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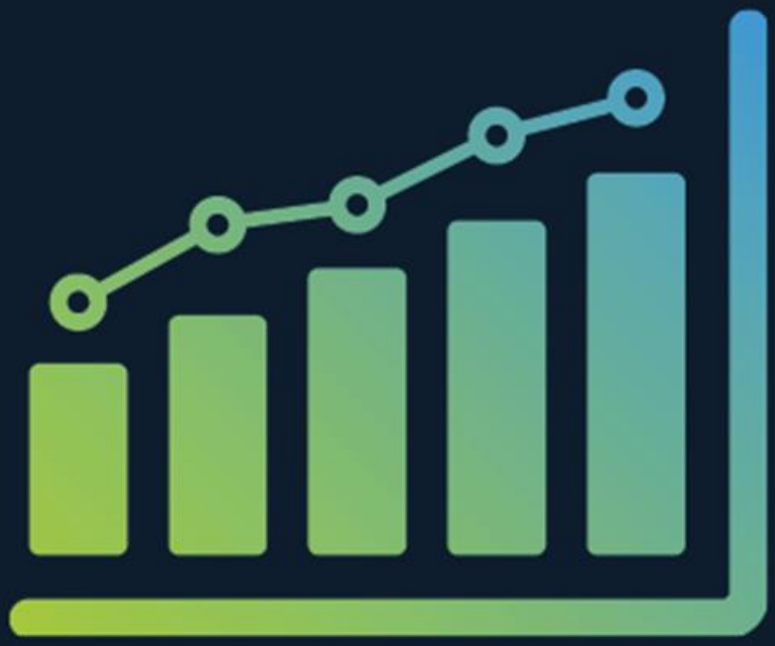
INTERIM RESULTS

FOR THE 6 MONTHS TO 30 SEPTEMBER 2019



Disclaimer

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

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Definitions

These financial results for the six months to 30 September 2019 are reported under IFRS (International Financial Reporting Standards), as adopted by the EU.

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

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

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

Important note: SSE Energy Services

On 13 September 2019, SSE announced that it had entered into an agreement to sell its SSE Energy Services business to OVO Energy Limited. Therefore, SSE Energy Services will continue to be presented in these financial statements as 'held for sale' with assets and liabilities of that business as held for sale and the business activity as discontinued (see note 9 of the Summary Financial Statements). This means the results of SSE Energy Services have been excluded from the profit and loss metrics. The transaction has received FCA approval, awaits CMA approval and is expected to complete early 2020.

Important note: Gas Production

At 30 September 2019 SSE has assessed that it is highly probable that SSE's investment in Gas Production assets will be sold and has presented the assets and liabilities of that business as held for disposal and the business activity as discontinued (see note 9 of the Summary Financial Statements). Therefore, the results of SSE's investments in Gas Production assets have been excluded from the profit and loss metrics. As the Group continues to fund this investment, and will do so until completion of the transaction, the capital expenditure and debt related metrics presented include the activity of that business. While the assets of this business are held for sale, the benefit of an internal gas hedge is being retained within the SSE Group due to the structure of the proposed disposal.

Impact of planned sales on the Group's APMs

The following metrics have been adjusted in all periods presented to exclude the contribution of SSE Energy Services and SSE's investment in Gas Production assets, which have been presented as discontinued operations as at 30 September 2019:

Adjusted EBITDA;
Adjusted operating profit:
Adjusted profit before tax;
Adjusted current tax charge; and
Adjusted earnings per share.

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SSE plc
Interim results for the six months ended 30 September 2019

13 November 2019

Headlines

Headline half year results exclude SSE Energy Services and Gas Production assets held for sale:

The results below reflect the reinstatement of the Capacity Market following approval by the European Commission and therefore include c.£110m of GB Capacity Market payments in respect of the period from the date of its suspension to 30 September 2019; £8m of which is included in exceptional items.

Headline results in line with Pre-Close Statement of 26 September and exclude SSE Energy Services and Gas Production assets:

- Adjusted operating profit on continuing operations: £491.9m, up 14%
- Reported operating profit/(loss) on continuing operations: £347.5m, versus £(184.6)m last year
- Adjusted profit before tax on continuing operations: £263.4m, up 15%
- Reported profit/(loss) before tax on continuing operations: £128.9m, versus £(284.6)m last year
- Adjusted earnings per share on continuing operations: 18.0p, up 10%
- Reported earnings/(loss) per share on continuing operations: 6.2p, versus (26.4p) last year

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

- Interim dividend: 24 pence, down 18% reflecting dividend policy outlined in May 2018
- Intention to recommend full-year dividend of 80 pence, with annual RPI growth in the three subsequent years

Investment and capital expenditure in line with plan to 2023:

- Capital and investment expenditure: £638.2m, down 19%
- Includes £446.2m invested in regulated electricity networks and renewable energy
- Full-year capital and investment expenditure is now expected to be around £1.4bn
- Adjusted net debt and hybrid capital: £10.3bn

Positive updates to financial outlook for 2019/20:

- In September 2019, SSE's forecast full year adjusted earnings per share was around 80p-85p, taking into account the impact of holding its interest in Gas Production for sale.
- Gas production interests comprise assets and hedging contracts. The structure of the proposed disposal means the hedging contracts will be retained and are not accounted for as held for sale. It is estimated this will add around 3 pence to SSE's previous forecast for adjusted EPS for FY 19/20 taking it to around 83p-88p.
- European Commission green light for Capacity Market means forecast adjusted EPS is no longer subject to receipt of suspended Capacity Market payments.
- Full-year adjusted EPS is always subject to hydro and wind assets benefiting from normal weather conditions. Generally wet and windy weather since September means, as at early November, renewable output for the year to date is slightly ahead of plan.

Results of discontinued operations

At 30 September 2019, SSE Energy Services continues to be classified as held for sale and the Group's investment in Gas Production has also been classified as held for sale. Adjusted operating losses of the discontinued operations for the six months are £22.7m; reported operating losses are £511.8m (including £489.1m of impairment charges relating to SSE Energy Services); and the adjusted loss per share of the discontinued operations is 1.6p.

Delivery against strategic priorities continuing:

- Agreement to sell SSE Energy Services to OVO Energy Limited on course for completion in early 2020, subject to the necessary regulatory approvals
- Strong, stakeholder-led RIIO T2 business plan to be submitted to Ofgem for close to £2.4bn totex investment in north of Scotland that could contribute to a Transmission RAV of around £5bn by 2026
- SSE Renewables' development capability confirmed by securing contracts for 2.2GW (SSE share) in CfD Allocation Round
- Transition to lower carbon electricity generation confirmed by decision to close SSE's last remaining coal-fired generation plant at Fiddler's Ferry by March 2020.
- Updated capital and investment expenditure plan to be set out by May 2020.

Richard Gillingwater, Chair of SSE, said:

"SSE is progressing well in the execution of its low-carbon strategy with the sale of SSE Energy Services leading to group more focussed on renewable energy and regulated electricity networks.

"SSE Renewables has an enviable development pipeline bolstered by recent success in securing valuable Contracts for Difference and we have strong business plans for the upcoming Transmission price control. Our growth is aligned to net zero emissions and looking ahead to COP 26 in Glasgow next year, we will be encouraging even faster decarbonisation.

"Clearly some headwinds remain in the sector with political uncertainty and aspects of UK government policy being subject to judicial process, however, we have strong optionality to create value through the low carbon transition and deliver our dividend commitments."

SSE's financial performance at a glance for six months to 30 September 2019

At 30 September 2019 SSE Energy Services is held for sale and has been accounted for as a discontinued operation. Therefore, the results of SSE Energy Services have been excluded from the profit and loss metrics in the tables below. Details of SSE Energy Services performance can be found in the Group Financial Overview.

In addition, SSE's interests in Gas Production assets are also held for sale at 30 September 2019 and therefore results relating to these assets have been excluded from the profit and loss metrics in the tables below.

Key Financial Indicators	Sept 19	Sept 18*	Sept 17*
Adjusted operating profit/(loss)	**£m**	**£m**	**£m**
SSEN Transmission	110.1	127.4	97.9
SSEN Distribution	150.8	166.9	176.0
Electricity Networks Total	260.9	294.3	273.9
Investment in SGN	102.1	85.4	81.2
Economically-regulated networks total	**363.0**	**379.7**	**355.1**
SSE Renewables	**149.9**	**78.4**	**152.5**
Thermal Generation	57.8	(3.5)	2.0
Gas Storage	(20.7)	(3.7)	(5.3)
Thermal Energy Total	**37.1**	**(7.2)**	**(3.3)**
Business Energy (GB)	2.9	41.6	42.5
SSE Airtricity (NI and Ire)	16.4	12.0	22.6
Customer Solutions Total	**19.3**	**53.6**	**65.1**
Energy Portfolio Management	(113.1)	(85.9)	9.3
Gas Production Continuing – contracts	31.9	N/A	N/A
Enterprise	8.2	13.7	12.3
Corporate Unallocated	(4.4)	(1.0)	0.9
Total adjusted operating profit from continuing operations	**491.9**	**431.3**	**591.9**
Adjusted profit before tax	**263.4**	**229.4**	**415.3**
Adjusted earnings per share (EPS) pence	**18.0**	**16.4**	**32.1**
Interim dividend per share (DPS) pence	24.0	29.3	28.4
Final dividend per share (DPS) pence	56.0 expected	68.2	66.3
Full year dividend per share (DPS) pence	80.0 expected	97.5	94.7
Investment and capital expenditure (adjusted & reported) £m	638.2	783.4	779.5
Adjusted net debt and hybrid capital £m	(10,338.9)	(9,960.3)	(9,275.1)
Reported operating profit /(loss)			
SSEN Transmission	110.1	127.4	97.9
SSEN Distribution	150.8	166.9	176.0
Electricity Networks Total	**260.9**	**294.3**	**273.9**
Investment in SGN	54.5	38.6	35.2
Economically-regulated networks total	**315.4**	**332.9**	**309.1**
SSE Renewables	**106.4**	**151.1**	**149.1**
Thermal Generation	(53.3)	(12.8)	(9.9)
Gas Storage	(20.7)	(3.7)	(5.3)
Thermal Energy Total	**(74.0)**	**(16.5)**	**(15.2)**
Business Energy (GB)	2.9	41.6	42.5
SSE Airtricity (NI and Ire)	16.4	12.0	22.6
Customer Solutions Total	**19.3**	**53.6**	**65.1**
Energy Portfolio Management	41.5	(651.3)	30.7
Gas Production Continuing - contracts	31.9	-	-
Enterprise	5.1	13.7	12.3
Corporate unallocated	(98.1)	(68.1)	0.9
Total reported operating profit	**347.5**	**(184.6)**	**552.0**
Total Reported profit before tax	**128.9**	**(284.6)**	**404.8**
Reported earnings per share (EPS) pence on continuing operations	**6.2**	**(26.4)**	**30.5**
Unadjusted net debt £m	(9,936.1)	(9,477.9)	(7,367.6)

Key Performance Indicators	Sept 19	Sept 18	Sept 17
Total Renewable Generation – GWh (inc. pumped storage)	4,045	3,278	3,501
Total Thermal Generation – GWh	8,126	10,587	10,660
Total Generation – all plant – GWh	**12,171**	**13,865**	**14,161**
Average carbon intensity of electricity generated (gCO2e/KWh)	261	313	294
Electricity Transmission RAV - £m	3,406	3,259	2,907
Electricity Distribution RAV - £m	3,642	3,511	3,355
Gas Distribution RAV - £m	1,949	1,870	1,790
SSE Total RAV - £m	**8,997**	**8,640**	**8,052**
Business Energy Electricity Sold – GWh	8,345	9,610	9,729
Business Energy Gas Sold – mtherms	90.2	91.9	88.2
All Ireland energy market accounts – m	0.72	0.74	0.77

**Restated to exclude the contribution of SSE Energy Services and Gas Production assets which have been presented as discontinued operations (see note 5(b) to the Summary Financial Statements).*

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

Further Information

Investor Timetable

Interim ex-dividend date	16 January 2020
Record date	17 January 2020
Scrip reference pricing days	16 – 22 January 2020
Scrip reference price confirmed and released via RNS	23 January 2020
Final date for receipt of scrip elections	13 February 2020
Interim dividend payment date	13 March 2020
Q3 Trading Statement	31 January 2020
Notification of Closed Period	By 31 March 2020
Preliminary Results for the year ended 31 March 2020	20 May 2020
AGM (Perth) and Q1 Trading Statement	16 July 2020

Contact Details

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Webcast facility

SSE will present its interim results for the six months ended 30 September 2019 on Wednesday 13 November. 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/geoyxfdz . This will also be available as a teleconference, details below. Both facilities will be available to replay.

Confirmation Code: 1197523

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Online information

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

Strategic Overview

Creating value through the transition to net zero emissions

Since the start of this financial year, there has been encouraging progress in relation to SSE's strategy to create value for shareholders and society from developing, operating and owning energy-related infrastructure and services in a sustainable way.

Whilst the imperative to tackle climate change creates a tailwind behind SSE's strategy, exemplified by the UK Parliament legislating for net zero emissions by 2050, the energy sector continues to face a complex and challenging operating environment. This is illustrated by the uncertainty arising from the UK general election, the Labour Party campaign for sector nationalisation and public policy outcomes becoming the subject of judicial processes.

Each of these matters has to be dealt with in a pragmatic and progressive way, guided by the concerns of shareholders and other stakeholders and underpinned by a commitment to do the right thing in the fight against climate change. This commitment is illustrated by SSE's four business goals to 2030, aligned to the UN Sustainable Development Goals and covering climate action; affordable and clean energy; industry, innovation and infrastructure; and decent work and economic growth.

Executing SSE's low-carbon strategy

Material progress continues to be made on execution of a strategy that puts SSE at the centre of efforts to decarbonise the UK and Irish economies. Key to this is our clear focus on regulated electricity networks and renewable energy. That focus has been sharpened by the recent progress made on the planned sale of SSE Energy Services to OVO Energy and the measures taken to prepare for the proposed divestment of gas production assets.

Within the core businesses, SSEN Transmission's strong, stakeholder-led business plan for 2021-26, *A Network for Net Zero*, represents a blueprint for continued investment in a modern electricity transmission network to help decarbonise the economy. SSEN Distribution continues to make positive strides towards becoming a Distribution System Operator but we have more work to do on regulatory incentives where we are focusing heavily on improvement. The completion of the Beatrice offshore wind farm and the success of SSE Renewables-backed projects in the recent Contracts for Difference auction demonstrates what SSE can achieve as a leading developer, operator and owner working with like-minded partners.

The progress made by our complementary businesses should not be overlooked. In particular, our thermal generation business has a key role to play in the transition to a decarbonised energy system and SSE is this month publishing *Transition to net zero: The role of gas*, a report analysing the resilience of SSE's gas assets to different climate change scenarios.

Delivering on the five-year dividend plan

It is SSE's core businesses that will be at the heart of SSE in the years to come, creating options, opportunities and value through the low carbon transition and earning returns for shareholders in a sustainable way. Value creation will be underpinned by returns shaped through regulatory or public policy processes and earned through efficient operation and development (including construction) of low-carbon assets. These core businesses and assets underpin SSE's first financial commitment, which is to fairly remunerate shareholders' investment through dividends. The interim dividend of 24 pence is in line with the 80 pence per share that is expected to be recommended at year-end and is consistent with the five-year plan announced in May 2018, to which SSE remains fully committed.

Focusing on future opportunities

The refocused SSE group of businesses is delivering on a clearly-defined strategy to create value from developing, operating and owning energy-related infrastructure in a sustainable way. In doing so it is realising a vision to be a leading energy company in a low-carbon world. There are complex issues to navigate, but there has been encouraging progress SSE since the start of the financial year. SSE has

put the fight against climate change at the heart of its business, and it is for this reason that our advocacy in the year ahead will be focused on encouraging governments attending the UN Climate Change Conference in Glasgow next year to go further and faster in decarbonisation. As the progress in this financial year has shown, SSE is very well-placed to seize the opportunities on offer from the transition to a net zero economy and in doing to create sustainable value for shareholders and society in the years to come.

Alistair Phillips-Davies

Chief Executive

Group Financial Overview

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

SSE Energy Services and SSE's investment in gas production assets have been presented as discontinued operations in the Summary Financial Statements, and therefore have been excluded from profit and loss based measures in the tables below in the current and comparative periods.

Key Adjusted Financial Metrics	Sept 19 £m	Sept 18 £m	Sept 17 £m
Adjusted Operating Profit	**491.9**	**431.3**	**591.9**
Adjusted Net Finance Costs	(228.5)	(201.9)	(176.6)
Adjusted Profit before Tax	**263.4**	**229.4**	**415.3**
Adjusted Current Tax charge	(31.6)	(15.9)	(35.5)
Effective current tax rate (%)	*12.0*	*6.9*	*8.5*
Adjusted Profit after Tax	**231.8**	**213.5**	**379.8**
Less: hybrid equity coupon payments	46.5	46.6	57.4
Adjusted Profit After Tax attributable to ordinary shareholders	**185.3**	**166.9**	**322.4**
Adjusted EPS – pence	**18.0**	**16.4**	**32.1**
Number of shares for basic/reported and adjusted EPS (million)	1,030.4	1,015.7	1,005.3
Shares in issue 30 September (m)	1,048.1	1,026.5	1,022.5

Key Reported Financial Metrics	Sept 19 £m	Sept 18 £m	Sept 17 £m
Reported Operating Profit	**347.5**	**(184.6)**	**552.0**
Reported Net Finance Costs	(218.6)	(100.0)	(147.2)
Reported Profit before Tax	128.9	(284.6)	404.8
Reported Tax (credit)/charge	18.2	(62.7)	40.6
Reported Profit after Tax on continuing operations	**110.7**	**(221.9)**	**364.2**
Reported Profit for the period on discontinued operations	**(498.2)**	**(22.5)**	**(7.0)**
Reported Profit/(Loss) after Tax	**(387.5)**	**(244.4)**	**357.2**
Less: hybrid equity coupon payments	46.5	46.6	57.4
Reported Profit/(Loss) After Tax attributable to ordinary shareholders[1]	**(434.0)**	**(291.0)**	**299.8**
Reported earnings per share (including discontinued operations) (pence)	**(42.1)**	**(28.6)**	**29.8**

[1]After distributions to hybrid capital holders

Dividend per Share	Mar 20	Mar 19	Mar 18
Interim Dividend pence	24.0	29.3	28.4
Final Dividend pence	56.0 expected	68.2	66.3
Full Year Dividend pence	80.0 expected	97.5	94.7
Dividend Cover times/SSE's adjusted EPS	c. 1.1 x expected	0.69x	1.04 x

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

Operating profit

SSE Group Business-by-business segmental adjusted EBIT / Adjusted Operating Profit analysis	Sept 19 £m	Sept 18 £m	Sept 17 £m
SSEN Transmission	110.1	127.4	97.9
SSEN Distribution	150.8	166.9	176.0
Electricity networks total	**260.9**	**294.3**	**273.9**
Investment in SGN	102.1	85.4	81.2
Economically-regulated networks total	**363.0**	**379.7**	**355.1**
SSE Renewables	**149.9**	**78.4***	**152.5**
Thermal Generation	57.8	(3.5)	2.0
Gas Storage	(20.7)	(3.7)	(5.3)
Thermal Energy Total	**37.1**	**(7.2)**	**(3.3)**
Business Energy (GB)	2.9	41.6	42.5
SSE Airtricity (NI and Ire)	16.4	12.0	22.6
Customer Solutions Total	**19.3**	**53.6**	**65.1**
Energy Portfolio Management	(113.1)	(85.9)	9.3
Gas Production Contracts	31.9	n/a	n/a
Energy Portfolio Management and Investments	**81.2**	**(85.9)**	**9.3**
Enterprise	**8.2**	**13.7**	**12.3**
Corporate Unallocated	(4.4)	(1.0)	0.9
Total Adjusted Operating Profit	**491.9**	**431.3**	**591.9**
Adjusted Net Finance Costs	(228.5)	(201.9)	(176.6)
Adjusted PBT (excluding Held for Sale)	**263.4**	**229.4**	**415.3**
Held for Sale:			
Gas Production Assets	(15.3)	19.3	4.5
SSE Energy Services	(7.4)	(62.1)	(7.1)

**Reflects fair value depreciation restatement September 2018 of £2.3m*

SSE Group Business-by-business segmental REPORTED EBIT / Operating Profit analysis	Sept 19 £m	Sept 18 £m	Sept 17 £m
SSEN Transmission	110.1	127.4	97.9
SSEN Distribution	150.8	166.9	176.0
Electricity Networks Total	**260.9**	**294.3**	**273.9**
Investment in SGN	54.5	38.6	35.2
Economically-regulated networks total	**315.4**	**332.9**	**309.1**
SSE Renewables	**106.4**	**151.1**	**149.1**
Thermal Generation	(53.3)	(12.8)	(9.9)
Gas Storage	(20.7)	(3.7)	(5.3)
Thermal Energy Total	**(74.0)**	**(16.5)**	**(15.2)**
Business Energy (GB)	2.9	41.6	42.5
SSE Airtricity (NI and Ire)	16.4	12.0	22.6
Customer Solutions Total	**19.3**	**53.6**	**65.1**
Energy Portfolio Management	41.5	(651.3)	30.7
Gas Production Contracts	31.9	-	-
Enterprise	5.1	13.7	12.3
Corporate Unallocated	(98.1)	(68.1)	0.9
Total Reported Operating Profit	347.5	(184.6)	552.0
Reported Net Finance Costs	(218.6)	(100.0)	(147.2)
Reported PBT (excluding held for sale)	128.9	(284.6)	404.8
Held for Sale:			
Gas Production	(15.3)	19.3	4.5
SSE Energy Services	(496.5)	(62.1)	(7.1)

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

Operating profit

Adjusted and reported operating profit/losses in SSE's business segments for the six months to 30 September 2019 are as set out below; comparisons are with the same six months in 2018 unless otherwise stated:

SSEN Transmission: adjusted and reported operating profit was £110.1m compared to £127.4m, mainly due to the phasing of allowed revenue, along with increased depreciation relating to on-going capital expenditure.

SSEN Distribution: adjusted and reported operating profit was £150.8m compared to £166.9m, mainly due to higher costs associated with supplying Shetland, increased fault costs and slightly lower Distribution Use of System electricity volumes.

Investment in SGN: adjusted operating profit was £102.1m compared to £85.4m, mainly due to the phasing of allowed revenue and an increase in other income.

Reported operating profit was £54.5m compared to £38.6m, due to the factors above, offset by slightly higher interest and tax charges.

SSE Renewables: adjusted operating profit was £149.9m compared to £78.4m mainly due to a net increase in wind energy capacity in operation over the period, along with more favourable weather conditions for renewable electricity output compared with the same period in 2018. HY19/20 also includes around £18m of GB Capacity Market payments in respect of the period from the date of its suspension to 30 September 2019; compared to HY18/19 which included under £3m. Following a technical review, SSE has changed the estimated useful life of its onshore windfarms from 20 to 25 years. The financial impact of this extension is to increase adjusted and reported profit before tax by £14.5m in HY19/20.

Reported operating profit was £106.4m compared to £151.1m. The factors outlined above were outweighed by year on year movements in exceptional items. In the six months to 30 September 2018 reported operating profit included exceptional gains of £88.4m compared to a net exceptional and one-off financing cost charge of £5.9m in the same period this year.

Thermal Generation: adjusted operating profit was £57.8m compared to an adjusted operating loss of £3.5m, mainly due to the reinstatement of the Capacity Market, meaning HY19/20 includes over £80m of GB Capacity Market payments in respect of the period from the date of its suspension to 30 September 2019. A further £8m of capacity payments are also included in exceptional items in relation to Fiddlers Ferry coal station. This compares to £11m of Capacity Market payments which were received in the six months to 30 September 2018. The additional income in HY19/20 was partly offset by lower plant availability over the summer of 2019 compared with the summer of 2018.

Reported operating loss at 30 September 2019 is £53.3m compared to an operating loss of £12.8m in prior year. The factors outlined above were outweighed in HY19/20 by the net exceptional charge including impairments of Fiddler's Ferry coal station of £98.7m; following the announcement to close the station by March 2020.

Gas Storage adjusted and reported operating loss was £20.7m compared to £3.7m, reflecting the fact that this year's auction of storage capacity resulted in no contracted sales. SSE will operate the plant on a merchant basis, with its businesses using this capacity over the forthcoming winter and Gas Storage is expected to return to a small profit for the full year.

SSE Business Energy: adjusted and reported operating profit was £2.9m compared to £41.6m, as a result of reduced volumes of energy sold, industry mutualisation, disposals last year and increased bad debt. This reflects challenging market conditions for this business, but profitability is expected to improve in the rest of the financial year.

SSE Airtricity: adjusted and reported operating profit was £16.4m compared to £12.0m reflecting improved margins earned by the business**.**

Energy Portfolio Management (EPM): adjusted operating loss was £113.1m compared to an adjusted operating loss of £85.9m. The full year adjusted operating loss for FY2019/20 is now expected to be between £125m and £130m. The Annual Report 2019 contains information to relating to the financial performance of EPM in 2018/19 and 2019/20.

Reported operating profit for EPM in the six months to 30 September 2019 was £41.5m compared to a loss of £651.3m in prior year due to remeasurement gains on unsettled derivative contracts of £154.6m in the current period, compared to losses of £565.4m in prior year.

As previously stated, following changes to the operations of the EPM business, from FY20/21 EPM is expected to earn a small adjusted operating profit through service provision.

Investment in Gas Production: while the assets of this business are held for sale, the benefit of an internal gas hedge is being retained within the SSE Group due to the structure of the proposed disposal. This internal gas hedge has resulted in a HY19/20 adjusted and reported operating profit of £31.9m. In addition, the assets held for sale have resulted in a reported operating loss of £15.3.m which is excluded from SSE's adjusted results. If reported together, the assets and the internal gas hedge would show a total operating profit of £16.6m; compared to an adjusted and reported operating profit of £19.3m in the same period in 2018.

Enterprise: adjusted operating profit was £8.2m compared to £13.7m, reflecting the reduction in SSE's share of Telecoms' profits following the sale of 50% of the business in March 2019 as well as additional costs relating to development spend.

Reported operating profit was £5.1m in the current year versus £13.1m in prior year due to interest and tax costs of SSE Telecommunications.

Corporate Unallocated: adjusted operating loss of £4.4m compared to £1.0m.

Reported operating loss is £98.1m in HY19/20 compared to a reported operating loss of £68.1m in HY18/19. Both periods include charges related to the disposal of SSE Energy Services of (£52.5m in HY19/20 compared to £67.1m in HY18/19). In addition, in HY19/20, the Group also incurred exceptional IT write-offs and redundancy provisions totalling £41.2m.

