

SOUTHERN ELECTRIC CONTRACTING LIMITED

*A Member of the Contracting Group
of Scottish and Southern Energy plc*

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2005

Company Registration No 2317133



SOUTHERN ELECTRIC CONTRACTING LIMITED

DIRECTORS' REPORT

The Directors of Southern Electric Contracting Limited present their report and accounts for the year ended 31 March 2005.

Principal Activities

The principal activities of the Company are as electrical and mechanical contractors, undertaking work within Domestic, Industrial/Commercial, Public Lighting, Electrical Instrumentation, Datacoms, Distribution Services and High Voltage markets.

Dividends

The Directors recommend a final dividend payment of £3,710k (2004 : £3,290k) to the parent company SSE Contracting Group Ltd.

Business Review

The Company has had another good year of financial performance with an 8% increase in operating profits.

The Building Services division completed the integration of a mechanical capability within its established electrical business. In January 2005, the acquisition of part of the business formerly known as Eastern Contracting has further strengthened SEC's core business, spreading its depot network into East Anglia.

The Lighting Services division successfully commenced operations in its second major PFI contract, this time for Newcastle and North Tyneside Councils.

Towards the end of the year the Company entered into a joint venture agreement with Interserve Defence Ltd (IDL) to provide a wide range of facilities management services for the Ministry of Defence in the south-east of England. This major contract was awarded to the SEC/IDL joint venture company, PriDE (SERP) Ltd.

Outlook for the future is very positive.

This year's performance has produced a turnover of £220.6m (an increase of £34.6m), and an increase in operating profits to £15.2m.

	2005 £000's	2004 £000's
Turnover	<u>220,629</u>	<u>186,029</u>
Operating Profit	<u>15,230</u>	<u>14,057</u>
Profit after interest and tax	<u>11,558</u>	<u>9,837</u>

SOUTHERN ELECTRIC CONTRACTING LIMITED

DIRECTORS' REPORT (continued)

Directors and Directors' Interests

The Directors of the Company who served during the year are :-

Mr R M Hall (Resigned 31/05/05)	Chief Executive
Mr A J Pike	Managing Director, Contracting Group & Telecoms
Mr R P Sharp	Managing Director Building Services
Mr R A Stowell	Managing Director Lighting Services
Mr P Culbert	Finance Director
Mr T Payne (Appointed 28/4/04)	Managing Director Contracting
Mr D Mullineaux (Appointed 17/3/05)	Operations Director Contracting
Mr C W Hood	Non-Executive Director

The beneficial interests of the Executive Directors and their families in the ordinary shares of Scottish and Southern Energy plc, and full details of all outstanding options granted and exercised by these Directors in the year, are shown in note 5 of the accounts.

Mr P S Yates was appointed as a director on 28 April 2005.

Disabled Employees

As an equal opportunity employer, it is the Company's policy to give full and fair consideration to every application for employment from disabled persons, bearing in mind the abilities and aptitudes of the applicants in relation to available vacancies.

Employee Participation

The Company has maintained and developed a wide range of methods of communication with employees including briefing meetings, tool box talks for direct staff, a staff newspaper, bulletins on specific issues, staff suggestion scheme, and a joint consultative council where matters of mutual interest are considered by the Company's managers and representatives of the staff. The Company operates a profit sharing scheme for its professional, technical and administrative staff, which rewards achievement against targets.

Safety, Health and Environment

The Company was pleased to have received The President's Award for safety from RoSPA. Overall, the safety performance continued its year to year improvement.

This year the company continued to focus on safer driving issues, and we have maintained the significant reduction in the number of own fault driving incidents reported last year.

Environmental targets raised the awareness of recycling and waste segregation resulting in an increase in recycling activity and initiatives throughout the business.

SOUTHERN ELECTRIC CONTRACTING LIMITED

DIRECTORS' REPORT (continued)

Policy on Payment to Creditors

It is the Company's policy to pay each creditor in line with the contract terms and conditions, subject to the terms and conditions being met by the supplier.

In accordance with Statutory Instrument 1997/571, the number of supplier days represented by trade creditors was calculated as 21 days at 31 March 2005 (2004 : 24 days).

Directors' Responsibilities

The Directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for that period. In preparing these financial statements the Directors are required to :

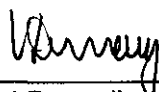
- (a) select suitable accounting policies and apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- (d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Auditors

During the year, KPMG Audit Plc have continued as the Company's auditors and have indicated their willingness to continue as auditors.

By order of the Board



Vincent Donnelly
Company Secretary
22 June 2005

AUDITORS' REPORT

Report of the Independent Auditors to the members of Southern Electric Contracting Ltd.

