years to 31 March 2011, it will have undertaken capital and investment expenditure totalling around £4.2bn

SSE keeps its programme of investment under review. Its approach is to:

- maintain a broad platform of assets from which to earn revenue to support dividend growth;
- ensure it always has a diverse range of options for adding to those assets; and
- exercise discipline in determining which of those options for investment should be pursued.

In practice, this means SSE will only select well-founded investments which can be financed in a way which supports shareholder value and is consistent with the criteria for a single A credit rating. In other words, SSE makes a fundamental distinction between what it *could* do and what it *should* do. SSE believes it is a combination of what companies do and don't do that demonstrates the extent of their commitment to disciplined financial and operational management.

In line with that, SSE has since the start of the current financial year decided not to proceed with the installation of Selective Catalytic Reduction technology at Fiddler's Ferry (see 'Exceptional Items' above and 'Coal and Biomass Generation – Investment' below) and to defer the development of an extension to the Aldbrough gas storage facility (see 'Gas Storage Investment' – below). Clearly, substantive changes in the public policy framework (particularly in gas security) or other developments may require these decisions to be revisited but development work at Fiddler's Ferry has stopped altogether.

Future Investment Programme 2010-15
Having reached the mid-way point in its 2008-13 programme, SSE has completed a thorough analysis of its priorities and its project portfolio for not just the remainder of the programme to 2013, but for the five years to March 2015. On this basis, it expects that its investment and capital expenditure will be in the range of £1.5bn-£1.7bn in each of the five years to March 2015.

This covers four main categories:

- economically-regulated electricity distribution expenditure plus essential maintenance of other assets;
- economically-regulated expenditure on electricity transmission upgrades;
- expenditure that is already committed to development of new assets such as wind farms; and
- expenditure that is not yet committed but which could be made to support the development of new assets.

A programme with this shape and on this scale is designed to allow SSE to maintain the development of a balanced range of assets to support sustained real dividend growth while remaining consistent with the criteria for a single A credit rating without the need to issue new shares. Each investment decision will be made against SSE's financial principles and in the context of SSE's commitment to maintaining a diverse range of assets within its economically regulated and market-based businesses.

FINANCIAL MANAGEMENT AND BALANCE SHEET

Key Performance Indicators	**Sep 10**	**Sep 09**
Adjusted net debt and hybrid capital - £bn	5.36	4.95
Average debt maturity (years)	12.2	11.9
Underlying interest cover (excluding SGN)	4.4	3.7
Shares in issue at 30 September (m)	930.6	922.1
Shares in issue (weighted average) (m)	923.4	920.8

Net Debt and Cash Flow
SSE's net debt, on an adjusted basis, and hybrid capital, was £5.362bn at 30 September 2010, compared with £5.292bn at 31 March 2010 and £4.950bn at 30 September 2009. This was lower than expected because of strong operating cash flow through improved working capital management, lower

than forecast capital expenditure and lower cash dividend payments because of the Scrip dividend (see ‘Scrip Dividend Scheme’ above).

As the table below sets out, adjusted net debt excludes finance leases and includes outstanding liquid funds that relate to power purchase agreements and wholesale energy transactions. Hybrid capital is accounted for as equity within the accounts, but has been included within SSE’s ‘Adjusted net debt and hybrid capital’ to aid comparability. Adjusted net debt and hybrid capital at 31 March 2011 is expected to be around £5.9bn

Adjusted Net Debt	**Sep 10**	**Mar 10**	**Sep 09**
	£m	£m	£m
Loans and Borrowings	(5,631.9)	(6,047.0)	(5,748.3)
Cash and Cash Equivalents	1,049.5	261.7	711.4
Unadjusted Net Debt	**(4,582.4)**	(5,785.3)	(5,036.9)
Remove Finance Leases	378.3	384.4	0.5
Add Outstanding Liquid Funds	3.5	108.7	86.9
Adjusted Net Debt	**(4,200.6)**	(5,292.2)	(4,949.5)
Add hybrid capital	(1,161.2)	-	-
Adjusted Net Debt and hybrid capital	**(5,361.8)**	(5,292.2)	(4,949.5)

Borrowings and Facilities

The objective for SSE is to maintain a balance between continuity of funding and flexibility, with debt maturities staggered across a broad range of dates. Its average debt maturity as at 30 September 2010 was 12.2 years, compared with 11.9 years as at 30 September 2009.

SSE’s debt structure remains strong, with around £4.8bn of medium- to long-term borrowings in the form of issued bonds (excluding hybrid capital), European Investment Bank debt and long-term project finance and other loans. In addition, SSE has issued hybrid capital of £1.16bn, as described above. Just £121m of SSE’s medium- to long-term borrowings will mature in the period to 31 March 2012. SSE’s adjusted net debt includes cash and cash equivalents totalling £1,049.5m.

Financing Investment

SSE believes that maintaining a strong balance sheet, evidenced by a commitment to the criteria for a single A credit rating, is a key financial principle. It is committed to maintaining financial diversity and will move quickly to take the right financing options, including bonds and loans.

- Around the start of the financial year, SSE secured a £400m loan facility from the European Investment Bank (EIB) to help finance the development of renewable energy schemes in the UK and Ireland.
- In August 2010 Standard & Poor’s Rating Services affirmed its ‘A-‘ long-term corporate credit rating on SSE and stated that the outlook for the rating is ‘stable’. This followed the decision by Moody’s Investors Service in July 2010 to affirm its ‘A3’ issuer rating for SSE, also with a ‘stable’ outlook.
- Also in August 2010, SSE signed an amendment agreement with banks to extend its main Revolving Credit Facility (£900m) by three years, to 2015, and reduce its price by around £5m per annum. The facility is, and is expected to remain for the foreseeable future, undrawn, and SSE’s liquidity position is very strong.
- In September 2010 SSE successfully launched an issue of hybrid capital, a financial instrument which brings together features of both debt and equity and is perpetual and subordinate to all senior creditors. The dual tranche issue comprised £750m and €500m and has an all-in funding cost to SSE of around 5.6% per annum. There is no fixed redemption date but SSE may, at its sole discretion, redeem all, but not part of, these bonds at their principal amount on 1 October 2015 or 1 October 2020 or any subsequent coupon payment date. The hybrid capital launch in Sterling was the first ever by a UK-listed company outside the financial services sector, and the launch was the first ever by a utility company which is not state-owned. It will provide another source of attractively-priced funding for SSE to complement its already well-financed investment programme.

At the same time, SSE's decision, in June 2010, not to seek to acquire an ownership interest in electricity distribution networks then owned by EDF Energy Networks, because it would need to be funded by an issue of new shares at that time, shows that it will not subvert financial discipline in pursuit of acquisitions or investments even if they appear to have some business or industrial logic.

Net Finance Costs
The table below reconciles reported net finance costs to adjusted net finance costs, which SSE believes is a more meaningful measure. SSE's adjusted net finance costs during the first half of 2010/11 were £176.3m, compared with £168.4m in the previous year.

Net Finance Costs	**Sep 10 £m**	**Sep 09 £m**
Reported net finance costs	119.4	196.0
add/(less)		
Share of JCE*/Associate interest	69.6	45.8
Movement on derivatives	(12.7)	(73.4)
Adjusted net finance costs	**176.3**	**168.4**
Return on pension scheme assets	70.5	49.7
Interest on pension scheme liabilities	(75.1)	(63.8)
Finance lease interest	(19.8)	-
Notional interest arising on discounted provisions	(1.2)	(1.2)
Adjusted interest costs**	150.7	153.1

*Jointly Controlled Entities **Adjusted finance income and costs for interest cover calculation

There was no charge for hybrid debt during the six months to 30 September 2010. In future, any charge will be presented within dividends.

The average interest rate for SSE, excluding JCE/Associate interest, during the period was 4.96%, compared with 5.52% for the previous year. Based on adjusted interest costs, SSE's underlying interest cover:

- for the first six months (excluding interest related to SGN) was 4.4 times, compared with 3.7 times in the six months to 30 September 2009; and
- for 2010/11 as a whole is currently expected to be around 6.8 times (excluding interest related to SGN), compared with 6.3 times in 2009/10; including interest related to SGN it is expected to be around 5.4 times.

Excluding shareholder loans, SGN's net debt at 30 September 2010 was £3.1bn, and within the adjusted net finance costs of £176.3m, the element relating to SGN's net finance costs was £45m (compared with £24.8m in the previous year), after netting loan stock interest payable to SSE. Its contribution to SSE's profit before tax* was, therefore, £53.7m, compared with £74.7m in the previous year.

Pensions
In line with the IAS 19 treatment of pension scheme assets, liabilities and costs, pension scheme liabilities of £723.3m are recognised in the balance sheet at 30 September 2010, gross of deferred tax. This represents an increase in net liabilities of £3m compared with the position at March 2010. ,

During the first six months of 2010/11, employer cash contributions amounted to:

- £23.9m for the Scottish Hydro Electric scheme, including deficit repair contributions of £14.7m; and
- £29.1m for the Southern Electric scheme, including deficit repair contributions of £19.2m.

As part of the electricity Distribution Price Control for 2010-2015, it was agreed that allowances equivalent to the regulated businesses' share of deficit repair contributions in respect of the Southern Electric and Scottish Hydro Electric schemes should be included in price controlled revenue, with an incentive around ongoing pension costs.

TAX

To assist the understanding of SSE's tax position, the adjusted current tax charge is calculated as follows:

Tax	**Sep 10** £m	**Sep 09** £m
Reported tax charge	149.2	135.8
add back:		
Share of JCE/Associate tax	(18.4)	14.1
less:		
Deferred tax	(21.5)	(22.4)
Tax on exceptional items/certain remeasurements	(30.4)	(33.1)
Adjusted current tax charge	**78.9**	**94.4**

The effective adjusted current tax rate, based on adjusted profit before tax*, was 20.5%, compared with 23.0% in the same period last year. The impact of SSE's higher capital expenditure programme and the changes introduced in Budget 2007 have had, and will continue to have, a positive impact on the effective current tax rate. The Emergency Budget in June 2010 announced a series of annual reductions in the Corporation Tax rate for future years. The deferred tax balance has been remeasured to reflect the first of these rate reductions and the effect of this has been disclosed as an exceptional item. The deferred tax balances for future years will be remeasured as each subsequent rate reduction is enacted.

AUTHORITY TO PURCHASE OWN SHARES

The Directors renewed their authority to purchase in the market the company's own shares at the Annual General Meeting in July 2010. During the six months to 30 September 2010, however, SSE did not purchase any of its own shares for cancellation.

CORPORATE RESPONSIBILITY

Safety
SSE aims to create value for shareholders by maintaining a strong emphasis on its six core values, which include safety and sustainability. During the first six months of the financial year:

- the Total Recordable Incident Rate (TRIR), which includes medical treatment, as well as lost-time and reportable injuries was 0.10 per 100,000 hours worked, compared with 0.15 in the previous year; and
- the cumulative number of blameworthy 'class one' road traffic accidents involving employees driving company vehicles was 0.30 per 100 vehicles in the 12 months to 30 September 2010, compared with 0.28 in the 12 months to 30 September 2009.

Environment
SSE's target for any given year is zero environmental incidents which result in it being served with a formal statutory notice by either the Environment Agency or the Scottish Environment Protection Agency. There were no such incidents during the first six months of 2010/11.

Carbon Disclosure Project (CDP)
In September 2010, SSE was commended by the CDP, which represents over 500 institutional investors with $64 trillion in assets under management, for its approach to climate change disclosure and for the action it is taking to reduce global emissions and mitigate the risks of climate change.

SSE is featured in CDP's "Carbon Disclosure Leadership Index" (CDLI) and also its "Carbon Performance Leadership Index" (CPLI):

- the CDLI highlights the constituent companies within the FTSE Global 500 which have displayed the most professional approach to corporate governance in respect of climate change disclosure practices; and
- the CPLI highlights those companies within the FTSE Global 500 which have demonstrated commitment to strategy, governance, stakeholder communications and, most of all, emissions reduction in their CDP responses.

Teamwork
On 30 September 2010, SSE employed 20,544 people, an increase of 367 in the six months since 31 March 2010. In July 2010, the Scottish Cabinet Secretary of Finance and Sustainable Growth officially opened SSE's new £5m Training Centre in Perth. It is expected to provide operational and development training for around 2,000 SSE employees each year.

FURTHER INFORMATION

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.

Provisional investor timetable

Ex-dividend date	26 January 2011
Record date	28 January 2011
Payment date	25 March 2011
Financial results for 2010/11	19 May 2011
AGM (Perth)	21 July 2011

Enquiries

SSE	
Alan Young (Director of Corporate Affairs)	UK 0845 0760 530
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Justyn Smith (Head of Corporate Communications)	UK 0845 0760 530

Analysts' presentation
Start: 0900 (GMT)
Location: The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED

Webcast facility
You can join the webcast by visiting **www.sse.com** and then clicking on Investor Centre.

Conference call
UK +44 (0)207 1620 177
US +1 334 323 6203
When asked please provide conference number 880009.

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 through Twitter at **www.twitter.com/sseplc**

In summary, therefore, SGN's efficiency and value have been increased and its risk profile has been decreased. With the process for determining the gas distribution Price Control from April 2013 already under way, its priorities remain delivering sector-leading operational safety and efficiency, efficient investment and an increasing focus on distribution of renewable sources of heat, in view of the forthcoming launch of the Renewable Heat Incentive in 2011.

GENERATION AND SUPPLY

Generation and Supply Overview

SSE operates the business of the generation and supply of electricity and the supply of gas in Great Britain and Ireland as a single, vertically-integrated Generation and Supply business. This means that its power stations and fuel supply contracts are used to support performance in the supply of energy to customers. As the UK Treasury and Department of Energy and Climate Change said in March 2010, vertical integration 'offers several benefits, including lower risk from wholesale electricity price volatility, economies of scale and price smoothing'.

Wholesale gas and wholesale electricity are transacted like any other commodity in a competitive market. SSE purchases the gas and some of the electricity it needs to supply customers via bilateral contracts of varying lengths and through trading in wholesale markets. SSE also buys gas, coal, oil and biomass to use in the production of electricity from its power stations, as well as carbon dioxide emissions allowances.

SSE's Energy Portfolio Management team is responsible for its participation in wholesale markets for electricity and gas, as well as markets for coal, oil and carbon dioxide emissions allowances. Through analysis of generation plant availability, customer demand and its contractual position SSE can assess, and therefore manage, its exposure to market prices.

The wholesale price of energy can fluctuate greatly, according to variables such as supply, demand, the weather and the availability of delivery infrastructure. SSE's approach is designed to 'hedge' its requirements in a way that minimises its costs while ensuring exposure to market prices is not excessive. This means SSE is unlikely to be fully hedged until close to the delivery of the energy itself. In terms of the forthcoming winter, SSE believes it has in place appropriate operational and commercial arrangements to manage its energy supply commitments in all likely circumstances.

Generation Capacity

SSE owns around 11,410MW (megawatts) of capacity for generating electricity, compared with 11,330MW at 31 March 2010. Since March, SSE has:

- commissioned 90MW of new wind farm capacity as a result of its investment programme; and
- sold its 100% equity interest in the Ardrossan wind farm.

The large majority of SSE's generation capacity is in Great Britain, but it also has just under 500MW in Northern Ireland and the Republic of Ireland, where there is an all-island Single Electricity Market which is separate from the market in Great Britain. Its total capacity includes its share of joint ventures and associates and now comprises around:

- 4,590MW of gas- and oil-fired capacity;
- 4,370MW of coal-fired capacity (with biomass 'co-firing' capability); and
- 2,450MW of renewable (hydro, wind and dedicated biomass) capacity.

This balance between coal- and gas-fired generation capacity, and the balance between fossil fuels and renewable sources of energy, continues to give SSE the greatest diversity in fuels for generating electricity among UK generators and avoids dependency on a single technology or commodity. As a result, SSE has significant optionality in the management of its power stations. It is this diversity and the optionality that goes with it which enables SSE to manage the risks associated with primary fuel procurement. Management of these risks is also assisted by the fact that SSE is the largest generator of electricity from renewable sources across the UK and Ireland.

Supply Customers
As at 30 September 2010, SSE supplied energy to 9.26 million customer accounts in Great Britain and 330,000 accounts in Northern Ireland and the Republic of Ireland, making it the second largest supplier within Great Britain's competitive electricity and gas supply market and the fourth largest supplier in the Irish all-island market.

