2023. Following a final investment decision in August, Yellow River (101MW) started construction at the beginning of November 2022 and will proceed on a merchant basis.

In hydro, phase one of the Tummel Bridge power station refurbishment was completed on schedule. The two existing 'camelback' turbines and accompanying machinery were removed in preparation for the installation of two new, bespoke turbines in Q2 2023.

GROWTH OPPORTUNITIES – DOMESTIC

SSE Renewables' core markets of the UK and Ireland continue to offer considerable growth opportunities.

In March, the UK Government opened the application window for Allocation Round 5 (AR5). SSE Renewables projects Seagreen 1A Strathy South, Bhlairaidh Extension, Aberarder and Viking are all eligible to bid for the auction, with results expected by September 2023. However, the low administrative strike price (caps) in the auction, particularly for offshore wind, do not reflect the cost increases faced by projects. As a result, SSE Renewables will not be entering Seagreen 1A into the auction. It will continue to seek an alternative route to market to progress this project.

Located in the North Sea, in the outer Firth of Forth, Berwick Bank wind farm has the potential to deliver 4.1GW of installed capacity, making it one of the largest offshore opportunities in the world. A consent application was submitted to the Scottish Government in December 2022. The first connection date is in 2027 and the full project could be complete around the end of the decade.

Ossian offshore wind farm, owned by the SSE Renewables (3.6GW, share 40%), Marubeni Corporation and Copenhagen Infrastructure Partners (CIP) consortium, is one of the largest floating offshore wind projects in development worldwide and could play a key role in meeting the UK Government's floating wind targets. The project continues to progress through the early stages of development with the Environmental Impact Assessment Scoping Report for the Ossian Array submitted to the Scottish Government in March 2023.

North Falls offshore wind farm (up to 504MW, SSE Renewables share 50%), an extension to Greater Gabbard off the east coast of England, continues to progress through development ahead of planning submission next year. North Falls could be operational by 2031, depending on the grid connection solution.

In February, SSE Renewables announced early scoping work to explore options for developing a fourth phase of Dogger Bank wind farm. There are two options being explored for the energy generated: a grid connection and/or green hydrogen production. The project's progression remains subject to agreement with the Crown Estate.

In March 2023, SSE Renewables' Gordonbush Hydrogen project was shortlisted for funding from the UK Government's Net Zero Hydrogen Fund.

SSE Renewables recently announced additional plans to adapt its existing conventional 152.5MW Sloy hydro power plant with pumping capabilities. Subject to final design, the converted Sloy scheme could be capable of delivering up to 25GWh of long-duration electricity storage capacity, providing vital reserve capacity for an increasingly renewables-led energy system as well as critical energy security back-up.

In March, SSE Renewables confirmed a £100m commitment to further develop plans for the Coire Glas pumped hydro storage project (c. 1,300MW). The project, which received planning consent from the Scottish Government in 2020, would more than double Britain's total current electricity storage capacity. Subject to a favourable revenue stabilisation mechanism for long duration electricity storage, Coire Glas could reach a final investment decision by the end of 2024 with the objective of being fully constructed and commissioned by 2031 and therefore play a significant role in the UK Government's 2035 target for a decarbonised power system.

SSE Renewables remains committed to delivering Arklow Bank Wind Park 2 (up to 800MW), despite being unsuccessful in Ireland's first Offshore Renewable Energy Support Scheme (ORESS) auction in May 2023. It will proceed to submit a planning application later this year to Ireland's planning board, An Bord Pleanála, whilst it explores future ORESS contracts and other routes to market.

The Irish Government has confirmed a new target of 20GW of offshore wind by 2040 with at least four ORESS auctions starting next year with 'plan-led' designated zones identified by the Government based on grid capacity.

Building on its existing Irish offshore development portfolio (Setanta (1,000MW) and Celtic Sea Array (1,200MW), SSE Renewables has submitted an application for an investigative foreshore licence for surveys of the seabed for a possible new 1GW offshore wind farm in the Atlantic Ocean off the coast of Tarbert, Co. Kerry.

In January, SSE Renewables announced plans for its first solar and battery installation, co-located at its existing operational wind farm in Co. Wexford, Ireland. The planning application for the project, a 21MW solar photovoltaic (PV) array and a 10MW/2hr battery energy storage system, will be submitted in the coming months.

GROWTH OPPORTUNITIES – INTERNATIONAL

EUROPE

SSE Renewables is progressing its Southern Europe development portfolio with at least three projects (totalling c.100MW) aiming for a final investment decision this year. The first two projects (in France and Spain) are

targeting construction commencing in Summer 2023, with at least one further project targeting a final investment decision later in the financial year.

SSE Renewables remains focused on offshore wind in Northern Europe, despite missing out on the Dutch and Polish tender processes. In the Netherlands, SSE Renewables is now focused on the upcoming Ijmuiden Ver zone tenders (2 x 2GW), with bids now expected in Q1 2024 following finalisation of the sites and tender process by the Dutch authorities later this year. SSE Renewables has partnered with APG, acting on behalf of Dutch pension fund ABP (the Netherlands' largest), for the tenders. And in Poland, the business continues to look at offshore partnering opportunities.

ASIA-PACIFIC

SSE Renewables continues to pursue offshore wind development activities in Japan through its joint venture SSE Pacifico (80% stake). It is assessing participation in the upcoming Round 2 auction whilst also targeting future auctions. The Japanese Government has announced its intention to open up its Exclusive Economic Zone to potential future floating wind projects.

SSE Renewables has formed a 50/50 joint venture with Equis to bid for a feasibility licence for an offshore wind farm project in Australia's first Federal Government declared offshore wind zone of Gippsland, in waters off the coast of Victoria. The outcome of the bid is expected by the end of 2023.

NORTH AMERICA

SSE Renewables views the United States as an attractive growth market, particularly following the introduction of the Inflation Reduction Act. It continues to actively explore US market entry opportunities across onshore and offshore wind and adjacent technologies.

Project	Location	Technology	Capacity (MW)	SSE Share (MW)
In construction				
Dogger Bank A	GB	Offshore wind	1,200	480
Dogger Bank B	GB	Offshore wind	1,200	480
Dogger Bank C	GB	Offshore wind	1,200	480
Seagreen 1	GB	Offshore wind	1,075	527
Viking	GB	Onshore wind	443	443
Yellow River	Ireland	Onshore wind	101	101
Lenalea	Ireland	Onshore wind	30	15
Littleton	GB	Solar	30	30
Salisbury	GB	Battery	50	50
Ferrybridge	GB	Battery	150	150
Total in construction - GW				2.8GW
Late-stage development				
Seagreen 1A	GB	Offshore wind	500	245
Bhlaraidh Extension	GB	Onshore wind	99	99
Strathy South	GB	Onshore wind	208	208
Other GB & Ireland	GB & Ire	Onshore wind	-	137
Spanish projects	Spain	Onshore wind ¹	281	291
France, Italy and Greece projects	Various	Onshore wind ¹	125	125
Coire Glas	GB	Pumped storage	1,300	1,300
ByPass	GB	Solar	50	50
Monk Fryston	GB	Battery	320	320
Tawnaghmore	GB	Battery	100	100
Total late-stage development - GW				2.9GW
Early-stage development				
Berwick Bank	GB	Offshore wind	4,100	4,100
Ossian (ScotWind lease)	GB	Offshore wind	3,600	1,440
Arklow Bank 2	Ireland	Offshore wind	800	800
North Falls	GB	Offshore wind	504	252
Cloiche	GB	Onshore wind	125	125

Other GB & Ireland	GB & Ire	Onshore wind	-	311
Spanish projects	Spain	Onshore wind ¹	808	808
France, Italy and Greece projects	Various	Onshore wind ¹	1,190	1,190
Fiddler's Ferry	GB	Battery	150	150
Staythorpe	GB	Battery	350	350
Total early-stage development - GW				9.5GW

TOTAL SECURED PIPELINE - GW				15.1GW
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Other Future prospects				
Dogger Bank D	GB	Offshore wind	1,320	660
Setanta (Braymore Point)	Ireland	Offshore wind	1,000	1,000
Celtic Sea Array	ROI	Offshore wind	1,200	1,200
Tarbert	Ireland	Offshore wind	1,000	1,000
Japanese projects	Japan	Offshore wind	~6,000	~4,800
Other GB	GB	Onshore wind	-	~550
Other Ireland	Ire	Onshore wind	-	~200
Spanish projects	Spain	Onshore wind ¹	~1,750	~1,750
France, Italy and Greece projects	Various	Onshore wind ¹	~700	~700
Other GB Hydro	GB	Hydro	75	75
Other Solar	GB	Solar	~400	~400
Other Battery	GB	Battery	~900	~900
Total future prospects				>13,000

Notes: All capacities are subject to change as projects refined. Table reflects ownership and development status as at May 2023. Late-stage is consented in GB and grid or land security elsewhere, early-stage has land rights in GB and some security over planning or land elsewhere. Future prospects are named sites where non-exclusive development activity is under way. Additional solar and battery storage projects reflects Solar and Battery team now forming part of SSE Renewables.

Note 1: Includes solar hybridisation

SSE THERMAL

SSE THERMAL KEY PERFORMANCE INDICATORS

SSE Thermal	March 23	March 22
Thermal adjusted operating profit - £m	1,031.9	300.4
Thermal reported operating profit - £m	1,089.5	624.2
Thermal adjusted investment and capital expenditure, before acquisitions – £m	153.2	123.4
Generation capacity - MW		
Gas- and oil-fired generation capacity (GB) – MW	5,538	3,975
Gas- and oil-fired generation capacity (ROI) – MW	1,292	1,292
Total thermal generation capacity – MW	6,830	5,267
Generation output - GWh		
Gas- and oil-fired output (GB) – GWh	16,781	11,303
Gas- and oil-fired output (ROI) – GWh	1,532	2,962
Total thermal generation – GWh	18,313	14,265

Note 1: Capacity is wholly owned and share of joint ventures, and reflects Transmission Entry Capacity; March 2023 capacity reflects share of Triton Power portfolio with acquisition completed 1 September 2022.

Note 2: Output is based on SSE 100% share of wholly owned sites and 100% share of Marchwood PPAs due to the contractual arrangement. In September 2021 SSE's offtake agreement for 100% of output from its Seabank CCGT JV expired, with output following that date only recognised to the extent of its 50% equity share.

Note 3: Output in GB in year to March 2023 excludes 1,184GWh of pre-commissioning output from Keadby 2 CCGT which commissioned 15 March 2023

SSE THERMAL OVERVIEW

SSE Thermal owns and operates conventional flexible thermal generation in GB and Ireland, and around 40% of GB's conventional underground gas storage capacity. These assets provide much-needed system flexibility. SSE Thermal is actively developing options to progressively decarbonise its portfolio, most notably in carbon capture and storage and hydrogen technologies, with sustainable biofuels as a bridge to hydrogen.

OPERATIONAL DELIVERY

In a year of record performance, SSE Thermal's fleet delivered strong availability in the GB market, which increased in the second half. The impact of unplanned outages, most notably at Great Island, more than offset by strong operational availability across the portfolio. This enabled the fleet to use its inherent flexibility to sell output to the market and contract forward ahead of delivery, capturing value through forward spark spreads. The fleet has also been able to optimise in response to market conditions, particularly during periods of low wind. Robust asset management allowed the fleet to meet availability expectations and capture market value through a volatile period, despite outages at Medway, Marchwood and Great Island. Managing availability responsibly is and continues to be a key focus for SSE Thermal, both within year and when taking a view of future system needs.

In March 2023, Keadby 2, Europe's most efficient CCGT, entered commercial operation following a full commissioning phase which started in October 2021. Keadby 2 includes a first-of-a-kind turbine that displaces older, more carbon intensive plant on the system. Before entering commercial operation, Keadby 2 had been generating intermittently across the year, capturing early value. Keadby 2's 15-year Capacity Market agreement is due to commence in October 2023 and all milestones to secure this agreement have been completed.

Following an agreement in June, SSE Thermal, alongside Equinor as 50/50 partner, completed the acquisition of the Triton Power portfolio on 1 September in a £341m transaction, providing additional flexibility and decarbonisation options. The portfolio includes the 1.2GW Saltend power station in the Humber along with two smaller plants, Indian Queens power station, a 140MW OCGT in Cornwall, and Deeside power station in North Wales, a decommissioned CCGT which provides carbon-free inertia to the system. While the Triton portfolio delivered value on an unhedged basis immediately after acquisition, a hedging strategy has since been implemented to reduce ongoing merchant exposure.

In July, SSE Thermal completed the sale of the closed and decommissioned Fiddlers Ferry power station.

In March, in line with requirements under the Industrial Emissions Directive, SSE Thermal announced the closure of Tarbert oil-fired power station in Ireland by the end of December 2023. Great Island CCGT and Rhode and Tawnaghmore peaking plant continue to play an important role in a tight system, where increased dispatchable capacity is required to meet system needs.

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

SSE THERMAL CAPACITY CONTRACT AWARDS

The following agreements have been awarded through competitive auctions:

Station	Asset type	Station Capacity	SSE share of contract	Capacity obligation
Medway (GB)	CCGT	735MW	100%	To September 2027
Keadby (GB)	CCGT	755MW	100%	To September 2027
Keadby 2 (GB)	CCGT	893MW	100%	16 years commencing October 2022
Peterhead (GB)	CCGT	1,180MW	100%	To September 2027
Seabank (GB)	CCGT	1,234MW	50%	To September 2027
Marchwood (GB)	CCGT	920MW	100%	To September 2027
Saltend (GB)	CCGT	1,200MW	50%	To September 2027
Indian Queens (GB)	CCGT	140MW	50%	To September 2027
Slough Multifuel (GB)	Energy from Waste	50MW	50%	15 years commencing October 2024
Burghfield (GB)	CCGT	45MW	100%	To September 2027
Chickerell (GB)	CCGT	45MW	100%	To September 2027
Great Island (Ire)	CCGT	464MW	100%	To September 2027
Rhode (Ire)	Gas/oil peaker	104MW	100%	To September 2027
Tawnaghmore (Ire)	Gas/oil peaker	104MW	100%	To September 2027
Tarbert (Ire)	Oil	620MW	100%	To September 2023
Tarbert (Ire)	Biofuel	300MW	100%	10 years commencing October 2026
Platin (Ire)	Biofuel	150MW	100%	10 years commencing October 2026

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

Capacities stated reflect Transmission Entry Capacity

Marchwood (SSE equity share 50%) tolling arrangement means SSE receives 100% of economic benefit from capacity contract

Keadby 1 has capacity obligation in 2023/24, 2025/26 and 2026/27 but none in 2024/25.

Medway has capacity obligation in 2023/24 and 2026/27 but none in 2024/25 and 2025/26.

Keadby 2 16 year obligation comprised of a T-1 and a 15 year contract

GROWTH OPPORTUNITIES

Developing decarbonised alternatives to the existing CCGT fleet will be vital to deliver SSE's goal to cut carbon intensity by 80% by 2030 and achieve its science-based carbon reduction targets, aligned with a 1.5C global warming scenario.

In GB, SSE Thermal is developing projects that include carbon capture and storage (CCS) and hydrogen; technologies that will be critical to the transition to net zero, enabling enhanced renewables deployment by balancing the system. CCS and hydrogen remain at the heart of the UK Government's plans. In the past year, the UK Government has committed to deliver hydrogen transport and storage business models by 2025 to support its 10GW hydrogen production ambition, it has indicated that it will consult on the potential for hydrogen-to-power market interventions later in 2023 and issued a call for evidence on future support for power-CCS projects.

Aldbrough Hydrogen Pathfinder, SSE Thermal's hydrogen value chain proof-of-concept project, was shortlisted to progress to a due diligence phase after submitting a bid for funding and Hydrogen Production Business Model support through the Net Zero Hydrogen Fund. Aldbrough Hydrogen Pathfinder seeks to unite hydrogen production, hydrogen storage and a 100% hydrogen-fired open-cycle gas turbine (OCGT) on one site by the middle of the 2020s. This project will enable and inform the scaling up of SSE's, the wider Humber, and the UK's hydrogen ambitions and help de-risk further hydrogen investment. With the role of small-scale peaking plant expected to increase, this integrated concept also delivers expertise and experience in low-carbon OCGTs.

SSE is continuing to develop options for hydrogen blending into Keadby 2, with pre-FEED activity under way. Option assessment and scoping activity for a further 100% hydrogen-fired CCGT at Keadby also continues. Pre-FEED activity is also under way for Aldbrough Hydrogen Storage. The Triton Power portfolio adds to this hydrogen pipeline, with plans to blend up to 30% low carbon hydrogen by 2027.

In December Keadby 3 Carbon Capture Power Station became the first power-CCS project to secure planning consent in the UK. Alongside the contract awarded in June for the completion of FEED (Front End Engineering Design), this demonstrates the project's advanced development. In March the UK Government announced the first carbon capture projects to be supported by government-backed contracts – this included projects located in Teesside and the northwest of England. As a Humber-based project, Keadby 3 has not progressed to the final stage of negotiations for a Dispatchable Power Agreement. The UK Government has instead identified the Humber as a region to be supported through subsequent phases of its cluster sequencing process by 2030 at the latest. There are opportunities for Keadby 3 to access CO₂ storage in either the Endurance store (a Track-1 CO₂ transport and storage system) or Viking (identified as a minded-to Track-2 CO₂ transport and storage system by UK Government). Next steps on cluster sequencing are expected later in 2023, with work progressing to complete FEED for Keadby 3.

The UK Government also set out further detail for Track-2 clusters. Acorn was identified as a "minded-to" Track-2 CO₂ transport and storage system, alongside Viking, for deployment by 2030. Acorn would provide CO₂ storage for Peterhead Carbon Capture Power Station. Further expressions of interest for Track-2 clusters are being accepted by the UK Government ahead of next steps being communicated later in 2023. Peterhead Carbon Capture Power Station is continuing to develop with a planning application submitted in March 2022 and announcement of the award of a FEED contract in July. It remains well-placed to participate in future Dispatchable Power Agreement allocation processes.

SSE Thermal is seeking opportunities to expand its GB low-carbon pipeline. It continues to explore the decarbonisation of the Medway site through hydrogen or CCS. It has identified a potential new location for low-carbon power generation in northwest England, where CCS and hydrogen operations are being developed, well-located relative to the HyNet cluster. It is also investigating options to use alternative fuels, such as hydrogen derivatives. Construction activity for Slough Multifuel remains on track to complete in summer 2024.

In Ireland, SSE Thermal is advancing projects using sustainable biofuel as a lower carbon alternative to fossil-fuels and as a bridge to hydrogen. In March it provisionally secured 10-year Capacity Market agreements for two new low-carbon power stations to commence in 2026/27 delivery year:

- 260MW of de-rated electricity generation at Tarbert (€129,000/MW)
- 140MW de-rated electricity generation at Platin (€177,000/MW)

The proposed low-carbon units at Tarbert in Co. Kerry and Platin in Co. Meath would help to protect security of supply and provide flexible backup to Ireland's growing renewables sector. The proposed units will initially run on Hydrotreated Vegetable Oil (HVO), which is produced by processing waste oils to create a fossil-free alternative to diesel in accordance with EU sustainability standards. This would provide a bridge to a hydrogen future with both units having the potential to convert to the fuel. As with Aldbrough Hydrogen Pathfinder, these projects reflect the expected role peaking generation will play in the system.

Low-carbon projects in Ireland are progressing alongside activity to deliver a Temporary Emergency Generation unit, at the request of the Irish authorities. Following legislation and a site selection process undertaken by EirGrid, approved by the Commission for the Regulation of Utilities, the Tarbert site was selected to host 150MW of generation capacity, to run on distillate oil. It will operate as an emergency plant with a maximum

running time of 500 hours per annum. Under the Irish Government's emergency generation legislation, this capacity is to cease operations as soon as the temporary electricity emergency has been addressed, and no later than March 2028. The unit would only be utilised when it is clear that market-sourced generation will not be sufficient to meet system needs.

GAS STORAGE

Gas Storage	March 23	March 22
Gas Storage adjusted operating profit - £m	212.5	30.7
Gas Storage reported operating profit - £m	249.2	125.4
Gas storage adjusted investment and capital expenditure - £m	6.3	2.1
Gas storage level at period end – mTh	123	1
Gas storage level at period end – %	65	1

GAS STORAGE OVERVIEW

SSE Thermal holds around 40% of the UK's conventional underground gas storage capacity. These assets support stability and security of gas supply and can potentially be converted to hydrogen storage for a net zero future.

