Preliminary
Full Year Results

For the 12 months to 31 March 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 twelve months to 31 March 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

At 31 March 2019, SSE has assessed that it is highly probable that SSE Energy Services will be disposed and has presented the assets and liabilities of that business as held for disposal and the business activity as discontinued (see note 4.2. (i) of the Summary Financial Statements). 'Held for disposal', as presented throughout this statement may be either 'held for sale' or 'held for distribution' as defined by IFRS 5. Therefore, the results of SSE Energy Services have been excluded from the profit and loss metrics. As the Group continues to fund SSE Energy Services, and will do so until completion of the transaction, the capital expenditure and debt related metrics presented include the activity of that business.

Impact of the Retail demerger on the Group's APMs

The following metrics have been adjusted in all periods presented to exclude the contribution of SSE Energy Services, which has been presented as a discontinued operation as at 31 March 2019:

- 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 SSE Energy Services and will continue to do so until the date of disposal. SSE Energy Services has 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.

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Headlines

Financial performance in 2018/19 in line with Notification of Close Period Statement on 28 March:

- Final dividend of 68.2 pence, making full-year dividend of 97.5 pence, in line with five-year dividend plan.
- Headline results reflect £284.9m adjusted operating loss previously forecast in Energy Portfolio Management (EPM):
  - Adjusted earnings per share* of 67.1 pence, down 32%; and
  - Adjusted profit before tax* of £725.7m, down 38%.
- Reported results reflect the EPM loss and the impact of £1,096.9m exceptional gains and fair value uplift from asset sales:
  - Reported earnings per share* of 135.2 pence, up 110%; and
  - Reported profit before tax* of £1,370.6m, up 59%.
- Adjusted EBITDA[#] total for the core businesses of Electricity Networks and Renewables was over £1.5bn, 83% of SSE Group* total.
- Value creating disposals in the year delivered:
  - over £1bn of cash proceeds;
  - £608.4m of exceptional gains on sale; and
  - £488.5m of exceptional unrealised fair value uplift (reflecting revaluation of retained stakes).
- Investment and capital expenditure of £1.42bn includes over £1bn investment in regulated electricity networks and renewable energy but excludes £195m investment in assets subsequently divested in the year.
- Adjusted net debt and hybrid capital of £9.39bn.
- Total GDP contribution to UK economy of £8.9bn and to Irish economy of €689m as a result of direct and supply chain activities. This supported an estimated 105,000 jobs across both countries.

Note: percentage comparisons relate to year to 31 March 2018

*Excludes SSE Energy Services, which remains held for disposal

[#] EBITDA – adjusted earnings before interest, tax, depreciation and amortisation

Delivery against strategic priorities continuing:

- £1bn Caithness-Moray transmission link (SSE's first major HVDC project) completed on time and below budget, helping take Transmission RAV to over £3.25bn.
- All 84 turbines at the 588MW Beatrice offshore wind farm commissioned, with this £2.6bn project being delivered on time and below budget, (SSE share: 40%)
- Stronelairg onshore wind farm (228MW) completed six months early and on budget.
- Development and operation of renewable energy assets brought together under new SSE Renewables management team as part of wider refocusing of SSE's businesses

- New approach to hedging commodity price exposures, outlined in November 2018, on course to be fully in place from 2020/21, with 'SSE's Approach to Hedging: May 2019 Update' published today on sse.com.
- Four business goals for 2030 adopted to tackle climate change and support global goals for sustainable development.
- Disposal of 50% stake in SSE Enterprise Telecoms for up to £380m; process to prepare for disposal of investments in gas production under way.
- Katie Bickerstaffe appointed Executive Chair of SSE Energy Services with mandate to secure the best future for the business outside SSE.

Outlook for 2019/20

- Intention to recommend a full-year dividend of 80 pence per share, in line with five-year dividend plan.
- Adjusted investment and capital expenditure expected to be around £1.5bn, including almost £1.0bn investment in regulated electricity networks and renewable energy.
- Group adjusted operating profit improving but likely to be negatively impacted by expected phasing of profits in regulated Electricity Networks and by Renewable output for 19/20 being hedged at less than current market prices. For more detail see the Group Financial Review section of this statement.
- Share buy back plans include:
    - programme of £200m announced in February with share buy backs totalling £50m so far completed at an average market price per share of 1,149p; and
    - intention to buy-back shares if Scrip take-up of full year dividend exceeds 20%.
- Adjusted net debt forecast to be around £10bn at 31 March 2020.

Developing key future opportunities for long-term business through low-carbon transition:

- Over 8GW of on- and off-shore wind farm pipeline developments for SSE Renewables in GB and Ireland, capable of doubling renewable energy output to over 20TWh by 2025.
- Powerful case for investment in north of Scotland that could contribute to a Transmission RAV of around £5bn by 2026, up from around £3.3bn at March 2019.
- Opportunity to support the UK's decarbonisation objectives through evolution to Distributed System Operators, including industry-first smart grid trial in Oxfordshire.

Richard Gillingwater, Chair of SSE, said:

"While our financial results clearly fell well short of what we hoped to achieve at the start of the year, we've made significant progress towards our ambition to be a leading energy company in a low-carbon world.

"We have continued to develop our core businesses of regulated energy networks and renewables; demonstrated our ability to create and unlock value from developing and operating, as well as owning, assets; and adopted clear long-term goals as we set up the business for long-term success.

"The fundamental strengths of our business and the strategic opportunities afforded by the transition to a low-carbon economy will support the delivery of our five-year dividend plan and creation of value for society as a whole."

SSE's financial performance in 2018/19 at-a-glance

At 31 March 2019 SSE Energy Services is held for disposal 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. However, as the SSE Group continues to fund SSE Energy Services, and will do so until completion of the transaction, the capital expenditure and debt related metrics presented below include the activity of that business. Details of SSE Energy Services performance can be found in the Group Financial Overview.

Key Financial Indicators	% change Mar 18 to 19	Mar 19	Mar 18*	Mar 17*
Adjusted operating profit/(loss)		**£m**	**£m**	**£m**
Wholesale	-71%	191.9	657.2	518.7
Networks	+9%	830.2	763.1	936.5
Retail (B2B, Airtricity & Enterprise)	-2%	122.0	124.1	148.8
Corporate unallocated		(6.5)	10.4	0.6
Total adjusted operating profit	**-27%**	**1,137.6**	**1,554.8**	**1,604.6**
Adjusted profit before tax	**-38%**	**725.7**	**1,179.3**	**1,276.5**
Adjusted earnings per share (EPS) pence	**-32%**	**67.1**	**98.8***	**104.3***
Full-year dividend per share (DPS) pence				
Investment and capital expenditure (adjusted & reported) £m	-5%	1,422.9	1,503.0	1,726.2
Adjusted net debt and hybrid capital £m	+2%	9,385.5	9,221.8	8,843.0
Reported operating profit /(loss)		**£m**	**£m**	**£m**
Wholesale		652.1	403.1	497.6
Networks		738.5	669.6	848.8
Retail		122.0	106.2	133.0
Corporate unallocated		179.6	(21.5)	283.9
Total reported operating profit		**1,692.2**	**1,157.4**	**1,763.3**
Reported profit before tax	**+59%**	**1,370.6**	**864.4**	**1,599.4**
Reported earnings per share (EPS) pence on continuing operations		**135.2**	**64.3**	**144.4**
Unadjusted net debt £m	+6%	8,884.5	8,378.3	6,655.4
Key Performance Indicators	**% change Mar 18 to 19**	**Mar 19**	**Mar 18**	**Mar 17**
Total Renewable Generation – GWh (inc. pumped storage)	+4%	9,779	9,428	7,955
Total Thermal Generation – GWh	-11%	21,056	23,670	18,341
Total Generation – all plant – GWh	**-7%**	**30,835**	**33,098**	**26,296**
Average carbon intensity of electricity generated (gCO2e/KWh)	-7%	284	305	302
Electricity Transmission RAV - £m	+7%	3,276	3,070	2,685
Electricity Distribution RAV - £m	+4%	3,555	3,406	3,246
Gas Distribution RAV - £m	+4%	1,898	1,828	1,748
SSE Total RAV - £m	**+5%**	**8,729**	**8,304**	**7,679**
# Follows sale by SSE of 16.7% stake in SGN in October 2016.				
Business Energy Electricity Sold – GWh	-4%	19,336	20,177	21,635
Business Energy Gas Sold – mtherms	-6%	277	294	307
All Ireland energy market accounts – m	-3%	0.72	0.74	0.79

**Restated to exclude the contribution of SSE Energy Services, which has been presented as a discontinued operation (see note 5.1(ii) to the Summary Financial Statements). Certain adjusted performance measures have also been restated to exclude the impact of depreciation on fair value uplifts (see note 4.1 to the Summary Financial Statements). In addition, the Group's adjusted EBITDA metric has been restated for the years ended 31 March 2018 and 31 March 2017 to be prepared on a consistent basis, following an adjustment on adoption of IFRS 15 on 1 April 2018.*

Note: 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.

SSE's 2030 carbon intensity target is based on generation emissions only. To track progress against this target, previous years' intensity ratios have been restated to only cover electricity generation emissions rather than total scope 1 emissions.

Further Information

Investor Timetable

Annual Report 2019 on sse.com/investors	14 June 2019
Sustainability Report 2019 on sse.com/investors	14 June 2019
Consolidated Segmental Statement 2019 on sse.com/investors	14 June 2019
Q1 Trading Statement	18 July 2019
Annual General Meeting (Perth)	18 July 2019
Ex-dividend date	25 July 2019
Record date	26 July 2019
Scrip reference pricing days	25-31 July 2019
Scrip reference price confirmed and released via RNS	1 August 2019
Final date for receipt of scrip elections	22 August 2019
Final dividend payment date	20 September 2019
Notification of Closed Period	By 30 September 2019
Interim Results for the six months to 30 September 2019	13 November 2019

Contact Details

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Webcast facility

SSE will present its preliminary results for the year ended 31 March 2019 on Wednesday 22 May. 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/m6/p/af8fo3e2. This will also be available as a teleconference, details below. Both facilities will be available to replay.

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Online information

News releases and announcements are made available on SSE's website at www.sse.com. You can also follow the latest news from SSE at www.twitter.com/sse.

Strategic Overview

Making progress in executing strategy

The energy sector continues to be characterised by significant regulatory and political developments and uncertainty, including the UK's future relationship with the EU, which require extensive stakeholder engagement; but SSE is a fundamentally resilient and robust group of businesses.

Material progress continues to be made in executing the strategy to position SSE as a leading energy company in a low-carbon world, with a focus on creating value from regulated energy networks and renewables. It is energy networks and renewable energy which constitute most of the value in SSE, and which have the greatest opportunity to contribute to the 'net zero' emissions target advocated by SSE and recommended by the Committee on Climate Change in May 2019.

Throughout 2018/19, SSE achieved major milestones in its programme of investment in networks and renewable energy, and in flexible thermal generation, underlining its core strengths as a developer and operator of energy assets, through which significant value continues to be created.

The adjusted operating loss incurred in relation to Energy Portfolio Management was clearly significant and regrettable, but the response to it was decisive. The adoption of a new, more transparent approach to managing SSE's energy portfolio means earnings from its businesses exposed to energy-related commodities, and the volatility associated with this, become more visible.

The energy sector as a whole remains under significant scrutiny, including from the Labour Party, which advocates nationalisation of energy networks. SSE maintains an open dialogue with the party's representatives, to better understand its proposals and to seek to demonstrate that nationalisation is not the way to achieve its wider energy policy goals in relation to a decarbonised and decentralised energy system, and in fact would be most likely to jeopardise them.

In all of this, there is a huge degree of uncertainty, including: uncertainty about what the final form of Labour's policy will be in a general election; uncertainty about whether that general election will result in a Labour government with a sufficient majority and capacity to pass the necessary legislation in Parliament; uncertainty about the final content of any legislation; and uncertainty about how and when any legislation would be implemented. Nevertheless, SSE has in place an established programme of work to ensure that the interests of customers, shareholders and other stakeholders in relation to this matter are safeguarded as far as possible.

Keeping people safe

The safety of the people who work on behalf of SSE is the company's first priority. SSE's Total Recordable Injury Rate for employees and employees of other companies working on SSE sites was 0.16 per 100,000 hours worked in 2018/19, compared to 0.20 for the previous year. This means 2018/19 was a good year for safety performance, but SSE continues to pursue an ultimate goal of injury-free working, supported by a licence for everyone working on its behalf: If it's not safe, we don't do it.

Focusing on delivery of the five-year dividend plan

The energy sector continues to be characterised by a highly complex and challenging operating environment. However, creating value from the development and operation, as well as ownership, of world-class assets that support the global trends towards decarbonisation and electrification is central to SSE's focus on delivering its five-year dividend plan to March 2023, starting with the recommended full-year dividend of 97.5 pence per share for financial year 2018/19. SSE's plan for the dividend for the five years to March 2023 is as set out in May 2018 and is detailed within the Group Financial Review section of this statement.

Across its activities, SSE maintains an agile approach to value creation, seeking to create and recognise optimal opportunities where the premium associated with its skills in asset development and operation can be crystallised, while remaining an owner of an extensive portfolio of high-quality assets that deliver the earnings that underpin SSE's dividend commitments.

A number of successful transactions in 2018/19 resulted in receipt of cash proceeds of over £1bn, which are reflected in substantial exceptional gains for the year. In addition to reinforcing SSE's capacity to pay dividends, this agile approach to creating and unlocking value reflects changing capital markets, along with creating other options, including recycling capital for future investment, reducing adjusted net debt and undertaking discretionary share buy-backs.

SSE continues to develop significant opportunities for investment in energy networks, renewables and flexible thermal generation to support future earnings and dividends. Excluding onshore wind and telecoms divestments built within the year, capital investment in 2018/19 totalled £1.4bn. £1bn was in renewable energy and regulated electricity networks and is part of a wider investment and capital expenditure programme of around £6bn for the five years to 2023.

Looking to the long-term

A sustainable company is one that provides commercial solutions to the world's problems. Through its goals for 2030, the United Nations has created a blueprint for a sustainable world that is now central to SSE's business objectives. SSE's strategy for the long-term is founded on four of the UN's Sustainable Development Goals:

- **Climate action:** Reduce the carbon intensity of electricity generated by 50% by 2030, compared to 2018 levels, to around 150g/kWh.
- **Affordable and clean energy:** Develop and build enough renewable energy by 2030 to treble output to 30TWh per annum.
- **Industry, innovation and infrastructure:** Build electricity network flexibility and infrastructure that helps accommodate 10m electric vehicles in GB by 2030.
- **Decent work and economic growth:** Be the leading company in the UK and Ireland championing Fair Tax and a real Living Wage.

In focusing on these long-term goals, and on the opportunities afforded by the global trends towards decarbonisation and electrification, SSE believes it will create sustainable value for shareholders, while also supporting broader societal objectives.

Setting SSE's businesses up for success

SSE is committed to giving greater visibility of assets and earnings for investors and building stronger platforms for success for each of its businesses while also supporting financial and strategic partnering. During 2018/19 there took place a wide ranging review of how SSE is organised, with the support of external consultants, to help maximise individual businesses' contribution towards both SSE's long-term goals and, more immediately, the five-year dividend plan.

In line with this, SSE Renewables has brought together the development and operation of all of SSE's renewable energy assets under a single management team, creating the leading renewable energy company across the UK and Ireland, with ambitions beyond those two countries. This will allow greater focus, specialisation and innovation in a distinct and fast-growing part of the energy sector, in which SSE has a large pipeline of opportunities. A Thermal Energy business is also being created. In addition, the Distribution and Transmission businesses are continuing to evolve, including a significant reinforcement of their capability in regulatory engagement as the vital RIIO-2 Price Control process gathers momentum.

The principles of focus, specialisation and innovation have also been applied to SSE's considerations around the future of SSE Energy Services. In line with this, Katie Bickerstaffe has been appointed Executive Chair of the business, with a mandate to deliver a new future for it outside of the SSE group in the form of a listing or new, alternative ownership by the second half of 2020. She will take up the new role on 23 June 2019 alongside Gordon Boyd, who joins as Interim Chief Financial Officer, and will work closely with joint Managing Directors Stephen Forbes and Tony Keeling in the delivery of their strategy. Further progress has been made on the structural separation of this business from the group, and the creation of a new, dedicated SSE Energy Services Board and Executive Committee will enable it to operate with further autonomy and become more agile and responsive to customer needs.

This emphasises that SSE's focus is on core businesses of renewable energy and regulated networks, as do the active steps we are taking to prepare for the disposal of our investments in gas production.

Creating value and benefiting society

In what is a complex and challenging operating environment, SSE believes that its strategy is the best way to create sustainable value from the long-term trends of decarbonisation and electrification that were set out in its Business Update in May 2018.

SSE has the quality assets and proven skills and experience to seize the sizable opportunities presented by decarbonisation and electrification. It has made long-term decisions in the past 12 months that have built a platform for delivery of a strategy that creates value for shareholders using its extensive portfolio of high quality assets to deliver earnings, support the five-year dividend plan and benefit society as a whole through a continuing sustainable economic contribution.

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 has been presented as a discontinued operation in the Summary Financial Statements, and therefore has been excluded from profit and loss based measures in the tables below in the current and comparative periods. As the Group continues to fund the business, the assets and liabilities held for disposal have been included in adjusted capex and adjusted net debt measures.

Key Adjusted Financial Metrics	Mar 19 £m	Mar 18 £m	Mar 17 £m
Adjusted Operating Profit	**1,137.6**	**1,554.8**	**1,604.6**
Adjusted Net Finance Costs	411.9	375.5	328.1
Adjusted Profit before Tax	**725.7**	**1,179.3**	**1,276.5**
Adjusted Current Tax (credit)/charge	(6.8)	82.5	103.8
Adjusted Profit after Tax	**732.5**	**1,096.8**	**1,172.7**
Less: hybrid equity coupon payments	46.6	98.5	119.3
Adjusted Profit After Tax attributable to ordinary shareholders	**685.9**	**998.3**	**1,053.4**
Adjusted EPS – pence	**67.1**	**98.8**	**104.3**
Number of shares for basic/reported and adjusted EPS (million)	1,021.7	1,010.9	1,009.7
Shares in issue at 31 March (m)	1,039.1	1,023.0	1,015.6

Key Reported Financial Metrics	Mar 19 £m	Mar 18 £m	Mar 17 £m
Reported Operating Profit	**1,692.2**	**1,157.4**	**1,763.3**
Reported Net Finance Costs	321.6	293.0	163.9
Reported Profit before Tax	1,370.6	864.4	1,599.4
Reported Tax (credit)/charge	(57.6)	116.4	22.4
Reported Profit after Tax on continuing operations	**1,428.2**	**748.0**	**1,577.0**
Reported Profit for the period on discontinued operations	27.5	172.1	141.8
Reported Profit/(Loss) after Tax	**1,455.7**	**920.1**	**1,718.8**
Less: hybrid equity coupon payments	46.6	98.5	119.3
Reported Profit/(Loss) After Tax attributable to ordinary shareholders[1]	**1,409.1**	**821.6**	**1,599.5**
Reported earnings per share on continuing operations - pence	**135.2**	**64.3**	**144.4**

[1]After distributions to hybrid capital holders

Dividend per Share	Mar 19	Mar 18	Mar 17
Interim Dividend pence	29.3	28.4	27.4
Final Dividend pence	68.2	66.3	63.9
Full Year Dividend pence	97.5	94.7	91.3
Increase %	3.0%	3.7%	2.1%

Dividend Cover times / SSE's adjusted EPS	0.69x	1.04 x	1.08 x
Excludes SSE Energy Services held for disposal			

Adjusted EBITDA by Segment (Earnings before Interest, Tax, Depreciation & Amortisation)	Mar 19 £m	Mar 18 £m	Mar 17 £m
Electricity Generation - Renewables	694.0	692.2	580.3
Electricity Generation - Thermal	32.3	163.5	169.0
Total Electricity Generation	**726.3**	**855.7**	**749.3**
EPM	(284.9)	46.0	(9.7)
Gas Production	150.5	153.0	170.6
Gas Storage	(4.7)	(5.6)	(12.1)
Wholesale	**587.2**	**1,049.1**	**898.1**
Electricity Transmission	318.6	256.1	313.6
Electricity Distribution	532.3	542.1	543.2
SGN (SSE's 50% share reducing to 33% from 26 Oct 2016)	234.3	221.1	310.3
Networks	**1,085.2**	**1,019.3**	**1,167.1**
Business Energy	51.9	64.5	89.7
Airtricity	46.2	40.8	49.0
Enterprise	59.6	53.6	55.8
Retail remaining as part of SSE	**157.7**	**158.9**	**194.5**
Corporate Unallocated	38.5	64.5	37.9
Total Adjusted EBITDA	**1,868.6**	**2,291.8**	**2,297.6**

Adjusted Operating Profit/(Loss) by Segment	Mar 19 £m	Mar 18 £m	Mar 17 £m
Electricity Generation - Renewables	455.9	475.9	391.5
Electricity Generation - Thermal	(22.3)	107.8	123.5
Total Electricity Generation	**433.6**	**583.7**	**515.0**
EPM	(284.9)	46.0	(9.7)
Gas Production	48.9	34.0	26.4
Gas Storage	(5.7)	(6.5)	(13.0)
Wholesale	**191.9**	**657.2**	**518.7**
Electricity Transmission	252.1	195.6	263.7
Electricity Distribution	401.3	402.2	433.4
SGN (SSE's 50% share reducing to 33% from 26 Oct 2016)	176.8	165.3	239.4
Networks	**830.2**	**763.1**	**936.5**
Business Energy	51.6	64.2	89.4
Airtricity	38.6	33.0	42.7
Enterprise	31.8	26.9	16.7
Retail remaining as part of SSE	**122.0**	**124.1**	**148.8**
Corporate Unallocated	(6.5)	10.4	0.6
Total Adjusted Operating Profit	**1,137.6**	**1,554.8**	**1,604.6**

Held for disposal	Mar 19 £m	Mar 18 £m	Mar 17 £m
SSE Energy Services - Energy Supply	84.0	260.4	260.8
SSE Energy Services - Energy related services	5.6	18.3	12.7
Total SSE Energy Services	**89.6**	**278.7**	**273.5**

Reported Operating Profit /(Loss) by Segment	Mar 19 £m	Mar 18 £m	Mar 17 £m
Electricity Generation	1,192.3	523.4	544.8
EPM	(613.1)	(43.1)	191.3
Gas Production	78.6	(70.7)	(201.1)
Gas Storage	(5.7)	(6.5)	(36.8)
Wholesale	**652.1**	**403.1**	**498.2**
Electricity Transmission	252.1	195.6	263.7
Electricity Distribution	401.3	402.2	433.4
SGN (SSE's 50% share) reduced to 33% from 26 Oct 2016	85.1	71.8	151.7
Networks	**738.5**	**669.6**	**848.8**
Business Energy	51.6	64.2	73.0
Airtricity	38.6	26.9	42.7
Enterprise	31.8	15.1	16.7
Retail remaining as part of SSE	**122.0**	**106.2**	132.4
Corporate Unallocated	179.6	(21.5)	283.9
Total Reported Operating Profit/(Loss)	**1,692.2**	**1,157.4**	**1,763.3**
Held for disposal			
SSE Energy Services- Energy Supply	29.7	203.5	171.7
SSE Energy Services - Energy related services	5.6	18.3	5.5
Total SSE Energy Services	**35.3**	**221.8**	**177.2**

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

Investment and Capex Summary (adjusted)	Mar 19 Share %	Mar 19 £m	Mar 18 £m	Mar 17 £m
Electricity Generation - Thermal	13%	187.7	89.0	108.6
Electricity Generation - Renewables	23%	326.1	301.7	366.4
Gas Storage	0%	0.7	1.8	0.2
Gas Production	2%	27.9	65.5	72.9
Total Wholesale	**38%**	**542.4**	**458.0**	**548.1**
Electricity Transmission	24%	344.0	434.2	505.0
Electricity Distribution	24%	340.7	326.1	284.7
Total Networks	**48%**	**684.7**	**760.3**	**789.7**
Business Energy	0%	-	0.9	0.3
Airtricity	0%	1.2	0.6	-
Enterprise	2%	19.8	61.9	58.7
Total Remaining Retail and Enterprise	**2%**	**21.0**	**63.4**	**59.0**
Other	5%	72.2	110.5	145.4
SSE Energy Services – Energy Supply	7%	98.2	100.9	172.5
SSE Energy Services - Energy Related Services	0%	4.4	9.9	11.5
Total investment and capital expenditure (adjusted)	**100%**	**1,422.9**	**1,503.0**	**1,726.2**

Debt metrics	Mar 19	Sep 18	Mar 18
	£m	**£m**	£m
Adjusted net debt and hybrids (£m)	**(9,385.5)**	**(9,892.7)**	**(9,221.8)**
Average debt maturity (years)	7.0	7.3	7.9
Adjusted interest cover (excluding SGN) times	2.8	1.9	5.0
Adjusted interest cover (including SGN) times	2.8	2.0	4.3
Average interest rate for the period excluding JV/assoc. interest and all hybrid coupon payments)	3.28%	3.52%	3.56%
Average cost of debt at period end (including all hybrid coupon payments)	3.70%	3.79%	3.84%

Net finance costs Reconciliation	Mar 19	Mar 18	Mar 17
	£m	**£m**	**£m**
Adjusted net finance costs	**411.9**	**375.5**	**328.1**
Add/(less):			
Finance lease interest	(28.6)	(30.8)	(33.1)
Notional interest arising on discounted provisions	(17.4)	(16.3)	(14.2)
Hybrid equity coupon payment	46.6	98.5	119.3
Adjusted finance costs for interest cover calculation	412.5	426.9	400.1

SSE Principal Sources of debt funding	Mar 19	Mar 18	Mar 17
Bonds	46%	49%	41%
Hybrid debt and equity securities	22%	23%	33%
European investment bank loans	12%	13%	11%
US private placement	9%	10%	10%
Index –linked debt & short term funding	11%	5%	5%
% of total SSE borrowings secured at a fixed rate	88%	90%	91%

Rating Agency	Rating	Criteria	Date of Issue
Moody's	Baa1 stable outlook	‘Low teens’ Retained Cash Flow/Net Debt	December 2018
Standard and Poor's	BBB+ outlook stable	About 18% Funds From Operations/Net Debt	December 2018

Contributing to employees’ pension schemes – IAS 19	Mar 19 £m	Mar 18 £m	Mar 17 £m
Net pension scheme asset recognised in the balance sheet before deferred tax	287.1	334.5	70.5
Employer cash contributions Scottish Hydro Electric scheme	12.6	29.0	36.2
Deficit repair contribution included above	-	14.0	14.0
Employer cash contributions Southern Electric scheme	66.3	68.9	76.3
Deficit repair contribution included above	47.5	45.9	41.2

During the year the SSE Group finalised the triennial valuation of the Scottish Hydro Electric Pension Scheme which resulted in a net surplus on the scheme at 31 March 2019 of £537.7m on an IAS 19 basis. Together with the deficit in the Southern Electric scheme this results in the net surplus of £287.1m for both schemes shown in the table above. The Group recognised a £9.3m exceptional charge in relation to the equalisation of guaranteed minimum pension payments, following the High Court ruling in the Lloyds Banking Group Pensions Trustees Limited vs. Lloyds Bank plc case.