We have audited the financial statements on pages 5 to 18.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 and the Company's members as a body, for our audit work, for this report, or for the opinions formed.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Directors' Report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the company is not disclosed.

Basis of Audit Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit plc
Chartered Accountants
Registered Auditor
Arlington Business Park
Theale
Reading
RG7 4SD

22 June 2005

SOUTHERN ELECTRIC CONTRACTING LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2005

	Note	2005 £000's	2004 £000's
Turnover	2	220,629	186,029
Cost of sales		(189,291)	(157,345)
Gross Profit		31,338	28,684
Distribution costs		(2,624)	(2,685)
Administrative expenses		(13,484)	(11,942)
Operating profit	3	15,230	14,057
Interest receivable	6	553	339
Profit on ordinary activities before taxation		15,783	14,396
Taxation	7	(4,225)	(4,559)
Profit for the financial year		11,558	9,837
Dividends	8	(3,710)	(3,290)
Retained profit for the financial year	19	7,848	6,547

The above results derive from continuing operations.

There are no recognised gains or losses for the year other than the retained profit.

The accompanying notes are an integral part of this profit and loss account.

SOUTHERN ELECTRIC CONTRACTING LIMITED

BALANCE SHEET

At 31 March 2005

	Note	2005 £000's	2004 £000's
Fixed assets			
Intangible assets – Goodwill	9	2,073	-
Tangible assets	10	13,510	13,146
Investments	11	1,133	1,259
		<u>16,716</u>	<u>14,405</u>
Current assets			
Stocks	12	14,933	11,652
Debtors	13	51,296	44,952
		<u>66,229</u>	<u>56,604</u>
Creditors - amounts falling due within one year	14	<u>(53,606)</u>	<u>(51,378)</u>
Net current assets		<u>12,623</u>	<u>5,226</u>
Total assets less current liabilities		29,339	19,631
Creditors - amounts falling due after more than one year	15	(333)	(221)
Provisions for liabilities and charges	17	<u>(3,085)</u>	<u>(1,337)</u>
Net Assets		<u>25,921</u>	<u>18,073</u>
Capital and reserves			
Called up share capital	18	4,000	4,000
Profit and loss account	19	<u>21,921</u>	<u>14,073</u>
Equity Shareholders' Funds	20	<u>25,921</u>	<u>18,073</u>

The accounts on pages 5 to 18 were approved by the Board on 22 June 2005.



A J Pike
Director

The accompanying notes are an integral part of this balance sheet.

SOUTHERN ELECTRIC CONTRACTING LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

1. Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

a. Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

b. Group Accounts

At the end of the year the Company was a wholly owned subsidiary of Scottish and Southern Energy plc (the ultimate parent) incorporated in the United Kingdom. Accordingly, the preparation of group accounts is not required under Section 228 of the Companies Act 1985.

c. Turnover

Turnover comprises the value of work completed and agreed with the client during the year, exclusive of value added tax.

d. Recognition of profits on contracts

With the exception of contracts under £5,000 in value (for which profit is recognised on completion), profit is taken on contracts whilst the contract is in progress, having regard to a prudent estimate of profit based on costs incurred and valuations agreed with clients. Provision is made for all foreseeable losses.

e. Pension costs

Contributions to pension schemes on behalf of the employees of the Company are charged to the profit and loss account equal to the contributions charged for the accounting period.

f. Leased assets

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the Profit and Loss Account on a straight line basis over the period of the lease.

g. Taxation

Corporation tax payable is provided on taxable profits at the current rate. Deferred taxation arises in respect of items where there is a timing difference between their treatment for accounting purposes and their treatment for taxation purposes. In accordance with FRS 19, full provision without discounting is made for deferred taxation.

SOUTHERN ELECTRIC CONTRACTING LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 March 2005

1. Accounting Policies (continued)

h. Goodwill and amortisation

Purchased goodwill arising on the acquisition of unincorporated businesses, being the excess of the purchase price over the fair value of the assets acquired. Goodwill is not amortised other than to reflect any impairment identified by management.

i. Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. The charge for depreciation is calculated to write off these assets on a straight line basis over their estimated useful lives to their estimated residual value. The lives of each major class of depreciable asset are as follows :

Vehicles and mobile plant	5 years
Fixtures, equipment and other plant and machinery	4-5 years

j. Investments

Fixed asset investments are capitalised and amortised on a straight line basis over their estimated useful lives.

k. Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value. The valuation of work in progress is based on the cost of direct labour and material plus attributable overheads.

l. Cash flow statement

The Company's ultimate parent company produces a cash flow statement in accordance with Financial Reporting Standard 1 (Revised 1996). Accordingly the Company, which is a wholly owned subsidiary, is not required to produce a cash flow statement.

m. Related Party Transactions

As a subsidiary undertaking of Scottish and Southern Energy plc, the Company has taken advantage of the exemption in Financial Reporting Standard 8 "Related party disclosures" not to disclose transactions with other members of the group headed by Scottish and Southern Energy plc.