SSE Energy Services (discontinued operations)

SSE Energy Services (Energy Supply (households in GB) and Energy Related Services): adjusted operating loss was £7.4m, compared to £62.1m. The higher loss in HY18/19 reflects a delay in passing through cost increases to customers in that period and in addition HY19/20 excludes depreciation as a result of the business being presented as held for sale.

An exceptional charge of £489.1m has been recognised in the period as an impairment to the carrying value of the SSE Energy Services assets held for sale at 30 September 2019 which resulted in a reported operating loss of £496.5m. This impairment is reflective of the transaction price agreed with OVO and includes an estimate of total transaction fees to be incurred.

Investment and Capital Expenditure

Investment and Capex Summary (adjusted)	Sept 19 Share %	Sept 19 £m	Sept 18 £m	Sept 17 £m
Electricity Transmission	*26%*	168.6	185.2	231.4
Electricity Distribution	*24%*	152.4	163.5	138.0
Electricity Networks total	***50%***	**321.0**	**348.7**	**369.4**
SSE Renewables	***20%***	**125.2**	**244.9**	**174.4**
Thermal Generation	*17%*	108.0	60.1	48.3
Gas Storage	*0%*	1.2	-	0.5
Thermal energy total	***17%***	**109.2**	**60.1**	**48.8**
Customer Solutions total	-	-	0.8	0.2
Enterprise	4%	25.1	29.0	26.5
SSE Energy Services	-	*	41.3	69.6
Gas Production	3%	21.7	12.8	36.0
Corporate	6%	36.0	45.8	54.6
Total investment and capital expenditure (adjusted)	***100%***	**638.2**	**783.4**	**779.5**

* In the period the Group incurred £53m of capital expenditure within its Energy Services business, mainly related to infrastructure to support SSE Energy Services' regulatory obligation to install smart meters for its energy supply customers as part of the UK's Smart Metering rollout. However, this capital expenditure has been excluded from SSE's adjusted Investment and Capital Expenditure, as the Group incurred an exceptional impairment in the business related to the proposed OVO transaction.

Investing efficiently in energy assets that the UK and Ireland need in 2018/19

During the six months to 30 September 2019, SSE's investment and capital expenditure (excluding SSE Energy Services but including Gas Production) totalled £638.2m, including £446.2m investment in renewable energy and regulated electricity networks. Total investment and capital expenditure over the period included the following:

- A major investment programme in **electricity networks** totalling £321m (50% of SSE's total investment and capital expenditure).
  - **Electricity Transmission** investment and capital expenditure of £169m included work on the 275kV line between Knocknagael and a new substation at Tomatin plus the construction of new substations at Fort Augustus, Rothienorman and New Deer, to enable renewable energy projects to connect to the network.
  - **Electricity Distribution** investment and capital expenditure of £152m consisted primarily of asset replacement and reinforcement projects, including the replacement of subsea cables and several overhead line circuits.
- Further investment in **renewable energy** in GB and Ireland totalling £125m (20% of the total), £104m of which relates to SSE's equity share of the Beatrice offshore windfarm. Beatrice, which was officially opened on 28 June, is project-financed and SSE's equity share is 235MW (40%).
- SSE's flexible thermal gas-fired power stations will play a key part in the transition to a low-carbon economy and investment in **thermal generation** totalled £108m (17% of the total) in the period, including the Keadby 2 and Ferrybridge Multifuel 2 project (combined £100m), along with development spend on the Slough Multi-fuel project.
- A total of £25m was invested in **Enterprise**, predominantly comprising spend in Telecoms, and £36m in SSE **group services**, which was mainly on shared IT.

Updating plans and investing efficiently in energy assets that the UK and Ireland need

SSE's strategy is to create value for shareholders and society from developing, operating and owning energy and related infrastructure and services in a sustainable way. Central to this is investing in assets for which returns are expected to be clearly greater than the cost of capital. New assets should complement SSE's existing portfolio of assets and their development and construction should be governed and executed in an efficient manner and in line with SSE's commitment to strong financial management.

Since setting out its plan in May 2018 for total investment and capital expenditure of around £6bn across the five years to March 2023, SSE has been successful in securing CfDs for 2.2GW (net) of offshore wind generation capacity. SSE's successful projects are **Seagreen** (454MW out of a project total of 1,075MW secured a contract, currently 100% owned by SSE) and **Dogger Bank** (three projects totalling 3,600MW, SSE share 50% or 1,800MW). The CfD auction is currently the subject of a Judicial Review which has introduced some uncertainty for project owners but, subject to progress of this legal process, SSE plans to sell down stakes so its equity share in each CfD project is less than 50% and to project finance them off its balance sheet. SSE's equity investment in these projects, net of such sell-downs and project finance is currently expected to total between £1.0bn and £1.5bn in the period to March 2026, although the phasing of this is currently uncertain.

SSE expects that final investment decisions will be determined by the need to secure returns that are clearly greater than the cost of capital, enhance earnings and support the delivery of dividend commitments. Indeed, SSE believes that strict financial discipline is more important than ever as auctions become an increasing feature of energy infrastructure provision, and it will not resort to taking on inappropriate risks or accepting returns on investment that are financially unsustainable.

By their very nature long term financial plans evolve. While SSE's May 2018 plan for total investment and capital expenditure included an assumed 1GW of CfD projects and continued investment by SSEN Transmission, the assumptions require to be updated to reflect the opportunities identified in both areas as well as the normal evolving nature of long-term investment plans in the wider SSE Group. SSE expects to set out updated capex plans by May 2020 and will continue with its disciplined approach to investment and focus on balance sheet strength.

SSE's Hedging Position at 30 September

SSE published 'SSE's Approach to Hedging: May 2019 Update' on 25 May 2019*. This document included SSE's Hedge Position in relation to its Wind and Hydro generation as at 31 March 2019. The following table includes an update as at 30 September 2019 showing the hedge position for full years 2020/21 and 2021/22. To aid understanding, this table should be read in conjunction with the full 'Approach to Hedging' document.

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

		FY20/21	**FY21/22**
Wind	Expected volume TWh	4.7	4.7
	Volume hedged %	100%	44%
	Hedge price £/MWh	£46	£49
	If hedged in September 2019	£52	£49
Hydro	Expected volume TWh	3.4	3.4
	Volume hedged %	100%	42%
	Hedge price £/MWh	£48	£49
	If hedged in September 2019	£53	£50

Adoption of IFRS 16

The Group adopted IFRS 16 "Leases" with effect from 1 April 2019, applying the "modified retrospective" approach whereby comparative figures are not restated. In adopting this approach,

the results for the six months ended 30 September 2019 are not directly comparable with those reported in the prior period under the previous applicable accounting standard IAS 17 "Leases".

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

Adoption of IFRS 16 (including SSE's share of joint ventures) resulted in adjusted operating profit for the six months to 30 September 2019 increasing by £8.7m, offset by increased adjusted interest costs of £8.5m, resulting in a £0.2m net improvement in adjusted profit before tax.

At 30 September 2019, including additions during that period, the net value of additional right-of-use assets under IFRS 16 totalled £206.6m with a corresponding lease liability of £238.7m.

The revised presentation of lease payments under IFRS 16 results in a £24.9m improvement in net cash flows from operating activities and a corresponding deterioration in net cash flows from financing activities. There is no impact on total cash and cash equivalents.

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 and the impact of certain re-measurements.

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

In the six months to 30 September 2019, SSE's adjusted earnings per share on continuing operations was 18.0 pence, compared to 16.4 pence for the six months to 30 September 2018. This reflects the movements in adjusted operating profit outlined in the section above, offset by higher adjusted net finance costs and a higher tax charge reflecting the effective current tax rate increasing from 6.9% to 12.0% as explained in the Taxation section below.

Summarising the impact of Movements on Derivatives

Operating derivatives

SSE enters into forward purchase contracts (for power, gas and other commodities) to meet the future demands of its energy supply businesses and to optimise the value of its Generation assets and its investments in Gas Production. Some of these contracts are determined to be derivative financial instruments under IFRS 9 and as such 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 30 September 2019 is expected to be in the next 18 months.

The £154.6m IFRS 9 positive movement on operating derivatives in the six months to 30 September 2019 arose mainly from an improvement in the 'out of the money' fair value of forward gas contracts.

Financing derivatives

In addition to the profit recognised on operating derivatives, there were losses of £69.9m recognised on the remeasurement of financing derivatives at 30 September 2019. This loss is predominately due to lower interest rates on long term interest rate swaps, partially offset by lower exchange rates on cross currency swaps and FX contracts due to weaker Sterling against the Euro and dollar. These remeasurements are also 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.

Exceptional Items

In the six months to 30 September 2019, SSE recognised a net exceptional charge of £675.1m before tax. The following table provides a summary of the key components making up the net charge position:

	Exceptional Items (continuing operations) **£m**	Exceptional Items (discontinued operations) **£m**	Exceptional Items Total **£m**
SSE Energy Services related costs and impairment	(52.5)	(489.1)	(541.6)
Fiddler's Ferry	(98.7)	-	(98.7)
Legacy IT write-offs	(41.2)	-	(41.2)
Other	6.4	-	6.4
Total exceptional items	**(186.0)**	**(489.1)**	**(675.1)**

The Group recorded an exceptional impairment of £489.1m on its SSE Energy Services business which reflects an adjustment to the carrying value of the assets, to reflect the agreement of the sale of the business to OVO. The impairment includes costs expected to be incurred to complete the disposal of the business.

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

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

Reported results for the year to 30 September 2019 are significantly higher than those for the same period last year; mainly due the £154.6m IFRS 9 positive movement on operating derivatives in the six months to 30 September 2019 compared to the negative £565.4m movement for the same period in 2018. This arose mainly from an improvement in the fair value of forward gas contracts.

Dividend

Remunerating shareholders' investment through payment of dividends

SSE's strategy is to create value for shareholders and society from developing, operating and owning energy and related infrastructure and services in a sustainable way.

The first financial objective of this strategy is to remunerate shareholders' investment through the payment of dividends. SSE believes that its dividends should be sustainable, based on the quality and nature of its assets and operations; the earnings derived, and the value created, from them; and the longer-term financial outlook.

In line with this, and reflecting the underlying quality and value of its assets and earnings, the cash flows they deliver and the value that can be created from them, SSE's plan for the remainder of its five- year dividend plan to March 2023 as set out in May 2018 is as follows:

- For 2019/20, SSE's intention is to recommend a full-year dividend of 80 pence per share, with an interim dividend of 24 pence per share to be paid on 13 March 2020; and
- For 2020/21, 2021/22 and 2022/23 SSE is targeting annual increases in the full-year dividend that at least keep pace with RPI inflation.

SSE's principal joint ventures and associates

SSE's financial results include contributions from equity interests in joint ventures ("JVs") and associates, all of which are equity accounted. The details of the most significant of these are included

in the table below. This table also highlights SSE's share of off-balance sheet debt associated with its equity interests in JVs, which, including SGN, is just over £2.5bn as at 30 September 2019.

SSE principal JVs and associates	Asset type	SSE holding	SSE share of external debt as at 30 Sept 2019	SSE Shareholder loans as at 30 Sept 2019
Seabank Power	1,140MW CCGT	50%	No external debt	No loans outstanding
Marchwood Power	840MW CCGT	50%	No external debt	£65m
Clyde Windfarm (Scotland)	522MW onshore wind farm	50.1%	No external debt	£127m
Walney (UK) Offshore Windfarms	367MW offshore wind farm	25.1%	No external debt	No loans outstanding
Doggerbank Wind Farms	Up to 1,200MW offshore wind farm each. Up to 3,600MW total	50%	No external debt	£24m
Scotia Gas Networks	Gas distribution network	33.3%	£1,572m	£109m
Ferrybridge Multifuel Energy	68MW multifuel	50%	No external debt	£98m
Ferrybridge Multifuel Energy 2	70MW multifuel	50%	No external debt	£142m
Beatrice Offshore Windfarm Ltd	588MW offshore wind farm	40%	£949m	£17m (Primarily project financed)
Cloosh Valley Wind Farm	105MW onshore windfarm (part of Galway Wind Park)	25%	€36m	Project financed
SSE Telecoms	Private telecoms network	50%	No external debt	£27m
Stronelairg Windfarm	228MW onshore wind farm	50.1%	No external debt	£89m
Dunmaglass Windfarm	94mw onshore windfarm	50.1%	No external debt	£47m

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

Financial management and balance sheet

Debt metrics	Sept 19	Mar 19	Sept 18
	£m	£m	£m
Adjusted net debt and hybrids (£m)	**(10,338.9)**	**(9,437.0)**	**(9,960.3)**
Average debt maturity (years)	7.0	7.0	7.3
Adjusted interest cover (excluding SGN) times	1.8	2.8	1.9
Adjusted interest cover (including SGN) times	2.0	2.8	2.0
Average interest rate for the period excluding JV/assoc. interest and all hybrid coupon payments)	3.22%	3.28%	3.52%
Average cost of debt at period end (including all hybrid coupon payments)	3.60%	3.70%	3.79%

Net finance costs Reconciliation	Sept 19	Sept 18	Sept 17
	£m	£m	£m
Adjusted net finance costs	**228.5**	**201.9**	**176.6**
Add/(less):			
Lease interest charges	(18.5)	(14.3)	(15.4)
Notional interest arising on discounted provisions	(7.8)	(8.8)	(8.1)
Hybrid equity coupon payment	46.5	46.6	57.4
Adjusted finance costs for interest cover calculation	248.7	225.4	210.5

SSE Principal Sources of debt funding	Sept 19	Mar 19	Mar 18
Bonds	48%	46%	49%
Hybrid debt and equity securities	21%	22%	23%
European investment bank loans	12%	12%	13%
US private placement	8%	9%	10%
Index –linked debt & short-term funding	11%	11%	5%
% of total SSE borrowings secured at a fixed rate	89%	88%	90%

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

Maintaining a strong balance sheet

As a long-term business, SSE believes it should maintain a strong balance sheet, illustrated by its commitment to robust ratios for both Retained Cash Flow (RCF)/Net debt and Funds From Operations (FFO)/Net debt. SSE believes that a strong balance sheet enables it to secure funding from debt investors at competitive and efficient rates and take decisions that are focused on the long term.

In September 2019, both Moody's and Standard and Poor's affirmed SSE's credit rating:

- **Moody's – Baa1 stable outlook**, consistent with guideline RCF/Net debt ratio of around 11% in 2018/19 and 2019/20 and thereafter trending towards the low teens in percentage terms; and

- **Standard and Poors – BBB+ outlook stable,** consistent with guideline FFO/Net debt ratio of about 18%

SSE's current credit ratings are still amongst the strongest held by private sector utilities across Europe. With a high-quality portfolio of assets, an increasing focus on renewable sources of energy and regulated electricity networks, and a wide variety of options for the future, SSE is confident it can maintain credit rating metrics that are sustainable and consistent with an ability to secure funding from debt investors at competitive rates; and will remain focused on them as it develops its updated plans for investment following the CfD auctions.

Adjusted net debt and hybrid capital

SSE's adjusted net debt and hybrid capital was £10.3bn at 30 September 2019, up from £9.4bn at March 2019, reflecting the on-going capital investment programme, share buybacks and debt revaluations adjustments partially offset by shareholder loans and dividends received following the refinancing of the Beatrice offshore windfarm.

Adjusted net debt is expected to be around £10.4bn at March 2020; reflecting the cash inflow from the sale of Energy Services to OVO and some proceeds from the sale of a stake in Seagreen but excluding the proceeds from the planned sale of gas production assets.

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

The debt revaluation adjustment, of £311.4m as at 30 September 2019 (up from £139.1m at 31 March 2019) relates to marked-to-market movements on cross-currency swaps and floating rate swaps that are classed as hedges under IAS39. The debt revaluation increase was driven by both Sterling and Euro weakness against the US Dollar partially offset by lower interest rates during the half year to 30 September 2019. The hedges ensure that any movement in the value of net debt is predominately offset by a movement in the derivative position.

The debt revaluation increase was driven by both Sterling and Euro weakness against the US Dollar partially offset by lower interest rates during the half year to 30 September 2019. The hedges ensure that any movement in the fair value of net debt is predominately offset by a movement in the derivative position.

Adjusted net debt excludes finance leases and includes outstanding liquid funds that relate to wholesale energy transactions. A reconciliation of adjusted net debt and hybrid capital to reported net debt is provided in the table headed Adjusted Net Debt and Hybrid Capital in the Alternative Performance Measures section of this statement.

Hybrid Bonds summary as at 30 September 2019

	Value £m equivalent – parts are issued in € and $	Coupon Rate per annum	Accounting Treatment	First Call Date
Hybrid Equity Bonds March 2015	£1.2bn	All in rate 4.01%	Equity accounted	£750m September 2020 & £450m April 2021
Hybrid Debt Bonds March 2017	£1bn	All in rate 3.02%	Debt accounted	September 2022

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

Hybrid coupon payments	19/20		18/19	
	HYa	**FYa**	**HYa**	**FYe**
Total equity (cash) accounted	£47m	£47m	£47m	£47m
Total debt (accrual) accounted	£15m	£30m	£15m	£30m
Total hybrid coupon	**£62m**	**£77m**	**£62m**	**£77m**

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

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

SSE has confirmed that the criteria applied by the Rating Agencies, Moody's and Standard and Poor's, will result in broadly the same value of hybrid equity treatment as that of previous years.

Managing net finance costs

SSE's adjusted net finance costs, including interest on debt accounted hybrid bonds but not equity accounted hybrid bonds, were £228.5m in the six months to 30 September 2019, compared to £201.9m for the same period in 2018. This reflected higher net debt during the year and higher JV interest costs.

Reported net finance costs were £218.6m, compared to £100.0m, reflecting a mark-to-market loss on financing derivatives of £69.9m in the period compared to a gain of £39.6m in the prior period and increased underlying interest costs due to higher net debt.

Excluding the impact of IFRS 16 (accounting for leases), adjusted net finance costs in 2019/20 are expected to increase to just over £450m reflecting additional JV interest costs from Beatrice and lower capitalised interest.

Summarising cash and cash equivalents

At 30 September 2019, SSE's adjusted net debt included cash and cash equivalents of £0.2bn, down from £0.5bn at March 2019.

Since 31 March 2019, the cash collateral value has decreased by £106.2m to £238.0m at 30 September 2019. The decrease relates to the unwind of collateral required to cover out of the money commodity positions.

The cash and cash equivalents total presented on the consolidated balance sheet does not include £75.0m relating to the SSE Energy Service Group which is presented within assets held for disposal within the Summary Financial Statements.

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

In September 2019, Scottish Hydro Electric Transmission plc (which trades as SSEN Transmission) successfully issued its inaugural Green Bond, a 16 year/£350m euro bond maturing September 2035 with a coupon of 2.25% and an all-in funding cost of 2.39%. This bond was the SSE group's third Green Bond in three years, affirming SSE as the largest issuer of Green Bonds from the UK corporate sector. In addition, SSE is the only UK corporate to offer up multiple benchmark sized tranches in the Sterling and Euro markets. This will continue to help SSE to take a leading role in supporting the transition towards a low-carbon future, through its plans to continue to invest in renewable energy and reaffirm its position as a leader in renewable sources of energy.

In October 2019 SSE completed the refinancing of the £200m Bank of China facility to bring it line with the £1.3bn RCF that was refinanced in March. The facility was extended to 2024 with two one-

year extension options and the margin was reduced from 50bps to 35bps, which saves £100k in commitment fees annually. Both facilities are now classified as sustainable facilities with interest rate and fees paid dependant on SSE's performance in environmental, social and governance matters, as assessed independently by Vigeo Eiris. In September 2019 Vigeo Eiris published their updated ESG Score for SSE, which has improved significantly to 62, from 51 the previous year, which resulted in the sustainability clauses on the refinanced £1.3bn RCF and £200m Bank of China facilities being triggered, reducing the margin on both by 2.5bps.

Refinancing over the medium term

Following the debt issued in September 2019 (referenced above) SSE's next significant potential refinancing milestones are:

- £492m of short-term Commercial Paper due to mature by March 2020 which SSE intends to keep at similar levels on a rolling basis
- June 2020 when it will redeem its €600m/2% coupon bond; and
- September 2020 which is the first call date for the £750m/3.875% coupon equity accounted Hybrid.

Maintaining a prudent Treasury policy

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

As a matter of policy, a minimum of 50% of SSE's debt is subject to fixed rates of interest. Within this policy framework, SSE borrows as required on different interest bases, with financial instruments being used to achieve the desired out-turn interest rate profile. At 30 September 2019, 89% of SSE's borrowings were at fixed rates.

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

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

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

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

Ability to raise funds at competitive rates is fundamental to investment. SSE's fund-raising over the last five years, including hybrid capital and term loans, now totals £6.2bn and SSE's objective is to maintain a reasonable range of debt maturities. Its average debt maturity, excluding hybrid securities, at 30 September 2019 was 7.0 years, unchanged since March 2019. This reflects SSE's recent debt issuance, which has taken advantage of the best value on the maturity curve; and SSE's average cost of debt is now 3.7%.

SSE's debt structure remains strong, and on 31 March 2019 it had around £9.5bn of medium/long term borrowings in the form of issued bonds, European Investment Bank debt, hybrid securities and other loans.

Going concern

The Directors regularly review the SSE Group's funding structure and have assessed that the Summary Financial Statements should be prepared on a going concern basis. In making their assessment the Directors have assessed the forecast future cashflows of the SSE Group taking account of the expectation of continued available liquidity in the commercial paper market. In addition, the SSE Group still has significant headroom on its committed borrowing facilities while the next significant refinancing of external debt is not due until 2020.

Operating a Scrip Dividend Scheme

The renewal of SSE's Scrip Dividend Scheme was approved by shareholders at its 2018 AGM. The Scrip Dividend Scheme gives shareholders the option to receive new, fully paid ordinary shares in the Company in place of their cash dividend payments. The Scrip Dividend Scheme gives the Company greater flexibility in managing its capital resources by retaining cash within the business.

In May 2018 SSE announced that, if Scrip take-up of the full-year dividend exceeded 20%, it intended to buy back shares so that its dilutive effect is not excessive, starting with the 2018/19 full year dividend.

Taking account of subscription to the Scrip dividend over both the interim and final dividends, uptake of the 2018/19 dividend was 35%, made up of:

- 47% for the 2018/19 interim dividend; and
- 30% for the 2018/19 final dividend.

SSE therefore, on 27 August 2019, announced its intention to initiate a share buyback, in the period following the final dividend payment for the year ended 31 March 2019. The number of ordinary shares to be purchased will not exceed 13,420,470 ordinary shares, and the maximum pecuniary amount allocated to the Scrip buy-back is £150m. SSE has commenced this buy-back which it intends to complete by 31 March 2020 and as at 6 November 2019, 4.7m shares had been repurchased.

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.

Taxation

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

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

For reasons already stated above, SSE's focus is on adjusted profit before tax, and in line with that, SSE believes that the adjusted current tax charge on that profit is the tax measure that best reflects underlying performance. SSE's adjusted current tax rate for FY 2019/20, based on adjusted profit before tax, is forecast to be 12.0%, as compared with 1.1% in FY 2018/19 on the same basis, and after prior period adjustments.

In 2018/19, SSE had prior period tax credits – through the carry back of tax losses and truing up of earlier year tax returns – totalling £106.9m, which exceeded the tax charge in the year. The adjusted current tax charge and prior period tax credits for 2019/20 are expected to be more in line with previous years.

SSE expects to be accredited with the Fair Tax Mark for the sixth consecutive year in the coming weeks and will also publish its fourth Talking Tax booklet outlining what tax is paid, and where.

Pensions

Contributing to employees' pension schemes – IAS 19	Sept 19 £m	Sept 18 £m	Sept 17 £m
Net pension scheme asset recognised in the balance sheet before deferred tax	403.9	381.7	163.3
Employer cash contributions Scottish Hydro Electric scheme	5.2	10.8	15.3
Deficit repair contribution included above	-	5.8	7.0
Employer cash contributions Southern Electric scheme	34.0	33.8	36.4
Deficit repair contribution included above	24.5	23.8	22.9

During the period the Group began the triennial valuation of the Southern Electric Pension Scheme which is expected to be complete by 31 March 2020. At 30 September 2019 the Scottish Hydro Electric Pension Scheme is in surplus on an IAS 19 basis by £587.1m. Together with the deficit in the Southern Electric scheme of £183.2m this results in the net surplus of £403.9m for both schemes shown in the table above. From 1 October 2019 the Group has agreed with the Trustees of the Scottish Hydro Electric Pension Scheme to cease funding contributions for a period until the surplus on a funding basis is negative for two successive quarters. The Group also converted a longevity swap covering c.£800m of liabilities of 2,235 pensioners and dependents to a buy-in contract. The buy-in contract removes the Group's exposure to volatility in the liabilities of these members as future benefit payments will be funded by the third-party re-insurer.

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

SSEN TRANSMISSION

SSEN Transmission key performance indicators

ELECTRICITY TRANSMISSION	Sept 19	Sept 18
Transmission adjusted and reported operating profit - £m	110.1	127.4
Regulated Asset Value (RAV) - £m	3,406	3,259
Renewable Capacity connected to SSEN Transmission Network – GW	6.3	6.0
Transmission adjusted Capital expenditure - £m	168.6	185.2

SSEN Transmission overview

SSEN Transmission, operating as Scottish Hydro Electric Transmission plc, owns, operates and develops the high voltage electricity transmission system in the north of Scotland and remote islands. Ofgem sets price controls (which in future will be for five-year periods) under the RIIO (Revenue = Incentives + Innovation + Outputs) framework for electricity transmission companies. The RIIO T1 price control will end in 2021, to be followed by a new, RIIO T2 price control.

Since the start of the eight-year RIIO-T1 price control in 2013, investment and capital expenditure by SSEN Transmission has totalled around £2.8bn, including £168.6m in the six months to 30 September 2019. This investment plays a pivotal role in providing the critical national infrastructure required to facilitate the transition to a decarbonised energy system.

In the remaining 18 months of RIIO-T1, total planned investment of over £500m means the business is on track to increase its RAV to around £3.6bn by 2021. In addition to the base rate of return on the RAV of SSEN's transmission assets, RIIO-T1 allows additional revenue to be earned through financial incentives based on efficient use of total expenditure (totex). Anticipated totex savings over the course of RIIO-T1 will be shared equally between SSEN Transmission, supporting future earnings, and electricity customers, through lower charges than would otherwise have been the case.

Maintaining network reliability

In the six months to 30 September 2019, SSEN Transmission continued to maintain an impressive network reliability of over 99.9%, with faults that impacted end users resulting in a loss of demand totalling just 1.15MWh. This was largely due to a lightning strike that affected around 5,000 demand customers in Dounreay, with all supplies restored within around one hour.