OPERATIONAL DELIVERY

SSE Gas Storage performed strongly, navigating highly volatile gas markets and optimising assets to help ensure security of gas supply for the UK whilst providing important liquidity to the market. These assets are a significant risk management tool to the portfolio by offering short-notice flexibility to mitigate exposures from wind speeds and demand variability.

SSE's gas storage assets have made a substantial contribution this year, with high withdrawals and the technical ability to cycle quickly in response to market signals. Over the past three years the equivalent of two caverns of storage have been added through studies into maximum and minimum operating pressures. Aldbrough Caverns 6 and 9 were successfully returned to service ahead of winter 2022/23, adding further capacity. As a result of an increase in future market revenues forecast from these types of assets, the historical impairments have been almost fully reversed on Aldbrough at the year end.

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

GROWTH OPPORTUNITIES

Underlining the clear societal value these assets provide, the UK Government's Powering Up Britain Energy Security Plan, published in March, highlighted that gas storage had operated successfully over the winter helping to meet demand caused by cold weather spells. The UK Government will consider the future role that storage can play in the longer term, considering the need to align with future plans for hydrogen and CO2 storage. SSE Thermal remains committed to working with UK Government departments and Ofgem to ensure the critical role of UK storage is properly valued, and low-carbon options can be delivered in tandem.

Plans to develop an innovative hydrogen storage project at Aldbrough with Equinor, announced in July 2021, are progressing. Following the commitment in the British Energy Security Strategy to deliver hydrogen transport and storage business models by 2025, the UK Government published a consultation on this at the end of August 2022. This consultation notes the importance of storage as a 'system balancer' and envisages underground hydrogen storage becoming important to the functioning of the hydrogen economy by the end of the decade. As described in the previous section, Aldbrough Hydrogen Pathfinder has progressed to due diligence following a bid into the Net Zero Hydrogen Fund.

ENERGY CUSTOMER SOLUTIONS

ENERGY CUSTOMER SOLUTIONS OVERVIEW

SSE Business Energy in GB (non-domestic) and SSE Airtricity on the island of Ireland (domestic and non-domestic) provide a shopfront and route to market for SSE's generation, renewable green products and low-carbon energy solutions. Across Great Britain and the island of Ireland, focus remains on supporting customers to reduce energy consumption, modernise systems and expand the green energy product offering to ensure the business grows its position as a trusted partner to customers on their net zero journey.

SSE BUSINESS ENERGY

SSE BUSINESS ENERGY KEY PERFORMANCE INDICATORS

SSE Business Energy	March 23	March 22
Business Energy adjusted and reported operating profit/(loss) - £m	17.9	(21.5)
Electricity Sold – GWh	12,108	12,645
Gas Sold – mtherms	200	218
Aged Debt (60 days past due) - £m	167	79.3
Bad debt expense - £m	108	18.5
Energy customers' accounts – m	0.43	0.47

SSE BUSINESS ENERGY OVERVIEW

In GB, SSE Business Energy (BE) markets its low-carbon products such as green energy tariffs and Corporate Power Purchase Agreements (CPPAs) under the SSE Energy Solutions brand alongside SSE Distributed Energy, selling power and gas to around 430,000 non-domestic customers across GB.

OPERATIONAL DELIVERY

The primary focus of the last year has been on delivering support to customers during a period of extreme market instability. This included implementing government bill supports for customers at an administrative cost of £2m that the business absorbed.

Targeted support for customers included reducing contract lengths to help manage customers' exposure to high prices and providing flexible repayment options for customers struggling to pay. Under the UK Government's Energy Bill Relief Scheme, Business Energy applied customer discounts to the value of £721m in the year and was compensated for the reduction in wholesale gas and electricity unit prices that was passed on. In other support measures, in October 2022, the business voluntarily implemented a disconnection ban for businesses (with a cumulative debt of £5m) where end-users were either vulnerable or living in a residential setting aligned to a non-domestic contract. Additional supports included the decision not to pass on £12m of non-commodity costs to some customers with flexible contract terms.

Business Energy has continued to make progress on our Smart programme in 2022/23 installing more smart meters in proportion to our market share. Focus remains on driving Smart adoption throughout 2023/24, building on our engaging smart propositions and incentives to encourage adoption and helping customers to manage and reduce demand.

The business launched a suite of new and enhanced digital offerings in the period to improve the customer journey, including a small business sustainability content hub, providing help to customers with net zero guidance, and a free and easy-to-use carbon footprint calculator.

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

GROWTH OPPORTUNITIES

Business Energy will continue to focus on giving customers increased choice and flexibility to improve their green credentials and help with their paths to net zero. This includes extending its product range and giving customers greater transparency over the provenance of their renewable energy supply.

SSE AIRTRICITY

SSE AIRTRICITY KEY PERFORMANCE INDICATORS

SSE Airtricity	March 23	March 22
Airtricity adjusted operating profit - £m	5.6	60.4
Airtricity reported operating profit - £m	5.2	60.4
Aged Debt (60 days past due) - £m	11.0	7.3
Bad debt expense - £m	7.8	4.6
Airtricity Electricity Sold – GWh	5,795	5,219
Airtricity Gas Sold – mtherms	193	177
All Ireland energy market customers (Ire) – m	0.74	0.70

SSE AIRTRICITY OVERVIEW

SSE Airtricity retains a solid book, a strong brand and a growing customer base, serving over 743,000 customers in homes and businesses across Ireland.

OPERATIONAL DELIVERY

The primary focus of 2022/23 has been on supporting customers, resulting in the establishment of the most comprehensive customer support fund of any supplier in Ireland, up to the value of €25m. Measures included a €2.5m donation made to non-profit organisation EnergyCloud, which promotes system efficiency, utilising surplus renewable energy to supply fuel-poor households. Airtricity also applied discounts to the value of £116m in the year to customers under the UK Government's Energy Bill Relief Scheme. Furthermore, as referenced in the Group Financial Review, SSE Airtricity honoured its commitment not to make a profit in the year in recognition of the cost-of-living crisis. Residual profits of €8.6m were distributed to domestic customers in full, with accounts credited after the year-end in April 2023. The cost of the rebate will be reflected in financial results for 2023/24.

The business continued to enhance service offerings as customer engagement levels tripled year-on-year at their peak. The introduction of enhanced digital service capabilities such as Live Chat resulted in a greater than 90% reduction in customer wait times below peak levels.

During the period SSE Airtricity continued to evolve product offerings to support demand reduction including the launch of a market-leading premium microgeneration solar offering via our joint venture with Activ8 Solar Energies. Through its pioneering Generation Green Home Upgrade home retrofit proposition the business completed 1,500 solar installs, supplied over 300 batteries and retrofitted 650 homes this financial year, representing an estimated carbon saving of 8.9GWh.

Partnerships with RTÉ's DIYSOS, increasing our support for the women's game through partnership with the Football Association of Ireland, and funding LGBT Ireland's advice helpline are examples of Airtricity's values and active community support.

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

GROWTH OPPORTUNITIES

SSE Airtricity has laid solid foundations and led the way in proposition innovation to more easily enable customers to reduce carbon emissions and energy usage. It has ambitious plans for energy services across the island of Ireland, aiming to deliver 45,000 home retrofits by 2030 and expanding the offering into the (ROI) B2B and NI markets.

SSE DISTRIBUTED ENERGY

SSE DISTRIBUTED ENERGY KEY PERFORMANCE INDICATORS

SSE DISTRIBUTED ENERGY	March 23	March 22
SSE Distributed Energy adjusted operating (loss) - £m	(27.4)	(10.9)
SSE Distributed Energy reported operating (loss) - £m	(33.5)	(29.2)
SSE Heat Network Customer Accounts	11,431	11,291
Biomass, heat network and other capacity – MW ¹	26	33
Biomass, heat network and other output - GWh	96	104

Note 1: Capacity in March 2023 reflects sale of 8MW Chippenham gas-fired power station and changes to capacity installed on heat networks

SSE DISTRIBUTED ENERGY OVERVIEW

Distributed Energy brings low-carbon energy solutions to business-to-business markets – including major regional and partnership opportunities. With private wires, heat networks, behind-the-meter solar and battery, EV charging and competitive networks all part of the UK's net zero plans it is well positioned for future growth. As mentioned above, grid-scale Solar and Battery will report under the SSE Renewables segment from April 2023, but progress in 2022/23 is outlined below.

OPERATIONAL DELIVERY

SSE's Distributed Energy team has opened its first EV charging hub in Glasgow with plans to roll out a further 300 such hubs across the UK and Ireland. It has also launched its 'Enhance' technology platform which schedules, dispatches, and controls flexible assets to facilitate trading or Grid balancing actions.

SSE announced significant milestones in its solar and battery storage business in the reporting period which now has a 1.2GW solar and battery pipeline secured and a further 1.3GW of other prospective sites under development. These milestones include breaking ground in September at its first 50MW battery storage project at Salisbury with construction starting this summer at a 30MW solar farm at Littleton in Worcestershire. Construction of a new 150MW battery storage project at Ferrybridge in Yorkshire is also getting under way with the assets expected to be fully operational in late 2024.

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

GROWTH OPPORTUNITIES

Distributed Energy has significant growth opportunities including supporting gigafactories and landmark redevelopment projects like Teesside. It is also developing heat network technologies including a new £25m low carbon district heating and electricity scheme in Aire Valley, Leeds.

Following its acquisition of the Imperial Park private wire network in Wales; Distributed Energy will continue to explore opportunities to help businesses cut carbon and costs as well as supporting the transition to net zero at a local level.

Transferring the Solar and Battery business to SSE Renewables allows it to scale up and develop opportunities both domestically and internationally, as well as take on co-location projects. Solar is a cost-effective low carbon technology and the UK Government has reaffirmed its commitment to its 70GW target by 2035; whilst battery storage is a key part of the net zero jigsaw with its ability to rapidly store and discharge energy when needed most by the grid.

ENERGY PORTFOLIO MANAGEMENT (EPM)

EPM KEY PERFORMANCE INDICATORS

EPM	March 23	March 22
EPM adjusted operating profit/(loss) - £m	80.4	(16.8)
EPM reported operating (loss)/profit - £m	(2,626.0)	2,083.6

EPM OVERVIEW

Energy Portfolio Management (EPM) trades commodities for SSE's market-based Business Units, securing value on behalf of SSE's asset portfolios in wholesale energy markets and managing volatility through risk managed trading of energy-related commodities for SSE's market-based Business Units.

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

See also SSE's Hedging Position earlier in this document.

OPERATIONAL DELIVERY

EPM navigated continued energy market volatility, with winter 2022/23 seeing a reduction in volatility. EPM ensures the SSE portfolio was hedged in accordance with the Group's approach to hedging and then optimised through prompt periods. The value EPM secured for SSE's asset portfolio continues to be reported against individual Business Units.

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

GROWTH OPPORTUNITIES

Transformation of the EPM Business Unit continues with further recruitment and changes in systems and processes. Focus has been on core delivery in the exceptional market environment, alongside developments in market modelling, assurance, data governance and analytics, and wind balancing.

European trading continues in small volumes with the intention to increase this through 23/24.

Energy Economics, SSE's long-term price forecasting and market analysis team, moved into EPM at the end of the financial year providing significant synergies and enhanced opportunities to share knowledge across the teams.

ALTERNATIVE PERFORMANCE MEASURES

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

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

PURPOSE

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

- **Profit measures** allow management to assess and benchmark underlying business performance during the year. They are primarily used by operational management to measure operating profit contribution and are also used by the Board to assess performance against business plan. The Group has six profit measures, of which adjusted operating profit and adjusted profit before tax are the main focus of management through the financial year and adjusted earnings per share is the main focus of management on an annual basis. In order to derive adjusted earnings per share, the Group has defined adjusted operating profit, adjusted net finance costs, and adjusted current tax charge as components of the adjusted earnings per share calculation. Adjusted EBITDA is used by management as a proxy for cash derived from ordinary operations of the Group.
- **Capital measures** allow management to track and assess the progress of the Group's significant ongoing investment in capital assets and projects against their investment cases, including the expected timing of their operational deployment and also to provide a measure of progress against the Group's strategic Net Zero Acceleration Programme Plus objectives.
- **Debt measures** allow management to record and monitor both operating cash generation and the Group's ongoing financing and liquidity position.

CHANGES TO APMs IN THE YEAR

In the year the Group has refined its profit measures for the treatment of fair value gains arising from an acquisition of a business or a joint venture interest, which generates an exceptional opening gain on acquisition. The rationale for including this adjustment to these APMs is set out in adjustment number 6.

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

PROFIT MEASURES

Group APM	Purpose	Closest Equivalent IFRS measure	Adjustments to reconcile to primary financial statements
Adjusted EBITDA (earnings before interest, tax, depreciation and amortisation)	Profit measure	Operating profit	<ul style="list-style-type: none"> • Movement on operating and financing derivatives ('certain re-measurements') • Exceptional items • Adjustments to retained Gas Production decommissioning provision • Share of joint ventures and associates' interest and tax • Depreciation and amortisation before exceptional charges (including depreciation and amortisation expense on fair value uplifts) • Share of joint ventures and associates' depreciation and amortisation • Non-controlling share of operating profit • Non-controlling share of depreciation and amortisation • Release of deferred income
Adjusted Operating Profit	Profit measure	Operating profit	<ul style="list-style-type: none"> • Movement on operating and financing derivatives ('certain re-measurements') • Exceptional items • Adjustments to retained Gas Production decommissioning provision • Depreciation and amortisation expense on fair value uplifts

			<ul style="list-style-type: none"> • Share of joint ventures and associates' interest and tax • Non-controlling share of operating profit
Adjusted Profit Before Tax	Profit measure	Profit before tax	<ul style="list-style-type: none"> • Movement on operating and financing derivatives ('certain re-measurements') • Exceptional items • Adjustments to retained Gas Production decommissioning provision • Non-controlling share of profit before tax • Depreciation and amortisation expense on fair value uplifts • Interest on net pension assets/liabilities (IAS 19) • Share of joint ventures and associates' tax
Adjusted Net Finance Costs	Profit measure	Net finance costs	<ul style="list-style-type: none"> • Exceptional items • Movement on financing derivatives • Share of joint ventures and associates' interest • Non-controlling share of finance costs • Interest on net pension assets/liabilities (IAS 19)
Adjusted Current Tax Charge	Profit measure	Tax charge	<ul style="list-style-type: none"> • Share of joint ventures and associates' tax • Non-controlling share of current tax • Deferred tax including share of joint ventures, associates and non-controlling interests • Tax on exceptional items and certain re-measurement • Reclassification of tax liabilities
Adjusted Earnings Per Share	Profit measure	Earnings per share	<ul style="list-style-type: none"> • Exceptional items • Adjustments to retained Gas Production decommissioning provision • Movements on operating and financing derivatives ('certain re-measurements') • Depreciation and amortisation expense on fair value uplifts • Interest on net pension assets/liabilities (IAS 19) • Deferred tax including share of joint ventures, associates and non-controlling interests

RATIONALE FOR ADJUSTMENTS TO PROFIT MEASURE

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

This adjustment can be designated between operating and financing derivatives.

Operating derivatives are contracts where the Group's Energy Portfolio Management ('EPM') function enters into forward commitments or options to buy or sell electricity, gas and other commodities to meet the future demand requirements of the Group's Business Energy and SSE Airtricity operating units, to optimise the value of the production from SSE Renewables and Thermal generation assets or to conduct other trading subject to the value at risk limits set out by the Energy Markets Risk Committee. Certain of these contracts (predominately purchase contracts) are determined to be derivative financial instruments under IFRS 9 and as such are required to be recorded at their fair value. Changes in the fair value of those commodity contracts designated as IFRS 9 financial instruments are reflected in the income statement (as part of 'certain re-measurements'). The Group shows the change in the fair value of these forward contracts separately as this mark-to-market movement is not relevant to the underlying performance of its operating segments due to the volatility that can arise on revaluation. The Group will recognise the underlying value of these contracts as the relevant commodity is delivered, which will predominantly be within the subsequent 12 to 24 months. Conversely, commodity contracts that are not financial instruments under IFRS 9 (predominately sales contracts) are accounted for as 'own use' contracts and are consequently not recorded until the commodity is delivered and the contract is settled. Gas inventory purchased by the Group's Gas Storage business for secondary trading opportunities is also held at fair value with gains and losses on re-measurement recognised as part of 'certain re-measurements' in the income statement. Finally, the mark-to-market valuation movements on the Group's contracts for difference contracts entered into by SSE Renewables that are not designated as government grants and which are measured as Level 3 fair value financial instruments are also included within 'certain re-measurements'.

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

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

2. Exceptional Items

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

3. Adjustments to retained Gas Production decommissioning provision

The Group retains an obligation for 60% of the decommissioning liabilities of its former Gas Production business which was disposed in October 2021. The revaluation adjustments relating to these decommissioning liabilities are accounted for through the Group's consolidated income statement and are removed from the Group's adjusted profit measures as the revaluation of the provision is not considered to be part of the Group's core continuing operations.

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

This adjustment can be split between the Group's share of interest and the Group's share of tax arising from its investments in equity accounted joint ventures and associates. The Group is required to report profit before interest and tax ('operating profit') including its share of the profit after tax from its equity accounted joint ventures and associates. However, for internal performance management purposes and for consistency of treatment, SSE reports its adjusted operating profit measures before its share of the interest and/or tax on joint ventures and associates.

5. Share of joint ventures and associates' depreciation and amortisation

For management purposes, the Group considers EBITDA (earnings before interest, tax, depreciation and amortisation) based on a sum-of-the-parts derived metric which includes a share of the EBITDA from equity accounted investments. While this is not equal to adjusted cash generated from operating activities, it is considered useful by management in assessing a proxy for such a measure, given the complexity of the Group structure and the range of investment structures utilised. For the purpose of calculating SSE's 'Net Debt to EBITDA' metric, 'adjusted EBITDA' is further refined to remove the proportion of adjusted EBITDA from equity-accounted joint ventures relating to off-balance sheet debt (see note 6.3).

6. Depreciation and amortisation expense on fair value uplifts

The Group's strategy includes the realisation of value (developer gains) from divestments of stakes in SSE Renewables' offshore and international developments. In addition, for strategic purposes the Group may also decide to bring in equity partners to other businesses and assets. Where SSE's interest in such vehicles changes from full to joint control, and the subsequent arrangement is classified as an equity accounted joint venture, SSE may recognise a fair value uplift on the remeasurement of its retained equity investment. Those non-cash accounting uplifts will be treated as exceptional gains in the year of the relevant transactions completing. Furthermore, SSE may acquire businesses or joint venture interests which are determined to generate an exceptional opening gain on acquisition and accordingly will record an accounting fair value uplift to the opening assets acquired. These uplifts create assets or adjustments to assets, which are depreciated or amortised over the remaining life of the underlying assets or contracts in those businesses with the charge being included in the Group's depreciation and amortisation expense. The Group's adjusted operating profit, adjusted profit before tax and adjusted earnings per share are adjusted to exclude any additional depreciation, amortisation and impairment expense arising from the fair value uplifts given these charges are 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 income is also deducted.

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

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

9. Deferred tax

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

10. Results attributable to non-controlling interest holders

The Group's structure includes non-wholly owned but controlled subsidiaries which are consolidated within the financial statements of the Group under IFRS. The most significant of those is SSEN Transmission, a 25% stake in which was divested on 30 November 2022 (see note 12 for more details of that transaction). There is no impact to disclosures for prior years but in the current year the Group has removed the share of profit attributable to holders of non-controlling equity stakes in such businesses from the point when the ownership structure changed (i.e. for SSEN Transmission, with effect from 1 December 2022) from all of its profit measures, to report all metrics based on the share of profits items attributable to the ordinary equity holders of the Group. The adjustment has been applied consistently to all of the Group's adjusted profit measures, including removing proportionate non-controlling share of operating profit and depreciation and amortisation from the Group's adjusted EBITDA metric; removing the non-controlling share of operating profit from the Group's adjusted operating profit metric; removing the non-controlling share of net finance costs from the Group's adjusted net finance costs metric; and removing the non-controlling interest share of current tax from the Group's adjusted current tax metric.