Its responsibility as supplier to customers is to procure the electricity and gas they need and arrange for it to be distributed to them through the relevant networks, provide the associated services such as metering and billing and promote the efficient use of energy.

Generation and Supply Performance
Operating profit* in Generation and Supply fell by 10.8%, from £227.4m to £202.8m, contributing 36.1% of SSE's total operating profit* in the first half of the year. Reasons for this are set out under 'Adjusted Profit Before Tax* for the Six Months to 30 September 2010', above. See also 'Exceptional Items' above. (SSE reports the underlying financial performance of Generation and Supply excluding the impact of IAS 39 remeasurements which are unrealised as including them does not represent underlying business performance.)

Total revenue for Generation and Supply for the six months to 30 September 2010 was £10.1bn, which accounted for 91% of SSE's total revenue, of which £3.2bn was in relation to sales of electricity and gas to industrial, commercial and domestic customers.

Electricity Generated and Supplied
During the first half of the financial year SSE undertook a number of major planned outages at its gas- and coal-fired power stations and much of the period was characterised by unusually dry and still weather. Within Great Britain it (comparison for same period in previous year in brackets):

- generated 19.6TWh, based on contracted output from electricity at thermal power stations in which it has an ownership interest (16.7TWh);
- generated 2.0TWh based on contracted output from renewable sources of energy in which it has an ownership interest, including pumped storage (2.3TWh); and
- purchased 3.8TWh of electricity through long-term contracts with other generators (3.7TWh).

During the same period it:

- supplied 11.8TWh of electricity to its industrial and commercial customers (14.4TWh); and
- supplied 14.0TWh to its small business and household customers (13.7TWh).

This means SSE generated over 150% of the electricity needed to supply its household and small business customers during the six months.

Any net balances were traded in the wholesale electricity market.

Consolidated Segmental Statement
Ofgem introduced a new requirement on electricity generators and suppliers to publish a Consolidated Segmental Statement (CSS) showing revenue, costs and profits from electricity generation and electricity and gas supply activities. SSE published its statement for 2009/10 on 28 September 2010. The CSS required SSE to report financial information in a different way from which the Generation and Supply business is operated.

Generation

Electricity Generation Key Performance Indicators	Sept 10	Sept 09
ASSETS (MEGAWATTS – MW)*		
Gas- and oil-fired generation capacity	4,590	4,500
Coal-fired generation capacity (inc biomass co-firing)	4,370	4,370
Renewable (inc pumped storage) generation capacity	2,450	2,250
Total electricity generation capacity (MW)	**11,410**	**11,120**

OPERATIONS (%)		
Gas power station availability	96	89
Coal power station availability	87	94
Hydro storage	40	45
Wind farm availability	98	97
OUTPUT (TWh/GWh)*		
Gas- and oil-fired - TWh	16.2	13.4
Coal-fired (inc biomass co-firing) - TWh	3.4	3.3
Total output from thermal power stations - TWh	**19.6**	16.7
Conventional hydro - GWh	954	1,380
Wind energy – GWh	735	628
Dedicated biomass – GWh	102	124
Total output of renewable energy - GWh	**1,791**	**2,132**
Total output from pumped storage - GWh	**175**	**175**

* Electricity from power stations in which SSE has an ownership interest (output based on SSE's contractual share).

Generation Overview

The UK Government's Annual Energy Statement predicted that demand for electricity in the UK will double over the next 40 years as a result of the need to electrify large parts of the heat and transport sectors. It also said that for this to have the required impact on emissions, the electricity being consumed will need to be almost exclusively from low carbon sources.

To help achieve this, and because low carbon technologies such as offshore wind farms need large upfront capital investment, the government is undertaking an Electricity Market Reform project, designed to provide 'consistent, long term signals for investment, helping to secure the billions of pounds of new generating capacity….that is needed'. A consultation document on this is expected shortly, to be followed by a White Paper in 2011.

The implications for electricity generation are, however, already clear:

- legally-binding targets for renewable energy and carbon dioxide emissions (which may be increased) mean the value of renewable energy will continue to be supported;
- for the 'low carbon revolution' to take place without jeopardising the security of electricity supply, gas-fired generation will have to play a major part during the transition period of the next two decades;
- gas- and coal-fired power stations will have to demonstrate greater flexibility to respond to the variable output from the growing number of wind farms;
- the future of coal-fired generation beyond 2023 is ultimately dependent upon the successful demonstration of Carbon Capture and Storage technology; and
- new nuclear power stations should be developed as an option for the future, but it is likely that none will be commissioned before 2020.

Generation Objectives

In this context, SSE's key objectives in Generation cover operations and investment. The operational objectives are to:

- comply fully with all safety standards and environmental requirements;
- ensure power stations are available to generate electricity as and when required by customer demand and market conditions;
- operate power stations efficiently to achieve the optimum conversion of primary fuel into electricity;
- manage power stations to optimise their useful operating life; and
- ensure power stations are able to operate economically over the medium term.

SSE's investment objectives in Generation and Supply cover both existing and new power-producing plant. They are to:

- maintain a diverse portfolio of power stations, with the flexibility to respond to customer demand and market conditions;
- invest in developments supported by government-sponsored financial frameworks (such as the UK's Renewables Obligation); and
- develop and pursue a diverse range of options for adding to its portfolio of power generating plant, and thus support security of supply.

In achieving these objectives, SSE's target is to reduce by 50% the carbon dioxide intensity of electricity produced at power stations in which it has an ownership or contractual interest, over the period from 2005/06, the first full year after it acquired coal-fired power stations, to 2020. This will be achieved by:

- producing a greater proportion of electricity from renewable sources and from cleaner fossil fuels such as gas;
- producing a lower proportion of electricity from coal, the most carbon-intensive fuel; and
- making general improvements in the efficiency of power stations, to minimise carbon emissions.

Gas-fired Generation – Operations
Good performance in Generation and Supply is dependent, first and foremost, on plant at power stations being available to generate electricity as and when required. During the six months to 30 September 2010, SSE's principal wholly-owned gas-fired power stations (Fife, Keadby, Medway and Peterhead) achieved 96% of their maximum availability to generate electricity, excluding planned outages, compared with 89% availability in the same period in 2009. They confirmed their ability to operate on a flexible basis, with 'two-shifting' taking place successfully at a number of the stations.

Marchwood, the 840MW CCGT owned by Marchwood Power Ltd, a 50:50 joint venture between SSE and ESB International, which entered commercial operation at the end of last year, achieved 93% of its maximum availability to operate during the six-month period. All of the station's output is contracted to SSE.

Gas-fired Generation - Investment
The ongoing need to safeguard security of energy supply through diversification of fuel sources means that CCGT like that at Marchwood continues to be the benchmark technology in generation. It will make a growing contribution to meeting the UK's electricity requirements, because of its high thermal efficiency, relatively low costs and short construction time.

SSE has options for additional CCGT capacity at its Keadby power station and at Barking Power Ltd, where it has a 30.4% stake. Its most advanced option, however, is for a two phase/two unit 870MW CCGT proposed for a brownfield site at Baglan Bay in south Wales, where there is already in place electricity, transmission, gas and water infrastructure for the first phase of the power station. SSE hopes that planning consent to build the Abernedd CCGT plant will be secured by the end of the current financial year and, subject to that, and a final investment decision, it plans to schedule construction with a view to generation plant first becoming available in around the middle of the decade.

The Energy Act 2010 provides for the creation of a financial incentive to support up to four CCS commercial-scale demonstration projects in the UK. On 8 November 2010, the UK government announced that the CCS demonstration programme – the three projects that will follow the first demonstration – will be open to projects on gas-fired power plant as well as coal-fired plant.

SSE is continuing to prepare a CCS project at its Peterhead power station which would demonstrate the post-combustion capture of carbon dioxide emissions relating to the electricity output of the equivalent of 400MW of capacity. It would involve using an existing gas turbine, an existing steam turbine, an existing electricity network connection and land adjacent to the power station already owned by SSE.

Coal and Biomass Generation – Operations
During the six months to 30 September 2010, SSE generated 3.4TWh of electricity at its coal-fired power stations at Fiddler's Ferry, Ferrybridge and Uskmouth, compared with 3.3TWh in the same period in the previous year (excluding Uskmouth, which was acquired in August 2009). The stations achieved 87% of their maximum availability to generate electricity, excluding planned outages, compared with 94% in the previous year (excluding Uskmouth). The reduction reflects technical issues at Ferrybridge, which have now been resolved.

Coal and Biomass Generation - Investment
Existing coal-fired power stations still have a significant part to play in maintaining secure supplies of electricity. The future of SSE's stations, and the associated investment decisions, will be determined by five main factors:

- the need to maintain and improve the day-to-day performance of the stations;
- the impact on running hours after 2015 of the EU Industrial Emissions Directive (IED), approved by the European Parliament in July 2010;
- UK government targets and policy in respect of carbon dioxide emissions;
- the continuing UK government commitment to the development of CCS technology; and
- the prospects for the development of alternative sources of energy.

SSE concluded some time ago that, in practice, no new coal-fired power generation plant should be built in the UK without carbon dioxide abatement and that no coal-fired plant without such abatement should remain operational much beyond 2030.

Against this background, SSE's investment strategy for Fiddler's Ferry, Ferrybridge and Uskmouth is as follows:

- it is continuing to invest in the operation and maintenance of the three stations, with a total of around £60m planned for 2010/11 as a whole;
- it does not plan to proceed with the installation of Selective Catalytic Reduction (SCR) technology at Fiddler's Ferry because the IED means it has the option of operating the station for 17,500 hours between 1 January 2016 and 31 December 2023, even if SCR is not fitted to tackle emissions of nitrogen oxides;
- it is strongly committed to Europe's largest post-combustion carbon dioxide capture trial at Ferrybridge, in collaboration with Doosan Babcock and Vattenfall, where construction work is now well under way in advance of the trial beginning next year;
- it is seeking planning consent so it has the option to develop a multi-fuel Combined Heat and Power (CHP) facility at Ferrybridge, using predominantly waste-derived fuels from which to generate up to 95MW (net) of electricity; and
- it is undertaking feasibility studies to examine future options for Uskmouth, including conversion of existing assets to new, lower carbon generation plant.

Coal and Biomass Generation - Sustainability
The overall sustainability of coal-fired power stations has improved in recent years. RockTron (Widnes) Ltd developed an ash separation plant at Fiddler's Ferry, where fresh and stored ash produced by the power station is processed into marketable minerals and materials such as cement substitutes. It undertakes recycling on an industrial scale and helps SSE avoid environmental liabilities from ash production and storage, making it a sustainable investment in every sense. In October 2010, SSE increased its shareholding in RockTron (Widnes) Limited from 49% to 100%, renaming the business SSE Mineral Solutions Ltd.

EU Emissions Trading Scheme
Phase II of the EU Emissions Trading Scheme (EU ETS) began on 1 January 2008. Across its electricity generation portfolio (taking account of contractual shares), SSE now has an allocation of 18.9 million tonnes of carbon dioxide emissions allowances per calendar year, including the allowances for Marchwood and Uskmouth. In the six months to 30 September 2010, the price of allowances ranged from around €13 to €16.50 per tonne. From 2013, all of the carbon dioxide emissions allowances for electricity producers will be auctioned.

Renewable Energy – Overview
In its Annual Energy Statement in July 2010, the UK government went further than simply re-affirming existing low carbon targets. It:

- confirmed it is pressing for the EU to move from a 20% to a 30% greenhouse gas emissions reduction target for 2020 (compared with 1990 levels); and
- confirmed it is seeking to increase the UK's target for energy from renewable sources, from 15% of all energy in 2020.

This demonstrates the extent to which tackling climate change and securing future supplies through the use of indigenous sources of energy are firmly embedded as the two goals of energy policy in the UK. The same applies in Ireland and at EU level. This means that the drive for additional renewable sources of energy is continuing to gather pace and is financially supported by the Renewables Obligation in the UK and the Renewable Energy Feed In Tariff (REFIT) in the Republic of Ireland.

Renewable Energy – Capacity
SSE has 2,450MW of commissioned renewable energy capacity in the UK and Ireland, including its share of joint ventures, comprising:

- 1,150MW conventional hydro;
- 915MW onshore wind;
- 5MW offshore wind;
- 80MW dedicated biomass; and
- 300MW pumped storage.

The onshore wind total includes SSE's equity interest, totalling 133MW, in four operating wind farms in Scotland and Northern Ireland, which has been made available for sale.

Of this, output from just over 1,000MW qualifies for Renewable Obligation Certificates, the key financial support scheme for renewable energy in the UK with:

- 1.0 ROCs/MWh for qualifying hydro and onshore wind;
- 1.5 ROCs/MWh for qualifying dedicated biomass; and
- 2.0 ROCs/MWh for qualifying offshore wind.

Since the start of the current financial year on 1 April, SSE has commissioned 90MW of onshore wind farm capacity and sold its equity interest (which was 50% on 31 March 2010, increasing to 100% in April 2010) in Ardrossan wind farm, the power from which was provided to a third party. The transaction comprised a cash consideration of £28.1m paid to SSE and outstanding project debt of £25.7m transferred to the purchaser of the wind farm.

As it continues the process of optimising its wind farm portfolio, with both disposals and acquisitions, SSE expects that by the end of 2012/13 it will own around 3,500MW of renewable energy capacity that is in operation or under construction in the UK and Ireland. This will mean SSE is:

- making a significant contribution to the achievement of the legally-binding 2020 targets for renewable energy in the UK and Ireland;
- harnessing water and wind, which are free and indigenous sources of primary energy; and
- reducing its exposure to volatile prices for fossil fuels, which are becoming more difficult to source while also being in much more demand around the world.

In addition to its focus on the UK and Ireland, SSE is undertaking in the same period a targeted programme of development in renewable energy in new markets, principally focused on the Netherlands and Sweden, where there is potential for greater links with the UK.

Renewable Energy – Output
Total output from all of SSE's conventional hydro electric schemes, wind farms and its dedicated biomass plant was 1,791GWh in the six months to September 2010, compared with 2,132GWh in the

same period in 2009. The fall in output between 2009 and 2010 reflects the dry and still weather conditions experienced, particularly in the spring and early summer of 2010.

Hydro Generation – Operations
SSE owns and operates just over 1,450MW of capacity in hydro electric schemes, including the 300MW pumped storage facility at Foyers.

Total output from the conventional hydro electric schemes was 954GWh during the six months to 30 September 2010, compared with 1,380GWh during the previous year. As at 30 September 2010, the amount of water held in SSE's reservoirs which could be used to generate electricity was 40% of the maximum, compared with 45% in the previous year. Output from Foyers was 175GWh, the same as in the previous year.

The output of older hydro electric stations with a capacity of up to 20MW which meet government-specified refurbishment criteria qualifies for ROCs, as does the output from all hydro electric stations commissioned after 2002. SSE has just over 500MW of capacity in this category. Of SSE's total hydro output, 484GWh qualified for ROCs, compared with 708GWh in the previous year.

In August 2009, SSE identified a blockage caused by a fall of rock near the top of the tunnel carrying water from the reservoir to the power station at the 100MW Glendoe hydro electric scheme, thus stopping operations at the station. The causes of this are the subject of a detailed and ongoing site investigation. Work on the construction of the new tunnel required to by-pass the blockage and allow electricity generation to resume at Glendoe is now fully under way. SSE can, therefore, now forecast a return to electricity production which is based on progress so far, and it expects this to take place in the first half of 2012.

Hydro Generation – Investment
Since the Renewables Obligation was introduced in April 2002, SSE has invested £455m in maintaining, refurbishing and developing conventional hydro electric schemes in Scotland, including Glendoe. The programme of investment totalled almost £5m in the first half of 2010/11.