SSEN Transmission therefore remains firmly on track to perform well in relation to the Energy Not Supplied (ENS) Incentive, which provides a financial reward to companies, on a sliding scale, if the volume of energy not supplied to customers due to faults is below a pre-determined annual target, which for SSEN Transmission is 120MWh. If faults result in annual losses of demand over 120MWh, a financial penalty will be applied. The outcome of the ENS Incentive, reward or penalty, will impact on earnings in 2021/22.

SSEN has an ongoing programme of maintenance and refurbishment to ensure its critical national infrastructure assets continue to deliver for electricity customers, generators and wider society.

Delivering the transition to net zero

SSEN Transmission's north of Scotland operating area is expected to play a critical role in the transition to net zero, with the region home to some of the UK's greatest resources of renewable electricity. Renewable electricity generation capacity connected to SSEN Transmission's network has grown from 3.3GW at the start of RIIO-ET1 price to over 6GW today and it is on track to grow to over 6.5GW by the end of RIIO-T1 in 2021.

In the six months to 30 September 2019, SSEN connected around 40MW of new renewable electricity generation, with a further 100MW due to connect in the second half of the year.

While a relative slowdown in the connections in the remaining years of RIIO-T1 is expected, SSEN Transmission expects the installed renewable capacity in the north of Scotland to increase to at least 10GW in RIIO T2, the equivalent of powering 10 million homes and playing a pivotal role in UK net zero targets, as well as supporting future earnings and RAV growth.

SSEN Transmission will continue to work collaboratively with its customers to deliver timely and efficient connections to its network, supported by its new stakeholder engagement strategy and connections policy, which will drive more focus on innovative and flexible connections, delivered in greater collaboration with customers and other stakeholders.

Delivering a programme of capital investment

In the six months to 30 September 2019, SSEN Transmission completed the Fort Augustus to Fort William overhead line refurbishment on time and on budget securing future electricity supplies in the area as well as increasing the capacity of the line to support the growth in renewables. SSEN Transmission also completed the 275kV line between Knocknagael and a new substation at Tomatin enable renewable energy projects to connect to the network.

SSEN Transmission continues to have a healthy pipeline of capital investment programmes for the remaining 18 months of RIIO-T1. With a total planned investment of £500m in the remaining years of RIIO-T1, the delivery of SSEN Transmission's capital investment programme will support future earnings and RAV growth. This includes the following projects which are on track to be delivered in the remaining years of RIIO-T1.

SSEN continues to make good progress with the new 400kV substation at Fort Augustus, a key component to support the growth in renewables unlocked by the Beauly to Denny line that was completed in 2015.

Construction of new substations at New Deer and Rothienorman are also under way, supporting the forecast growth in offshore wind in the north east of Scotland. Both substations will initially operate at 275kV, increasing to 400kV as part of the wider east coast onshore reinforcements that are scheduled for RIIO-T2.

In July 2019, planning consent was granted for the Inveraray to Crossaig transmission line in Argyll. This replacement of the existing transmission line is essential to maintaining security of supply in the area. Construction of the first phase of this project, which will run from Inveraray to Port Ann, is under way, with the second phase, from Port Ann to Crossaig, to be delivered in RIIO-T2.

Being ready to connect Scotland's island groups

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

In September 2019, Ofgem approved SSEN Transmission's Needs Case for the Orkney link, subject to Orkney renewable developers meeting a number of conditions no later than December 2021.

In October 2019, Ofgem published an update on both the Shetland and Western Isles Needs Cases, in which it has requested additional information to enable it to make a decision. This includes provision of alternative evidence to demonstrate generator commitment in the absence of sufficient generation securing a CfD. SSEN Transmission will now work with all parties to provide Ofgem the information it requires to make a timely decision on both Needs Cases.

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

Addressing concerns about competition in transmission

SSEN continues to deliver 'native' competition through the highly competitive tendering of all major supply chain works associated with SSEN Transmission's projects, ensuring the continued economic and efficient delivery of SSEN's capital investment programme.

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

In October 2019, Ofgem published a consultation setting out its updated minded-to position not to apply its Competition Proxy Model to National Grid Electricity Transmission's Hinkley–Seabank (HSB) project.

Making a strong, stakeholder-led case for A Network for Net Zero

In June SSEN Transmission published its draft business plan for the RIIO-T2 price control, A Network for Net Zero. It details a 'Certain View' which set out that a minimum total expenditure of £2.2bn is required over the five-year price control period to maintain and grow the north of Scotland transmission network to meet the needs of current and future electricity generators and customers. Following consultation with stakeholders, this is now set to be closer to £2.4bn.This could see the Regulatory Asset Value of SSEN Transmission increase to over £5bn by 2026, excluding any contribution from island links.

A significant proportion of the investments planned in the RIIO-T2 price control period are to grow the network to accommodate forecast growth in electricity generation in the north east of Scotland, particularly from offshore wind. This is expected to contribute to an increase in the installed capacity of renewable electricity generation in the north of Scotland to at least 10GW by the end of RIIO-T2.

SSEN Transmission has worked closely with stakeholders in developing its plan and welcomes the strong support reflected by stakeholders for its June draft Business Plan. SSEN Transmission is now preparing to submit its final business plan to Ofgem in December 2019, which will reflect all feedback received from this extensive programme of consultation, as well as refinements on costs, projects in SSEN's 'Certain View' and wider industry and regulatory changes. In summary, SSEN Transmission continues to believe there is a strong case for its plan for A Network for Net Zero.

SSEN DISTRIBUTION

SSEN Distribution key performance indicators

ELECTRICITY DISTRIBUTION	Sept 19	Sept 18
Electricity distribution adjusted and reported operating profit - £m	150.8	166.9
Regulated Asset Value (RAV) - £m	3,642	3,511
Distribution adjusted capital expenditure - £m	152.4	163.5
Electricity Distributed TWh	17.4	17.8
Customer minutes lost (SHEPD) average per customer	26.0	29.3
Customer minutes lost (SEPD) average per customer	23.2	26.9
Customer interruptions (SHEPD) per 100 customers	27.9	36.1
Customer interruptions (SEPD) per 100 customers	24.3	27.9

SSEN Distribution overview

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

Ofgem sets price controls (which in future will be for five-year periods) under the RIIO (Revenue = Incentives + Innovations + Outputs) framework for electricity distribution companies. The RIIO ED1 price control runs until 2023; the RIIO ED2 price control will run from 2023 to 2028.

Prioritising delivery in the regulatory framework

SSEN Distribution aims to be as efficient and effective as possible and earn returns that are fair to customers and shareholders alike. In line with the regulatory framework, the business continues to target a leading position in the delivery of outputs against its RIIO-ED1 business plan and performance against the key areas of the RIIO ED1 incentive framework.

Financial performance in the first half of 2019/20 represents a mixed picture for SSEN Distribution. Although performance against RIIO-ED1 incentives was improved in key areas and will flow through into future years, adjusted operating profit for the first six months of 2019/20 was down compared with the same period in 2018/19.

SSEN Distribution continues to pursue measures to improve its business performance, including the introduction of a revised internal operating model to deliver performance improvements within the current price control and set the business up for success in RIIO-ED2. This new model allows for greater focus on front-line activity, including improved response to customer supply interruptions and reductions in the duration and costs of network faults. It will also drive efficient delivery of the Capex programme and targeting of investment to maximise both network and financial performance.

Improvements in Interruptions Incentive Scheme (IIS) performance

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

An investment in technology and a focus on fault response has driven significant improvements in SSEN Distribution's performance against the IIS in the first six months of the financial year with fewer customers interrupted due to the roll out of additional network automation schemes and efforts to sectionalise the network.

In the SHEPD region, the level of Customer Interruptions (CI) fell to 27.9 (a 23% improvement on 2018/19) and Customer Minutes Lost (CML) fell to 26.0 (an 11% improvement on 2018/19). In the

SEPD region, IIS performance is also ahead of regulatory targets, with a CI performance of 24.3 (13% improvement on 2018/19) and CML performance of 23.2 (14% improvement on 2018/19).

This improved position was aided by the ongoing implementation of the new regional operating model that is centred around improvements to operational efficiency and an increased focus on fault response. This new model will be implemented in all SEPD and SHEPD regions during the remainder of 2019/20.

Prioritising delivery for customers and stakeholders

SSEN is incentivised on its customer performance under the 'Broader Measure' customer satisfaction incentive and on the timeliness of its delivery for connections customers. These incentives will typically be collected two years after they are earned.

SSEN Distribution has performed strongly against its customer satisfaction incentive target in the first six months of the financial year. Through improvements to regional customer service delivery and the introduction of 'customer first' engagement approach, it is on target to deliver an increased incentive reward in relation to FY19/20.

Delivery for connections customers also remains on track. Despite a planned toughening of regulatory incentive targets for 2019/20, performance against the Time to Quote (TTQ) and Time to Connect (TTC) has improved and incentives remain in line with the good performance in 2018/19.

SSEN continues to place customer and stakeholders at the heart of its decision making, ensuring they play a pivotal role in informing and influencing SSEN's strategy, activities and policies.

In October 2019, Ofgem announced its decision not to penalise SSEN Distribution under the penalty only Incentive on Connections Engagement (ICE). This is the fourth consecutive year SSEN has avoided a penalty since its introduction at the beginning of the RIIO ED1 Price Control period.

This followed confirmation in July that SSEN Distribution will gain no financial reward from the Stakeholder Engagement and Customer Vulnerability (SECV) Incentive. Improvement against this incentive is a priority as SSEN prepares for the next assessment period in April 2020.

Delivering a major programme of capital investment

SSEN Distribution continues to undertake a major capital investment delivery programme across both of its networks, which will deliver significant improvements for customers, and increased RAV on which to earn fair returns.

In the six months to 30 September 2019, SSEN Distribution invested a total of £152.4m, bringing the total invested since the beginning of the RIIO-ED1 Price Control to over £1.3bn. This is part of a forecast investment of £2.6bn throughout the RIIO ED1 period, supporting future earnings through RAV growth.

Securing additional allowances for subsea cables and rail electrification

SSEN Distribution successfully applied for additional allowances for maintenance and replacement of subsea cable assets, receiving confirmation from Ofgem in September 2019 that it will receive an extra £45.2m (2012/13 prices). This 'reopener' will allow the business to recover additional submarine cable costs in the north of Scotland, predominantly during the 2021/22 financial year.

In October 2019, Ofgem confirmed that SHEPD would not receive the additional £30.0m allowance in (in 2012/13 prices) that it applied for under the High Value Project uncertainty mechanism. The additional allowances had been requested to fund the replacement of the existing Pentland Firth East subsea cable. Although SSEN Distribution remains disappointed with this decision, it is wholly committed to maintaining security of supply on Orkney and will explore all available regulatory mechanisms to fund the cable replacement.

Ofgem also confirmed it would grant SEPD an allowance adjustment of £16.0m (2012/13 prices) on its application under the Rail Electrification Costs reopener submitted to recover costs associated

with the electrification of the Great Western Railway. This benefit of this adjustment will flow through from the 2021/22 financial year.

A whole system recommendation for Shetland

SSEN Distribution is awaiting a formal response from Ofgem on its proposal to share the cost of the transmission link to Shetland, which is required to meet the islands' energy needs. Ofgem has indicated its decision will be announced in November 2019 and if the proposal is accepted, SSEN Distribution will contribute £251m towards the link, based upon the value of services it would provide to its local distribution network across the Shetland Islands. If the recommendation is not accepted an alternative, and most likely much more expensive, solution will be required.

Making progress on the flexibility transition

SSEN Distribution has made significant progress in the transition to a smart, flexible electricity system through trialling innovative technologies and alternative network solutions. The business is investing in the Distribution System Operator (DSO) model which is key to electrification of transport and heat, and which offers RAV growth over the long term.

Progress with Project Local Energy Oxfordshire (LEO), one of the most wide-ranging, innovative, and holistic smart grid trials ever conducted in the UK, has been welcomed by Innovate UK in its 2nd quarterly review. Innovate UK manages the UK's Industrial Strategy Fund, from which LEO received £13.8m of funding. The project, which has a total value of £40m, will run until 2022.

The award-winning Solent Achieving Value from Efficiency (SAVE) project concluded in June 2019 and demonstrated how customer engagement and energy efficiency interventions can provide cost-effective flexibility to the system and support an equitable transition to DSO. The learnings from SAVE have led to the creation of Social Constraint Managed Zones (SCMZ) to add to the existing suite of Constraint Managed Zone (CMZ) tenders that SSEN offers, allowing energy efficiency programmes to compete against other flexible solutions.

These tenders provide opportunities for smart energy technology to compete with traditional forms of network management. In October, SSEN took an important step in the flexibility transition placing its first economically viable CMZ contracts for a total of 6MW worth of services on the Isle of Islay.

Accelerating preparations for the electrification of transport

In September 2019, SSEN Distribution entered into £7.5m strategic partnership with the Scottish Government and Scottish Power Energy Networks to help plan and develop the infrastructure required for the electrification of transport in Scotland.

As part of the partnership, SSEN will lead an E-Tourism project, that seeks to understand how the infrastructure for areas that experience seasonal fluctuations in population can cost-efficiently accommodate these changing demands in EV charging in the future.

SSEN will continue to use these partnerships and associated trials to help the regulator and government ensure that electricity network infrastructure keeps pace with growing electrification. Central to this will be to the need for anticipatory investment in the network, based on robust evidence and modelling. SSEN will continue to make the case for changes to the regulatory framework to allow for this critical early investment.

Preparing for RIIO-ED2

SSEN Distribution continues to prepare for the next price control period (RIIO ED2), responding to Ofgem's Open Letter RIIO ED2 Consultation in October 2019. In its response, SSEN stated the next price control must reflect the central role that DNOs will have in facilitating the transition to a low-carbon economy while highlighting the need for strategic investment to prepare for the extensive electrification of transport, and heat. SSEN is calling for a balanced price control where the financial parameters under which networks operate are based on evidence and represent a fair package for current and future customers.

In July 2019, SSEN Distribution appointed Tracey Matthews as the chair of its ED2 Customer Engagement Group (CEG). The purpose of the CEG is to challenge SSEN through the ED2 planning process, providing an opportunity for SSEN to respond, before the group submits a report to Ofgem on SSEN's performance. The CEG will meet quarterly and comprises a cross section of representatives to provide a balanced and accurate reflection of the differing views and priorities that SSEN's ED2 plans must address.

SSEN Distribution continues to engage constructively with Ofgem and remains optimistic that a package that is fair to customers, investors and all other stakeholders, is possible.

INVESTMENT IN SCOTIA GAS NETWORKS (SGN)

SGN key performance indicators

SCOTIA GAS NETWORKS (SGN) *SSE's 33.3% share*	**Sept 19**	**Sept 18**
SGN adjusted operating profit (SSE's share) - £m	102.1	85.4
SGN reported operating profit (SSE's share) - £m	54.5	38.6
Regulated Asset Value - £m	1,949	1,870

SGN overview

SSE owns a 33% investment stake in SGN, the gas distribution company that serves 5.9m homes and businesses in Scotland, the south of England and Northern Ireland. SGN is widely recognised as the best gas network on customer service and a leader on innovation and new technologies. Providing a safe and reliable supply is a key priority for the company and in the first half of this financial year 98% of uncontrolled gas escapes were attended in under an hour.

As well as having the highest levels of customer satisfaction among its peers, customer complaints have fallen drastically, by 76% since 2013. In the six months to 30 September the company delivered 8,528 new connections, including 1,403 assisted connections as part of efforts to help those in fuel poverty.

The sector expects far-reaching decisions to be made on future heat policy in the next few years and SGN's research along with the development and demonstrations of greener gas projects will provide the vital evidence needed to help support these complex decisions and help resolve any uncertainty about the future of the UK's gas networks.

Preparing for RIIO-GD2

SGN is currently developing its business plan for the RIIO-GD2 gas distribution price control which begins on 1 April 2021. This ambitious plan is built on extensive stakeholder engagement and commits SGN to making a positive impact on society, delivering a safe and efficient service and contributing to net zero goals by accelerating decarbonised solutions and minimising environmental impact.

SSE RENEWABLES

SSE Renewables key performance indicators

	Sept 19	Sept 18
Renewable adjusted operating profit - £m	149.9	78.4
Renewable reported operating profit – £m	106.4	151.1
Renewable adjusted capital expenditure and investment – £m	125.2	244.9
RENEWABLE GENERATION CAPACITY – MW		
Pumped storage capacity (GB) – MW	300	300
Conventional hydro capacity (GB) – MW	1,159	1,150
Onshore wind capacity (GB) – MW	1,247	1,180
Onshore wind capacity (NI) – MW	141	141
Onshore wind capacity (ROI) – MW	567	594
Offshore wind capacity (GB) – MW	579	344
Total renewable generation capacity (inc. pumped storage) – MW	**3,993**	**3,709**
Renewable capacity qualifying for ROCs - MW	c2,160	c2,000
GENERATION OUTPUT – GWh		
Pumped storage output – GWh	112	111
Conventional hydro output – GWh	1,301	1,040
Onshore wind output GB – GWh	1,089	991
Onshore wind output NI – GWh	126	102
Onshore wind output ROI – GWh	569	593
Offshore wind output – GWh	848	441
Total renewable generation (inc. pumped storage) – GWh	**4,045**	**3,278**

Note 1: Capacity is wholly-owned and share of joint ventures
Note 2: Electricity output is based on SSE 100% share of wholly owned sites
Note 3: Onshore wind output excludes 161GWh of constrained off generation in HY2019/20 and 225GWh in HY2018/19; Offshore wind output excludes 0.2GWh of constrained off generation in FY2019/20 and nil in HY2018/19
Note 4: Increase in hydro capacity is due to a review as part of the internal Operating Model improvements and is not related to the delivery of additional hydro plant
Note 5: Onshore wind capacity in GB reflects Stronelairg coming on line December 18 and the subsequent part disposal of it and Dunmaglass in March 19. ROI onshore wind capacity reflects the part disposal of Cloosh in March 19.
Note 6: Offshore wind capacity increase due to Beatrice coming on line May 2019
Note 6: Biomass capacity and output at Slough excluded as now part of the Enterprise business

SSE Renewables overview

On 1 April 2019, SSE consolidated all its renewable energy assets in the UK and Ireland under the single banner of SSE Renewables. The business is led by Managing Director, Jim Smith, and has brought together SSE's existing operational assets and those under development in onshore wind, offshore wind, flexible hydro electricity, run-of-river hydro electricity and pumped storage.

Renewable energy is one of the primary routes for achieving decarbonisation across energy, transport and heat in the UK, Ireland and further afield. SSE Renewables is a core part of the SSE group and central to its future growth plans. By 2030, SSE Renewables aim to develop and build enough renewable energy capacity to treble annual output of renewable electricity to 30TWh. Further decarbonisation of electricity, heat and transport – on the scale envisaged by the UK Committee on Climate Change's May 2019 report – relies on a significant scaling up of renewable sources of electricity, which SSE Renewables is well equipped to play a key part in delivering.

Onshore wind

SSE Renewables' onshore wind capacity stands at 1,955MW. Its onshore development pipeline consists of over 1GW of potential new build projects. This includes around 700MW of capacity with consent for development, some of which it is seeking to optimise through planning amendments to accommodate more advanced turbine technology. The current focus is on Gordonbush Extension (38MW), which received revised consent from Scottish Ministers in November 2019. The revised consent will see enable SSE Renewables to maximise the energy generation potential and efficiency of the site, improving the project's economics. SSE Renewables will now consider the options for a route to market for the project – including the viability of building the project subsidy-free – ahead of taking a final investment decision.

Other priority onshore projects include Strathy South (133MW), Tangy re-power (up to 49MW), and on others requiring consent, such as Doraville (139MW) in Northern Ireland.

With no current policy support mechanism in place in the UK, the aim is to attempt to deliver into operation new onshore wind farms without subsidy, where it is possible to do so. With the volume of onshore wind envisioned to meet the UK's net zero targets, it is unlikely that merchant projects alone will be able to deliver at this scale; therefore, some form of policy support will need to be re-introduced in the medium to long term.

Viking Wind Farm (up to 457MW), located on Shetland, was unsuccessful in the UK Government's Contracts for Difference Allocation Round 3 (CfD AR3), the results of which were announced in September 2019. Viking is an important project that will ultimately contribute to Scottish and UK net zero goals and will also underpin a new transmission link to the remote islands, providing security of clean energy supply and transformative economic benefits to island communities. Despite the CfD result, SSE Renewables remains committed to progressing Viking.

SSE Renewables noted the update published by Ofgem on 23 October 2019 setting out its intention to consider a revised needs case for the new transmission link for Shetland. A timely final decision from Ofgem on Scottish Hydro Electric Power Distribution's proposed contribution towards the new transmission link for Shetland is critical for Viking to progress to a final investment decision.

In Ireland, the Department of Communication, Climate Action and Environment has confirmed that it intends to run the first auction under the new Renewable Electricity Support Scheme (RESS) in June 2020. The auction pre-qualification process is expected to begin in December 2019. Successful projects are expected to be awarded contracts for up to 15 years of support. SSE Renewables is considering which of its projects might be eligible to participate in the auction.

Offshore wind

The Beatrice offshore wind farm (588MW – SSE Renewables' share 40%) reached full operation in May 2019. Phase 1 CfD payments started on 6 November 2018 and Phase 2 on 28 April 2019. SSE Renewables operates and maintains the entire asset on behalf of the joint venture, Beatrice Offshore Windfarm Ltd.

All the eligible offshore projects in which SSE Renewables has an interest, shown in the table below, were awarded 15-year contracts in CfD AR3. Outside the 15-year CfD period, the successful offshore wind projects will be important assets with significant earnings capacity anticipated over their operational lifetimes.

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

Dogger Bank Wind Farms, located off the North East coast of England, is a joint venture with Equinor in which SSE Renewables has a 50% stake. The three successful Dogger Bank projects are each expected to generate over 5,000GWh of electricity annually. Following the outcome in the auction,

the JV will now progress towards a final investment decision for all three projects by late 2020. SSE Renewables will lead the development and construction phases of the Dogger Bank Wind Farm project(s) and Equinor will lead on operations.

The following preferred suppliers for Dogger Bank Creyke Beck A and B have been announced:

Contract	**Preferred supplier**
Turbines	GE
Turbine installation	Jan de Nuul
HVDC equipment	ABB
HVDC platform	Aibel
Export cable	NKT

Seagreen Phase 1, located in the Firth of Forth off the Scottish coast, has a total capacity of 1,075MW across its 'Alpha' and 'Bravo' projects and is expected to generate around 5,000GWh of electricity annually. The CfD contract represents 42% of the total project capacity, although SSE Renewables is planning to build out the project to 1,075MW capacity. Currently wholly-owned by SSE Renewables, Seagreen Phase 1 is at an advanced stage of development and securing a CfD is a significant step in taking the project forward. Plans are in place to progress financing and an equity stake sell-down to move towards a final investment in 2020. SSE Renewables will set out a further project timeline in due course.

The following preferred suppliers for Seagreen have been announced to date:

Contract	**Preferred supplier**
Turbines	MHI Vestas Offshore Wind
O&M base	Montrose Port
Cable package	Nexans

SSE Renewables organised Meet the Buyer events in Aberdeen, Inverness and Dundee in early November. These events were aimed at facilitating engagement between companies operating in Scotland and the appointed Tier 1 suppliers to enable businesses to understand the opportunities on offer and prepare to bid for contracts.

SSE Renewables acknowledges that an application has been made by a third party against the Department for Business, Energy and Industrial Strategy (BEIS) for a judicial review in relation to the CfD auction process. BEIS has publicly stated that it will defend the claim. SSE Renewables is in regular dialogue with the UK Government and the Low Carbon Contracts Company in relation to this challenge and believes that they are committed to securing a positive resolution to this issue. SSE Renewables continues to monitor the situation closely.

The Crown Estate's Leasing Round 4 opened in October and will offer seabed rights for at least 7GW of new offshore wind projects in the waters around England and Wales. The pre-qualification process runs until January 2020 with the invitation to tender stages to follow throughout 2020 and agreements for leases with successful bidders announced by Autumn 2021. The Crown Estate Scotland's ScotWind leasing process is expected to launch after the publication of Marine Scotland's draft Sectoral Marine Plan, which is expected in Autumn 2019. SSE Renewables is reviewing its options for participating in both processes.

SSE Renewables welcomed the announcement of a Q2 2021 offshore auction amongst other commitments within the Irish Government's Climate Action Plan designed to achieve 1GW of offshore wind by 2025 and 3.5GW by 2030. SSE Renewables believes offshore wind must play a significant role in enabling Ireland to meet its 70% renewable electricity target by 2030 and in Arklow Bank has a high-quality project capable of helping Ireland achieve its ambitions in offshore wind.

SSE Renewables' operational offshore portfolio consists of:

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

SSE Renewables' future offshore development pipeline consists of:

Project	Capacity	SSE Renewables Share	Status
Arklow Bank (ROI)	800MW	100%	Consented and in development
Seagreen Phase 2 & 3 (UK)	Up to 3,200MW	100%	In development
Greater Gabbard Extension (UK)	Up to 500MW	50%	In development

Hydro

SSE Renewables owns and operates the largest energy storage capacity in the UK, comprising 750MW of flexible hydro and 300MW of pumped storage, as well as 400MW of run-of-river hydro. Its hydro fleet is uniquely placed in the GB system to deliver large-scale power that is both flexible and zero-carbon. Optimising and enhancing this hydro resource is critical to supporting the electricity market and to enabling the transition to a net zero world by supporting the integration of high levels of renewables onto the electricity grid.

Hydro's performance continues to be supported by additional focus on using the inherent flexibility of the assets to provide support to the grid during low periods and a higher utilisation of the storage and catchment within hydro.

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

The hydro fleet has high levels of availability and continues to perform reliably and efficiently with relatively low levels of operational expenditure supported by a proactive, long-term capital investment programme. These investments are being made across the hydro fleet through SSE Renewables' capital governance programme to ensure these assets continue to endure over the coming decades. Deanie (38MW) was recently completed (£16m capex) and Grudie Bridge (18.7MW) is currently undergoing overhaul (£16m capex). This work will extend their operational life beyond a further 30 years and improve the reliability and efficiency of the station. Following the completion of these works, SSE Renewables will shift its focus to refurbishing the large-scale cascade hydro stations. This will increase their flexibility allowing SSE Renewables to capture more energy from the available water and secure significant long-term returns.

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

International

As stated in May 2019, extending SSE Renewables core competencies in renewable energy to other technologies and geographies may present significant potential to add to future growth opportunities. SSE Renewables continues to actively explore opportunities and assessing whether the

right risk/reward balance can be achieved. With a wealth of opportunities to pursue in the UK and Ireland, SSE will take time to evaluate all opportunities carefully, and strict capital discipline will be a feature of any decisions.