March 2023

Continuing operations (£m)	Reported	Movement on derivatives	Exceptional items	Adjustments to Gas Production decommissioning provision	Depreciation on FV uplifts	Joint venture interest and tax	Interest on net pension asset	Deferred tax	Share of profit attributable to non-controlling interests	Adjusted
Operating (loss)/profit	(146.3)	2,514.3	0.6	(50.5)	28.8	213.2	-	-	(30.9)	2,529.2
Net finance costs	(59.3)	(201.9)	(0.2)	-	-	(70.1)	(16.2)	-	2.1	(345.6)
(Loss)/profit before taxation	(205.6)	2,312.4	0.4	(50.5)	28.8	143.1	(16.2)	-	(28.8)	2,183.6
Taxation	110.0	(460.5)	34.1	-	-	(143.1)	-	99.6	1.1	(358.8)
(Loss)/profit after taxation	(95.6)	1,851.9	34.5	(50.5)	28.8	-	(16.2)	99.6	(27.7)	1,824.8
Attributable to other equity holders	(62.4)	-	-	-	-	-	-	(4.1)	27.7	(38.8)
(Loss)/profit attributable to ordinary shareholders	(158.0)	1,851.9	34.5	(50.5)	28.8	-	(16.2)	95.5	-	1,786.0
Number of shares for EPS	1,075.6									1,075.6
(Losses)/earnings per share	(14.7)									166.0

EBITDA

March 2023

Adjusted operating profit from continuing operations £m	Share of joint venture and associates' depreciation and amortisation £m	Release of deferred income £m	Depreciation on FV uplifts £m	Depreciation, impairment and amortisation before exceptional charges £m	Share of depreciation, impairment and amortisation before exceptional items attributable to non-controlling interests £m	Adjusted EBITDA £m
2,529.2	201.1	(13.9)	(28.8)	704.2	(9.7)	3,382.1

March 2022 (restated*)

Continuing operations (£m)	Reported	Movement on derivatives	Exceptional items	Adjustments to Gas Production decommissioning provision	Depreciation on FV uplifts	Joint venture interest and tax	Interest on net pension asset	Deferred tax	Adjusted
Operating profit	3,749.5	(2,097.8)	(301.8)	13.1	20.6	147.3	-	-	1,530.9
Net finance costs	(273.2)	(21.0)	(3.2)	-	-	(67.8)	(7.6)	-	(372.8)
Profit before taxation	3,476.3	(2,118.8)	(305.0)	13.1	20.6	79.5	(7.6)	-	1,158.1
Taxation	(881.3)	408.0	323.7	-	-	(79.5)	-	122.0	(107.1)
Profit after taxation	2,595.0	(1,710.8)	18.7	13.1	20.6	-	(7.6)	122.0	1,051.0
Attributable to other equity holders	(50.7)	-	-	-	-	-	-	-	(50.7)
Profit attributable to ordinary shareholders	2,544.3	(1,710.8)	18.7	13.1	20.6	-	(7.6)	122.0	1,000.3
Number of shares for EPS	1,055.0								1,055.0
Earnings per share	241.2								94.8

EBITDA

March 2022 (restated*)

Adjusted operating profit from continuing operations £m	Share of joint venture and associates' depreciation and amortisation £m	Release of deferred income £m	Depreciation on FV uplifts £m	Depreciation, impairment and amortisation before exceptional charges £m	Adjusted EBITDA £m
1,530.9	146.6	(17.6)	(20.6)	612.0	2,251.3

*The comparative Alternative Performance Measures have been restated. See note 3.1.

Continuing operations (£m)	March 2021								
	Reported	Movement on derivatives	Exceptional items	Adjustments to Gas Production decommissioning provision	Depreciation on FV uplifts	Joint venture interest and tax	Interest on net pension asset	Deferred tax	Adjusted
Operating profit	2,654.9	(597.8)	(848.9)	-	20.6	104.7	-	-	1,333.5
Net finance costs	(236.9)	(55.6)	(1.4)	-	-	(82.4)	(8.3)	-	(384.6)
Profit before taxation	2,418.0	(653.4)	(850.3)	-	20.6	22.3	(8.3)	-	948.9
Taxation	(224.3)	125.9	(3.1)	-	-	(22.3)	-	37.9	(85.9)
Profit after taxation	2,193.7	(527.5)	(853.4)	-	20.6	-	(8.3)	37.9	863.0
Attributable to other equity holders	(46.6)	-	-	-	-	-	-	-	(46.6)
Profit attributable to ordinary shareholders	2,147.1	(527.5)	(853.4)	-	20.6	-	(8.3)	37.9	816.4
Number of shares for EPS	1,040.9								1,040.9
Earnings per share	206.3								78.4

EBITDA

Adjusted operating profit from continuing operations £m	Share of joint venture and associates' depreciation and amortisation £m	March 2021 Release of deferred income £m	Depreciation on FV uplifts £m	Depreciation, impairment and amortisation before exceptional charges £m	Adjusted EBITDA £m
1,333.5	143.9	(17.7)	(20.6)	556.2	1,995.3

*The comparative Alternative Performance Measures have been restated.

DEBT MEASURE

Group APM	Purpose	Closest Equivalent IFRS measure	Adjustments to reconcile to primary financial statements
Adjusted Net Debt and Hybrid Capital	Debt measure	Unadjusted net debt	<ul style="list-style-type: none"> Hybrid equity Outstanding liquid funds Lease obligations Non-controlling share of borrowings and cash

RATIONALE FOR ADJUSTMENTS TO DEBT MEASURE

11. Hybrid equity

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

12. Cash posted as collateral

Cash posted as collateral are SSE cash balances held by counterparties including trading exchanges. Collateral balances mostly represent initial and variation margin, required as part of the management of the Group's exposures on commodity contracts, that will be received on maturity of the related trades. Loans with a maturity of less than three months are also included in this adjustment. The Group includes this adjustment in order to better reflect the immediate cash resources to which it has access, which in turn better reflects the Group's funding position.

13. Lease obligations

SSE's reported loans and borrowings include lease liabilities on contracts within the scope of IFRS 16, which are not directly related to external financing of the Group. The Group excludes these liabilities from its adjusted net debt and hybrid capital measure to better reflect the Group's underlying funding position with its primary sources of capital.

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

The Group's structure includes non-wholly owned but controlled subsidiaries which are consolidated within the financial statements of the Group under IFRS. The most significant of those is SSEN Transmission, a 25% stake in which was divested on 30 November 2022 (see note 12 for more details of that transaction). Following completion of the transaction, the Group has removed the share of external debt and cash in these subsidiaries proportionately attributable to the non-controlling interest holders from its adjusted net debt and hybrid capital metric. While legal entitlement to these items has not changed, the Group makes this adjustment to present net debt attributable to ordinary equity holders of the Group.

	March 2023 £m	March 2022 £m	March 2021 £m
Unadjusted net debt	(8,168.1)	(8,015.4)	(7,810.4)
Cash posted as collateral	316.3	74.7	(37.1)
Lease obligations	405.9	393.5	421.0
External net debt attributable to non-controlling interests	434.2	-	-
Adjusted Net Debt	(7,011.7)	(7,547.2)	(7,426.5)
Hybrid equity	(1,882.4)	(1,051.0)	(1,472.4)
Adjusted Net Debt and Hybrid Capital	(8,894.1)	(8,598.2)	(8,898.9)

CAPITAL MEASURES

Group APM	Purpose	Closest Equivalent IFRS measure	Adjustments to reconcile to primary financial statements
Adjusted Investment and Capital Expenditure	Capital measure	Capital additions to intangible assets and property, plant and equipment	<ul style="list-style-type: none"> • Customer funded additions • Allowances and certificates • Additions acquired through business combinations • Disposed or impaired additions • Joint venture and associates' additions funding • Non-controlling share of capital expenditure • Refinancing proceeds
Adjusted Investment, Capital and Acquisition Expenditure	Capital measure	Capital additions to intangible assets and property, plant and equipment	<ul style="list-style-type: none"> • Customer funded additions • Allowances and certificates • Additions acquired through business combinations • Disposed or impaired additions • Joint venture and associates' additions funding • Non-controlling share of capital expenditure • Refinancing proceeds/refunds • Acquisition cash consideration

RATIONALE FOR ADJUSTMENTS TO CAPITAL MEASURES

15. Customer funded additions

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

16. Allowances and certificates

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

17. Additions through business combinations

Where the Group acquires an early-stage development company, which is classified as the acquisition of an asset, or group of assets and not the acquisition of a business, the acquisition is treated as an addition to intangible assets or property, plant and equipment and is included within 'adjusted investment and capital expenditure'. Where the Group acquires an established business or interest in an equity-accounted joint venture requiring a fair value assessment in line with the principles of IFRS 3 'Business Combinations', the fair value of acquired consolidated tangible or intangible assets are excluded from the Group's 'adjusted investment and capital expenditure', as they are not direct capital expenditure by the Group. However, the fair valuation of consideration paid for the business or investment is included in the Group's 'adjusted investment, capital and acquisition expenditure' metric, see 23 below. Please refer to note 12 for detail of the Group's acquisitions in the year.

18. Additions subsequently disposed or impaired

For consistency of presentation, any capital additions in the year that are subsequently written-down or disposed are removed from the APM. In the prior year there were capex additions of £13.9m related to the Gas Production business, which was disposed on 14 October 2021. This adjustment also includes any subsequently derecognised development expenditure.

19. Joint venture and associates' additions funding

Joint ventures and associates' additions included in the Group's capital measures represent the direct loan or equity funding provided by the Group to joint venture and associate arrangements in relation to capital expenditure projects. This has been

included to better reflect the Group's use of directly funded equity accounted vehicles to grow the Group's asset base. Asset additions funded by project finance raised within the Group's joint ventures and associates are not included in this adjustment.

20. Non-controlling share of capital expenditure

The Group's structure includes non-wholly owned but controlled subsidiaries which are consolidated within the financial statements of the Group under IFRS. The most significant of those is SSEN Transmission, a 25% stake in which was divested on 30 November 2022 (see note 12 for more details of that transaction). In the current year, the Group has removed the share of capital additions attributable proportionately to these equity holders from the point when the ownership structure changed (i.e. for SSEN Transmission, with effect from 1 December 2022) from its "adjusted investment and capital expenditure" and "adjusted investment, capital and acquisition expenditure" metrics. This is consistent with the adjustments noted elsewhere related to these non-controlling interests. This has no impact on the prior year metrics.

21. Refinancing proceeds/refunds

The Group's model for developing large scale capital projects within joint ventures and associates involves project finance being raised within those entities. Where the Group funds early-stage capex which is then subsequently reimbursed to SSE following the receipt of project finance within the vehicle, the refinancing proceeds are included in the Group's net adjusted investment and capital expenditure metric. This is consistent with the inclusion of the initial investment in the metric as explained at 17 above. There were no refinancing proceeds in the year ended 31 March 2023. In the year ended 31 March 2022, Doggerbank windfarm reimbursed SSE for previous funding of £136.7m. In the year ended 31 March 2021, the Group received reimbursed capex of £246.1m in relation to Seagreen windfarm and £182.5m in relation to Doggerbank windfarm. These receipts have been deducted from the Group's adjusted investment and capital expenditure metric.

22. Lease additions

Additions of right of use assets under the Group's IFRS 16 compliant policies for lease contracts are excluded from the Group's adjusted capital measures as they do not represent directly funded capital investment. This is consistent with the treatment of lease obligations explained at 13, above.

23. Acquisition cash consideration in relation to business combinations

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

	March 2023	March 2022 (restated*)	March 2021
	£m	£m	£m
Capital additions to intangible assets	1,688.6	921.0	701.3
Capital additions to property, plant and equipment	1,500.1	1,392.9	1,102.5
Capital additions to intangible assets and property, plant and equipment	3,188.7	2,313.9	1,803.8
Customer funded additions	(80.9)	(91.3)	(61.8)
Allowances and certificates	(805.2)	(544.5)	(509.0)
Additions through business combinations	(515.2)	(197.8)	-
Additions subsequently disposed/impaired	-	(13.9)	(19.7)
Joint ventures and associates' additions	498.4	682.5	172.7
Non-controlled interests share of capital expenditure	(46.7)	-	-
Refinancing (proceeds)/refunds	-	(136.7)	(428.6)
Lease asset additions	(78.5)	(85.7)	(45.4)
Adjusted Investment and Capital Expenditure	2,160.6	1,926.5	912.0
Acquisition cash consideration	642.7	141.3	-
Adjusted Investment, Capital and Acquisition Expenditure	2,803.3	2,067.8	912.0

*The comparative Alternative Performance Measures have been restated. See note 3.1.

IMPACT OF DISCONTINUED OPERATIONS ON THE GROUP'S APMS

The following metrics have been adjusted in all years presented to exclude the contribution of the Group's investment in Scotia Gas Networks Limited ("SGN") which was disposed on 22 March 2022 (see note 12) and Group's Gas Production operations which were disposed on 14 October 2021 (see note 12):

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

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

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

	March 2023	March 2022 (restated*)	March 2021
	£m	£m	£m
Adjusted EBITDA of SSE Group (including discontinued operations)	3,382.1	2,384.8	2,262.9
Less: Gas Production	-	(101.4)	(33.0)
Less: SGN	-	(32.1)	(234.6)
Adjusted EBITDA of continuing operations	3,382.1	2,251.3	1,995.3
Adjusted operating profit of SSE Group (including discontinued operations)	2,529.2	1,653.3	1,539.5
Less: Gas Production	-	(101.4)	(33.0)
Less: SGN	-	(21.0)	(173.0)
Adjusted operating profit of continuing operations	2,529.2	1,530.9	1,333.5
Adjusted net finance costs of SSE Group (including discontinued operations)	345.6	377.6	443.9
Less: Gas Production	-	(0.1)	(2.3)
Less: SGN	-	(4.7)	(57.0)
Adjusted net finance costs of continuing operations	345.6	372.8	384.6
Adjusted profit before tax of SSE Group (including discontinued operations)	2,183.6	1,275.7	1,095.6
Less: Gas Production	-	(101.3)	(30.7)
Less: SGN	-	(16.3)	(116.0)
Adjusted profit before tax of continuing operations	2,183.6	1,158.1	948.9
Adjusted current tax of SSE Group (including discontinued operations)	358.8	109.4	107.8
Less: SGN current tax charge	-	(2.3)	(21.9)
Adjusted current tax of continuing operations	358.8	107.1	85.9
Adjusted earnings per share of SSE Group (including discontinued operations)	166.0	105.6	90.5
Less: Gas Production earnings per share	-	(9.6)	(3.0)
Less: SGN earnings per share	-	(1.2)	(9.1)
Adjusted earnings per share of continuing operations	166.0	94.8	78.4

*The comparative Alternative Performance Measures have been restated. See note 3.1.

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

SUMMARY FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2023

	Note	2023			2022 (restated*)		
		Before exceptional items and certain re-measurements £m	Exceptional items and certain re-measurements (note 7) £m	Total £m	Before exceptional items and certain re-measurements £m	Exceptional items and certain re-measurements (note 7) £m	Total £m
Continuing operations							
Revenue	6	12,490.7	-	12,490.7	8,697.2	-	8,697.2
Cost of sales		(9,933.2)	(2,717.2)	(12,650.4)	(6,405.5)	2,097.8	(4,307.7)
Gross profit/(loss)		2,557.5	(2,717.2)	(159.7)	2,291.7	2,097.8	4,389.5
Operating costs		(1,431.6)	(230.4)	(1,662.0)	(1,117.6)	297.5	(820.1)
Debt impairment charges		(91.0)	-	(91.0)	(1.1)	-	(1.1)
Other operating income		1,015.0	89.1	1,104.1	67.1	4.3	71.4
Operating profit/(loss) before joint ventures and associates		2,049.9	(2,858.5)	(808.6)	1,240.1	2,399.6	3,639.7
Joint ventures and associates:							
Share of operating profit		531.9	140.7	672.6	257.1	-	257.1
Share of interest		(70.1)	-	(70.1)	(67.8)	-	(67.8)
Share of movement in derivatives		-	202.9	202.9	-	-	-
Share of tax		(104.0)	(39.1)	(143.1)	(46.3)	(33.2)	(79.5)
Share of profit on joint ventures and associates		357.8	304.5	662.3	143.0	(33.2)	109.8
Operating profit/(loss) from continuing operations	6	2,407.7	(2,554.0)	(146.3)	1,383.1	2,366.4	3,749.5
Finance income	8	135.3	202.1	337.4	79.0	24.2	103.2
Finance costs	8	(396.7)	-	(396.7)	(376.4)	-	(376.4)
Profit/(loss) before taxation		2,146.3	(2,351.9)	(205.6)	1,085.7	2,390.6	3,476.3
Taxation	9	(355.5)	465.5	110.0	(149.6)	(731.7)	(881.3)
Profit/(loss) for the year from continuing operations		1,790.8	(1,886.4)	(95.6)	936.1	1,658.9	2,595.0
Discontinued operations							
Profit from discontinued operation, net of tax		-	35.0	35.0	116.3	366.4	482.7
Profit/(loss) for the year		1,790.8	(1,851.4)	(60.6)	1,052.4	2,025.3	3,077.7
Attributable to:							
Ordinary shareholders of the parent		1,728.4	(1,851.4)	(123.0)	1,001.7	2,025.3	3,027.0
Non-controlling interests		23.6	-	23.6	-	-	-
Other equity holders		38.8	-	38.8	50.7	-	50.7
(Losses)/earnings per share							
Basic (pence)	11			(11.4)			286.9
Diluted (pence)	11			(11.4)			286.4
(Losses)/earnings per share – continuing operations							
Basic (pence)	11			(14.7)			241.2
Diluted (pence)	11			(14.7)			240.7
Dividends							
Interim dividend paid per share (pence)	10			29.0			25.5
Proposed final dividend per share (pence)	10			67.7			60.2
				<u>96.7</u>			<u>85.7</u>

*The comparative Consolidated Income Statement has been restated. See note 3.1.