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

Group Financial Review

This SSE group financial review covers SSE's financial performance and outlook, capital investment, balance sheet and tax payments.

Adjusted operating profit

Adjusted operating profits/(losses) in SSE's business segments for the year to 31 March 2019 are as set out below; comparisons are with the same twelve months to 31 March 2018 unless otherwise stated:

WHOLESALE BUSINESSES

Electricity Generation - Thermal: an adjusted operating loss of £(22.3)m was recorded, compared with an adjusted operating profit of £107.8m, mainly reflecting a combination of cessation of Power Purchase Agreements (PPAs), losses at SSE's remaining coal-fired power station at Fiddler's Ferry and an outage at Great Island CCGT.

In 2019/20, subject to plant performance and the impact of the renewable energy output on the electricity system, thermal generation is currently expected to earn adjusted operating profit of around £150m, including £122m of suspended Capacity Market payments relating to contracts for the period after suspension in 2018/19 and all of 2019/20.

Electricity Generation - Renewables: Volumes of electricity increased following the commissioning of new capacity, however renewables adjusted operating profit decreased to £455.9m from £475.9m mainly due to the fact that renewable output in 2018/19 was sold at a lower achieved price than in the previous year.

In 2019/20, subject to the impact of the weather on output of renewable energy and plant performance, renewable generation is expected to earn adjusted operating profit of around £525m, including £26m of suspended Capacity Market payments relating to contracts for the period after suspension in 2018/19 and all of 2019/20. This is based on SSE's renewable capacity at c.4GW (including Beatrice) with an expected average annual electricity output of around 11.5TWh, based on normal weather.

Additional information on SSE's hedging approach can be found in 'SSE'S Approach To Hedging: May Update' published on sse.com.

The reported operating profit for **Electricity Generation** as a whole was £1,192.3m compared to £523.4m. The increase is primarily due to exceptional gains on sale (including fair value uplift) resulting from: the part disposals of Stronelairg and Dunmaglass (£733.0m); Clyde (£74.2m); and the Seagreen impairment reversal of (£14.2m); partly offset by the impact of a lower achieved price for renewable output in 2018/19.

Energy Portfolio Management: an adjusted operating loss of £(284.9)m compares to an adjusted operating profit of £46.0m in the previous year, but is slightly lower than the forecast adjusted operating loss of around £(300)m set out in November 2018.

The reported operating loss was £613.1m compared to a loss of £43.1m in prior year. The reported operating loss increased in the year due to losses on settled derivatives as noted above, as well as mark-to-market losses on unsettled derivatives of £328.2m, compared to a mark-to-market loss of £89.1m in prior year.

In 2019/20 EPM still expects to report an adjusted operating loss of around £115m, but with the potential variation around this now reduced to +/- £15m. Losses in both years are primarily due to the negative impact of persistently high gas prices on SSE's energy position. From 2020/21, EPM is expected to earn a small adjusted operating profit through service provision.

Gas Production: adjusted operating profit increased to £48.9m compared to £34.0m, mostly due to lower depreciation, higher achieved price and the absence of exploratory write-offs, partially offset by lower volumes in the period.

The reported operating profit was £78.6m compared to a reported operating loss of (£70.7m) due to impairment reversals versus impairment charges the previous year, reflecting the annual revision of reserve estimates.

Gas Storage: market conditions remain challenging and an adjusted and reported operating loss of £(5.7)m was recorded, compared to an adjusted and reported operating loss of £(6.5)m.

NETWORKS BUSINESSES

Electricity Transmission: adjusted and reported operating profit increased to £252.1m compared to £195.6m, mainly due to the phasing of income recovery including a one off payment relating to Beauly-Denny. In 2019/20, Transmission's adjusted operating profit is expected to be lower, at just over £200m, partly because the increase in 2018/19 included the one-off payment.

Electricity Distribution: adjusted and reported operating profit of £401.3m was broadly in line with that reported in the previous year of £402.2m, with lower volumes distributed offset by lower non-controllable costs. In 2019/20, Distribution's adjusted operating profit is again expected to be around £400m.

SGN: adjusted operating profit increased to £176.8m compared to £165.3m mainly due to an expected increase in regulatory income. In 2019/20, SSE expects to derive adjusted operating profit from SGN that is closer to £200m. The reported operating profit was £85.1m compared to £71.8m due to the expected increase in regulatory income.

RETAIL BUSINESSES

Energy Supply (SSE Business Energy): adjusted and reported operating profit reduced to £51.6m from £64.2m, mostly due to a combination of lower volumes and higher costs including Supplier of Last Resort (SoLR) mutualisation charges.

SSE Airtricity: adjusted and reported operating profit increased to £38.6m from £33.0m adjusted operating profit (£26.9m reported), mainly due to better performance on bad debts and overheads.

SSE Enterprise: adjusted operating profit increased to £31.8m from £26.9m mainly due to improved performance in Contracting and Telecoms. Reported operating profit increased from £15.1m to £31.8m due to one off exceptional charges for onerous contracts in the prior year.

CORPORATE UNALLOCATED

An adjusted operating loss of £(6.5)m was recorded compared to an adjusted operating profit of £10.4m due to Group restructuring costs and investment write-offs. A reported operating profit of £179.6m was recorded due to an exceptional credit of £189.9m including the gain on sale of SSE Telecommunications of £235.4m and an exceptional receipt from the sale of Indigo Pipelines of £54.3m offset by exceptional impairment charges, compared to a reported operating loss of £(21.5m) in the prior year which included exceptional charges of £30.6m.

DISCONTINUED OPERATIONS – SSE Energy Services

SSE Energy Services – Energy Supply (households in GB): adjusted operating profit fell to £84.0m from £260.4m, mainly due to the decision to shield customers from wholesale price increases during

2018, together with the impact of the Default Tariff Cap between January and March 2019 and lower customer numbers, partially offset by the expiry of a Power Purchase Agreement (PPA).

The reported operating profit was £29.7m, compared to £203.5m, due to the reasons outlined above, in addition to current year impairments of IT systems totalling £54.3m versus exceptional impairment charges of £56.9m in the prior year.

SSE Energy Services – Energy-related Services: adjusted and reported operating profit fell to £5.6m compared to £18.3m, mainly due to reduced profits in metering and retail telecoms.

Adoption of IFRS 15

On 1 April 2018 the SSE Group adopted International Financial Reporting Standard 15 (IFRS 15) 'Revenue from Contracts with Customers' which increased the Group's opening reserves by £2.5m and reduced operating profit on continuing operations by £4.5m in the year ended 31 March 2019. The adoption of the standard resulted in a significant presentational adjustment to the income statement, as the SSE Group now presents optimisation purchase and sale transactions of commodities net in the income statement. This adjustment, while having no impact on operating profit, reduced the Group's turnover and cost of sales in the year by £18,808.7m.

Earnings

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. The SSE Group has included an adjustment to exclude depreciation on fair value uplifts in the year following the part disposals of Stronelairg and Dunmaglass windfarms and SSE Telecommunications. This adjustment has been made to exclude the recurring expense arising on significant one-off gains, which are treated as exceptional when recognised.

SSE's adjusted EPS measure provides an important and meaningful measure of underlying financial performance. In adjusting for depreciation on fair value adjustments, 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 twelve months to 31 March 2019, SSE's adjusted earnings per share on continuing operations was 67.1 pence, compared to 98.8 pence for the twelve months to 31 March 2018. As expected, it reflects the impact of the issues set out in SSE's Trading Statement on 12 September 2018, mainly the loss incurred in Energy Portfolio Management.

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 31 March 2019 is expected to be in the next 12 to 24 months.

The £328.2m IFRS 9 adverse movement on operating derivatives in the year to 31 March 2019 arose mainly from a deterioration in the fair value of forward gas contracts. While indicative of a direction of travel there are limitations to the IFRS 9 measure if using it to assess SSE's commodity exposure, namely:

• The IFRS 9 values do not reflect all contracts but only those designated as 'held for trading'; and

• The IFRS 9 movement in operating derivatives represents the position up to 31 March 2019 and does not reflect price movements and actions taken since that date.

The SSE Group has assessed its exposure to counterparty credit risk on derivative contracts due to the size of the derivative portfolio. Following that review, which considered factors such as the credit rating of its counterparties and Master Netting Agreements in place, the Group assessed there is no material increase in credit risk.

Financing derivatives

In addition to the losses recognised on operating derivatives, there were losses of £44.8m recognised on the remeasurement of financing derivatives at 31 March 2019. These are primarily due to the impact of weak Sterling and Euro against the Dollar on cross currency swaps and hybrid debt, partially offset by the impact of Sterling strength against the Euro and lower interest rates on bond cross currency and interest rate swaps. 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 year to 31 March 2019, SSE recognised a net exceptional credit of £1,039.9m before tax. The following table provides a summary of the key components making up the net credit position:

	Exceptional Items **£m**	Fair Value Uplift **£m**	Total **£m**
Wind farm capacity sales (inc. fair value uplift)	438.0	369.2	807.2
Telecoms sale (inc. fair value uplift)	116.1	119.3	235.4
Indigo Pipelines sale	54.3		54.3
Total gains on sale (inc. fair value uplift)	**608.4**	**488.5**	**1,096.9**
Net impairments/impairment reversals	0.2		0.2
Retail separation and transaction costs	(47.9)		(47.9)
GMP equalisation charge (pension 'true up')	(9.3)		(9.3)
Total exceptional items	**551.4**	**488.5**	**1,039.9**

In addition to the above, SSE Energy Services recognised exceptional charges of £54.3m in relation to discontinued marketing and customer data management software assets.

For a full description of the net exceptional credit see note 7 of the Summary Financial Statements.

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

Reported results for the year to 31 March 2019 are significantly higher than those for the previous year; mainly due to the impact of the exceptional gains on disposal recognised in the year.

The re-measurement loss and the gains on disposals are explained in the more detail in the relevant sections throughout this report and are the main driver for:

- A reported profit before tax on continuing operations of £1,370.6m being recorded for the year to 31 March 2019 compared to a reported profit before tax on continuing operations of £864.4m for the previous year; and
- A reported profit per share on continuing operations of 135.2p being recorded for the year to 31 March 2019 compared to a reported profit per share of 64.3p for the previous year;

Dividend

Remunerating shareholders' investment through payment of dividends

SSE's strategy, set out in May 2018, 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 dividend for the five years to 2023 is as set out in May 2018:

- For **2018/19**, SSE is recommending a full-year dividend of **97.5 pence per share** with the final dividend related to this of 68.2 pence per share.
- For **2019/20**, SSE intends to recommend a full-year dividend for 2019/20 of **80 pence per share**. This provides a sustainable basis for future dividend growth and will not be affected by the final option selected for the future of SSE Energy Services.
- 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. This reflects SSE's confidence in the quality and value of its assets and earnings and cash flows they deliver.

Investment and Capital Expenditure

Central to SSE's strategic framework is efficient and disciplined investment in developing and building assets, mainly in economically-regulated energy networks and renewable sources of energy. In practice, this means that investment should be in line with SSE's commitment to strong financial management, consistent with the goals for 2030 adopted in March 2019 and, consistent with its vision of being a leading energy company in a low-carbon world and consistent with its targets for 2030 adopted in March 2019.

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

During the year to 31 March 2019, SSE's investment and capital expenditure (including SSE Energy Services) totalled over £1.42bn, including over £1bn investment in renewable energy and regulated electricity networks. This is lower than the £1.7bn total investment previously indicated as it excludes £195m of investment in onshore wind and telecoms assets which were subsequently disposed of within the year. The remaining investment and capital expenditure included the following:

- A major investment programme in **electricity networks** totalling over £680m (48% of SSE's total investment and capital expenditure).
- This includes the completion, commissioning and energisation of the Caithness-Moray **electricity transmission** link. With an agreed allowance of £1.1bn, Caithness-Moray has been the largest single investment undertaken by the SSE Group to date. Transmission investment and capital expenditure also included work on the Knocknagael-Tomatin and Beauly-Keith reinforcements, and the Fort Augustus - Fort William upgrade. Together with Caithness-Moray, these four projects made up around half of Transmission's £344m investment and capital expenditure in the year.
- **Electricity Distribution** investment and capital expenditure makes up the other half of the network spend and consists primarily of asset replacement and reinforcement projects including the replacement of subsea cables and several overhead line circuits in Scotland and Central Southern England. This investment, alongside continued upgrading of the electricity

distribution network to meet the changing needs of customers, will further increase the total Regulated Asset Value (RAV) of SSE's networks businesses.

- Further investment in **renewable energy** in GB and Ireland totalling £326m (23% of the total). The vast majority of this spend relates to SSE's equity share of the Beatrice offshore windfarm, the final turbine of which was completed in May 2019. SSE's share of this project-financed windfarm is 235MW (40%). Total renewable investment and capital expenditure in the year excludes the spend associated with Stronelairg (288MW) onshore wind farm which was partly disposed of in the year.
- SSE's flexible thermal gas-fired power stations will play a key part in the transition to a low-carbon economy. Investment in complementary **flexible thermal generation** totalled £188m (13% of the total) during 2018/19, including the Keadby 2 and Ferrybridge Multifuel 2 projects, along with development spend on the Slough Multi-fuel project.
- SSE Energy Services investment of £103m mainly relates 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. At 31 March 2019, SSE had well over one million smart meters on supply in customers' homes. Post installation, SSE's meters transfer to a contracted Meter Asset Provider and SSE's investment and capital expenditure excludes the capital cost of installation and meter assets.
- In addition, £20m was invested in **Enterprise**, mainly supporting Utility Solutions projects and £72m in Corporate Services, which was mainly on IT.

Investing efficiently in energy assets that the UK and Ireland need – a five-year plan

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.

SSE is now one year into its plan for total investment and capital expenditure of around £6bn across the five years to March 2023. Economically-regulated electricity networks and renewable sources of energy are expected to account for around 70% of this. As is to be expected, the investment is weighted more towards the first half of the five-year period than the second; with £1.4bn incurred in 2018/19 plus £138m in relation to Stronelairg and £57m relating to Telecoms and around £1.5bn currently planned for 2019/20.

Around 85% of the £6bn is either already spent or committed. It includes around £3bn of investment in electricity networks, which should support further growth in the RAV of SSE's energy networks businesses to around £10bn in 2023 (this includes SSE's stake in SGN). It also includes investment in electricity generation such as a new £350m highly efficient and flexible gas-fired power station at Keadby 2 in Lincolnshire, an additional multi-fuel plant at Slough and potential investment in offshore wind farms.

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.

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 under £2.3bn as at 31 March 2019.

SSE principal JVs and associates	Asset type	SSE holding	SSE share of external debt as at 31 March 2019	SSE Shareholder loans as at 31 March 2019
Seabank Power	1,140MW CCGT	50%	No external debt	No loans outstanding
Marchwood Power	840MW CCGT	50%	No external debt	£71m
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%	£1,533m	£109m
Ferrybridge Multifuel Energy	68MW multifuel	50%	No external debt	£110m
Ferrybridge Multifuel Energy 2	70MW multifuel	50%	No external debt	£134m
Beatrice Offshore Windfarm Ltd	588MW offshore wind farm	40%	£720m	£119m (Project financed)
Cloosh Valley Wind Farm	105MW onshore windfarm (part of Galway Wind Park)	25%	€38m	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 Seagreen Wind Energy Ltd (Phase 1 up to 1,050MW) increased to 100% in September 2018. SSE paid Fluor Ltd. £118m in October 2018 for its 50% share, taking 100% ownership of the company and consolidating it into the Group balance sheet. It is therefore no longer a JV and so is not shown in the table above.
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

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.

While the A3 / A- ratings helped illustrate the quality and resilience of the SSE group of businesses, they were not fundamental to it and in December 2018, both Moody's and Standard and Poor's downgraded SSE's credit rating one notch following completion of both agencies' reviews which had been announced in September 2018.

With its high-quality portfolio of assets and increasing focus on regulated energy networks and renewable sources of energy, SSE believes its new credit rating metrics are sustainable and consistent with an ability to secure funding from debt investors at competitive and efficient rates.

Moody's rating

SSE's rating moved from 'A3 review for downgrade' to 'Baa1 stable outlook' consistent with the following guideline credit metrics:

- a RCF/Net debt metrics of around 11% in 2018/19 and 2019/20, trending toward the low teens in percentage terms; and
- a FFO/Net debt ratio of around 20%.

Standard and Poor's rating

SSE's rating moved from 'A-negative watch' to 'BBB+ outlook stable' consistent with the following guideline credit metric:

- a FFO/Net debt ratio of about 18%.

Adjusted net debt and hybrid capital

SSE's **adjusted net debt and hybrid capital** was £9.4bn at 31 March 2019, slightly lower than expected reflecting the interim dividend Scrip uptake of almost 47% and year end fair value adjustments. The overall level of net debt and hybrid capital largely reflects SSE's ongoing investment programme.

Opportunism and agility will continue to be important and investment expenditure and future net debt could be impacted if there were opportunities to create value from disposing of assets, or from further investments or acquisitions. Financial results also have an impact on net debt; and management of net debt will be one of the options for using proceeds from any future disposals of businesses, assets or investments.

Adjusted net debt excludes finance leases and includes outstanding liquid funds that relate to wholesale energy transactions. Adjusted net debt at 31 March 2019 also includes an accounting increase of £139.1m as a result of fair value adjustments.

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.

The fair value adjustment relates to marked-to-market movements on cross-currency swaps and floating rate swaps that are classed as fair value hedges under IAS39. The hedges ensure that any movement in the fair value of net debt is offset by an equivalent movement in the derivative position.

The fair value increase in net debt was driven by both Sterling and Euro weakness against the US Dollar partially offset by lower interest rates during the year to 31 March 2019. This benefit is offset by an equivalent increase to the 'in the money' derivative position of SSE's fair value hedges.

Hybrid Bonds summary

	Value £m equivalent – parts are issued in € and $	Coupon Rate per annum	Accounting Treatment	First Call Date
Hybrid Bonds September 2012	£1bn	All in rate 5.625%	Equity accounted	Redeemed Oct 2017
Hybrid Bonds March 2015	£1.2bn	All in rate 4.01%	Equity accounted	September 2020 & April 2021
Hybrid Bonds March 2017	£1bn	All in rate 3.02%	Debt accounted	September 2022

Further details on each hybrid bond can be found in note 14 to the Summary Financial Statements.

The proceeds from March 2017 £1.0bn Hybrid Bonds, all in rate 3.02%, were used on 2 October 2017 to redeem the Hybrid Bonds issued in 2012, at an all-in rate of 5.6%. The additional costs of carrying additional hybrids for six months was outweighed by the savings realised over the life of the new hybrid.

Equity hybrid coupon payments reduced to £46.6m in 2018/2019 compared to £98.5m for the same period in the previous year reflecting the full benefit of the replacement hybrid's lower coupon rate. A table noting the amounts, timing and accounting treatment of coupon payments is shown below.

Hybrid coupon payments	**17/18**		**18/19**		**19/20**	
	HYa	**FYa**	**HYa**	**FYa**	**HYe**	**FYe**
Total equity (cash) accounted	£57m	£99m	£47m	£47m	£47m	£47m
Total debt (accrual) accounted	£15m	£30m	£15m	£30m	£15m	£30m
Total hybrid coupon	**£72m**	**£129m**	**£62m**	**£77m**	**£62m**	**£77m**

SSE's September 2012 and 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 and are therefore debt accounted and included within Loans and Other Borrowings.

The coupon payments relating to the September 2012 and 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 £411.9m in the year to 31 March 2019, compared to £375.5m for the previous year. This reflected higher net debt during the year and higher JV interest costs.

Reported net finance costs were £321.6m, compared to £293.0m, reflecting an increase in both the mark-to-market loss on financing derivatives 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 31 March 2019, SSE's adjusted net debt included cash and cash equivalents of £0.5bn, up from £0.2bn at March 2018. Medium term borrowings reaching maturity in 2019/20 total £0.2bn, comprising USPP (£67m) and Term Loan (£107m) while there is also £497m of short-term Commercial Paper due to mature in 2019/20.

The cash collateral value increased by £269.1m in the year and totalled £344.2m at 31 March 2019. The increase relates to 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 £95.2m 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 2018/19

During the year to 31 March 2019, SSE successfully issued its second Green Bond - a €650m, nine year bond with a coupon of 1.375% which has been fully swapped to Sterling giving an all-in rate of 2.58%. This followed the €600m 0.875%, seven-year Green Bond SSE issued in September 2017; and 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.

During October 2018 SSE also issued a €200m two-year Floating Rate Note that was fully swapped back to Sterling giving an all-in floating rate of GBP Libor plus 50.5bps.

In March 2019, SSE refinanced its £1.3bn Revolving Credit Facility (RCF) to have an extended maturity date of March 2024 with an option to extend by two years to 2026. This is now classified as a Sustainable RCF with interest rate and fees paid dependant on SSE's performance in environmental, social and governance matters, as assessed independently by Vigeo Eiris.

Refinancing over the medium term

Following the debt that matured in October 2018 (referenced above) SSE's next significant potential refinancing milestones are:

- 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 31 March 2019, 88% 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. Overall, while SSE has kept its treasury policy under review following the result of the UK's EU Referendum in June 2016, it has so far identified no need for change.

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 £5.8bn and SSE's objective is to maintain a reasonable range of debt maturities. Its average debt maturity, excluding hybrid securities, at 31 March 2019 was 7.0 years, compared with 7.9 years at 31 March 2018. The reduction in debt maturity 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 Group's funding structure and have assessed that the Summary Financial Statements should be prepared on a going concern basis. 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. It therefore reduces cash outflow and so supports the balance sheet.

The average Scrip dividend take-up since 2010 is 25%. The Scrip dividend uptake during financial year 2018/19 was:

- 21% for the 2017/18 final dividend; and
- 47% for the 2018/19 interim dividend.

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. SSE believes this 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 is one of the UK's biggest taxpayers, and in the survey published in December 2018 was ranked 14th out of the 100 Group of Companies in 2018 in terms of taxes borne (those which represent a cost to the company and which are reflected in its financial results).

SSE considers being a responsible taxpayer a core element of 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 continues to be the only 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 to operate within both the letter and spirit of the law at all times.

In October 2018, SSE published Talking Tax 2018: Being transparent about tax. It did this because it believes building trust with stakeholders on issues relating to tax is important to the long-term sustainability of the business.