Hydro electric schemes which use impounded water to generate electricity have an important part to play in meeting peak demand and also complement the variable amount of output from the growing number of wind farms. SSE has developed four significant options for new hydro electric schemes:

- **Kildermorie:** In September 2010, SSE received consent to develop a new 7.5MW hydro electric power station near Ardross in Ross-shire. It will consist of a new dam and storage reservoir, a buried pipeline and a semi-buried powerhouse with associated tailrace. Construction is likely to begin in the second half of 2011/12.
- **Sloy:** In September 2010, SSE secured from Scottish Ministers consent to develop a 60MW pumped storage scheme as part of its 152MW Sloy power station, near Loch Lomond. This means that in addition to electricity produced from water collected and held in the Loch Sloy reservoir, Sloy will be able to generate an additional 100GWh of electricity in a typical year using water pumped from Loch Lomond to the reservoir. SSE now expects that developing a pumped storage facility at Sloy will require investment of around £40m, and is expecting to take a final decision on the investment after it has completed further technical and engineering studies.
- **Coire glas**: SSE is proposing to develop a new large scale pumped storage scheme at Loch Lochy with an installed capacity of between 300MW and 600MW and a capability to produce in excess of 1,000GWh of electricity in a typical year. In October 2009 SSE asked the Scottish government for its formal opinion on the scope of the environmental impact statement that would accompany a planning application for the scheme, now planned to be submitted during 2012.
- **Balmacaan**: SSE is also proposing to develop a 300MW-600MW pumped storage scheme at Loch Ness, with a similar expected electricity output to Coire glas. While this project is entirely independent of Coire glas, it is at a similar stage, a similar timetable for submitting a planning application is envisaged and the two projects are managed by a single development team.

Construction of Coire glas and/or Balmacaan is unlikely to begin before 2014 at the earliest and, subject to planning consent, SSE will have the option to build neither, one or both of the schemes.

Final decisions on this and on other renewable energy developments will also depend upon acceptable charging arrangements being in place for the use of the transmission network in Great Britain, an issue which is the subject of the Project TransmiT review launched by Ofgem in September 2010.

Wind Generation – Operations
In the six months to 30 September 2010, output from SSE's portfolio of wind farms was (previous year's figures in brackets):

- 218GWh in the UK (204GWh), all of which was eligible for ROCs; and
- 516GWh in the Republic of Ireland (424GWh), all of which was eligible for REFIT.

On average, the turbines at SSE's wind farms in the UK and Ireland achieved 98% of their maximum availability to generate electricity.

Wind Generation Investment – Capacity Under Development
When SSE entered into the agreement to acquire Airtricity in January 2008, the combined business had just over 870MW of **onshore wind farm capacity** in operation, in construction or with consent for development in the UK and Ireland. This has increased by 1,025MW and now totals 1,895MW, comprising (net):

- 915MW in operation;
- 705MW in construction or pre-construction; and
- 275MW with consent for development.

In addition, SSE has submitted for approval by the relevant planning authorities in the UK and Ireland proposals for onshore wind farms with a total capacity of over 1,400MW. This includes SSE's share of the capacity contained in the proposal by Viking Energy, the joint venture between Viking Energy Ltd (which is 90% owned by Shetland Charitable Trust) and SSE to develop on Shetland's Central Mainland a wind farm with a capacity now expected to be around 450MW, following extensive consultation with stakeholders. This will reduce the project's 'carbon payback' period and the area which will be required to host turbines.

In addition to its onshore capacity, SSE has **offshore wind farm capacity** in operation or under construction totalling almost 350MW comprising:

- a 50% stake in the 10MW Beatrice offshore wind farm in operation in the Moray Firth;
- a 25.1% share of the 367MW Walney offshore wind farm now under construction in the Irish Sea; and
- a 50% share of the 500MW Greater Gabbard development in the outer Thames Estuary.

This means that SSE now has: 3,780MW of renewable energy capacity (onshore wind, offshore wind, hydro and dedicated biomass) in operation, under construction or with consent in the UK and the Republic of Ireland. This excludes the proposed 500MW Arklow wind farm scheme off the east coast of the Republic of Ireland.

Wind Generation Investment – Onshore Projects
The principal projects within SSE's onshore wind farm construction portfolio are Clyde (350MW) in South Lanarkshire and Griffin (156MW) in Perthshire:

- **Clyde:** the most advanced of the wind farm's three sections is the South (130MW), where work on turbine installation has now started. As part of the process for resolving the outstanding radar-related issues associated with the consent granted for the development, SSE has proposed NATS (En-Route) plc to act as sponsor for a temporary airspace change to impose, through public consultation (to be completed on 18 December 2010), a Transponder Mandatory Zone over the wind farm, in advance of the development of a new primary radar facility which will provide the necessary level of coverage for the site. This process may delay the start of electricity generation at Clyde but it is still expected to take place in the early part of the new financial year. The South section should still be completed by the end of 2011; and the entire wind farm should still be completed in 2012.

- **Griffin**: the main construction works are now under way, in advance of turbines being delivered to the site in early 2011. Turbine installation is expected to begin thereafter, with the wind farm due to be commissioned in 2012.

In addition to Clyde and Griffin, SSE has the following onshore wind farm projects currently under construction or in pre-construction in the UK and Ireland (MW are SSE's share):

- Gordonbush (70MW);
- Slieve Kirk (27MW);
- Whiteside Hill (25MW).
- Langhope Rig (20MW);
- Slieve Divena 2 (20MW);
- Athea Phase I (19MW);and
- Rathcahill (12MW).

Wind Generation Investment – Offshore Projects
SSE is developing Greater Gabbard in partnership with RWE npower renewables (through Greater Gabbard Offshore Winds Limited) and Walney in partnership with DONG Energy and believes that partnerships of this kind represent the best means of managing the risks associated with onshore wind farms and maximising the development and construction capability.

- **Greater Gabbard**: the installation of all the 140 turbine foundations is now complete and over 55 turbines are now in place, with more than half of these already commissioned. Two of the three 45km export cables have been installed and the first of those energised. The operations base at Lowestoft is now operational. The principal contractor, Fluor Corporation, expects the first export of electricity to take place before the end of this year and the wind farm remains scheduled to be completed in 2012. With regard to its claim for additional costs, the principal contractor announced in October 2010 that *its* third quarter results will include a charge for estimated cost increases arising from the project. GGOWL continues to expect to resolve any claim issues satisfactorily as part of the normal contractual process.
- **Walney**: the installation of all of the 51 turbine foundations and transition pieces required for the first phase of the wind farm (183.6MW) is now complete and more than 20 turbines have now been installed. The 45km export cable has been laid. The first export of electricity is expected to take place in early 2011. The first phase is expected to be fully commissioned in the first half of 2011 and the second phase in the first half of 2012.

Wind Generation Investment – Other Offshore Wind Opportunities
SSE's priority for offshore wind in the next three years is the successful completion and commissioning of Greater Gabbard and Walney. In keeping with its approach of developing and maintaining a series of diverse options for the development of additional assets later in the decade, it has also secured from The Crown Estate:

- rights to develop a 500MW offshore wind farm close to the existing Greater Gabbard development, in partnership with RWE npower renewables;
- development partner status for the proposed 9GW offshore wind farm at Dogger Bank, in partnership with RWE npower renewables, Statoil and Statkraft;
- development partner status for the proposed 3.4GW offshore wind farm in the Firth of Forth; and
- rights to develop 2GW of offshore wind farm capacity in Scottish territorial waters, in partnership with a number of specialist developers.

Wind Generation Investment – Possible Intermediate Holding Company
SSE is giving active consideration to the establishment of an intermediate holding company for its offshore wind farm assets and interests, including assets in operation, under construction or in development. A company of this kind would be wholly-owned by SSE for the foreseeable future and its establishment would give SSE a bespoke company for the financing of offshore wind farm developments.

Wind Generation Investment – Supply Chain
SSE's share of rights to develop offshore wind farms in the UK comprises around 6GW and it is working with The Crown Estate, its partners and other stakeholders to undertake site-specific surveys, secure grid connections and develop a sustainable supply chain through, for example:

- participation in the Carbon Trust's Offshore Wind Accelerator, a research and development initiative to reduce costs;
- the purchase, in April 2010, through SSE Ventures, of a 15% stake in Burntisland Fabrications Ltd (BiFab), an established fabricator of oil and gas structures, for a total consideration of £11m. In addition to the equity stake, SSE secured an agreement with BiFab for the supply of at least 50 jacket substructures annually to support its offshore wind developments; and
- the strategic agreement with Mitsubishi (Mitsubishi Heavy Industries Ltd and Mitsubishi Power Systems Europe Ltd), signed in July 2010, to co-operate on low carbon energy developments. SSE and Mitsubishi intend to focus on, in the first instance, the delivery of renewable energy from offshore sites and the deployment of low carbon vehicles.

Wind Generation Investment – Continental Europe
In addition to its wind and hydro investments in the UK and Ireland, SSE has had a series of options to invest in renewable energy in Europe, principally Portugal, Scandinavia, Italy, Germany and the Netherlands. Its strategic focus is, however, the UK and Ireland and they are the countries in which investments are prioritised.

Against this background, SSE's prime focus in continental Europe is on two markets:

- **Sweden**, where it is the large majority partner in a joint venture with a Swedish wind farm consortium to develop a 89MW onshore wind farm which has consent for development in Jamtland; and
- **The Netherlands**, where it has a 50:50 joint venture with DONG Energy to take forward the development of three offshore wind farms, with a total capacity of just over 1,000MW, in the Dutch sector of the North Sea.

In line with this focus on Sweden and the Netherlands, SSE sold its 100% interest in the Butendiek wind farm project to wpd AG, subject to certain approvals. Butendiek is an 80 turbine wind farm in development, planned for a site 34 km from the coast of Germany, for which all of the necessary consents have been secured. The consideration to be paid by wpd AG will be determined by the future progress of the development. Other development assets in Germany have also been sold and SSE is now examining ways of securing value from its remaining assets in Italy and Portugal.

Wind Generation – Summary
SSE is very mindful of the fact that the viability of wind energy remains dependent on government-sponsored financial support. While it does not detect or foresee any weakening of public policy commitment to renewable energy in its key markets, it remains a key priority for SSE to avoid dependency on a single generation technology or related financial support.

So, while its investments in wind energy have been, and will continue to be, substantial, and while many (but far from all) of its options for future investment relate to wind energy, SSE remains totally committed to the maintenance of a diversity in fuels for generating electricity, and the need to maintain such diversity will be a key factor in future investment decisions.

Marine Energy
SSE now has a 49.9% stake in the wave energy company Aquamarine Power which, in June 2010, successfully completed another round of its fundraising, raising £6m. In July 2010, it secured over £3m from the Scottish government. This funding is supporting the next phase of the development of its new wave energy device, Oyster 2, which is expected to be deployed next year. Aquamarine's existing 300kW Oyster device has been undergoing sea trials at the European Marine Energy Centre in Orkney, and the data gathered from it has enabled the design of a more powerful Oyster 2. Aquamarine expects to have a fully commissioned, commercially available wave farm in place by 2014.

Beyond that, SSE has exclusive rights from The Crown Estate to develop 400MW of wave and tidal energy at four sites in the Pentland Firth and Orkney Waters. It also has a further 400MW with Aquamarine Power and OpenHydro. It recently submitted an application to National Grid for an electricity connection relating to three of these sites. SSE and its partners are working closely with The Crown Estate and other stakeholders to develop applications to construct the developments. The vast majority of construction work is not expected to begin until the second half of this decade.

Biomass and Multi-fuel – Operations
SSE's plant at Slough has a current generating capacity of 80MW and remains the UK's largest dedicated biomass energy facility. During the six months to 30 September 2010, it produced 102GWh of electricity qualifying for ROCs, compared with 124GWh in the same period in the previous year. The output from dedicated regular biomass plants attracts 1.5 ROCs per MWh. A number of economic and technical issues at Slough are now being reviewed, in the context of SSE's wider consideration of biomass and multi-fuel issues.

Biomass and Multi-fuel – Investment
See 'Coal and Biomass Generation – Investment' above.

In addition, Forth Energy, the joint venture between SSE and Forth Ports PLC, has prepared proposals for the development of dedicated biomass power stations at four of Forth Ports' sites in Scotland with a total capacity of 400MW. It has already submitted planning applications to build two of the stations, at Dundee and Grangemouth.

Biogas - Investment
In May 2010, SSE took part in a £13.5m agreement to invest in the construction of Scotland's largest biogas plant at a former landfill site at Barkip in North Ayrshire. The investment made SSE the first energy company in the UK to commit to the construction and operation of an anaerobic digestion biogas plant of this type, which is expected to be operational next year.

The Barkip site will be capable of processing around 75,000 tonnes of waste annually, producing around 2.5MW of renewable electricity. Project partner William Tracey Ltd has signed a 25 year contract to supply feedstock materials for the plant, providing another recycling outlet for its customers to divert wastes away from landfill. Suitable materials will include waste foods, manures and organic effluent sludges.

SSE believes that biogas has the potential to be one of the most important sustainable energy solutions, capturing the energy contained in waste. It offers opportunities beyond on-site electricity generation to include connections to the gas distribution network in the future (see also 'Scotia Gas Networks – Biomethane Distribution' above).

Emerging Technologies – SSE Ventures
SSE set up SSE Ventures (SSEV) to develop and grow its portfolio of investments in small and medium-sized businesses offering renewable, sustainable and energy efficiency-enhancing products and services. These include Aquamarine Power, Geothermal International, Onzo and Vital Energi. Participation in emerging technology developments helps SSE to anticipate, be at the forefront of, and adapt to, the kind of changes in energy production and consumption that are likely to occur over the next decade. Between its launch in February 2007 and 30 September 2010, SSEV invested or committed to invest a cumulative total of £120m, including equity and loans. It now holds direct or indirect stakes in over 30 companies.

Nuclear Power
In its Annual Energy Statement, the UK Government said that nuclear power is a 'proven base-load technology' that 'can be part of the low carbon future'. It said that new nuclear can go ahead as long as there is no public subsidy.

While SSE concurs with this view, and believes that the development of new nuclear power stations must be an option for the future, it believes that the cost, development issues and timetable and operational efficacy of nuclear power stations all require the greatest possible scrutiny before a commitment to invest is made.

In 2009, a consortium of GDF Suez SA, Iberdrola SA and SSE was successful in securing an option to purchase from the Nuclear Decommissioning Authority land for the development of new nuclear power generating plant adjacent to Sellafield in Cumbria, for a total cash consideration that could reach £70m.

In October 2010, the UK government confirmed the consortium's site as potentially suitable for a new nuclear power station. The consortium now intends to prepare detailed plans for developing at the site new nuclear power generating plant with a total capacity of up to 3.6GW. These plans will be prepared in consultation with the safety authorities and local stakeholders and should be submitted for consideration by the relevant planning authorities, with the aim of a final investment decision being taken around 2015. On this basis, any new power station would not be commissioned until around 2023.

Energy Supply

Energy Supply Key Performance Indicators	**Sept 10**	**Sept 09**
Electricity customer accounts (GB domestic) - m	5.22	5.18
Gas customer accounts (GB domestic) - m	3.60	3.54
Energy customers (GB business sites) - m	0.44	0.43
Total GB energy customer accounts - m	**9.26**	**9.15**
All-Island Energy Market customers (Ireland)	0.33	0.10
Home services customer accounts (GB)	0.41	0.37
Total customer accounts (GB and Ireland) - m	**10.00**	**9.62**
Electricity supplied household average - kWh (GB)	4,343	4,575
Gas supplied household average – therms (GB)	512	553
Complaints to GB Energy Supply Ombudsman	136	478

Supply Overview
Ofgem states on its website that: 'Competition in the retail energy markets has brought considerable benefits to industrial, commercial and domestic customers since it was introduced. Allowing customers to choose the supplier of their choice keeps the pressure on costs and promotes greater choice of tariffs and services for customers.'

In its Annual Energy Statement in July 2010, the UK government stated that: 'The unit cost of energy is likely to rise considerably in the future, and it is therefore important that energy companies do not inflate bills unnecessarily. All consumers and especially the most vulnerable must be respected and treated fairly.'

In September 2010, the UK's Department of Energy and Climate Change stated that: 'Estimates suggest that, for the period January to June 2010, prices for medium domestic gas and electricity consumers, including tax, were the lowest and fourth lowest in the EU 15 respectively.'

Against this background, SSE's objectives in energy supply are to:

- offer consistently competitive prices over the medium term;
- provide market-leading products and related services to help transform energy consumption; and
- deliver a quality of service that goes beyond best-in-sector.

While the last decade was about rapid growth in customer numbers, SSE believes the next decade will be about providing the energy and the related products and services that people will need as patterns of electricity and gas consumption change and as companies meet customers' need for a broader and deeper range of services.