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 2023

	2023	2022
	£m	(restated*) £m
(Loss)/profit for the year		
Continuing operations	(95.6)	2,595.0
Discontinued operations	35.0	482.7
	(60.6)	3,077.7
Other comprehensive income:		
Items that will be reclassified subsequently to profit or loss:		
Net gains on cash flow hedges	43.3	22.9
Transferred to assets and liabilities on cash flow hedges	(12.7)	11.2
Taxation on cashflow hedges	(8.1)	(4.4)
	22.5	29.7
Share of other comprehensive gain of joint ventures and associates, net of taxation	342.4	181.4
Exchange difference on translation of foreign operations	72.5	(3.2)
(Loss)/gain on net investment hedge	(43.1)	9.4
	394.3	217.3
Items that will not be reclassified to profit or loss:		
Actuarial (loss)/gain on retirement benefit schemes, net of taxation	(59.4)	124.7
Share of other comprehensive loss of joint ventures and associates, net of taxation	-	(1.7)
Losses on revaluation of investments in equity instruments, net of taxation	(0.4)	-
	(59.8)	123.0
Other comprehensive gain, net of taxation	334.5	340.3
Total comprehensive income for the year	273.9	3,418.0
Total comprehensive income for the year arises from:		
Continuing operations	238.9	2,908.4
Discontinued operations		
Items that will be reclassified subsequently to profit or loss:		
Share of other comprehensive gain of joint venture and associates, net of taxation	-	28.6
Items that will not be reclassified to the profit or loss:		
Share of other comprehensive loss of joint ventures, net of taxation	-	(1.7)
Other comprehensive gain from discontinued operations	-	26.9
Profit from discontinued operations	35.0	482.7
Total comprehensive income from discontinued operations	35.0	509.6
Total comprehensive income for the year	273.9	3,418.0
Attributable to:		
Ordinary shareholders of the parent	206.4	3,367.3
Non-controlling interests	28.7	-
Other equity holders	38.8	50.7
	273.9	3,418.0

*The comparative Consolidated Statement of Other Comprehensive Income has been restated. See note 3.1

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

CONSOLIDATED BALANCE SHEET

as at 31 March 2023

	Note	2023 £m	2022 (restated*) £m
Assets			
Property, plant and equipment		15,395.9	14,612.8
Goodwill and other intangible assets		1,960.3	1,127.8
Equity investments in associates and joint ventures		1,937.0	1,239.5
Loans to associates and joint ventures		1,115.4	736.9
Other investments		27.4	8.7
Other receivables		149.5	136.4
Derivative financial assets		246.0	371.7
Retirement benefit assets	15	541.1	584.9
Non-current assets		21,372.6	18,818.7
Intangible assets		454.9	459.3
Inventories		394.9	266.6
Trade and other receivables		3,245.1	2,211.0
Current tax asset		19.9	8.8
Cash and cash equivalents		891.8	1,049.3
Derivative financial assets		759.2	2,941.8
Current assets		5,765.8	6,936.8
Total assets		27,138.4	25,755.5
Liabilities			
Loans and other borrowings	13	1,820.6	1,190.8
Trade and other payables		2,658.6	2,672.6
Current tax liabilities		9.1	-
Provisions		29.4	93.3
Derivative financial liabilities		243.3	701.5
Current liabilities		4,761.0	4,658.2
Loans and other borrowings	13	7,239.3	7,873.9
Deferred tax liabilities		1,299.1	1,644.1
Trade and other payables		959.9	842.4
Provisions		742.7	1,017.9
Derivative financial liabilities		1,021.0	549.6
Non-current liabilities		11,262.0	11,927.9
Total liabilities		16,023.0	16,586.1
Net assets		11,115.4	9,169.4
Equity			
Share capital	14	547.0	536.5
Share premium		821.2	835.1
Capital redemption reserve		52.6	49.2
Hedge reserve		441.2	77.5
Translation reserve		32.1	6.6
Retained earnings		6,689.8	6,572.9
Equity attributable to ordinary shareholders of the parent		8,583.9	8,077.8
Hybrid equity	14	1,882.4	1,051.0
Attributable to non-controlling interests		649.1	40.6
Total equity		11,115.4	9,169.4

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 2023

	Share capital £m	Share premium £m	Capital redemption reserve £m	Hedge reserve £m	Translation reserve £m	Retained earnings £m	Total attributable to ordinary shareholders £m	Hybrid equity £m	Total equity before non-controlling interest £m	Non-controlling interest £m	Total equity £m
At 1 April 2022 (restated*)	536.5	835.1	49.2	77.5	6.6	6,572.9	8,077.8	1,051.0	9,128.8	40.6	9,169.4
Profit for the year	-	-	-	-	-	(123.0)	(123.0)	38.8	(84.2)	23.6	(60.6)
Other comprehensive income	-	-	-	363.7	25.5	(59.8)	329.4	-	329.4	5.1	334.5
Total comprehensive income for the year	-	-	-	363.7	25.5	(182.8)	206.4	38.8	245.2	28.7	273.9
Dividends to shareholders	-	-	-	-	-	(955.8)	(955.8)	-	(955.8)	-	(955.8)
Scrip dividend related share issue	13.9	(13.9)	-	-	-	481.5	481.5	-	481.5	-	481.5
Issue of treasury shares	-	-	-	-	-	18.0	18.0	-	18.0	-	18.0
Distributions to Hybrid equity holders	-	-	-	-	-	-	-	(38.8)	(38.8)	-	(38.8)
Issue of Hybrid equity	-	-	-	-	-	-	-	831.4	831.4	-	831.4
Share buy back	(3.4)	-	3.4	-	-	(107.6)	(107.6)	-	(107.6)	-	(107.6)
Partial disposal of interest in SSEN Transmission	-	-	-	-	-	868.3	868.3	-	868.3	579.8	1,448.1
Credit in respect of employee share awards	-	-	-	-	-	18.7	18.7	-	18.7	-	18.7
Investment in own shares	-	-	-	-	-	(23.4)	(23.4)	-	(23.4)	-	(23.4)
At 31 March 2023	547.0	821.2	52.6	441.2	32.1	6,689.8	8,583.9	1,882.4	10,466.3	649.1	11,115.4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2022

	Share capital £m	Share premium £m	Capital redemption reserve £m	Hedge reserve £m	Translation reserve £m	Retained earnings £m	Total attributable to ordinary shareholders £m	Hybrid equity £m	Total equity before non-controlling interest £m	Non-controlling interest £m	Total equity £m
At 1 April 2021	524.5	847.1	49.2	(133.6)	0.4	3,921.1	5,208.7	1,472.4	6,681.1	-	6,681.1
Profit for the year (restated*)	-	-	-	-	-	3,027.0	3,027.0	50.7	3,077.7	-	3,077.7
Other comprehensive income	-	-	-	211.1	6.2	123.0	340.3	-	340.3	-	340.3
Total comprehensive income for the year	-	-	-	211.1	6.2	3,150.0	3,367.3	50.7	3,418.0	-	3,418.0
Dividends to shareholders	-	-	-	-	-	(862.3)	(862.3)	-	(862.3)	-	(862.3)
Scrip dividend related share issue	12.0	(12.0)	-	-	-	355.7	355.7	-	355.7	-	355.7
Issue of shares	-	-	-	-	-	6.3	6.3	-	6.3	-	6.3
Distributions to Hybrid equity holders	-	-	-	-	-	-	-	(50.7)	(50.7)	-	(50.7)
Redemption of hybrid equity	-	-	-	-	-	(4.6)	(4.6)	(421.4)	(426.0)	-	(426.0)
Credit in respect of employee share awards	-	-	-	-	-	20.8	20.8	-	20.8	-	20.8
Investment in own shares	-	-	-	-	-	(14.1)	(14.1)	-	(14.1)	-	(14.1)
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	40.6	40.6
At 31 March 2022 (restated*)	536.5	835.1	49.2	77.5	6.6	6,572.9	8,077.8	1,051.0	9,128.8	40.6	9,169.4

*The comparative Statement of Changes in Equity has been restated. See note 3.1.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2023

	Note	2023 £m	2022 (restated*) £m
Operating (loss)/profit – continuing operations	6	(146.3)	3,749.5
Operating loss – discontinued operations		-	(100.5)
Operating profits – total operations		(146.3)	3,649.0
Less share of profit of joint ventures and associates		(662.3)	(28.7)
Operating (loss)/profit before jointly controlled entities and associates		(808.6)	3,620.3
Pension service charges less contributions paid		(19.2)	(23.0)
Movement on operating derivatives		2,691.6	(2,100.4)
Depreciation, amortisation, write downs and impairments		640.7	303.2
Impairment of joint venture investment		329.3	106.9
Charge in respect of employee share awards (before tax)		18.7	20.8
Profit on disposal of assets and businesses	12	(89.1)	(48.2)
Release of provisions		(114.9)	(1.6)
Release of deferred income		(13.9)	(17.6)
Cash generated from operations before working capital movements		2,634.6	1,860.4
Increase in inventories		(137.3)	(24.4)
Increase in receivables		(996.0)	(625.6)
Increase in payables		166.7	544.2
(Decrease)/increase in provisions		(15.3)	61.3
Cash generated from operations		1,652.7	1,815.9
Dividends received from investments		296.5	177.0
Interest paid		(199.9)	(273.5)
Taxes paid		(255.3)	(91.5)
Net cash from operating activities		1,494.0	1,627.9
Purchase of property, plant and equipment		(1,479.7)	(1,273.6)
Purchase of other intangible assets		(336.4)	(182.2)
Deferred income received		13.9	12.3
Proceeds from disposals	12	60.0	1,366.9
Purchase of businesses, joint ventures and subsidiaries		(642.7)	(145.3)
Joint venture development expenditure refunds		-	136.7
Loans and equity provided to joint ventures and associates		(621.8)	(676.0)
Loans and equity repaid by joint ventures		61.4	10.9
Increase in other investments		(19.1)	5.4
Net cash from investing activities		(2,964.4)	(744.9)
Proceeds from issue of share capital	14	18.0	6.3
Dividends paid to company's equity holders	10	(474.3)	(506.6)
Share buy backs		(107.6)	-
Proceeds from divestments		1,448.1	
Hybrid equity dividend payments	14	(38.8)	(50.7)
Employee share awards share purchase	14	(23.4)	(14.1)
Issue of hybrid instruments	14	831.4	-
Redemption of hybrid instruments	14	-	(426.0)
New borrowings		1,914.7	506.1
Repayment of borrowings		(2,242.5)	(960.1)
Settlement of cashflow hedges		(12.7)	11.2
Net cash from financing activities		1,312.9	(1,433.9)
Net decrease in cash and cash equivalents		(157.5)	(550.9)
Cash and cash equivalents at the start of year		1,049.3	1,600.2
Net decrease in cash and cash equivalents		(157.5)	(550.9)
Cash and cash equivalents at the end of year		891.8	1,049.3

*The comparative consolidated cash flow statement has been restated. See note 3.1

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

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

for the year ended 31 March 2023

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 2023 or 2022 but is derived from those accounts. Consolidated financial statements for the year ended 31 March 2022 were delivered to the Registrar of Companies, and those for the year ended 31 March 2023 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 23 May 2023.

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 2023. These consolidated financial statements were prepared under the historical cost convention, excepting certain assets and liabilities stated at fair value and the liabilities of the Group's pension schemes which are measured using the projected unit credit method, in conformity with the requirements of the Companies Act 2006 and in accordance with UK adopted International Accounting Standards. This consolidated financial information has been prepared on the basis of accounting policies consistent with those applied in the consolidated financial statements for the year ended 31 March 2023 unless expressly stated otherwise.

The Directors consider that the Group has adequate resources to continue in operational existence for the period to 31 December 2024. The consolidated financial statements are therefore prepared on a going concern basis with the basis for that conclusion explained in the consolidated financial statements at note A6.3.

The Summary Financial Statements are presented in Pounds Sterling.

2.2 Basis of presentation

The Group applies the use of adjusted accounting measures or alternative performance measures ("APMs") 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 earnings per share', 'adjusted investment and capital expenditure', 'adjusted EBITDA', 'adjusted investment, capital and acquisition expenditure' and 'adjusted net debt and hybrid capital' are not defined under IFRS and are explained in more detail in note 4.

2.3 Changes to presentation

There have been no material changes to presentation of the statements in the current or prior year. The prior year comparatives at 31 March 2022 have been restated following the adoption of the amendment to IAS 16 Proceeds Before Intended Use, as disclosed in the section below 3.1.

2.4 Changes to estimates

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

3. NEW ACCOUNTING POLICIES AND REPORTING CHANGES

The basis of consolidation and principal accounting policies applied in the preparation of these Summary 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 Group has retrospectively adopted the amendments to 'IAS 16 Property, Plant and Equipment – Proceeds Before Intended Use' from the earliest period presented in these Summary Financial Statements, in line with the requirements of the standard. The Group had pre-commissioning activity in the year ended 31 March 2022 and therefore has restated the comparative information presented.

The Group's Keadby 2 asset achieved its first fire in October 2021, commenced test operations in February 2022 and entered commercial operations on 15 March 2023. During the period from October 2021 to 15 March 2023 the Group received pre-commissioning revenue within the scope of the amendment to the standard which previously would have been recognised as a cost of the constructed asset. The impact of adoption of the amendment in the prior year was to increase revenue by £89.0m, increase cost of sales by £94.7m, increase operating costs by £0.2m therefore decreasing profit before tax by £5.9m, and decreasing profit after tax by £4.4m. Additionally in the balance sheet, the Group's property, plant and equipment balance has been decreased by £5.9m and deferred tax liability decreased by £1.5m.

3. NEW ACCOUNTING POLICIES AND REPORTING CHANGES (CONTINUED)

In the current year ended 31 March 2023, the Group has recognised pre-commissioning revenue of £245.4m and pre-commissioning costs of £226.8m related to Keadby 2. In addition, the Group holds an equity investment in Seagreen Wind Energy Limited ('Seagreen') which has been undertaking pre-commissioning testing activity during the construction of its offshore windfarm in the current financial year. The Group's share of profit recognised from joint ventures and associates in the current year includes £28.9m of pre-commissioning operating costs from Seagreen.

The Group has adopted the amendment to 'IAS 37 Onerous Contracts – Cost of Fulfilling a Contract' in the current year. Adoption of the amendment was reflected in the calculation of the onerous provision of £21.7m recognised by the Group's Business Energy segment at 30 September 2022. This provision has been released in the second half of the financial year following decreases in wholesale energy prices and therefore has no impact on amounts presented at 31 March 2023.

There were no other standards, amendments to standards or interpretations relevant to the Group's operations which were adopted during the period.

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

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

IFRS 17 'Insurance contracts' is effective from 1 January 2023 (1 April 2023 for the Group) following UK endorsement on 16 May 2022. Adoption of the standard is not anticipated to have a material impact on the consolidated financial statements of the Group, however the Parent Company, SSE Plc, enters into financial guarantee contracts to guarantee indebtedness of the other companies within the Group and continues to provide guarantees in respect of the disposed Contracting and Rail and Gas Production businesses. The Group is continuing to assess the impact of adoption of the standard for the Parent Company.

Amendments to IAS 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' is effective from 1 January 2023 (1 April 2023 for the Group) following UK endorsement on 15 December 2022. Adoption of the amendment is expected to result in a gross up of deferred tax assets and liabilities, but is not anticipated to have a material impact on the net deferred tax balances within the consolidated financial statements of the Group.

There are a number of other interpretations and amendments issued but not yet effective at 31 March 2023. These are not anticipated to have a material impact on the Group's consolidated financial statements.

4. ADJUSTED ACCOUNTING MEASURES

The Group applies the use of adjusted accounting measures or alternative performance measures ('APMs') throughout the Annual Report and Financial Statements. These measures enable the Directors to present the underlying performance of the Group and its segments to the users of the statements in a consistent and meaningful manner. The adjustments applied and certain terms such as 'adjusted operating profit', 'adjusted earnings per share', 'adjusted EBITDA', 'adjusted investment and capital expenditure', 'adjusted investment, capital and acquisition expenditure' and 'adjusted net debt and hybrid capital' that are not defined under IFRS and are explained in more detail below. In addition, the section 'Alternative Performance Measures' at page 55 provides further context and explanation of these terms.

4.1 Adjusted measures

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

The performance of the reportable segments is reported based on adjusted profit before interest and tax ('adjusted operating profit'). This is reconciled to reported profit before interest and tax by adding back exceptional items and certain re-measurements (see note 4.2 below), depreciation and amortisation expense on fair value uplifts, the share of operating profit attributable to non-controlling interests, adjustments to the retained Gas Production decommissioning provision and after the removal of interest and taxation on profits from equity-accounted joint ventures and associates.

The performance of the Group is reported based on adjusted profit before tax which excludes exceptional items and certain re-measurements (see note 4.2 below), depreciation and amortisation expense on fair value uplifts, the share of profit before tax attributable to non-controlling interests, the net interest costs associated with defined benefit schemes, adjustments to the retained Gas Production decommissioning provision and taxation on profits from equity-accounted joint ventures and associates. The interest charges or credits on defined benefit schemes removed are non-cash and are subject to variation based on actuarial valuations of scheme liabilities.

4. ADJUSTED ACCOUNTING MEASURES (CONTINUED)

4.1 Adjusted measures (continued)

The Group also uses adjusted earnings before interest, taxation, depreciation and amortisation ('adjusted EBITDA') as an alternative operating performance measure which acts as a management proxy for cash generated from operating activities. This does not take into account the rights and obligations that SSE has in relation to its equity-accounted joint ventures and associates. This measure excludes exceptional items and certain re-measurements (see note 4.2 below), the depreciation charged on fair value uplifts, the share of EBITDA attributable to non-controlling interests, adjustments to the retained Gas Production decommissioning provision, the net interest costs associated with defined benefit schemes, depreciation and amortisation from equity-accounted joint ventures and associates and interest and taxation on profits from equity-accounted joint ventures and associates. For the purpose of calculating SSE's 'Net Debt to EBITDA' metric, 'adjusted EBITDA' is further adjusted to remove the proportion of adjusted EBITDA from equity-accounted joint ventures relating to off-balance sheet debt (see note 6.3.)

The Group's key performance measure is adjusted earnings per share (EPS), which is based on basic earnings per share before exceptional items and certain re-measurements (see note 4.2 below), depreciation and amortisation on fair value uplifts, adjustments to the retained Gas Production decommissioning provision, the net interest costs/income associated with defined benefit schemes and after the removal of deferred taxation and other taxation items. Deferred taxation is excluded from the Group's adjusted EPS because of the Group's significant ongoing capital investment programme, which means that the deferred tax is unlikely to reverse. Adjusted profit after tax is presented on a basis consistent with adjusted EPS except for the non-inclusion of payments to holders of hybrid equity.

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

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

Reconciliations from reported measures to adjusted measures along with further description of the rationale for those adjustments are included in the "Adjusted Performance Measures" section at pages 55 to 61 before the Summary Financial Statements.

4.2 Exceptional items and certain re-measurements

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

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

4. ADJUSTED ACCOUNTING MEASURES (CONTINUED)

4.2 Exceptional items and certain re-measurements (continued)

The Group operates a policy framework for estimating whether items are considered to be exceptional. This framework, which is reviewed annually, estimates the materiality of each broad set of potentially exceptional circumstances, after consideration of strategic impact and likelihood of recurrence, by reference to the Group's key performance measure of adjusted earnings per share. This framework estimates that any qualifying item greater than £40.0m 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 £40.0m threshold was increased during the year from the previously applied limit of £30.0m reflecting the increased profitability of the Group and the growth in the scale of its operations. The only exception to this threshold is for gains or losses on disposal, or divestment of early-stage SSE Renewables international or offshore wind farm development projects within SSE Renewables, which are considered non-exceptional in line with the Group's strategy to generate recurring gains from developer divestments. Where a gain arises on a non-cash transaction, the gain is treated as exceptional.

Certain re-measurements are re-measurements arising on certain commodity, interest rate and currency contracts which are accounted for as held for trading or as fair value hedges in accordance with the Group's policy for such financial instruments, or re-measurements on stocks of commodities held at the balance sheet date or movements in fair valuation of contracts for difference not designated as government grants.

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 re-measurements.

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 is necessarily required to make judgements and estimates that will have a significant effect on the amounts recognised in the financial statements. Changes in the assumptions underlying the estimates could result in a significant impact to the financial statements. The Group's key accounting judgement and estimation areas are noted below, with the most significant financial judgement areas as specifically considered by the Audit Committee being highlighted separately.

The Group has made no changes to its significant financial judgement areas since the financial year ended 31 March 2022, however the level of judgement applied in the revenue recognition judgement (see 5.1 (iii) below) has increased as a result of the introduction of customer support schemes during the year.

5.1 Significant financial judgements and estimation uncertainties

The preparation of the Group's Summary Financial Statements has specifically considered the following significant financial judgements, some of which are also areas of estimation uncertainty as noted below.

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

The Group reviews the carrying amounts of its goodwill, other intangible assets, specific property, plant and equipment and investment assets to determine whether any impairments or reversal of impairments to the carrying value of those assets requires to be recorded. Where an indicator of impairment or impairment reversal exists, the recoverable amount of those assets is determined by reference to value in use calculations or fair value less cost to sell assessments, if more appropriate. As well as its goodwill balances, the specific assets under review in the year ended 31 March 2023 are intangible development assets and specific property, plant and equipment assets related to gas storage and thermal power generation. In addition, the Group performed an impairment review over the carrying value of its equity investments in Neos Networks Limited and Triton Power Holdings Limited.

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

Changes to the estimates and assumptions on factors such as regulation and legislation changes (including the Electricity Generator Levy and climate change related regulation), power, gas, carbon and other commodity prices, volatility of gas prices, plant running regimes and load factors, discount rates and other inputs could impact the assessed recoverable value of assets and CGUs and consequently impact the Group's income statement and balance sheet.

(ii) Retirement benefit obligations – estimation uncertainty

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

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

5. ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)

5.1 Significant financial judgements and estimation uncertainties (continued)

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

Revenue from energy supply activities undertaken by the GB Business Energy and Airtricity businesses includes an estimate of the value of electricity or gas supplied to customers between the date of the last meter reading and the year end. This estimation comprises both billed revenue and unbilled revenue and is calculated based on applying the tariffs and contract rates applicable to customers against estimated customer consumption, taking account of various factors including usage patterns, tariff changes, changes to the proportion of customers on different contract types, levels of unread meters, weather trends and externally notified aggregated volumes supplied to customers from national settlements bodies. During the year both of the Group's Supply businesses have administered government backed customer support schemes, where the Group provides discounts to customers based on estimated usage and recovers amounts from government based on actual customer usage. The administration of these support schemes has increased the complexity and level of estimation uncertainty of the Group's unbilled calculations. The most material support scheme administered by the Group in the year was the Energy Bills Relief Scheme ("EBRS") within the GB Business Energy business. The accounting policy for customer support schemes and the balances claimed from government is explained at A1.2 within the consolidated financial statements.