In the year to 31 March 2019, SSE paid £403.6m of taxes on profits, property taxes, environmental taxes, and employment taxes in the UK, compared with £484.1m in the previous year. The decrease in total taxes paid in 2018/19 compared with the previous year was primarily due to a reduction in corporation tax paid, this being driven by two factors:

- Corporation tax is a tax on the profit companies make. After a challenging year for its business, SSE's underlying profits fell substantially in 2018/19 compared to 2017/18, and a tax refund was received from HMRC as a result of surrendering losses from SSE's E&P business against non-E&P profits. SSE also made significant gains during 2018/19 on the sale of shares in group companies, those gains qualifying for Substantial Shareholdings Exemption and not therefore being taxable.
- The UK and Irish Governments encourage companies to invest in capital projects because it is good for the economy and good for jobs. One way they do that is incentivising this business behaviour with tax relief by way of capital allowances. SSE continued to invest significantly in major projects throughout 2018/19, obtaining capital allowances on both that spend and amounts invested in earlier years.

In 2017/18 SSE also paid €14.6m of taxes in Ireland, compared to €22.6m the previous year. Ireland is the only country outside the UK in which it has any trading operations.

As with other key financial indicators, SSE's focus is on adjusted profit before tax, and in line with that, SSE believes that the adjusted current tax charge on that profit is the tax measure that best reflects underlying performance. SSE's adjusted current tax rate, based on adjusted profit before tax, is (0.9%), as compared with 9.0% in 2017/18 on the same basis. The reduction is primarily due to the lower corporation tax charge for the year on SSE's reduced underlying profits, being more than eliminated by tax credits from earlier years. As SSE has continued to invest heavily in capital projects, at a time when profits are reduced, the capital allowances obtained on that expenditure also has a more significant impact on SSE's adjusted current tax rate for the year.

WHOLESALE

Wholesale Key Performance Indicators

	Mar 19	Mar 18
Electricity Generation and Energy Portfolio Management (EPM)		
Renewable adjusted operating profit - £m	455.9	475.9
Thermal adjusted operating (loss)/profit - £m	(22.3)	107.8
Total Electricity Generation adjusted operating profit – £m	433.6	583.7
Electricity Generation reported operating profit – £m	1,192.3	523.4
EPM adjusted operating (loss)/profit – £m	(284.9)	46.0
EPM reported operating (loss)/profit – £m	(613.1)	(43.1)
EPM and Generation adjusted capital expenditure and investment – £m	513.8	390.7
GENERATION CAPACITY – MW		
Gas- and oil-fired generation capacity (GB) – MW	3,929	4,013
Gas- and oil-fired generation capacity (Ire) – MW	1,292	1,292
Coal-fired generation capacity – MW	1,510	1,995
Multi-fuel capacity – MW	34	34
Total thermal generation capacity – MW	**6,765**	**7,334**
Pumped storage capacity (GB) – MW	300	300
Conventional hydro capacity (GB) – MW	1,150	1,150
Onshore wind capacity (GB) – MW	1,247	1,260
Onshore wind capacity (NI) – MW	141	141
Onshore wind capacity (ROI) – MW	567	594
Offshore wind capacity (GB) – MW	344	344
Biomass capacity (GB) – MW	18	37
Total renewable generation capacity (inc. pumped storage) – MW	**3,767**	**3,826**
Total electricity generation capacity (GB and Ire) – MW	**10,532**	**11,160**
Renewable capacity qualifying for ROCs - MW	c2,160	c2,150
GENERATION OUTPUT – GWh		
Gas- and oil-fired (inc. CHP) output (GB) – GWh	18,322	19,153
Gas- and oil-fired output (Ire) – GWh	1,861	2,739
Coal-fired output – GWh	579	1,462
Multi-fuel output – GWh	294	316
Total thermal generation – GWh	**21,056**	**23,670**
Pumped storage output – GWh	225	259
Conventional hydro output – GWh	3,318	3,171
Onshore wind output GB – GWh	2,890	2,774
Onshore wind output NI – GWh	315	306
Onshore wind output ROI – GWh	1,524	1,509
Offshore wind output – GWh	1,439	1,319
Biomass output GB – GWh	68	90
Total renewable generation (inc. pumped storage) – GWh	**9,779**	**9,428**
Total Generation output all plant – GWh	**30,835**	**33,098**
Average carbon intensity of electricity generated (gCO2e/KWh)	284	305

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 of remaining JVs in wind and multifuel. SSE were awarded the Ferrybridge Multifuel 1 PPA October 2017.
Note 3: Onshore wind output excludes 687GWh of constrained off generation in FY2018/19 and 406GWh in FY2017/18
Note 4: Reduction in thermal capacity due to closure of Weston Point in Feb 19 and Unit 1 at Fiddlers Ferry March 19.

Note 5: Onshore wind capacity reflects Stronelairg coming on line in Dec 18 and part disposals of Clyde in May 18 and Stronelairg, Dunmaglass & Cloosh in March 2019.
Note 6: Slough Heat & Power Biomass Plant's financial results are reported within SSE Enterprise. Capacity and output included above. 19MWs of the plant were closed in HY18/19

Introduction to the Wholesale businesses

SSE's Wholesale businesses are involved in electricity generation (from renewable and thermal sources), energy portfolio management, gas production, and gas storage. They operate in the UK and Ireland.

Renewable Energy (to become known as SSE Renewables)

Renewable energy is one of the primary routes for achieving decarbonisation in the UK, Ireland and further afield. Correspondingly, renewables are a core business area for SSE and a key part of its future growth plans. Further decarbonisation of electricity, heat and transport – on the scale envisaged by the UK Committee on Climate Change's May 2019 report, will all lead to further opportunities.

In November 2018, SSE announced its plans to consolidate its renewable energy assets in the UK and Ireland under the banner of a new business to be known as SSE Renewables. The new business is led by Managing Director, Jim Smith, and is bringing together SSE's existing operational assets and those under development and construction in onshore wind, offshore wind, flexible hydro electricity, run-of-river hydro electricity and pumped storage.

Renewable energy capacity and output

Output from renewable sources, including pumped storage, increased in 2018/19 compared to the previous year (9.8TWh compared with 9.4TWh) which is mainly driven by an increase in average generation capacity during the year as Stronelairg and Beatrice began to generate. Net capacity at 31 March 2019 reflects the value creating divestments at Clyde, Stronelairg, Dunmaglass and Cloosh. SSE's overall renewable capacity increased to 4,002MW in May 2019 with the delivery of the Beatrice offshore windfarm.

Onshore wind

Stronelairg (228MW), SSE's last wind farm to be accredited under the Renewables Obligation, was completed in December 2018. In March 2019, stakes in Stronelairg and Dunmaglass, totalling 161MW secured an average sale price of just under £4m/MW, demonstrating the value that can be created through the development of high-quality assets.

In March 2019, SSE also sold 27MW of the Cloosh Valley Wind Farm part of the Galway Wind Park, Ireland's largest wind farm; taking its share of the overall site to 93MW.

SSE Renewables will continue to operate the three wind farms and to offtake the power. These divestments were part of SSE's strategy to create value from development and operation, as well as ownership, of assets. Like other leading energy companies, SSE is likely to continue to operate in this way, effectively continuing to seek a developer and operator premium, whilst acknowledging the increased appetite that potential financial partners have for working with leading developers and operators like SSE.

SSE's onshore wind farm development pipeline consists of over 1GW of potential new build projects. This includes around 475MW of capacity with consent for development, some of which SSE is seeking to optimise through planning amendments to accommodate more advanced turbine technology. The current focus is on the joint venture Viking Wind Farm (up to 457MW – SSE share 50%), located on Shetland, Strathy South (133MW), Gordonbush Extension (38MW), Tangy re-power (up to 49MW), and on others requiring consent, such as Doraville (139MW) in Northern Ireland.

SSE continues to take forward development options for new onshore wind farms and extensions to existing wind farms and is well placed to take advantage of any future opportunities as they emerge.

This includes exploring merchant opportunities for onshore wind and considering corporate power purchase agreements to deliver additional renewables.

Offshore wind

The Beatrice offshore wind farm (588MW – SSE share 40%) was completed in May. Phase 1 CfD payments started on 6 November 2018 and Phase 2 on 28 April 2019. SSE Renewables will operate and maintain the entire asset on behalf of the Joint Venture, Beatrice Offshore Windfarm Ltd, once complete.

CfD Allocation Round 3 (AR3) will commence on 29 May 2019. The Department for Business, Energy and Industrial Strategy has confirmed the overall budget available, the administrative strike prices for each eligible technology, and the 'references prices' (a measure of the average GB market price for electricity used to calculate the budgetary impact of each bid during an Allocation Round).

SSE Renewables is actively involved in two offshore prospects which are expected to be eligible to enter AR3. (Viking Wind Farm will also be eligible to complete in AR3 as 'remote island wind'.)

- Seagreen Phase 1 (up to 1,050MW), consists of the Alpha and Bravo projects. Seagreen is wholly owned by SSE following its acquisition of Fluor Ltd.'s 50% share of the joint venture in September 2018.
- Dogger Bank (up to 3.6GW), is a 50:50 joint venture with Equinor to develop three projects in the Dogger Bank zone – Creyke Beck A, Creyke Beck B and Teesside A. The projects are being progressed in preparation for the CfD auction.

SSE Renewables also has interests in the following further offshore projects in development:

- Seagreen Phases 2 & 3 (up to 3,200MW)
- Greater Gabbard Extension (up to 504MW – SSE share 50%)
- Arklow Bank Wind Park in Ireland (800MW)

This means that, overall, SSE has an on- and offshore wind development pipeline of over 8GW at varying stages of development.

SSE continues to engage with the Crown Estate and Crown Estate Scotland on their leasing processes for new seabed to maintain a pipeline of offshore projects through to the late 2020s and beyond.

Arklow Bank Wind Park has a lease but is awaiting details regarding the auction processes in Ireland where the new Renewable Electricity Support Scheme (RESS) is awaiting State Aid approval. SSE believes offshore wind has real opportunities from the second RESS auction, indicatively scheduled for 2020, with further auctions signalled for 2021, 2023, and 2025.

Hydro

SSE's fleet of hydro electric assets continues to deliver low-carbon power to respond to the needs of the GB electricity system. The focus continues to be on ensuring the fleet is as operationally efficient and flexible as possible. Whilst SSE has some development assets, in the form of pumped storage, there is not yet a clear route forward for commercially realising the system value that these assets could provide.

International

Extending SSE Renewables core competencies in renewable energy to other technologies and geographies presents significant potential to add to future growth opportunities. SSE is actively exploring 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.

Flexible Thermal Generation

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

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. This flexibility is important in supporting the transition to a low-carbon electricity system.

The UK Capacity Market is currently suspended pending the outcome of a European Commission investigation into the legality of the Capacity Market payments under state aid rules. During this standstill, participants with Capacity Market obligations cannot receive payments, nor will there be mandatory collection of payments from suppliers. If the European Commission reaches a positive decision on state aid, the payments will be reinstated and paid retrospectively provided capacity obligations have been met. Capacity Market obligations for future delivery years would also be upheld.

The UK Government has confirmed that an auction will take place 11-12 June for delivery in 2019/20, replacing the T-1 auction originally scheduled for January 2019. The Government also intends to run a T-3 auction in January to replace the T-4 auction originally scheduled for February 2019. These auction results and subsequent payments would be contingent on the outcome of the European Commission's investigation.

SSE has submitted evidence to the European Commission supporting the UK Government's position that the Capacity Market, as designed, continues to be the best tool to ensure security of electricity supply at lowest cost to the customer.

SSE's thermal assets have been awarded the following capacity contracts in the 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	840MW 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

In March 2019, SSE announced the closure of Unit 1 (495MW) at what is now its only coal-fired power station at Fiddler's Ferry (now 1510MW). The remaining three units have capacity obligations until September 2019 and continue to operate as normal. The UK Government has committed to phasing out coal-fired power stations by 2025. SSE continues to review all commercial options for the station with no decision yet made. Preparation for the safe demolition of the Ferrybridge 'C' coal-fired power station is also under way.

Future development

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

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.

Should market conditions warrant further investment in high efficiency gas-fired generation during the transition to a low-carbon electricity system, SSE has opportunities to develop further CCGTs and there is also considerable value in the optionality of the existing sites at Ferrybridge and Fiddler's Ferry. SSE also remains very interested in the long-term potential of Carbon Capture and Storage.

Energy Portfolio Management

In November, SSE published a statement on its approach to hedging with a view to providing enhanced clarity and transparency to shareholders and investors. EPM has made significant progress regarding the new hedging approach. 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. For more information see SSE's updated statement published on sse.com – SSE's Approach to Hedging: May 2019 Update.

Gas Production

GAS PRODUCTION	**Mar 19**	**Mar 18**
Gas production adjusted operating profit - £m	48.9	34.0
Gas production reported operating profit/(loss) - £m	78.6	(70.7)
Gas production– M therms	504	543
Gas production– Mboe	9.00	9.05
Liquids production – Mboe	0.62	0.74
Gas production adjusted capital investment – £m	27.9	65.5
Technical review carried out annually:	**Mar 19**	**Mar 18**
Proved Plus Probable (2P) - (MTh)	1.7	1.9
Proved Plus Probable (2P) - (MMboe)	29.7	33.8

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 last year was clearly a positive development and SSE is working with its partners to extract full value from the discovery. In terms of the future of the business, in November 2018, SSE stated that Gas Production is a non-core activity that is ultimately inconsistent with its focus on decarbonisation and it is taking active steps to prepare for its disposal of investments in this activity. However, SSE will only complete a sale of its equity interests when it is in the interests of shareholders and other stakeholders to do so.

Gas Storage

GAS STORAGE	Mar 19	Mar 18
Gas storage adjusted operating (loss) - £m	(5.7)	(6.5)
Gas storage reported operating (loss) - £m	(5.7)	(6.5)
Gas storage customer nominations met - %	100	100
Gas storage adjusted capital investment - £m	0.7	1.8

The economic conditions of gas storage have been challenging in recent years however SSE believes its assets can play an important role during the energy transition.

Following the closure of Rough capacity, SSE now holds around 40% of the UK's conventional underground gas storage capacity, and the overall UK storage duration curve has shrunk to around 16 days.

This loss of energy storage will be further exacerbated with the UK's continuing shift away from coal-fired generation, taking with it the storage inherent in coal stocks. Although the UK has access to diverse gas supply sources, such as interconnection and LNG, gas storage will play an important role in safeguarding the UK's gas and electricity security of supply.

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, although 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.

NETWORKS

Networks Key Performance Indicators

	Mar 19	Mar 18
ELECTRICITY TRANSMISSION		
Transmission adjusted and reported operating profit - £m	252.1	195.6
Regulated Asset Value (RAV) - £m	3,276	3,070
Renewable Capacity connected to SSEN Transmission Network - MW	6,236	5,209
Transmission adjusted Capital expenditure - £m	344.0	434.2
ELECTRICITY DISTRIBUTION		
Electricity distribution adjusted and reported operating profit - £m	401.3	402.2
Regulated Asset Value (RAV) - £m	3,555	3,406
Distribution adjusted capital expenditure - £m	340.7	326.1
Electricity Distributed TWh	38.3	39.2
Customer minutes lost (SHEPD) average per customer	59	55
Customer minutes lost (SEPD) average per customer	50	48
Customer interruptions (SHEPD) per 100 customers	69	57
Customer interruptions (SEPD) per 100 customers	52	55
SCOTIA GAS NETWORKS (SGN) *SSE's 30% share*		
SGN adjusted operating profit (SSE's share) - £m	176.8	165.3
SGN reported operating profit (SSE's share) - £m	85.1	71.8
Regulated Asset Value - £m	1,898	1,828
Uncontrolled gas escapes attended within one hour %	98.7	98.2
SGN gas mains replaced – km	999	1,000

Introduction to the Networks businesses

SSE is the only energy company in the UK to be involved in economically regulated electricity transmission, electricity distribution and gas distribution. Its electricity networks businesses are collectively known as Scottish and Southern Electricity Networks (SSEN) and it owns a one-third stake in the gas distribution company SGN. The net Regulatory Asset Value (RAV) of SSE's energy networks businesses is on course to reach £10bn by 2023.

Ofgem sets price controls (which in the future will be five year price controls) under the RIIO (Revenue = Incentives + Innovation + Outputs) framework through which energy network companies earn index-linked revenue through charges levied on customers set at a level to cover costs and earn a reasonable return, subject to delivering value for customers, being efficient and achieving targets set by Ofgem.

As part of setting price controls, Ofgem defines total expenditure (totex) allowances for each of the economically-regulated networks, which is designed to encourage them to deliver their outputs at the lowest total cost, without preferring operational expenditure or capital expenditure. Totex underspends are shared between the companies and their customers. Ofgem also uses the price control process to incentivise companies to deliver defined outputs for customers. If companies deliver, they can earn additional incentive income; if not, they will suffer a financial penalty. SSEN's performance in relation to these incentives is set out in the relevant parts of the report that follows.

Electricity Transmission

SSEN, 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.

Since the start of the eight-year RIIO-T1 Price Control in 2013, capital investment in Transmission has totalled around £2.7bn, with this investment playing a pivotal role in providing the critical national infrastructure required to facilitate the transition to a decarbonised energy system.

As noted above, 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).

The outcome of totex efficiency savings is dependent on the successful completion of large-scale projects and the successful close out of RIIO-T1 after 2021. SSEN expects it will deliver totex savings over the course of RIIO-T1 which will be shared equally between SSEN, supporting future earnings, and electricity customers, through lower charges than would otherwise have been the case.

Maintaining network reliability

Despite the current period of rapid growth in transmission development, SSEN continues to maintain a reliability of over 99.9%.

During 2018/19, SSEN earned the maximum reward of £1.2m through the Energy Not Supplied (ENS) Incentive. The ENS Incentive provides a financial reward, 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 120MW. If the target is exceeded, a financial penalty is applied.

As its transmission assets reach the end of their operational life, 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.

Successfully energising the Caithness-Moray transmission link

In December 2018, SSEN successfully energised the Caithness-Moray subsea transmission link, which remains the largest single investment ever undertaken by the SSE Group.

Total spend for the project is forecast to be around £970m against an allowance of £1,062m, net of £55m of allowance already returned through the Price Control (all in 2013/14 prices). SSEN's efficient delivery of the Caithness-Moray link will result in efficiency savings through the totex mechanism, supporting future earnings.

Delivering the transition to a low-carbon economy

During 2018/19, SSEN increased the renewables capacity supported by its network by over 1GW, in what was another record year for renewable connections to SSEN's transmission network.

This means the installed renewable electricity generation capacity connected to SSEN's transmission network has grown from 3.3GW at the start of the RIIO-ET1 price control in April 2013 to over 6GW and is forecast to grow to over 6.5GW by the end of the current price control period in 2021. SSEN will continue to work collaboratively with its connection customers to deliver timely and efficient connections to its network.

In the remaining years of the RIIO-T1 Price Control, SSEN has a healthy pipeline of transmission projects. With a total planned investment of over £600m, the transmission business remains on track to increase its RAV to around £3.6bn by 2021.

Ready to connect Scotland's island groups

SSEN 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. Together, the three links could provide an investment opportunity of around £1.5bn for SSEN.

With all three island link Needs Cases with Ofgem for consideration and the project development for each island link at an advanced stage, SSEN 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.

Highlighting concerns about implementation of competition in Transmission

SSEN continues to have a number of significant concerns about Ofgem's implementation of competition in transmission, particularly the Competition Proxy Model (CPM) and Special Purpose Vehicle (SPV) delivery models currently in development.

SSEN believes Ofgem's current proposals effectively reopen the RIIO-T1 Price Control; are justified on unproven customer benefits; are not underpinned by legislation or a regulatory framework; and risk delays to the delivery of well-established and advanced projects. SSEN is also increasingly concerned that the introduction of competition in the way envisaged will result in a fragmentation of responsibility, risking network reliability and introducing safety concerns.

Whilst SSEN will continue to engage constructively with Ofgem and other stakeholders as part of this process, it will also consider all options available to ensure the integrity of the Price Control is maintained and the development of existing projects continues, including the potential for legal challenge.

Contributing to the development of RIIO-2

In December, Ofgem published its RIIO2 Sector Specific Methodology consultation for electricity transmission.

SSEN remains concerned that Ofgem has failed to give appropriate weight to benefits delivered to customers and stakeholders during RIIO1 and has instead proposed a RIIO-2 framework which blunts existing efficiency incentives in a desire to secure a predictable outcome. In its response to the consultation, SSEN has set out a number of areas the regulatory mechanisms of RIIO-1 which have delivered material stakeholder benefits, encouraging Ofgem to ensure these remain in place. These mechanisms are:

- an output incentive package large enough to allow a high performing network to reach the upper return range;
- a strong Totex incentive, to ensure networks continue to drive efficiency;
- a strong and equitable business plan incentive that allows networks to reveal potential in the knowledge that they will share in the benefits;
- an innovation stimulus which supports solutions to current as well as future network challenges; and
- a fair financial package for investors that recognises current and future risk.

SSEN will continue to advocate constructively for a regulatory framework that strikes the right balance between driving efficiency and maintaining a stable investment climate that continues to deliver improvements in network reliability, innovation and customer service and pave the way for the further decarbonisation of the energy system.

Preparing the first RIIO-T2 draft business plan

SSEN's draft RIIO-T2 business plan, which will inform business delivery from April 2021, is now in the final stages of development. In February 2019, informed by extensive stakeholder engagement over the previous 18 months, SSEN published its 'Emerging Thinking' paper which sets out SSEN's understanding of what electricity customers, local communities and wider stakeholders require from the electricity transmission network in the first half of the next decade.

The 'Emerging Thinking' paper and subsequent stakeholder feedback will form the basis of SSEN's first draft business plan, which will be published for consultation by 1 July 2019. As part of the development of this business plan, SSEN sees a powerful case for investment which could contribute to a Transmission RAV of around £5bn by the end of RIIO-T2 in 2026, excluding any contribution from island links.

Electricity Distribution

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

Delivering for customers and investors under the incentive-based framework

SSEN is now at the mid-point of the RIIO-ED1 Price Control, and has delivered significant changes to its operations, processes and standards to ensure the needs of its customers remain at the forefront of decision making. It aims to be as efficient and effective as possible and earn returns that are fair to customers and shareholders alike, focusing on four key areas:

- Good performance in relation to incentives available within RIIO-ED1;
- Efficient delivery of capital investment;
- Focused delivery of regulatory outputs; and
- Maintaining a leadership position in innovation.

Incentive performance for SSEN's Distribution business is expected to be £11m in 2018/19 (including an estimated £1m for Stakeholder Engagement and Consumer Vulnerability), compared to £12.6m in 2017/18, with a reduction in the return from the Interruptions Incentive Scheme (IIS) offsetting marked improvements in connections and customer service incentive performance. Typically, incentive income is collected two years after the performance year.

Targeting performance in interruption incentives

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.

After a challenging first six months of the year, due in part to the sustained summer heatwave impacting on low voltage network equipment, an improved performance in the second half of the year helped deliver an incentive reward for 2018/19 of £2.5m (£6.8m last year).

Delivering for customers and stakeholders

In 2018/19, SSEN's focus on continual improvements in customer service resulted in a total incentive reward of £4.7m against the Customer Satisfaction (or Broad) Measure Incentive, up significantly from £2.7m last year.

SSEN's commitment to customer service is reflected in its membership of the Institute of Customer Service and performance in UKCSI survey, where it achieved a score of 89.4%, comparing favourably to the member average of 78.1% and the Utilities average of 74.4%. SSEN also achieved compliance with the BSI Inclusive Service Provision standard for the fourth year running, recognising that its policies, procedures and services are accessible and fair to all customers.

Under the Stakeholder Engagement and Consumer Vulnerability Incentive, SSEN was awarded £1.2m for 2017/18, up from £0.8m in 2016/17. The outcome of the SECV incentive for 2018/19 will not be known until the second half of 2018.

Driving value from connections

In recent years, SSEN has made significant changes and process improvements in its connections business, informed by the needs and expectations of its customers. This progress is reflected by a near-maximum award of £2.8m under the Average Time to Connect (TTC) Incentive for 2018/19, up from £1.8m the previous year.

In October 2018, Ofgem announced its decision not to penalise SSEN under the penalty only Incentive on Connections Engagement (ICE). This is the third consecutive year SSEN has avoided a penalty since its introduction at the beginning of the RIIO-ED1 Price Control period.

In line with the RIIO-ED1 regulatory settlement, incentive targets will become harder to achieve in the second half of the price control, but SSEN remains confident that it will deliver sustained incentive performance in this area.

Delivering a major programme of capital investment

SSEN continues to undertake a major capital investment delivery programme across both its distribution licenced networks which will deliver significant improvements for its customers as well as contributing to sustained and fair returns and increased RAV.

During 2018/19, SSEN invested a total of £340.7m in its electricity distribution networks, bringing the total invested since the beginning of the RIIO-ED1 Price Control to over £1.2bn – which is part of a forecast investment of £2.4bn throughout the RIIO-ED1 period, supporting future earnings through RAV growth.