Energy Supply Operations – Customer Numbers
SSE supplies electricity and gas in Great Britain as Southern Electric, SWALEC, Scottish Hydro Electric and Atlantic. During the six months to 30 September 2010, it achieved a net gain of 100,000 energy supply customer accounts, taking the total to 9.26 million. The current total comprises:

- 5.22 million domestic electricity customer accounts;
- 3.60 million domestic gas customer accounts; and
- 440,000 business electricity and gas sites.

Within the total, 3.17 million customer accounts are for ‘loyalty’ products such as:

- energyplus Argos, which rewards customers with money-off discount vouchers,
- energyplus Pulse, under which customers are able to support the British Heart Foundation; and
- M&S Energy, available to customers through M&S’ stores and website.

In addition to energy customer accounts, SSE provides home services such as:

- gas boiler, central heating and wiring maintenance and installation products and services; and
- telephone line rental, calls and broadband services.

It provides these home services to 410,000 customer accounts in Great Britain.

SSE supplies electricity and gas in energy markets in Ireland as Airtricity. During the six months to 30 September 2010, it increased its customer base from 190,000 to 333,000. Of these accounts, 85% are household and 15% are industrial and commercial.

In total, SSE now supplies energy and home services to 10 million customer accounts in markets in Great Britain and Ireland.

Energy Supply Operations – Prices in Great Britain
SSE will increase its prices for household gas customers by 9.4% on 1 December 2010. Forward annual wholesale prices for gas rose by over 25% in the period between March 2010, when SSE previously announced a package of changes to prices for household gas, and October 2010 when the latest price change was announced. Throughout this time, domestic gas supply has been a loss-making activity for SSE and its gas supply business, Southern Electric Gas, has traded at a loss for several years.

Following the gas price increase, an annual SSE gas bill for a standard quarterly paying customer will increase by £4.64 per month, to £650, based on a consumption of 16,500kWh, the new typical annual domestic consumption adopted by Ofgem in November 2010 following a consistent decline in average domestic gas consumption levels.

Energy Supply Operations – Bills in Great Britain
Ofgem’s decision to propose a reduction of almost one fifth in the ‘typical domestic gas consumption’ to be used for comparative and analytical purposes is further confirmation that the co-operation seen in recent years between it, government, energy suppliers, consumer organisations and others, and the associated investment, is delivering a sustained reduction in the amount of gas being consumed in Britain’s homes.

The distinction between the price of a unit of energy and the amount customers pay for heating and powering their homes is illustrated by the £132 difference between the cost of 20,500kWh of gas and 16,500kWh. With greater energy efficiency, households are less exposed to the impact of high unit prices than they otherwise would be, because they are using less energy, and further improvements in this area remain a top priority for SSE.

Energy Supply Operations – Energy Efficiency
Using energy more efficiently is the fastest and most cost-effective means of reducing customers’ energy costs, sustaining supplies for the long term and securing reductions in emissions of carbon dioxide. SSE has obligations under the Carbon Emissions Reduction Target (CERT) and the Community Energy Saving Programme (CESP):

- **CERT** is a scheme to deliver energy efficiency measures to households throughout Great Britain and in the six months to 30 September 2010 SSE funded the installation of cavity wall

insulation in 180,000 homes and loft insulation in 165,000 homes (excluding DIY insulation). In its *CERT Annual Report 2010*, a review of CERT up to March 2010, published in August 2010, Ofgem stated that SSE had achieved 78% of its overall carbon emissions reduction obligation for the three years to 2011. CERT itself has now been extended to the end of 2012.
- **CESP** is a new obligation on both energy suppliers and electricity generators to save emissions of carbon dioxide in domestic customers' homes in areas of the country prescribed by the UK government. SSE has already started work on 16 CESP projects in England, Scotland and Wales and expects the total to rise to 30 over the next few months.

CESP and CERT are substantial measures, which will continue to require the commitment of significant resources by energy suppliers in the coming years. Nevertheless, SSE supports the goal of securing substantial savings in energy bills and reductions in emissions of carbon dioxide, and achieving greater energy efficiency, in the most practical way possible, continues to be the most sustainable way of achieving this.

Energy Supply Operations – Payment Profiles
Around 58% of SSE's domestic electricity and gas accounts are paid by direct debit or standing order. A further 11% are paid through pre-payment meters (PPMs) and the balance are on credit terms and settled by cheque or other such payment methods.

As at 30 September 2010, the total aged debt (ie debt that is overdue by more than six months) of SSE's domestic and small business electricity and gas customers was £93m, compared with £90m at March 2010 and £102.7m at September 2009. A bad debt related charge to profits of £26.5m has been made, which compares with a charge of £42m in the same period of the previous year.

Energy Supply Operations – Customer Service
SSE has achieved over eight years of growth in energy supply while being independently and consistently recognised as the customer service benchmark for the rest of the industry. SSE believes that its proposition for customers needs to include service and products to ensure it offers the best possible value for money.

SSE's position as the customer service benchmark for the rest of the energy supply industry is illustrated by:

- The Customer Satisfaction Report from uSwitch.com, published in September 2010, in which SSE was ranked the best energy supplier for the seventh successive time;
- The UK Customer Satisfaction Index, published in July 2010, in which SSE achieved the top ranking in the utility sector; and
- The JDPower and Associates 2010 UK Electricity and Gas Supplier Customer Satisfaction Study, published in November 2010, in which three of SSE's supply brands occupied the top three places in the study of electricity suppliers.

Under the Consumer, Estate Agents and Redress (CEAR) Act 2007, customers who are unable to resolve issues with their energy supplier can take them up with Consumer Direct and, ultimately, the Energy Supply Ombudsman. In the six months to 30 September, there were 136 SSE-related complaints to the Ombudsman, compared with 478 in the previous year.

Good customer service starts with the sales process. In September 2010, Ofgem launched an investigation into 'whether four suppliers are….complying with the new obligations to prevent misselling' of energy. SSE is one of the four suppliers. It supports obligations on energy suppliers to prevent misselling, is strongly committed to complying with them and is co-operating fully with Ofgem's investigation.

Energy Supply Operations – Vulnerable Customers
While any type of poverty, including fuel poverty, fundamentally results from an individual or household having insufficient income, SSE recognises that it has a significant role to play in helping customers use energy as efficiently as possible and a role also in helping those of its customers who struggle to pay for their basic energy needs.

Under its voluntary agreement with the UK government, SSE expects to operate schemes with a value of around £27m in 2010/11 to help vulnerable customers. It has introduced a 'tiered' approach to assistance, featuring its energyplus Care tariff, rebate tariffs and other services, and expects to assist around 150,000 customers in the current financial year.

It is SSE's policy to do all it can to help customers who may be having difficulties in paying for the electricity and gas they use by offering 'tailor-made' payment arrangements that suit their needs and their circumstances. In September 2010, customers with over 300,000 electricity and gas accounts were benefiting from these arrangements.

Energy Supply Operations – Products

Energy supply remains intensely competitive and gaining and retaining customers' loyalty is key to long-term success. SSE launched better plan three years ago as part of its commitment to work in partnership with its customers to help them reduce their energy use and to create a more sustainable level of energy consumption. During the six months to 30 September 2010, customers with an additional 51,000 energy accounts joined better plan, taking the total to over 290,000.

In September 2010, SSE started the launch of iplan, a new energy product which delivers smart energy features to customers, allowing them to track their energy usage by providing the real-time and historic information they need to change the way they use energy. It transforms the amount of information customers have about their energy consumption and gives them means to manage their energy consumption more effectively, helping to lower their energy costs.

Energy Supply Operations – Smart Meters

'Smart' metering is a system that enables the quantity and value of electricity and gas used by the customer to be continuously monitored and allows information about its use and cost to be available to the customer and exchanged with the supplier, through two-way electronic communications.

SSE has submitted its initial response to the proposals set out in the UK government's Smart Metering Prospectus and associated documents, published in July 2010. As the foreword to the Prospectus states, the roll-out of smart meters across Great Britain 'is a major programme that will take several years to complete'. It will require significant capital investment on a scale not seen since the natural gas roll-out in the 1960s, but will be led by suppliers in the environment of a vigorously competitive supply market.

SSE believes, therefore, that it is essential to:

- keep the programme as simple as possible in order to meet the very challenging timetable;
- ensure the mandated roll-out of smart meters does not detract from suppliers' or network companies' business-as-usual activities; and
- deliver a positive customer experience right from the start of the roll-out.

While SSE welcomes the progress that the Prospectus represents, it believes that key issues remain and should be addressed. In particular, the goal of finishing the roll-out earlier than 2020 should not lead to a premature start. SSE believes it is better to devote enough time to up-front preparation of the implementation plan, design requirements and commercial and regulated framework so that the mandated roll-out by suppliers starts when all relevant participants are ready and can deliver the agreed customer experience necessary for sustained benefits to be both recognised and delivered.

In line with this measured approach, SSE has begun programmes under which it is installing 2,000 gas and electricity smart meters to 1,000 dual fuel customers in the Midlands and Southern regional electricity areas

Energy Supply Operations – Future Developments

Products such as SSE's 'better plan' and 'iplan' provide a foretaste of how SSE believes that the competitive market in energy supply in Great Britain will mature in the next decade. It will evolve from the simple retailing of electricity and gas to the provision of a comprehensive range of smarter products and services consistent with the long-term decarbonisation of energy production and consumption.

This has major implications for the products and services which SSE provides to customers and for the way in which those products and services are provided. Just as iplan gives a glimpse of the future, so does the fact that around one quarter of SSE's transactions with customers now take place online and its customers now have almost 600,000 paperless billing accounts. SSE is, therefore, aiming to build on its position as the sector leader in service provision and on the development of transition products such as iplan by accelerating the long-term transformation of its energy supply products and services that is already under way.

OTHER ENERGY AND UTILITY SERVICES

Other Energy and Utility Services Overview
As well as being involved in Energy Networks and Generation and Supply, SSE provides an additional range of energy and utility services: Gas Production and Storage; Contracting, Connections and Metering (including Utility Solutions) and Telecoms.

The operating profit of this group of businesses grew from just over £90m to over £135m in the five years to March 2010. They are substantial in their own right:

- SSE's onshore gas storage facility at Hornsea is the largest in the UK;
- SSE's contracting business is the second largest mechanical and electrical contracting business in the UK; and
- SSE's telecoms business is the fourth largest telecoms network company in the UK.

As well as being substantial in their own right, these businesses give SSE a major presence in areas of significance to the UK's infrastructure requirements:

- the UK government's Annual Energy Statement confirmed the need for more gas storage capacity;
- it also confirmed the need to modernise the UK's energy infrastructure, with much greater decentralisation; and
- telecoms networks are clearly recognised as being central to the competitiveness of any economy and the success of any substantial organisation.

Other Energy and Utility Services Key Performance Indicators	Sept 10	Sept 09
Gas storage customer nominations met - %	100	100
SSE Contracting order book (£m)	128	102
New electrical connections	12,600	11,000
Out-of-area networks in operation	69	50
New gas connections	4,750	3,200
Meters read - m	7.1	5.0

Gas Production and Storage

Gas Production
SSE has agreed to acquire North Sea natural gas and infrastructure assets from Hess Limited, with natural gas reserves totalling around 300 billion cubic feet (bcf). The total cash consideration for the acquisition is expected to be US$324m. Additional, less certain resources of gas may also be identified through further exploration.

Gas production from these assets is forecast to rise to around 300Mth (million therms) in 2012, which will provide approximately 6% of SSE's gas needs. Production is then forecast to decline over the next 10 years. SSE believes that, for a fair price, it has secured a new source of primary fuel and a hedge for its gas generation and supply activities and taken a very useful first step into the upstream gas sector.

Gas Storage – Financial
Gas Storage delivered an operating profit* of £13.9m, during the six months to 30 September 2010, compared with £21.7m in the previous year, reflecting a decline in the price achieved for Standard Bundled Units of storage capacity at SSE's Hornsea facility. This, in turn, reflects a reduction in the spread between summer and winter wholesale gas prices.

Gas Storage – Investment
SSE's two thirds/one third joint venture with Statoil (UK) Ltd to develop at Aldbrough what will be on completion the UK's largest onshore gas storage facility has made further important progress. To form gas storage caverns, salt deposits around 2km under ground are leached by seawater, which, in turn, is replaced (dewatered) by gas under pressure.

The development already provided capacity in four caverns at the end of the last financial year. Further capacity is expected to become available during this financial year, when six caverns will have been completed, providing a total of around 175mcm of gas storage capacity. This represents around half of the final expected capacity for the development as a whole, once all nine caverns enter commercial operation. It remains on the schedule set out in July 2009 and is on course to be completed in 2012. SSE's forecast final investment for the development also remains as forecast in July 2009, at around £290m.

SSE and Statoil (UK) Ltd have consent to increase the storage capacity at the Aldbrough site beyond that currently under development. If developed in full, this would approximately double the amount of gas that could be stored, to around 700mcm. SSE has concluded, however, that any investment decision on the development should be deferred while the UK government develops its policy on gas security. Nevertheless, it remains committed to being a major owner and operator of gas storage capacity over the long term.

Contracting, Connections and Metering

Contracting, Connections and Metering – Financial

Operating profit* in Contracting, Connections and Metering rose by 2.8%, from £42.3m to £43.5m, during the first six months of the year. The increase reflects the addition of new PFI street lighting contracts and of the street lighting business acquired from ESB Contracts Ltd in November 2009. Other parts of SSE's Contracting business were, however, adversely affected by the challenging economic conditions experienced in the UK.

Contracting – Order Book
SSE Contracting (re-named from Southern Electric Contracting) is the second largest mechanical and electrical contracting business in the UK. Despite the difficult economic climate, it has continued to make solid progress during 2010/11, with its order book at 30 September 2010 still strong at £128m (although this partly reflects a number of long-term contracts). The order book was supported by significant new contract wins with a number of major organisations in recent months, ranging from Vivergo Fuels Ltd to the University of Warwick and IBM.

SSE Contracting's performance has been helped by the fact that a major proportion of its business is from public sector bodies and end-user client organisations with a high degree of 'repeat' business or long-term contracts. Nevertheless, there is clearly a risk that the business' future order book and profitability will be affected as a result of the reductions in public spending announced in the UK government Spending Review in October 2010. Cost control and customer relationships will, therefore, remain a particularly high priority for this business in 2010/11 and beyond.

Contracting – Lighting Services
SSE remains the UK's leading street-lighting contractor, and has 23 maintenance contracts covering 500,000 lighting columns as at 30 September 2010.

In May 2010, SSE, through its wholly-owned subsidiary Tay Valley Lighting (Nottingham) Ltd, was awarded a 25-year contract with Nottingham City Council for the replacement and maintenance of over 40,000 lighting columns and illuminated signs in the city, under the Private Finance Initiative (PFI).

This latest contract takes the number of local authorities with which SSE has long-term street lighting replacement and maintenance PFI contracts to 11 and the number of lighting units covered by such contracts to over 550,000. These include the South Coast Street Lighting PFI, covering Hampshire County Council, Southampton City Council and West Sussex County Council, on which work began earlier this year.

Through Airtricity Utility Solutions, SSE also now maintains around 300,000 street lights in the Republic of Ireland.

Contracting – Microgeneration
SSE Contracting is leading SSE's response to the introduction on 1 April 2010 of Feed-in-Tariffs (FiTs) to encourage householders, communities and other groups to generate their own electricity from low carbon technologies such as solar photovoltaics.

With its technical, contract management and project management skills, SSE Contracting is well-placed to provide customers with the services they need in all aspects of microgeneration. To demonstrate this, it developed 10 zero carbon homes on a brownfield site near Slough, a development which was opened by the Secretary of State for Energy and Climate Change in September 2010.

The properties were designed and built to achieve the highest specification for sustainable building, Code Level 6 in the Code for Sustainable Homes. They are now occupied and information is being gathered about how householders adapt and respond to zero carbon living to help inform future developments in the decarbonisation of the energy sector.

Connections – Utility Solutions
Through its Utility Solutions business, SSE designs, builds, owns, operates and maintains cable and pipe networks delivering electricity, gas, water, heat and telecommunications to existing, and new commercial and residential developments in England, Wales and Scotland.