This unbilled estimation is subject to an internal corroboration process which compares calculated unbilled volumes to a theoretical 'perfect billing' benchmark measure of unbilled volumes (in GWh and millions of therms) derived from historical weather-adjusted consumption patterns and aggregated metering data used in industry reconciliation processes. Furthermore, actual meter readings and billings continue to be compared to unbilled estimates between the balance sheet date and the finalisation of the financial statements. The estimation of the government receivable included within the Group's unbilled revenue accrual is based on claimed and unclaimed values based on the same customer consumption detail and derived from consideration of tariffs applied to customers, metered and estimated volumes and other factors. The EBRS claims submitted by SSE will be audited by the UK government and are subject to volumetric risk as estimated consumption data is replaced by actual metered data over the 14 month electricity industry reconciliation period. The value of outstanding EBRS claims recognised at 31 March 2023 was £326.6m, which includes a risk provision of £15.1m related to amounts where the Group has provided the discount to the customer but has assessed that it will be unable to recover the amount from the government during the open claim window.

Given the non-routine process, the number and the extent of differing inputs and the requirement of management to apply judgement noted above, the estimated revenue is considered a significant estimate made by management in preparing the financial statements. A change in the assumptions underpinning the unbilled calculation would have an impact on the amount of revenue recognised in any given period.

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

The Group holds a £100m loan note due from Ovo Energy Limited following the disposal of SSE Energy Services on 15 January 2020. The loan is repayable in full by 31 December 2029, carries interest at 13.25% and is presented cumulative of accrued interest payments, discounted at 13.25%. At 31 March 2023, the carrying value (net of expected credit loss provision of £1.5m (2022: £1.8m)) is £149.5m (2022: £131.0m).

The Group has assessed recoverability of the loan note receivable and has recognised a provision for expected credit loss in accordance with the requirements of IFRS 9. Due to previous energy supplier failures and recent market volatility, the Group's assessment of the recoverability of the loan note is considered a significant financial judgement. The Group has taken appropriate steps to assess all available information in respect of the recoverability of the loan note. Procedures included reviewing recent financial information of Ovo Energy Limited, including the 31 December 2021 statutory financial statements; considering available Government support schemes; and discussions with Ovo management. While the carrying value is considered to be appropriate, changes in economic conditions could lead to a change in the expected credit loss incurred by the Group in future periods.

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

Climate change and the transition to net zero have been considered in the preparation of these Summary Financial Statements. Where relevant assumptions have been applied that are consistent to a Paris-aligned 1.5OC 2050 net zero pathway. The Group has a clearly articulated Net Zero Acceleration Programme ('NZAP') to lead in the UK's transition to net zero and aligns its investment plans and business activities to that strategy. These plans are supported by the Group's Green Bond framework under which the fifth green bond was issued in July 2022. The proceeds of the fifth green bond were allocated to fund Renewables' wind projects.

5. ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)

5.1 Significant financial judgements and estimation uncertainties (continued)

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

The impact of future climate change regulation could have a material impact on the currently reported amounts of the Group's assets and liabilities. In preparing these Summary Financial Statements, the following climate change related risks have been considered:

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

In the medium term, the transition to net zero may result in regulation restricting electricity generation from unabated gas fired power stations. The Group's view is that flexible generation capacity, such as the Group's fleet of CCGT power stations, will be an essential part of the net zero transition in order to provide security of supply to a market which is increasingly dependent upon renewable sources, which are inherently intermittent. The majority of the Group's GB CCGT fleet is nearing the end of its economic life and it is not currently expected that regulation to require abatement would be introduced before the planned closure of most of those power stations. Of the net book value held at 31 March 2023, only four assets are forecast to continue to operate beyond 2030 being: Great Island; Keadby 2; Marchwood (which is operated by SSE under a lease); and Saltend Power Station within the Triton joint venture. The Group's view is that Great Island will continue to be essential to providing security of supply in the Irish electricity market. Keadby 2 commenced commercial operation on 15 March 2023 and has an efficiency of around 63% making it the most efficient plant of its type in the UK and Europe. Work is also underway to explore how to decarbonise Keadby 2 further with the potential to blend hydrogen into the plant. Marchwood is a 50% equity accounted joint venture and is considered one of the most efficient CCGTs in the UK. Saltend was acquired as part of Triton Power 50% equity accounted joint venture and supports the long-term decarbonisation of the UK's power system, and also contributes to security of supply and grid stability. Initial steps are underway at Saltend, targeting abatement by 2027 through blending up to 30% of low-carbon hydrogen. Therefore, the Group considers that other assets operating in the market would be more likely to close before Keadby 2, Marchwood and Saltend and the plants will continue to be required to balance the UK electricity market beyond 2030. As a result, the useful economic life of the four assets have not been shortened when preparing the 31 March 2023 financial statements. The Group assesses the useful economic life of its property, plant and equipment assets annually. In the short term, the economic return from the activity provided by the Group's Great Island CCGT asset has increased, resulting in the reversal of historic impairments at 31 March 2023.

A significant increase in renewable generation capacity in the Group's core markets in the UK and Ireland could potentially result in an oversupply of renewable electricity at a point in the future, which would lead to a consequential decrease in the power price achievable for the Group's wind generation assets. The Group has not assessed that this constitutes an indicator of impairment at 31 March 2023 as the Group's baseline investment case models assume a centrally approved volume of new build in these markets over the life of the existing assets. The Group's policy is to test the goodwill balances associated with its wind generation portfolio for impairment on an annual basis in line with the requirements of IAS 36. Through this impairment assessment (see note 15.1), a sensitivity to power price, which may arise in a market with significant new build, was modelled. This scenario indicated that, despite a modelled 10% reduction in power price, there remained significant headroom on the carrying value in the Group's wind generation assets.

Changes to weather patterns resulting from global warming have also been considered as a potential risk to future returns from the Group's wind and hydro assets. Changes to weather patterns could result in calmer, drier weather patterns, which would reduce volumes achievable for the Group's wind and hydro generation assets (although noting that this would likely lead to capacity constraints and hence higher prices). This has not been assessed as an indicator of impairment for operating assets in the UK and Ireland at 31 March 2023, as there is no currently observable evidence to support that scenario directly. The Group has performed a sensitivity to its impairment modelling and has assessed that an 8% reduction in achievable volume would result in significant headroom on the carrying value of the UK and Ireland assets at 31 March 2023. The TCFD physical risk scenarios modelled a 4% to 8% change in average mean wind speeds in the longer term across the wind portfolio, consistent with the impairment sensitivity performed.

Valuations of decommissioning provisions

The Group holds decommissioning provisions for its Renewable and Thermal generation assets and has retained a 60% share for the decommissioning of its disposed Gas Production business. As noted above, the Group's view at 31 March 2023 is that climate change regulation will not bring forward the closure dates of its CCGT fleet, many of which are expected to close before 2030. Similarly, it is expected that fundamental changes to weather patterns, or the impact of new wind generation capacity will not bring forward the decommissioning of the Group's wind farm portfolio.

The discounted share of the Gas Production provision is £201.4m (2022: £249.4m). At 31 March 2023, the impact of discounting of this retained provision is £64.5m (2022: £33.8m), which is expected to be incurred across the period to 31 March 2037. If the decommissioning activity was accelerated due to changes in legislation, the costs of unwinding the discounting of the provision would be recognised earlier.

Defined Benefit scheme assets

The Group holds defined benefit pension scheme assets at the 31 March 2023 which could be impacted by climate-related risks. The Trustees of the schemes have a long term investment strategy that seeks to reduce investment risk as and when appropriate and takes into consideration the impact of climate-related risk.

Going concern and viability statement

The implications of near term climate-related risks have been considered in the Group's going concern assessment and viability statement assessment.

5. ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)

5.2 Other accounting judgements – changes from prior year

The Group has made no changes to accounting judgements and estimation uncertainties from those presented in the Group's 2022 Annual Report.

5.3 Other areas of estimation uncertainty

(i) Tax provisioning

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

In estimating any such liability, the Group applies a risk-based approach, taking into account the specific circumstances of each dispute based on management's interpretation of tax law and supported, where appropriate, by discussion and analysis by external tax advisors. These estimates are inherently judgemental and could change substantially over time as disputes progress and new facts emerge. Provisions are reviewed on an ongoing basis, however the resolution of tax issues can take a considerable period of time to conclude and it is possible that amounts ultimately paid will be different from the amounts provided.

In the financial statements to 31 March 2023, the Group has no provision for uncertain tax positions included in current tax liabilities (2022: £27.9m). The provision held by the Group at 31 March 2022 related to the Group's case concerning the availability of capital allowances on Glendoe Hydro Electric Station. This case was heard at the Supreme Court on 23 March 2023 and a final decision on the case was released on 17 May 2023. This decision upheld SSE's position in relation to the dispute and accordingly the provision held has been released as an adjusting post balance sheet event and a related deferred tax liability of £23.4m in relation to the associated capital allowances has been recognised. The Group has no other open tax positions against which a provision has required to be recognised.

(ii) Decommissioning costs

The calculation of the Group's decommissioning provisions involves the estimation of quantum and timing of cash flows to settle the obligation. The Group engages independent valuation experts to estimate the cost of decommissioning its Renewable, Thermal and Gas Storage assets every three years based on current technology and prices. The last independent assessment for the majority of the Group's Renewable and Thermal generation assets was performed in the year to 31 March 2022. A formal assessment for Gas Storage assets was performed in the year to 31 March 2023. Retained decommissioning costs in relation to the disposed Gas Production business are periodically agreed with the field operators and reflect the latest expected economic production lives of the fields.

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

During the year, the carrying value of the Group's decommissioning provisions have decreased by £228m due to provision reassessments, increases in discount rate and decreases in inflation assumptions since 31 March 2022. With the exception of the decrease of £48.1m to the provision relating to Gas Production activities, movements on which are recorded in the income statement, all revaluation movements have been matched by an offsetting adjustment to an associated decommissioning asset.

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

6. SEGMENTAL INFORMATION

There have been no changes to the Group's core operating segments during the year. These segments are used internally by the Board to run the business and make strategic decisions. The Group's "Corporate unallocated" segment is the Group's residual corporate central costs which cannot be allocated to individual segments, and also includes the Group's joint venture investment in Neos Networks Limited.

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

Continuing operations		
Business Area	Reported Segments	Description
Transmission	SSEN Transmission	The economically regulated high voltage transmission of electricity from generating plant to the distribution network in the North of Scotland. Revenue earned from constructing, maintaining and renovating our transmission network is determined in accordance with the regulatory licence, based on an Ofgem approved revenue model and is recognised as charged to National Grid. The revenue earned from other transmission services such as generator plant connections is recognised in line with delivery of that service over the expected contractual period and at the contracted rate. On 25 November 2022 the Group sold a 25.0% non-controlling interest in this business to the Ontario Teachers' Pension Plan.
Distribution	SSEN 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.
Renewables	SSE Renewables	<p>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, the development of similar wind assets in Japan and Southern Europe and the development of wind, solar and battery opportunities. Revenue from physical generation of electricity in Great Britain is sold to SSE EPM and in Ireland is sold to Airtricity and is recognised as generated, based on the contracted or spot price at the time of delivery. Revenue from national support schemes (such as Renewable Obligation Certificates or the Capacity Market in Great Britain or REFIT in Ireland) may either be recognised in line with electricity being physically generated or over the contractual period, depending on the underlying performance obligation.</p> <p>With effect from 18 April 2023, Renewables has taken responsibility for the development, delivery and operation for battery storage and solar assets in Great Britain from Distributed Energy, aligning that activity with its international operations. The impact of applying this change is not considered material. This realignment of segmental reporting will be applied in the interim financial statements for the period to 30 September 2023.</p>
Thermal	SSE Thermal	The generation of electricity from thermal plant and the Group's interests in multifuel assets in the UK and Ireland. Revenue from physical generation of electricity in Great Britain and Ireland is sold to SSE EPM and is recognised as generated, based on the contract or spot price at the time of delivery. Revenue from national support schemes (such as the Capacity Market) and ancillary generation services may either be recognised in line with electricity being physically generated or over the contractual period, depending on the underlying performance obligation.
	Gas Storage	The operation of gas storage facilities in Great Britain, utilising capacity to optimise trading opportunity associated with the assets. Contribution arising from trading activities is recognised as realised based on the executed trades or withdrawal of gas from caverns.
Energy Customer Solutions	Business Energy	The supply of electricity and gas to business customers in Great Britain. Revenue earned from the supply of energy is recognised in line with the volume delivered to the customer, based on actual and estimated volumes, and reflecting the applicable customer tariff after deductions or discounts.
	Airtricity	The supply of electricity, gas and energy related services to residential and business customers in the Republic of Ireland and Northern Ireland. Revenue earned from the supply of energy is recognised in line with the volume delivered to the customer, based on actual and estimated volumes, and reflecting the applicable customer tariff after deductions or discounts. Revenue earned from energy related services may either be recognised over the expected contractual period or following performance of the service, depending on the underlying performance obligation.

6. SEGMENTAL INFORMATION (CONTINUED)

Business Area	Reported Segments	Description
Distributed Energy	Distributed Energy	The provision of services to enable customers to optimise and manage low carbon energy use; development and management of battery storage and solar assets; distributed generation, independent distribution, heat and cooling networks, smart buildings and EV charging activities. The results of the Group's Contracting and Rail business was included within this segment until it was disposed on 30 June 2021. As noted above, with effect from 18 April 2023, the battery storage and solar assets activity in Great Britain has been transferred to SSE Renewables.
EPM & I	Energy Portfolio Management (EPM)	The provision of a route to market for the Group's Renewable and Thermal generation businesses and commodity procurement for the Group's energy supply businesses in line with the Group's stated hedging policies. Revenue from physical sales of electricity, gas and other commodities produced by SSE is recognised as supplied to either the national settlements body or the customer, based on either the spot price at the time of delivery or trade price where that trade is eligible for "own use" designation. The sale of commodity optimisation trades is presented net in cost of sales alongside purchase commodity optimisation trades.

Discontinued operations		
Business Area	Reported Segments	Description
EPM & I	Gas Production	The production and processing of gas and oil from North Sea fields. Revenue was recognised based on the production that had been delivered to the customer at the specified delivery point, at the applicable contractual market price. This business was disposed of in the financial year to 31 March 2022. SSE has retained an obligation for 60% of the decommissioning liabilities of the disposed business as part of the transaction.
Gas Distribution	SGN	SSE's share of Scotia Gas Networks, which operates two economically regulated gas distribution networks in Scotland and the South of England. The revenue earned from transportation of natural gas to customers was recognised based on the volume of gas distributed to those customers and the set customer tariff. This investment was disposed of in the financial year to 31 March 2022 and accordingly is noted here in relation to the comparative information for that year.

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, share of profits attributable to non-controlling interests, the net interest costs/income associated with defined benefit pension schemes, adjustments to the retained Gas Production decommissioning and after the removal of taxation and interest on profits from joint ventures and associates.

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

6. SEGMENTAL INFORMATION (CONTINUED)

6.1 Revenue by segment

	Reported revenue	Inter-segment revenue (i)	Segment revenue	Reported revenue 2022 (restated*)	Inter-segment revenue (i)	Segment revenue 2022 (restated*)
	2023 £m	2023 £m	2023 £m	2022 £m	2022 £m	2022 £m
Continuing operations						
SSEN Transmission	656.1	-	656.1	589.7	-	589.7
SSEN Distribution	1,102.7	81.0	1,183.7	954.6	78.6	1,033.2
SSE Renewables	334.8	602.7	937.5	357.4	418.8	776.2
SSE Thermal	740.4	3,863.8	4,604.2	933.2	285.0	1,218.2
Gas storage	12.2	5,147.5	5,159.7	8.7	2,471.1	2,479.8
Energy Customer Solutions						
Business Energy	3,313.5	59.4	3,372.9	2,289.0	34.5	2,323.5
SSE Airtricity	1,776.9	233.1	2,010.0	1,177.3	451.3	1,628.6
Distributed Energy	139.1	20.1	159.2	176.9	25.4	202.3
EPM:						
Gross trading	24,700.6	11,972.4	36,673.0	12,808.3	7,160.2	19,968.5
Optimisation trades	(20,351.8)	(937.3)	(21,289.1)	(10,667.6)	(2,914.0)	(13,581.6)
EPM	4,348.8	11,035.1	15,383.9	2,140.7	4,246.2	6,386.9
Corporate unallocated	66.2	232.1	298.3	69.7	147.7	217.4
Total	12,490.7	21,274.8	33,765.5	8,697.2	8,158.6	16,855.8
Discontinued operations						
Gas Production	-	-	-	8.1	133.9	142.0
Total discontinued operations	-	-	-	8.1	133.9	142.0
Total SSE Group	12,490.7	21,274.8	33,765.5	8,705.3	8,292.5	16,997.8

*The comparative segment revenue has been restated. See note 3.1.

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

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

	2023 £m	2022 (restated*) £m
UK	10,899.8	7,381.1
Ireland	1,590.9	1,316.1
Total	12,490.7	8,697.2

6. SEGMENTAL INFORMATION (CONTINUED)

6.2 Operating profit/(loss) by segment

	2023							
	Adjusted operating profit reported to the Board £m	Depreciation on fair value uplifts £m	JV/ Associate share of interest and tax £m	Adjustments to Gas Production decommissioning provision £m	Non-controlling interests	Before exceptional items and certain re-measurements £m	Exceptional items and certain re-measurements £m	Total £m
Continuing operations								
SSEN Transmission	372.7	-	-	-	32.8	405.5	-	405.5
SSEN Distribution	382.4	-	-	-	-	382.4	-	382.4
SSE Renewables	580.0	(18.8)	(103.0)	-	(1.9)	456.3	(10.0)	446.3
SSE Thermal	1,031.9	(10.0)	(60.4)	-	-	961.5	128.0	1,089.5
Gas Storage	212.5	-	-	-	-	212.5	36.7	249.2
Energy Customer Solutions								
Business Energy	17.9	-	-	-	-	17.9	-	17.9
SSE Airtricity	5.6	-	(0.4)	-	-	5.2	-	5.2
Distributed Energy	(27.4)	-	-	-	-	(27.4)	(6.1)	(33.5)
EPM	80.4	-	-	-	-	80.4	(2,706.4)	(2,626.0)
Corporate								
Corporate unallocated	(87.0)	-	-	50.5	-	(36.5)	9.7	(26.8)
Neos	(39.8)	-	(10.3)	-	-	(50.1)	(5.9)	(56.0)
Total SSE Group	2,529.2	(28.8)	(174.1)	50.5	30.9	2,407.7	(2,554.0)	(146.3)

6. SEGMENTAL INFORMATION (CONTINUED)

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

	Adjusted operating profit reported to the Board	Depreciation on fair value uplifts	JV/ Associate share of interest and tax	2022 (restated*)		Exceptional items and certain re-measurements	Exceptional items and certain re-measurements	Total
				Adjustments to Gas Production decommissioning provision	Before exceptional items and certain re-measurements			
	£m	£m	£m	£m	£m	£m	£m	£m
Continuing operations								
SSEN Transmission	380.5	-	-	-	380.5	-	-	380.5
SSEN Distribution	351.8	-	-	-	351.8	-	-	351.8
SSE Renewables	568.1	(18.8)	(92.9)	-	456.4	(28.6)	-	427.8
SSE Thermal	300.4	-	(9.5)	-	290.9	333.3	-	624.2
Gas Storage	30.7	-	-	-	30.7	94.7	-	125.4
Energy Customer Solutions								
Business Energy	(21.5)	-	-	-	(21.5)	-	-	(21.5)
SSE Airtricity	60.4	-	-	-	60.4	-	-	60.4
Distributed Energy	(10.9)	-	-	-	(10.9)	(18.3)	-	(29.2)
EPM	(16.8)	-	-	-	(16.8)	2,100.4	-	2,083.6
Corporate								
Corporate unallocated	(95.7)	-	(4.7)	(13.1)	(113.5)	-	-	(113.5)
Neos	(16.1)	(1.8)	(7.0)	-	(24.9)	(115.1)	-	(140.0)
Total continuing operations	1,530.9	(20.6)	(114.1)	(13.1)	1,383.1	2,366.4	-	3,749.5
Discontinued operations								
Gas Production	101.4	-	-	-	101.4	(120.8)	-	(19.4)
SGN (i)	21.0	-	(12.8)	-	8.2	(89.3)	-	(81.1)
Total discontinued operations	122.4	-	(12.8)	-	109.6	(210.1)	-	(100.5)
Total SSE Group	1,653.3	(20.6)	(126.9)	(13.1)	1,492.7	2,156.3	-	3,649.0

(i) In the table above total operating profit from SGN has been restated to remove the £576.5m gain recognised on disposal of SGN. There has been no change to the presentation of this gain in the income statement.