THERMAL GENERATION

Thermal Generation key performance indicators

	Sept 19	Sept 18
Thermal adjusted operating (loss)/profit - £m	57.8	(3.5)
Thermal reported operating profit – £m	(53.3)	(12.8)
Thermal adjusted capital expenditure and investment – £m	108.0	60.1
GENERATION CAPACITY – MW		
Gas- and oil-fired generation capacity (GB) – MW	4,004	3,979
Gas- and oil-fired generation capacity (Ire) – MW	1,292	1,292
Coal-fired generation capacity – MW	1,455	1,995
Multi-fuel capacity – MW	34	34
Total thermal generation capacity – MW	**6,785**	**7,300**
GENERATION OUTPUT – GWh		
Gas- and oil-fired (inc. CHP) output (GB) – GWh	6,598	8,548
Gas- and oil-fired output (Ire) – GWh	1,339	1,553
Coal-fired output – GWh	44	344
Multi-fuel output – GWh	145	142
Total thermal generation – GWh	**8,126**	**10,587**

Note 1: Capacity is wholly-owned and share of joint ventures
Note 2: Electricity output is based on SSE 100% share of wholly owned sites, 100% share of Seabank & Marchwood PPAs due to the contractual arrangement and % share multifuel JVs
Note 3: Increase in thermal capacity is due to a review as part of the internal Operating Model improvements and is not related to the delivery of additional thermal plant

Thermal Generation overview

SSE owns and operates conventional thermal generation and energy from waste facilities in the UK and Ireland.

SSE's thermal fleet fulfils an important function within the wider electricity market by providing reliable capacity at scale and flexibility to respond to market changes and events, for example, unplanned nuclear outages and periods of low wind or rain.

SSE's CCGTs are among the most flexible on the GB and Irish electricity systems and have increasingly created value from their intra-day flexibility. Demonstrating flexibility in National Grid's Balancing Mechanism to support the electricity system will remain an important complementary earnings stream, which varies from year to year but for SSE's thermal plant can exceed £50m per annum. This flexibility is important in supporting the transition to a low-carbon electricity system whilst ensuring security of supply.

Capacity Market

On 24 October 2019 the European Commission confirmed approval under EU State Aid rules the Capacity Market scheme introduced in 2014 to safeguard security of electricity supplies. Following this positive decision payments will be reinstated and paid retrospectively provided capacity obligations have been met. Capacity Market obligations for future delivery years will also be upheld.

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

Station	Asset type	Capacity	Capacity obligation
Medway (GB)	CCGT	735MW SSE 100%	To September 2022
Keadby (GB)	CCGT	755MW SSE 100%	To September 2022
Peterhead (GB)*	CCGT	1,180MW SSE 100%	October 2018 to September 2019 October 2021 to September 2022
Seabank (GB)	CCGT	1,164MW SSE 50%	To September 2022
Marchwood (GB)	CCGT	920MW SSE 50%	To September 2022
Great Island (Ire)	CCGT	464MW SSE 100%	To September 2020 October 2022 to September 2023
Rhode (Ire)	Gas/oil peaker	104MW SSE 100%	To September 2020 October 2022 to September 2023
Tawnaghmore peaking plant Ire)	Gas/oil peaker	104MW SSE 100%	To September 2020 October 2022 to September 2023
Tarbert (Ire)	Oil	590MW SSE 100%	To September 2020

** SSE reached agreement in August for the transfer of capacity contracts from RWE Generation UK's Aberthaw B Power Station to SSE's Peterhead station for the capacity years 2019/20 and 2020/21. The transfer of the 2019/20 capacity obligations has now been confirmed by National Grid, with the changeover of the 2020/21 obligations to be completed when the transfer window for that year opens.*

Bringing an end to coal-fired generation

SSE has announced the closure of its last remaining operational coal-fired generation units (1,510MW), at Fiddler's Ferry, by 31 March 2020. SSE is committed to reducing by at least 50% the carbon intensity of the electricity it generates between 2018 and 2030. The UK Government has committed to phasing out coal-fired power stations by 2025 and the economics of coal-fired stations have become increasingly challenged. Demolition of the Ferrybridge 'C' coal-fired power station is underway and is expected to be complete in 2021; decommissioning of Fiddler's Ferry will commence following closure.

Developing opportunities for the future

Construction of Ferrybridge Multifuel 2 (69MW – SSE share 50%) is on track for completion by the end of November 2019. SSE is also carrying out site preparation work for a potential new multifuel plant (up to 50MW) at Slough and continues to evaluate further opportunities.

Construction of SSE's £350m, 840MW CCGT at Keadby 2 in Lincolnshire, is under way and is expected to be delivered by early 2022. The project, which is adjacent to the existing Keadby CCGT, will introduce Siemens' first-of-a-kind, high efficiency, gas-fired generation technology to the UK. SSE intends to participate in future Capacity Market auctions to secure an agreement for Keadby 2.

SSE has opportunities to develop further thermal power stations, but these will be consistent with SSE achieving another 50% reduction in carbon intensity by 2030. Further development options will be progressed where they have a clear low carbon pathway; SSE is exploring opportunities and is committed to the medium-term potential of pre- and post-combustion Carbon Capture, Use and Storage and Hydrogen to decarbonise flexible thermal generation.

GAS STORAGE

Gas Storage key performance indicators

GAS STORAGE	Sept 19	Sept 18
Gas storage adjusted and reported operating (loss) - £m	(20.7)	(3.7)
Gas storage adjusted capital investment - £m	1.2	0.0

Gas Storage overview

The economic conditions of gas storage remain challenging however SSE believes its assets can play an important role during the energy transition. SSE holds around 40% of the UK's conventional underground gas storage capacity.

Gas storage has increasing importance for security of supply with the UK's continuing shift away from coal-fired generation, taking with it the storage inherent in coal stocks.

SSE's gas storage assets are well-placed to provide this service to energy users; however, in recent years the market has undervalued this service, making it challenging to cover the cost of maintaining and operating these assets. SSE believes that the economics are improving slightly, and it is expected to return to profit in 2019/20. SSE remains committed to working with UK Government departments and Ofgem to ensure that the critical role of UK storage in relation to security of supply and stability of gas price is properly rewarded.

These assets may also prove useful in the longer-term decarbonisation of our energy system, potentially able to be repurposed for other lower carbon gases in the future.

SSE BUSINESS ENERGY

Business Energy key performance indicators

	Sept 19	Sept 18
Business Energy adjusted and reported operating profit - £m	2.9	41.6
Business Energy Electricity Sold – GWh	8,345	9,610
Business Energy Gas Sold – mtherms	90.2	91.9
Aged Debt (Business Energy) - £m	48.3	24.5
Bad debt expense (Business Energy) - £m	14.7	3.0
	Sept 19	**Mar 19**
Energy customers' accounts (Business Energy sites) – m	0.55	0.55

SSE Business Energy overview

SSE Business Energy supplies energy to business and public sector customers throughout Great Britain, to a market which consumes a total of around 180TWh of electricity and 8bn therms of gas annually. It complements SSE's interests in renewables and flexible thermal generation, providing a route to market for electricity output through standard contracts and power purchase agreements.

SSE Business Energy is now part of the SSE Customer Solutions Business with new leadership in place. SSE Business Energy continues to focus on its core market segments, whilst broadening into related services such as energy optimisation and demand side response where there is an opportunity to use data and technology to improve outcomes for customers.

It is responding to regulatory requirements to install smart meters in order to better serve customers in the future.

SSE AIRTRICITY

SSE Airtricity key performance indicators

	Sept 19	Sept 18
Airtricity adjusted and reported operating profit - £m	16.4	12.0
Adjusted capital expenditure (Airtricity)	-	0.8
Aged Debt (Airtricity) - £m	3.1	3.1
Bad debt expense (Airtricity) - £m	0.7	0.8
	Sept 19	**Mar 19**
All-Island energy market customers (Ire) – m	0.72	0.72

SSE Airtricity overview

SSE's retail arm in Ireland, SSE Airtricity, is the only retail energy brand that operates in all markets across the island of Ireland. Combining power production and energy supply to households and businesses continues to deliver commercial advantage to energy customers in Ireland and is a feature of the Irish market.

At 30 September 2019, SSE Airtricity supplied electricity and natural gas to over 0.7m household and business customer accounts in the Republic of Ireland (ROI) and Northern Ireland (NI), making it the second-largest provider of energy and related services in the combined market.

In the first 6 months SSE Airtricity enjoyed success with its new multi-award-winning campaign "This is Generation Green". The campaign speaks to SSE's on-going commitment to working with its customers to support their decarbonisation journey whether through lower carbon energy supply, smart technology products or investment in energy efficiency. This has led to SSE Airtricity's lowest domestic customer losses. Meanwhile, SSE Airtricity's Energy Services business continues to perform strongly securing government funding contributions towards projects with which have a total value of €4.3m for the retrofit of local authority owned social housing, private domestic customers and businesses. In August, Airtricity Home Energy announced an increase of its NI electricity price of 6.9% in response to external costs.

SSE Airtricity continues to focus on helping customers reduce their carbon output and save on energy costs, offering a range of energy efficiency and microgeneration products, including the FarmGen solar microgeneration product in association with Glanbia.

ENERGY PORTFOLIO MANAGEMENT

EPM key performance Indicators

EPM	Sept 19	Sept 18
EPM adjusted operating (loss/profit) - £m	(113.1)	(85.9)
EPM reported operating (loss)/profit – £m	41.5	(651.3)

EPM overview

In Energy Portfolio Management, although the new hedging approach is now well-established, we saw the continued losses from last year coming through, with an adjusted operating loss for the half-year of £113.1m. This is consistent with the adjusted operating loss of between £125m and £130m that we expect for the full year.

SSE now generally seeks to hedge its exposure at least 12 months in advance of delivery and remains on track to have this approach fully in place from the start of the next financial year. The Board-level Energy Markets Risk Committee, chaired by Tony Cocker, is overseeing implementation of the new approach.

GAS PRODUCTION (Held for sale)

Gas Production key performance indicators

GAS PRODUCTION	Sept 19	Sept 18
Gas production assets adjusted and reported operating profit/(loss) (discontinued) - £m	(15.3)	19.3
Gas production contracts adjusted and reported operating profit (continuing) - £m	31.9	0.0
Gas production– M therms	225.4	246.6
Gas production– Mboe	4.0	4.4
Liquids production – Mboe	0.3	0.3
Gas production adjusted capital investment – £m	21.7	12.8
Technical review carried out annually:	**Mar 19**	**Mar 18**
Proved Plus Probable (2P) - (Bn Th)	1.7	1.9
Proved Plus Probable (2P) - (MMboe)	29.7	33.8

Gas Production overview

SSE has a diverse equity share in over 15 producing fields across 25 licences in three regions of the UK Continental Shelf: the Easington Catchment Area, the Bacton Area and Greater Laggan Area. The Glendronach gas discovery in 2018 was clearly a positive development and SSE is working with its partners to extract full value from the discovery.

Investment in gas production assets is however no longer consistent with SSE's strategy and focus on decarbonisation, and these assets are accounted for as held for sale. SSE is hopeful of a sale in the first half of 2020, leading to removal of significant decommissioning liabilities, but will only complete a sale if it is believed to be the right outcome for shareholders.

ENTERPRISE

Enterprise key performance indicators

ENTERPRISE	Sept 19	Sept 18
Adjusted Operating Profit	8.2	13.7
Reported Operating Profit	5.1	13.7
SSE Heat Network Customer Accounts	8,366	8,184
Telecoms Number of BT exchanges unbundled	166	137

SSE Enterprise overview

The role of Enterprise within SSE Group is to seek out new opportunities in areas that complement the group's core energy portfolio, for example EV infrastructure, energy monitoring and district heating. Enterprise is divided into three business divisions: Distributed Energy, Telecoms and Contracting & Rail.

Enterprise has brought together its existing multi-utility and energy management capabilities into one Distributed Energy business division to best serve the evolving needs of its customers. For example, as part of its ambitions in the smart city space, SSE Enterprise recently announced a partnership with global clean energy software company Smarter Grid Solutions to develop its innovative 'Energy as a Service' platform.

There is now a growing need for local energy generation where Enterprise has corresponding capabilities in flexible generation and storage, energy consumption, digital platforms and energy management. This shift in focus within Enterprise towards local assets and infrastructure is clearly a key priority for the division.

While the SSE group's strategic focus is increasingly on decarbonising the energy system, Enterprise's Contracting division has seen a continued improvement in performance, and in Rail work has begun on the early CP6 work tendered.

SSE Enterprise Telecoms

SSE Enterprise Telecoms continues to grow its network and customer base after the unbundling of a further 93 BT exchanges as well as five new commercial data centres. At the end of 2018, Infracapital entered into an agreement with SSE plc to buy a 50% stake in SSE Enterprise Telecoms for a total consideration of up to £380m. This partnership supports SSE Enterprise Telecoms' commitment to innovation and puts the business in an ideal position to propel forward its existing projects and partnerships in areas such as 5G, SD-WAN and smart cities; and in doing so help the UK realise its digital ambitions.

SSE ENERGY SERVICES (Held for sale)

SSE Energy Services key performance indicators

SSE Energy Services (held for disposal)	**Sept 19**	**Sept 18**
SSE Energy Services adjusted operating loss - £m	(7.4)	(62.1)
SSE Energy Services reported operating loss - £m	(496.5)	(62.1)
Adjusted capital expenditure (SSE Energy Services) - £m	-	41.3
Electricity customer accounts (GB domestic) – m	3.37	3.61
Gas customer accounts (GB domestic) – m	2.27	2.43
Energy Related Services (GB domestic) – m	0.51	0.44
Total SSE Energy Services customers – m	**6.15**	**6.48**
Smart Meters on supply	Over 1,500,000	Around 1,065,000
Electricity supplied household average (GB domestic) – kWh	1,460	1,480
Gas supplied household average (GB domestic) – th	104	98
Aged debt (GB domestic)	117.7	112.5
Bad debt expense (GB domestic)	37.8	22.8
Customer complaints to third parties (GB Domestic)	706	767

SSE Energy Services summary

SSE Energy Services, comprising SSE's domestic energy supply and energy-related services businesses in Great Britain, is the third-largest supplier in the GB energy market.

SSE Energy Services operating margin is being further restricted in 2019/20, and as previously indicated across the year is likely to be below 2% due to the impact of the Default Tariff Cap and intense competition.

On 13 September2019, SSE entered into an agreement to sell SSE Energy Services to OVO Energy Limited, a wholly owned subsidiary of OVO Group Limited, at an enterprise value of £500m comprising £400m cash and £100m in loan notes.

On 24 October the Competition and Markets Authority commenced Phase 1 of its investigation into the OVO transaction with a statutory deadline of 40 working days to reach a decision on whether to clear the deal or refer it to a Phase 2 investigation. On this basis, and assuming there is no Phase 2 referral, completion of the OVO transaction is expected in early 2020. The sale is in line with SSE's long-held view that the best future for Energy Services lies outside the SSE group and SSE is confident that this is the best outcome for the business.

The proposed transaction builds on further steps taken during the first half of 2019/20 to introduce greater separation and independence for SSE Energy Services while it remains in the SSE group, including the appointment of Katie Bickerstaffe as Executive Chair of the business.

The business is therefore operating with greater day-to-day autonomy while still being subject to oversight by the SSE plc Board for as long as it remains within the group.

The priority for the new management team has been to ensure the business has the strongest possible track record as it approaches a future outside the group, and to that end further progress has been made on the three key goals outlined in May, namely to: reduce its operating costs; stabilise customer numbers; and deliver the benefits of smart metering for both customers and the business.

Against this background, SSE continues to believe that the planned transaction with OVO Group Limited will ultimately best serve customers, employees and shareholders.

ALTERNATIVE PERFORMANCE MEASURES

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

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

Purpose

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

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

Changes to APMs in the period

In the period the Group changed its adjusted profit before tax, adjusted net finance cost and adjusted earnings per share metrics to adjust for its share of non-recurring joint venture refinancing costs incurred in the six months ended 30 September 2019. The rationale for including this adjustment to these APMs is set out in adjustment number 8 on page 44.

Impact of IFRS 16 adoption on the Group's APMs

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

Had the Group adjusted its APMs for the impact of adoption at 30 September 2019, adjusted operating profit would be £8.7m lower; adjusted net finance costs would have been £8.5m higher; adjusted profit before tax would have been £0.2m lower; and adjusted earnings per share would have been unchanged.

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

Group APM	Purpose	Closest equivalent IFRS measure	Adjustments to reconcile to primary financial statements
Adjusted EBITDA (earnings before interest, tax, depreciation and amortisation)	Profit measure	Operating profit	• Movement on operating and financing derivatives ('certain re-measurements') • Exceptional items • Share of joint ventures and associates' interest and tax • Depreciation and amortisation before exceptional charges (including depreciation and amortisation expense on fair value uplifts) • Reversal of IFRIC 18 adjustment on adoption of IFRS 15 • Share of joint venture and associates' depreciation and amortisation • Release of deferred income
Adjusted operating profit	Profit measure	Operating profit	• Movement on operating and financing derivatives ('certain re-measurements') • Exceptional items • Depreciation and amortisation expense on fair value uplifts • Share of joint ventures and associates' interest and tax
Adjusted profit before tax	Profit measure	Profit before tax	• Movement on operating and financing derivatives ('certain re-measurements') • Exceptional items • Depreciation and amortisation expense on fair value uplifts • Interest on net pension assets/liabilities (IAS 19R) • Share of non-recurring joint venture refinancing costs • Share of joint ventures and associates' tax
Adjusted net finance costs	Profit measure	Net finance costs	• Movement on financing derivatives • Share of joint ventures and associates' interest • Share of non-recurring joint venture refinancing costs • Interest on net pension assets/liabilities (IAS 19R)

Group APM	Purpose	Closest equivalent IFRS measure	Adjustments to reconcile to primary financial statements
Adjusted current tax charge	Profit measure	Tax charge	• Share of joint ventures and associates' tax • Deferred tax including share of joint ventures and associates • Tax on exceptional items and certain re-measurements • Reclassification of tax liabilities
Adjusted earnings per share	Profit measure	Earnings per share	• Exceptional items • Movements on operating and financing derivatives ('certain re-measurements') • Depreciation and amortisation expense on fair value uplifts • Interest on net pension assets/liabilities (IAS 19R) • Share of non-recurring joint venture refinancing costs • Deferred tax including share of joint ventures and associates
Adjusted net debt and hybrid capital	Debt measure	Unadjusted net debt	• Hybrid equity • Outstanding liquid funds • Lease obligations • Cash presented as held for sale
Investment and capital expenditure (adjusted)	Capital measure	Capital additions to Intangible Assets and Property, Plant and Equipment	• Other expenditure • Customer funded additions • Allowances and certificates • Disposed additions • Joint ventures and associate additions

Rationale for adjustments

Adjustments to Profit Measure

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

This adjustment can be designated between operating and financing derivatives.

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

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

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

2 Exceptional Items

Exceptional charges or credits, and the tax effects thereof, are considered unusual by nature or scale and of such significance that separate disclosure is required for the underlying performance of the Group to be properly understood. Further explanation for the classification of an item as exceptional is included in Note 2 (iii).

3 Share of joint ventures and associates' interest and tax

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

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

4 Share of joint ventures and associates' depreciation and amortisation

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

5 Reversal of IFRIC 18 adjustment on adoption of IFRS 15

The Group has restated the comparative EBITDA figure at 30 September 2017 following the adoption of IFRS 15 on 1 April 2018. The adoption of the standard changed the way the Group accounts for electricity distribution connections, therefore the adjusted measure for September 2017 has been restated to provide a consistently prepared comparative.

6 Depreciation and amortisation expense on fair value uplifts

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

7 Release of deferred income

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

8 Non recurring joint venture refinancing costs

The Group's joint venture investment, Beatrice Offshore Winds Limited ('BOWL'), completed a refinancing of its debt in the six months ended 30 September 2019, which resulted in transaction costs from the original debt of £27.2m being expensed to the income statement of the joint venture. In addition, £3.5m of costs related to the repayment of the original instrument were incurred. The Group's 40% share of the £30.7m expense is £12.3m, which has been adjusted from the Group's adjusted profit before tax and the Group's adjusted finance costs as refinancing of this scale is non-recurring and is not representative of normal operations.

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

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

10 Deferred tax

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

Adjustments to Debt measure

11 Hybrid equity

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

12 Outstanding liquid funds

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

13 Leases

On adoption of IFRS 16, SSE's reported loans and borrowings include lease liabilities, as explained in note 3.1, which are not directly related to the external financing of the Group. The Group excludes these liabilities from its adjusted net debt and hybrid capital measure to better reflect the Group's underlying funding position with its primary sources of capital.

14 Cash presented as held for disposal

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

Adjustments to Capex Measure

15 Other expenditure

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

16 Customer funded additions

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

17 Allowances and certificates

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

18 Additions through business combinations

In the six months ended 30 September 2018, the Group acquired 50% interest in Seagreen Wind Energy Limited (see note 12). On consolidation of Seagreen, £143.4m of development asset was included in the Group's consolidated intangible assets. This has been removed from 'adjusted investment and capital expenditure' as it was not direct capital expenditure by the Group.

19 Additions subsequently disposed

There were no additions subsequently disposed in the six months ended 30 September 2019. Additions subsequently disposed in the year ended 31 March 2019 represent capital additions related to Stronelairg and Dunmaglass windfarms and SSE Telecommunications prior to their disposal and subsequent recognition as part of SSE's investment in joint ventures. Additions disposed in the six months ended 30 September 2017 related to Ferrybridge MFE2 Limited which was subsequently part-disposed to Wheelabrator Technologies Inc.

20 Joint ventures and associates' additions

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

Impact of discontinued operations on the Group's APMs

The following metrics have been adjusted in all periods presented to exclude the contribution of SSE Energy Services and the Group's Gas Production operations, which have been presented as discontinued operations as at 30 September 2019 (see note 9):

Adjusted EBITDA;
Adjusted operating profit:
Adjusted profit before tax;
Adjusted current tax charge; and
Adjusted earnings per share.

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

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

March 2019 £m		**September 2019 £m**	September 2018 £m	September 2017 £m
2,008.6	Adjusted EBITDA of SSE Group (including discontinued operations)	**865.9**	769.6	959.9
(140.0)	Less: SSE Energy Services	**7.4**	40.5	(3.9)
(150.5)	Less: Gas Production	**(30.9)**	(68.6)	(68.7)
1,718.1	**Adjusted EBITDA of continuing operations**	**842.4**	741.5	887.3
1,227.2	Adjusted operating profit of SSE Group (including discontinued operations)	469.2	388.5	589.3
(89.6)	Less: SSE Energy Services loss/(profit)	7.4	62.1	7.1
(48.9)	Less: Gas Production loss/(profit)	15.3	(19.3)	(4.5)
1,088.7	**Adjusted operating profit of continuing operations**	**491.9**	431.3	591.9
815.3	Adjusted profit before tax of SSE Group (including discontinued operations)	240.7	186.6	412.7
(89.6)	Less: SSE Energy Services loss/(profit)	7.4	62.1	7.1
(48.9)	Less: Gas Production loss/(profit)	15.3	(19.3)	(4.5)
676.8	**Adjusted profit before tax of continuing operations**	**263.4**	229.4	415.3
11.3	Adjusted current tax of SSE Group (including discontinued operations)	25.3	(0.3)	38.0
(18.1)	Less: SSE Energy Services current tax credit/(charge)	6.3	0.9	(6.5)
13.9	Less: Gas Production current tax credit/(charge)	-	15.3	4.0
7.1	**Adjusted current tax of continuing operations**	**31.6**	15.9	35.5
74.1	Adjusted earnings per share of SSE Group (including discontinued operations)	16.4	13.8	31.5
(7.0)	Less: SSE Energy Services loss/(earnings) per share	0.1	6.0	1.4
(6.1)	Less: Gas Production loss/(earnings) per share	1.5	(3.4)	(0.8)
61.0	**Adjusted earnings per share of continuing operations**	**18.0**	16.4	32.1

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

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

March 2019 £m		**September 2019 £m**	September 2018 £m	September 2017 £m
1,088.7	Adjusted operating profit	**491.9**	431.3	591.9
(411.9)	Adjusted net finance costs	**(228.5)**	(201.9)	(176.6)
676.8	**Adjusted profit before tax**	**263.4**	229.4	415.3
(7.1)	Adjusted current tax charge	(31.6)	(15.9)	(35.5)
669.7	**Adjusted profit after tax**	**231.8**	213.5	379.8
(46.6)	Hybrid coupon paid	(46.5)	(46.6)	(57.4)
623.1	**Adjusted profit after tax attributable to ordinary shareholders for earnings per share (EPS)**	**185.3**	166.9	322.4
1,021.7	Number of shares for Earnings per Share	1,030.4	1,015.7	1,005.3
61.0	**Adjusted Earnings per Share (pence)**	**18.0**	16.4	32.1
1,718.1	**Adjusted EBITDA**	**842.4**	741.5	887.3
(519.0)	Depreciation, impairment and amortisation, before exceptional charges	(263.8)	(263.5)	(295.0)
-	Reversal of IFRIC 18 adjustment on adoption of IFRS 15	-	-	42.6
2.9	Depreciation and amortisation expense on fair value uplifts	10.3	2.3	3.1
10.2	Release of deferred income	8.7	8.8	8.9
(123.5)	Share of joint ventures and associates' depreciation and amortisation	(105.7)	(57.8)	(55.0)
1,088.7	**Adjusted operating profit**	**491.9**	431.3	591.9
1,088.7	**Adjusted operating profit**	**491.9**	431.3	591.9
(327.0)	Movement on operating and joint venture financing derivatives	156.6	(564.0)	23.5
1,010.2	Exceptional items	(186.0)	21.3	7.9
(2.9)	Depreciation and amortisation expense on fair value uplifts	(10.3)	(2.3)	(3.1)
(155.4)	Share of joint ventures and associates' interest and tax	(104.7)	(70.9)	(68.2)
1,613.6	**Reported operating profit**	**347.5**	(184.6)	552.0
676.8	**Adjusted Profit before tax**	**263.4**	229.4	415.3
(371.8)	Movement on operating and financing derivatives	86.7	(524.4)	(0.5)
1,010.2	Exceptional items	(186.0)	21.3	7.9
(2.9)	Depreciation and amortisation expense on fair value uplifts	(10.3)	(2.3)	(3.1)
11.4	Interest on net pension assets/liabilities	4.2	5.4	1.2
(31.7)	Share of joint ventures and associates' tax	(16.8)	(14.0)	(16.0)
-	Share of non-recurring joint venture refinancing costs	(12.3)	-	-
1,292.0	**Reported profit before tax**	**128.9**	(284.6)	404.8
411.9	**Adjusted net finance costs**	**228.5**	201.9	176.6
44.8	Movement on financing derivatives	69.9	(39.6)	24.0
(123.7)	Share of joint ventures and associates' interest	(87.9)	(56.9)	(52.2)
(11.4)	Interest on net pension assets/liabilities	(4.2)	(5.4)	(1.2)
-	Share of non-recurring joint venture refinancing costs	12.3	-	-
321.6	**Reported net finance costs**	**218.6**	100.0	147.2