- **Electricity Networks**: in the summer of 2010, SSE signed a contract which will result in the development of its 100th embedded electricity network outside the areas served by its economically-regulated subsidiaries Scottish Hydro Electric Power Distribution and Southern Electric Power Distribution. SSE now owns and operates 69 energised electricity networks of this kind. A further 20 are under construction and contracts have been signed for the development of an additional 11, taking the total to 100. In total, SSE has almost 600MW of network capacity, including 420MW energised/under construction, plus contracts to develop another 175MW.
- **Electricity Connections:** during the six months to 30 September, 12,600 electrical connections were completed, compared with 11,000 in the previous year. The increase was achieved despite the economic slowdown, which has led to a severe downturn in house-building and other construction activity.
- **Gas Pipelines:** SSE is also a licensed gas transporter, installing, owning and operating gas mains and services on new housing and commercial developments throughout the UK. The total number of new premises connected to its gas networks has continued to grow, and during the six months to 30 September 2010, it connected a further 4,750 premises, taking the total number of connections to over 70,000 for the first time.
- **Water:** SSE Water (SSEW) is the first new company to offer both water and sewerage services since privatisation in England and Wales in 1989, and its establishment will enable SSE to provide, over the long term, a more comprehensive multi-utility solution to customers in the property development and house-building sectors, through being able to install, own, operate and supply water and sewerage services alongside its existing electricity and gas services. An 'inset' appointment is the route by which one company replaces another as the appointed water and/or sewerage company for a specified area. SSEW now has seven such appointments and provides, or has secured contracts to provide, water and sewerage services to 11,000 properties in England and Wales.
- **Heat**: SSE uses a range of sustainable technical solutions, including Combined Heat and Power (CHP) generation, biomass boilers and ground- and air-source heat pumps and combines these with community heating schemes where appropriate. For example, in August

2010, it secured a contract to adopt, own and operate the new heat network for two adjacent sites totalling 750 plots in the London Borough of Hackney.

Metering
SSE's Metering business provides services to most electricity suppliers with customers in central southern England and the north of Scotland. Following the successful completion of a programme of in-sourcing in March 2010, it undertakes meter reading operations and meter operator work in all other parts of Great Britain. It supplies, installs and maintains domestic meters and carries out metering work in the commercial, industrial and generation sectors. It also offers data collection services to the domestic and SME sectors.

In total, SSE owns 3.8 million meters. During the six months to 30 September, it collected around 4.4 million electricity readings and 2.7 million gas readings, up from 3.3 million and 1.7 million respectively in the same six months in 2009.

The Metering business is now planning for the impact of smart metering (see also 'Energy Supply Operations – Smart Meters' above), including the development of a community-based approach. SSE was the only energy supplier in the Ofgem-managed Energy Demand Research Project (EDRP) to hold trials involving engagement with entire communities, and it has started to develop a community liaison concept which will support its smart meter deployment. For example, a pilot programme in Whiteley, Hampshire has demonstrated strong customer engagement and support for more active management of energy consumption.

Telecoms Networks

Telecoms – Financial
SSE's combined Telecoms business achieved an operating profit* of £8.3m during the six months to 30 September, compared with £8.2m in the previous year. This was achieved despite a challenging environment for sales, and performance was supported by a tight control on operating costs. In the six months to 30 September 2010, SSE undertook capital expenditure of £20.7m in respect of its telecoms networks, focused on improving network reliability and reach and on the Fareham data centre.

Telecoms – SSE Data Centres
SSE completed the acquisition of a Fareham-based data centre business in June 2009. It provides capacity for more than 2,000 racks for the co-location of IT services within the 80,000 square feet secure site and 15MW of power in a resilient and energy efficient environment. Following the acquisition, a trading division, SSE Data Centres, was created, and it now provides a data centre environment for four organisations, including Kingfisher and Daisy Telecom. Its unique pod infrastructure and energy efficient measures provide significant benefits to customers. During the summer of 2010, what is believed to be the UK's largest commercial solar photovoltaic installation was placed on the roof of the Data Centre.

Consolidated Condensed Income Statement
for the period 1 April 2010 to 30 September 2010

Six months ending 30 September	Note	2010 Before exceptional items and certain re-measurements £m	2010 Exceptional items and certain re-measurements (note 7) £m	2010 Total £m	2009 Before exceptional items and certain re-measurements £m	2009 Exceptional items and certain re-measurements (note 7) £m	2009 Total £m
Revenue	6	**10,651.6**	**-**	**10,651.6**	8,041.8	-	8,041.8
Cost of sales		**(9,887.7)**	**635.1**	**(9,252.6)**	(7,241.9)	191.5	(7,050.4)
Gross profit		**763.9**	**635.1**	**1,399.0**	799.9	191.5	991.4
Operating costs		**(342.2)**	**(292.4)**	**(634.6)**	(348.3)	-	(348.3)
Operating profit before jointly controlled entities and associates		**421.7**	**342.7**	**764.4**	451.6	191.5	643.1
Jointly controlled entities and associates:							
Share of operating profit		**140.1**	**(96.4)**	**43.7**	127.3	-	127.3
Share of interest		**(69.6)**	**-**	**(69.6)**	(45.8)	-	(45.8)
Share of movement on derivatives		**-**	**7.3**	**7.3**	-	(0.1)	(0.1)
Share of tax		**(23.7)**	**42.1**	**18.4**	(14.2)	0.1	(14.1)
Share of profit / (loss) on jointly controlled entities and associates		**46.8**	**(47.0)**	**(0.2)**	67.3	-	67.3
Operating profit	6	**468.5**	**295.7**	**764.2**	518.9	191.5	710.4
Finance income	8	**131.6**	**-**	**131.6**	80.2	-	80.2
Finance costs	8	**(238.3)**	**(12.7)**	**(251.0)**	(202.8)	(73.4)	(276.2)
Profit before taxation		**361.8**	**283.0**	**644.8**	396.3	118.1	514.4
Taxation	9	**(76.7)**	**(72.5)**	**(149.2)**	(102.6)	(33.2)	(135.8)
Profit for the period		**285.1**	**210.5**	**495.6**	293.7	84.9	378.6
Attributable to:							
Equity holders of the parent		**285.1**	**210.5**	**495.6**	293.0	84.9	377.9
Non-controlling interest		**-**	**-**	**-**	0.7	-	0.7
Basic earnings per share (pence)	11			**53.7p**			41.0p
Diluted earnings per share (pence)	11			**53.6p**			40.9p
Dividends in the period (£m)	10			**452.3**			425.1

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

Consolidated Condensed Income Statement
for the year ended 31 March 2010

	Note	Before exceptional items and certain re-measure-ments £m	Exceptional items and certain re-measure-ments (note 7) £m	Total £m
Revenue	6	21,550.4	-	21,550.4
Cost of sales		(19,504.8)	432.2	(19,072.6)
Gross profit		2,045.6	432.2	2,477.8
Operating costs		(683.7)	-	(683.7)
Operating profit before jointly controlled entities and associates		1,361.9	432.2	1,794.1
Jointly controlled entities and associates:				
Share of operating profit		264.1	-	264.1
Share of interest		(107.1)	-	(107.1)
Share of movement on derivatives		-	4.1	4.1
Share of tax		(50.1)	(1.2)	(51.3)
Share of profit on jointly controlled entities and associates		106.9	2.9	109.8
Operating profit	6	1,468.8	435.1	1,903.9
Finance income	8	203.2	-	203.2
Finance costs	8	(432.0)	(36.5)	(468.5)
Profit before taxation		1,240.0	398.6	1,638.6
Taxation	9	(292.2)	(110.9)	(403.1)
Profit for the year		947.8	287.7	1,235.5
Attributable to:				
Equity holders of the parent		947.6	287.7	1,235.3
Non-controlling interest		0.2	-	0.2
Basic earnings per share (pence)	11			134.0p
Diluted earnings per share (pence)	11			133.9p
Dividends paid in the year (£m)	10			618.5

Consolidated Condensed Statement of Comprehensive Income
for the period 1 April 2010 to 30 September 2010

Year ended 31 March 2010 £m		**Six months ended 30 September 2010 £m**	Six months ended 30 September 2009 £m
1,235.5	**Profit for the period**	**495.6**	378.6
	Other comprehensive income:		
(26.6)	(Losses) on effective portion of cash flow hedges	**(10.2)**	(21.9)
-	Transferred to assets and liabilities on cash flow hedges	**(18.4)**	-
2.1	Taxation on cashflow hedges	**8.0**	6.1
(24.5)		**(20.6)**	(15.8)
0.4	Exchange difference on translation of foreign operations	**(107.7)**	(15.2)
(47.2)	Gains/(losses) on net investment hedge	**14.8**	(17.1)
13.2	Taxation on net investment hedge	**(4.1)**	4.8
(33.6)		**(97.0)**	(27.5)
(508.8)	Actuarial (losses) on retirement benefit schemes	**(31.7)**	(317.5)
142.5	Taxation on actuarial losses on defined benefit pension schemes	**8.4**	88.9
(366.3)		**(23.3)**	(228.6)
-	Derecognition of minority interest on acquisition	**3.8**	-
	Jointly controlled entities and associates:		
(30.0)	Share of gains/(losses) on effective portion of cash flow hedges	**(17.0)**	1.9
19.1	Share of taxation on cashflow hedges	**4.8**	(0.5)
(10.9)		**(12.2)**	1.4
(82.1)	Share of actuarial (losses) on retirement benefit schemes	**(5.4)**	(76.4)
23.0	Share of taxation on actuarial losses on retirement benefit schemes	**1.5**	21.4
(59.1)		**(3.9)**	(55.0)
(70.0)	Net share from jointly controlled entities and associates	**(16.1)**	(53.6)
(494.4)	**Other comprehensive income, net of taxation**	**(153.2)**	(325.5)
741.1	**Total comprehensive income for the period**	**342.4**	53.1
	Attributable to:		
740.9	Equity holders of the parent	**342.4**	52.4
0.2	Non-controlling interest	**-**	0.7
741.1		**342.4**	53.1

Consolidated Condensed Balance Sheet
as at 30 September 2010

At 31 March 2010 Restated (see note 5)		Note	**At 30 September 2010**	At 30 September 2009 Restated (see note 5)
£m		Note	**£m**	£m
	Assets			
8,204.2	Property, plant and equipment		**7,926.4**	7,550.6
4.4	Biological assets		**4.4**	-
	Intangible assets:			
726.3	Goodwill		**664.7**	723.0
288.2	Other intangible assets		**240.1**	307.8
635.2	Equity Investments in associates and jointly controlled entities		**643.1**	615.9
970.5	Loans to associates and jointly controlled entities		**1,126.5**	781.6
9.2	Other investments		**20.9**	8.1
157.1	Deferred tax assets		**166.7**	167.8
466.3	Derivative financial assets	16	**351.0**	436.5
11,461.4	**Non-current assets**		**11,143.8**	10,591.3
213.3	Other intangible assets		**130.9**	196.7
272.5	Inventories		**286.8**	380.3
4,450.4	Trade and other receivables		**3,637.9**	3,001.6
261.7	Cash and cash equivalents		**1,049.5**	711.4
1,468.3	Derivative financial assets	16	**1,000.9**	1,666.2
-	Current assets held for sale	12	**234.9**	-
6,666.2	**Current assets**		**6,340.9**	5,956.2
18,127.6	**Total assets**		**17,484.7**	16,547.5
	Liabilities			
903.7	Loans and other borrowings	13	**437.8**	931.6
4,064.5	Trade and other payables		**3,777.3**	2,948.0
216.9	Current tax liabilities		**238.8**	191.8
6.5	Provisions		**7.1**	18.3
2,020.7	Derivative financial liabilities	16	**1,308.7**	2,550.4
7,212.3	**Current liabilities**		**5,769.7**	6,640.1
5,143.3	Loans and other borrowings	13	**5,194.1**	4,816.7
624.0	Deferred tax liabilities		**665.4**	581.8
83.2	Provisions		**90.5**	69.9
324.5	Trade and other payables		**379.0**	454.6
720.3	Retirement benefit obligations	17	**723.3**	579.1
899.0	Derivative financial liabilities	16	**401.9**	792.1
7,794.3	**Non-current liabilities**		**7,454.2**	7,294.2
15,006.6	**Total liabilities**		**13,223.9**	13,934.3
3,121.0	**Net assets**		**4,260.8**	2,613.2
	Equity:			
461.5	Share capital	15	**465.3**	461.1
857.5	Share premium		**853.7**	850.4
22.0	Capital redemption reserve		**22.0**	22.0
(16.2)	Hedge reserve		**(49.0)**	5.2
113.4	Translation Reserve		**16.4**	119.1
1,686.6	Retained earnings		**1,791.2**	1,157.0
3,124.8	**Total equity attributable to equity holders of the parent**		**3,099.6**	2,614.8
(3.8)	Non-controlling interest		**-**	(1.6)
-	Hybrid capital	14	**1,161.2**	-
3,121.0	**Total equity**		**4,260.8**	2,613.2

Condensed Statement of Changes in Equity

for the period 1 April 2010 to 30 September 2010

Reconciliation of movement in reserves	**Share capital £m**	**Share premium account £m**	**Capital redemption reserve £m**	**Hedge reserve £m**	**Translation reserve £m**	**Retained earnings £m**	**Non-controlling interest £m**	**Hybrid Capital £m**	**Total £m**
At 1 April 2010	461.5	857.5	22.0	(16.2)	113.4	1,686.6	(3.8)	-	**3,121.0**
Profit for the period	-	-	-	-	-	495.6	-	-	**495.6**
Effective portion of changes in fair value of cash flow hedges (net of tax)	-	-	-	(7.3)	-	-	-	-	**(7.3)**
Transferred to balance sheet on cash flow hedges (net of tax)	-	-	-	(13.3)	-	-	-	-	**(13.3)**
Effective net investment hedge (net of tax)	-	-	-	-	10.7	-	-	-	**10.7**
Exchange differences on translation of foreign operation	-	-	-	-	(107.7)	-	-	-	**(107.7)**
Derecognition of minority interest on acquisition	-	-	-	-	-	-	3.8	-	**3.8**
Actuarial loss on retirement benefit schemes (net of tax)	-	-	-	-	-	(23.3)	-	-	**(23.3)**
Jointly controlled entities and associates:									
Share of change in fair value of effective cash flow hedges	-	-	-	(12.2)	-	-	-	-	**(12.2)**
Share of actuarial loss on retirement benefit schemes (net of tax)	-	-	-	-	-	(3.9)	-	-	**(3.9)**
Total comprehensive income for the period	-	-	-	(32.8)	(97.0)	468.4	3.8	-	**342.4**
Dividends to shareholders	-	-	-	-	-	(452.3)	-	-	**(452.3)**
Scrip dividend related share issue	3.8	(3.8)	-	-	-	85.2	-	-	**85.2**
Issue of hybrid capital	-	-	-	-	-	-	-	1,161.2	**1,161.2**
Credit in respect of employee share awards	-	-	-	-	-	8.1	-	-	**8.1**
Investment in own shares	-	-	-	-	-	(4.8)	-	-	**(4.8)**
At 30 September 2010	**465.3**	**853.7**	**22.0**	**(49.0)**	**16.4**	**1,791.2**	**-**	**1,161.2**	**4,260.8**

Reconciliation of movement in reserves	**Share capital £m**	**Share premium account £m**	**Capital redemption reserve £m**	**Equity reserve £m**	**Hedge reserve £m**	**Translation reserve £m**	**Retained earnings £m**	**Non-controlling interest £m**	**Total £m**
At 1 April 2009	460.2	835.3	22.0	0.8	19.6	146.6	1,492.7	(2.3)	**2,974.9**
Profit for the period	-	-	-	-	-	-	377.9	0.7	**378.6**
Effective portion of changes in fair value of cash flow hedges (net of tax)	-	-	-	-	(15.8)	-	-	-	**(15.8)**
Effective net investment hedge (net of tax)	-	-	-	-	-	(12.3)	-	-	**(12.3)**
Exchange differences on translation of foreign operation	-	-	-	-	-	(15.2)	-	-	**(15.2)**
Actuarial loss on retirement benefit schemes (net of tax)	-	-	-	-	-	-	(228.6)	-	**(228.6)**
Jointly controlled entities and associates:									
Share of change in fair value of effective cash flow hedges	-	-	-	-	1.4	-	-	-	**1.4**
Share of actuarial loss on retirement benefit schemes (net of tax)	-	-	-	-	-	-	(55.0)	-	**(55.0)**
Total comprehensive income for the period	-	-	-	-	(14.4)	(27.5)	94.3	0.7	**53.1**
Dividends to shareholders	-	-	-	-	-	-	(425.1)	-	**(425.1)**
Convertible bond converted to equity	0.9	15.1	-	(0.8)	-	-	-	-	**15.2**
Credit in respect of employee share awards	-	-	-	-	-	-	9.1	-	**9.1**
Investment in own shares	-	-	-	-	-	-	(14.2)	-	**(14.2)**
Current and deferred tax recognised in equity in respect of employee share awards	-	-	-	-	-	-	0.2	-	**0.2**
At 30 September 2009	**461.1**	**850.4**	**22.0**	**-**	**5.2**	**119.1**	**1,157.0**	**(1.6)**	**2,613.2**