*The comparative operating profit by segment information has been restated. See note 3.1.

6. SEGMENTAL INFORMATION (CONTINUED)

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

	Adjusted operating profit reported to the Board (note 6.2) £m	Depreciation on fair value uplifts £m	Depreciation/impairment/amortisation before exceptional charges £m	2023		Share of non-controlling interest depreciation and amortisation £m	Adjusted EBITDA £m
				JV/ Associate share of depreciation and amortisation £m	Release of deferred income £m		
Continuing operations							
SSEN Transmission	372.7	-	114.1	-	(2.1)	(9.7)	475.0
SSEN Distribution	382.4	-	182.2	-	(10.6)	-	554.0
SSE Renewables	580.0	(18.8)	179.8	92.8	(0.1)	-	833.7
SSE Thermal	1,031.9	(10.0)	114.5	60.8	-	-	1,197.2
Gas Storage	212.5	-	16.5	-	-	-	229.0
Energy Customer Solutions							
Business Energy	17.9	-	4.7	-	-	-	22.6
SSE Airtricity	5.6	-	6.9	-	-	-	12.5
Distributed Energy	(27.4)	-	6.8	-	(0.2)	-	(20.8)
EPM	80.4	-	6.0	-	-	-	86.4
Corporate							
Corporate unallocated	(87.0)	-	72.7	-	(0.9)	-	(15.2)
Neos	(39.8)	-	-	47.5	-	-	7.7
Total SSE Group	2,529.2	(28.8)	704.2	201.1	(13.9)	(9.7)	3,382.1

Note that the Group's 'Net Debt to EBITDA' metric is derived after removing the proportionate EBITDA from the following debt-financed JVs: Beatrice and Seagreen. This adjustment is £146.9m (2022: £125.4m) resulting in EBITDA on continuing operations for inclusion in the Debt to EBITDA metric of £3,235.2m (2022: £2,125.3m restated).

6. SEGMENTAL INFORMATION (CONTINUED)

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

	Adjusted operating profit reported to the Board (note 6.2) £m	Depreciation on fair value uplifts £m	2022 (restated*) Depreciation/impairment/amortisation before exceptional charges £m	JV/ Associate share of depreciation and amortisation £m	Release of deferred income £m	Adjusted EBITDA £m
Continuing operations						
SSEN Transmission	380.5	-	103.2	-	(3.8)	479.9
SSEN Distribution	351.8	-	195.9	-	(11.6)	536.1
SSE Renewables	568.1	(18.8)	160.9	85.4	-	795.6
SSE Thermal	300.4	-	70.2	19.0	-	389.6
Gas Storage	30.7	-	0.8	-	-	31.5
Energy Customer Solutions						
Business Energy	(21.5)	-	11.3	-	-	(10.2)
SSE Airtricity	60.4	-	1.7	-	-	62.1
Distributed Energy	(10.9)	-	7.4	-	(1.3)	(4.8)
EPM	(16.8)	-	4.5	-	-	(12.3)
Corporate						
Corporate unallocated	(95.7)	-	56.1	-	(0.9)	(40.5)
Neos	(16.1)	(1.8)	-	42.2	-	24.3
Total continuing operations	1,530.9	(20.6)	612.0	146.6	(17.6)	2,251.3
Discontinued operations						
Gas Production	101.4	-	-	-	-	101.4
SGN	21.0	-	-	11.1	-	32.1
Total discontinued operations	122.4	-	-	11.1	-	133.5
Total SSE Group	1,653.3	(20.6)	612.0	157.7	(17.6)	2,384.8

*The comparative EBITDA by segment information has been restated. See note 3.1.

7. EXCEPTIONAL ITEMS AND CERTAIN RE-MEASUREMENTS

	2023 £m	2022 £m
Continuing operations		
Exceptional items		
Asset impairments and related (charges) and credits	(233.6)	322.6
Net gains/(losses) on acquisitions/disposals of businesses and other assets	233.2	(17.6)
Total exceptional items	(0.4)	305.0
Certain re-measurements		
Movement on operating derivatives (note 16)	(2,708.2)	2,100.4
Movement in fair value of commodity stocks	(9.0)	(2.6)
Movement on financing derivatives (note 16)	201.9	21.0
Share of movement on derivatives in jointly controlled entities (net of tax)	163.8	-
Total certain re-measurements	(2,351.5)	2,118.8
Exceptional items and certain re-measurements on continuing operations before taxation	(2,351.9)	2,423.8
Taxation		
Taxation on other exceptional items	(34.1)	(79.0)
Taxation on certain re-measurements	499.6	(408.0)
Effect of deferred tax rate change in wholly owned entities	-	(244.7)
Effect of deferred tax rate change in jointly controlled entities	-	(33.2)
Taxation	465.5	(764.9)
Total exceptional items and certain re-measurements on continuing operations after taxation	(1,886.4)	1,658.9
Discontinued operations		
Exceptional items		
Gas production asset impairments and related credits/(charges)	35.0	(120.8)
Net gain on disposal of jointly controlled entities	-	576.5
Share of movement on derivatives in jointly controlled entities (net of tax)	-	(3.8)
Effect of deferred tax rate change in jointly controlled entities	-	(85.5)
Exceptional items and certain re-measurements on discontinued operations after taxation	35.0	366.4

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

	2023 £m	2022 £m
Continuing operations		
Cost of sales:		
Movement on operating derivatives (note 16)	(2,708.2)	2,100.4
Movement in fair value of commodity stocks	(9.0)	(2.6)
	(2,717.2)	2,097.8
Operating costs:		
Asset impairments and reversals	(233.6)	322.6
Other exceptional provisions and charges	3.2	(25.1)
	(230.4)	297.5
Operating income:		
Net gains on disposals of businesses and other assets	89.1	4.3
	89.1	4.3
Joint ventures and associates:		
Net gains on acquisition of a joint venture	140.7	-
Share of movement on derivatives in jointly controlled entities (net of tax)	163.8	-
Effect of deferred tax rate change in jointly controlled entities	-	(33.2)
	304.5	(33.2)
Operating profit	(2,554.0)	2,366.4
Finance income		
Movement on financing derivatives (note 16)	201.9	21.0
Interest income on deferred consideration receipt	0.2	3.2
	202.1	24.2
Profit before tax on continuing operations	(2,351.9)	2,390.6
Discontinued operations		
Gas Production asset impairments and related credits/(charges)	35.0	(120.8)
Joint ventures and associates:		
Net gain on disposal of jointly controlled entities	-	576.5
Share of movement on derivatives in jointly controlled entities (net of tax)	-	(3.8)

Profit before tax on discontinued operations

35.0

451.9

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

7.1 Exceptional items

7.1.1 Exceptional items in the year ended 31 March 2023

In the year to 31 March 2023, the Group recognised a net exceptional charge of £0.4m arising from its continuing operations. The net exceptional charge is primarily due to a net impairment of £150.9m in relation to the Group's 50% investment in Triton Power Holdings Limited (see 7.1.1.iv below for further analysis of amounts recognised in relation to Triton), offset by an exceptional gain of £89.1m from the sale of land at Fiddler's Ferry, an impairment reversal of £45.7m related to the Group's Gas Storage operations at Aldbrough and an impairment reversal of £17.8m in relation to the Group's Great Island combine cycle gas turbine ('CCGT') plant in Ireland.

In discontinued operations, the Group recognised an exceptional gain of £35.0m relating to a provision release associated with the disposal of its Gas Production assets, which completed on 14 October 2021.

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

	Property, plant and equipment £m	Provision s and other charges £m	Investments in joint ventures £m	Cash and cash equivalents £m	Other receivables £m	Total charges/ (credits) £m
Thermal Electricity Generation (i)	(17.8)	-	-	-	-	(17.8)
Gas storage (ii)	(45.7)	-	-	-	-	(45.7)
Fiddler's Ferry land sale (iii)	24.1	(53.2)	-	(60.0)	-	(89.1)
Triton Power 50% joint venture (iv)	-	-	150.9	-	-	150.9
Neos Networks (v)	-	-	5.9	-	-	5.9
Other credits (vi)	-	(1.5)	-	(2.1)	(0.2)	(3.8)
Total exceptional items continuing operations	(39.4)	(54.7)	156.8	(62.1)	(0.2)	0.4
Gas Production (vii)	-	(35.0)	-	-	-	(35.0)
Total exceptional items discontinued operations	-	(35.0)	-	-	-	(35.0)
Total exceptional items	(39.4)	(89.7)	156.8	(62.1)	(0.2)	(34.6)

(i) Thermal Electricity Generation – impairment reversal

At 31 March 2023, the Group has carried out a formal impairment review in order to assess the carrying value of its GB CCGT power stations and the Group's Great Island CCGT plant in Ireland. As a result of the review, the Group has recognised an exceptional impairment reversal of £17.8m to the carrying value of the Group's Great Island CCGT plant.

(ii) Gas Storage – impairment reversal

At 30 September 2022, the Group recognised an impairment reversal of £201.1m reflecting future market price assumptions at that time. The Group performed a formal impairment review at 31 March 2023 to reassess the carrying value of its Gas Storage operations at Atwick and Aldbrough. As a result of the assessment, the Group has recognised an exceptional impairment of £155.4m to the carrying value of the assets at Aldbrough, resulting in a net impairment reversal of £45.7m. The impairment previously recognised in relation to Atwick was fully reversed in the year ended 31 March 2022, and no impairment is required for the current financial year.

(iii) Fiddler's Ferry – land sale

On 30 June 2022, the Fiddlers Ferry site was sold to Peel NRE Developments Limited for cash consideration of £60.0m. The Group carried a decommissioning provision for the site of £53.2m and a residual asset of £24.1m, both of which were disposed of as part of the sale. As a result, the Group has recognised an exceptional gain of £89.1m on disposal.

(iv) Triton Power 50% joint venture – acquisition and impairment

On 1 September 2022, the Group acquired 50% of the share capital of Triton Power Holdings Limited from Energy Capital Partners for total consideration of £341.0m (see note 12). The purchase price of £341.0m was agreed based on prices prevalent in the market during the summer, prior to completion of the transaction on 1 September 2022. The Group assessed that, due to movements in near term market observable power prices between the transaction agreement date and the completion date, the fair value of the acquisition was £140.7m greater than the acquisition price. This bargain purchase was recognised as an exceptional gain in the Group's half year results to 30 September 2022. During the second half of the year, the Group realised a significant proportion of the acquired fair value of the business through trading operations of the joint venture. As a result, the future recoverable value of the business is lower at 31 March 2023, than at 1 September 2022 and the Group has therefore recognised an impairment charge at 31 March 2023 of £291.6m.

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

7.1 Exceptional items (continued)

7.1.1 Exceptional items in the year ended 31 March 2023 (continued)

A summary of exceptional items recognised in relation to Triton since the 50% acquisition on 1 September 2022 is set out below:

	Financial statement line item charge/(credit) is included within	Exceptional items and certain re-measurements £m
Recognition of bargain purchase	<i>Joint venture and associates share of profit</i>	(140.7)
Impairment of investment	<i>Operating costs</i>	291.6
Total exceptional items		150.9
Mark-to-market movement on operating derivatives	<i>Joint venture and associates share of movement on derivatives</i>	(213.9)
Share of tax on mark-to-market movement on operating derivatives	<i>Joint venture and associates share of tax</i>	41.9
Total certain re-measurements		(172.0)
Total exceptional items and certain re-measurements		(21.1)

(v) *Neos Networks – investment impairment and adjustments to consideration*

At 31 March 2023, the Group has assessed that the recoverable amount of its investment in Neos Networks has been impaired by £37.7m, of which £5.9m has been treated as exceptional. Under the Group's policy, an impairment charge of less than £40m is not considered to be an exceptional item. However, £5.9m of the impairment relates to the fair value gain previously recognised on acquisition of the joint venture investment in March 2019, which had been previously treated as an exceptional item. Therefore, for consistent presentation, this reversal has been recognised separately. The balance of the impairment charge, being £31.8m, has been recognised as part of adjusted operating profit.

(vi) *Other credits*

At 31 March 2023, the Group recognised further exceptional credits of £3.8m relating to reversal of previously recognised exceptional charges or judgements. These included i) reassessment of separation cost provisions associated primarily with the disposals of SSE Energy Services and SGN (credit of £9.7m), ii) credit of £0.2m in relation to the unwind of discounting on deferred consideration recognised on the part disposal of SSSE Slough Multifuel Limited in the year ending 31 March 2021, iii) reassessment of impairments associated with Heat Networks assets credit of £0.4m, partially offset by iv) £6.5m charge recognised in relation to provisions in connection with the sale of the Contracting and Rail business in June 2021.

Exceptional items within discontinued operations in the year ended 31 March 2023

(vii) *Gas Production – gain on disposal*

On 4 November 2022, RockRose Energy Limited received HMRC clearance in respect of tax treatment in relation to the Group's disposal of its Gas Production business to Viaro Energy (through its subsidiary RockRose Energy Limited), which completed on 14 October 2021. The Group had indemnified RockRose Energy Limited in relation to certain tax liabilities that it might suffer as a result of the transaction, and this formed part of the provision which was recognised on the disposal of the Gas Production business. The HMRC clearance indicated that no such tax liabilities arise for RockRose Energy Limited and as a result the Group has released £35.0m of provision relating to the indemnity as an adjustment to the loss on disposal recognised. The adjustment is recognised in discontinued operations in the year ended 31 March 2023.

7.1.2 Exceptional items in the year ended 31 March 2022

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

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

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

7.1 Exceptional items (continued)

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

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

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

(i) Thermal Electricity Generation – impairment reversals

At 31 March 2022, the Group reversed £331.6m of historic impairments related to the Group's GB CCGT power stations and the Group's Great Island CCGT plant in Ireland. This represented a full impairment reversal for the CCGT plants at Peterhead, Marchwood, Keadby and Medway and a partial reversal for Great Island.

(ii) Gas Storage – impairment reversals

At 31 March 2022, the Group reversed historic impairments of £97.3m related to its Gas Storage operations at Atwick and Aldbrough.

(iii) SSE Contracting – loss on disposal

On 30 June 2021, the Group recorded a further impairment charge of £18.9m following the completion of the sale of its Contracting and Rail business to the Aurelius Group. This impairment was recognised in addition to the exceptional impairment loss of £51.2m recognised during the year ended 31 March 2021.

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

At 31 March 2022, the Group assessed that the value of its investment in Neos Networks was impaired by £106.9m. In the year ended 31 March 2022, the Group also reassessed its position relating to the original disposal of a 50% stake in the business on 31 March 2019 with the net impact being the recognition of an exceptional charge of £6.2m.

(v) Other credits

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

Exceptional items within discontinued operations in the year ended 31 March 2022

(vi) SGN disposal gain

On 2 August 2021, the Group announced it had agreed to sell its 33.3% investment in SGN to a consortium comprising existing SGN shareholders Ontario Teachers' Pension Plan Board and Brookfield Super-Core Infrastructure Partners for cash consideration of £1,225m. The transaction completed on 22 March 2022, with the Group recognising an exceptional gain on disposal of £576.5m (see note 12.2.2).

(vii) Gas Production – impairment loss

The Group recorded an exceptional impairment of £120.8m prior to the sale of its Gas Production assets and liabilities to RockRose Energy Limited on 14 October 2021. The impairment was recognised to reduce the carrying value of the assets and liabilities to their fair value less costs to sell.

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 SSE Airtricity supply businesses and to optimise the value of its SSE Renewables and SSE Thermal. Certain of these contracts (predominately electricity, gas and other commodity purchase contracts) are determined to be derivative financial instruments under IFRS 9 "Financial Instruments" and as such are required to be recorded at their fair value. Conversely, commodity contracts that are not financial instruments under IFRS 9 (predominately electricity sales contracts) are accounted for as 'own use' contracts and are not recorded at their fair value. 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 with changes in value recognised within 'certain re-measurements'. In addition, the mark-to-market valuation movements on the Group's contracts for difference contracts entered into by SSE Renewables that are not designated as government grants and which are measured as Level 3 fair value financial instruments are also included within 'certain re-measurements'.

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

At 31 March 2023, volatility in global commodity markets and changes in SSE's contractual positions have resulted in a significantly adverse mark-to-market remeasurement on commodity contracts (predominately power purchases) designated as financial instruments and trading inventory of £2,717.2m (2022: £2,097.8m gain). It should be noted that the net IFRS 9 position on operating derivatives at 31 March 2023 is a liability of £386.9m (2022: £2,301.8m asset).

In addition, the Group has executory 'own use' designated commodity contracts which, if classified as financial instruments and remeasured at fair value in accordance with IFRS 9, would significantly increase the total fair value remeasurement and closing liability value. These predominately relate to financial hedges entered into on behalf of the SSE Renewables and SSE Thermal businesses for future sales which were entered into before the subsequent increase in market prices. A significant proportion of 'in the money' mark-to-market contracts recorded at 31 March 2023 and unvalued 'own use' designated commodity contracts are expected to reverse in the next financial year as the relevant commodity is delivered. The remaining settlement of these contracts will predominately be within the subsequent 12 to 24 months. The mark-to-market loss in the year has resulted in a deferred tax credit of £499.6m (2022: £408.0m), which has also been classified as exceptional. In addition, the Group has recognised gains of £201.9m (2022: £21.0m) on the remeasurement of the certain interest rate and foreign exchange contracts through the income statement, gains on the remeasurement of cash flow hedge accounted contracts of £43.3m (2022: £22.9m) in other comprehensive income and gains on the equity share of the remeasurement of cash flow hedge accounted contracts in joint ventures of £342.4m (2022: £181.4m).

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

7.3 Change in UK corporation tax rates

The Government announced in the Budget on 3 March 2021 that the main rate of corporation tax will increase to 25% for the financial year beginning 1 April 2023. Prior to this date, the rate of corporation tax will remain at 19%. The increase to 25% was substantively enacted at 24 May 2021 and therefore the deferred tax balances were re-measured at 31 March 2022. The rate change resulted in an income statement charge for continuing operations of £244.7m at 31 March 2022 and an increase to the Group's deferred tax liabilities (including the effect of equity accounted items) of £279.5m at 31 March 2022. The impact of the rate change on the Group's share of profits of its equity accounted investments was a charge of £33.2m at 31 March 2022 for continuing operations and a charge of £85.5m for discontinued operations at 31 March 2022.

Finance Bill 2021 also included draft legislation in respect of Capital Allowance 'Super-deductions' of 130% in respect of General Pool plant and machinery, alongside First Year Allowances of 50% for Special Rate Pool plant and machinery for the two years commencing 1 April 2021. The Group expects these changes, which were substantively enacted on 24 May 2021, to significantly increase the deduction for Capital Allowances in the financial years ending 31 March 2022 and 31 March 2023. An estimate of the super-deduction has been taken into account when calculating the effective tax for the current year and prior year. Finance Bill 2023 introduced draft legislation, effective from 1 April 2023 to 31 March 2026, to allow 'Full Expensing' of 100% General Pool plant and machinery, alongside 50% for Special Rate Pool plant and machinery. The Group expects these changes to significantly increase the deductions for Capital Allowances in the financial years ending 31 March 2024 to 31 March 2026.

Finance Bill 2023 also introduced draft legislation in respect of Multinational Top-up Tax in line with OECD BEPS pillar 2 principles. The legislation is expected to be in force for the year ended 31 March 2025. Similar draft legislation has been introduced in the Republic of Ireland and other EU jurisdictions. The Group is assessing the impact of the changes but does not expect a material impact to arise.