7.1	**Adjusted current tax charge**	**31.6**	15.9	35.5
(31.7)	Share of joint ventures and associates' tax	(16.8)	(14.0)	(16.0)
87.6	Deferred tax including share of joint ventures and associates	15.7	27.1	20.0
(72.9)	Tax on exceptional items and certain re-measurement	(12.3)	(91.7)	1.1
(9.9)	**Reported tax (credit)/charge**	**18.2**	(62.7)	40.6
(9,437.0)	**Adjusted net debt and hybrid capital**	**(10,338.9)**	(9,960.3)	(9,275.1)
1,169.7	Hybrid equity	1,169.7	1,169.7	2,209.7
(8,267.3)	**Adjusted net debt**	**(9,169.2)**	(8,790.6)	(7,065.4)
(344.2)	Outstanding liquid funds	(238.0)	(361.6)	(36.7)
(229.3)	Lease obligations	(453.9)	(239.4)	(265.5)
(95.2)	Cash presented as held for sale	(75.0)	(86.3)	-
(8,936.0)	**Unadjusted net debt**	**(9,936.1)**	(9,477.9)	(7,367.6)
1,422.9	**Investment and capital expenditure (adjusted)**	**638.2**	783.4	779.5
224.7	Customer funded additions	63.7	50.9	31.7
954.0	Allowances and certificates	253.4	304.8	225.2
143.4	Additions through business combinations	14.5	142.7	-
195.3	Additions subsequently disposed	-	-	29.9
(292.5)	Joint ventures and associates' additions	(93.6)	(135.5)	(44.8)
2,647.8	**Capital additions to Intangible Assets and Property, Plant and Equipment**	**876.2**	1,146.3	1,021.5
1,333.3	Additions to Intangible Assets	370.7	476.2	250.8
1,314.5	Capital additions to Property, Plant and Equipment	505.5	670.1	770.7
2,647.8	**Capital additions to Intangible Assets and Property, Plant and Equipment**	**876.2**	1,146.3	1,021.5

INTERIM FINANCIAL STATEMENTS

Consolidated Income Statement

for the period 1 April 2019 to 30 September 2019

		2019			2018		
	Note	**Before exceptional items and certain re-measure-ments £m**	**Exceptional items and certain re-measure-ments (note 6) £m**	**Total £m**	Before exceptional items and certain re-measure-ments £m	Exceptional items and certain re-measure-ments (note 6) £m	Total £m
Continuing operations							
Revenue	5	**3,052.2**	**-**	**3,052.2**	3,317.7	-	3,317.7
Cost of sales		**(2,250.7)**	**154.6**	**(2,096.1)**	(2,570.8)	(565.4)	(3,136.2)
Gross profit		**801.5**	**154.6**	**956.1**	746.9	(565.4)	181.5
Operating costs		**(503.4)**	**(192.4)**	**(695.8)**	(452.1)	(52.9)	(505.0)
Other operating income		**3.6**	**6.4**	**10.0**	14.3	74.2	88.5
Operating profit/(loss) before joint ventures and associates		**301.7**	**(31.4)**	**270.3**	309.1	(544.1)	(235.0)
Joint ventures and associates:							
Share of operating profit		**179.9**	**-**	**179.9**	119.9	-	119.9
Share of interest		**(87.9)**	**-**	**(87.9)**	(56.9)	-	(56.9)
Share of movement on derivatives		**-**	**2.0**	**2.0**	-	1.4	1.4
Share of tax		**(16.5)**	**(0.3)**	**(16.8)**	(13.8)	(0.2)	(14.0)
Share of profit on joint ventures and associates		**75.5**	**1.7**	**77.2**	49.2	1.2	50.4
Operating profit/(loss) from continuing operations	5	**377.2**	**(29.7)**	**347.5**	358.3	(542.9)	(184.6)
Finance income	7	**41.5**	**-**	**41.5**	41.4	-	41.4
Finance costs	7	**(190.2)**	**(69.9)**	**(260.1)**	(181.0)	39.6	(141.4)
Profit/(loss) before taxation		**228.5**	**(99.6)**	**128.9**	218.7	(503.3)	(284.6)
Taxation	8	**(30.5)**	**12.3**	**(18.2)**	(29.0)	91.7	62.7
Profit/(loss) from continuing operations		**198.0**	**(87.3)**	**110.7**	189.7	(411.6)	(221.9)
Discontinued operations							
Loss from discontinued operations, net of tax	9	**(9.1)**	**(489.1)**	**(498.2)**	(22.5)	-	(22.5)
Profit/(loss) for the period		**188.9**	**(576.4)**	**(387.5)**	167.2	(411.6)	(244.4)
Attributable to:							
Ordinary shareholders of the parent		**142.4**	**(576.4)**	**(434.0)**	120.6	(411.6)	(291.0)
Other equity holders		**46.5**	**-**	**46.5**	46.6	-	46.6
(Losses)/earnings per share							
Basic (losses)/earnings per share (pence)	11			**(42.1)**			(28.6)
Diluted (losses)/earnings per share (pence)	11			**(42.1)**			(28.6)
Earnings/(losses) per share – continuing operations							
Basic earnings/(losses) per share (pence)	11			**6.2**			(26.4)
Diluted earnings/(losses) per share (pence)	11			**6.2**			(26.4)

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

Consolidated Income Statement

for the year ended 31 March 2019

	Note	Before exceptional items and certain re-measure-ments £m	Exceptional items and certain re-measure-ments (note 6) (restated) (i) £m	Total (restated) (i) £m
Continuing operations				
Revenue	5	7,301.5	-	7,301.5
Cost of sales		(5,582.5)	(328.2)	(5,910.7)
Gross profit		1,719.0	(328.2)	1,390.8
Operating costs		(957.9)	(86.4)	(1,044.3)
Other operating income		41.0	1,096.9	1,137.9
Operating profit before joint ventures and associates		802.1	682.3	1,484.4
Joint ventures and associates:				
Share of operating profit		283.7	(0.3)	283.4
Share of interest		(123.7)	-	(123.7)
Share of movement on derivatives		-	1.2	1.2
Share of tax		(31.5)	(0.2)	(31.7)
Share of profit on joint ventures and associates		128.5	0.7	129.2
Operating profit	5	930.6	683.0	1,613.6
Finance income	7	87.0	-	87.0
Finance costs	7	(363.8)	(44.8)	(408.6)
Profit before taxation		653.8	638.2	1,292.0
Taxation	8	(63.0)	72.9	9.9
Profit from continuing operations		590.8	711.1	1,301.9
Discontinued operations				
Profit from discontinued operations, net of tax	9	150.0	3.8	153.8
Profit for the period		740.8	714.9	1,455.7
Attributable to:				
Ordinary shareholders of the parent		694.2	714.9	1,409.1
Other equity holders		46.6	-	46.6
Earnings per share				
Basic earnings per share (pence)	11			137.9
Diluted earnings per share (pence)	11			137.9
Earnings per share – continuing operations				
Basic earnings per share (pence)	11			122.9
Diluted earnings per share (pence)	11			122.9

(i) 31 March 2019 presentation of exceptional items restated. See note 2 (v)

Consolidated Statement of Other Comprehensive Income

for the period 1 April 2019 to 30 September 2019

Year ended 31 March 2019 (restated) (i) £m		**Six months ended 30 September 2019 £m**	Six months ended 30 September 2018 (restated) (i) £m
1,455.7	(Loss)/profit for the period	**(387.5)**	(244.4)
	Other comprehensive income:		
	Items that will be reclassified subsequently to profit or loss:		
(7.9)	Net gains/(losses) on cash flow hedges	**5.0**	(7.7)
(3.6)	Transferred to assets and liabilities on cash flow hedges	**3.1**	2.7
1.3	Taxation on cash flow hedges	**(0.9)**	1.3
(10.2)		**7.2**	(3.7)
(33.5)	Share of other comprehensive (loss)/income of joint ventures and associates, net of taxation	**(41.8)**	0.7
(27.1)	Exchange difference on translation of foreign operations	**30.6**	10.9
16.9	(Loss)/gain on net investment hedge, net of taxation	**(27.0)**	(14.0)
(53.9)		**(31.0)**	(6.1)
	Items that will not be reclassified to profit or loss:		
(61.4)	Actuarial gains on retirement benefit schemes, net of taxation	**178.5**	28.9
(5.2)	Share of other comprehensive income of joint ventures, net of taxation	**14.3**	11.1
(66.6)		**192.8**	40.0
(120.5)	Other comprehensive gain/(loss), net of taxation	**161.8**	33.9
1,335.2	Total comprehensive (loss)/income for the period	**(225.7)**	(210.5)
	Attributable to:		
1,288.6	Ordinary shareholders of the parent	**(272.2)**	(257.1)
46.6	Other equity holders	**46.5**	46.6
1,335.2		**(225.7)**	(210.5)

(i) Comparative statement of other comprehensive income restated. See note 2 (v)

Consolidated Balance Sheet

as at 30 September 2019

At 31 March 2019 (restated)(i) £m		Note	**At 30 September 2019 £m**	At 30 September 2018 (restated)(i) £m
	Assets			
12,429.4	Property, plant and equipment		**12,462.2**	13,016.5
990.2	Goodwill and other intangible assets		**979.9**	662.9
1,899.0	Equity investments in joint ventures and associates		**1,805.6**	1,109.3
935.4	Loans to joint ventures and associates		**797.8**	750.5
0.5	Other investments		**0.5**	2.9
244.4	Derivative financial assets	16	**294.4**	333.0
537.7	Retirement benefit assets	17	**587.1**	518.5
17,036.6	Non-current assets		**16,927.5**	16,393.6
800.3	Intangible assets		**218.9**	285.5
228.5	Inventories		**192.2**	200.9
1,836.9	Trade and other receivables		**1,671.8**	1,651.8
-	Current tax asset		**51.1**	-
431.6	Cash and cash equivalents		**90.0**	76.7
306.1	Derivative financial assets	16	**251.6**	390.8
1,864.3	Assets held for sale	9	**1,559.5**	1,458.2
5,467.7	Current assets		**4,035.1**	4,063.9
22,504.3	Total assets		**20,962.6**	20,457.5
	Liabilities			
697.4	Loans and other borrowings	13	**1,293.0**	897.5
2,705.2	Trade and other payables		**1,718.1**	2,008.7
12.5	Current tax liabilities		**-**	86.7
12.2	Provisions		**51.1**	12.3
796.3	Derivative financial liabilities	16	**555.0**	1,069.5
1,091.9	Liabilities held for sale	9	**1,313.7**	831.3
5,315.5	Current liabilities		**4,930.9**	4,906.0
8,670.2	Loans and other borrowings	13	**8,733.1**	8,657.1
635.4	Deferred tax liabilities		**587.7**	612.6
355.4	Trade and other payables		**614.4**	413.6
1,017.7	Provisions		**614.0**	823.6
250.6	Retirement benefit obligations	17	**183.2**	136.8
460.9	Derivative financial liabilities	16	**487.4**	499.7
11,390.2	Non-current liabilities		**11,219.8**	11,143.4
16,705.7	Total liabilities		**16,150.7**	16,049.4
5,798.6	Net assets		**4,811.9**	4,408.1
	Equity:			
523.4	Share capital	15	**524.0**	517.2
879.6	Share premium		**870.1**	885.4
34.8	Capital redemption reserve		**43.7**	34.8
(105.3)	Hedge reserve		**(139.9)**	(64.6)
33.1	Translation reserve		**36.7**	40.2
3,263.3	Retained earnings		**2,307.6**	1,825.4
4,628.9	Equity attributable to ordinary shareholders of the parent		**3,642.2**	3,238.4
1,169.7	Hybrid equity	14	**1,169.7**	1,169.7
5,798.6	Total equity attributable to equity holders of the parent		**4,811.9**	4,408.1

(i) Comparative balance sheets at 31 March 2019 and 30 September 2018 restated as noted at Note 2(v)

Consolidated Statement of Changes in Equity

for the period 1 April 2019 to 30 September 2019

	Share capital £m	**Share premium account £m**	**Capital redemption reserve £m**	**Hedge reserve (restated) (ii) £m**	**Translation reserve £m**	**Retained earnings £m**	**Total attributable to ordinary shareholders £m**	**Hybrid equity £m**	**Total (restated) (ii) £m**
At 1 April 2019 (i)	523.4	879.6	34.8	(105.3)	33.1	3,231.9	4,597.5	1,169.7	5,767.2
Total comprehensive income for the period	-	-	-	(34.6)	3.6	(241.2)	(272.2)	46.5	(225.7)
Dividends to shareholders	-	-	-	-	-	(700.3)	(700.3)	-	(700.3)
Scrip dividend related share issue	9.5	(9.5)	-	-	-	209.2	209.2	-	209.2
Distributions to Hybrid equity holders	-	-	-	-	-	-	-	(46.5)	(46.5)
Share repurchase	(8.9)	-	8.9	-	-	(201.1)	(201.1)	-	(201.1)
Credit in respect of employee share awards	-	-	-	-	-	10.5	10.5	-	10.5
Investment in own shares	-	-	-	-	-	(1.4)	(1.4)	-	(1.4)
At 30 September 2019	**524.0**	**870.1**	**43.7**	**(139.9)**	**36.7**	**2,307.6**	**3,642.2**	**1,169.7**	**4,811.9**

(i) Opening retained earnings at 1 April 2019 have been reduced by £31.4m following adoption of IFRS 16 (see note 3.1)

(ii) Opening hedge reserve restated as noted at Note 2(v)

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Hedge reserve (restated) (i) £m	Translation reserve £m	Retained earnings £m	Total attributable to ordinary shareholders £m	Hybrid equity £m	Total (restated) (i) £m
At 1 April 2018	511.5	890.3	34.8	(61.6)	43.3	2,598.6	4,016.9	1,169.7	5,186.6
Total comprehensive income for the period	-	-	-	(3.0)	(3.1)	(251.0)	(257.1)	46.6	(210.5)
Dividends to shareholders	-	-	-	-	-	(672.5)	(672.5)	-	(672.5)
Scrip dividend related share issue	5.7	(5.7)	-	-	-	141.8	141.8	-	141.8
Distributions to Hybrid equity holders	-	-	-	-	-	-	-	(46.6)	(46.6)
Issue of shares	-	0.8	-	-	-	-	0.8	-	0.8
Credit in respect of employee share awards	-	-	-	-	-	10.4	10.4	-	10.4
Investment in own shares	-	-	-	-	-	(1.9)	(1.9)	-	(1.9)
At 30 September 2018	517.2	885.4	34.8	(64.6)	40.2	1,825.4	3,238.4	1,169.7	4,408.1

(i) Hedge reserve restated as noted at Note 2(v)

Consolidated Statement of Changes in Equity

for the year ended 31 March 2019

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Hedge reserve (restated) (i) £m	Translation reserve £m	Retained earnings £m	Total attributable to ordinary shareholders £m	Hybrid equity £m	Total equity attributable to equity holders of the parent (restated) (i) £m
At 1 April 2018 (restated)(i)	511.5	890.3	34.8	(61.6)	43.3	2,598.6	4,016.9	1,169.7	5,186.6
Total comprehensive income for the year	-	-	-	(43.7)	(10.2)	1,342.5	1,288.6	46.6	1,335.2
Dividends to shareholders	-	-	-	-	-	(973.0)	(973.0)	-	(973.0)
Scrip dividend related share issue	11.9	(11.9)	-	-	-	283.1	283.1	-	283.1
Distributions to Hybrid equity holders	-	-	-	-	-	-	-	(46.6)	(46.6)
Issue of shares	-	1.2	-	-	-	-	1.2	-	1.2
Credit in respect of employee share awards	-	-	-	-	-	15.7	15.7	-	15.7
Investment in own shares	-	-	-	-	-	(3.6)	(3.6)	-	(3.6)
At 31 March 2019 (restated)	523.4	879.6	34.8	(105.3)	33.1	3,263.3	4,628.9	1,169.7	5,798.6

(i) Hedge reserve restated as noted at Note 2(v)

Consolidated Cash Flow Statement

for the period 1 April 2019 to 30 September 2019

Year ended 31 March 2019 £m		Note	**Six months ended 30 September 2019 £m**	Six months ended 30 September 2018 £m
1,613.6	**Operating profit/(loss) - continuing operations**	5	**347.5**	(184.6)
113.9	**Operating (loss)/profit - discontinued operations**	9	**(511.8)**	(42.8)
1,727.5	Operating (loss)/profit - total operations		**(164.3)**	(227.4)
(129.2)	Less share of profit of joint ventures and associates		**(77.2)**	(50.4)
1,598.3	Operating profit before jointly controlled entities and associates		**(241.5)**	(277.8)
(25.5)	Pension service charges, less contributions paid		**(15.2)**	(20.3)
328.2	Movement on operating derivatives	16	**(154.6)**	565.4
748.2	Depreciation, amortisation, write downs and impairments		**875.6**	316.1
20.8	Charge in respect of employee share awards (before tax)		**10.5**	10.4
(1,122.2)	Profit on disposal of assets and businesses		**3.5**	(75.9)
(33.9)	Release of provisions		**(6.9)**	(3.7)
(10.2)	Release of deferred income		**(8.7)**	(8.8)
1,503.7	Cash generated from operations before working capital movements		**462.7**	505.4
(3.4)	Decrease/(increase) in inventories		**107.6**	24.1
(57.6)	Decrease/(increase) in receivables		**491.9**	849.5
(116.8)	Decrease in payables		**(382.9)**	(993.5)
23.8	(Decrease)/increase in provisions		**(17.0)**	7.5
1,349.7	Cash generated from operations		**662.3**	393.0
121.9	Dividends received from investments		**121.7**	58.3
(251.9)	Interest paid		**(143.0)**	(117.6)
(43.0)	Taxes paid		**(51.3)**	(14.6)
1,176.7	Net cash from operating activities		**589.7**	319.1
(1,226.4)	Purchase of property, plant and equipment		**(443.7)**	(672.4)
(282.4)	Purchase of other intangible assets		**(155.8)**	(56.2)
20.9	Deferred income received		**5.5**	3.7
1,145.9	Proceeds from disposals		**28.3**	203.7
(318.0)	Loans and equity provided to joint ventures and associates		**(64.5)**	(141.9)
57.3	Loans and equity repaid by joint ventures		**197.3**	110.1
(119.8)	Purchase of businesses and subsidiaries		**-**	-
(722.5)	Net cash from investing activities		**(432.9)**	(553.0)
1.2	Proceeds from issue of share capital		**-**	0.8
(689.9)	Dividends paid to the company's equity holders	10	**(491.1)**	(530.7)
(46.6)	Hybrid equity dividend payments	14	**(46.5)**	(46.6)
(3.6)	Employee share awards share purchase	15	**(1.4)**	(1.9)
1,260.0	New borrowings		**791.3**	766.4
(677.1)	Repayment of borrowings		**(572.9)**	(26.0)
(3.6)	Settlement of cashflow hedges		**3.1**	2.7
-	Repurchase of own shares	15	**(201.1)**	-
(159.6)	Net cash from financing activities		**(518.6)**	164.7
294.6	Net decrease in cash and cash equivalents		**(361.8)**	(69.2)
232.2	Cash and cash equivalents at the start of period (including cash presented as held for sale)		**526.8**	232.2
294.6	Net decrease in cash and cash equivalents		**(361.8)**	(69.2)
(95.2)	Classified as held for sale		**(75.0)**	(86.3)
431.6	Cash and cash equivalents at the end of period		**90.0**	76.7

Notes to the Interim Statement

1. Condensed Financial Statements

SSE plc (the Company) is a company domiciled in Scotland. The Condensed Interim Statements comprise those of the Company and its subsidiaries (together referred to as the Group).

The financial information set out in these Condensed Interim Statements does not constitute the Group's statutory accounts for the periods ended 30 September 2019, 31 March 2019 or 30 September 2018 within the meaning of Section 435 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2019, which were prepared in accordance with International Financial Reporting Standards as adopted by the EU (adopted IFRS), have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified (ii) did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

The financial information set out in these interim statements has been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and IAS 34 Interim Financial Reporting as adopted by the EU. The interim financial information is unaudited but has been formally reviewed by the auditor and its report to the Company is set out on page 83.

These interim statements were authorised by the Board on 12 November 2019.

2. Basis of preparation

These condensed interim statements for the period to 30 September 2019 and the comparative information for the period to 30 September 2018 have been prepared applying the accounting policies and presentation used in the Group's consolidated financial statements for the year ended 31 March 2019, with the exception of (i) IFRS 16 'Leases' which was adopted on 1 April 2019 under the modified retrospective transition approach with no restatement of comparative information as set out in Note 3; and (ii) the changes in presentation of derivatives and in relation to cash flow hedge contracts as set out in Note 2(v). The accounts give a true and fair view of the assets, liabilities, financial position and profit or loss of SSE, or the undertakings included in the consolidation as a whole. The directors have considered the principal risks for the next 6 months with no significant changes from those identified and disclosed in the 31 March 2019 annual report.

(i) Adjusted measures

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

Reconciliations from the reported measures to adjusted measures along with further description of the rationale for those adjustments are included in the 'Alternative Performance Measures' section at pages 42 to 48.

(ii) Going concern

The Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and the interim statements are therefore prepared on a going concern basis.

The Directors regularly review the Group's funding structure (see note 13) to ensure that the Group has the short and long term funding required. In September 2019 Scottish Hydro Electric Transmission plc issued its first, and the Group's third, Green Bond – a sixteen year £350m euro bond maturing September 2035 with an all in funding cost of 2.39%. On 3 October 2019 the Group also completed the refinancing of its £200m revolving credit facility with the Bank of China, aligning the maturity of this instrument to the Group's £1.3bn revolving credit facility refinanced in March 2019. The total £1.5bn facility has maturity date of 2024, with two one year extension options. The next substantial tranche of debt does not mature until June 2020.

(iii) Exceptional items and certain re-measurements

Exceptional items are those charges or credits that are considered unusual by nature and/or scale and of such significance that separate disclosure is required for the financial statements to be properly understood. The trigger points for exceptional items will tend to be non-recurring although exceptional charges may impact the same asset class or segment over time. Market conditions that have deteriorated significantly over time will only be captured to the extent observable at the balance sheet date. Examples of items that may be considered exceptional include material asset or business impairment charges, business restructuring costs, significant gains or losses on disposal and provisions in relation to contractual settlements following significant disputes and claims. The Directors consider that any individual gain or loss on disposal of greater than £30.0m would be disclosed as being exceptional by nature of its scale. Other gains or losses on disposal below this level may be considered to be exceptional by reference to specific circumstances which will be explained on a case by case basis. Impairments of intangible development projects as part of the normal course of business are not considered exceptional.

Certain re-measurements arise 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. The amounts shown in the before exceptional items and certain re-measurements results for these contracts is the amount settled in the period. This excludes commodity contracts not treated as financial instruments under IFRS 9 where held for the Group's own use requirements which are not recorded until the underlying commodity is delivered.

2. Basis of preparation (continued)

(iv) Other additional disclosures

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

(v) Changes to presentation – prior year adjustments

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

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

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

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

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

In accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', changes in accounting policies and prior period errors should be adjusted retrospectively. Given the errors identified in the presentation of trade receivables and payables and the deferred tax assets and liabilities and consequential presentational changes in operational derivative balances resulting from commodity trades, the Group has changed the balance sheet presentation of these balances from a 'gross' to a 'net' basis for both the current and comparative reporting periods presented. For September 2019 and March 2019, commodity trades have been presented on a 'monthly' net settlement basis reflecting current practice however, given detailed historical data is not available, for September 2018 this has been presented on an 'annual' net settlement basis which is not considered to be materially different.

The adjustment has no impact on the Income Statement, net assets or adjusted performance measures of the Group at any reporting date. The impact of this adjustment on the Balance Sheet at the respective reporting dates is as follows:

31 March 2019				**30 September 2018**		
As reported	Adjustment	Restated		**As reported**	**Adjustment**	**Restated**
£m	£m	£m		**£m**	**£m**	**£m**
325.9	(81.5)	244.4	Derivative financial assets	**890.3**	**(557.3)**	**333.0**
302.8	(302.8)	-	Deferred tax assets	**280.1**	**(280.1)**	**-**
16,792.2	-	16,792.2	Other items	**16,060.6**	**-**	**16,060.6**
17,420.9	(384.3)	17,036.6	Non-current assets	**17,231.0**	**(837.4)**	**16,393.6**
3,144.6	(1,307.7)	1,836.9	Trade and other receivables	**2,608.4**	**(956.6)**	**1,651.8**
1,452.2	(1,146.1)	306.1	Derivative financial assets	**2,919.1**	**(2,528.3)**	**390.8**
3,324.7	-	3,324.7	Other items	**2,021.3**	**-**	**2,021.3**
7,921.5	(2,453.8)	5,467.7	Current assets	**7,548.8**	**(3,484.9)**	**4,063.9**
25,342.4	(2,838.1)	22,504.3	Total assets	**24,779.8**	**(4,322.3)**	**20,457.5**
			Liabilities			
4,012.9	(1,307.7)	2,705.2	Trade and other payables	**2,965.3**	**(956.6)**	**2,008.7**
1,882.4	(1,086.1)	796.3	Derivative financial liabilities	**3,374.5**	**(2,305.0)**	**1,069.5**
1,814.0	-	1,814.0	Other items	**1,827.8**	**-**	**1,827.8**
7,709.3	(2,393.8)	5,315.5	Current liabilities	**8,167.6**	**(3,261.6)**	**4,906.0**
602.4	(141.5)	460.9	Derivative financial liabilities	**1,280.3**	**(780.6)**	**499.7**
947.0	(302.8)	644.2	Deferred tax liabilities	**904.2**	**(280.1)**	**624.1**
10,242.4	-	10,242.4	Other items	**9,963.5**	**-**	**9,963.5**
11,791.8	(444.3)	11,347.5	Non-current liabilities	**12,148.0**	**(1,060.7)**	**11,367.4**
19,501.1	(2,838.1)	16,663.0	Total liabilities	**20,315.6**	**(4,322.3)**	**15,993.3**
5,841.3	-	5,841.3	Net assets	**4,464.2**	**-**	**4,464.2**

2. Basis of preparation (continued)

(vi) Changes to presentation – prior year adjustments (continued)

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

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

Whilst this restatement has no impact on the Income Statement and has limited impact on the Statement of Comprehensive Income and Balance Sheet, it was assessed that there is a material impact to the Hedge Reserve. Therefore, a restatement of comparative period balances has been made in accordance with IAS 8. The impact of this adjustment at 31 March 2019 is to increase Loans and Other Borrowings by £51.5m (September 2018: £67.6m), increase deferred tax assets by £8.8m (September 2018: £11.5m) and decrease Other Comprehensive Income and the Hedge Reserve by £42.7m (September 2018: £56.1m).