Responding to change in marine planning policy with subsea cable reopener

Following a change in Scottish Marine Planning policy, the costs associated with the ongoing maintenance and replacement of SSEN's subsea cable assets have increased and SSEN submitted a 'reopener' to Ofgem for the additional allowance required to support its subsea cable replacement programme.

SSEN has requested an additional £59m (in 2012/13 prices) over the RIIO-ED1 period to manage the increased associated costs. These include the requirements for additional surveys, cable protection and decommissioning. Subject to regulatory approval, the responsible and evidenced based approach SSEN has adopted to inform its subsea cable replacement programme will deliver RAV growth, whilst minimising the cost impact to its customers.

Progressing a whole system recommendation for Shetland

In November 2018, SSEN submitted to Ofgem a 'whole system' recommendation for Shetland's future energy needs through the sharing of, and financial contribution towards, the proposed transmission link to Shetland. SSEN has proposed making a financial contribution of £251m towards the transmission link, which is based on the value of services the link would provide to its local distribution network. A formal response from Ofgem to SSEN's proposal is expected shortly.

Leading the way in the flexibility transition

SSEN is playing a leading role in the transition from a Distribution Network Operator (DNO) to a Distribution Systems Operator (DSO).

In December 2018, SSEN adopted a 'Flexibility First Commitment' setting out that SSEN Distribution will consider flexible solutions in all scenarios where traditional network reinforcement may have been required. This commitment, which is now hard-coded into SSEN's connection process, has been supported by a partnering with Piclo, a flexibility platform provider, to seek to register and procure flexibility across its distribution areas, ahead of potential network constraints.

In March 2019 it was confirmed that SSEN's Project Local Energy Oxfordshire (LEO) will receive £13.8m of funding from the UK Government's Industrial Strategy Challenge fund. LEO will explore how the growth in local renewables, electric vehicles (EVs), battery storage, vehicle-to-grid (V2G) technology and demand side response can be supported by a local, flexible, and responsive electricity grid. Project LEO will run concurrently with Project TRANSITION, funded by £11m Ofgem grant, which will replicate and trial one of the elements of one of the proposed DSO models.

Understanding the impact of electrification

SSEN expects electrification of heat and transport to lead to an increased role for the electricity networks. As well as playing a key role in developing its networks to support an increased load in the future, SSEN's Electric Vehicle Strategy is built on a proactive 'readiness' approach with informed anticipative investment where the evidence, network characteristics and stakeholder engagement show it is required. This focus on enabling electric vehicles is in line with the goals for 2030 adopted by SSE in March 2019. In early 2019, SSEN worked with leading energy consultants, Regen, to develop scenarios for the growth of new sources of demand and distributed generation in its licence area in central southern England for 2018 to 2032 and plans to replicate this study in its Scottish licence area later this year.

Scotia Gas Networks (SGN)

Covering Scotland, the south of England and areas of Northern Ireland, SGN distributes natural and 'green' hydrogen gas to 5.9m homes and businesses, serving people through a network of 74,000km of gas mains and services. SGN's vision is to keep its customers safe and warm while at the same time lead the way in energy delivery. Safety therefore will remain a key priority for the company with a focus on keeping its people, customers and the public safe around its activities.

SGN had a good year across its operational activities, exceeding its 97% emergency response target and achieving its GB gas mains replacement targets, with 999km delivered across the Scotland and south networks. During the year a further 200km of pipeline was constructed on SGN's third distribution network in the west of Northern Ireland.

Its Scotland network has consistently led the sector for customer satisfaction making SGN the overall No 1 gas network company for customer service. It is also greatly improving support for people in vulnerable circumstances, providing new gas connections to over 2,900 customers in fuel poverty

With two years left of the current eight-year price control (RIIO-GD1), SGN remains committed to meeting all Ofgem outputs as well as ensuring it maximises its regulatory incentives. Consultation is now on developing its business plan for the next five-year price control (RIIO-GD2), which will take effect from April 2021.

RETAIL

Retail Key Performance Indicators

Remaining Retail Businesses – Business Energy, Airtricity & Enterprise	**Mar 19**	**Mar 18**
Business Energy adjusted operating profit - £m	51.6	64.2
Airtricity adjusted operating profit - £m	38.6	33.0
Enterprise adjusted operating profit - £m	31.8	26.9
Total Retail adjusted operating profit - £m	**122.0**	**124.1**
Business Energy reported operating profit - £m	51.6	64.2
Airtricity reported operating profit - £m	38.6	26.9
Enterprise reported operating profit - £m	31.8	15.1
Total Retail reported operating profit - £m	**122.0**	**106.2**
Adjusted capital expenditure (B2B, Airtricity and Enterprise) - £m	21.0	63.4
Energy customers' accounts (Business Energy sites) – m*	0.55	0.49
All-Island energy market customers (Ire) – m	0.72	0.74
Total Retail customer accounts	**1.27**	**1.23**
***Business Energy inc. c55k accounts re-assigned from GB domestic**		
Business Energy Electricity Sold – GWh	19,336	20,177
Business Energy Gas Sold – mtherms	277	294
Aged Debt (Business Energy and Airtricity) - £m	35.8	19.3
Bad debt expense (Business Energy and Airtricity) - £m	14.8	13.8

SSE Energy Services (held for disposal)	**Mar 19**	**Mar 18**
SSE Energy Services - Energy Supply (households GB) adjusted operating profit - £m	84.0	260.4
SSE Energy Services - Energy Related Services (households GB) adjusted operating profit - £m	5.6	18.3
Total SSE Energy Services adjusted operating profit - £m	**89.6**	**278.7**
SSE Energy Services - Energy Supply (households GB) reported operating profit - £m	29.7	203.5
SSE Energy Services - Energy Related Services (households GB) reported operating profit - £m	5.6	18.3
Total SSE Energy Services reported operating profit - £m	**35.3**	**221.8**
Adjusted capital expenditure (SSE Energy Services) - £m	102.6	110.8
Electricity customer accounts (GB domestic) – m	3.46	3.82
Gas customer accounts (GB domestic) – m	2.32	2.53
Energy Related Services (GB domestic) – m	0.47	0.45
Total SSE Energy Services customers – m	**6.25**	**6.80**
Electricity supplied household average (GB domestic) – kWh	3,554	3,788
Gas supplied household average (GB domestic) – th	408	454
Aged debt (GB domestic)	82.8	76.9
Bad debt expense (GB domestic)	40.5	42.5

Customer complaints to third parties (GB Domestic)	1,414	1,616
Smart Meters on supply	Over 1,250,000	Over 850,000

Introduction to the Retail businesses

SSE's retail businesses offer a route to market for energy and related infrastructure services. Business Energy supplies energy in commercial and public sector markets; SSE Airtricity remains the only domestic energy supplier in all markets across the island of Ireland; and Enterprise has an important part of play in helping SSE's meet its low-carbon ambitions

SSE Business Energy

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 8billion therms of gas annually. It complements SSE's interests in renewables and flexible thermal generation, providing a route to markets for electricity output through standard contracts and power purchase agreements.

SSE Business Energy performed well against expectations for all segments. Its strong position is built on solid core competencies in meeting business customers' energy needs. 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.

SSE Enterprise

The role of Enterprise within SSE Group is to seek out new opportunities in areas that complement the Group's core energy portfolio and 2018/19 represented a year of growth. SSE Enterprise focuses on distributed energy, telecoms and also undertakes M&E Contracting work in both its Contracting and Rail businesses.

Enterprise continues to develop in core markets as well as seek out opportunities to meet the evolving needs of its customers. This year it brought together its existing multi-utility and energy management capabilities into one Distributed Energy business division. Technological advances in flexible energy generation and storage, energy consumption, digital platforms and energy management are creating a growing need for local and flexible energy services. To meet that need, this new division will develop further its capability to provide such services as electric vehicle infrastructure, intelligent energy and information monitoring; as well as district heating schemes.

December 2018 saw Infracapital enter into an agreement with SSE plc to buy a 50% stake in SSE Enterprise Telecoms for a total consideration of up to £380m. An initial £215m (less a small adjustment for working capital) was received at completion in March 2019 and a further £165m will be paid in a series of instalments – subject to future performance. The deal supports accelerated growth in the fibre connectivity sector for the company which will be governed by a composite board structure. High-speed broadband connectivity remains vital to the economic prosperity of the UK – and SSE Enterprise Telecoms is well placed to support growth in this critical sector. In order to further consolidate the spread of its portfolio of Enterprise businesses, SSE completed the sale of its share of its gas transportation networks, Indigo Pipelines to Arjun Infrastructure Partners (AIP); and announced the sale of its Water business to Leep NAV Networks – a joint venture between Ancala and the Peel Group, which is due for completion at the end of May.

SSE Airtricity

SSE's retail arm in Ireland, SSE Airtricity, is the only retail energy brand that operates in all market areas across the island. Combining power production and energy supply to households and businesses continues to deliver commercial advantage to energy customers in Ireland. This has been recently demonstrated by 'Generation Green', a consumer brand campaign that combines SSE Airtricity's leadership in renewable energy with a customer proposition based on helping customers decarbonise.

At 31 March 2019, SSE Airtricity supplied electricity and natural gas to 0.7 million 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 Home Energy the launch of new value-based propositions, including a 'connected home' product partnership with Amazon, boosted sales, rising to one-third of all sales by year end. For the third year running SSE Airtricity was also named Best for Customer Service by internet comparison site Bonkers.ie, and overall Best Consumer Brand.

In February 2019, the Commission for the Regulation of Utilities (CRU) confirmed that SSE Airtricity is now the largest supplier by MWh of electricity to commercial customers in Ireland's 'Large Energy User' market, becoming the first supplier to overtake the incumbent in this market.

SSE Airtricity continues to focus on helping customers reduce their carbon output and save on energy costs, and this year completed a number of acquisitions and collaborations with specialist energy ancillary service providers to expand in this sector.

SSE Energy Services (Held for disposal)

Creating a more independent energy and services business in GB

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. Since it stepped away from a planned merger with npower in December 2018, SSE has been actively progressing a range of options for the future of SSE Energy Services, including a possible sale, alternative transaction or standalone listing. In these considerations, the interests of customers, employees and shareholders have been paramount. Although SSE Energy Services remains a separate entity within the group for the immediate future, SSE is still of the view that the best long-term future for the business lies outside of the SSE group and is therefore continuing with steps to increase its autonomy and independence.

To that end, SSE has appointed Katie Bickerstaffe as Executive Chair of the SSE Energy Services business. Katie will take up the new role on 23 June 2019, alongside Gordon Boyd, who joins as Interim Chief Financial Officer, with a mandate to deliver a new future for it outside the SSE group and continue progress towards a listing or new, alternative ownership by the second half of 2020. She will form a new, dedicated SSE Energy Services Board, which is expected to have both executive and non-executive representation from the SSE Group, as well as an independent non-executive director. The business will therefore be able to operate with greater day-to-day autonomy and independence, while still being subject to oversight by the SSE plc Board while it remains within the group.

Katie and Gordon will work closely with Stephen Forbes and Tony Keeling, who, having run the business since 2017 as Co-Heads, are confirmed as Managing Directors and will join the new Board as well as being key members of a new Executive Committee. Their priority will be to ensure the business has the strongest possible track record as it approaches a future outside the group.

Following its update on 28 March 2019, SSE has also held further positive discussions with third parties about the provision of collateral and trading services for SSE Energy Services. Such a deal would further increase SSE Energy Services' independence from the SSE group by enabling it to trade and operate on a standalone basis as required. It currently relies on the SSE group's credit rating and procures energy through SSE's Energy Portfolio Management division.

As outlined in SSE's notification of close period statement, SSE Energy Services was profitable and cashflow positive in 2018/19 and is expected to be so again in 2019/20. However, it made an adjusted operating margin of 2.4% compared with 6.8% in the previous year. This reflects the decision to shield customers from wholesale price increases during 2018, together with the impact of the Default Tariff Cap between January and March 2019 and lower customer numbers, only partially offset by the expiry of a Power Purchase Agreement (PPA).

Operating margin is expected to be further restricted in 2019/20, and is likely to fall below 2% due to the full-year impact of the Default Tariff Cap; however, SSE Energy Services is in the process of transforming its business to:

- reduce its operating costs;
- stabilise customer numbers; and
- deliver the benefits of smart metering for both customers and the business.

Reducing operating costs

SSE Energy Services has continued to drive efficiencies across its business in 2018/19. However, to have a sustainable and competitive business under a tight price cap, it must go further and fundamentally transform its operating model to regain its cost leadership position and offer more value to customers. As well as simplifying business processes and right-sizing to reflect customer demand, SSE expects to drive additional efficiencies by: investing in digital to increase the proportion of customer service transactions completed online; automation of back-office processes, and growth of its data and analytics capability to provide smarter, tailored and more cost-effective solutions for customers.

In 2018/19 SSE continued to perform strongly in a range of external service league tables. It was named best large supplier in the uSwitch Customer Satisfaction Awards and was consistently highly ranked in the Citizens Advice Energy Supplier Performance report, most recently outperforming large and small competitors alike to rank second of 34 suppliers assessed. As a responsible essential services provider, SSE is also committed to meeting the needs of vulnerable customers and in May 2018 achieved the British Standard for Inclusive Service Provision, the gold standard for any company looking to embed flexible customer service practices and means SSE can identify vulnerability in different forms and adapt its service accordingly.

Stabilising customer numbers

As of 31 March 2019, SSE Energy Services had 5.78m gas and electricity customer accounts and 0.47m energy related services customer accounts. Throughout the year, a number of strategic partnerships were secured with trusted brands including Dixons Carphone Warehouse and Leaders Romans Group, which are helping to reach and attract new customers. Non-energy performance was also strong with the number of sales of phone and broadband packages doubling in 2018/19.

Despite the high levels of competition seen in the market, there are early indications that the market is beginning to consolidate. In part, this is due to an increase in non-cost reflective tariffs and unsustainable business models operating in the GB energy market. During 2018/19, 12 suppliers ceased trading, activating Ofgem's 'Supplier of Last Resort' process. SSE Energy Services was pleased to be appointed by Ofgem as the new energy supplier for Brilliant Energy's 28,000 customer accounts.

Looking ahead to 2019/20, SSE Energy Services aims to stabilise its overall customer base to help facilitate longer term growth. Key to this will be leveraging its broad product offering encompassing energy, broadband and boiler care by offering bespoke, value-adding propositions and bundled services, supported by targeted investment in marketing and incentives. This will be supported by ongoing improvements to digital channels that will make it easier for customers to sign up for products and manage their accounts online. At the same time, SSE Energy Services is building its data and analytics capability, enabling it to improve customer segmentation, price more intelligently, and better tailor products and services to customers' changing needs.

Delivering the benefits of smart metering

The smart meter roll-out is more than just a regulatory obligation; it represents an opportunity to transform the relationship between customers, their energy supplier and the energy they consume. As of 31 March 2019, SSE Energy Services had over 1.2m smart meters on supply in customers' homes and had made good progress in successfully transitioning to the new SMETS2 generation of smart meters, which bring fuller functionality to customers. Throughout 2019/20, SSE Energy Services will look to seize the opportunities presented by smart meters by harnessing smart data to engage and empower customers while also launching new, smart-enabled services and propositions.

While there were many achievements in 2018, including meeting its Ofgem interim milestone target for electric, SSE Energy Services was disappointed to have fallen slightly short on meeting its interim milestone target for gas. SSE Energy Services worked with Ofgem to resolve this matter as quickly as possible and a payment of £700,000 was made to Ofgem's Voluntary Redress Fund in March 2019. The shortfall was quickly recovered during February 2019 and good progress is being made against the 2019 plan. Despite ongoing challenges associated with the availability of key enabling technology and low customer demand, the business remains committed on meeting its obligation in a way which is safe, cost-effective and maximises the benefits to customers.

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.

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

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

			• Tax on exceptional items and certain re-measurement • Reclassification of tax liabilities
Adjusted earnings per share	Profit measure	Earnings per share	• Exceptional items • Movements on Derivatives ('certain re-measurements') • Depreciation and amortisation expense on fair value uplifts • Interest on net pension assets/liabilities (IAS 19R) • Deferred tax including share of joint ventures and associates
Adjusted Net Debt and Hybrid Capital	Debt measure	Unadjusted net debt	• Hybrid equity • Outstanding liquid funds • Finance leases • Cash presented as held for disposal
Investment and Capital expenditure (adjusted)	Capital measure	Capital additions to Intangible Assets and Property, Plant and Equipment	• Other expenditure • Customer funded additions • Allowances and certificates • Disposed additions • Joint venture and associate additions

Rationale for adjustments

Adjustments to Profit Measure

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

This adjustment can be split between operating and financing derivatives.

Operating derivatives are where the Group enters into forward contracts to buy (or sell) electricity, gas and other commodities to meet the future demand requirements of its Energy Supply business or to optimise the value of its Wholesale assets. Certain of these contracts are determined to be derivative financial instruments under IFRS 9 "*Financial Instruments*" and as such are required to be recorded at their fair value. 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. 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.

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

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

2 Exceptional Items

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

3 Share of joint ventures and associates interest and tax

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

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

4 Share of joint ventures and associates depreciation and amortisation

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

5 Reversal of IFRIC 18 adjustment on adoption of IFRS 15

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

6 Depreciation and amortisation expense on fair value uplifts

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

7 Release of deferred income

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

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

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

9 Deferred tax

The Group adjusts for deferred tax when arriving at adjusted profit after tax, adjusted earnings per share and its adjusted effective rate of tax. Deferred tax arises as a result of differences in accounting and tax bases that give rise to potential future accounting credits or charges. As the Group remains committed to its ongoing capital programme, the liabilities associated are not expected to reverse and accordingly the Group excludes these from its adjusted profit measures. The current tax APM for 2018 has been presented net of a reclassification adjustment, from current to deferred tax, in respect of liabilities related to historic open tax positions.

Adjustments to Debt measure

10 Hybrid equity

SSE plc has a mixture of perpetual and long dated hybrid capital securities with the perpetual hybrids being treated as equity and the long-dated hybrids being treated as debt. The characteristics of the perpetual hybrid capital securities mean they qualify for recognition as equity rather than debt under IFRSs. Consequently, their coupon payments are presented within dividends rather than within finance costs. As a result, the coupon payments are not included in SSE's adjusted PBT measure. In order to present total funding provided from sources other than ordinary shareholders, SSE presents its adjusted net debt measure inclusive of hybrid capital to better reflect the Group's funding position.

11 Outstanding liquid funds

Outstanding liquid funds are SSE cash balances held by counterparties as collateral at the year end. SSE includes these as cash until they are utilised. The Group includes this adjustment in order to better reflect the immediate cash resources it has access to, which in turn better reflects the Group's funding position.

12 Finance leases

SSE's reported loans and borrowings include finance lease liabilities, most significantly in relation to its tolling contract with Marchwood Power Limited, 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. Following adoption of IFRS 16 "Leases" on 1 April 2019, this adjustment will also include any liabilities resulting from the treatment of current operating leases under that accounting standard.

13 Cash presented as held for disposal

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

Adjustments to Capex Measure

14 Other expenditure

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

15 Customer funded additions.

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

16 Allowances and certificates

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

17 Disposed additions

Disposed additions represents capital additions related to the Group's Stronelairg and Dumnaglass Windfarms prior to disposal of 49.9% interest on 31 March 2019 and the Group's Telecoms business prior to disposal of 50% interest on 29 March 2019. Prior year disposed additions represent capital additions related to the Group's MFE2 plant at Ferrybridge prior to disposal of 50% interest on 4 September 2017 (see Note 12). This has been excluded to better reflect the Group's net capital investment.

18 Joint venture and associate additions

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

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

	March 2019	March 2018	March 2017
	£m	£m	£m
Adjusted operating profit	**1,137.6**	1,554.8	1,604.6
Adjusted net finance costs	(411.9)	(375.5)	(328.1)
Adjusted profit before tax (PBT)	**725.7**	1,179.3	1,276.5
Adjusted current tax (credit)/charge	6.8	(82.5)	(103.8)
Adjusted profit after tax (PAT)	**732.5**	1,096.8	1,172.7
Hybrid coupon paid	(46.6)	(98.5)	(119.3)
Adjusted profit after tax attributable to ordinary shareholders for EPS	**685.9**	998.3	1,053.4
Number of shares for EPS	1,021.7	1,010.9	1,009.7
Adjusted Earnings per Share	**67.1**	98.8	104.3
Adjusted EBITDA	**1,868.6**	2,291.8	2,297.6
Depreciation and amortisation before exceptional charges	(620.6)	(744.9)	(731.2)
Reversal of IFRIC18 adjustment on adoption of IFRS 15	-	98.6	131.9
Depreciation charge on fair value uplifts	2.9	4.8	4.1
Release of deferred income	10.2	20.6	18.0
Share of JV and associate depreciation and amortisation	(123.5)	(116.1)	(115.8)
Adjusted operating profit	**1,137.6**	1,554.8	1,604.6
Adjusted operating profit	**1,137.6**	1,554.8	1,604.6
Movement on operating and financing derivatives	(327.0)	(85.8)	203.1
Exceptional items	1,039.9	(156.4)	88.1
Depreciation and amortisation expense on fair value uplifts	(2.9)	(4.8)	(4.1)
Share of joint ventures and associates interest and tax	(155.4)	(150.4)	(128.4)
Reported Operating Profit	**1,692.2**	1,157.4	1,763.3
Adjusted Profit Before Tax PBT	**725.7**	1,179.3	1,276.5
Movement on operating and financing derivatives	(371.8)	(118.8)	255.7
Exceptional items	1,039.9	(156.4)	88.1
Depreciation and amortisation expense on fair value uplifts	(2.9)	(4.8)	(4.1)
Interest on net pension assets/(liabilities)	11.4	2.9	(3.1)
Share of joint ventures and associates tax	(31.7)	(37.8)	(13.7)
Reported profit before tax	**1,370.6**	864.4	1,599.4
Adjusted net finance costs	**411.9**	375.5	328.1
Movement on financing derivatives	44.8	33.0	(52.6)
Share of joint ventures and associates interest	(123.7)	(112.6)	(114.7)
Interest on net pension (assets)/liabilities	(11.4)	(2.9)	3.1
Reported net finance costs	**321.6**	293.0	163.9
Adjusted current tax (credit)/charge	**(6.8)**	82.5	103.8
Share of joint ventures and associates tax	(31.7)	(37.8)	(13.7)
Deferred tax including share of joint ventures and associates	71.9	288.1	29.9
Reclassification of tax liabilities	-	(101.3)	-
Tax on exceptional items and certain re-measurement	(91.0)	(115.1)	(97.6)
Reported tax (credit)/charge	**(57.6)**	116.4	22.4

	March 2019	March 2018	March 2017
Adjusted Net Debt and Hybrid Capital	**(9,385.5)**	(9,221.8)	(8,483.0)
Hybrid Capital	1,169.7	1,169.7	2,209.7
Adjusted Net Debt	**(8,215.8)**	(8,052.1)	(6,273.3)
Outstanding liquid funds	(344.2)	(75.1)	(105.2)
Finance leases	(229.3)	(251.1)	(276.9)
Cash presented as held for disposal	(95.2)	-	-
Unadjusted net debt	**(8,884.5)**	(8,378.3)	(6,655.4)
Investment and Capital expenditure (adjusted)	**1,422.9**	1,503.0	1,726.2
Other expenditure	-	-	4.2
Customer funded additions	224.7	82.0	112.8
Allowances and certificates	954.0	712.9	633.5
Additions through business combinations	143.4	-	-
Disposed additions	195.3	60.6	15.6
Joint ventures and associates additions	(292.5)	(110.3)	(105.0)
Capital additions to Intangible Assets and Property, Plant and Equipment	**2,647.8**	2,248.2	2,387.3
Capital additions to Intangible Assets	1,333.3	967.0	779.5
Capital additions to Property, Plant and Equipment	1,314.5	1,281.2	1,607.8
Capital additions to Intangible Assets and Property, Plant and Equipment	**2,647.8**	2,248.2	2,387.3

The following table summarises the impact of excluding SSE Energy Services from the continuing activities of the Group in current and prior years:

	March 2019	March 2018	March 2017
	£m	£m	£m
Adjusted EBITDA of SSE Group (including SSE Energy Services)	**2,008.6**	2,622.5	2,591.3
Less: SSE Energy Services	**(140.0)**	(330.7)	(293.7)
Adjusted EBITDA of continuing operations #APM	**1,868.6**	2,291.8	2,297.6
Adjusted operating profit of SSE Group (including SSE Energy Services)	**1,227.2**	1,833.5	1,878.1
Less: SSE Energy Services	**(89.6)**	(278.7)	(273.5)
Adjusted operating profit of continuing operations #APM	**1,137.6**	1,554.8	1,604.6
Adjusted profit before tax of SSE Group (including SSE Energy Services)	**815.3**	1,458.0	1,550.0
Less: SSE Energy Services	**(89.6)**	(278.7)	(273.5)
Adjusted profit before tax of continuing operations #APM	**725.7**	1,179.3	1,276.5
Adjusted current tax of SSE Group (including SSE Energy Services)	**11.3**	130.7	157.7
Less: SSE Energy Services	**(18.1)**	(48.2)	(53.9)
Adjusted current tax of continuing operations #APM	**(6.8)**	82.5	103.8
Adjusted profit after tax of SSE Group (including SSE Energy Services)	**804.0**	1,327.3	1,392.3
Less: SSE Energy Services	**(71.5)**	(230.5)	(219.6)
Adjusted profit after tax of continuing operations #APM	**732.5**	1,096.8	1,172.7
Adjusted earnings per share of SSE Group (including SSE Energy Services)	**74.1**	121.6	126.1
Less: SSE Energy Services	**(7.0)**	(22.8)	(21.8)
Adjusted earnings per share of continuing operations #APM	**67.1**	98.8	104.3

The remaining APMs presented by the Group are unchanged in all periods presented by the classification of SSE Energy Services as a discontinued operation.