Condensed Statement of Changes in Equity (continued)
for the period 1 April 2010 to 30 September 2010

Reconciliation of movement in reserves	Share capital £m	Share premium account £m	Capital redemption reserve £m	Equity reserve £m	Hedge reserve £m	Translation reserve £m	Retained earnings £m	Non-controlling interest £m	Total £m
At 1 April 2009	460.2	835.3	22.0	0.8	19.6	146.6	1,492.7	(2.3)	**2,974.9**
Profit for the year	-	-	-	-	-	-	1,235.3	0.2	**1,235.5**
Effective portion of changes in fair value of cash flow hedges (net of tax)	-	-	-	-	(24.5)	-	-	-	**(24.5)**
Effective net investment hedge (net of tax)	-	-	-	-	-	(34.0)	-	-	**(34.0)**
Exchange differences on translation of foreign operation	-	-	-	-	(0.4)	0.8	-	-	**0.4**
Actuarial gains on retirement benefit schemes (net of tax)	-	-	-	-	-	-	(366.3)	-	**(366.3)**
Jointly controlled entities and associates:									
Share of change in fair value of effective cash flow hedges	-	-	-	-	(10.9)	-	-	-	**(10.9)**
Share of actuarial losses on retirement benefit schemes (net of tax)	-	-	-	-	-	-	(59.1)	-	**(59.1)**
Total comprehensive income for the period	-	-	-	-	(35.8)	(33.2)	809.9	0.2	**741.1**
Dividends to shareholders	-	-	-	-	-	-	(618.5)	(1.7)	**(620.2)**
Convertible bond converted to equity	0.9	15.8	-	(0.8)	-	-	-	-	**15.9**
Issue of shares	0.4	6.4	-	-	-	-	-	-	**6.8**
Credit in respect of employee share awards	-	-	-	-	-	-	17.9	-	**17.9**
Investment in own shares	-	-	-	-	-	-	(15.8)	-	**(15.8)**
Current and deferred tax recognised in equity in respect of employee share awards	-	-	-	-	-	-	0.4	-	**0.4**
At 31 March 2010	**461.5**	**857.5**	**22.0**	**-**	**(16.2)**	**113.4**	**1,686.6**	**(3.8)**	**3,121.0**

Consolidated Condensed Cash Flow Statement
for the period 1 April 2010 to 30 September 2010

Year ended 31 March 2010 £m		**Six months ended 30 September 2010 £m**	Six months ended 30 September 2009 £m
	Cash flows from operating activities		
1,235.5	Profit for the period after tax	**495.6**	378.6
403.1	Taxation	**149.2**	135.8
(395.7)	Movement on financing and operating derivatives	**(622.4)**	(118.1)
432.0	Finance costs	**238.3**	202.8
(203.2)	Finance income	**(131.6)**	(80.2)
(109.8)	Share of profit/loss jointly controlled entities and associates	**0.2**	(67.3)
(88.8)	Pension service charges less contributions paid	**(33.9)**	(26.0)
-	Exceptional impairment of assets	**291.0**	-
356.4	Depreciation and impairment of assets	**186.8**	173.8
22.2	Amortisation and impairment of intangible assets	**3.6**	4.1
3.0	Impairment of inventories	**-**	-
(7.1)	Release of provisions	**(6.2)**	-
(15.2)	Deferred income released	**(9.7)**	(10.3)
97.2	(Increase)/decrease in inventories	**(14.3)**	(8.6)
914.3	Decrease in receivables	**814.1**	2,230.1
(486.8)	(Decrease) in payables	**(176.9)**	(1,513.1)
5.9	Increase/(decrease) in provisions	**15.6**	(2.6)
17.9	Charge in respect of employee share awards	**8.1**	9.1
(5.7)	(Profit) on disposal of property, plant and equipment	**(4.4)**	(0.3)
0.1	(Profit)/loss on disposal of fixed asset investment	**(8.3)**	-
2,175.3	**Cash generated from operations**	**1,194.8**	1,307.8
23.7	Dividends received from jointly controlled entities	**21.6**	7.6
(1.7)	Dividends paid to minority investment holders	**-**	(0.4)
102.5	Finance income received	**61.1**	30.5
(341.4)	Finance costs paid	**(166.3)**	(154.0)
(307.7)	Income taxes paid	**(49.5)**	(167.1)
1,650.7	**Net cash from operating activities**	**1,061.7**	1,024.4
	Cash flows from investing activities		
(995.0)	Purchase of property, plant and equipment	**(365.8)**	(524.1)
(4.2)	Purchase of other intangible assets	**(15.5)**	(4.8)
18.7	Deferred income received	**8.2**	7.8
40.2	Proceeds from sale of property, plant and equipment	**8.2**	31.3
0.9	Proceeds from sale of fixed asset investment	**-**	-
(336.4)	Loans to jointly controlled entities	**(163.1)**	(3.2)
(67.8)	Purchase of businesses and subsidiaries	**(13.0)**	(56.9)
-	Proceeds from disposal of businesses and subsidiaries	**28.3**	-
9.7	Cash acquired in purchases	**-**	9.7
34.5	Loans repaid by jointly controlled entities	**7.1**	7.8
(61.8)	Investment in associates and jointly controlled entities	**(16.8)**	(15.4)
(1.1)	Increase in other investments	**-**	-
(1,362.3)	**Net cash from investing activities**	**(522.4)**	(547.8)
	Cash flows from financing activities		
6.8	Proceeds from issue of share capital	**-**	-
(618.5)	Dividends paid to company's equity holders	**(367.1)**	(425.1)
(15.8)	Employee share awards share purchase	**(4.8)**	(14.2)
-	Issue of hybrid capital	**1,161.2**	-
1,338.3	New borrowings	**320.4**	1,323.2
(1,035.3)	Repayment of borrowings	**(859.0)**	(950.1)
(324.5)	**Net cash from financing activities**	**250.7**	(66.2)
(36.1)	**Net increase/(decrease) in cash and cash equivalents**	**790.0**	410.4
293.6	Cash and cash equivalents at the start of period	**252.5**	293.6
(36.1)	Net increase/(decrease) in cash and cash equivalents	**790.0**	410.4
(5.0)	Effect of foreign exchange rate changes	**(0.7)**	(1.2)
252.5	**Cash and cash equivalents at the end of period**	**1,041.8**	702.8

Notes on the Condensed Interim Statements
for the period 1 April 2010 to 30 September 2010

1. Condensed Financial Statements

Scottish and Southern Energy plc (the Company) is a company domiciled in Scotland. The condensed interim statements comprise those of the Company and its subsidiaries (together referred to as the Group).

The financial information set out in these condensed interim statements does not constitute the Group's statutory accounts for the periods ended 30 September 2010, 31 March 2010 or 30 September 2009 within the meaning of Section 435 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2010, which were prepared in accordance with International Financial Reporting Standards as adopted by the EU (adopted IFRS), have been reported on by the Group's auditors and delivered to the Registrar of Companies.

The report of the auditors was (i) unqualified (ii) did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain statements under section 498 (2) or (3) of the Companies Act 2006. The interim financial information is unaudited but has been formally reviewed by the auditors and their report to the Company is set out on page 63.

The financial information set out in these interim statements has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and IAS 34 Interim Financial Reporting as adopted by the EU.

These interim statements were authorised by the Board on 9 November 2010.

2. Basis of preparation

These condensed interim statements have been prepared applying the accounting policies and presentation used in the Group's consolidated financial statements for the year ended 31 March 2010, except for the impact of the adoption of the Standards and Interpretations described below:

IFRS 3 (revised), Business Combinations. The revised standard applies to business combinations entered into by the Group completing on or after 1 April 2010 with no requirement to restate previous business combinations. The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as a liability subsequently re-measured through the income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

As the Group has adopted IFRS 3 (revised), it is required to adopt IAS 27 (revised), 'consolidated and separate financial statements', at the same time. IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. There has been no impact of IAS 27 (revised) on the current period.

IFRIC 18, 'Transfers of assets from customers', is effective for transfer of assets received on or after 1 July 2009. This standard clarifies the requirements for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). The contributed assets will be recognised initially at fair value, and the related income will be recognised immediately, or if there is a future service obligation, over the relevant service period. The impact of adopting this standard did not have a material impact on the condensed interim statements.

The following amendments to existing standards and interpretations were also effective for the current period, but the adoption of these amendments to existing standards and interpretations did not have a material impact on the condensed interim statements of the Group.

- IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009.
- Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The effective dates vary standard by standard but most are effective 1 January 2010.

At the date of authorisation of these condensed interim statements, the following standards, amendments to existing standards and interpretations issued by the IASB and IFRIC, which have not been adopted in these condensed interim statements, were in issue but not yet effective:

- IFRS 9, 'Financial Instruments', issued in December 2009. This addresses the classification and measurement of financial assets and may affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption.
- Revised IAS 24, 'Related party disclosures', issued in November 2009.
- Amendment to IFRIC 14, 'Prepayments of a minimum funding requirement' issued in November 2009. The amendment corrects an unintended consequence of IFRIC 14. Without the amendment, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. The amendment is effective for annual periods beginning 1 January 2011.
- Improvements to International Financial Reporting Standards 2010, issued in May 2010.

The above have not been early adopted by the Group and the impact of adopting these standards and amendments to existing standards is currently being assessed.

Notes on the Condensed Interim Statements

for the period 1 April 2010 to 30 September 2010

3. Critical accounting judgements and key sources of estimation uncertainty

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

(i) Revenue recognition
Revenue on energy sales includes an estimate of the value of electricity or gas supplied to customers between the date of the last meter reading and the period end. This will have been estimated by using historical consumption patterns and takes into consideration industry reconciliation processes for total consumption by supplier. At the balance sheet date, the estimated consumption by customers will either have been billed (estimated billed revenue) or accrued (unbilled revenue). Management apply judgement to the measurement of the quantum of the estimated consumption and to the valuation of that consumption. The judgements applied, and the assumptions underpinning these judgements are considered to be appropriate. However, a change in these assumptions would impact upon the amount of revenue recognised.

(ii) Retirement benefits
The assumptions in relation to the cost of providing post-retirement benefits during the period are set after consultation with qualified actuaries. While these assumptions are believed to be appropriate, a change in these assumptions would impact the earnings of the Group. The value of scheme assets is impacted by the asset ceiling test which restricts the surplus that can be recognised to assets that can be recovered fully through refunds or reductions in future contributions.

(iii) Impairment testing
The Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that the value of those assets is impaired. In assessing for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash generating unit (CGU). The recoverable amount of the assets, or the appropriate CGU, is measured as the higher of their fair value less costs to sell and value in use. Value in use calculations requires the estimation of future cash flows to be derived from the respective CGUs and to select and an appropriate discount rate in order to calculate their present value. The fair values less costs to sell methodology used for the wind farms CGUs also requires the discounting of cash flows from the projects within the respective CGUs. The estimation of the timing and value of underlying projected cash flows and the selection of appropriate discount rates involves management judgement. Subsequent changes to these estimates or judgements may impact the carrying value of the assets within the respective CGUs.

(iv) Provisions and contingencies
The assessments undertaken in recognising provisions and contingencies have been made in accordance with IAS 37. The evaluation of the likelihood of the contingent events has required best judgement by management regarding the probability of exposure to potential loss. Should circumstances change following unforeseeable developments, this likelihood could alter.

(v) Financial Instruments – fair values
The valuation of the financial instruments is based upon published price quotations in active markets and valuation techniques where such information is not available. Energy commodity contracts are classified as either derivative contracts under IAS 39 or as contracts for the Group's own use requirements. Only IAS 39 derivatives are accounted for on a fair value basis.

4. Seasonality of operations

Certain activities of the Group are affected by weather and temperature conditions and seasonal market price fluctuations. As a result of this, the amounts reported for the interim period may not be indicative of the amounts that will be reported for the full year due to seasonal fluctuations in customer demand for gas, electricity and services, the impact of weather on demand and commodity prices, market changes in commodity prices and changes in retail tariffs. In Energy Systems, the volumes of electricity and gas distributed or transmitted across network assets are dependent on levels of customer demand which are generally higher in winter months. In Generation and Supply, notable seasonal effects include the impact on customer demand of warmer temperatures in the first half of the financial year and also the related impact of demand on wholesale commodity prices. The impact of temperature on customer demand for gas is more volatile than the equivalent demand for electricity. Other businesses are not considered to be seasonal in nature.

5. Reclassification of Comparative Amounts

The Group's Investments in Jointly Controlled Entities and Associates were previously disclosed including the value of long-term shareholder loans. While this represents the substance of the Group's net investment in its Jointly Controlled Entities and Associates, such interests are not recorded under the equity method of accounting under IAS 27 and 31 but instead are recorded initially at fair value under IAS 39 and are subsequently measured at amortised cost. To align with emerging consensus practice, all such long-term shareholder loans are now shown separately as non-current financial assets and not as part of the equity investment in Jointly Controlled Entities and Associates. In addition to this, the Group holds interest-bearing long-term commercial loans with certain Jointly Controlled Entities (Greater Gabbard Offshore Winds Limited and Marchwood Power Limited) which were previously recorded as part of current other receivables. These have been reclassified as non-current financial assets.

5. Reclassification of Comparative Amounts (continued)

The impact of these changes are as follows:

i. Reclassification of long-term shareholder loans

	Reported 30 September 2009 £m	**Restated 30 September 2009 £m**	Reported 31 March 2010 £m	**Restated 31 March 2010 £m**
Equity investment in associates and jointly controlled entities	956.6	**615.9**	1,037.3	**635.2**
Loans to associates and jointly controlled entities	-	**340.7**	-	**402.1**
	956.6	**956.6**	**1,037.3**	**1,037.3**

ii. Reclassification of long-term commercial loans

	Reported 30 September 2009 £m	**Restated 30 September 2009 £m**	Reported 31 March 2010 £m	**Restated 31 March 2010 £m**
Current other receivables	634.4	**193.5**	857.5	**289.1**
Loans to associates and jointly controlled entities	-	**440.9**	-	**568.4**
	634.4	**634.4**	**857.5**	**857.5**

6. Segmental information

The Group's operating segments are those used internally by the Board to run the business and make strategic decisions. The operating segments are also the Group's reportable segments.

The Group's operating segments are the distribution and transmission of electricity in the North of Scotland, the distribution of electricity in the South of England (together referred to as Power Systems), and the generation and supply of electricity and sale of gas in Great Britain and Ireland (Generation and Supply) and other businesses. In addition to this the Group's 50% equity share in Scotia Gas Networks Limited, a business which distributes gas in Scotland and the South of England, is included as a separate segment where appropriate due to its significance.

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

Segment	**Geographical location**	**Description**
Power Systems	UK	Transmits and distributes electricity to over 3 million businesses, offices and homes.
Generation and supply	Great Britain, Ireland and Europe	The Group views this as a single value chain within a vertically-integrated business. It generates and supplies electricity to domestic, commercial and industrial customers in Great Britain and Ireland. In addition, it also supplies gas to customers in the same locations. Generation is provided by a portfolio of thermal power stations and from renewable sources of energy.
Other businesses:		
Contracting	UK and Ireland	Mechanical and electrical contracting services, public and highway lighting and electrical and instrumentation engineering
Connections	UK	Electricity and gas connections for homes, offices and businesses, out-of-area electricity networks, licenced gas transportation and water and sewerage services.
Metering	UK	Supplies, installs and maintains electricity meters and provides data collection services
Gas Storage, Exploration & Production	UK	Develops, owns and operates underground onshore gas storage facilities and will own North Sea oil and gas exploration and production assets.
Telecoms	UK	Provides network capacity, data centre and bandwidth services to customers
Property & corporate	UK	Provides property and corporate support services to group companies and other parties

The measure of profit used by the Board is adjusted operating profit which is before exceptional items, the impact of IAS 32 and 39 and after the removal of taxation and interest on profits from jointly controlled entities and associates.