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

In the year ended 31 March 2019, the Group made significant gains on disposals (see note 6) which were presented as an exceptional offset to operating costs in the 31 March 2019 income statement. The Group has re-presented the 31 March income statement to present the gains on sale as exceptional 'other operating income'.

(vii) Changes to estimates

Extension of useful lives of onshore windfarms

During the period the Group has performed a detailed technical review of the operating lives of its onshore and offshore windfarms. Following this review, the Group has changed the estimated useful life of its onshore windfarms from 20 to 25 years. The financial impact of this extension to the useful economic life is to increase adjusted and reported profit before tax by £14.5m. The estimated full year impact of this change in useful economic life is £29.5m. As this is considered a change in estimate under IAS 8, the change has been applied prospectively and prior period comparatives have not been restated.

3. Summary of significant new accounting policies and reporting changes

The Group has adopted IFRS 16 'Leases' from 1 April 2019, with the transitional impact from that standard disclosed below. A number of other amendments to and interpretations of existing standards have been issued by the IASB and – where endorsed by the EU as effective from 1 April 2019 – have also been adopted, with no impact to the Group.

3.1 IFRS 16 'Leases'

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

(i) Transition approach

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

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

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

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

Where the interest rate implicit in the lease is not readily determinable, the Group has applied the intercompany borrowing rate which is based on the Group's external medium-term borrowing rates with premia adjustments for any subsidiary specific risk factors.

3. Summary of significant new accounting policies and reporting changes (continued)

3.1 IFRS 16 'Leases' (continued)

(ii) Impact of transition at 1 April 2019

On transition to IFRS 16 the Group recognised £225.8m of additional right of use assets (presented within property, plant and equipment), £258.1m of additional lease liabilities, a £3.9m reduction in equity investments in joint ventures and associates and a deferred tax asset of £4.8m. This resulted in a £31.4m adjustment on transition to retained earnings. Furthermore, application of IFRS 16 to existing finance lease commitments under IAS 17 resulted in £4.8m of previously recognised leased assets and lease liabilities being derecognised on transition, as the consideration paid for these commitments did not meet the measurement criteria of a lease liability under IFRS 16.

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

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

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

(iii) Impact on six month results to 30 September 2019

Adoption of IFRS 16 resulted in operating costs for the six month period decreasing by £24.9m, offset by £18.6m of additional depreciation charges and £5.8m of additional interest charges, resulting in a £0.5m net increase in profit before tax. The Group's share of JV operating profit was £2.4m higher, offset by an increase in the Group's share of JV interest of £2.7m. In total, the Group's profit before tax is £0.2m higher. At 30 September 2019, including additions during that period, the net value of additional right-of-use assets under IFRS 16 totalled £206.6m with a corresponding lease liability of £238.7m.The revised presentation of lease payments under IFRS 16 results in a £24.9m improvement in net cash flows from operating activities and a corresponding deterioration in net cash flows from financing activities. There is no impact on total cash and cash equivalents.

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

A number of standards, amendments and interpretations have been issued but not yet adopted by the Group within these financial statements, because application is not yet mandatory or because adoption by the EU remains outstanding at this point in time.

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

Other interpretations and amendments are not anticipated to have a material impact on the Group's consolidated financial statements.

4. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, management necessarily makes judgements and estimates that have a significant effect on the amounts recognised in the financial statements. Changes in the assumptions underlying the estimates could result in a significant impact to the financial statements. The Group's key accounting judgement and estimation areas are noted below.

4.1 Significant financial judgements – estimation uncertainties

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

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

The Group reviews the carrying amounts of its ggoodwill, other intangible assets and specific property, plant and equipment assets to determine whether any impairment of the carrying value of those assets requires to be recorded. At 30 September 2019, the Group has reviewed assets related to gas production, thermal and wind power generation for indicators of impairment arising since the last formal review performed at 31 March 2019. In conducting its reviews, the Group makes judgements and estimates in considering the recoverable amount of the respective assets or cash-generating units (CGUs).

The main assumptions in the Group's impairment assessments performed at 31 March 2019 were: power, gas, carbon and other commodity prices, volatility of gas prices, plant running regimes and load factors, expected proven and probable reserves, and discount rates. The conclusions of this review were that there were no indications of impairment necessitating formal impairment review at 30 September 2019. The Group will reassess the assets for impairment at 31 March 2020.

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

4.1 Significant financial judgements - estimation uncertainties (continued)

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

Revenue from domestic (GB business discontinued, SSE Energy Services) and business energy supply activities 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 will comprise of values for i) billed revenue in relation to consumption from unread meters based on estimated consumption taking account of various factors including usage patterns and weather trends (disclosed as trade receivables) and ii) unbilled revenue (disclosed as accrued income) calculated by assessing a number of factors such as externally notified aggregated volumes supplied to customers from national settlement bodies, amounts billed to customers and other adjustments.

Given the non-routine process, numberr of differing inputs and the extent of differing inputs and the extent of management judgement noted below, the unbilled revenue estimate is considered a significant estimate made by management in preparing the Condensed Interim Statements. The unbilled income receivable related to the GB domestic supply business has been presented as held for sale at 30 September 2019. In addition, the revenue derived from the accrued income is included in revenue from discontinued operations (see note 9).

Unbilled revenue is calculated by applying the tariffs applicable to customers to the calculated volume of electricity or gas consumed. This estimation methodology is subject to an internal corroboration process that provides support for the judgements made by management. This corroboration process requires the comparison of calculated unbilled volumes to a 'benchmark' measure of unbilled volumes (in GWh and millions of therms) which is derived from historical weather-adjusted consumption patterns and aggregated, independently validated but unreconciled metering data that is used in industry reconciliation processes for total consumption by supplier. This comparison of the estimated supplied quantity of electricity or gas that is deemed to have been delivered to customers against the aggregate supplied quantity of electricity or gas applicable to the Group's customers that is measured by industry system operators, is a key judgement. The estimation of electricity unbilled revenue is further influenced by the impact on estimated electricity or gas supplied of national settlements data or, for electricity only, feed-in-tariff supported volumes and spill from solar PV generation. A more comprehensive disclosure of the Group's policy, and the judgements applied, is disclosed in note 4.1 (iii) of the Group's 31 March 2019 annual report.

(iii) Retirement benefits – estimation uncertainty

The assumptions in relation to the cost of providing post-retirement benefits during the period are based on the Group's best estimates and are set after consultation with qualified actuaries. While these assumptions are believed to be appropriate, a change in these assumptions would impact the level of the retirement benefit obligation recorded and the cost to the Group of administering the schemes. Further detail on the calculation basis and key assumptions used is disclosed in Note 17 of these interim statements.

4.2 Other key accounting judgements

(i) Impairment of SSE's household energy and services business in Great Britain – accounting judgement

On 13 September 2019, the Group announced that it had entered into an agreement with OVO Group Limited ('OVO') to sell SSE's household energy and services business in Great Britain ('SSE Energy Services') for an enterprise value of £500m, comprising £400m cash and £100m in loan notes, less an adjustment for debt-like items of £59m. The Group first classified SSE Energy Services as held for disposal in its 30 September 2018 Condensed Interim Statements.

The transaction has an effective date of 30 June 2019 and completion is expected in late 2019 or early 2020, subject to the transaction obtaining necessary regulatory approvals. At 30 September 2019 the Group has continued to classify SSE Energy Services as held for disposal and, given the enterprise valuation agreed with OVO during the period, has revalued the business to the lower of historical cost and fair value less costs of disposal. As a result, an impairment of £489.1m has been recognised (see note 6.1 (ii)).

(ii) Accounting for costs of the smart meter infrastructure programme – accounting judgement

Through its participation in the UK smart metering programme, the Group is required to make payments to the Data Communications Company ("DCC") as it develops infrastructure to support the UK smart meter roll-out. The Group has assessed that the DCC costs incurred are capital in nature as they will provide future economic benefit and the Group has the power to control certain assets through the terms of the Smart Meter Code. These assets relate to the centralised infrastructure costs of the UK's smart meter programme. At 30 September 2019, the costs capitalised to date have been impaired to £42.7m following an allocation of the impairment to the carrying value of SSE Energy Services due to the announced agreement to dispose of the business to OVO. At 30 September 2018 the Group had capitalised £96.3m (March 2019: £103.3m) of costs related to the Smart Meter programme.

(iii) Accounting for British Capacity Market payments – accounting judgement

Capacity Market income

In November 2018, the General Court of the Court of Justice of the European Union ("ECJ") annulled the state aid approval granted by the European Commission ("EC") in July 2014 for the British Capacity Market scheme. The annulment was based on procedural grounds, requiring the EC to open an in-depth investigation under state aid rules into the scheme before it could be reinstated. Following the ECJ judgement, the UK Government confirmed that payments under existing capacity agreements would be suspended. As a result, £60.4m of expected revenue was not recognised by the Group's Renewables and Thermal businesses in the prior financial year.

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

(iii) Accounting for British Capacity Market payments – accounting judgement (continued)

Capacity Market income (continued)

On 24 October 2019, following completion of the in-depth investigation, the EC announced their approval of the scheme under EU state aid regulations. Following the EC announcement, on 25 October 2019 the UK Government issued letters to the National Grid Electricity System Operator (ESO) and Electricity Settlements Company (ESC) confirming the reinstatement of the British Capacity Market scheme including resumption of capacity payments in respect of agreements that existed in November 2018 that were prevented from being paid as a result of the suspension.

The Group considers that the EC announcement, and subsequent UK Government instruction to reinstate the original scheme, confirms that revenue totalling £109.6m in relation to the scheme should be recognised in the period to 30 September 2019. This includes £60.4m in relation to revenue not recognised in respect of the prior financial year. In the period the Group has classified £8.3m of the £109.6m Capacity Market income as exceptional, as it was generated by Fiddler's Ferry subsequent to the announcement to close the station.

Capacity Market charges

The Group's British Supply businesses are required to make Capacity Market payments to an independent Settlement Body throughout the year. This charge is based on the Supplier's forecast energy demands between November and February and is charged evenly over the course of the delivery year. Following suspension of the scheme, as detailed above, the Group continued to recognise the Capacity Market charge during the suspension period with a corresponding accrual reflecting the suspension of payments. Following reinstatement in October 2019, payment of the accrued suspension period charges is expected to be made during the course of November 2019.

In accordance with IFRIC 21 "Levies", a liability for the full year charge is recognised progressively between November and February. The Group has assessed that this represents a regulatory operating cost to the business for its operations throughout the year and therefore recognises the cost over the course of the year. Any difference between the liability and charge is recognised as a settlement prepaid asset.

(iv) Lease classification for Smart Meter contracts – accounting judgement

The Group has assessed that its arrangements for Smart Meter Asset Provider (MAP) services do not contain leases of the smart meters owned by the MAP due to other parties taking a significant amount of the output from the meters and due to the Group being unable to control either the operation or the physical access to the meters. The assessment that these arrangements do not contain leases of the smart meters did not change on adoption of IFRS 16 "Leases" on 1 April 2019.

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

In accordance with IFRS 5, the Group has classified its investment in Gas Production assets as held for sale at 30 September 2019. The Group is actively engaged in discussions with potential buyers for the business and is targeting a sale in the second half of the financial year. At 30 September these discussions were advanced, though no formal offers for the business had been received. A well drilling process on the Glendronach prospect was ongoing at the balance sheet date, with offers from potential buyers expected to be influenced by the results of this programme, expected late in 2019. As the business constitutes a reportable segment of the Group, it has been considered a discontinued operation and comparative results have been represented to remove the business from continuing operations.

4.3 Other areas of estimation uncertainty

(i) Tax provisioning – estimation uncertainty

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

In estimating any such liability, the Group applies a risk-based approach, considering the specific circumstances of each dispute based on management's interpretation of tax law and supported, where appropriate, by discussion and analysis by external tax advisors. These estimates are inherently judgemental and could change substantially over time as each dispute progresses and new facts emerge. Provisions are reviewed on an ongoing basis; however, the resolution of tax issues can take a considerable period to conclude and it is possible that amounts ultimately paid will be different from the amounts provided. Provisions for uncertain tax positions are included in current tax liabilities, and total £46.0m at 30 September 2019 (2018: £66.1m; March 2019: £47.6m).

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

4.3 Other areas of estimation uncertainty (continued)

(ii) Decommissioning costs – estimation uncertainty

The estimated cost of decommissioning at the end of the useful lives of certain property, plant and equipment assets is reviewed periodically and was reassessed at 31 March 2019. Decommissioning costs in relation to gas exploration and production assets are periodically agreed with the field operators and reflect the latest expected economic production lives of the fields. Provision is made for the estimated discounted cost of decommissioning at the balance sheet date.

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

5. Segmental information

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

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

Business area	Reported segments	Description
Continuing operations		
Transmission	Electricity Transmission	The economically regulated high voltage transmission of electricity from generating plant to the distribution network in the North of Scotland.
Distribution	Electricity Distribution	The economically regulated lower voltage distribution of electricity to customer premises in the North of Scotland and the South of England.
	Gas Distribution	SSE's share of Scotia Gas Networks, which operates two economically regulated gas distribution networks in Scotland and the South of England.
Renewables	Renewables	The generation of power from renewable sources, such as onshore and offshore windfarms and run of river and pumped storage hydro assets in the UK and Ireland.
Thermal	Thermal Generation	The generation of power from thermal plant and the Group's interests in multifuel assets in the UK and Ireland.
	Gas Storage	The storage of gas for the purpose of benefitting from market price fluctuations.
Customers	Business Energy	The supply of electricity and gas to business customers in Great Britain.
	Airtricity	The supply of electricity, gas and energy related services to residential and business customers in the Republic of Ireland and Northern Ireland.
Enterprise	Enterprise	The integrated provision of services in competitive markets for industrial and commercial customers including electrical contracting, private energy networks, lighting services and share of telecoms capacity and bandwidth.
EPM & I	Energy Portfolio Management (EPM)	The provision of a route to market for the Group's Renewable, Thermal and discontinued Gas Production businesses and commodity procurement for the Group's energy supply businesses in line with the Group's stated hedging policies.
Discontinued operations		
SSE Energy Services	SSE Energy Services	The supply of electricity and gas and related energy goods and services such as meter reading and installation, boiler installation and maintenance and domestic telecoms and broadband services to domestic customers in Great Britain
EPM & I	Gas Production	The production and processing of gas and oil from North Sea fields.

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

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

5. Segmental information (continued)

5. (a) Revenue by segment

	Six months ended 30 September 2019					Six months ended 30 September 2018				
	Revenue from contracts with customers £m	**Other contract revenue £m**	**Reported revenue £m**	**Intra-segment revenue[i] £m**	**Segment revenue £m**	Revenue from contracts with customers £m	Other contract revenue £m	Reported revenue £m	Intra-segment revenue[i] £m	Segment revenue £m
Continuing operations										
Electricity Transmission	189.0	-	189.0	-	189.0	197.3	-	197.3	-	197.3
Electricity Distribution	320.7	-	320.7	91.8	412.5	311.6	-	311.6	99.7	411.3
Renewables	95.1	-	95.1	218.2	313.3	84.7	-	84.7	203.4	288.1
Thermal Generation	221.9	-	221.9	301.4	523.3	189.2	-	189.2	419.2	608.4
Gas Storage	4.4	-	4.4	203.6	208.0	11.3	-	11.3	206.4	217.7
Business Energy	1,122.5	-	1,122.5	12.0	1,134.5	1,197.3	-	1,197.3	12.4	1,209.7
Airtricity	503.4	-	503.4	31.6	535.0	439.5	-	439.5	102.4	541.9
Enterprise	189.2	3.8	193.0	6.7	199.7	224.0	3.7	227.7	55.9	283.6
EPM:										
Gross commodity trading	5,791.3	-	5,791.3	2,153.1	7,944.4	8,458.4	-	8,458.4	2,209.0	10,667.4
Optimisation trading[ii]	(5,418.7)	-	(5,418.7)	(245.4)	(5,664.1)	(7,827.0)	-	(7,827.0)	365.6	(7,461.4)
EPM	372.6	-	372.6	1,907.7	2,280.3	631.4	-	631.4	2,574.6	3,206.0
Corporate unallocated	29.6	-	29.6	115.8	145.4	27.7	-	27.7	114.8	142.5
Total continuing operations	3,048.4	3.8	3,052.2	2,888.8	5,941.0	3,314.0	3.7	3,317.7	3,788.8	7,106.5
Discontinued operations										
SSE Energy Services	1,469.2	-	1,469.2	5.3	1,474.5	1,404.7	-	1,404.7	97.8	1,502.5
Gas Production	13.5	-	13.5	95.8	109.3	16.9	-	16.9	97.7	114.6
Total discontinued operations	1,482.7	-	1,482.7	101.1	1,583.8	1,421.6	-	1,421.6	195.5	1,617.1
Total SSE Group	4,531.1	3.8	4,534.9	2,989.9	7,524.8	4,735.6	3.7	4,739.3	3,984.3	8.723.6

	Year ended 31 March 2019				
	Revenue from contracts with customers £m	Other contract revenue £m	Reported revenue £m	Intra-segment revenue[i] £m	Segment revenue £m
Continuing operations					
Electricity Transmission	395.7	-	395.7	0.2	395.9
Electricity Distribution	676.4	-	676.4	229.5	905.9
Renewables	224.6	-	224.6	626.2	850.8
Thermal Generation	324.4	-	324.4	910.1	1,234.5
Gas Storage	24.2	-	24.2	488.3	512.5
Business Energy	2,592.9	-	2,592.9	26.2	2,619.1
Airtricity	1,087.3	-	1,087.3	144.7	1,232.0
Enterprise	476.6	7.2	483.8	110.1	593.9
EPM:					
Gross commodity trading	20,240.8	-	20,240.8	4,464.6	24,705.4
Optimisation trading[ii]	(18,808.7)	-	(18,808.7)	475.7	(18,333.0)
EPM	1,432.1	-	1,432.1	4,940.3	6,372.4
Corporate unallocated	60.1	-	60.1	242.7	302.8
Total continuing operations	7,294.3	7.2	7,301.5	7,718.3	15,019.8
Discontinued operations					
SSE Energy Services	3,579.3	5.4	3,584.7	184.9	3,769.6
Gas Production	30.1	-	30.1	210.9	241.0
Total discontinued operations	3,609.4	5.4	3,614.8	395.8	4,010.6
Total SSE Group	10,903.7	12.6	10,916.3	8,114.1	19,030.4

(i) Revenue from the Group's investment in Scotia Gas Networks Limited, the Group's share being £212.8m (2018: £206.8m, March 2019: £411.8m) is not recorded in the revenue line in the income statement

(ii) The Group continues to provide optimisation volume disclosures to disclose the volume of trading in the period by its EPM segment.

5. Segmental information (continued)

(b) Operating profit/(loss) by segment

	Six months ended 30 September 2019						
	Adjusted operating profit reported to the Board £m	**Depreciation on fair value uplifts £m**	**Joint Venture/ Associate share of interest and tax (i) £m**	**Before exceptional items and certain remeasurements £m**	**Non-recurring joint venture refinancing costs £m**	**Exceptional items and certain remeasurements £m**	**Total £m**
Continuing operations							
Electricity Transmission	**110.1**	**-**	**-**	**110.1**	**-**	**-**	**110.1**
Electricity Distribution	**150.8**	**-**	**-**	**150.8**	**-**	**-**	**150.8**
Gas Distribution	**102.1**	**-**	**(49.3)**	**52.8**	**-**	**1.7**	**54.5**
Renewables	**149.9**	**(9.4)**	**(28.2)**	**112.3**	**(12.3)**	**6.4**	**106.4**
Thermal Generation	**57.8**	**-**	**(12.4)**	**45.4**	**-**	**(98.7)**	**(53.3)**
Gas Storage	**(20.7)**	**-**	**-**	**(20.7)**	**-**	**-**	**(20.7)**
Business Energy	**2.9**	**-**	**-**	**2.9**	**-**	**-**	**2.9**
Airtricity	**16.4**	**-**	**-**	**16.4**	**-**	**-**	**16.4**
Enterprise	**8.2**	**(0.9)**	**(2.2)**	**5.1**	**-**	**-**	**5.1**
EPM	**(113.1)**	**-**	**-**	**(113.1)**	**-**	**154.6**	**41.5**
Gas Production (continuing) [ii]	**31.9**	**-**	**-**	**31.9**	**-**	**-**	**31.9**
Corporate unallocated	**(4.4)**	**-**	**-**	**(4.4)**	**-**	**(93.7)**	**(98.1)**
Total continuing operations	**491.9**	**(10.3)**	**(92.1)**	**389.5**	**(12.3)**	**(29.7)**	**347.5**
Discontinued operations							
SSE Energy Services	**(7.4)**	**-**	**-**	**(7.4)**	**-**	**(489.1)**	**(496.5)**
Gas Production	**(15.3)**	**-**	**-**	**(15.3)**	**-**	**-**	**(15.3)**
Total discontinued operations	**(22.7)**	**-**	**-**	**(22.7)**	**-**	**(489.1)**	**(511.8)**
Total SSE Group	**469.2**	**(10.3)**	**(92.1)**	**366.8**	**(12.3)**	**(518.8)**	**(164.3)**

(i) The adjusted operating profit of the Group is reported after removal of the Group's share of interest, fair value movements on financing derivatives and tax from joint ventures and associates and after adjusting for exceptional items and certain re-measurements (note 6). The share of Scotia Gas Networks Limited interest includes loan stock interest payable to the consortium shareholders. The Group has accounted for its 33% share of this, £4.7m (2018: £4.7m, March 2019: £9.4m), as finance income (note 7).

(ii) The Group has assessed that the Gas Production business meets the criteria to be classified as held for sale under IFRS 5 (see note 9). The Gas Production business is being sold unhedged under a "lock-box" agreement with an effective date of 1 April 2019. In line with its stated hedging policy, the Group has hedged the forecast production of the business for the six months ended 30 September 2019, resulting in realised gains in these contracts of £31.9m in the period. The Group has retained these profits within the continuing operations, as the economic benefit of these contracts will not be disposed with the business.

	Six months ended 30 September 2018					
	Adjusted operating profit reported to the Board £m	Depreciation on fair value uplifts £m	Joint Venture/ Associate share of interest and tax (i) £m	Before exceptional items and certain remeasurements £m	Exceptional items and certain remeasurements £m	Total £m
Continuing operations						
Electricity Transmission	127.4	-	-	127.4	-	127.4
Electricity Distribution	166.9	-	-	166.9	-	166.9
Gas Distribution	85.4	-	(48.0)	37.4	1.2	38.6
Renewables	78.4	(2.3)	(13.4)	62.7	88.4	151.1
Thermal generation	(3.5)	-	(9.3)	(12.8)	-	(12.8)
Gas Storage	(3.7)	-	-	(3.7)	-	(3.7)
Business Energy	41.6	-	-	41.6	-	41.6
Airtricity	12.0	-	-	12.0	-	12.0
Enterprise	13.7	-	-	13.7	-	13.7
EPM	(85.9)	-	-	(85.9)	(565.4)	(651.3)
Corporate unallocated	(1.0)	-	-	(1.0)	(67.1)	(68.1)
Total continuing operations	431.3	(2.3)	(70.7)	358.3	(542.9)	(184.6)
Discontinued operations						
SSE Energy Services	(62.1)	-	-	(62.1)	-	(62.1)
Gas Production	19.3	-	-	19.3	-	19.3
Total discontinued operations	(42.8)	-	-	(42.8)	-	(42.8)
Total SSE Group	388.5	(2.3)	(70.7)	315.5	(542.9)	(227.4)

5. Segmental information (continued)

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

	Year ended 31 March 2019					
	Adjusted operating profit reported to the Board £m	Depreciation on fair value uplifts £m	Joint Venture/ Associate share of interest and tax (i) £m	Before exceptional items and certain remeasurements £m	Exceptional items and certain remeasurements £m	Total £m
Continuing operations						
Electricity Transmission	252.1	-	-	252.1	-	252.1
Electricity Distribution	401.3	-	-	401.3	-	401.3
Gas Distribution	176.8	-	(94.3)	82.5	2.6	85.1
Renewables	455.9	(2.9)	(31.5)	421.5	821.4	1,242.9
Thermal Generation	(22.3)	-	(25.6)	(47.9)	(2.7)	(50.6)
Gas Storage	(5.7)	-	-	(5.7)	-	(5.7)
Business Energy	51.6	-	-	51.6	-	51.6
Airtricity	38.6	-	-	38.6	-	38.6
Enterprise	31.8	-	-	31.8	-	31.8
EPM(iii)	(284.9)	-	-	(284.9)	(328.2)	(613.1)
Corporate unallocated	(6.5)	-	(3.8)	(10.3)	189.9	179.6
Total continuing operations	1,088.7	(2.9)	(155.2)	930.6	683.0	1,613.6
Discontinued operations						
SSE Energy Services	89.6	-	-	89.6	(54.3)	35.3
Gas Production	48.9	-	-	48.9	29.7	78.6
Total discontinued operations	138.5	-	-	138.5	(24.6)	113.9
Total SSE Group	1,227.2	(2.9)	(155.2)	1,069.1	658.4	1,727.5