Financial Statements

Consolidated Income Statement

for the year ended 31 March 2019

	Note	2019 Before exceptional items and certain re-measurements £m	2019 Exceptional items and certain re-measurements (note 7) £m	2019 Total £m	2018 Before exceptional items and certain re-measurements £m	2018 Exceptional items and certain re-measurements (note 7) £m	2018 Total £m
Continuing operations							
Revenue (i)	6	**7,331.6**	**-**	**7,331.6**	27,250.4	-	27,250.4
Cost of sales (i)		**(5,458.4)**	**(328.2)**	**(5,786.6)**	(24,884.5)	(89.1)	(24,973.6)
Gross profit		**1,873.2**	**(328.2)**	**1,545.0**	2,365.9	(89.1)	2,276.8
Operating costs		**(1,063.2)**	**1,040.2**	**(23.0)**	(1,147.2)	(156.4)	(1,303.6)
Other operating income		**41.0**	**-**	**41.0**	38.0	-	38.0
Operating profit before joint ventures and associates		**851.0**	**712.0**	**1,563.0**	1,256.7	(245.5)	1,011.2
Joint ventures and associates:							
Share of operating profit		**283.7**	**(0.3)**	**283.4**	293.3	-	293.3
Share of interest		**(123.7)**	**-**	**(123.7)**	(112.6)	-	(112.6)
Share of movement on derivatives		**-**	**1.2**	**1.2**	-	3.3	3.3
Share of tax		**(31.5)**	**(0.2)**	**(31.7)**	(37.2)	(0.6)	(37.8)
Share of profit on joint ventures and associates		**128.5**	**0.7**	**129.2**	143.5	2.7	146.2
Operating profit from continuing operations	6	**979.5**	**712.7**	**1,692.2**	1,400.2	(242.8)	1,157.4
Finance income	8	**87.0**	**-**	**87.0**	102.1	-	102.1
Finance costs	8	**(363.8)**	**(44.8)**	**(408.6)**	(362.1)	(33.0)	(395.1)
Profit before taxation		**702.7**	**667.9**	**1,370.6**	1,140.2	(275.8)	864.4
Taxation	9	**(33.4)**	**91.0**	**57.6**	(231.5)	115.1	(116.4)
Profit for the year from continuing operations		**669.3**	**758.9**	**1,428.2**	908.7	(160.7)	748.0
Discontinued operations							
Profit/(loss) from discontinued operation, net of tax		**71.5**	**(44.0)**	**27.5**	230.6	(58.5)	172.1
Profit for the year		**740.8**	**714.9**	**1,455.7**	1,139.3	(219.2)	920.1
Attributable to:							
Ordinary shareholders of the parent		**694.2**	**714.9**	**1,409.1**	1,040.8	(219.2)	821.6
Other equity holders		**46.6**	**-**	**46.6**	98.5	-	98.5
Earnings per share							
Basic earnings per share (pence)	11			**137.9**			81.3
Diluted earnings per share (pence)	11			**137.9**			81.2
Earnings per share – continuing operations							
Basic earnings per share (pence)				**135.2**			64.3
Diluted earnings per share (pence)				**135.2**			64.2
Dividends							
Interim dividend paid per share (pence)	10			**29.3**			28.4
Proposed final dividend per share (pence)	10			**68.2**			66.3
				97.5			94.7

(i) On 1 April 2018 the Group adopted IFRS 15, which had the effect of reducing the Group's turnover by £18,989.7m and reducing cost of sales by £18,985.2m. See note 3.

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

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2019

	2019 £m	2018 £m
Profit for the year	**1,455.7**	920.1
Other comprehensive income:		
Items that will be reclassified subsequently to profit or loss:		
Net losses on cash flow hedges	**(12.0)**	(29.5)
Transferred to assets and liabilities on cash flow hedges	**(3.6)**	1.4
Taxation on cashflow hedges	**2.0**	5.0
	(13.6)	(23.1)
Reversal of unrealised losses following disposal of investments recognised in income statement	**-**	14.4
Share of other comprehensive loss of joint ventures and associates, net of taxation	**(33.5)**	(6.9)
Exchange difference on translation of foreign operations	**(27.1)**	27.8
Gain/(loss) on net investment hedge net of taxation	**16.9**	(18.3)
	(57.3)	(6.1)
Items that will not be reclassified to profit or loss:		
Actuarial (loss)/gain on retirement benefit schemes, net of taxation	**(61.4)**	178.6
Share of other comprehensive (loss)/income of joint ventures and associates, net of taxation	**(5.2)**	47.3
	(66.6)	225.9
Other comprehensive (loss)/gain, net of taxation	**(123.9)**	219.8
Total comprehensive income for the period	**1,331.8**	1,139.9
Attributable to:		
Ordinary shareholders of the parent	**1,285.2**	1,041.4
Other equity holders	**46.6**	98.5
	1,331.8	1,139.9

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

Consolidated Balance Sheet

as at 31 March 2019

	Note	2019 £m	2018 Restated £m
Assets			
Property, plant and equipment		**12,429.4**	12,343.3
Goodwill and other intangible assets		**990.2**	1,486.1
Equity investments in associates and joint ventures		**1,899.0**	977.0
Loans to associates and joint ventures		**935.4**	781.0
Other investments		**0.5**	4.8
Deferred tax assets		**302.8**	294.7
Derivative financial assets		**325.9**	336.4
Retirement benefit assets	15	**537.7**	572.1
Non-current assets		**17,420.9**	16,795.4
Intangible assets		**800.3**	712.5
Inventories		**228.5**	225.9
Trade and other receivables		**3,144.6**	4,071.7
Cash and cash equivalents		**431.6**	232.2
Derivative financial assets		**1,452.2**	1,060.1
Current assets held for disposal	12	**1,864.3**	117.2
Current assets		**7,921.5**	6,419.6
Total assets		**25,342.4**	23,215.0
Liabilities			
Loans and other borrowings	13	**697.4**	650.3
Trade and other payables		**4,012.9**	4,977.6
Current tax liabilities		**12.5**	117.9
Provisions		**12.2**	20.6
Derivative financial liabilities		**1,882.4**	1,253.1
Liabilities held for disposal	12	**1,091.9**	-
Current liabilities		**7,709.3**	7,019.5
Loans and other borrowings	13	**8,618.7**	7,960.2
Deferred tax liabilities		**947.0**	1,002.8
Trade and other payables		**355.4**	385.3
Provisions		**1,017.7**	812.5
Retirement benefit obligations	15	**250.6**	237.6
Derivative financial liabilities		**602.4**	566.9
Non-current liabilities		**11,791.8**	10,965.3
Total liabilities		**19,501.1**	17,984.8
Net assets		**5,841.3**	5,230.2
Equity			
Share capital	14	**523.4**	511.5
Share premium		**879.6**	890.3
Capital redemption reserve		**34.8**	34.8
Hedge reserve		**(62.6)**	(15.5)
Translation reserve		**33.1**	43.3
Retained earnings		**3,263.3**	2,596.1
Equity attributable to ordinary shareholders of the parent		**4,671.6**	4,060.5
Hybrid equity	14	**1,169.7**	1,169.7
Total equity		**5,841.3**	5,230.2

The 2018 balance sheet has been represented following a reclassification of certain software assets. See note 2.3

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

Consolidated Statement of Changes in Equity

for the year ended 31 March 2019

	Share capital £m	**Share premium £m**	**Capital redemption reserve £m**	**Hedge reserve £m**	**Translation reserve £m**	**Retained earnings £m**	**Total attributable to ordinary shareholders £m**	**Hybrid equity £m**	**Total equity attributable to equity holders of the parent £m**
At 1 April 2018(i)	511.5	890.3	34.8	(15.5)	43.3	2,598.6	**4,063.0**	1,169.7	**5,232.7**
Total comprehensive income for the year	-	-	-	(47.1)	(10.2)	1,342.5	**1,285.2**	46.6	**1,331.8**
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	**523.4**	**879.6**	**34.8**	**(62.6)**	**33.1**	**3,263.3**	**4,671.6**	**1,169.7**	**5,841.3**

(i) Opening reserves at 1 April 2018 have been increased by £2.5m following adoption of IFRS 15 (see note 3.1).

Statement of changes in equity	Share capital £m	Share premium £m	Capital redemption reserve £m	Hedge reserve £m	Translation reserve £m	Retained earnings £m	Total attributable to ordinary shareholders £m	Hybrid equity £m	Total equity attributable to equity holders of the parent £m
At 1 April 2017	507.8	885.7	26.5	14.5	33.8	2,594.5	4,062.8	2,209.7	6,272.5
Total comprehensive income for the year	-	-	-	(30.0)	9.5	1,061.9	1,041.4	98.5	1,139.9
Dividends to shareholders	-	-	-	-	-	(926.1)	(926.1)	-	(926.1)
Scrip dividend related share issue	12.0	(12.0)	-	-	-	331.6	331.6	-	331.6
Distributions to Hybrid equity holders	-	-	-	-	-	-	-	(98.5)	(98.5)
Redemption of hybrid	-	-	-	-		(92.4)	(92.4)	(1,040.0)	(1,132.4)
Issue of shares	-	16.6	-	-	-	-	16.6	-	16.6
Share repurchase	(8.3)	-	8.3	-	-	(371.6)	(371.6)	-	(371.6)
Credit in respect of employee share awards	-	-	-	-	-	18.0	18.0	-	18.0
Investment in own shares	-	-	-	-	-	(19.8)	(19.8)	-	(19.8)
At 31 March 2018	511.5	890.3	34.8	(15.5)	43.3	2,596.1	4,060.5	1,169.7	5,230.2

Consolidated Cash Flow Statement
for the year ended 31 March 2019

	Note	2019 £m	2018 £m
Operating profit – continuing operations	6	**1,692.2**	1,157.4
Operating profit – discontinued operations		**35.3**	221.8
Operating profits – total operations		**1,727.5**	1,379.2
Less share of profit of joint ventures and associates		**(129.2)**	(146.2)
Operating profit before jointly controlled entities and associates		**1,598.3**	1,233.0
Pension service charges less contributions paid		**(25.5)**	(39.5)
Movement on operating derivatives		**328.2**	89.1
Depreciation, amortisation, write downs and impairments		**748.2**	1,036.8
Charge in respect of employee share awards (before tax)		**20.8**	21.7
Profit on disposal of assets and businesses	12	**(1,122.2)**	(34.9)
Release of provisions		**(33.9)**	(20.5)
Release of deferred income		**(10.2)**	(20.6)
Cash generated from operations before working capital movements		**1,503.7**	2,265.1
(Increase)/decrease in inventories		**(3.4)**	43.2
Increase in receivables		**(57.6)**	(313.1)
Decrease in payables		**(116.8)**	(97.8)
Increase/(decrease) in provisions		**23.8**	(7.9)
Cash generated from operations		**1,349.7**	1,889.5
Dividends received from investments		**121.9**	171.9
Interest paid		**(251.9)**	(201.8)
Taxes paid		**(43.0)**	(132.2)
Net cash from operating activities		**1,176.7**	1,727.4
Purchase of property, plant and equipment		**(1,226.4)**	(1,313.6)
Purchase of other intangible assets		**(282.4)**	(244.7)
Deferred income received		**20.9**	12.2
Proceeds from disposals	12	**1,145.9**	151.5
Loans and equity provided to joint ventures and associates		**(318.0)**	(140.4)
Purchase of businesses and subsidiaries		**(119.8)**	-
Loans and equity repaid by joint ventures		**57.3**	128.0
Net cash from investing activities		**(722.5)**	(1,407.0)
Proceeds from issue of share capital		**1.2**	16.6
Dividends paid to company's equity holders	10	**(689.9)**	(594.5)
Redemption of Hybrid equity		**-**	(1,132.4)
Hybrid equity dividend payments	14	**(46.6)**	(98.5)
Employee share awards share purchase		**(3.6)**	(19.8)
New borrowings		**1,260.0**	859.0
Repayment of borrowings		**(677.1)**	(175.4)
Settlement of cashflow hedges		**(3.6)**	1.4
Repurchase of own shares		**-**	(371.6)
Net cash from financing activities		**(159.6)**	(1,515.2)
Net increase/(decrease) in cash and cash equivalents		**294.6**	(1,194.8)
Cash and cash equivalents at the start of year		**232.2**	1,427.0
Net increase/(decrease) in cash and cash equivalents		**294.6**	(1,194.8)
Transfer to held for disposal		**(95.2)**	-
Cash and cash equivalents at the end of year		**431.6**	232.2

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

Notes to the Preliminary Statement
for the year ended 31 March 2019

1. Financial Information

The financial information set out in this announcement does not constitute the Group's consolidated financial statement for the years ended 31 March 2019 or 2018 but is derived from those accounts. Consolidated financial statements for the year ended 31 March 2018 were delivered to the Registrar of Companies, and those for the year ended 31 March 2019 will be delivered in due course. The auditors have reported on those accounts and their reports were (i) unqualified; (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. This preliminary announcement was authorised by the Board on 21 May 2019.

2. Basis of preparation and presentation

2.1 Basis of preparation

The financial information set out in this announcement has been extracted from the consolidated financial statements of SSE plc for the year ended 31 March 2019. These consolidated financial statements were prepared under the historical cost convention, excepting certain assets and liabilities stated at fair value and in accordance with International Financial Reporting Standards and their interpretations, as adopted by the European Union (adopted IFRS). This consolidated financial information has been prepared on the basis of accounting policies consistent with those applied in the consolidated financial statements for the year ended 31 March 2019 unless expressly stated otherwise.

The Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. The financial information has therefore been prepared on a going concern basis. The financial statements are presented in Pounds Sterling.

2.2 Basis of presentation

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

2.3 Changes to presentation

During the year, the Group assessed that its GB domestic energy supply and energy related service activities met the criteria to be presented as held for disposal (see note 5.1 (ii)). As a result, the comparative income statement and related notes have been represented to exclude the activities held for disposal, in line with the requirements of IFRS 5 '*Non-current Assets Held for Sale and Discontinued Operations'*.

During the year, the Group reclassified certain software assets with net book value of £778.4m at 31 March 2018 (31 March 2017: £700.7m) from property, plant and equipment to intangible assets. The software assets had been classified as property, plant and equipment as they had been considered integral to certain hardware assets. However, on review, the Group has reassessed this classification and presented the assets as intangible assets. Due to the size of the reclassification, an adjustment to the comparative balance sheet has been made. The adjustment has no impact on gross assets, net assets, retained earnings or current profit measures. In addition, the reclassification has no impact on any of the Group's adjusted performance measures.

3. New accounting policies and reporting changes

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

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

The accounting policies are consistent with those of the prior period, except for the following new standards which became effective for the period beginning on 1 April 2018. There are no other new standards or interpretations effective for the year ended 31 March 2019, in addition to the below, which are considered to have a material impact on the Consolidated Financial Statements of the Group.

IFRS 9 'Financial Instruments'

This standard replaces IAS 39 'Financial Instruments: Recognition and Measurement' and sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The impact of adopting this standard can be summarised with reference to the three project phases:

(i) Classification and measurement

The standard adopts a principles based approach to classify financial assets on the basis of the business model within which they are held and their contractual cash flow characteristics. Following this approach, financial assets will be classified as measured at amortised cost, fair value through profit and loss or fair value through other comprehensive income. For financial liabilities, the classification and measurement requirements under IAS 39 have been carried forward essentially unchanged, with the majority of financial liabilities being classified as measured at amortised cost.

As a result of adopting IFRS 9, unquoted equity instruments previously measured at amortised cost have been classified as equity instruments and measured at fair value through other comprehensive income. The value of unquoted equity instruments reclassified

3. New accounting policies and reporting changes (continued)

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

at 1 April 2018 was £4.8m. Adoption has not resulted in changes to the carrying value of these, or any other, financial instruments held by the Group.

The Group will continue to measure equity instruments at fair value through other comprehensive income, as an election on an instrument-by-instrument basis on initial recognition.

(ii) Impairment

The standard includes the requirement that impairment models also consider the expected credit losses on an entity's financial assets held at amortised cost and commitments to extend credit. As a result of this forward looking model – which removes the requirement for a "trigger event" to have occurred – earlier recognition of credit losses may occur.

Adoption of IFRS 9 has not resulted in any movement on the calculated impairment provisions. Given the short-term nature of the majority of affected financial assets, and the Group's focus on mitigating significant credit risk through regular monitoring and securitisation, the inclusion of forward-looking information as required by IFRS 9 did not result in a material change to the Group's provisioning at 31 March.

(iii) Hedge accounting

The standard does not materially change the amounts recognised in relation to existing hedging arrangements but does simplify the requirements for measuring hedge effectiveness, and thus the eligibility conditions for hedge accounting. The new hedge accounting model is intended to enable companies to reflect better their risk management activities in the financial statements.

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

Transition approach

The Group has applied the exemption from the requirement to restate comparative information about classification and measurement, including impairment. The impact of adopting IFRS 9 on the Group's Balance Sheet and Retained Earnings was deemed to be immaterial, and as such no adjustments have been recorded on transition.

IFRS 15 'Revenue from contracts with customers'

This standard replaces IAS 11 'Construction contracts', IAS 18 'Revenue', IFRIC 18 'Transfers of Assets from Customers' and several other revenue related interpretations previously adopted by the Group. The core principle of IFRS 15 is that an entity recognises revenue that reflects the expected consideration for goods or services provided to a customer under contract, over the performance obligations they are being provided. The standard has introduced a five-step model as the framework for applying that core principle.

Transition approach

The Group has applied the 'Modified Retrospective' transition approach, whereby prior periods are not restated to reflect the above changes in accounting policies, with the cumulative effect of initially applying IFRS 15 recognised on 1 April 2018 instead. The Group has also elected to take advantage of the practical expedient whereby contracts that have been completed under the previous accounting policies at the beginning of the earliest period are not restated. The details of the significant changes to revenue accounting policies, as updated in accompanying information Note A1.2 of the Group's consolidated financial statements, and quantitative impact of the changes can be summarised for each Business Area as follows:

Networks

Revenue relating to distribution connections is recognised 'over time' with reference to the ongoing obligation to provide connection access to the Distribution Network, rather than at the point of time the connection was completed under IFRIC 18.

Retail – continuing operations

Revenue and costs relating to Third Party Intermediary companies (used by Business Energy customers to support and advise them in changing Supplier) are offset within cost of sales in the Income Statement, rather than recognised gross as previously applied.

For construction contracts undertaken by the Enterprise segment, revenue is recognised on a 'costs incurred' input basis with costs expensed as they occur, rather than the margin mark-up basis previously applied. This change in treatment removes work in progress from the Group's balance sheet.

Retail – discontinued operations

Revenue and costs relating to customer support schemes (such as the Warm Home Discount) are offset within revenue in the Income Statement, rather than recognised gross as previously applied.

3. New accounting policies and reporting changes (continued)

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

For certain equipment provided to customers on inception of a contract – for example, internet routers delivered to a customer on inception of a Broadband contract – revenue is recognised when the equipment is delivered rather than over the customer contract period as previously applied.

Wholesale

As previously noted within the Group's 2018 Annual Report, the presentation of sales and purchases of commodity optimisation trades on a gross or net basis varies across its industry peer group. Due to the adoption of IFRS 15, and the clear principles defining "revenue" contained within, a review was undertaken to conclude on whether a gross or net presentation of sales and purchases of commodity trades provided a more relevant reflection of their underlying economic reality. The review, which completed during the first half of this financial year, concluded that whilst a gross presentation of sales commodity optimisation trades was acceptable under previous revenue standards, it neither reflects the revised principles defining revenue nor the underlying economic purpose for this trading and should therefore be presented net in cost of sales alongside purchase commodity optimisation trades. As this change is a direct consequence of adopting IFRS 15, and the clear principles defining "revenue" contained within, the Group has applied the transition approach afforded by that standard and applied a net presentation from 1 April 2018 onwards. This change to presentation had no impact on the operating profit of the Group's EPM segment.

In November 2018, the IFRIC published a tentative pronouncement on the accounting treatment applied to the physical settlement of contracts to buy or sell a non-financial item. This pronouncement, which was subsequently ratified in March 2019, concluded that entities should not reverse previously recognised fair value gains or losses on derivatives through different Income Statement line items upon settlement. In particular, the IFRIC noted that there is no gain or loss on the derivative arising as a result of settlement. We consider the net presentation approach applied by the Group from 1 April 2018 for EPM Commodity Trades as described above to be consistent with the IFRIC.

Adoption impact

On adoption of IFRS 15 on 1 April 2018, the opening reserves of the Group were increased by £2.5m, reflecting the IFRS 15 margin now recognised on construction contracts in progress at that date. Going forward the Property, Plant and Equipment and deferred income of the Group are expected to be higher as a result of the adoption of the standard as connections income are amortised rather than recognised on completion. At 31 March 2019 property, plant and equipment balances are £113.9m higher and deferred income is £117.3m higher than they would have been under historical accounting policies. The application of IFRS 15 has resulted in the following revenue and operating profit adjustments being made to the amounts recognised in these Financial Statements:

Revenue by segment

	Historic revenue policies 2019 £m	Adjustments 2019 £m	IFRS 15 revenue 2019 £m
Continuing operations			
Networks			
Electricity Distribution (i)	**793.6**	**(117.2)**	**676.4**
Electricity Transmission	**395.7**	**-**	**395.7**
	1,189.3	**(117.2)**	**1,072.1**
Retail			
Business Energy	**2,645.7**	**(52.8)**	**2,592.9**
Airtricity	**1,087.3**	**-**	**1,087.3**
Enterprise	**494.8**	**(11.0)**	**483.8**
	4,227.8	**(63.8)**	**4,164.0**
Wholesale			
Electricity Generation	**549.0**	**-**	**549.0**
EPM (ii)	**20,240.8**	**(18,808.7)**	**1,432.1**
Gas Storage	**24.2**	**-**	**24.2**
Gas Production	**30.1**	**-**	**30.1**
	20,844.1	**(18,808.7)**	**2,035.4**
Corporate unallocated	**60.1**	**-**	**60.1**
Total	**26,321.3**	**(18,989.7)**	**7,331.6**
Discontinued operations			
SSE Energy Services – Energy Supply	**3,510.3**	**(44.5)**	**3,465.8**
SSE Energy Services – Energy Related Services	**119.6**	**(0.7)**	**118.9**
Total discontinued operations	**3,629.9**	**(45.2)**	**3,584.7**
Total SSE Group	**29,951.2**	**(19,034.9)**	**10,916.3**

3. New accounting policies and reporting changes (continued)

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

Reported operating profit/(loss) by segment

	Historic revenue policies 2019 £m	Adjustments 2019 £m	IFRS 15 revenue 2019 £m
Continuing operations			
Networks			
Electricity Distribution (i)	404.7	(3.4)	401.3
Electricity Transmission	252.1	-	252.1
Gas Distribution	85.1	-	85.1
	741.9	(3.4)	738.5
Retail			
Business Energy	51.6	-	51.6
Airtricity	38.6	-	38.6
Enterprise	32.9	(1.1)	31.8
	123.1	(1.1)	122.0
Wholesale			
Electricity Generation	1,192.3	-	1,192.3
EPM (ii)	(613.1)	-	(613.1)
Gas Storage	(5.7)	-	(5.7)
Gas Production	78.6	-	78.6
	652.1	-	652.1
Corporate unallocated	179.6	-	179.6
Total	1,696.7	(4.5)	1,692.2
Discontinued operations			
SSE Energy Services – Energy Supply	29.7	-	29.7
SSE Energy Services – Energy Related Services	3.8	1.8	5.6
Total discontinued operations	33.5	1.8	35.3
Total SSE Group	1,730.2	(2.7)	1,727.5

(i) The reduction to Electricity Distribution revenue is offset by a reduction to depreciation of £113.8m. Therefore, the net operating profit impact is £3.4m in the period.

(ii) The reduction in EPM revenue of £18,808.7m is offset by an equal reduction to cost of sales, to present all transactions entered into for the purposes of optimisation on a net basis. There is no impact of this adjustment on operating profit or cashflows of the EPM segment.