Analysis of revenue, operating profit, assets and other items by segment is provided below. All revenue and profit before taxation arise from operations within Great Britain, Ireland and mainland Europe.

Notes on the Condensed Interim Statements
for the period 1 April 2010 to 30 September 2010

6. Segmental information (continued)

a) Revenue by segment

Year ended 31 March 2010 Total revenue £m	Intra-segment revenue £m	External revenue £m		**Six months ended 30 September 2010 Total revenue £m**	**Intra-segment revenue £m**	**External revenue £m**	Six months ended 30 September 2009 Total revenue £m	Intra-segment revenue £m	External revenue £m
			Power Systems						
309.1	105.5	203.6	Scotland	**156.3**	**49.8**	**106.5**	140.5	43.7	96.8
473.5	212.2	261.3	England	**234.8**	**96.5**	**138.3**	211.6	96.2	115.4
782.6	317.7	464.9		**391.1**	**146.3**	**244.8**	352.1	139.9	212.2
			Generation and Supply						
8,234.4	-	8,234.4	Retail	**3,176.3**	**-**	**3,176.3**	3,459.9	-	3,459.9
12,000.3	12.0	11,988.3	Wholesale and trading	**6,839.0**	**5.7**	**6,833.3**	3,992.6	5.1	3,987.5
216.4	7.8	208.6	Other	**114.3**	**5.1**	**109.2**	83.2	4.8	78.4
20,451.1	19.8	20,431.3		**10,129.6**	**10.8**	**10,118.8**	7,535.7	9.9	7,525.8
1,173.9	519.7	654.2	**Other businesses**	**565.1**	**277.1**	**288.0**	548.0	244.2	303.8
22,407.6	857.2	21,550.4		**11,085.8**	**434.2**	**10,651.6**	8,435.8	394.0	8,041.8

Revenue from the Group's investment in Scotia Gas Networks, the Group's share being £198.6m (September 2009 - £200.0m, March 2010 – £373.5m), is not recognised as revenue of the Group under equity accounting.

b) Operating profit by segment

Six months ended 30 September 2010

	Segment Result £m	**JCE / 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**
Power Systems					
Scotland	**74.4**	**-**	**74.4**	**-**	**74.4**
England	**119.6**	**-**	**119.6**	**-**	**119.6**
	194.0	**-**	**194.0**	**-**	**194.0**
Scotia Gas Networks	**98.7**	**(76.8)**	**21.9**	**22.5**	**44.4**
Energy Systems	**292.7**	**(76.8)**	**215.9**	**22.5**	**238.4**
Generation and Supply	**202.8**	**(16.4)**	**186.4**	**273.2**	**459.6**
Other businesses	**70.8**	**(0.1)**	**70.7**	**-**	**70.7**
	566.3	**(93.3)**	**473.0**	**295.7**	**768.7**
Unallocated expenses (ii)	**(4.5)**	**-**	**(4.5)**	**-**	**(4.5)**
	561.8	**(93.3)**	**468.5**	**295.7**	**764.2**

Six months ended 30 September 2009

	Segment Result £m	JCE / 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
Power Systems					
Scotland	70.5	-	70.5	-	70.5
England	111.9	-	111.9	-	111.9
	182.4	-	182.4	-	182.4
Scotia Gas Networks	99.5	(51.4)	48.1	2.1	50.2
Energy Systems	281.9	(51.4)	230.5	2.1	232.6
Generation and Supply	227.4	(8.5)	218.9	189.4	408.3
Other businesses	73.8	(0.1)	73.7	-	73.7
	583.1	(60.0)	523.1	191.5	714.6
Unallocated expenses (ii)	(4.2)	-	(4.2)	-	(4.2)
	578.9	(60.0)	518.9	191.5	710.4

Notes on the Condensed Interim Statements

for the period 1 April 2010 to 30 September 2010

6. Segmental information (continued)

b) Operating profit by segment (continued)

	Year ended 31 March 2010				
	Segment Result £m	JCE / 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
Power Systems					
Scotland	158.9	-	158.9	-	158.9
England	256.9	-	256.9	-	256.9
	415.8	-	415.8	-	415.8
Scotia Gas Networks	183.7	(130.5)	53.2	2.4	55.6
Energy Systems	599.5	(130.5)	469.0	2.4	471.4
Generation and Supply	896.0	(26.5)	869.5	432.7	1,302.2
Other businesses	140.3	(0.2)	140.1	-	140.1
	1,635.8	(157.2)	1,478.6	435.1	1,913.7
Unallocated expenses (ii)	(9.8)	-	(9.8)	-	(9.8)
	1,626.0	(157.2)	1,468.8	435.1	1,903.9

(i) The adjusted operating profit of the Group is reported after removal of the Group's share of interest, movements on financing derivatives and tax from jointly controlled entities and associates. The share of Scotia Gas Networks interest includes loan stock interest payable to the consortium shareholders. The Group has accounted for its 50% share of this, £16.7m (2009 - £17.0m, March 2010 - £33.8m), as finance income (note 8).
(ii) Unallocated expenses comprise corporate office costs which are not directly allocable to particular segments.

c) Assets

	Segment Assets (i)		
	30 September 2010 £m	31 March 2010 £m	30 September 2009 £m
Power Systems			
Scotland	**1,804.3**	1,757.5	1,561.7
England	**2,487.0**	2,660.2	2,383.7
	4,291.3	4,417.7	3,945.4
Scotia Gas Networks (ii)	**455.7**	422.4	440.0
Energy Systems	**4,747.0**	4,840.1	4,385.4
Generation and Supply	**12,903.4**	16,023.0	14,433.2
Other businesses	**1,793.2**	1,845.2	1,819.6
Corporate and unallocated	**11,489.5**	12,028.3	10,329.7
	30,933.1	34,736.6	30,967.9
Less: inter-segment	**(13,448.4)**	(16,609.0)	(14,420.4)
	17,484.7	18,127.6	16,547.5

(i) Segment assets consist of property, plant and equipment, goodwill, other intangible assets, financial assets (operating derivatives) and receivables. Unallocated assets include pension assets, deferred tax assets, financial assets (financing derivatives), investments and cash and cash equivalents.

(ii) The asset balance represents the Group's net investment in Scotia Gas Networks Limited. The Group's share of the capital additions in Scotia Gas Networks Limited is not included within Property, Plant and Equipment.

Notes on the Condensed Interim Statements

for the period 1 April 2010 to 30 September 2010

7. Exceptional items and certain re-measurements

Year ended 31 March 2010 £m		**Six months ended 30 September 2010 £m**	Six months ended 30 September 2009 £m
	Exceptional items (i)		
	Impairments:		
-	Impairment of Generation assets arising from changing market conditions	**(292.4)**	-
-	Impairment of Investments in Associates (share of result, net of tax)	**(69.5)**	-
-	Share of effect of change in UK corporation tax rate on deferred tax liabilities and assets of associate and joint venture investments	**17.2**	-
-		**(344.7)**	-
	Certain re-measurements (ii)		
432.2	Movement on operating derivatives (note 16)	**635.1**	191.5
(36.5)	Movement on financing derivatives (note 16)	**(12.7)**	(73.4)
2.9	Share of movements on derivatives in jointly controlled entities (net of tax)	**5.3**	-
398.6		**627.7**	118.1
398.6	**Impact on profit/(loss) before taxation**	**283.0**	118.1
	Exceptional items (i)		
-	Effect of change in UK corporation tax rate on deferred tax liabilities and assets	**28.9**	-
-	Taxation on exceptional items	**72.9**	-
-		**101.8**	-
	Certain re-measurements (ii)		
(110.9)	Taxation on certain re-measurements	**(174.3)**	(33.2)
(110.9)	**Taxation**	**(72.5)**	(33.2)
287.7	**Impact on profit for the period**	**210.5**	84.9

i) Exceptional items
In the period to 30 September 2010 the following exceptional items have been recorded:

Impairment of Generation assets arising from changing market conditions. Exceptional charges have been recognised in relation to goodwill (£17.8m), property, plant and equipment (£247.9m), development intangible assets (£17.7m), financial assets (£7.6m) and restructuring costs (£1.4m) as a result of changing regulatory and economic conditions. This primarily results from the impact of the Industrial Emissions Directive on station running hours and useful economic lives at certain plants including the Fiddler's Ferry and Ferrybridge power stations.

Impairment of Investments in Associates. Exceptional impairment charges have been recognised in relation to the Group's investments in Barking Power Limited and Derwent Cogeneration Limited following the expiry of long-term power purchase agreements at both stations. The combined impairment charges are £69.5m net of deferred tax.

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 27 July 2010 and will be effective from 1 April 2011. This will reduce the company's future current tax charge accordingly. As this rate change has been substantively enacted it has the effect of reducing the Group's net deferred tax liabilities recognised at 30 September 2010 by £28.9m. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction due to legislation not being enacted, although this will further reduce the company's future current tax charge and reduce the company's deferred tax liabilities/assets accordingly.

ii) Certain re-measurements
Certain re-measurements arising from IAS 39 are disclosed separately to aid understanding of the underlying performance of the Group. This category includes the movement on derivatives as described in note 16.

Notes on the Condensed Interim Statements

for the period 1 April 2010 to 30 September 2010

8. Net finance costs

Year ended 31 March 2010 £m		Six months ended 30 September 2010 £m	Six months ended 30 September 2009 £m
	Finance income:		
100.7	Return on pension scheme assets	**70.5**	49.7
3.5	Interest income from short term deposits	**0.9**	2.0
	Other interest receivable:		
33.8	Scotia Gas Networks loan stock	**16.7**	17.0
20.1	Other jointly controlled entities and associates	**11.6**	9.3
35.1	Other receivable	**31.9**	2.2
89.0	Other interest receivable	**60.2**	28.5
10.0	Foreign exchange translation of monetary assets and liabilities	**-**	-
203.2	**Total finance income**	**131.6**	80.2
	Finance costs:		
(49.9)	Bank loans and overdrafts	**(10.4)**	(28.6)
(284.1)	Other loans and charges	**(160.5)**	(121.5)
(127.5)	Interest on pension scheme liabilities	**(75.1)**	(63.8)
(3.5)	Notional interest arising on provisions	**(1.2)**	(1.2)
(13.2)	Finance lease charges	**(19.8)**	-
-	Foreign exchange translation of monetary assets and liabilities	**-**	1.2
46.2	Less: interest capitalised	**28.7**	11.1
(432.0)	**Finance costs excluding movement on financing derivatives and exceptional items**	**(238.3)**	(202.8)
(36.5)	Movement on financing derivatives (note 16)	**(12.7)**	(73.4)
(468.5)	**Total finance costs**	**(251.0)**	(276.2)
(265.3)	**Net finance costs**	**(119.4)**	(196.0)

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

Year ended 31 March 2010 £m		Six months ended 30 September 2010 £m	Six months ended 30 September 2009 £m
(265.3)	Net finance costs	**(119.4)**	(196.0)
	(add)/less:		
	Share of interest from jointly controlled entities and associates		
(33.8)	Scotia Gas Networks loan stock	**(16.7)**	(17.0)
(73.3)	Other jointly controlled entities and associates	**(52.9)**	(28.8)
(107.1)		**(69.6)**	(45.8)
36.5	Movement on financing derivatives (note 16)	**12.7**	73.4
(335.9)	**Adjusted finance income and costs**	**(176.3)**	(168.4)
(100.7)	Return on pension scheme assets	**(70.5)**	(49.7)
127.5	Interest on pension scheme liabilities	**75.1**	63.8
3.5	Notional interest arising on discounted provisions	**1.2**	1.2
13.2	Finance lease charges	**19.8**	-
(292.4)	Adjusted finance income and costs for interest cover calculations	**(150.7)**	(153.1)

Notes on the Condensed Interim Statements

for the period 1 April 2010 to 30 September 2010

9. Taxation

The income tax expense reflects the anticipated effective rate of tax on profits before taxation for the Group for the year ending 31 March 2011, taking account of the movement in the deferred tax provision in the period so far as it relates to items recognised in the income statement. The reported effective rate in the Income Statement is 23.1% (2009 – 26.4%, March 2010 – 24.6%).

The effect of the substantively enacted change in rate of UK corporation tax effective from 1 April 2011 has been treated as an exceptional item. The total adjusted effective rate of tax on profits before taxation excluding exceptional items, IAS 39 and IAS 32, and adjusted for tax on associates and jointly controlled entities for the period can be represented:

Year ended 31 March 2010		**Six months ended 30 September 2010**	Six months ended 30 September 2009
	Adjusted effective rate:		
21.2%	Current tax	**20.5%**	23.0%
5.3%	Deferred tax	**5.6%**	5.4%
26.5%		**26.1%**	28.4%

10. Dividends

Ordinary dividends

Year ended 31 March 2010 Total £m	Pence per ordinary share		**Six months ended 30 September 2010 Total £m**	**Settled via scrip £m**	**Pence per ordinary share**	Six months ended 30 September 2009 Total £m	Pence per ordinary share
-	-	Final – year ended 31 March 2010	**452.3**	**85.2**	**49.0**	-	-
193.4	21.0	Interim – year ended 31 March 2010	**-**	**-**	**-**	-	-
425.1	46.2	Final – year ended 31 March 2009	**-**	**-**	**-**	425.1	46.2
-	-	Interim – year ended 31 March 2009	**-**	**-**	**-**	-	-
618.5			**452.3**	**85.2**		425.1	

The final dividend of 49.0p per ordinary share declared in the financial year ended 31 March 2010 (2009 – 46.2p) was approved at the Annual General Meeting on 22 July 2010 and was paid to shareholders on 24 September 2010. Shareholders were able to elect to receive ordinary shares credited as fully paid instead of the interim cash dividend under the terms of the Company's scrip dividend scheme.

An interim dividend of 22.4p per ordinary share (2009 – 21.0p) has been proposed and is due to be paid on 25 March 2011 to those shareholders on the Scottish & Southern Energy plc share register on 28 January 2011. The proposed interim dividend has not been included as a liability in these financial statements. A scrip dividend will be offered as an alternative.

Notes on the Condensed Interim Statements

for the period 1 April 2010 to 30 September 2010

11. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 September 2010 is based on the net profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the period ended 30 September 2010. All earnings are from continuing operations.

Adjusted earnings per share

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

Year ended 31 March 2010 Earnings £m	Year ended 31 March 2010 Earnings per share pence		**Six months ended 30 September 2010 Earnings £m**	**Six months ended 30 September 2010 Earnings per share pence**	Six months ended 30 September 2009 Earnings £m	Six months ended 30 September 2009 Earnings per share pence
1,235.3	134.0	**Basic**	**495.6**	**53.7**	377.9	41.0
(287.7)	(31.2)	Exceptional items and certain re-measurements (note 7)	**(210.5)**	**(22.8)**	(84.9)	(9.2)
947.6	102.8	Basic excluding exceptional items and certain re-measurements	**285.1**	**30.9**	293.0	31.8
		Adjusted for:				
33.9	3.7	Deferred tax	**6.3**	**0.7**	12.8	1.4
34.3	3.7	Deferred tax from share of jointly controlled entities and associates	**15.2**	**1.6**	9.6	1.0
1,015.8	110.2	**Adjusted**	**306.6**	**33.2**	315.4	34.2

Year ended 31 March 2010 Earnings £m	Year ended 31 March 2010 Earnings per share pence		**Six months ended 30 September 2010 Earnings £m**	**Six months ended 30 September 2010 Earnings per share pence**	Six months ended 30 September 2009 Earnings £m	Six months ended 30 September 2009 Earnings per share pence
1,235.3	134.0	**Basic**	**495.6**	**53.7**	377.9	41.0
-	(0.1)	Dilutive effect of convertible debt and share options	**-**	**(0.1)**	-	(0.1)
1,235.3	133.9	**Diluted**	**495.6**	**53.6**	377.9	40.9
(287.7)	(31.2)	Exceptional items and certain re-measurements	**(210.5)**	**(22.8)**	(84.9)	(9.2)
947.6	102.7	**Diluted excluding exceptional items and certain re-measurements**	**285.1**	**30.8**	293.0	31.7

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

Year ended 31 March 2010 Number of shares (millions)		**Six months ended 30 September 2010 Number of shares (millions)**	Six months ended 30 September 2009 Number of shares (millions)
921.9	For basic and adjusted earnings per share	**923.4**	920.8
0.4	Effect of exercise of share options	**1.1**	0.7
922.3		**924.5**	921.5
0.7	Effect of dilutive convertible debt	**-**	1.4
923.0	For diluted earnings per share	**924.5**	922.9

Notes on the Condensed Interim Statements
for the period 1 April 2010 to 30 September 2010

12. Acquisitions, disposals and assets held for sale

i. Acquisitions

On 21 April 2010, the Group acquired the residual 49% of Ardrossan Windfarm (Scotland) Limited, an operating wind farm company based in Scotland, for a cash consideration of £13.0m. This took the Group's investment in the company to 100%. Non-controlling interests of £3.8m were derecognised on completion of the acquisition.