7.3.1 Taxation

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

8. FINANCE INCOME AND COSTS

	2023			2022		
	Before exceptional items and certain re-measurements £m	Exceptional items and certain re-measurements £m	Total £m	Before exceptional items and certain re-measurements £m	Exceptional items and certain re-measurements £m	Total £m
Finance income:						
Interest income from short term deposits	17.5	-	17.5	0.8	-	0.8
Interest on pension scheme assets ⁽ⁱ⁾	16.2	-	16.2	7.6	-	7.6
Other interest receivable:						
Joint ventures and associates	67.6	-	67.6	46.8	-	46.8
Other receivable	34.0	0.2	34.2	23.8	3.2	27.0
	101.6	0.2	101.8	70.6	3.2	73.8
Total finance income	135.3	0.2	135.5	79.0	3.2	82.2
Finance costs:						
Bank loans and overdrafts	(50.1)	-	(50.1)	(16.2)	-	(16.2)
Other loans and charges	(339.1)	-	(339.1)	(340.2)	-	(340.2)
Foreign exchange translation of monetary assets and liabilities	-	-	-	(14.6)	-	(14.6)
Notional interest arising on discounted provisions	(22.1)	-	(22.1)	(5.7)	-	(5.7)
Lease charges	(29.4)	-	(29.4)	(30.4)	-	(30.4)
Less: interest capitalised ⁽ⁱⁱ⁾	44.0	-	44.0	30.7	-	30.7
Total finance costs	(396.7)	-	(396.7)	(376.4)	-	(376.4)
Changes in fair value of financing derivatives at fair value through profit or loss	-	201.9	201.9	-	21.0	21.0
Net finance costs	(261.4)	202.1	(59.3)	(297.4)	24.2	(273.2)
Presented as:						
Finance income	135.3	202.1	337.4	79.0	24.2	103.2
Finance costs	(396.7)	-	(396.7)	(376.4)	-	(376.4)
Net finance costs	(261.4)	202.1	(59.3)	(297.4)	24.2	(273.2)

i) The interest income on net pension assets for the year ended 31 March 2023 of £16.2m (2022: £7.6m) represents the interest earned under IAS 19.

ii) The capitalisation rate applied in determining the amount of borrowing costs to capitalise in the year was 4.11% (2022: 3.86%).

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

	2023 £m	2022 £m
Net finance costs	(59.3)	(273.2)
(add)/less:		
Share of interest from joint ventures and associates	(70.1)	(67.8)
Interest on pension scheme liabilities	(16.2)	(7.6)
Movement on financing derivatives (note 16)	(201.9)	(21.0)
Exceptional item	(0.2)	(3.2)
Share of net finance cost attributable to non-controlling interests	2.1	-
Adjusted net finance costs	(345.6)	(372.8)
Notional interest arising on discounted provisions	22.1	5.7
Lease charges	29.4	30.4
Hybrid coupon payment (note 14)	(38.8)	(50.7)
Adjusted net finance costs for interest cover calculations	(332.9)	(387.4)

9. TAXATION

9.1 Analysis of charge recognised in the income statement

	2023			2022 (restated*)		
	Before exceptional items and certain re-measurements £m	Exceptional items and certain re-measurements £m	Total £m	Before exceptional items and certain re-measurements £m	Exceptional items and certain re-measurements £m	Total £m
Current tax						
UK corporation tax	292.3	(20.9)	271.4	82.5	8.8	91.3
Adjustments in respect of previous years	(22.0)	5.3	(16.7)	(5.9)	-	(5.9)
Total current tax	270.3	(15.6)	254.7	76.6	8.8	85.4
Deferred tax						
Current year	72.9	(444.6)	(371.7)	75.2	478.2	553.4
Effect of change in tax rate	-	-	-	-	244.7	244.7
Adjustments in respect of previous years	12.3	(5.3)	7.0	(2.2)	-	(2.2)
Total deferred tax	85.2	(449.9)	(364.7)	73.0	722.9	795.9
Total taxation charge/(credit)	355.5	(465.5)	(110.0)	149.6	731.7	881.3

*The comparatives have been restated. See note 3.1

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

'Adjustments in respect of previous years' primarily relate to the post balance sheet event in respect of Glendoe, referred to in note 19, and adjustments relating to the submission of tax returns.

9.2 Adjusted current tax charge

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

	2023 £m	2023 %	2022 (restated*) £m	2022 (restated*) %
Group tax (credit)/charge and effective rate	(110.0)	12.7	881.3	25.4
Less: reported deferred tax credit and effective rate	364.7	(42.0)	(795.9)	(22.9)
Reported current tax charge and effective rate	254.7	(29.3)	85.4	2.5
Effect of adjusting items		41.0		4.8
Reported current tax charge and effective rate on adjusted basis add:	254.7	11.7	85.4	7.3
Share of current tax from joint ventures and associates	89.6	4.1	30.6	2.6
Less:				
Current tax credit on exceptional items	15.6	0.7	(8.9)	(0.7)
Share of current tax attributable to non-controlling interests	(1.1)	(0.1)	-	-
Adjusted current tax charge and effective rate	358.8	16.4	107.1	9.2

*The comparatives have been restated. See note 3.1

10. DIVIDENDS

10.1 Ordinary dividends

	Year ended 31 March 2023			Year ended 31 March 2022		
	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 2023	313.2	159.0	29.0	-	-	-
Final – year ended 31 March 2022	642.6	322.5	60.2	-	-	-
Interim – year ended 31 March 2022	-	-	-	271.8	28.2	25.5
Final – year ended 31 March 2021	-	-	-	590.5	327.5	56.6
	955.8	481.5		862.3	355.7	

The final dividend of 60.2p per ordinary share declared in respect of the financial year ended 31 March 2022 (2021: 56.6p) was approved at the Annual General Meeting on 21 July 2022 and was paid to shareholders on 22 September 2022. 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.

10 DIVIDENDS (CONTINUED)

10.1 Ordinary dividends (continued)

For dividends paid in relation to the financial year ended 31 March 2022 and in relation to the subsequent years to 31 March 2026, the Group will repurchase shares to reduce the scrip's dilutive effects, if the scrip take-up exceeds 25% of the full year dividend in any given year. The overall scrip dividend take-up for the financial year ended 31 March 2022 was 38.3%. Under the share buyback programme 6.9m of shares were repurchased and cancelled during the year ended 31 March 2023 for total consideration of £107.6m (including stamp duty and commission).

An interim dividend of 29.0p per ordinary share (2022: 25.5p) was declared and paid on 9 March 2023 to those shareholders on the SSE plc share register on 13 January 2023. 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 67.7p per ordinary share based on the number of issued ordinary shares at 31 March 2023 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 2023, this would equate to a final dividend of £740.6m.

11. EARNINGS PER SHARE

11.1 Basic earnings per share

The calculation of basic earnings per ordinary share at 31 March 2023 is based on the net profit/(loss) attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the year ended 31 March 2023.

11.2 Adjusted earnings per share

Adjusted earnings/(losses) per share has been calculated by excluding the charge for deferred tax, interest on net pension liabilities under IAS 19, retained Gas Production decommissioning costs, the depreciation charged on fair value uplifts, the share of profit attributable to non-controlling interests and the impact of exceptional items and certain re-measurements (note 7).

	Year ended 31 March 2023	Year ended 31 March 2023	Year ended 31 March 2022 (restated*)	Year ended 31 March 2022 (restated*)
	(Losses)/earnings £m	(Losses)/earnings per share pence	Earnings £m	Earnings per share pence
Continuing operations				
Basic (losses)/earnings on continuing operations used to calculate adjusted EPS	(158.0)	(14.7)	2,544.3	241.2
Exceptional items and certain re-measurements (note 7)	1,886.4	175.4	(1,658.9)	(157.2)
Basic excluding exceptional items and certain re-measurements	1,728.4	160.7	885.4	84.0
Adjusted for:				
Decommissioning Gas Production	(50.5)	(4.7)	13.1	1.2
Depreciation charge on fair value uplifts	28.8	2.7	20.6	2.0
Interest on net pension scheme assets/(liabilities)	(16.2)	(1.5)	(7.6)	(0.7)
Deferred tax (note 9)	85.2	7.9	73.0	6.8
Deferred tax from share of joint ventures and associates	14.4	1.3	15.8	1.5
Deferred tax on non-controlling interest	(4.1)	(0.4)	-	-
Adjusted	1,786.0	166.0	1,000.3	94.8
Basic	(158.0)	(14.7)	2,544.3	241.2
Dilutive effect of outstanding share options	-	-	-	(0.5)
Diluted	(158.0)	(14.7)	2,544.3	240.7

*The comparatives have been restated. See note 3.1

Reported (losses)/earnings per share

	2023	2023	2022 (restated*)	2022 (restated*)
	(Losses)/earnings £m	(Losses)/earnings per share pence	Earnings £m	Earnings per share pence
Basic				
(Losses)/earnings per share on continuing operations	(158.0)	(14.7)	2,544.3	241.2
Earnings per share on discontinued operations	35.0	3.3	482.7	45.7
(Losses)/earnings per share attributable to ordinary shareholders	(123.0)	(11.4)	3,027.0	286.9
Dilutive effect of outstanding share options	-	-	-	(0.5)
Diluted (losses)/earnings per share attributable to ordinary shareholders	(123.0)	(11.4)	3,027.0	286.4

*The comparatives have been restated. See note 3.1.

11. EARNINGS PER SHARE (CONTINUED)

11.2 Adjusted earnings per share (continued)

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

	31 March 2023	31 March 2022
	Number of shares (millions)	Number of shares (millions)
For basic and adjusted earnings per share	1,075.6	1,055.0
Effect of exercise of share options	1.7	2.0
For diluted earnings per share	<u>1,077.3</u>	<u>1,057.0</u>

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.

	2023 (Losses)/earnings per share (pence)	2023 Dividend per share (pence)	2023 Dividend Cover (times)	2022 (restated*) Earnings per share (pence)	2022 Dividend per share (pence)	2022 (restated*) Dividend cover (times)
Reported (losses)/earnings per share (continuing operations)	(14.7)	96.7	(0.15)	241.2	85.7	2.81
Adjusted earnings per share (continuing operations)	<u>166.0</u>	<u>96.7</u>	<u>1.72</u>	<u>94.8</u>	<u>85.7</u>	<u>1.11</u>

*The comparatives have been restated. See note 3.1.

12. ACQUISITIONS AND DISPOSALS

12.1 Acquisitions

12.1.1 Current year acquisitions

European onshore renewables development platform

On 1 September 2022 the Group completed the 100% acquisition of a European onshore renewable energy development platform from Siemens Gamesa Renewable Energy ("SGRE") for final cash consideration of £519.5m. The SGRE portfolio is mainly located in Spain with the remainder across France, Italy and Greece. This acquisition is aligned to the Group's published strategy to pursue overseas renewable opportunities.

Acquisition costs of £6.0m were expensed to operating costs in the year. The acquired business contributed £nil to revenue and £0.5m of costs to operating profit of the Group for the year. Had the acquisition occurred on 1 April 2022, the acquired business would have contributed nil to revenue and contributed an immaterial loss to operating profit. The intangible development assets acquired are late-stage windfarm development costs. The goodwill recognised represents early stage intangible development costs that do not qualify for separate recognition as set out in the table below.

	Fair value at 1 September 2022 £m
Assets acquired and liabilities assumed:	
Intangible development assets	104.4
Inventories	3.0
Trade and other receivables	20.3
Cash	11.5
Trade and other payables	(3.5)
Deferred tax liability	(27.0)
Total net assets acquired	<u>108.7</u>
Goodwill	<u>410.8</u>
Cash consideration	<u>519.5</u>

12. ACQUISITIONS AND DISPOSALS (CONTINUED)

12.1 Acquisitions (continued)

12.1.1 Current year acquisitions (continued)

Triton Power - 50% joint venture acquisition

On 1 September 2022, the Group announced that SSE Thermal and Equinor had completed the acquisition of Triton Power Holdings Limited from Energy Capital Partners for headline consideration of £341m shared equally. The headline consideration included £96m of loans which were settled on completion of the transaction and replaced with shareholder loans of £48.0m each from SSE and Equinor. The Group's share of the cash consideration paid for the equity investment was therefore £123.2m after completion adjustments. Triton Power operates the 1.2GW Saltend Power Station in the Humber along with two smaller plants, Indian Queens Power Station, a 140MW OCGT in Cornwall, and Deeside Power Station, a decommissioned CCGT in north Wales. The acquisition will strengthen SSE's existing collaboration with Equinor and will support the long-term decarbonisation of the UK's power system and contribute to security of supply and grid stability. An exceptional gain on acquisition of £140.7m was recognised at 30 September 2022 based on movements in the underlying fair value of assets acquired between agreeing and completing the transaction. During the second half of the financial year the fair value exercise a fair value exercise and impairment review have been completed which resulted in an impairment loss of £291.6m and a £172.0m gain on financial instruments (net of tax) being recognised.

The joint venture contributed £210.2m to operating profit before exceptional items in the year to 31 March 2023 on an equity accounted basis.

Other asset acquisitions

During the year ended 31 March 2023, the Group made other smaller asset acquisitions (of special purpose vehicles as opposed to businesses) for deferred consideration of £19.8m and deferred consideration of £34.9m (2022: £4.0m cash consideration). The total cash consideration for business combinations of £642.7m (2022: £141.3m) is included in the Group's Adjusted investment, capital and acquisition metric.

12.1.2 Prior year acquisitions

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

On 29 October 2021 the Group completed the acquisition of an 80% equity interest in an offshore wind development platform based in Japan from Pacifico Energy and its affiliates for \$193m USD upfront cash consideration and a further \$30m USD deferred consideration subject to a number of conditions.

Acquisition costs of £7.2m were expensed to operating costs in the prior year. The subsidiaries acquired had nil revenue and contributed a loss of £0.1m to the consolidated result of the Group for the year ended 31 March 2022. The assets and liabilities acquired largely comprise tangible and intangible assets, being windfarm site development costs and goodwill as set out in the table below. The non-controlling interest acquired was measured at fair value, where fair value represents the non-controlling interest's proportionate share of the assets and liabilities acquired through the transaction.

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

12.2 Disposals

12.2.1 Current year disposals

During the year the Group recognised a gain of £868.3m within equity from the sale of a 25% non-controlling equity stake in its SSEN Transmission business (being the company Scottish Hydro Electric Transmission plc) and an exceptional income statement gain of £89.1m from the disposal of the Fiddlers Ferry site.

25% non-controlling equity stake in Scottish Hydro Electric Transmission plc: On 25 November 2022, the Group announced it had agreed to sell a 25% non-controlling equity stake in Scottish Hydro Electric Transmission plc ('SHET') to Ontario Teachers Pension Plan ('OTPP') for cash consideration of £1,465.0m, less transactions costs of £16.9m. The transaction completed on 30 November 2022, at which time the consolidated carrying value of SHET's net assets was £2,319.3m. Since the transaction did not result in a loss of control, the Group recognised a gain of £868.3m within equity attributable to owners of the parent company. The Group considered the rights and obligations and operating protocols arising from the disposal and has determined that the non-controlling interest in SHET has the characteristics of equity and has classified the non-controlling interest as such.

12. ACQUISITIONS AND DISPOSALS (CONTINUED)

12.2 Disposals (continued)

12.2.1 Current year disposals (continued)

	30 November 2022 £m
Carrying value of non-controlling interests disposed	(579.8)
Cash consideration paid by non-controlling interest holder	1,465.0
Transaction costs	(16.9)
Excess of consideration received recognised in equity	868.3

Fiddler's Ferry land sale: On 30 June 2022, the Fiddlers Ferry site was sold to Peel NRE Developments Limited for cash proceeds of £60m. The Group released decommissioning provision related to the site, which resulted in an exceptional gain on disposal of £89.1m.

12.2.2 Prior year disposals

Sale of investment in SSE Contracting: On 30 June 2021, the Group completed the sale of its Contracting and Rail business to the Aurelius Group for headline consideration of £22.5m and £5m of contingent consideration, based on earning targets within the business. Due to working capital movements in the business subsequent to the transaction agreement, cash consideration received was £0.2m. The Group recorded an exceptional loss on disposal of £18.9m in the year of completion, in addition to the exceptional impairment loss of £51.2m recognised during the year ended 31 March 2021. A further impairment of £6.5m has been recognised in the year ended 31 March 2023 in relation of receivables previously recognised on disposal.

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

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

SALE OF DISCONTINUED OPERATIONS

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

Sale of investment in Gas Production: On 14 October 2021, the Group completed the sale of its Gas Production business to Viaro Energy through its subsidiary RockRose Energy Limited. In the period to 14 October 2021, the Gas Production business had an operating profit (recognised in discontinued operations) of £101.4m. The Group recorded an impairment of £120.8m to reduce the carrying value of the assets and liabilities to the fair value less costs to sell prior to completion of the disposal. The impairment charge of £120.8m included a provision for indemnified tax liabilities of £35.0m, which was released in the year to 31 March 2023.

12. ACQUISITIONS AND DISPOSALS (CONTINUED)

12.2.3 Disposal reconciliation

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

	2023	2022
	Total	Total
	£m	£m
Net assets disposed:		
Property, plant and equipment	24.1	105.1
Intangible and biological assets	-	28.4
Investments and loans – joint ventures	-	662.5
Other investments	-	2.0
Deferred tax asset	-	14.8
Inventories	-	6.9
Trade and other receivables	-	28.5
Trade and other payables	-	(33.2)
Provisions	(88.2)	(159.8)
Loans and borrowings	-	(0.8)
Net assets	(64.1)	654.4
Proceeds of disposal:		
Consideration	60.0	1,372.1
Provision recognised on disposal	-	(35.0)
Costs of disposal	-	(29.8)
Net proceeds	60.0	1,307.3
Recycle of amounts recognised in hedge reserve	-	(28.2)
Gain on disposal	124.1	624.7
Presentation:		
Continuing operations		
Income statement exceptional (loss)/gain	89.1	(18.9)
Income statement non-exceptional credit	-	67.1
	89.1	48.2
Discontinued operations		
Income statement exceptional credit	35.0	576.5
SSE Group	124.1	624.7
Net proceeds of disposal	60.0	1,279.1
Recycle of amounts recognised in hedge reserve	-	28.2
Provision recognised on disposal	-	35.0
Costs of disposal	-	29.8
Deferred consideration	-	(5.2)
Net cash proceeds	60.0	1,366.9
Plus net cash proceeds from sale of non-controlling interest in SHET	1,448.1	-
Net cash proceeds	1,508.1	1,366.9

12. ACQUISITIONS AND DISPOSALS (CONTINUED)

12.3 Discontinued operations

The discontinued operations represented the Group's investment in SGN, which was disposed on 22 March 2022 and the Group's investment in Gas Production assets, which was sold on 14 October 2021. The profit/(loss) of the discontinued operation is as follows:

	2023			2022		
	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	-	-	-	142.0	-	142.0
Cost of sales	-	-	-	(38.9)	-	(38.9)
Gross profit	-	-	-	103.1	-	103.1
Operating costs	-	-	-	(1.7)	(120.8)	(122.5)
Operating profit/(loss) before joint ventures	-	-	-	101.4	(120.8)	(19.4)
Joint ventures:						
Share of operating profit	-	-	-	21.0	-	21.0
Share of interest	-	-	-	(11.1)	-	(11.1)
Share of movement on derivatives	-	-	-	-	(4.6)	(4.6)
Share of tax	-	-	-	(1.7)	(84.7)	(86.4)
Share of profit/(loss) on joint ventures	-	-	-	8.2	(89.3)	(81.1)
Operating profit/(loss)	-	-	-	109.6	(210.1)	(100.5)
Finance income	-	-	-	6.8	-	6.8
Finance costs	-	-	-	(0.1)	-	(0.1)
Profit/(loss) for the year	-	-	-	116.3	(210.1)	(93.8)
Profit on disposal of discontinued operations, after tax	-	35.0	35.0	-	576.5	576.5
Profit/(loss) from discontinued operations, net of tax	-	35.0	35.0	116.3	366.4	482.7

Other comprehensive income from discontinued operations

	2023	2022
	£m	£m
Items that will subsequently be reclassified to profit or loss:		
Share of other comprehensive gain of joint ventures and associates, net of taxation	-	0.5
Items that will not be reclassified to profit or loss:		
Share of other comprehensive loss of joint ventures, net of taxation	-	(1.7)
Other comprehensive loss from discontinued operations	-	(1.2)

Cashflows from discontinued operations

	2023	2022
	£m	£m
Cashflows from operating activities	-	11.6
Cashflows from investing activities	-	(11.6)
Net (decrease)/increase in cash and cash equivalents in discontinued operations	-	-

13. SOURCES OF FINANCE

13.1 Capital management

The Board's policy is to maintain a strong balance sheet and credit rating to support investor, counterparty and market confidence in the Group and to underpin future development of the business. The Group's credit ratings are also important in maintaining an efficient cost of capital and in determining collateral requirements throughout the Group. As at 31 March 2023, the Group's long-term credit rating was BBB+ stable outlook for Standard & Poor's and Baa1 stable outlook for Moody's.