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

A number of standards 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 16 'Leases' which has been endorsed by the EU and will be effective from 1 January 2019 (and thus 1 April 2019 to the Group).

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.

Transition approach

The Group will apply the 'Modified Retrospective' approach, whereby comparative figures are not restated. Instead, the cumulative effect of initially applying IFRS 16 will be 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.

3. New accounting policies and reporting changes (continued)

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

Furthermore, the Group will apply 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 on a lease-by-lease basis on whether the clause is reasonably certain to be triggered.

Where the interest rate implicit in the lease is not readily determined, the Group will apply the intercompany borrowing rate which is based on the Group's external borrowing rates with premia adjustments for any subsidiary specific risk factors.

The changes resulting from adoption of the standard can be summarised in the following two areas as previously referenced:

(i) Identification of a lease

The standard introduces a distinction between a lease and a service contract based on whether a customer is able to control an identifiable asset. Certain existing operating and finance leases under IAS 17 – predominantly obligations under Power Purchase Agreements with various power generating companies – fail to meet this definition, and therefore will be treated as service contracts. However, whilst some existing service contracts may now meet this definition and therefore would be treated as leases, limited examples were identified through the review.

(ii) Recognition of right-of-use assets and lease liabilities for existing operating leases

The standard removes the previous distinction between operating leases and finance leases and requires that, where a lease is identified in a contract, a right-of-use asset and lease liability are recognised. Operating lease expenses will be replaced by a depreciation expense on right-of-use assets recognised and an interest expense as the interest rate implicit in the lease liabilities unwinds. When the interest rate implicit in the lease cannot be readily determined, the Group's incremental borrowing rate will be used as an alternative.

(iii) Other considerations

In March 2019, the IFRIC published a tentative pronouncement on the accounting treatment applied to Subsurface Rights following a submission concerning a specific subsurface contract the submitter had entered into. The pronouncement concluded that, in determining which accounting standard should apply, an entity should first consider whether the contract contains a lease as defined in IFRS 16. The pronouncement went on to conclude that, for the specific subsurface contract described by the submitter, a lease was present as defined under IFRS 16.

Whilst the Group has several contractual arrangements concerning subsurface rights – principally in the form of Wayleaves, Easements and Deeds of Servitude – the IFRS 16 adoption project concluded that no leases were present as the Group did not have the right to obtain substantially all the economic benefits from use. The Group considers that this conclusion is unaffected by the IFRIC's pronouncement, as the facts and circumstances between the submitted subsurface contract and the Group's subsurface contracts considered are different, however will continue to monitor the IFRIC's position as this tentative pronouncement is finalised.

(iv) Adoption impact

As at the reporting date, the Group has non-cancellable operating lease commitments of £430.9m.

On adoption of IFRS 16, the Group anticipates recognising an additional right-of-use asset of approximately £230m and a lease liability of approximately £285m, with a corresponding approximate £55m decrease in equity. This value is lower than the value of non-cancellable operating lease commitments due to the exclusion of short term and low value leases (which will continue to be expensed to the income statement), operating leases under IAS 17 which do not meet the lease criteria under IFRS 16 and the effect of discounting.

Furthermore, the Group anticipates that £4.8m of finance lease assets and £2.9m of finance lease liabilities recognised under IAS 17 will be derecognised on adoption of IFRS 16, as they no longer meet the lease criteria.

The anticipated Income Statement impact (based on lease contracts in existence at 31 March 2019) is a reduction in Operating Costs of approximately £45m, offset by increases in depreciation of approximately £35m and finance costs of approximately £15m. These figures do not include the taxation impact and are subject to finalisation.

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

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

3. New accounting policies and reporting changes (continued)

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

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

Other interpretations and amendments

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

4. Adjusted accounting measures

4.1 Adjusted measures

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

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

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

The Group also uses adjusted earnings before interest, taxation, depreciation and amortisation ('adjusted EBITDA') as an alternative operating performance measure which acts as a management proxy for cash generated from operating activities. This does not take into account the rights and obligations that SSE has in relation its equity-accounted joint ventures and associates. This measure excludes exceptional items and certain re-measurements (see below), the net interest costs associated with defined benefit schemes, depreciation and amortisation from equity-accounted joint ventures and associates and interest and taxation on profits from equity-accounted joint ventures and associates. The Group has restated comparative adjusted EBITDA figures following the adoption of IFRS 15 on 1 April 2018. The adoption of the new standard changed the way the Group accounts for electricity distribution connections (see note 3.1), therefore the adjusted measure has been restated to provide consistently prepared comparatives.

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

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

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

Reconciliations from reported measures to adjusted measures along with further description of the rationale for those adjustments are included in the Alternative Performance Measures section at pages 41 to 46 before the Summary Financial Statements.

4. Adjusted accounting measures (continued)

4.2 Exceptional items and certain re-measurements

Exceptional items are those charges or credits that are considered unusual by nature and/or scale and of such significance that separate disclosure is required for the financial statements to be properly understood. The trigger points for exceptional items will tend to be 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, or reversals of historic impairments, business restructuring and reorganisation costs, significant gains or losses on disposal and provisions in relation to contractual settlements associated with 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.

Certain re-measurements are re-measurements arising on certain commodity, interest rate and currency contracts which are accounted for as held for trading or as fair value hedges in accordance with the Group's policy for such financial instruments. The amounts shown in the before exceptional items and certain re-measurements results for these contracts is the amount settled in the year. 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.

4.3 Other additional disclosures

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

5. Accounting judgements and estimation uncertainty

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

5.1 Significant financial judgements – estimation uncertainties

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

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

The Group reviews the carrying amounts of its goodwill, other intangible assets and specific property, plant and equipment assets to determine whether any impairment of the carrying value of those assets requires to be recorded. The specific assets under review in the year ended 31 March 2019 are intangible development assets and specific property, plant and equipment assets related to gas production and thermal power generation as they displayed indicators of impairment. In conducting its reviews, the Group makes judgements and estimates in considering both the level of cash generating unit (CGU) at which common assets such as goodwill are assessed against, as well as the estimates and assumptions behind the calculation of recoverable amount of the respective assets or CGUs.

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

Changes from prior year

In the prior year the Group's Glendoe hydro-electric generation plant also displayed indicators of impairment and was subject to a detailed impairment test exercise. In the year ended 31 March 2019, the Group reached an out of court settlement with Hochtief in respect of its claim for damages which was subsequently allocated against the asset's carrying value. Following the settlement, the Group assessed the impairment risk over that asset no longer represented a significant financial judgement.

5. Accounting judgements and estimation uncertainty (continued)

5.1 Significant financial judgements – estimation uncertainties (continued)

(ii) Presentation of SSE Energy Services as held for disposal – accounting judgement

On 8 November 2017, the Group announced that it had entered into an agreement with innogy SE ('innogy') in respect of a proposed demerger of SSE's household energy and services business in Great Britain ('SSE Energy Services') and combination with innogy's subsidiary, npower Group plc, to form a new independent UK incorporated company. At 31 March 2018, the Group did not consider that the IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" criteria were met, given shareholder and regulatory approval was required for that transaction, and significant separation work was required.

At 30 September 2018, the Group assessed that the IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" criteria to present the business as held for disposal were met given it was highly probable that a disposal transaction would be completed following shareholder approval, provisional regulatory approval and significant separation work undertaken in the period. This assessment was revisited and reconfirmed after the delay to the Innogy proposed transaction announced on 8 November 2018.

On 17 December 2018, the Group announced that the proposed transaction with innogy would not be proceeding, as the Group determined it would not in the best interests of customers, employees or shareholders. The Group continues to believe that the best long-term future for the business lies outside of the SSE group and is therefore continuing with steps to increase its autonomy and independence. To that end, the Group has appointed Katie Bickerstaffe as Executive Chair of SSE Energy Services effective from 23 June 2019, alongside Gordon Boyd, who joins as Interim Chief Financial Officer. She will form a new, dedicated SSE Energy Services Board, which is expected to have both executive and non-executive representation from the SSE Group, as well as an independent non-executive director. The business will therefore be able to operate with greater day-to-day autonomy and independence, while still being subject to oversight by the SSE plc Board while it remains within the Group. This new structure will have a mandate to deliver a new future for SSE Energy Services outside the SSE Group in the form of new, alternative ownership or a listing by the second half of 2020.

At 31 March 2019, the Group has reassessed the IFRS 5 criteria for presentation of the business as held for disposal. Given the Group's stated commitment to dispose of SSE Energy Services; the significant work performed to separate the business as an independent, self-sufficient entity within the Group; and significant progress made on delivery of a listing or new, alternative ownership by the second half of 2020, the Group has reconfirmed that the IFRS 5 criteria have been met and therefore it remains highly probable that a disposal transaction will be completed. The Group has therefore presented the SSE Energy Services business as a discontinued operation.

'Held for disposal', as presented throughout these Financial Statements may be either 'held for sale' or 'held for distribution' as defined by IFRS 5.

(iii) Revenue recognition – SSE Energy Services unbilled supply of energy – estimation uncertainty

The Group's household energy and services business in Great Britain ('SSE Energy Services') is presented as held for disposal at 31 March 2019 (see note 5.1(ii)). Despite the presentation as held for disposal, the estimation of revenue arising from its household energy supply business remains a significant financial judgement in the preparation of the Group's consolidated financial statements.

Revenue from SSE Energy Services' household energy supply activities includes an estimate of the value of electricity or gas supplied to domestic 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 calculated by assessing a number of factors such as externally notified aggregated volumes supplied to customers from national settlements bodies, amounts billed to customers and other adjustments (disclosed as accrued income). Given the estimation involved, the number of differing inputs and application of management judgement, the unbilled revenue estimate for the household energy supply business is considered a significant judgement made by management in preparing the financial statements.

Unbilled revenue is calculated by applying the tariffs applicable to customers to the calculated estimated 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 SSE Energy Services' customers that is measured by industry system operators, is a key element in assessing the reasonableness of this estimate. 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. The Group's continuing Business Energy segment is also affected by similar factors but, with a materially higher proportion of half-hourly metered customers, the estimation of unbilled revenue for that business is not considered to be a significant financial judgement for the Group.

The Group's policy is to recognise unbilled revenue only where the economic benefits are expected to flow to the Group. A change in the assumptions underpinning the judgements would have an impact on the amount of revenue recognised in any given period. In the previous year, as a result of a number of improvements in data quality and process certainty, the Group's increased confidence in the quality of grid supply point metering and national settlements data it uses as part of its estimation process resulted in an additional revenue amount being recognised in the year (2018: £42m). The unbilled gas revenue estimation process has required the Group to take account of industry estimated supplied quantities of gas consumed which have historically been higher than actual metered supply.

5. Accounting judgements and estimation uncertainty (continued)

5.1 **Significant financial judgements – estimation uncertainties (continued)**

(iii) Revenue recognition – SSE Energy Services unbilled supply of energy – estimation uncertainty (continued)

To address this, the Group has applied a further judgement, being a percentage reduction to unbilled consumption volume, to the measurement of its unbilled revenue in the financial statements. It is expected that this judgement will become less critical as the industry transitions to smart meter technology although there remain some issues with new industry gas allocation processes necessitating the continuation for the application of judgement in revenue recognition for the household gas supply business.

(iv) Retirement benefit obligations – estimation uncertainty

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

5.2 Other key accounting judgements

(i) 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 31 March 2019 the net book value of costs capitalised less depreciation charged totalled £103.3m (2018: £86.6m). SSE is aware that other market participants have elected to expense these costs as incurred, however, given that it has been assessed that control exists over these assets, they have been capitalised.

(ii) Accounting for Capacity Market payments – accounting judgement

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 in July 2014 for the UK Capacity Market scheme. This judgement was decided on procedural grounds – concluding that the European Commission should have consulted more fully before granting state aid approval. The judgement effectively removes state aid approval for the UK Capacity Market from the 2018/19 delivery year onwards, preventing the UK Government from holding any capacity auctions or making any capacity payments under existing agreements until re-approval of the scheme. In February 2019, the European Commission opened an in-depth investigation under state aid rules into the scheme.

Following the ECJ judgement in November 2018, the UK Government confirmed that payments under existing capacity agreements will be suspended. It was also confirmed that payments made for the Transitional Arrangements Auctions in January 2016 and March 2017, and the Supplementary Capacity Auction in January 2017 would not be affected as state aid for these auctions was granted separately (although the Transitional Arrangements Auctions have been subsequently challenged). In February 2019, the UK Government confirmed that they would not restart mandatory collection of supplier charges until the scheme was re-approved. As an interim measure, to ensure suppliers have clarity regarding the size of their payment liability during the "standstill" period, schedules of payments would be issued and updated on a periodic basis. This is consistent with Ofgem's announcement, also in February 2019, that the second price cap period would include a full Capacity Market allowance.

As a result of the ECJ ruling, and the suspension of payments, approximately £58m of expected Capacity Market revenue has not been recognised by the Group's Electricity Generation business this financial year. Prior to this financial year, the Group had only received income from Supplementary Capacity Auction Agreements and is therefore unaffected by the recent Transitional Arrangements Auctions challenge.

Prior to the ECJ ruling, and in accordance with IFRIC 21 "Levies", a liability for the full year charge was recognised progressively between November and February. The Group assessed that this represented a regulatory operating cost to the business for its operations throughout the settlement year and therefore recognised the cost over the course of that year. Any difference between the liability and charge was recognised as a settlement prepaid asset. Following the ECJ ruling, we continue to consider that the Group has liability for payment of the Capacity Market charges despite IFRIC 21 no longer applying given schedules of payment covering the "standstill" period continue to be issued. The Group has therefore continued to recognise the Capacity Market charge in the year, in line with the schedule of payments issued, with a corresponding accrual reflecting the suspension of payments.

Given the UK Government continues to believe that the Capacity Market is the right mechanism for delivering security of supply at the lowest cost to consumers, and stated in February 2019 that it intends to "ensure that suspended payments are made to holders of capacity market agreements for 2018/19", we have continued to assume receipt of UK Capacity Market revenue within our impairment reviews.

5. Accounting judgements and estimation uncertainty (continued)

5.2 Other key accounting judgements (continued)

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

The Group has agreements with Meter Fit 10 Limited and Maple Topco Limited, a joint venture company, for the provision of meter asset provider (MAP) services. The Group has assessed that both arrangements, in common with all similar arrangements, 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 IFRS 16 "Leases" implementation project has concluded that this assessment will not change upon adoption of that standard (see Note 3.2).

5.3 Other areas of estimation uncertainty

(i) Tax provisioning

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

In estimating any such liability, the Group applies a risk-based approach, taking into account the specific circumstances of each dispute based on management's interpretation of tax law and supported, where appropriate, by discussion and analysis by external tax advisors. These estimates are inherently judgemental and could change substantially over time as each dispute progresses and new facts emerge. Provisions are reviewed on an ongoing basis, however the resolution of tax issues can take a considerable period of time to conclude and it is possible that amounts ultimately paid will be different from the amounts provided. Provisions for uncertain tax positions are included in current tax liabilities, and total £47.6m at 31 March 2019 (2018: £66.1m). The Group estimates that a reasonably possible range of settlement outcomes for the uncertain tax provisions could be settled in a range between nil to the full value of the provision.

The Group will adopt IFRIC 23 Uncertainty over income tax treatments from 1 April 2019 which will formalise and restrict policy adopted in relation to tax provisioning. In particular, this will mandate earlier 'true-up' to submitted computations and increased transparency over the basis for tax provisions.

For the year ended 31 March 2019, the tax computation position has been 'trued up' in line with IFRIC 23 requirements, resulting in prior year adjustments of £68m, as the 31 March 2017 & 31 March 2018 provisions were trued up to submitted computations. Therefore, we consider that the uncertain tax provisions at 31 March 2019 are materially in line with IFRIC 23 requirements and do not consider that adoption will have a material impact on the Group's financial statements.

(ii) Decommissioning costs

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

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

6. Segmental information

The segments of the Group remain unchanged from those reported at 31 March 2018. The businesses included within SSE Energy Services, which are discontinued, have been presented separately throughout this note. During 2018/19, SSE conducted a detailed review of how it is organised and operated in order to maximise individual business contributions to the Group's overall strategic objectives. This review has resulted in the establishment, in 2019/20, of a new operating structure which will lead to changes to its reportable operating segments in the financial year to March 2020.

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

Business Area	Reported Segments	Description
Continuing operations		
Networks	Electricity Distribution	The economically regulated lower voltage distribution of electricity to customer premises in the North of Scotland and the South of England. Revenue earned from delivery of electricity supply to customers is recognised based on the volume of electricity distributed to those customers and the set customer tariff. The revenue earned from other distribution services such as domestic customer connections is recognised in line with delivery of that service over the expected contractual period and at the contracted rate.
	Electricity Transmission	The economically regulated high voltage transmission of electricity from generating plant to the distribution network in the North of Scotland. Revenue earned from constructing, maintaining and renovating our transmission network is determined in accordance with the regulatory licence, based on an Ofgem approved revenue model and is recognised as charged to National Grid. The revenue earned from other transmission services such as generator plant connections is recognised in line with delivery of that service over the expected contractual period and at the contracted rate.
	Gas Distribution	SSE's share of Scotia Gas Networks, which operates two economically regulated gas distribution networks in Scotland and the South of England. The revenue earned from transportation of natural gas to customers is recognised based on the volume of gas distributed to those customers and the set customer tariff.
Retail	Business Energy	The supply of electricity and gas to business customers in GB. Revenue earned from the supply of energy is recognised in line with the volume delivered to the customer, based on actual and estimated volumes, and reflecting the applicable customer tariff after deductions or discounts.
	Airtricity	The supply of electricity, gas and energy related services to domestic and business customers in the Republic of Ireland and Northern Ireland. Revenue earned from the supply of energy is recognised in line with the volume delivered to the customer, based on actual and estimated volumes, and reflecting the applicable customer tariff after deductions or discounts. Revenue earned from energy related services may either be recognised over the expected contractual period or following performance of the service, depending on the underlying performance obligation.
	Enterprise	The integrated provision of services in competitive markets for industrial and commercial customers including electrical contracting, private energy networks and lighting services. Revenue is recognised by reference to the progress towards completion of the contractual performance obligation, based on the proportion of costs incurred to date relative to total expected costs, provided the contract outcome can be assessed with reasonable certainty.

6. Segmental information (continued)

Wholesale	Electricity Generation	The generation of electricity from renewable and thermal plant in the UK and Ireland. Revenue from physical generation of electricity to SSE EPM is recognised as generated, based on the spot price at the time of delivery. Revenue from national support schemes (such as Renewable Obligation Certificates or the Capacity Market) and ancillary generation services may either be recognised in line with electricity being physically generated or over the contractual period, depending on the underlying performance obligation.
	Energy Portfolio Management (EPM)	The optimisation of SSE's electricity, gas and other commodity requirements. Revenue from physical sales of electricity, gas and other commodities produced by SSE's Wholesale Business is recognised as supplied to either the national settlements body or the customer, based on either the spot price at the time of delivery or trade price where that trade is eligible for "own use" designation. The sale of commodity optimisation trades are presented net in cost of sales alongside purchase commodity optimisation trades.
	Gas Storage	The operation of gas storage facilities in the UK. Revenue from the injection and withdrawal of gas is recognised when provided, with revenue from the provision of storage services is recognised based on the number of days utilised at the contractual rate.
	Gas Production	The production and processing of gas and oil from North Sea fields. Revenue is recognised based on the production that has been delivered to the customer at the specified delivery point, at the applicable contractual market price.
Discontinued operations		
SSE Energy Services – Supply		The supply of electricity and gas to domestic customers in GB. Revenue earned from the supply of energy is recognised in line with the volume delivered to the customer, based on actual and estimated volumes, and reflecting the applicable customer tariff after deductions or discounts.
SSE Energy Services – Energy Related Services		The provision of energy related goods and services to domestic customers in GB including meter reading and installation, boiler maintenance and installation and domestic telecoms and broadband services. Revenue earned from energy related services may either be recognised over the expected contractual period or following performance of the service, depending on the underlying performance obligation.

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

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

6. Segmental information (continued)

(i) Revenue by segment

	Revenue from contracts with customers 2019 £m	**Other contract revenue 2019 £m**	**Reported revenue 2019 £m**	**Intra-segment revenue (i) 2019 £m**	**Segment revenue 2019 £m**	Reported revenue 2018 £m	Intra-segment revenue (i) 2018 £m	Segment revenue 2018 £m
Continuing operations								
Networks								
Electricity Distribution	**676.4**	**-**	**676.4**	**229.5**	**905.9**	777.0	252.4	1,029.4
Electricity Transmission	**395.7**	**-**	**395.7**	**0.2**	**395.9**	325.7	0.2	325.9
	1,072.1	**-**	**1,072.1**	**229.7**	**1,301.8**	1,102.7	252.6	1,355.3
Retail								
Business Energy	**2,592.9**	**-**	**2,592.9**	**26.2**	**2,619.1**	2,517.3	22.1	2,539.4
Airtricity	**1,087.3**	**-**	**1,087.3**	**144.7**	**1,232.0**	917.6	119.1	1,036.7
Enterprise	**476.6**	**7.2**	**483.8**	**110.1**	**593.9**	431.1	104.0	535.1
	4,156.8	**7.2**	**4,164.0**	**281.0**	**4,445.0**	3,866.0	245.2	4,111.2
Wholesale								
Electricity Generation	**549.0**	**-**	**549.0**	**1,536.3**	**2,085.3**	498.6	1,919.1	2,417.7
EPM:								
Gross trading	***20,240.8***	**-**	***20,240.8***	***4,464.6***	***24,705.4***			
Optimisation trades	***(18,808.7)***	**-**	***(18,808.7)***	***475.7***	***(18,333.0)***			
EPM (ii)	**1,432.1**	**-**	**1,432.1**	**4,940.3**	**6,372.4**	21,710.1	3,670.0	25,380.1
Gas Storage	**24.2**	**-**	**24.2**	**488.3**	**512.5**	11.1	306.5	317.6
Gas Production	**30.1**	**-**	**30.1**	**210.9**	**241.0**	30.3	221.7	252.0
	2,035.4	**-**	**2,035.4**	**7,175.8**	**9,211.2**	22,250.1	6,117.3	28,367.4
Corporate unallocated	**60.1**	**-**	**60.1**	**242.7**	**302.8**	31.6	316.9	348.5
Total	**7,324.4**	**7.2**	**7,331.6**	**7,929.2**	**15,260.8**	27,250.4	6,932.0	34,182.4
Discontinued operations								
SSE Energy Services – Energy Supply	**3,465.8**	**-**	**3,465.8**	**4.9**	**3,470.7**	3,840.5	10.1	3,850.6
SSE Energy Services – Energy Related Services	**113.5**	**5.4**	**118.9**	**180.0**	**298.9**	135.5	168.5	304.0
Total discontinued operations	**3,579.3**	**5.4**	**3,584.7**	**184.9**	**3,769.6**	3,976.0	178.6	4,154.6
Total SSE Group	**10,903.7**	**12.6**	**10,916.3**	**8,114.1**	**19,030.4**	31,226.4	7,110.6	38,337.0

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

II. Following the disposal of SSE Energy Services, internal revenue of £2,153.9m included above within EPM will be recognised as external revenue. These revenue transactions are for the purchase of power, gas and other commodities by EPM for SSE Energy Services. It is not currently known whether these transactions will continue for a period following disposal.

Revenue from the Group's investment in Scotia Gas Networks Limited SSE share being £411.8m (2018: £391.5m) is not recorded in the revenue line in the income statement.

Revenue by geographical location on continuing operations is as follows:

	2019 £m	2018 £m
UK	**6,430.0**	26,431.6
Ireland	**901.6**	818.8
	7,331.6	27,250.4

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6. Segmental information (continued)

(ii) Operating profit/(loss) by segment

	2019					
	Adjusted operating profit reported to the Board £m	Depreciation on fair value uplifts £m	JV/ Associate share of interest and tax (i) £m	Before exceptional items and certain re-measurements £m	Exceptional items and certain re-measurements £m	Total £m
Continuing operations						
Networks						
Electricity Distribution	**401.3**	-	-	**401.3**	-	**401.3**
Electricity Transmission	**252.1**	-	-	**252.1**	-	**252.1**
Gas Distribution	**176.8**	-	**(94.3)**	**82.5**	**2.6**	**85.1**
	830.2	-	**(94.3)**	**735.9**	**2.6**	**738.5**
Retail						
Business Energy	**51.6**	-	-	**51.6**	-	**51.6**
Airtricity	**38.6**	-	-	**38.6**	-	**38.6**
Enterprise	**31.8**	-	-	**31.8**	-	**31.8**
	122.0	-	-	**122.0**	-	**122.0**
Wholesale						
Electricity Generation	**433.6**	**(2.9)**	**(57.1)**	**373.6**	**818.7**	**1,192.3**
EPM	**(284.9)**	-	-	**(284.9)**	**(328.2)**	**(613.1)**
Gas Storage	**(5.7)**	-	-	**(5.7)**	-	**(5.7)**
Gas Production	**48.9**	-	-	**48.9**	**29.7**	**78.6**
	191.9	**(2.9)**	**(57.1)**	**131.9**	**520.2**	**652.1**
Corporate unallocated	**(6.5)**	-	**(3.8)**	**(10.3)**	**189.9**	**179.6**
Total	**1,137.6**	**(2.9)**	**(155.2)**	**979.5**	**712.7**	**1,692.2**
Discontinued operations						
SSE Energy Services – Energy Supply	**84.0**	-	-	**84.0**	**(54.3)**	**29.7**
SSE Energy Services – Energy-related Services	**5.6**	-	-	**5.6**	-	**5.6**
Total discontinued operations	**89.6**	-	-	**89.6**	**(54.3)**	**35.3**
Total SSE Group	**1,227.2**	**(2.9)**	**(155.2)**	**1,069.1**	**658.4**	**1,727.5**

The Electricity Generation adjusted operating profit measure of £433.6m (2018: £583.7m) can be attributed to Renewable (£455.9m, 2018: £475.9m) and Thermal/Other sources (loss of £22.3m, 2018: profit of £107.8m).