On 21 September 2010, the Group acquired a 100% shareholding in I&H Calliacher Windfarm Limited, a development wind farm company based in Scotland, for a cash consideration of £6.4m. Goodwill deriving from the recognition of deferred tax temporary differences of £1.7m arose on the acquisition.

ii. Disposals

On 20 May 2010, the Group disposed of its 100% holding in Ardrossan Wind Farm (Scotland) Limited to Wind Acquisitions 1 (Infinis) for cash proceeds of £28.1m. The net result of the acquisition on 21 April and the disposal on 20 May was a gain of £8.3m.

On 16 September 2010, the Group disposed of its investment in Butendiek Offshore Winpark Holding GmbH and its subsidiaries to wpd AG for cash proceeds of £1.0m. No profit or loss was recognised on this disposal. The disposal of Butendiek may result in additional proceeds being received dependent on certain contingent events. These proceeds have not been recognised.

The transactions can be summarised thus:

	£m
Assets disposed of:	
Goodwill	7.4
Property, plant and equipment	60.3
Intangible development assets	0.7
Current assets	6.8
Current liabilities	(27.6)
Deferred tax	(13.9)
Net Assets	**33.7**
Proceeds of disposal:	
Cash consideration received	29.1
Less: costs of disposal	(0.3)
Net proceeds of disposal	**28.8**
Loss on disposal	**(4.9)**
Gain on acquisition	13.2
Net gain on transactions	**8.3**

No significant profit or loss was recognised from these disposed businesses prior to disposal in the period to 30 September 2010.

iii. Assets held for sale

The assets relating to three Scottish wind farms, one Northern Irish wind farm and a number of European development winds ventures (all part of the Generation and Supply segment) have been presented as held for sale following the decision of the Group's management to sell the respective companies and their related assets. The assets of the disposal groups classified as held for sale are as follows:

	£m
Property, Plant and Equipment	188.0
Intangible assets – wind farm developments	17.6
Equity investment in jointly controlled entities	56.2
Deferred tax	(26.9)
	234.9

There were no significant cashflows or amounts recognised in the statement of comprehensive income relating to the above assets held for sale.

Notes on the Condensed Interim Statements
for the period 1 April 2010 to 30 September 2010

13. Loans and other borrowings

March 2010 £m		**September 2010 £m**	September 2009 £m
	Current		
9.2	Bank overdraft	**7.7**	8.6
882.3	Other short-term loans	**417.4**	922.9
12.2	Obligations under finance leases	**12.7**	0.1
903.7		**437.8**	931.6

March 2010 £m		**September 2010 £m**	September 2009 £m
	Non current		
4,771.1	Loans including convertible debt	**4,828.5**	4,816.3
372.2	Obligations under finance leases	**365.6**	0.4
5,143.3		**5,194.1**	4,816.7
6,047.0	**Total loans and borrowings**	**5,631.9**	5,748.3
(261.7)	Cash and cash equivalents	**(1,049.5)**	(711.4)
5,785.3	**Net debt**	**4,582.4**	5,036.9

During the last six months the Group extended its existing £900m revolving credit facility on reduced pricing and this facility now matures in August 2015, however the £100m bilateral facility remains on the original pricing terms and matures in June 2012. Both these facilities continue to act as a liquidity backstop to the Group's commercial paper programme and as at 30 September 2010 there were no outstanding drawings on either facility.

On 10 August 2010 the Group borrowed £100m at a fixed rate of 3.725% for 10 years from the £400m loan facility with the European Investment Bank. The remaining £300m can be drawn on a fixed or floating basis with a term of up to 10 years by the end of April 2011.

14. Hybrid Capital

March 2010 £m		**September 2010 £m**	September 2009 £m
-	GBP 750m 5.453% perpetual subordinated capital securities	744.4	-
-	EUR 500m 5.025% perpetual subordinated capital securities	416.8	-
-		**1,161.2**	-

On 20 September 2010 the Company issued €500m EUR and £750m Sterling bonds (hybrid capital). They have no fixed redemption date but the Group may, at its sole discretion, redeem all, but not part, of these bonds at their principal amount on 1 October 2015 or 1 October 2020 or any subsequent coupon payment date after this. In addition, under certain circumstances defined in the terms and conditions of the issue, the Group may at its sole discretion redeem all (but not part of) the bonds at their principal amount at any time prior to 1 October 2015.

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.

Coupon payments are expected to be made annually in arrears on 1 October in each year from 1 October 2011. The purpose of the issue was to strengthen SSE's capital base and to fund the Group's ongoing capital investment and acquisitions.

Notes on the Condensed Interim Statements

for the period 1 April 2010 to 30 September 2010

15. Share capital

	Number (millions)	£m
Equity: Ordinary shares of 50p each:		
Authorised:		
At 30 September 2010 and 1 April 2010	1,200.0	600.0
Allotted, called up and fully paid:		
At 1 April 2010	923.1	461.5
Issue of shares	7.5	3.8
At 30 September 2010	**930.6**	**465.3**

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

Shareholders were able to elect to receive ordinary shares in place of the final dividend of 49p per ordinary share under the terms of the Company's scrip dividend scheme. This resulted in the issue of 7,524,682 new fully paid ordinary shares.

The Company issued 5,730 shares (2009 – 5,735, March 2010 – 0.9 million) during the period under the savings-related share option schemes, and discretionary share option schemes for a consideration of £0.05m (2009 - £0.04m, March 2010 - £6.8m).

During the period, on behalf of the Company, the employee share trust purchased 0.4 million shares (2009 – 1.0 million, March 2010 – 0.9 million) for a consideration of £4.8m (2009 – £14.2m, March 2010 – £15.8m) to be held in trust for the benefit of employee share schemes.

16. Financial Instruments and Risk

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board established the Risk Committee, a standing committee of the Board comprising three executive directors and senior managers from the Generation and Supply and Finance functions, to oversee the control of these activities.

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 Risk Committee.

The Group is exposed to the following risks from its use of financial instruments: Credit Risk, Liquidity Risk, Commodity Risk, Currency Risk and Interest Rate risk. In the six months to 30 September 2010, the Group continued to be exposed to difficult economic conditions. In reference to credit risk, the impairment provision for credit losses remained at the same level as March 2010. The Group has continued to commit additional resources to managing credit risk in the period.

The Group's policy in relation to liquidity risk continues to be to ensure, in so far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. The Group issued hybrid capital securities in the six months to September 2010. This, combined with liquidity in the commercial paper market and the Group's undrawn bank borrowing facilities, has enabled the directors to conclude that the Group has sufficient headroom to continue as a going concern. Having raised significant new funds through the issue of hybrid capital securities in the six months to September 2010, as well as drawing £100m from the Group's £400m loan facility with the European Investment Bank, the Group has no requirement to issue new debt in the remainder of the current financial year.

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 remain as stated in the Group's financial statements at March 2010.

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.

Notes on the Condensed Interim Statements

for the period 1 April 2010 to 30 September 2010

16. Financial Instruments and Risk (continued)

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

Year ended 31 March 2010 £m		**Six months ended 30 September 2010 £m**	Six months ended 30 September 2009 £m
	Operating derivatives		
(3,449.6)	Total result on operating derivatives (i)	**(734.9)**	(3,162.8)
3,881.8	Less: amounts settled (ii)	**1,370.0**	3,354.3
432.2	**Movement in unrealised derivatives**	**635.1**	191.5
	Financing derivatives (and hedged items)		
(640.6)	Total result on financing derivatives (i)	**(561.8)**	(317.0)
604.1	Less: amounts settled (ii)	**549.1**	243.6
(36.5)	**Movement in unrealised derivatives**	**(12.7)**	(73.4)
395.7	**Total**	**622.4**	118.1

(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 period represent the result on derivatives transacted which have matured or been delivered and have been included within the total result on derivatives.

The net financial assets / (liabilities) are represented as follows:

March 2010 £m		**September 2010 £m**	September 2009 £m
	Financial Assets		
466.3	Non-current	**351.0**	436.5
1,468.3	Current	**1,000.9**	1,666.2
1,934.6		**1,351.9**	2,102.7
	Financial Liabilities		
(899.0)	Non-current	**(401.9)**	(792.1)
(2,020.7)	Current	**(1,308.7)**	(2,550.4)
(2,919.7)		**(1,710.6)**	(3,342.5)
(985.1)	**Net financial liability**	**(358.7)**	(1,239.8)

17. Retirement Benefit Obligations

Defined Benefit Schemes

The Group has two funded final salary pension schemes which provide defined benefits based on final pensionable pay. The schemes are subject to independent valuations at least every three years. The Group also has an Employer Financed Retirement Benefit scheme and a Group Personal Pension Plan, details of which were provided in the Group's Financial Statements to 31 March 2010.

Summary of Defined Benefit Pension Schemes:

Movement recognised in the SoCI March 2010 £m	Pension liability March 2010 £m		Movement recognised in respect of the pension liability in the SoCI **September 2010 £m**	Movement recognised in respect of the pension liability in the SoCI September 2009 £m	Pension liability **September 2010 £m**	Pension liability September 2009 £m
(161.6)	(251.1)	Scottish Hydro Electric Pension Scheme	**(9.7)**	(212.5)	**(243.6)**	(79.0)
(221.4)	(469.2)	Southern Electric Pension Scheme	**(22.0)**	(232.7)	**(479.7)**	(500.1)
(383.0)	(720.3)		**(31.7)**	(445.2)	**(723.3)**	(579.1)

The net pension liability of £723.3m reported at 30 September 2010 includes an additional liability of £256.9m calculated under IFRIC 14, which reflects the value of contributions payable under a schedule of contributions agreed by the Company and Trustees (minimum funding requirement). The comparative liabilities at September 2009 and March 2010 were £nil and £256.3m, respectively.

Notes on the Condensed Interim Statements

for the period 1 April 2010 to 30 September 2010

17. Retirement Benefit Obligations (continued)

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

At 31 March 2010		**At 30 September 2010**	At 30 September 2009
5.2%	Rate of increase in pensionable salaries	**4.7%**	4.8%
3.7%	Rate of increase in pension payments	**3.2%**	3.3%
5.5%	Discount rate	**4.9%**	5.4%
3.7%	Inflation rate	**3.2%**	3.3%

18. Capital Commitments

At 31 March 2010 (Restated) £m		**At 30 September 2010 £m**	At 30 September 2009 (Restated) £m
	Capital Expenditure		
970.2	Contracted for but not provided	**1,157.4**	1,121.6

19. Related Party Transactions

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

	Sale of goods and services Sep 2010 £m	**Purchase of goods and services Sep 2010 £m**	**Other Transactions Sep 2010 £m**	Sale of goods and services Sep 2009 £m	Purchase of goods and services Sep 2009 £m	Other Transactions Sep 2009 £m
Jointly controlled entities:						
Seabank Power Limited	**-**	**(61.1)**	**2.6**	0.7	(50.7)	3.1
PriDE (South East Regional Prime) Limited	**18.9**	**-**	**-**	14.8	-	-
Scotia Gas Networks Limited	**30.7**	**(73.2)**	**16.7**	25.9	(78.4)	17.0
Marchwood Power Limited	**-**	**(41.6)**	**4.2**	18.1	(19.9)	7.8
Greater Gabbard Offshore Winds Limited	**2.3**	**-**	**4.5**	1.8	-	2.2
Associates:						
Barking Power Limited	**0.5**	**(45.2)**	**-**	0.8	(44.8)	-
Derwent Co-generation Limited	**16.5**	**(41.3)**	**-**	9.6	(43.4)	-
Logan Energy Limited	**-**	**-**	**-**	-	(0.8)	-
RockTron (Widnes) Limited	**0.1**	**-**	**0.2**	-	-	-
Vital Energi Holdings Limited	**0.2**	**(0.4)**	**-**	-	-	-
Onzo Limited	**-**	**(0.7)**	**-**	-	-	-
Green Highland Renewables Limited	**0.1**	**-**	**-**	0.2	-	-
Aquamarine Power Limited	**-**	**-**	**-**	-	-	0.1

Transactions between Seabank Power Limited, Marchwood Power Limited, Barking Power Limited and Derwent Co-generation Limited related to Power Purchase Agreements. Barking and Derwent Power Purchase Agreements came to an end on 30 September 2010.

19. Related Party Transactions (continued)

The balances outstanding with related parties at 30 September were as follows:

	Amounts owed by related parties			Amounts owed to related parties		
	Sep 2010	March 2010 (Restated)	Sep 2009	**Sep 2010**	March 2010	Sep 2009
	£m	£m	£m	**£m**	£m	£m
Jointly controlled entities:						
Seabank Power Limited	**55.4**	60.7	69.8	**28.5**	26.0	24.7
PriDE (South East Regional Prime) Limited	**0.1**	7.0	3.2	**-**	-	-
Greater Gabbard Offshore Winds Limited	**582.5**	427.7	305.1	**-**	-	-
Scotia Gas Networks Limited	**286.2**	283.3	295.9	**0.4**	1.3	0.2
Marchwood Power Limited	**145.1**	176.9	171.5	**7.7**	7.0	4.7
Intelligent Energy Limited	**2.0**	2.0	-	-	-	-
Associates:						
Barking Power Limited	**0.8**	16.4	0.1	**5.7**	9.3	6.0
Derwent Co-generation Limited	**4.5**	2.0	0.3	**7.3**	9.4	10.3
Aquamarine Power Limited	**2.6**	14.3	-	-	-	-
Onzo Limited	**7.6**	6.9	4.1	**-**	1.2	-
Rocktron (Widnes) Limited	**24.7**	21.9	-	**-**	-	-
Insource Energy Limited	**3.1**	-	-	**-**	-	-
Geothermal International Limited	**3.0**	3.0	-	**-**	-	-
NuGeneration Limited	**6.4**	6.4	-	**-**	-	-
Logan Energy Limited	**-**	-	-	**-**	0.1	0.1

With the exception of shareholder loans at Greater Gabbard, Marchwood Power, Seabank Power, Scotia Gas Networks, Geothermal, Insource and NuGeneration, the amounts outstanding are commercial 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. The March 2010 balances have been restated to include the loan balances. Detailed on the nature of the relationship with these related parties can be found in note 29 of the March 2010 financial statements.

20. Post Balance Sheet Events

On 1 October 2010, the Group increased its shareholding in RockTron (Widnes) Limited from 49% to 100%, for a nominal sum. This follows an agreement with RockTron Limited for the use of their exclusive fly ash recycling technology. The business has been subsequently renamed SSE Mineral Solutions Limited.

Statement of directors’ responsibilities in respect of the condensed interim financial statements

We confirm that to the best of our knowledge:

i) the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
ii) the interim management report includes a fair review of the information required by:
(a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
(b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

For and on behalf of the Board

Ian Marchant
Chief Executive

Gregor Alexander
Finance Director

London
9 November 2010

Independent review report to Scottish and Southern Energy plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2010 which comprises the Consolidated and Condensed Income Statement, the Consolidated and Condensed Statement of Comprehensive Income and Expense, the Consolidated and Condensed Balance Sheet, the Consolidated and Condensed Statement of Changes in Equity, the Consolidated and Condensed Cash Flow Statement, and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 2, the annual financial statements of the Company are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU*.*

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2010 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

John Luke
For and on behalf of KPMG Audit Plc

Chartered Accountants
Edinburgh
9 November 2010