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

	30 September 2019					
	Adjusted operating profit reported to the Board £m	**Depreciation on fair value uplifts £m**	**Depreciation/ impairment/ amortisation before exceptional charges £m**	**JV/ Associate share of depreciation and amortisation £m**	**Release of deferred income £m**	**Adjusted EBITDA £m**
Continuing operations						
Electricity Transmission	**110.1**	**-**	**39.2**	**-**	**(1.7)**	**147.6**
Electricity Distribution	**150.8**	**-**	**80.0**	**-**	**(4.0)**	**226.8**
Gas Distribution	**102.1**	**-**	**-**	**29.5**	**-**	**131.6**
Renewables	**149.9**	**(9.4)**	**79.1**	**62.7**	**-**	**282.3**
Thermal generation	**57.8**	**-**	**22.1**	**7.3**	**(0.1)**	**87.1**
Gas Storage	**(20.7)**	**-**	**0.4**	**-**	**-**	**(20.3)**
Business Energy	**2.9**	**-**	**0.2**	**-**	**-**	**3.1**
Airtricity	**16.4**	**-**	**3.2**	**-**	**-**	**19.6**
Enterprise	**8.2**	**(0.9)**	**5.2**	**4.6**	**(2.3)**	**14.8**
EPM	**(113.1)**	**-**	**-**	**-**	**-**	**(113.1)**
Gas Production (continuing)	**31.9**	**-**	**-**	**-**	**-**	**31.9**
Corporate unallocated	**(4.4)**	**-**	**34.4**	**1.6**	**(0.6)**	**31.0**
Total continuing operations	**491.9**	**(10.3)**	**263.8**	**105.7**	**(8.7)**	**842.4**
Discontinued operations						
SSE Energy Services	**(7.4)**	**-**	**-**	**-**	**-**	**(7.4)**
Gas Production	**(15.3)**	**-**	**46.2**	**-**	**-**	**30.9**
Total discontinued operations	**(22.7)**	**-**	**46.2**	**-**	**-**	**23.5**
Total SSE Group	**469.2**	**(10.3)**	**310.0**	**105.7**	**(8.7)**	**865.9**

5. Segmental information (continued)

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

	30 September 2018					
	Adjusted operating profit reported to the Board £m	Depreciation on fair value uplifts £m	Depreciation/ impairment/ amortisation before exceptional charges £m	JV/ Associate share of depreciation and amortisation £m	Release of deferred income £m	Adjusted EBITDA £m
Continuing operations						
Electricity Transmission	127.4	-	35.4	-	(1.4)	161.4
Electricity Distribution	166.9	-	79.1	-	(6.1)	239.9
Gas Distribution	85.4		-	28.1	-	113.5
Renewables	78.4	(2.3)	92.6	22.7	-	191.4
Thermal generation	(3.5)	-	19.8	7.0	(0.2)	23.1
Gas Storage	(3.7)	-	0.5	-	-	(3.2)
Business Energy	41.6	-	0.2	-	-	41.8
Airtricity	12.0	-	4.0	-	-	16.0
Enterprise	13.7	-	12.0	-	(0.5)	25.2
EPM	(85.9)	-	-	-	-	(85.9)
Corporate unallocated	(1.0)	-	19.9	-	(0.6)	18.3
Total continuing operations	431.3	(2.3)	263.5	57.8	(8.8)	741.5
Discontinued operations						
SSE Energy Services	(62.1)	-	21.6	-	-	(40.5)
Gas Production	19.3	-	49.3	-	-	68.6
Total discontinued operations	(42.8)	-	70.9	-	-	28.1
Total SSE Group	388.5	(2.3)	334.4	57.8	(8.8)	769.6

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

6. Exceptional items and certain re-measurements

Year ended 31 March 2019 £m		**Six months ended 30 September 2019 £m**	Six months ended 30 September 2018 £m
Continuing operations			
	Exceptional items (note 6.1)		
(49.9)	Asset impairments, write-backs and related charges	**(149.4)**	(38.3)
(27.5)	Provisions for restructuring and other liabilities	**(43.0)**	(14.6)
(9.3)	GMP equalisation charge	**-**	-
(86.7)		**(192.4)**	(52.9)
1,096.9	Net gains on disposals of businesses and other assets	**6.4**	74.2
1,010.2	**Total exceptional items**	**(186.0)**	21.3
	Certain re-measurements (note 6.2)		
(328.2)	Movement on operating derivatives	**154.6**	(565.4)
(44.8)	Movement on financing derivatives	**(69.9)**	39.6
1.0	Share of movement on derivatives in jointly controlled entities (net of tax)	**1.7**	1.2
(372.0)		**86.4**	(524.6)
638.2	**Exceptional items before taxation**	**(99.6)**	(503.3)
	Taxation		
5.6	Taxation on other exceptional items	**33.1**	2.3
67.3	Taxation on certain re-measurements	**(20.8)**	89.4
72.9	Taxation	**12.3**	91.7
711.1	**Exceptional items on continuing operations after taxation**	**(87.3)**	(411.6)
Discontinued operations			
	Exceptional items (note 6.1)		
(24.6)	Asset impairments, write backs and related charges	**(489.1)**	-
28.4	Taxation	**-**	-
3.8	Exceptional items on discontinued operations after taxation	**(489.1)**	-

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

Year ended 31 March 2019 £m		**Six months ended 30 September 2019 £m**	Six months ended 30 September 2018 £m
Continuing operations			
	Cost of sales:		
(328.2)	Movement on operating derivatives (note 16)	**154.6**	(565.4)
(328.2)		**154.6**	(565.4)
	Operating costs:		
(88.9)	Retail related restructuring costs and IT impairments	**(52.5)**	(67.1)
14.2	Reversal of previous Renewable generation impairment charges	**-**	14.2
(2.7)	Thermal generation impairment charges	**(98.7)**	-
(9.3)	Other exceptional provisions and impairments	**(41.2)**	-
(86.7)		**(192.4)**	(52.9)
	Operating income:		
1,096.9	Net gains on disposals of businesses and other assets	**6.4**	74.2
1,096.9		**6.4**	74.2
	Joint ventures and associates:		
1.0	Movement on derivatives (net of tax)	**1.7**	1.2
1.0		**1.7**	1.2
683.0	**Operating (loss)/profit**	**(29.7)**	(542.9)
	Finance costs		
(44.8)	Movement on financing derivatives (note 16)	**(69.9)**	39.6
638.2	**(Loss)/profit before taxation on continuing operations**	**(99.6)**	(503.3)
Discontinued operations			
	Operating costs:		
(54.3)	Retail and technology development related charges	**(489.1)**	-
29.7	Gas Production (E&P) related credit/(charges)	**-**	-
(24.6)	**Profit/(loss) before taxation on discontinued operations**	**(489.1)**	-

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

6.1 Exceptional items

(i) Fiddler's Ferry closure

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

(ii) SSE Energy Services Related costs

On 13 September 2019, the Group announced it had entered into a transaction to dispose of SSE Energy Services to OVO Energy Limited for total consideration of £500m (see note 4.2(i)), less debt-like items of £59.0m. In the six months ended 30 September 2019, the Group has incurred £52.5m of charges related to the transaction within continuing operations, including impairments to Group IT assets of £39.5m and £13.0m of advisor fees and restructuring expenses to separate the business from the continuing operations. The £39.5m impairment of the IT assets reflects the expected cost of providing services to SSE Energy Services under a Transitional Service Agreement for an agreed period following completion of the transaction with OVO.

In addition, the Group has recognised an impairment of £489.1m to the carrying value of the assets within assets held for sale. This charge reflects the expected recoverable value from the transaction, assuming consideration of £441.0m and total transaction fees of £25m will be incurred. The impairment has been recognised against the carrying value of the goodwill (£187.3m); intangible assets including the Smart DCC infrastructure programme (£254.0m); and property, plant and equipment (£47.8m).

(iii) IT impairment charges

In the period, the Group internally announced an investment plan in IT software, operations and infrastructure which is aimed at transforming the Group's IT systems to drive growth and profitability of the Group. As a result, new agreements with software providers have been entered into to allow employees to benefit from cloud based IT arrangements, which resulted in the impairment of legacy software contracts of £34.3m. In addition, the Group has entered into an agreement to outsource certain IT support roles for the new cloud based software. As a result, a redundancy provision of £6.9m has been recognised in the period.

(iv) Disposal of Stronelairg and Dunmaglass windfarms

As noted below, the Group disposed of a 49.9% stake in the Stronelairg and Dunmaglass windfarms on 31 March 2019, recognising a gain on disposal of £733.0m, including a fair value uplift of £369.2m. Following the completion of the sale, an adjustment to the consideration of £6.4m was received in the period, which has been treated as exceptional to align with the treatment of the original disposal.

Exceptional items recognised in the previous financial year

Clyde gain on sale – On 30 May 2018, the Group disposed of a 14.9% equity stake in Clyde Windfarm (Scotland) Limited for consideration of £202.0m, recognising a £74.2m gain on sale in the first half of the year. The Group continues to retain a 50.1% stake in Clyde Windfarm (Scotland) Limited.

Seagreen impairment reversal – On 24 September 2018, the Group acquired a further 50% of Seagreen Wind Energy Limited ('Seagreen'), taking its ownership to 100% and bringing Seagreen under full control of the Group. The Group reversed a previous impairment charge of £14.2m in its 30 September 2018 Interim Results as there was renewed commitment to develop the project.

SSE Energy Services disposal costs – In the prior year, the Group recognised an impairment charge of £41.0m at 30 September 2018 on certain properties which will be sub-let to SSE Energy Services following the completion of a proposed demerger transaction with nPower. In addition, the Group recognised £47.9m (September 2018: £26.1m) of professional advisor fees and IT and physical separation costs as the Group separated its IT systems and introduced physical separation in the properties that will be occupied by both SSE and SSE Energy Services following the disposal.

Stronelairg & Dunmaglass windfarms: On 31 March 2019, the Group disposed of a 49.9% equity stake in its wholly owned subsidiaries, Stronelairg Windfarm Limited ('Stronelairg') and Dunmaglass Windfarm Limited ('Dunmaglass'), to Greencoat UK Wind Plc ("UKW") for total consideration of £635.0m. The Group assessed that it lost control of Stronelairg and Dunmaglass on that date, and the 50.1% interest retained in the entities will be accounted for as equity accounted investments in joint ventures under the principles of IFRS 11 'Joint Arrangements'. The Group acquired the joint venture investments at fair value under the principles of IFRS 3 'Business Combinations', resulting in a total gain of £733.0m, including fair value gain on acquisition of the joint venture investments of £369.2m.

SSE Telecommunications: On 29 March 2019, the Group disposed of a 50.0% equity stake in its wholly owned subsidiary, SSE Telecommunications Limited ('SSE Telecoms'), to Infracapital Partners III ('Infracapital') for initial consideration of £215.0m. Under the terms of the sale agreement, SSE has the ability to earn a further £85m in deferred consideration based on SSE Telecoms achieving certain business objectives and a further £80m in contingent consideration to be paid in a series of instalments in the five-year period to 2024, based on financial targets for out-performance. Total consideration has been initially assessed at £230.5m, reflecting the span of contingent payments. The Group has assessed that it lost control of SSE Telecoms as a result of the transaction and the 50.0% equity stake retained will be accounted for as an equity accounted joint venture under the principles of IFRS 11 'Joint Arrangements'. The Group has acquired the joint venture investment at fair value under the principles of IFRS 3 'Business Combinations', resulting in a total gain of £235.4m, including fair value gain on acquisition of the joint venture investment of £119.3m.

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

6.1 Exceptional items (continued)

Exceptional items recognised in the previous financial year (continued)

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

Pensions GMP equalisation – Following the High Court in October 2018, the Group recognised an exceptional past service cost of £9.0m in the 31 March 2019 income statement for guaranteed minimum pension equalisation across its defined benefit pension schemes. In addition, the Group's joint venture SGN recognised an exceptional past service charge of £0.8m, of which the Group recognised its share of £0.3m as exceptional.

Prior year exceptional charges within discontinued operations

Within the discontinued Gas Production segment, the Group recognised a net impairment reversal of £29.7m related to its North Sea Gas Production assets following an increase in independently assessed hydrocarbon reserves and an increase to long term gas price forecasts. The impairment reversals were recognised on the Bacton (£15.8m) and Sean (£13.9m) fields at 31 March 2019.

Within its discontinued SSE Energy Services segment, the Group recorded an exceptional impairment charge of £54.3m at 31 March 2019 related to discontinued marketing and customer data management software assets.

6.2 Certain re-measurements

The Group's EPM function enters into forward commodity purchase (and sales) contracts to meet the future demand requirements of its domestic and business energy supply operating units and to optimise the value of its Renewable and other Thermal generation assets. Certain of these contracts are determined to be derivative financial instruments under IFRS 9 and as such are required to be recorded at their fair value. Changes in the fair value of those commodity contracts designated as IFRS 9 financial instruments are reflected in the income statement (as part of 'certain re-measurements'). The Group shows the change in the fair value of these forward contracts separately as this mark-to-market movement is not representative of the underlying performance of its operating segments. The Group will recognise the underlying value of these contracts as the relevant commodity is delivered, which will predominately be within the subsequent 12 to 24 months. Conversely, commodity contracts that are not financial instruments under IFRS 9 are accounted for as 'own use' contracts. The re-measurements arising from IFRS 9 are disclosed separately to aid understanding of the underlying performance of the Group. This category also includes income statement movement on financing derivatives (and hedged items) as described in Note 16.

7. Net finance costs

Year ended 31 March 2019 £m		**Six months ended 30 September 2019 £m**	Six months ended 30 September 2018 £m
	Finance income:		
1.1	Interest income from short term deposits	**1.1**	0.8
9.5	Interest on pension scheme assets	**3.6**	4.6
-	Foreign exchange translation of monetary assets and liabilities	**0.8**	-
	Other interest receivable:		
9.4	Scotia Gas Networks loan stock	**4.7**	4.7
51.5	Other joint ventures and associates	**27.4**	18.5
15.5	Other receivable	**3.9**	12.8
76.4		**36.0**	36.0
87.0	**Total finance income**	**41.5**	41.4
	Finance costs:		
(35.3)	Bank loans and overdrafts	**(18.3)**	(15.1)
(310.2)	Other loans and charges	**(151.1)**	(159.8)
(17.4)	Notional interest arising on discounted provisions	**(7.8)**	(8.8)
(28.6)	Lease interest charges (i)	**(18.5)**	(14.3)
27.7	Less: interest capitalised	**5.5**	17.0
(363.8)	**Total finance costs before fair value movements**	**(190.2)**	(181.0)
(44.8)	Changes in fair value of financing derivative assets or liabilities at fair value through profit or loss	**(69.9)**	39.6
(321.6)	**Net finance costs**	**(218.6)**	(100.0)
	Presented as:		
87.0	**Finance income**	**41.5**	41.4
(408.6)	**Finance costs**	**(260.1)**	(141.4)
(321.6)	**Net finance costs**	**(218.6)**	(100.0)

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

Year ended 31 March 2018 £m		**Six months ended 30 September 2019 £m**	Six months ended 30 September 2018 £m
(321.6)	**Net finance costs**	**(218.6)**	(100.0)
	(add)/less:		
	Share of interest from joint ventures and associates:		
(9.4)	Scotia Gas Networks loan stock	**(4.7)**	(4.7)
(114.3)	Other jointly controlled entities and associates	**(83.2)**	(52.2)
(123.7)		**(87.9)**	(56.9)
-	Share of non-recurring joint venture refinancing costs (ii)	**12.3**	-
(123.7)		**(75.6)**	(56.9)
(9.5)	Interest on pension scheme assets	**(3.6)**	(4.6)
(1.9)	Share of interest on net pension liabilities in joint ventures	**(0.6)**	(0.8)
44.8	Movement on financing derivatives (note 16)	**69.9**	(39.6)
(411.9)	**Adjusted net finance costs**	**(228.5)**	(201.9)
17.4	Notional interest arising on discounted provisions	**7.8**	8.8
28.6	Lease interest charges (i)	**18.5**	14.3
(46.6)	Hybrid coupon payment	**(46.5)**	(46.6)
(412.5)	**Adjusted net finance costs for interest cover calculations**	**(248.7)**	(225.4)

(i) The Group adopted IFRS 16 on 1 April 2019. See note 3.1 for the impact of adoption

(ii) The Group's joint venture investment, Beatrice Offshore Winds Limited ('BOWL'), completed a refinancing of its debt in the six months ended 30 September 2019, which resulted in the Group incurring its share of one-off finance costs of £12.3m. These are deemed to be non-recurring and have not been incurred as part of normal operations.

8. Taxation

The income tax expense reflects the anticipated effective rate of tax on profits before taxation for the Group for the year ending 31 March 2020, taking account of the movement in the deferred tax provision in the period so far as it relates to items recognised in the income statement. The reported tax rate on the profit before tax before exceptional items and certain re-measurements on continuing operations is 13.3% (2018: 13.3%, March 2019: 9.6%). The reported tax rate on the loss before tax after exceptional items, including the effect of changes in tax rate, and certain re-measurements on continuing operations was 14.1% (2018: 22.0%, March 2019: (0.8)%).

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

Year ended 31 March 2019		**Six months ended 30 September 2019**	Six months ended 30 September 2018
	Adjusted effective rate:		
1.1%	Current tax	**12.0%**	6.9%
12.9%	Deferred tax	**5.9%**	11.1%
14.0%		**17.9%**	18.0%

During the period, the Group made no deficit repair contributions to the Scottish Hydro Electric Pension Scheme and was in discussions with the Trustees of the Scheme to cease regular contributions (see note 17). As a result of the suspension of the deficit repair contributions and the expected cessation of regular contributions, the Group assessed during the period that the surplus on the scheme could be recovered through means other than through cash withdrawals. As a result, the Group has recognised deferred tax on the surplus at 17% at 30 September 2019, rather than the 35% tax rate which would have been expected to have been incurred if the Group had taken cash withdrawals from the scheme. The impact of this change in tax rate is a reduction in the deferred tax liability of £105.7m, which has been recognised through the Statement of Oher Comprehensive Income.

On 10 October 2019, subsequent to the period end, the Group agreed to cease regular contributions to the scheme, effective from 1 October 2019 (see note 17).

9. Discontinued operations and assets and liabilities held for sale

The Group has two discontinued operations as at 30 September 2019: the GB domestic supply and energy related services business (SSE Energy Services); and the Group's investment in Gas Production assets. Transactions to dispose of these businesses are considered to be highly probable at the balance sheet date, therefore the assets and liabilities have been presented as held for sale and the business activities have been presented as discontinued. At 31 March 2019 and 30 September 2018 only SSE Energy Services was presented as a discontinued operation, therefore the comparative information at these dates has been restated to include the results of Gas Production, in line with IFRS 5. The profits/(losses) of the discontinued operations, after elimination of intercompany transactions, are as follows:

31 March 2019				**30 September 2019**			
Before exceptional items and remeasurements £m	Exceptional items and remeasurements £m	Total £m		**Before exceptional items and remeasurements £m**	**Exceptional items and remeasurements £m**	**Total £m**	Six months ended 30 September 2018 £m
3,614.8	-	3,614.8	**Revenue**	**1,482.7**	**-**	**1,482.7**	1,421.6
(2,726.9)	-	(2,726.9)	Cost of sales	**(1,150.7)**	**-**	**(1,150.7)**	(1,094.4)
887.9	**-**	887.9	**Gross profit**	**332.0**	**-**	**332.0**	327.2
(749.4)	(24.6)	(774.0)	Operating costs (i)	**(354.7)**	**(489.1)**	**(843.8)**	(370.0)
138.5	(24.6)	113.9	**Operating (loss)/profit**	**(22.7)**	**(489.1)**	**(511.8)**	(42.8)
11.5	28.4	39.9	Taxation	**13.6**	**-**	**13.6**	20.3
150.0	3.8	153.8	**(Loss)/profit from discontinued operations, net of tax**	**(9.1)**	**(489.1)**	**(498.2)**	(22.5)

(i) Included within the underlying operating costs of SSE Energy Services are £9.4m of non-recurring restructuring costs, which have not been treated as exceptional.

Cashflows from discontinued operations

March 2019 £m		**September 2019 £m**	September 2018 £m
158.6	Cashflows from operating activities	56.7	58.1
(145.5)	Cashflows from investing activities	(76.9)	(54.2)
13.1	Net increase in cash and cash equivalents from discontinued operations	(20.2)	3.9

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

Assets and liabilities held for sale

On 13 September 2019, the Group announced it had entered into an agreement with OVO Energy Limited to dispose of SSE Energy Services, the Group's GB domestic gas and electricity supply and related services business (see note 4.2(i)). The assets and liabilities within the SSE Energy Services disposal group have been classified as held for sale and have been presented separately after elimination of intercompany balances on the face of the balance sheet. In addition, the Group has previously stated its intention to dispose of its investments in Gas Production and is in active negotiations to sell this business. The assets and liabilities held for sale, subsequent to the exceptional impairment recognised (see note 6, £489.1m) have been stated at cost, which is lower than their fair value less costs to sell.

March 2019 £m		**SSE Energy Services £m**	**Gas Production £m**	**September 2019 £m**	September 2018 £m
39.1	Property plant and equipment	**12.9**	**370.3**	**383.2**	549.7
736.1	Goodwill and other intangible assets	**321.5**	**93.8**	**415.3**	197.8
4.9	Deferred tax asset	**1.7**	**17.5**	**19.2**	5.3
0.9	Inventories	**1.0**	**4.2**	**5.2**	0.9
988.1	Trade and other receivables	**660.7**	**0.9**	**661.6**	618.2
95.2	Cash and cash equivalents	**75.0**	**-**	**75.0**	86.3
1,864.3	**Total assets**	**1,072.8**	**486.7**	**1,559.5**	1,458.2
(1,069.0)	Trade and other payables	**(891.8)**	**(23.2)**	**(915.0)**	(815.1)
(6.8)	Current tax liabilities	**-**	**-**	**-**	(1.3)
(11.4)	Deferred tax liabilities	**(6.9)**	**-**	**(6.9)**	(12.9)
(4.7)	Provisions	**(2.9)**	**(388.9)**	**(391.8)**	(2.0)
(1,091.9)	**Total liabilities**	**(901.6)**	**(412.1)**	**(1,313.7)**	(831.3)
772.4	**Net assets**	**171.2**	**74.6**	**245.8**	626.9

The assets and liabilities classified as held for sale at 30 September 2018 and 31 March 2019 were SSE Energy Services, which remains held for sale; and SSE Water, which was disposed in May 2019 for consideration of £8.5m, resulting in a gain on sale of £0.3m.

10. Dividends

Ordinary dividends

Year ended 31 March 2019				**Six months ended 30 September 2019**			Six months ended 30 September 2018		
Total £m	Settled via scrip £m	Pence per ordinary share		**Total £m**	**Settled via scrip £m**	**Pence per ordinary share**	Total £m	Settled via scrip £m	Pence per ordinary share
-	-	-	Final – year ended 31 March 2019	**700.3**	**209.2**	**68.2**	-	-	-
300.5	141.3	29.3	Interim – year ended 31 March 2019	**-**	**-**	**-**	-	-	-
672.5	141.8	66.3	Final – year ended 31 March 2018	**-**	**-**	**-**	672.5	141.8	66.3
973.0	283.1			**700.3**	**209.2**		672.5	141.8	

The final dividend of 68.2p per ordinary share declared in the financial year ended 31 March 2019 (2018: 66.3p) was approved at the Annual General Meeting on 18 July 2019 and was paid to shareholders on 20 September 2019. Shareholders were able to elect to receive ordinary shares credited as fully paid instead of the interim cash dividend under the terms of the Company's scrip dividend scheme.

An interim dividend of 24.0p per ordinary share (2018: 29.3p) has been proposed and is due to be paid on 13 March 2020 to those shareholders on the SSE plc share register on 17 January 2020. The proposed interim dividend has not been included as a liability in these financial statements. A scrip dividend will be offered as an alternative.

11. (Losses)/earnings per share

Basic (losses)/earnings per share

The calculation of basic (losses)/earnings per share at 30 September 2019 is based on the net (loss)/profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the period ended 30 September 2019.

Adjusted earnings per share

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

Continuing operations

Year ended 31 March 2019			**Six months ended 30 September 2019**		Six months ended 30 September 2018	
Earnings £m	Earnings per share pence		**(Losses)/ earnings £m**	**(Losses)/ earnings per share pence**	(Losses)/ earnings £m	(Losses)/ earnings per share pence
1,409.1	137.9	(Loss)/earnings attributable to ordinary shareholders	**(434.0)**	**(42.1)**	(291.0)	(28.6)
(153.8)	(15.0)	Less: Loss/(earnings) attributable to discontinued operations	**498.2**	**48.3**	22.5	2.2
1,255.3	122.9	**Basic earnings/(loss) on continuing operations for EPS**	**64.2**	**6.2**	(268.5)	(26.4)
(711.1)	(69.6)	Exceptional items and certain re-measurements (note 6)	**87.3**	**8.5**	411.6	40.5
544.2	53.3	Basic excluding exceptional items and certain re- measurements	**151.5**	**14.7**	143.1	14.1
		Adjusted for:				
-	-	Share of non-recurring joint venture refinancing costs	**12.3**	**1.2**	-	-
2.9	0.3	Depreciation charge on fair value uplifts	**10.3**	**1.0**	2.3	0.2
(9.5)	(0.9)	Interest on net pension scheme liabilities (note 7)	**(3.6)**	**(0.3)**	(4.6)	(0.4)
(1.9)	(0.2)	Share of interest on net pension liabilities in joint venture	**(0.6)**	**(0.1)**	(0.8)	(0.1)
86.7	8.4	Deferred tax	**18.3**	**1.8**	25.7	2.5
0.7	0.1	Deferred tax from share of joint ventures and associates	**(2.9)**	**(0.3)**	1.2	0.1
623.1	61.0	**Adjusted**	**185.3**	**18.0**	166.9	16.4
1,255.3	122.9	**Basic**	**64.2**	**6.2**	(268.5)	(26.4)
-	-	Dilutive effect of convertible debt and share options	**-**	**-**	-	-
1,255.3	122.9	**Diluted**	**64.2**	**6.2**	(268.5)	(26.4)

Reported earnings per share

Year ended 31 March 2019			**Six months ended 30 September 2019**		Six months ended 30 September 2018	
Earnings £m	Earnings per share pence		**Earnings/ (Losses) £m**	**Earnings/ (Losses) per share pence**	Losses £m	Losses per share pence
		Basic				
1,255.3	122.9	Earnings/(losses) per share on continuing operations	**64.2**	**6.2**	(268.5)	(26.4)
153.8	15.0	Earnings/(losses) per share on discontinued operations	**(498.2)**	**(48.3)**	(22.5)	(2.2)
1,409.1	137.9	**Earnings/(losses) per share attributable to ordinary shareholders**	**(434.0)**	**(42.1)**	(291.0)	(28.6)

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

Year ended 31 March 2019 Number of shares (millions)		**Six months ended 30 September 2019 Number of shares (millions)**	Six months ended 30 September 2018 Number of shares (millions)
1,021.7	For basic and adjusted earnings per share	**1,030.4**	1,015.7
-	Effect of exercise of share options	**0.9**	0.4
1,021.7		**1,031.3**	1,016.1

12. Acquisitions and disposals

Acquisitions and disposals in the current period

There have been no significant acquisitions or disposals in the current period. Proceeds from disposals within the cashflow statement relate to sales of property, plant and equipment and the disposal of SSE Water in the period.