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6. Segmental information (continued)

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

	2018					
	Adjusted operating profit reported to the Board £m	Depreciation on fair value uplifts £m	JV/ Associate share of interest and tax (i) £m	Before exceptional items and certain re-measurements £m	Exceptional items and certain re-measurements £m	Total £m
Continuing operations						
Networks						
Electricity Distribution	402.2	-	-	402.2	-	402.2
Electricity Transmission	195.6	-	-	195.6	-	195.6
Gas Distribution	165.3	-	(96.2)	69.1	2.7	71.8
	763.1	-	(96.2)	666.9	2.7	669.6
Retail						
Business Energy	64.2	-	-	64.2	-	64.2
Airtricity	33.0	-	-	33.0	(6.1)	26.9
Enterprise	26.9	-	-	26.9	(11.8)	15.1
	124.1	-	-	124.1	(17.9)	106.2
Wholesale						
Electricity Generation	583.7	(4.8)	(52.3)	526.6	(3.2)	523.4
EPM	46.0	-	-	46.0	(89.1)	(43.1)
Gas Storage	(6.5)	-	-	(6.5)	-	(6.5)
Gas Production	34.0	-	-	34.0	(104.7)	(70.7)
	657.2	(4.8)	(52.3)	600.1	(197.0)	403.1
Corporate unallocated	10.4		(1.3)	9.1	(30.6)	(21.5)
Total	1,554.8	(4.8)	(149.8)	1,400.2	(242.8)	1,157.4
Discontinued operations						
SSE Energy Services – Energy Supply	260.4	-	-	260.4	(56.9)	203.5
SSE Energy Services – Energy-related Services	18.3	-	-	18.3	-	18.3
Total discontinued operations	278.7	-	-	278.7	(56.9)	221.8
Total SSE Group	1,833.5	(4.8)	(149.8)	1,678.9	(299.7)	1,379.2

(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 (see Note 7). The share of Scotia Gas Networks Limited interest includes loan stock interest payable to the consortium shareholders (included in Gas Distribution). The Group has accounted for its 33% share of this, £9.4m (2018: £15.2m), as finance income (Note 8).

6. Segmental information (continued)

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

	2019					
	Adjusted operating profit reported to the Board (Note 6 (ii)) £m	Depreciation on fair value uplifts £m	Depreciation/ impairment/ amortisation before exceptional charges £m	JV/ Associate share of depreciation and amortisation £m	Release of Deferred income £m	Adjusted EBITDA £m
Continuing operations						
Networks						
Electricity Distribution	401.3	-	132.1	-	(1.1)	532.3
Electricity Transmission	252.1	-	69.3	-	(2.8)	318.6
Gas Distribution	176.8	-	-	57.5	-	234.3
	830.2	-	201.4	57.5	(3.9)	1,085.2
Retail						
Business Energy	51.6	-	0.3	-	-	51.9
Airtricity	38.6	-	7.6	-	-	46.2
Enterprise	31.8	-	32.3	-	(4.5)	59.6
	122.0	-	40.2	-	(4.5)	157.7
Wholesale						
Electricity Generation	433.6	(2.9)	233.0	63.5	(0.9)	726.3
EPM	(284.9)	-	-	-	-	(284.9)
Gas Storage	(5.7)	-	1.0	-	-	(4.7)
Gas Production	48.9	-	101.6	-	-	150.5
	191.9	(2.9)	335.6	63.5	(0.9)	587.2
Corporate unallocated	(6.5)	-	43.4	2.5	(0.9)	38.5
Total	1,137.6	(2.9)	620.6	123.5	(10.2)	1,868.6
Discontinued operations						
SSE Energy Services – Energy Supply	84.0	-	35.6	-	-	119.6
SSE Energy Services – Energy-related Services	5.6	-	14.8	-	-	20.4
Total discontinued operations	89.6	-	50.4	-	-	140.0
Total SSE Group	1,227.2	(2.9)	671.0	123.5	(10.2)	2,008.6

The Electricity Generation adjusted EBITDA measure of £726.3m (2018: £855.7m) can be attributed to Renewable (£694.0m, 2018: £692.2m) and Thermal/Other (£32.3m, 2018: £163.5m) sources.

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6. Segmental information (continued)

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

Continuing operations	Adjusted operating profit reported to the Board (Note 6 (ii)) £m	Depreciation on fair value uplifts £m	Depreciation/ impairment / amortisation before exceptional charges £m	2018 Reversal of IFRIC 18 adjustment on adoption of IFRS 15 £m	JV/ Associate share of depreciation and amortisation £m	Release of deferred income £m	Adjusted EBITDA £m
Networks							
Electricity Distribution	402.2	-	248.7	(95.4)	-	(13.4)	542.1
Electricity Transmission	195.6	-	63.1	-	-	(2.6)	256.1
Gas Distribution	165.3	-	-	-	55.8	-	221.1
	763.1	-	311.8	(95.4)	55.8	(16.0)	1,019.3
Retail							
Business Energy	64.2	-	0.3	-	-	-	64.5
Airtricity	33.0	-	7.8	-	-	-	40.8
Enterprise	26.9	-	31.4	(3.2)	-	(1.5)	53.6
	124.1	-	39.5	(3.2)	-	(1.5)	158.9
Wholesale							
Electricity Generation	583.7	(4.8)	219.7	-	59.6	(2.5)	855.7
EPM	46.0	-	-	-	-	-	46.0
Gas Storage	(6.5)	-	0.9	-	-	-	(5.6)
Gas Production	34.0	-	119.0	-	-	-	153.0
	657.2	(4.8)	339.6	-	59.6	(2.5)	1,049.1
Corporate unallocated	10.4	-	54.0	-	0.7	(0.6)	64.5
Total	1,554.8	(4.8)	744.9	(98.6)	116.1	(20.6)	2,291.8
Discontinued operations							
SSE Energy Services – Energy Supply	260.4	-	37.8	-	-	-	298.2
SSE Energy Services – Energy-related Services	18.3	-	14.2	-	-	-	32.5
Total discontinued operations	278.7	-	52.0	-	-	-	330.7
Total SSE Group	1,833.5	(4.8)	796.9	(98.6)	116.1	(20.6)	2,622.5

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7. Exceptional items and certain re-measurements

	2019 £m	2018 £m
Continuing operations		
Exceptional items		
Asset impairments and related charges and credits	**(20.2)**	(148.4)
Provisions for restructuring and other liabilities	**(27.5)**	(8.0)
GMP equalisation charge	**(9.3)**	-
	(57.0)	(156.4)
Net gains on disposals of businesses and other assets	**1,096.9**	-
Total exceptional items	**1,039.9**	(156.4)
Certain re-measurements		
Movement on operating derivatives (note 16)	**(328.2)**	(89.1)
Movement on financing derivatives (note 16)	**(44.8)**	(33.0)
Share of movement on derivatives in jointly controlled entities (net of tax)	**1.0**	2.7
Total certain re-measurements	**(372.0)**	(119.4)
Exceptional items and certain re-measurements before taxation	**667.9**	(275.8)
Taxation		
Taxation on other exceptional items	**23.7**	107.2
Taxation on certain re-measurements	**67.3**	7.9
Taxation	**91.0**	115.1
Exceptional items after certain re-measurements after taxation	**758.9**	(160.7)
Discontinued operations		
Exceptional items		
Asset impairments and related charges and credits	**(54.3)**	(56.9)
Taxation	**10.3**	(1.6)
Exceptional items on discontinued operations after taxation	**(44.0)**	(58.5)

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

	2019 £m	2018 £m
Continuing operations		
Cost of sales:		
Movement on operating derivatives (note 16)	**(328.2)**	(89.1)
	(328.2)	(89.1)
Operating costs:		
Gas Production (E&P) related credit/(charges)	**29.7**	(104.7)
Electricity Generation asset impairments and reversals	**11.5**	-
Retail related restructuring costs and IT impairments	**(88.9)**	-
Other exceptional provisions and charges	**(9.3)**	(51.7)
	(57.0)	(156.4)
Operating income:		
Net gains on disposals of businesses and other assets	**1,096.9**	-
	1,096.9	-
Joint ventures and associates:		
Share of movement on derivatives in jointly controlled entities (net of tax)	**1.0**	2.7
	1.0	2.7
Operating profit/(loss)	**712.7**	(242.8)
Finance costs		
Movement on financing derivatives (note 16)	**(44.8)**	(33.0)
Profit/(loss) before taxation on continuing operations	**667.9**	(275.8)
Discontinued operations		
Operating costs:		
Retail related restructuring costs and IT impairments	**(54.3)**	(56.9)
Loss before tax on discontinued operations	**(54.3)**	(56.9)

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

7.1 Exceptional items

In the year to 31 March 2019, the Group recognised a net exceptional credit of £1,039.9m in its continuing operations and a charge of £54.3m in its discontinued operation. The gain in the continuing operations is primarily due to gains on disposal of businesses and assets totalling £1,096.9m (see note 12). These gains on disposal are offset by net asset impairments of £20.2m, reorganisation costs of £27.5m and an exceptional charge for GMP equalisation of £9.3m.

The net exceptional charges recognised, excluding gains on disposal , can be summarised as follows:

	Property, Plant & Equipment £m	Investments £m	Provisions & other charges £m	Total charges £m
Gas Production (i)	(29.7)	-	-	**(29.7)**
Electricity Generation (ii)	2.7	(13.3)	(0.9)	**(11.5)**
Disposal costs – SSE Energy Services (iii)	41.0	-	47.9	**88.9**
Pensions GMP equalisation (iv)	-	-	9.3	**9.3**
	14.0	**(13.3)**	**56.3**	**57.0**

i) Gas Production

In the year, 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 due to the revision of reserves and the expected return from these assets based on long term gas price forecasts. While there has been an increase in independently assessed hydrocarbon reserves at the Group's Greater Laggan Area asset, no reversal of previous impairments was recognised due to the level of sensitivity in the valuation models. Following these impairment reversals, the residual value in the Group's gas production assets is £488.6m.

ii) Electricity Generation

On 24 September 2018, the Group purchased the remaining 50% stake in Seagreen Wind Energy Limited ('Seagreen') taking its ownership to 100% and bringing Seagreen under full control of the Group. On completion of the acquisition, the Group reversed a previous impairment charge of £14.2m based on its renewed commitment to developing the prospect. The reversal of the impairment, while not exceptional by size, is included as an exceptional credit due to the original impairment of the Group's offshore wind portfolio being treated as exceptional in 2013/14.

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

iii) Disposal costs – SSE Energy Services

At 31 March 2019 the Group's UK domestic supply business is presented as held for disposal (see note 5.1(ii)) and as a result the Group has incurred restructuring costs and recognised provisions for costs that will be incurred on completion of the disposal. In the year the Group has incurred non-cash impairment charges of £41.0m on certain properties that will be sub-let to SSE Energy Services at a rate of rent that will not support the current carrying value of the assets. The assessment was based on a value in use calculation, which the Group has assessed is higher than fair value less costs to sell. These charges have only been recognised on the basis that Management considers the disposal of the business to be highly probable and would not have been incurred if SSE Energy Services had remained within the continuing operations of the Group.

In addition, the Group incurred a further £47.9m of professional advisor fees and IT and physical separation costs as the Group separates its IT systems and introduces physical separation in the properties that will be occupied by both SSE and SSE Energy Services following the disposal.

iv) Pensions GMP equalisation

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

Charges within discontinued operations

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

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

7.1 Exceptional Items (continued)

31 March 2018

In the previous financial year, the Group recognised a net exceptional charge of £213.3m. This consisted of asset impairment and related charges totalling £208.1m and net exceptional charges for provisions of £5.4m.

The net exceptional charges excluding gains on disposal recognised can be summarised as follows:

	Property, Plant & Equipment £m	Goodwill & Other Intangibles £m	Provisions & other charges £m	Investments £m	Total charges £m
Gas Production	104.7	-	-	-	104.7
Retail and technology development	53.3	9.7	-	-	63.0
Other	20.9	(4.4)	5.4	23.7	45.6
	178.9	5.3	5.4	23.7	213.3

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

The Group undertook an internal restructuring exercise following the announcement that SSE planned to demerge its UK domestic supply business in a transaction with npower. That restructuring, which was concluded on 1 April 2018, resulted in the impairment of £29.3m of software development costs related to the Group's previous Retail strategic investment in transformation and a further £33.7m of charges in relation to Retail related software developments and programmes within the Group's central service company and other subsidiaries.

In the previous year, SSE disposed of its 1.8% shareholding in Faroe Petroleum Limited for cash consideration of £4.0m, crystallising £7.2m of losses on disposal and disposed of its 15% shareholding in BIFAB Ltd for consideration of £1 at a loss of £16.5m, including £10.0m of losses previously recognised in the statement of other comprehensive income. The Group also recognised an impairment charge of £15.6m on its Barkip anaerobic digestion plant and combined charges of £11.8m in its Enterprise Utilities business following detailed review and assessment of the assets and contracts in its Heat Network portfolio. Offsetting these exceptional charges, the Group recognised a reversal in impairment in its Doggerbank offshore windfarm prospect of £7.9m and released £9.3m of provisions related to historic regulatory investigations and legal disputes.

31 March 2017

In the year ended 31 March 2017, the Group recognised a net exceptional charge of £8.2m. This consisted of asset impairment and related charges totalling £374.6m, net exceptional credits for provisions of £1.8m, net exceptional gains on disposal of £307.3m and net fair value uplift following loss of control of £59.1m. The £307.3m gain was related to the part disposal of the Group's stake in Scotia Gas Networks.

The exceptional charges recognised can be summarised as follows:

	Property, Plant & Equipment £m	**Goodwill & Other Intangibles £m**	**Inventories £m**	**Other charges/(credits) £m**	**Total charges £m**
Gas Production	244.3	(20.0)	-	3.2	227.5
Retail & technology developments	42.2	78.1	-	-	120.3
Gas Storage	23.8	-	-	-	23.8
Thermal Generation	30.7	-	(62.3)	-	(31.6)
Other	12.0	36.4	-	(13.8)	34.6
	353.0	94.5	(62.3)	(10.6)	374.6

The Group recorded significant impairment charges associated with its North Sea Gas Production assets, in particular at Greater Laggan, in relation to a reduction in the independently assessed quantity of available proved and probable (2P) hydrocarbon resources. This reserves re-assessment considered the reserves recognisable under likely production and took into account reserve shrinkage and contingent resource increases. In 2016/17, the Group also decided to cease the development of its replacement customer service and billing system and incurred an exceptional charge of £83.1m as a consequence, which was augmented by the discontinuation of related technology development projects totalling £37.2m. In addition, revised estimated decommissioning costs associated with the Aldbrough and Atwick Gas Storage sites led to an impairment of £23.8m. In thermal generation, the Group reassessed the value-in-use of its portfolio in Ireland and concluded that the Group's oil burning stations at Rhode and Tawnaghmor were impaired due to their age and future competitive prospects by £30.7m. Against this, the Group reversed previous stock impairments at Fiddler's Ferry following the success in securing a one year contract to provide ancillary capacity services.

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

7.2 Certain re-measurements

The Group enters into forward commodity purchase (and sales) contracts to meet the future demand requirements of its Energy Supply business and to optimise the value of its Generation and other Wholesale 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. 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 the income statement movement on financing derivatives (and hedged items) as described in note 16.

7.3 Change in UK corporation tax rates

Finance (No.2) Act 2015 which received royal assent on 18 November 2015 enacted a corporation tax rate of 19% from 1 April 2017, and a rate of 18% from 1 April 2020. A further change to reduce the rate of corporation tax to 17% from 1 April 2020 was announced in Finance Act 2016, as this change was enacted on 15 September 2016 it had the effect of reducing the Group's deferred tax liabilities by £34.6m in the year ended 31 March 2017, including the impact of changes recognised in the statement of other comprehensive income. In the year to 31 March 2018, the rate change enacted on 15 September 2016 which is effective from 1 April 2020, has the effect of increasing the group's deferred tax liabilities by £12.8m. This impact results from items arising in the year to 31 March 2018, which were therefore not rebased to 17% at the previous balance sheet date.

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

Notes to the Preliminary Statement
for the year ended 31 March 2019

8. Finance income and costs

	2019			2018		
	Before Exceptional items and certain re-measurements £m	**Exceptional items and certain re-measurements £m**	**Total £m**	Before Exceptional items and certain re-measurements £m	Exceptional items and certain re-measurements £m	Total £m
Finance income:						
Interest income from short term deposits	**1.1**	**-**	**1.1**	5.2	-	5.2
Interest on pension scheme assets (i)	**9.5**	**-**	**9.5**	2.7	-	2.7
Other interest receivable:						
Scotia Gas Networks loan stock	**9.4**	**-**	**9.4**	15.2	-	15.2
Other joint ventures and associates	**51.5**	**-**	**51.5**	38.2	-	38.2
Other receivable	**15.5**	**-**	**15.5**	40.8	-	40.8
	76.4	**-**	**76.4**	94.2	-	94.2
Total finance income	**87.0**	**-**	**87.0**	102.1	-	102.1
Finance costs:						
Bank loans and overdrafts	**(35.3)**	**-**	**(35.3)**	(26.5)	-	(26.5)
Other loans and charges	**(310.2)**	**-**	**(310.2)**	(324.2)	-	(324.2)
Notional interest arising on discounted provisions	**(17.4)**	**-**	**(17.4)**	(16.3)	-	(16.3)
Foreign exchange translation	**-**	**-**	**-**	(6.5)	-	(6.5)
Finance lease charges	**(28.6)**	**-**	**(28.6)**	(30.8)	-	(30.8)
Less: interest capitalised (ii)	**27.7**	**-**	**27.7**	42.2	-	42.2
Total finance costs	**(363.8)**	**-**	**(363.8)**	(362.1)	-	(362.1)
Changes in fair value of financing derivatives at fair value through profit or loss	**-**	**(44.8)**	**(44.8)**	-	(33.0)	(33.0)
Net finance costs	**(276.8)**	**(44.8)**	**(321.6)**	(260.0)	(33.0)	(293.0)
Presented as:						
Finance income	**87.0**	**-**	**87.0**	102.1	-	102.1
Finance costs	**(363.8)**	**(44.8)**	**(408.6)**	(362.1)	(33.0)	(395.1)
Net finance costs	**(276.8)**	**(44.8)**	**(321.6)**	(260.0)	(33.0)	(293.0)

i) The interest on net pension assets for the year ended 31 March 2019 of £9.5m credit (2018: £2.7m) represents the respective credits under IAS 19R.
ii) The capitalisation rate applied in determining the amount of borrowing costs to capitalise in the period was 3.71% (2018: 4.01%).

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

	2019 £m	2018 £m
Net finance costs	**(321.6)**	(293.0)
(add)/less:		
Share of interest from joint ventures and associates:		
Scotia Gas Networks loan stock	**(9.4)**	(15.2)
Other joint ventures and associates	**(114.3)**	(97.4)
	(123.7)	(112.6)
Interest on pension scheme liabilities	**(9.5)**	(2.7)
Share of interest on net pension liabilities in joint ventures	**(1.9)**	(0.2)
Movement on financing derivatives (Note 16)	**44.8**	33.0
Adjusted net finance costs	**(411.9)**	(375.5)
Notional interest arising on discounted provisions	**17.4**	16.3
Finance lease charges	**28.6**	30.8
Hybrid coupon payment (Note 14)	**(46.6)**	(98.5)
Adjusted net finance costs for interest cover calculations	**(412.5)**	(426.9)

9. Taxation

Analysis of charge recognised in the income statement

	2019			2018		
	Before Exceptional items and certain re-measure-ments	**Exceptional items and certain re-measure-ments**	**Total**	Before Exceptional items and certain re-measure-ments	Exceptional items and certain re-measure-ments	Total
	£m	**£m**	**£m**	£m	£m	£m
Current tax						
UK corporation tax	**30.4**	**0.4**	**30.8**	108.9	(9.2)	99.7
Adjustments in respect of previous years	**(68.0)**	**(30.0)**	**(98.0)**	(37.6)	(29.1)	(66.7)
Reassessment of capital allowances for previous years (I)	**-**	**-**	**-**	(101.3)	-	(101.3)
Loss carry back	**-**	**-**	**-**	(24.0)	-	(24.0)
Total current tax	**(37.6)**	**(29.6)**	**(67.2)**	(54.0)	(38.3)	(92.3)
Deferred tax						
Current year	**43.3**	**(64.9)**	**(21.6)**	104.1	(63.6)	40.5
Effect of change in tax rate	**(5.0)**	**3.5**	**(1.5)**	12.7	(13.2)	(0.5)
Reassessment of capital allowances for previous years (I)	**-**	**-**	**-**	101.3	-	101.3
Adjustments in respect of previous years	**32.7**	**-**	**32.7**	67.4	-	67.4
Total deferred tax	**71.0**	**(61.4)**	**9.6**	285.5	(76.8)	208.7
Total taxation charge	**33.4**	**(91.0)**	**(57.6)**	231.5	(115.1)	116.4

I) Reclassification of historic tax liabilities from current to deferred tax following a review of the position taken in the Group's tax accrual calculations for earlier open years

The Group has separately recognised the tax effect of the exceptional items and certain re-measurements summarised above. Included within the tax impact of exceptional items is a non-recurring £30m tax credit in respect of Ring Fence corporation tax losses in prior years, which have been surrendered to non Ring Fenced companies. The tax losses surrendered arose through tax allowances on assets on which exceptional impairments were booked in 2017 and 2018, and therefore the Group considers the tax credit arising to also be exceptional.

Adjusted current tax charge

The adjusted current tax charge is arrived at after the following adjustments:

	2019	**2019**	2018	2018
	£m	**%**	£m	%
Group tax (credit)/charge and effective rate	**(57.6)**	**(4.6)**	116.4	16.2
Add: reported deferred tax credit and effective rate	**(9.6)**	**(0.8)**	(208.7)	(29.1)
Current tax charge and effective rate	**(67.2)**	**(5.4)**	(92.3)	(12.9)
Effect of adjusting items (see below)	**-**	**(0.4)**	-	(4.4)
Current tax charge and effective rate on adjusted basis	**(67.2)**	**(5.8)**	(92.3)	(17.3)
add:				
Share of current tax from joint ventures and associates	**30.8**	**2.5**	32.9	4.6
Effect of reclassification	**-**	**-**	101.3	14.1
Less:				
Current tax on exceptional items	**29.6**	**2.4**	40.6	5.6
Adjusted current tax charge and effective rate	**(6.8)**	**(0.9)**	82.5	7.0

9. Taxation (continued)

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

	2019 £m	2018 £m
Profit before tax	**1,370.6**	864.4
Add/(less):		
Exceptional items and certain re-measurements	**(668.1)**	275.2
Share of tax from joint ventures/associates before exceptional items and certain re-measurements	**31.7**	37.8
Depreciation charge on fair value uplifts	**2.9**	4.8
Interest on pension scheme liabilities	**(9.5)**	(2.7)
Share of interest on net pension liabilities in jointly controlled entities and associates	**(1.9)**	(0.2)
Adjusted profit before tax	**725.7**	1,179.3

10. Dividends

10.1 Ordinary dividends

	Year ended 31 March 2019			Year ended 31 March 2018		
	Total £m	**Settled via scrip £m**	**Pence per ordinary share**	Total £m	Settled via scrip £m	Pence per ordinary share
Interim – year ended 31 March 2019	**300.5**	**141.3**	**29.3**	-	-	-
Final – year ended 31 March 2018	**672.5**	**141.8**	**66.3**	-	-	-
Interim – year ended 31 March 2018	-	-	-	287.8	7.1	28.4
Final – year ended 31 March 2017	-	-	-	638.3	324.5	63.9
	973.0	**283.1**		926.1	331.6	

The final dividend of 66.3p per ordinary share declared in respect of the financial year ended 31 March 2018 (2017: 63.9p) was approved at the Annual General Meeting on 19 July 2018 and was paid to shareholders on 21 September 2018. Shareholders were able to elect to receive ordinary shares credited as fully paid instead of the cash dividend under the terms of the Company's scrip dividend scheme.