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

The Group's debt requirements are principally met through issuing bonds denominated in Sterling and Euros as well as private placements and medium-term bank loans including those with the European Investment Bank. On 1 August 2022 SSE plc issued a 7 year €650m Eurobond at a coupon of 2.875% under the Group's Green Bond Framework and additionally, SSE Group (through Scottish Hydro Electric Transmission plc) also received £350m of proceeds, on 30 June 2022, from the private placement that was priced and committed to in March 2022. In April 2022 SSE plc issued a €1bn NC6 equity accounted Hybrid bond at 4% to re-finance the dual tranche debt accounted Hybrid bonds whose first call date occurred on 16 September 2022 with SSE taking advantage of the 3 month par call option on these Hybrid bonds meaning the bonds were repaid on 16 June 2022. Senior debt redeemed in the financial year included the \$255m (£162.7m) US Private Placement in April 2022, a £300m Eurobond in September 2022 and a £150m loan from the European Investment Bank to Scottish Hydro Electric Transmission plc in October 2022.

SSE's adjusted net debt and hybrid capital was £8.9bn at 31 March 2023, compared with £8.6bn at 31 March 2022.

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 2023 there was £919m commercial paper outstanding (2022: £507m). The Group also has £3.5bn of revolving credit facilities which includes £750m relating to Scottish Hydro Electric Transmission plc (2022: £1.5bn) (see 13.2.1). As at 31 March 2023 there was £100m of drawings against these committed facilities being less than 3% utilisation (2022: undrawn).

The Group capital comprises:

	2023 £m	2022 £m
Total borrowings (excluding lease obligations)	8,654.0	8,671.2
Less: Cash and cash equivalents	(891.8)	(1,049.3)
Net debt (excluding hybrid equity)	7,762.2	7,621.9
Hybrid equity	1,882.4	1,051.0
External debt attributable to non-controlling interests	(434.2)	-
Cash posted as collateral and other short term loans	(316.3)	(74.7)
Adjusted net debt and hybrid capital	8,894.1	8,598.2
Equity attributable to shareholders of the parent	8,583.9	8,077.8
Total capital excluding lease obligations	17,478.0	16,676.0

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

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

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

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

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

13. SOURCES OF FINANCE (CONTINUED)

13.2 Loans and other borrowings

	2023 £m	2022 £m
Current		
Short-term loans	1,738.5	1,118.7
Lease obligations	82.1	72.1
	1,820.6	1,190.8
Non-current		
Loans	6,915.5	7,552.5
Lease obligations	323.8	321.4
	7,239.3	7,873.9
Total loans and borrowings	9,059.9	9,064.7
Cash and cash equivalents	(891.8)	(1,049.3)
Unadjusted net debt	8,168.1	8,015.4
Add/(less):		
Hybrid equity (note 14)	1,882.4	1,051.0
External debt attributable to non-controlling interests	(434.2)	-
Lease obligations	(405.9)	(393.5)
Cash posted as collateral and other short term loans	(316.3)	(74.7)
Adjusted net debt and hybrid capital	8,894.1	8,598.2

Cash and cash equivalents (which are presented as a single class of asset on the face of the balance sheet) comprise cash at bank and short term highly liquid investments with a maturity of three months or less. The cash and cash equivalents are lower year on year due to a lower surplus cash position at March 2023, with no large divestment proceeds receive in March 2023 compared to March 2022.

13.2.1 Borrowing facilities

The Group has an established €1.5bn Euro commercial paper programme (paper can be issued in a range of currencies and swapped into Sterling) and as at 31 March 2023 there was £919m commercial paper outstanding (2022: £507m).

The Group also has £3.5bn of revolving credit facilities (2022: £1.5bn). As at 31 March 2023 there was £100m of drawings against these committed facilities being less than 3% utilisation (2022: undrawn). The details of the five committed facilities as at 31 March 2023 are:

- a £1.3bn revolving credit facility for SSE plc maturing March 2026 (2022: £1.3bn);
- a £0.2bn bilateral facility for SSE plc maturing October 2026 (2022: £0.2bn);
- a new £0.75bn facility for Scottish Hydro Electric Transmission plc maturing November 2025 (2022: £nil);
- a new £0.25bn facility for Scottish Hydro Electric Distribution plc and Southern Electric Power Distribution plc maturing November 2025 (2022: £nil); and
- a new £1.0bn committed facility for SSE plc maturing February 2024 (2022: £nil).

The £1.3bn revolving credit facility and £0.2bn bilateral facility are both in place to provide back-up to the commercial paper programme and support the Group's capital expenditure plans. The Transmission and Distribution related facilities, both of which have 1 year extension options at the borrower's discretion, were entered into to help cover the capital expenditure and working capital of those businesses as they look to become financially independent of the Group as part of the 25% divestment process. The new £1bn committed facility at SSE plc has a 1 year extension option at the lender's discretion and was entered into to provide cover for potential cash collateral requirements, if periods of extreme volatility return to the commodity markets. The only facility that was drawn at 31 March 2023 was the £750m Transmission facility, with £100m drawn to cover capital expenditure requirements.

During the year to 31 March 2023 SSE plc issued a 7 year €650m Eurobond at a coupon of 2.875% with an all-in cost of funding rate of just below 3% once fees and cost of pre hedging have been included. The bond will be left in Euros as part of the Group's net investment hedge of Euro denominated businesses. SSE Group (through Scottish Hydro Electric Transmission plc) also received the proceeds from the private placement that was priced and committed to in March 2022. This comprised of a £350m dual tranche US Private Placement with Pricora Capital being a £175m 10-year tranche at 3.13% and a £175m 15-year tranche at 3.24% giving an all-in average rate of 3.185% across both tranches.

In April 2022 SSE plc issued a €1bn NC6 equity accounted Hybrid bond at 4% to re-finance the dual tranche debt accounted Hybrid bonds whose first call date occurred on 16 September 2022, with SSE taking advantage of the 3 month par call option on these Hybrid bonds meaning the bonds were repaid on 16 June 2022. The €1bn equity accounted Hybrid bond was left in Euros with the proceeds used to cover the portion of the maturing Hybrid that was swapped to Euros and a portion of the costs

associated with the acquisition of the Southern European onshore renewables development platform from Siemens Gamesa Renewables Energy.

13. SOURCES OF FINANCE (CONTINUED)

13.2 Loans and borrowings (continued)

13.2.1 Borrowing facilities (continued)

The weighted average incremental borrowing rate applied to lease liabilities during the year was 5.02% (2022: 4.92%). Incremental borrowing rates applied to individual lease additions in the year ranged between 4.03% to 5.06% (2022: 4.81% to 5.06%).

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

	2023	2022
	£m	£m
Decrease in cash and cash equivalents	(157.5)	(550.9)
Add/(less):		
New borrowing proceeds	(1,914.7)	(506.1)
New hybrid equity proceeds	(831.4)	-
Repayment of borrowings	2,148.1	865.0
Repayment of hybrid equity	-	421.4
Non-cash movement on borrowings	(216.2)	(40.5)
Movement in external debt attributable to non-controlling interests	434.2	-
Increase in cash posted as collateral and other short-term loans	241.6	111.8
Movement in adjusted net debt and hybrid capital	(295.9)	300.7

14. EQUITY

14.1 Share capital

	Number (millions)	£m
Allotted, called up and fully paid:		
At 31 March 2022	1,073.1	536.5
Issue of shares (i)	27.7	13.9
Shares repurchased (ii)	(6.9)	(3.4)
At 31 March 2023	1,093.9	547.0

- i. Shareholders were able to elect to receive ordinary shares in place of the final dividend of 60.2p per ordinary share (in relation to year ended 31 March 2022) and the interim dividend of 29.0p (in relation to the current year) under the terms of the Company's scrip dividend scheme. This resulted in the issue of 18,241,941 and 9,413,103 new fully paid ordinary shares respectively (2022: 22,201,443 and 1,782,473). In addition, the Company issued 1.9m (2022: 0.6m) 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 £18.0m (2022: £6.3m).
- ii. Under the share buyback programme announced on 28 September 2022 6.9m of shares were repurchased and cancelled in the year to 31 March 2023 for a total consideration of £107.6m (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.

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

Of the 1,093.9m shares in issue, 3.6m are held as treasury shares. These shares will be held by the Group and used to award shares to employees under the Sharesave scheme in the UK.

During the year, on behalf of the Company, the employee share trust purchased 1.4m shares for a total consideration of £23.4m (2022: 0.9m shares, consideration of £14.1m) to be held in trust for the benefit of employee share schemes. At 31 March 2023, the trust held 6.5m shares (2022: 6.3m) which had a market value of £118.0m (2022: £110.0m).

14.2 Hybrid Equity

	2023	2022
	£m	£m
GBP 600m 3.74% perpetual subordinated capital securities (i)	598.0	598.0
EUR 500m 3.125% perpetual subordinated capital securities (i)	453.0	453.0
EUR 1,000m 4.00% perpetual subordinated capital securities (ii)	831.4	-
	1,882.4	1,051.0

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

The hybrid capital bonds issued in July 2020 have no fixed redemption date, but the Company may, at its sole discretion, redeem all but not part of the capital securities at their principal amount. The date for the first potential discretionary redemption of the £600m hybrid bond is 14 April 2026 and then every 5 years thereafter. The date for the first potential discretionary redemption of the €500m hybrid capital bond is 14 July 2027 and then every 5 years thereafter. For the £600m Hybrid the discretionary coupon payments are made annually on 14 April and for the €500m Hybrid the coupon payments are made annually on 14 July.

14. EQUITY (CONTINUED)

14.2 Hybrid Equity (continued)

(ii) 12 April 2022 €1,000m Hybrid Capital Bonds

The hybrid capital bond issued in April 2022 has 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 is 21 April 2028 and then every 5 years thereafter. The discretionary Hybrid coupon payments are made annually on 21 April.

(iii) Coupon Payments

In relation to the £600m hybrid equity bond a discretionary coupon payment of £22.4m (2022: £16.8m) was made on 14 April 2022 and for the €500m hybrid equity bond a discretionary coupon payment of £16.4m (2022: £16.4m) was made on 14 July 2022. Additionally, in relation to the €600m hybrid equity bond (redeemed on 1 April 2021), the final discretionary coupon payment of £17.5m was made on 1 April 2021. The first discretionary coupon payment on the new €1bn hybrid equity bond will occur on 21 April 2023.

The coupon payments in the year to 31 March 2023 consequently totalled £38.8m (2022: £50.7m).

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

14.3 Equity attributable to non-controlling interests

Equity attributable to non-wholly owned but controlled subsidiaries which are consolidated within the financial statements of the Group under IFRS. At 31 March 2023 the amount attributable to non-controlling interests is £649.1m (2022: £40.6m), which relates to SHET of £606.5m (2022: £nil) and SSE Pacifico £42.6m (2022: £40.6m). The profit and loss attributable to non-controlling interests for the year ended 31 March 2023 is £23.6m gain (2022: £nil), which relates to SHET £25.5m gain (2022: £nil) and SSE Pacifico £1.9m loss (2022: £nil).

15. RETIREMENT BENEFIT OBLIGATIONS

15.1 Valuation of combined pension schemes

	Quoted £m	Unquoted £m	Value at 31 March 2023 £m	Quoted £m	Unquoted £m	Value at 31 March 2022 £m
Equities	94.3	-	94.3	511.5	-	511.5
Government bonds	1,381.6	-	1,381.6	1,332.7	-	1,332.7
Corporate bonds	122.8	-	122.8	167.6	-	167.6
Insurance contracts	-	532.4	532.4	-	713.5	713.5
Other investments	1,057.5	-	1,057.5	1,585.9	-	1,585.9
Total fair value of plan assets			3,188.6			4,311.2
Present value of defined benefit obligation			(2,647.5)			(3,726.3)
Surplus in the schemes			541.1			584.9
Deferred tax thereon (i)			(135.3)			(146.2)
Net pension asset			405.8			438.7

(i) Deferred tax rate of 25% applied to pension surplus and deficit positions (2022: 25%).

	Balance sheet presentation 2023 £m	Balance sheet presentation 2022 £m
Retirement benefit asset	541.1	584.9
Net pension asset	541.1	584.9

15 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

15.1 Valuation of combined pension schemes (continued)

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

	2023			2022		
	Assets £m	Obligations £m	Total £m	Assets £m	Obligations £m	Total £m
At 1 April	4,311.2	(3,726.3)	584.9	4,312.1	(3,955.1)	357.0
Included in Income Statement						
Current service cost	-	(28.2)	(28.2)	-	(31.0)	(31.0)
Past service cost	-	(5.7)	(5.7)	-	(5.1)	(5.1)
Settlements and curtailments	-	-	-	(2.5)	2.6	0.1
Interest income/(cost)	114.8	(98.6)	16.2	85.2	(77.6)	7.6
	114.8	(132.5)	(17.7)	82.7	(111.1)	(28.4)
Included in Other Comprehensive Income						
Actuarial gain/(loss) arising from:						
Demographic assumptions	-	71.7	71.7	-	16.8	16.8
Financial assumptions	-	1,099.8	1,099.8	-	195.6	195.6
Experience assumptions	-	(135.1)	(135.1)	-	(41.5)	(41.5)
Return on plan assets excluding interest income	(1,115.6)	-	(1,115.6)	26.4	-	26.4
	(1,115.6)	1,036.4	(79.2)	26.4	170.9	197.3
Other						
Contributions paid by the employer	53.1	-	53.1	59.0	-	59.0
Scheme participant's contributions	0.1	(0.1)	-	0.1	(0.1)	-
Benefits paid	(175.0)	175.0	-	(169.1)	169.1	-
	(121.8)	174.9	53.1	(110.0)	169.0	59.0
Balance at 31 March	3,188.6	(2,647.5)	541.1	4,311.2	(3,726.3)	584.9
Charges/(credits) recognised:						
				2023	2022	
				£m	£m	
Service costs (charged to operating profit)				33.9	36.1	
Settlements and curtailment gains				-	(0.1)	
				33.9	36.0	
(Credited)/charged to finance costs:						
Interest on pension scheme assets				(114.8)	(85.2)	
Interest on pension scheme liabilities				98.6	77.6	
				(16.2)	(7.6)	

16. FINANCIAL RISK MANAGEMENT

16.1 Financial risk management

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

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

During the year ended 31 March 2023, the Group was exposed to exceptional volatility in energy markets impacting the primary commodities to which it is exposed (Gas, Carbon and Power) due to the ongoing impacts from the war in Ukraine and other global factors. The Group's approach to hedging, and the diversity of its energy portfolios (across Wind, Hydro, Thermal and Customers) has provided significant mitigation of these exposures. Exceptional rises and volatility in commodity prices have created a particular challenge in managing counter-party credit and collateral exposures and requirements. Market access to energy markets to enable hedging and prompt optimisation has been maintained by a combination of three key actions. Firstly, bilateral counterparty limits have been increased (subject to Executive Director authorisation) and SSE has continued to utilise market access provided by exchange platforms and auctions. Secondly, the SSE Group Parent Company Guarantee has been increased appropriately to reflect the impact of market volatility on counterparty exposures. Finally, since March 2022, SSE Treasury facilities have been increased by circa £730m with relationship banks and insurance companies in order to facilitate letters of credit to be posted as collateral instead of cash to support the route to market of the Group.

Exposure to the commodity, currency and interest rate risks noted arise in the normal course of the Group's business and derivative financial instruments are entered into to hedge exposure to these risks. The objectives and policies for holding or issuing financial instruments and similar contracts, and the strategies for achieving those objectives that have been followed during the year are explained within A6 Accompanying Information to the Group's consolidated financial statements.

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

	2023 £m	2022 £m
Operating derivatives		
Total result on operating derivatives (i)	(2,980.2)	3,527.2
Less: amounts settled (ii)	<u>272.0</u>	<u>(1,426.8)</u>
Movement in unrealised derivatives	<u>(2,708.2)</u>	2,100.4
Financing derivatives (and hedged items)		
Total result on financing derivatives (i)	81.3	(43.3)
Less: amounts settled (ii)	<u>120.6</u>	<u>64.3</u>
Movement in unrealised derivatives	<u>201.9</u>	21.0
Net income statement impact	<u>(2,506.3)</u>	2,121.4

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

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

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

16.2 Fair value hierarchy

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

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

	2023			Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	
Financial Assets				
Energy derivatives	-	743.9	22.0	765.9
Interest rate derivatives	-	227.8	-	227.8
Foreign exchange derivatives	-	11.5	-	11.5
Unquoted equity investments	-	-	27.4	27.4
	-	983.2	49.4	1,032.6
Financial Liabilities				
Energy derivatives	(189.6)	(939.4)	(23.8)	(1,152.8)
Interest rate derivatives	-	(92.6)	-	(92.6)
Foreign exchange derivatives	-	(18.9)	-	(18.9)
Loans and borrowings	-	(154.6)	-	(154.6)
	(189.6)	(1,205.5)	(23.8)	(1,418.9)

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 2023. There were no significant transfers out of Level 2 into Level 3 and out of Level 3 into Level 2 during the year ended 31 March 2023.

	2022			Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	
Financial Assets				
Energy derivatives	884.1	2,246.4	-	3,130.5
Interest rate derivatives	-	176.8	-	176.8
Foreign exchange derivatives	-	6.1	-	6.1
Unquoted equity investments	-	-	8.7	8.7
	884.1	2,429.3	8.7	3,322.1
Financial Liabilities				
Energy derivatives	-	(828.7)	-	(828.7)
Interest rate derivatives	-	(376.1)	-	(376.1)
Foreign exchange derivatives	-	(46.3)	-	(46.3)
Loans and borrowings	-	(31.6)	-	(31.6)
	-	(1,282.7)	-	(1,282.7)

There were no significant transfers out of level 1 into level 2 and out of level 2 into level 1 during the year ended 31 March 2022.

17. CAPITAL COMMITMENTS

	2023 £m	2022 £m
Capital expenditure:		
Contracted for but not provided	1,035.6	985.9

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

18. RELATED PARTY TRANSACTIONS

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

	2023				2022			
	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
Joint ventures:								
Seabank Power Limited	-	-	-	-	51.9	(49.1)	-	-
Marchwood Power Limited	122.4	(228.5)	-	(16.8)	104.3	(229.3)	-	(7.6)
Scotia Gas Networks Limited	-	-	-	-	42.9	(10.1)	-	-
Clyde Windfarm (Scotland) Limited	4.8	(280.5)	0.1	(49.5)	4.6	(259.3)	0.1	(74.2)
Beatrice Offshore Windfarm Limited	4.7	(176.5)	1.0	(8.7)	5.0	(163.7)	0.9	(20.6)
Stronelairg Windfarm Limited	2.4	(146.2)	-	(21.7)	2.1	(138.5)	-	(36.7)
Dunmaglass Windfarm Limited	1.1	(66.4)	-	(9.1)	1.0	(57.9)	-	(13.7)
Neos Networks Limited	3.8	(23.8)	46.2	(5.8)	31.2	(27.1)	52.2	(13.8)
Seagreen Wind Energy Limited	35.2	(44.4)	22.9	(7.5)	24.9	(0.4)	6.0	(0.3)
Doggerbank A, B and C	25.4	-	7.6	-	21.2	-	8.5	-
Triton Power Holdings Limited	-	-	-	-	-	-	-	-
Other Joint Ventures	14.0	(219.2)	1.1	(50.8)	8.2	(195.9)	1.3	(23.6)

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.

On 22 March 2022 the Group completed its disposal of its interest in Scotia Gas Networks Limited ('SGN'). In the prior year, the table above included the Group's gas supply activity which included gas distribution charges and services the Group provided to SGN in the form of a management services agreement for corporate and shared services.

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

19. POST BALANCE SHEET EVENTS

19.1 Glendoe Hydro Electric Station announcement

On 23 March 2023, the Group's case concerning the availability of capital allowances on Glendoe Hydro Electric Station was heard at the Supreme Court. On 17 May 2023, the Supreme Court released its decision, which rejected HMRC's appeal in full. The matter is now concluded and is not subject to further appeal. Accordingly, the release of the Group's provision on its uncertain tax position of £27.9m and the associated recognition of £23.4m deferred tax liabilities in relation to Glendoe's capital allowances is an adjusting post balance sheet event.