Prior period acquisitions and disposals

Acquisitions

On 24 September 2018, the Group acquired the remaining 50% of Seagreen Wind Energy Limited ('Seagreen') through its wholly owned subsidiary SSE Renewables Developments (UK) Limited, for consideration of £118.0m. The Group previously held 50% of Seagreen, which was an equity accounted joint venture. The Group assessed that the assets acquired did not meet the IFRS 3 'Business Combinations' criteria to be classified as a business, therefore a fair value exercise was only carried out on the assets acquired. The 50% stake in Seagreen that the Group held prior to this transaction remained held at cost.

Disposals

Clyde windfarm – On 8 May 2018 the Group's joint venture partners in the Clyde windfarm, Greencoat UK Wind plc and GLIL Infrastructure LLP, exercised their option to purchase a further 14.9% equity stake in Clyde Windfarm (Scotland) Limited for consideration of £202.0m. The Group recognised an exceptional gain on sale of £74.2m from the disposal. SSE continues to retain a 50.1% stake in the equity accounted joint venture following the sale in the prior period.

Stronelairg & Dunmaglass windfarms: On 31 March 2019, the Group disposed of a 49.9% equity stake in its wholly owned subsidiaries, Stronelairg Windfarm Limited ('Stronelairg') and Dunmaglass Windfarm Limited ('Dunmaglass'), to Greencoat UK Wind Plc ("UKW") for total consideration of £635.0m. The Group has assessed that it lost control of Stronelairg and Dunmaglass on that date, and the 50.1% interest retained in the entities will be accounted for as equity accounted investments in joint ventures under the principles of IFRS 11 'Joint Arrangements'. The Group acquired the joint venture investments at fair value under the principles of IFRS 3 'Business Combinations', resulting in a total gain of £733.0m, including fair value gain on acquisition of the joint venture investments of £369.2m.

SSE Telecommunications: On 29 March 2019, the Group disposed of a 50.0% equity stake in its wholly owned subsidiary, SSE Telecommunications Limited ('SSE Telecoms'), to Infracapital Partners III ('Infracapital') for initial consideration of £215.0m. Under the terms of the sale agreement, SSE has the ability to earn a further £85m in deferred consideration based on SSE Telecoms achieving certain business objectives and a further £80m in contingent consideration to be paid in a series of instalments in the five-year period to 2024, based on financial targets for out-performance. Total consideration has been initially assessed at £230.5m, reflecting the span of contingent payments and has been reassessed but not adjusted at 30 September 2019. The Group recorded a total gain on disposal of £235.4m, including fair value gain on acquisition of a joint venture investment of £119.3m.

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

Cloosh windfarm: On 28 March 2019, the Group disposed of a 25.0% equity stake in its joint venture investment in Cloosh Valley Wind Farm Holdings DAC ('Cloosh') to GR Wind Farms 1 Limited ('GRWF1') for consideration of €34.5m (£29.8m), recognising a gain on sale of £23.6m in the year. Following the disposal SSE continues to hold a 25% investment in Cloosh, with GRWF1 holding the remaining 75% investment.

13. Sources of finance

13.1 Capital management

The Board's policy is to maintain a strong balance sheet and credit rating to support investor counterparty and market confidence and to underpin future development of the business. The Group's credit ratings are also important in maintaining an efficient cost of capital and in determining collateral requirements throughout the Group. As at 30 September 2019, the Group's long term credit rating was BBB+ stable outlook by Standard & Poor's and was 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 has the option to purchase its own shares on the market, the timing of these purchases depends on market prices and economic conditions. The use of share buy-backs shall be implemented if the Directors believe that doing so would be in the best interests of shareholders. During the six months to 30 September 2019 SSE bought back 17,850,924 at an average share price of £11.20 for consideration of £201.1m (including stamp duty and commission).

The Group's debt requirements are principally met through issuing bonds denominated in Sterling and Euros as well as private placements and medium-term bank loans including those with the European Investment Bank. On 20 September 2019 the Group issued its third Green Bond, a 16 year £350m bond with a coupon of 2.25% and an all in funding cost of 2.39%. On 3 October 2019, subsequent to the period end, the Group completed the refinancing of its £200m revolving credit facility with the Bank of China, which now matures in 2024 with the option of two further one year extensions. This aligns to the £1.3bn revolving credit facility which was refinanced in March 2019. These committed bank facilities can be accessed at short notice for use in managing the Group's short term funding requirements, although these committed facilities remain undrawn for the majority of the time and were undrawn at 30 September 2019.

March 2019 £m		**September 2019 £m**	September 2018 £m
9,138.3	**Total borrowings (excluding leases)**	**9,572.2**	9,315.2
(431.6)	Less: Cash and cash equivalents	**(90.0)**	(76.7)
(95.2)	Cash presented as held for sale	**(75.0)**	(86.3)
8,611.5	Net debt (excluding hybrid equity)	**9,407.2**	9,152.2
1,169.7	Hybrid equity	**1,169.7**	1,169.7
(344.2)	Cash held as collateral and other short-term loans	**(238.0)**	(361.6)
9,437.0	Adjusted net debt and hybrids	**10,338.9**	9,960.3
4,628.9	**Equity attributable to shareholders of the parent**	**3,642.2**	3,238.4
14,065.9	**Total capital excluding leases**	**13,981.1**	13,198.7

13.2 Loans and other borrowings

March 2019 (restated) £m		**September 2019 £m**	September 2018 (restated) £m
	Current		
668.4	Other short-term loans	**1,243.5**	868.6
29.0	Lease obligations	**49.5**	28.9
697.4		**1,293.0**	897.5
	Non-current		
8,469.9	Loans	**8,328.7**	8,446.6
200.3	Lease obligations	**404.4**	210.5
8,670.2		**8,733.1**	8,657.1
9,367.6	**Total loans and borrowings**	**10,026.1**	9,554.6
(431.6)	Cash and cash equivalents	**(90.0)**	(76.7)
8,936.0	**Unadjusted net debt**	**9,936.1**	9,477.9
	Add/(less):		
1,169.7	Hybrid equity (note 14)	**1,169.7**	1,169.7
(229.3)	Lease obligations	**(453.9)**	(239.4)
(344.2)	Cash held as collateral	**(238.0)**	(361.6)
(95.2)	Cash presented as held for sale	**(75.0)**	(86.3)
9,437.0	**Adjusted Net Debt and Hybrid Capital**	**10,338.9**	9,960.3

13. Sources of Finance (continued)

13.2 Loans and other borrowings (continued)

SSE's adjusted net debt and hybrid capital was £10.3bn at 30 September 2019, compared with £9.4bn at 31 March 2019 and £10.0bn at 30 September 2018. The increase in net debt and hybrid capital reflects SSE's ongoing investment programme. The comparative values have been restated in relation to the hedge accounting for cross-currency swaps as described at Note 2(v).

Adjusted net debt and hybrid capital is stated after removing lease obligations and cash held as collateral in line with the Group's presentation basis which is explained at Note 2(i). Cash held as collateral refers to amounts deposited on commodity trading exchanges which are reported within 'trade and other receivables' on the face of the balance sheet.

In addition, the Group has an established €1.5bn Euro commercial paper programme (paper can be issued in a range of currencies and swapped into Sterling) and at 30 September 2019 £492m of commercial paper was outstanding. In addition, the Group also has £1.5bn (September 2018: £1.5bn) of committed revolving credit facilities in place which were undrawn at 30 September 2019.

13.3 Hybrid debt

Included within loans and borrowings at 30 September 2019 is £1.0bn (2018: £1.0bn, March 2019: £1.0bn) of hybrid debt securities issued on 16 March 2017 with an issuer first call date on 16 September 2022. Due to the instruments having a fixed redemption date, they have been accounted for as debt and are included within loans and borrowings. This is in contrast to the previous hybrid instruments issued which had no fixed redemption date and are accounted for as equity.

14. Hybrid Equity

March 2019 £m		**September 2019 £m**	September 2018 £m
	Perpetual subordinated capital securities		
748.3	GBP 750m 3.875% perpetual subordinated capital securities (i)	**748.3**	748.3
421.4	EUR 600m 2.375% perpetual subordinated capital securities (i)	**421.4**	421.4
1,169.7		**1,169.7**	1,169.7

The purpose of the SSE's hybrid capital programme is to strengthen SSE's capital base and complement other sources of finance. Further commentary is provided in the Capital Management section of Note 13.

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

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

Coupon Payments

In relation to the €600m hybrid capital bond, a coupon payment of £17.4m (2018: £17.5m) was paid on 1 April 2019. For the £750m hybrid capital bond a coupon payment of £29.1m (2018: £29.1m) was paid on 10 September 2019. The coupon payments in the six month period to 30 September 2019 consequently totalled £46.5m (2018: £46.6m).

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

15. Share capital

	Number (millions)	**£m**
Allotted, called up and fully paid:		
At 1 April 2019	1,046.9	523.4
Issue of shares	19.1	9.5
Repurchase of shares	(17.9)	(8.9)
At 30 September 2019	**1,048.1**	**524.0**

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

Shareholders were able to elect to receive ordinary shares in place of the final dividend for the year to 31 March 2019 of 68.2p (2018: 66.3p in relation to the final dividend for the year to 31 March 2018; March 2019: 29.3p in relation to the interim dividend for the year to 31 March 2019) per ordinary share under the terms of the Company's scrip dividend scheme. This resulted in the issue of 19,086,291 (September 2018: 11,316,873; March 2019: 12,543,773) new fully paid ordinary shares.

In addition, the Company issued 0.0m shares (2018: 0.1m, March 2019: 0.1m) during the period under the savings-related share option schemes and discretionary share option schemes, all of which were settled by shares held in Treasury for a consideration of £0.0m (2018: £0.8m, March 2019: £1.2m).

15. Share capital (continued)

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

Of the 1,048.1m shares in issue, 7.7m are held as treasury shares. These shares will be held by the Group and used to award shares to employees under the Sharesave scheme in the UK.

During the period, on behalf of the Company, the employee share trust purchased 0.1 million shares (2018: 0.1 million, March 2019: 0.3 million) for a consideration of £1.4m (2018: £1.9m, March 2019: £3.6m) to be held in trust for the benefit of employee share schemes.

16. Financial Risk Management

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

From 1 April 2019, SSE established a Group-wide risk committee reporting to the Group Executive Committee, which replaced the Wholesale and Retail Risk Committees. This committee is responsible for reviewing the strategic, market, credit, operational and liquidity risks and exposures that arise from the Group's operating activities. In addition, the Group has a Board level sub-committee, the Energy Markets Risk Committee, chaired by Non-Executive Director Tony Cocker, which was established to oversee the Group's new approach to hedging as announced in November 2018.

In the six months to 30 September 2019, the Group continued to be exposed to difficult economic conditions. Aged debt levels remain high and the Group has continued to commit significant internal resource to managing credit risk in the period.

The Group's policy in relation to liquidity risk continues to be to ensure, in so far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. Further detail is noted in the Group's financial statements at March 2019.

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

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

Year ended 31 March 2019 £m		**Six months ended 30 September 2019 £m**	Six months ended 30 September 2018 £m
	Operating derivatives		
(695.9)	Total result on operating derivatives (i)	**(163.8)**	(629.6)
367.7	Less: amounts settled (ii)	**318.4**	64.2
(328.2)	**Movement in unrealised derivatives**	**154.6**	(565.4)
	Financing derivatives (and hedged items)		
(35.7)	Total result on financing derivatives (i)	**(116.4)**	48.7
(9.1)	Less: amounts settled (ii)	**46.5**	(9.1)
(44.8)	**Movement in unrealised derivatives**	**(69.9)**	39.6
(373.0)	**Net income statement impact**	**84.7**	(525.8)

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

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

16. Financial Risk Management (continued)

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

March 2019 (restated) (i) Carrying value £m	March 2019 (restated) (i) Fair value £m		September 2019 Carrying value £m	September 2019 Fair value £m	September 2018 (restated) (i) Carrying value £m	September 2018 (restated) (i) Fair value £m
		Financial Assets				
		Current				
989.3	989.3	Trade receivables	**871.3**	**871.3**	669.5	669.5
3.8	3.8	Other receivables	**5.1**	**5.1**	4.5	4.5
344.2	344.2	Cash collateral and other short term loans	**238.0**	**238.0**	361.6	361.6
431.6	431.6	Cash and cash equivalents	**90.0**	**90.0**	76.7	76.7
306.1	306.1	Derivative financial assets	**251.6**	**251.6**	390.8	390.8
2,075.0	2,075.0		**1,456.0**	**1,456.0**	1,503.1	1,503.1
		Non-current				
0.5	0.5	Unquoted equity investments	**0.5**	**0.5**	2.9	2.9
935.4	935.4	Loans to associates and jointly controlled entities	**797.8**	**797.8**	750.5	750.5
244.4	244.4	Derivative financial assets	**294.4**	**294.4**	333.0	333.0
1,180.3	1,180.3		**1,092.7**	**1,092.7**	1,086.4	1,086.4
3,255.3	3,255.3		**2,548.7**	**2,548.7**	2,589.5	2,589.5
		Financial Liabilities				
		Current				
(1,171.4)	(1,171.4)	Trade payables	**(539.0)**	**(539.0)**	(617.9)	(617.9)
(668.4)	(689.4)	Bank loans commercial paper and overdrafts	**(1,243.5)**	**(1,257.9)**	(868.6)	(910.2)
(29.0)	(29.0)	Lease liabilities	**(49.5)**	**(49.5)**	(28.9)	(28.9)
(796.3)	(796.3)	Derivative financial liabilities	**(555.0)**	**(555.0)**	(1,069.5)	(1,069.5)
(2,665.1)	(2,686.1)		**(2,387.0)**	**(2,401.4)**	(2,584.9)	(2,626.5)
		Non-current				
(8,469.9)	(9,408.7)	Loans and borrowings	**(8,328.7)**	**(9,321.9)**	(8,446.6)	(9,267.8)
(200.3)	(200.3)	Lease liabilities	**(404.4)**	**(404.4)**	(210.5)	(210.5)
(460.9)	(460.9)	Derivative financial liabilities	**(487.4)**	**(487.4)**	(499.7)	(499.7)
(9,131.1)	(10,069.9)		**(9,220.5)**	**(10,213.7)**	(9,156.8)	(9,978.0)
(11,796.2)	(12,756.0)		**(11,607.5)**	**(12,615.1)**	(11,741.7)	(12,604.5)
(8,540.9)	(9,500.7)	**Net financial liabilities**	**(9,058.8)**	**(10,066.4)**	(9,152.2)	(10,015.0)

(i) Comparative balance sheets at 31 March 2019 and 30 September 2018 restated as noted at Note 2(v)

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) to assess fair value.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

	September 2019 Level 1 £m	September 2019 Level 2 £m	September 2019 Level 3 £m	September 2019 Total £m	September 2018 (restated) (i) Level 1 £m	September 2018 (restated) (i) Level 2 £m	September 2018 (restated) (i) Level 3 £m	September 2018 (restated) (i) Total £m
Financial Assets								
Energy derivatives	**7.5**	**89.5**	**-**	**97.0**	32.7	293.7	-	326.4
Interest rate derivatives	**-**	**441.3**	**-**	**441.3**	-	379.6	-	379.6
Foreign exchange derivatives	**-**	**7.7**	**-**	**7.7**	-	12.3	-	12.3
Unquoted equity instruments	**-**	**-**	**0.5**	**0.5**	-	-	2.9	2.9
	7.5	**538.5**	**0.5**	**546.5**	32.7	685.6	2.9	721.2
Financial Liabilities								
Energy derivatives	**(239.6)**	**(283.7)**	**-**	**(523.3)**	(289.2)	(860.5)	-	(1,149.7)
Interest rate derivatives	**-**	**(508.1)**	**-**	**(508.1)**	-	(419.0)	-	(419.0)
Foreign exchange derivatives	**-**	**(11.0)**	**-**	**(11.0)**	-	(0.5)	-	(0.5)
Loans and borrowings	**-**	**(311.4)**	**-**	**(311.4)**	-	(136.8)	-	(136.8)
	(239.6)	**(1,114.2)**	**-**	**(1,353.8)**	(289.2)	(1,416.8)	-	(1,706.0)

(i) Comparative balance sheets at 30 September 2018 restated as noted at Note 2(v)

There were no significant transfers out of level 1 into level 2 and out of level 2 into level 1 during the 6 months ended 30 September 2019, nor in the 6 months ended 30 September 2018.

16. Financial Risk Management (continued)

Fair Value Hierarchy (continued)

	March 2019 (restated) (i)			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Financial Assets				
Energy derivatives	6.4	198.9	-	205.3
Interest rate derivatives	-	335.7	-	335.7
Foreign exchange derivatives	-	9.5	-	9.5
Unquoted equity instruments	-	-	0.5	0.5
	6.4	544.1	0.5	551.0
Financial Liabilities				
Energy derivatives	(328.4)	(457.5)	-	(785.9)
Interest rate derivatives	-	(462.3)	-	(462.3)
Foreign exchange derivatives	-	(9.0)	-	(9.0)
Loans and borrowings	-	(139.1)	-	(139.1)
	(328.4)	(1,067.9)	-	(1,396.3)

(ii) Comparative balance sheet at 31 March 2019 restated as noted at Note 2(v)

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 2019.

17. Retirement Benefit Obligations

Defined Benefit Schemes

The Group has two final salary pension schemes which provide defined benefits based on final pensionable pay, which are subject to independent valuations at least every three years. The Group also has an Employer Financed Retirement Benefit scheme and a Group Personal Pension Plan, details of which were provided in the Group's Financial Statements to 31 March 2019.

Summary of Defined Benefit Pension Schemes:

Movement recognised in the SoCI March 2019 £m	Pension asset/(liability) March 2019 £m		**Movement recognised in respect of the pension asset in the SoCI**		**Pension asset/(liability)**	
			September 2019 £m	September 2018 £m	**September 2019 £m**	September 2018 £m
(38.9)	537.7	Scottish Hydro Electric Pension Scheme	**47.6**	(60.8)	**587.1**	518.5
(43.5)	(250.6)	Southern Electric Pension Scheme	**50.4**	83.5	**(183.2)**	(136.8)
(82.4)	287.1	**Net actuarial gain/(loss) and combined asset/(liability)**	**98.0**	22.7	**403.9**	381.7

A triennial valuation of the Southern Electric Pension Scheme as at 31 March 2019 was started during the period and is expected to be completed by 31 March 2020.

In the prior year a triennial valuation for the Scottish Hydro Electric Pension Scheme ('SHEPS') was finalised. The scheme had a surplus of £156.7m at 31 March 2018 on a funding basis compared to a surplus of £587.1m at 30 September 2019 on an IAS19 basis. The finalisation of the triennial review has allowed the Company to agree a new schedule of contributions to the scheme during the six months ended 30 September 2019. The Company will now cease regular contributions to the scheme for a period until the surplus on a funding basis is negative for two successive quarterly valuations. The contributions to the scheme ceased from 1 October 2019, subsequent to the reporting date.

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

Year ended 31 March 2019 £m		**Six months ended 30 September 2019 £m**	Six months ended 30 September 2018 £m
(82.4)	Actuarial gains/(losses) recognised	**98.0**	22.7
21.0	Deferred tax thereon	**(25.2)**	6.2
-	Change in deferred tax rate recognised on the SHEPS surplus (see note 8)	**105.7**	-
(61.4)	**Net gain recognised in statement of changes in equity**	**178.5**	28.9

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

March 2019		**September 2019**	September 2018
3.85%	Rate of increase in pensionable salaries	**3.70%**	4.30%
3.35%	Rate of increase in pension payments	**3.20%**	3.30%
2.40%	Discount rate	**1.80%**	2.90%
3.35%	Inflation rate	**3.20%**	3.30%

17. Retirement Benefit Obligations (continued)

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

March 2019			**September 2019**		September 2018	
Male	Female		**Male**	**Female**	Male	Female
		Scottish Hydro Electric Pension Scheme				
23	24	Currently aged 65	**23**	**24**	23	24
24	27	Currently aged 45	**24**	**27**	25	27
		Southern Electric Pension Scheme				
23	25	Currently aged 65	**23**	**25**	23	25
24	26	Currently aged 45	**24**	**26**	24	26

On 1 October 2019, subsequent to the reporting date, the Scottish Hydro Electric Pension Scheme converted a longevity swap contract covering c£800m of liabilities of 2,235 current pensioners and dependents to a buy-in contract. The buy-in contract removes the Group's exposure to the volatility in the liabilities of these members as future benefit payments will be funded by the third party re-insurer.

18. Capital Commitments

March 2019		**September 2019**	September 2018
£m		**£m**	£m
	Capital Expenditure		
768.8	Contracted for but not provided	**653.4**	680.5

Capital commitments of £38.1m (2018: £16.2m; March 2019: £26.2m) related to business activities that are held for sale at the respective reporting dates, which are excluded from the number above.

19. Related Party Transactions

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

	Sale of goods and services	**Purchase of goods and services**	**Amounts owed from**	**Amounts owed to**	Sale of goods and services	Purchase of goods and services	Amounts owed from	Amounts owed to
	September 2019				September 2018			
Equity accounted joint ventures:	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m
Scotia Gas Networks Ltd	**22.4**	**(66.8)**	**-**	**(15.1)**	26.1	(71.2)	0.6	(16.1)
Seabank Power Ltd	**18.6**	**(25.9)**	**0.1**	**(6.5)**	16.2	(28.7)	0.1	(8.7)
Marchwood Power Ltd	**7.2**	**(63.6)**	**0.4**	**(20.9)**	5.4	(62.4)	0.4	(17.3)
Clyde Windfarm (Scotland) Ltd	**1.7**	**(47.5)**	**3.6**	**(33.6)**	1.7	(55.4)	4.7	(30.0)
Beatrice Offshore Windfarm Ltd	**3.9**	**(17.1)**	**1.4**	**(3.5)**	3.9	-	3.4	-
Stronelairg Windfarm Ltd	**1.3**	**(22.7)**	**1.4**	**(13.4)**	-	-	-	-
Dunmaglass Windfarm Ltd	**0.5**	**(10.6)**	**0.5**	**(6.7)**	-	-	-	-
SSE Telecommunications ltd	**20.9**	**(20.1)**	**1.6**	**(13.2)**	-	-	-	-
Other Joint Ventures	**6.8**	**(116.6)**	**20.0**	**(41.4)**	3.4	(30.6)	6.1	(5.0)
Associates	**-**	**(18.4)**	**-**	**(3.8)**	-	(17.2)	-	(4.3)

	Sale of goods and services	Purchase of goods and services	Amounts owed from	Amounts owed to
	March 2019			
Joint ventures:	£m	£m	£m	£m
Scotia Gas Networks Ltd	46.2	(140.3)	11.8	(1.2)
Seabank Power Ltd	45.9	(60.5)	0.1	(10.2)
Marchwood Power Ltd	15.4	(116.2)	0.4	(14.6)
Clyde Windfarm (Scotland) Ltd	3.5	(150.3)	3.7	(41.3)
Beatrice Offshore Windfarm Ltd	6.4	-	1.8	-
Other Joint Ventures	49.5	(171.4)	17.6	(44.3)
Associates	-	(35.4)	-	-

19. Related Party Transactions (continued)

The Group's gas supply activity incurs gas distribution charges from Scotia Gas Networks while the Group also provides services to Scotia Gas Networks in the form of a management service agreement for corporate services and stock procurement services. The transactions with Seabank Power Limited and Marchwood Power Limited relate to the contracts for the provision of energy or the tolling of energy under power purchase arrangements. The amounts outstanding are trading balances, are unsecured and will be settled in cash. The transactions with Clyde Windfarm (Scotland) Limited relate to contracts for the provisions of energy under power purchase agreements. This related party was previously wholly owned by the Group. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

In addition to the above trading transactions the Group was owed the following loans from its principal joint ventures and associates: Scotia Gas Networks £109.2m (2018: £109.2m, March 2019: £109.2m), Multifuel Energy Limited £249.7m (2018: £236.7m, March 2019: £251.2), Marchwood Power Limited £65.1m (2018: £79.8m, March 2019: £70.6m), Clyde Windfarm (Scotland) Limited £127.0m (2018: £264.1m, March 2019: £127.0m), Beatrice Offshore Windfarm Ltd £17.1m (2018: £nil, March 2019: £147.7m), Dunmaglass Windfarm Limited £46.6m (2018: £nil, March 2019: £46.6m), Stronelairg Windfarm Ltd £88.7m (2018: £nil, March 2019: £88.7m), SSE Telecommunications Ltd £27.2m (2018: £nil, March 2019: £26.8m), and Doggerbank Offshore Windfarms £24.0m (2018: £15.4m, March 2019: £24.0m).

20. Seasonality of operations

Certain activities of the Group are affected by weather and temperature conditions and seasonal market price fluctuations. As a result of this, the amounts reported for the interim period may not be indicative of the amounts that will be reported for the full year due to seasonal fluctuations in customer demand for gas, electricity and services, the impact of weather on demand, renewable generation output and commodity prices, market changes in commodity prices and changes in retail tariffs. In Networks, the volumes of electricity and gas distributed or transmitted across network assets are dependent on levels of customer demand which are generally higher in winter months. In SSE Energy Services (discontinued), Business Energy and Airtricity, notable seasonal effects include the impact on customer demand of warmer temperatures in the first half of the financial year. In Thermal Generation, Renewables and Gas Production (discontinued), there is the impact of lower customer demand on commodity prices. The weather impact on Renewable generation production in relation to hydro and wind assets is particularly affected by seasonal fluctuation. The impact of temperature on customer demand for gas is more volatile than the equivalent demand for electricity.

21. Post Balance Sheet Events

21.1 Resumption of the British Capacity Market scheme

On 24 October 2019, subsequent to the period end, the European Commission (EC) announced their approval of the British Capacity Market scheme, which was previously suspended under EU state aid regulations. Following the EC announcement, the UK Government confirmed the reinstatement of the British Capacity Market scheme on 25 October 2019, including resumption of capacity payments in respect of agreements that existed in November 2018 that were prevented from being paid as a result of the suspension.

The Group considers that the EC announcement, and subsequent UK Government instruction to reinstate the original scheme, is an adjusting post-balance sheet event. This adjusting event resulted in revenue totalling £109.6m in relation to the scheme being recognised in the period to 30 September 2019, including £60.4m in relation to revenue not recognised in respect of the prior financial year.

We confirm that to the best of our knowledge:

i) the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;

ii) the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year;

(b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so; and

(c) DTR 4.2.10R of the *Disclosure and Transparency Rules*, being the condensed set of financial statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole.

For and on behalf of the Board

Alistair Phillips-Davies	Gregor Alexander
Chief Executive	Finance Director

London

12 November 2019

Introduction

We have been engaged by the Company to review the condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 30 September 2019 which comprises the Consolidated Income Statement, Consolidated Statement of Other Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related explanatory notes 1 to 21. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

Our Responsibility

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

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 30 September 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP

London

12 November 2019