An interim dividend of 29.3p per ordinary share (2018: 28.4p) was declared and paid on 15 March 2019 to those shareholders on the SSE plc share register on 18 January 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.

The proposed final dividend of 68.2p per ordinary share based on the number of issued ordinary shares at 31 March 2019 is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. Based on shares in issue at 31 March 2019, this would equate to a final dividend of £708.7m.

11. Earnings per Share

11.1 Basic earnings per share

The calculation of basic earnings per ordinary share at 31 March 2019 is based on the net profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the year ended 31 March 2019.

11.2 Adjusted earnings per share

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

Continuing operations	**Year ended 31 March 2019 Earnings £m**	**Year ended 31 March 2019 Earnings per share pence**	Year ended 31 March 2018 Earnings £m	Year ended 31 March 2018 Earnings per share pence
Basic	**1,381.6**	**135.2**	649.5	64.3
Exceptional items and certain re-measurements (Note 7)	**(758.9)**	**(74.3)**	160.7	15.8
Reclassification of capital allowances from prior years	**-**	**-**	(101.3)	(10.0)
Basic excluding exceptional items and certain re-measurements	**622.7**	**60.9**	708.9	70.1
Adjusted for:				
Depreciation charge on fair value uplifts	**2.9**	**0.3**	4.8	0.5
Interest on net pension scheme liabilities	**(9.5)**	**(0.9)**	(2.7)	(0.3)
Share of interest on net pension scheme liabilities in joint venture	**(1.9)**	**(0.2)**	(0.2)	-
Deferred tax (Note 9)	**71.0**	**6.9**	285.5	28.2
Deferred tax from share of joint ventures and associates	**0.7**	**0.1**	2.4	0.3
Adjusted	**685.9**	**67.1**	998.3	98.8

Basic	**1,381.6**	**135.2**	649.5	64.3
Dilutive effect of outstanding share options			-	(0.1)
Diluted	**1,381.6**	**135.2**	649.5	64.2

Reported earnings per share

	2019 Earnings £m	**2019 Earnings per share pence**	2018 Earnings £m	2018 Earnings per share pence
Basic				
Earnings per share on continuing operations	**1,381.6**	**135.2**	649.5	64.3
Earnings per share on discontinued operations	**27.5**	**2.7**	172.1	17.0
Earnings per share attributable to ordinary shareholders	**1,409.1**	**137.9**	821.6	81.3

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

	31 March 2019 Number of shares (millions)	31 March 2018 Number of shares (millions)
For basic and adjusted earnings per share	**1,021.7**	1,010.9
Effect of exercise of share options	**-**	0.8
For diluted earnings per share	**1,021.7**	1,011.7

11. Earnings per share (continued)

11.3 Dividend cover

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

	2019 Earnings per share (pence)	**2019 Dividend per share (pence)**	**2019 Dividend Cover (times)**	2018 Earnings per share (pence)	2018 Dividend per share (pence)	2018 Dividend cover (times)
Reported	**137.9**	**97.5**	**1.41**	81.3	94.7	0.86
Adjusted	**67.1**	**97.5**	**0.69**	98.8	94.7	1.04

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

12.1 Acquisitions

Seagreen: 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 as an equity accounted joint venture. The Group has assessed that the assets acquired do not meet the IFRS 3 'Business Combinations' criteria to be classified as a business. The 50% stake in Seagreen that the Group held prior to this transaction continues to be carried at cost.

12.2 Disposals

(i) Significant disposals

Clyde windfarm: On 8 May 2018 the Group's current joint venture partners in the Clyde windfarm, Greencoat UK Wind Plc ("UKW") and GLIL Infrastructure LLP ("GLIL"), exercised their option to purchase a further 14.9% of Clyde Windfarm (Scotland) Limited ("Clyde") for consideration of £202.0m. The Group recognised an exceptional gain on sale of £74.2m on the disposal. Following this transaction the Group retains a 50.1% interest in Clyde, with UKW and GLIL holding the remaining 49.9%. The assets and liabilities disposed were classified as held for sale at 31 March 2018.

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. 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.

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 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.

Notes to the Preliminary Statement
for the year ended 31 March 2019

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

12.2 Disposals (continued)

(ii) Disposal reconciliation

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

	2019 Total £m	2018 Total £m
Net assets disposed:		
Property, plant and equipment	**744.3**	85.4
Intangible and biological assets	**10.9**	3.2
Investments and loans – joint ventures	**149.1**	34.7
Trade and other receivables	**227.1**	-
Cash and cash equivalents	**1.2**	-
Trade and other payables	**(207.7)**	-
Deferred tax liability	**(30.9)**	-
Provisions	**(24.4)**	-
Loans and borrowings	**(270.1)**	-
Net assets	**599.5**	123.3
Proceeds of disposal:		
Consideration	**1,161.4**	151.5
Fair value uplift	**488.5**	6.7
Transfer to joint ventures on loss of control	**225.5**	-
Debt reduction	**(146.6)**	-
Costs of disposal	**(7.1)**	-
Net proceeds	**1,721.7**	158.2
Gain on disposal	**1,122.2**	34.9
Presentation:		
Income statement exceptional credit	**1,096.9**	-
Income statement non-exceptional credit	**25.3**	34.9

	2018 £m	2017 £m
Net proceeds of disposal	**1,721.7**	158.2
Fair value uplift	**(488.5)**	(6.7)
Equity investment – joint ventures	**(225.5)**	-
Debt reduction	**146.6**	-
Other payables	**7.1**	-
Other receivables	**(15.5)**	-
Total cash proceeds	**1,145.9**	151.5

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

12.3 Held-for-sale assets and liabilities

A number of assets and liabilities associated with activities are deemed available for immediate sale and have been separately presented on the face of the balance sheet at 31 March 2018. The assets have been stated at their fair value less costs to sell.

The assets and liabilities classified as held for disposal, and the comparative balances at 31 March 2018, are as follows:

	SSE Energy Services £m	SSE Water £m	Total 2019 £m	2018 £m
Property plant and equipment	**31.5**	**7.6**	**39.1**	-
Goodwill and other intangible assets	**736.1**	**-**	**736.1**	
Equity investments in joint ventures and associates	**-**	**-**	**-**	35.3
Loans to joint ventures and associates	**-**	**-**	**-**	81.9
Deferred tax asset	**4.9**	**-**	**4.9**	-
Non-current assets	**772.5**	**7.6**	**780.1**	117.2
Inventories	**0.9**	**-**	**0.9**	-
Trade and other receivables	**984.7**	**3.4**	**988.1**	-
Cash and cash equivalents	**93.6**	**1.6**	**95.2**	-
Current assets	**1,079.2**	**5.0**	**1,084.2**	-
Total assets	**1,851.7**	**12.6**	**1,864.3**	117.2
Trade and other payables	**1,064.8**	**4.2**	**1,069.0**	-
Current tax liabilities	**6.9**	**(0.1)**	**6.8**	-
Deferred tax liabilities	**11.1**	**0.3**	**11.4**	-
Provisions	**4.7**	**-**	**4.7**	-
Total liabilities	**1,087.5**	**4.4**	**1,091.9**	-
Net assets	**764.2**	**8.2**	**772.4**	117.2

Prior year assets and liabilities held for sale

The assets and liabilities classified as held for sale at 31 March 2018 were the Group's 14.9% equity interest in Clyde Windfarm (Scotland) Limited which were sold to the joint venture partners Greencoat UK Wind Holdco Limited and GLIL Corporate Holdings Limited for consideration of £202.2m on the 8th of May 2018.

The aggregated pre-tax profit contribution of the held for disposal assets and businesses in the year to 31 March 2019 was £34.4m (2018: £6.6m). There are no accumulated gains or losses recognised in other comprehensive income related to assets and liabilities held for disposal.

12.4 Discontinued operations

The discontinued operation represents the Group's GB domestic energy supply and related services businesses (SSE Energy Services). As disclosed in note 5.1(ii), a transaction to dispose of SSE Energy Services is considered to be highly probable at the balance sheet date. The assets and liabilities of SSE Energy Services have been presented as held for disposal, and the business activity has been presented as discontinued. The profit/(loss) of the discontinued operation, after elimination of intercompany transactions, is as follows:

	2019			2018		
	Before exceptional items and certain re-measurements £m	**Exceptional items and certain re-measurements £m**	**Total £m**	Before exceptional items and certain re-measurements £m	Exceptional items and certain re-measurements £m	Total £m
Revenue	**3,584.7**	**-**	**3,584.7**	3,976.0	-	3,976.0
Cost of sales	**(2,850.9)**	**-**	**(2,850.9)**	(3,069.8)	-	(3,069.8)
Gross profit	**733.8**	**-**	**733.8**	906.2	-	906.2
Operating costs	**(644.2)**	**(54.3)**	**(698.5)**	(627.5)	(56.9)	(684.4)
Operating profit	**89.6**	**(54.3)**	**35.3**	278.7	(56.9)	221.8
Taxation	**(18.1)**	**10.3**	**(7.8)**	(48.1)	(1.6)	(49.7)
Profit from discontinued operations, net of tax	**71.5**	**(44.0)**	**27.5**	230.6	(58.5)	172.1

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

12.4 Discontinued operations (continued)

Cashflows from discontinued operations

	2019	2018
	£m	£m
Cashflows from operating activities	**115.6**	152.8
Cashflows from investing activities	**(102.6)**	(141.3)
Net increase in cash and cash equivalents in discontinued operations	**13.0**	11.5

12.5 Acquisitions and disposals in the previous year

(i) Acquisitions in the previous year

There were no significant acquisitions in the previous year.

(ii) Disposals in the previous year

Clyde windfarm – On 4 September 2017, the Group completed the disposal of a 5.0% equity stake in Clyde to the existing joint venture partners for consideration of £67.8m, recognising a gain on sale of £24.0m. At 31 March 2018, the Group's shareholding in Clyde was 65% with UKW and GLIL jointly owning 35%. In the period prior to disposal, the 5% equity stake in the windfarm contributed £0.2m to profit before tax of the Group.

As part of that disposal agreement, UKW and GLIL also had the option to buy a further 14.9% of Clyde, equating to 77.8MW, for a cash consideration of £202.2 million, before costs. On 8th of May 2018, subsequent to the financial year end, UKW and GLIL announced that they would exercise their option to purchase 14.9% of on the 30th of May 2018 for consideration of £202.0m.

Ferrybridge MFE2 - On 7 September 2017, the Group disposed of a 50% equity stake in its subsidiary Ferrybridge MFE2 Limited to Wheelabrator Technologies Inc. for consideration of £62.5m, recognising nil gain/(loss) on disposal of the subsidiary. The Group disposed of a subsidiary on the date it lost control and acquired a joint venture which it then recognised at fair value under the principles of both IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements'. A gain of £6.7m was recognised on acquisition of the joint venture following the fair value assessment.

13. Sources of finance

13.1 Capital management

The Board's policy is to maintain a strong balance sheet and credit rating to support investor, counterparty and market confidence in the Group and to underpin future development of the business. The Group's credit ratings are also important in maintaining an efficient cost of capital and in determining collateral requirements throughout the Group. As at 31 March 2019, the Group's long term credit rating was BBB+ stable outlook for Standard & Poor's and Baa1 stable outlook for Moody's.

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

The Group's debt requirements are principally met through issuing bonds denominated in Sterling and Euros as well as private placements and medium term bank loans including those with the European Investment Bank. During the year to 31 March 2019, SSE successfully issued its second Green Bond, being a €650m, nine year bond with a coupon of 1.375% which has been fully swapped to Sterling giving an all-in rate of 2.58%. This followed the £600m 0.875% seven year Green Bond SSE issued in September 2017 and will continue to help SSE to take a leading role in supporting the transition towards a low carbon future, through its plans to invest in renewable energy and reaffirm its position as a leader in renewable sources of energy.

During October 2018 SSE also issued a €200m two year Floating Rate Note that was fully swapped back to Sterling giving an all in floating rate of GBP Libor plus 50.5bps.

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

The Group capital comprises:

	2019	2018
	£m	£m
Total borrowings (excluding finance leases)	**9,086.8**	8,359.4
Less: Cash and cash equivalents	**(431.6)**	(232.2)
Cash presented as held for disposal	**(95.2)**	-
Net debt (excluding hybrid equity)	**8,560.0**	8,127.2
Hybrid equity	**1,169.7**	1,169.7
Cash held as collateral and other short term loans	**(344.2)**	(75.1)
Adjusted Net Debt and Hybrid Equity #APM	**9,385.5**	9,221.8
Equity attributable to shareholders of the parent	**4,671.6**	4,060.5
Total capital excluding finance leases	**14,057.1**	13,282.3

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

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

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

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

- **"Net Interest Payable"** means, in respect of any relevant period, interest payable during that relevant period less interest receivable during that relevant period.

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

13. Sources of finance (continued)

13.2 Loans and borrowings

	2019	2018
	£m	£m
Current		
Other short-term loans	**668.4**	626.3
Obligations under finance leases	**29.0**	24.0
	697.4	650.3
Non current		
Loans	**8,418.4**	7,733.1
Obligations under finance leases	**200.3**	227.1
	8,618.7	7,960.2
Total loans and borrowings	**9,316.1**	8,610.5
Cash and cash equivalents	**(431.6)**	(232.2)
Unadjusted Net Debt	**8,884.5**	8,378.3
Add/(less):		
Hybrid equity (Note 14)	**1,169.7**	1,169.7
Obligations under finance leases	**(229.3)**	(251.1)
Cash held as collateral and other short term loans	**(344.2)**	(75.1)
Cash presented as held for disposal	**(95.2)**	-
Adjusted Net Debt and Hybrid Capital	**9,385.5**	9,221.8

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and short term highly liquid investments with a maturity of six months or less. The cash and cash equivalents are higher year on year due to the disposal proceeds received in March 2019.

Borrowing facilities

The Group has an established €1.5bn Euro commercial paper programme (paper can be issued in a range of currencies and swapped into sterling) and as at 31 March 2019 £497.7m of commercial paper was outstanding (2018: £nil). The Group has a £0.2bn revolving credit facility which matures in November 2022 and a £1.3bn revolving credit facility which was refinanced in the year, and now matures in March 2024 with the option of two further one year extensions beyond March 2024. These facilities continue to provide back up to the commercial paper programme and, as at 31 March 2019, they were undrawn.

14. Equity

14.1 Share capital

	Number (millions)	£m
Allotted, called up and fully paid:		
At 31 March 2018	1,023.0	511.5
Issue of shares (i)	23.9	11.9
Shares repurchased (ii)	-	-
At 31 March 2019	**1,046.9**	**523.4**

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

i. Shareholders were able to elect to receive ordinary shares in place of the final dividend of 66.3p per ordinary share (in relation to year ended 31 March 2018) and the interim dividend of 29.3p (in relation to the current year under the terms of the Company's scrip dividend scheme. This resulted in the issue of 11,316,873 and 12,543,773 new fully paid ordinary shares respectively (2018 - 23,497,675 and 546,613). In addition, the Company issued 0.1m (2018– 1.4m) shares during the year under the savings-related share option schemes (all of which were settled by shares held in Treasury) for a consideration of £1.2m (2018 - £16.6m).
ii. There were no shares repurchased in the current year. Under the share buyback programme announced on 11 November 2016, 16.7m shares were repurchased and cancelled in the year to 31 March 2018 for a total consideration of £245.5m. The nominal value of share capital repurchased and cancelled is transferred out of share capital and into the capital redemption reserve.

As part of the same share buyback programme the Group purchased 9.2m shares for total consideration of £126.1m (including stamp duty and commission) in the year to 31 March 2018 to be retained 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. At 31 March 2019, there remain 7.8m shares held in Treasury.

In total, since the announcement of the share buyback scheme on 11 November 2016, the Group has purchased 34.8m shares for consideration of £503.1m (inclusive of stamp duty and commission). A new capital return programme was announced on 1 February 2019 and under this 4.4m shares have been purchased for consideration of £50.0m since the year-end.

During the year, on behalf of the Company, the employee share trust purchased 0.3m shares for a total consideration of £3.6m (2018: 1.4m shares, consideration of £19.8m). At 31 March 2019, the trust held 2.8m shares (2018: 3.3m) which had a market value of £32.8m (2018: £41.8m).

14.2 Hybrid Equity

	2019	2018
	£m	£m
GBP 750m 3.875% perpetual subordinated capital securities	**748.3**	748.3
EUR 600m 2.375% perpetual subordinated capital securities	**421.4**	421.4
	1,169.7	1,169.7

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

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

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

(ii) 18 September 2012 €750m and US$700m Hybrid Equity Bonds

On 2 October 2017, the Group redeemed all of the capital securities at their principal amount. The securities were redeemed in their functional currency with the additional net Sterling cost of redemption of £92.4m being recognised in retained earnings. The funding has been replaced by a debt accounted £1.0bn instrument issued on 16 March 2017.

14. Equity (continued)

14.2 Hybrid Equity (continued)

(iii) Coupon Payments

In relation to the €600m hybrid equity bond a coupon payment of £17.5m (2018: £17.6m) was made on 1 April 2018 and for the £750m hybrid equity bond a coupon payment of £29.1m (2018: £29.1m) was made on 10 September 2018.

In relation to the $700m hybrid equity bond coupon payments of £nil (2018: £21.2m) were made. In relation to the €750m hybrid equity bond coupon payments of £nil (2018: £30.6m) were made.

The coupon payments in the year to 31 March 2019 consequently totalled £46.6m (2018: £98.5m)

The Company has the option to defer coupon payments on the bonds on any relevant payment date, as long as a dividend on the ordinary shares has not been declared. Deferred coupons shall be satisfied only in the following circumstances, all of which occur at the sole option of the Company:

-- redemption; or

-- dividend payment on ordinary shares.

Interest will accrue on any deferred coupon.

15. Retirement Benefit Obligations

15.1 Valuation of combined Pension Schemes

	Quoted £m	**Unquoted £m**	**Value at 31 March 2019 £m**	Quoted £m	Unquoted £m	Value at 31 March 2018 £m
Equities	**571.4**	**-**	**571.4**	891.5	-	891.5
Government bonds	**2,081.6**	**-**	**2,081.6**	1,222.7	-	1,222.7
Corporate bonds	**537.9**	**-**	**537.9**	1,285.0	-	1,285.0
Insurance contracts	**-**	**194.4**	**194.4**	-	210.8	210.8
Other investments	**944.3**	**-**	**944.3**	587.3	-	587.3
Total fair value of plan assets			**4,329.6**			4,197.3
Present value of defined benefit obligation			**(4,042.5)**			(3,862.8)
Surplus in the schemes(i)			**287.1**			334.5
Deferred tax thereon (ii)			**(145.6)**			(159.8)
Net pension asset			**141.5**			174.7

(i) The two pensions schemes of the group, Scottish Hydro Electric Pension Scheme ('SHEPS') and the Southern Electric Pension Scheme are in individual in net asset and liability positions respectively, and as such these positions have been presented separately on the balance sheet, see below

(ii) Deferred tax rate of 35% applied to SHEP pension surplus and 17% applied to SEPS deficit.

	Balance Sheet presentation 2019 £m	Balance sheet presentation 2018 £m
Retirement benefit asset	**537.7**	572.1
Retirement benefit liability	**(250.6)**	(237.6)
Net pension asset	**287.1**	334.5

15. Retirement Benefit Obligations (continued)

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

	2019			2018		
	Assets £m	Obligations £m	Total £m	Assets £m	Obligations £m	Total £m
at 1 April	**4,197.3**	**(3,862.8)**	**334.5**	4,385.6	(4,315.1)	70.5
Included in Income Statement						
Current service cost	**-**	**(43.0)**	**(43.0)**	-	(55.2)	(55.2)
Past service cost(i)	**-**	**(10.4)**	**(10.4)**	-	(3.2)	(3.2)
Interest income/(cost)	**109.2**	**(99.7)**	**9.5**	112.3	(109.6)	2.7
	109.2	**(153.1)**	**(43.9)**	112.3	(168.0)	(55.7)
Included in Other Comprehensive Income						
Actuarial (loss)/gain arising from:						
Demographic assumptions	**-**	**23.6**	**23.6**	-	118.0	118.0
Financial assumptions	**-**	**(214.5)**	**(214.5)**	-	66.4	66.4
Experience assumptions	**-**	**(65.2)**	**(65.2)**	-	(2.6)	(2.6)
Return on plan assets excluding interest income	**173.7**	**-**	**173.7**	40.0	-	40.0
	173.7	**(256.1)**	**(82.4)**	40.0	181.8	221.8
Other						
Contributions paid by the employer	**78.9**	**-**	**78.9**	97.9	-	97.9
Scheme participants' contributions	**0.2**	**(0.2)**	**-**	0.2	(0.2)	-
Benefits paid	**(229.7)**	**229.7**	**-**	(438.7)	438.7	-
	(150.6)	**229.5**	**78.9**	(340.6)	438.5	97.9
Balance at 31 March	**4,329.6**	**(4,042.5)**	**287.1**	4,197.3	(3,862.8)	334.5

Charges / (credits) recognised:

	2019 £m	2018 £m
Current service cost (charged to operating profit) (i)	**53.4**	58.4
	53.4	58.4
(Credited)/charged to finance costs:		
Interest on pension scheme assets	**(109.2)**	(112.3)
Interest on pension scheme liabilities	**99.7**	109.6
	(9.5)	(2.7)

(i) Past service cost includes a charge of £9.0m for GMP equalisation which has been treated as exceptional in the income statement. (See note 7.1)

Notes to the Preliminary Statement
for the year ended 31 March 2019

16. Financial risk management

16.1 Financial risk management

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

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

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

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

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

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

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

	2019 £m	2018 £m
Operating derivatives		
Total result on operating derivatives (i)	**(695.9)**	(445.9)
Less: amounts settled (ii)	**367.7**	356.8
Movement in unrealised derivatives	**(328.2)**	(89.1)
Financing derivatives (and hedged items)		
Total result on financing derivatives (i)	**(35.7)**	(95.6)
Less: amounts settled (ii)	**(9.1)**	62.6
Movement in unrealised derivatives	**(44.8)**	(33.0)
Net income statement impact	**(373.0)**	(122.1)

(i) Total result on derivatives in the income statement represents the total amounts (charged) or credited to the income statement in respect of operating and financial derivatives.
(ii) Amounts settled in the year represent the result on derivatives transacted which have matured or been delivered and have been included within the total result on derivatives.

16. Financial risk management (continued)

16.2 Fair Value Hierarchy

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

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

	Level 1	Level 2	Level 3	Total
Financial Assets	£m	£m	£m	£m
Energy derivatives	357.4	1,075.5	-	1,432.9
Interest rate derivatives	-	335.7	-	335.7
Foreign exchange derivatives	-	9.5	-	9.5
Unquoted equity investments	-	-	0.5	0.5
	357.4	1,420.7	0.5	1,778.6
Financial Liabilities				
Energy derivatives	(678.9)	(1,334.6)	-	(2,013.5)
Interest rate derivatives	-	(462.3)	-	(462.3)
Foreign exchange derivatives	-	(9.0)	-	(9.0)
Loans and borrowings	-	(139.1)	-	(139.1)
	(678.9)	(1,945.0)	-	(2,623.9)

There were no significant transfers out of level 1 into level 2 and out of level 2 into level 1 during the year ended 31 March 2019. The level 3 movements during the year totalled £4.3m and solely related to disposals of unquoted equity investments.

17. Capital commitments

	2019	2018
	£m	£m
Capital expenditure:		
Contracted for but not provided	768.8	527.3

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

18. Related party transactions

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

Joint ventures:	**2019 Sale of goods and services £m**	**2019 Purchase of goods and services £m**	**2019 Amounts owed from £m**	**2019 Amounts owed to £m**	2018 Sale of goods and services £m	2018 Purchase of goods and services £m	2018 Amounts owed from £m	2018 Amounts owed to £m
Seabank Power Ltd	**45.9**	**(60.5)**	**0.1**	**(10.2)**	14.4	(155.0)	0.1	(16.2)
Marchwood Power Ltd	**15.4**	**(116.2)**	**0.4**	**(14.6)**	8.5	(132.3)	0.2	(10.6)
Scotia Gas Networks Ltd	**46.2**	**(140.3)**	**11.8**	**(1.2)**	41.4	(144.8)	0.6	(14.2)
Clyde Windfarm (Scotland) Ltd	**3.5**	**(150.3)**	**3.7**	**(41.3)**	4.8	(129.3)	6.5	(37.7)
Other Joint Ventures	**55.9**	**(171.4)**	**19.4**	**(44.3)**	23.3	(186.2)	17.1	(52.3)
Associates	**-**	**(35.4)**	**-**	**-**	-	(34.7)	4.5	-

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

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