2. Turnover

The Company's turnover arose mainly from the provision of electrical and mechanical services in the United Kingdom.

SOUTHERN ELECTRIC CONTRACTING LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 March 2005

3. Operating Profit

Operating profit is stated after charging/(crediting):

	2005 £000's	2004 £000's
Depreciation - owned assets	3,471	2,514
Auditors' remuneration - audit work	17	18
Operating lease rentals	1,566	1,611
Profit on sales of fixed assets	(179)	(48)

4. Employees

	2005 No.	2004 No.
The average monthly number of employees (including Executive Directors) was:-		
Direct staff	1,963	1,791
Management, engineers, sales and administration	692	669
	<u>2,655</u>	<u>2,460</u>
	2005 £000's	2004 £000's
Total employee costs during the year:		
Wages and salaries	67,899	60,778
Social security costs	5,792	5,350
Other pension costs	<u>2,006</u>	<u>2,009</u>
	<u>75,697</u>	<u>68,137</u>

In accordance with Financial Reporting Standard 17 (Retirement Benefits), the Company's contributions to the Electricity Supply Pension Scheme (ESPS) have been treated as contributions to a defined contribution scheme.

SOUTHERN ELECTRIC CONTRACTING LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 March 2005

5. Directors' Remuneration and Interests

The Directors' emoluments excluding amounts receivable under long term incentive schemes were £615,915 (2004: £550,162).

Amounts receivable under long term incentive schemes were £82,704. (2004 : £85,959).

The number of Directors who were members of money purchase pension schemes was nil (2004 : nil), and the number who were members of defined benefit pension schemes was 7 (2004 : 5).

The number of Directors who exercised share options in the year was nil (2004 : nil).

Figures attributable to the highest paid Director are as follows :-

	2005 £000's	2004 £000's
Emoluments, incl any amounts in respect of long term incentive schemes	187	165
Accrued pension at 31 March	26	49
Accrued lump sum at 31 March	72	146
Gains on exercising share options	Nil	nil

The beneficial interests of the Directors and their families in the ordinary shares and share options of Scottish and Southern Energy plc were :-

	2005		2004	
	Shares at 31 March 05 (50p)	Options at 31 March 05 (50p)	Shares at 31 March 04 (50p)	Options at 31 March 04 (50p)
R M Hall	17,644	14,618	16,731	11,027
A J Pike	188	7,413	31	2,828
R P Sharp	13,258	4,295	13,676	2,127
R A Stowell	4,900	6,013	4,085	4,668
P Culbert	6,144	4,735	5,876	4,415
T Payne	-	1,728	-	-
D Mullineaux	597	4,708	-	-

SOUTHERN ELECTRIC CONTRACTING LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 March 2005

6. Interest Receivable

Interest receivable for the year of £553k (2004 : £339k) was receivable from the parent company.

7. Tax on Profit on Ordinary Activities

	2005 £000's	2004 £000's
UK taxation on profit for the year:		
Corporation tax at 30% (2004 30%)	4,855	3,967
Corporation tax (over)/under provided in previous years	(472)	211
Other Corporation tax adjustments	69	-
	4,452	4,178
Deferred taxation (Note 16)	(227)	381
Taxation charge for the year	4,225	4,559
Reconciliation of profit before tax to taxation charge for the year:	£000's	£000's
Factors affecting the tax charge for the period		
Profit on ordinary activities before tax	15,783	14,396
Taxation charge based on profit before tax at 30% (2004 30%)	4,735	4,319
Effects of:-		
Corporation tax under provided in previous years	78	211
Corporation tax over provided in previous years (CSW)	(550)	-
Expenses not deductible for tax purposes	341	8
Depreciation for period (less) than capital Allowances	(98)	(374)
Accounting (profit)/loss on disposal of fixed assets	(54)	14
	4,452	4,178

The £550,000, over provision in respect of Connect South West Limited relates to SEC's utilisation of a tax loss from one of its subsidiaries (Connect SW Ltd) which has previously not been shown in the profit and loss tax charge.

The Directors regard that the deferred tax asset is recoverable to the extent that, on the basis of all available evidence, it can be regarded as more likely that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

SOUTHERN ELECTRIC CONTRACTING LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 March 2005

8. Dividends

	2005 £000's	2004 £000's
Final dividend proposed	3,710	3,290
	<u>3,710</u>	<u>3,290</u>

9. Intangible Fixed Assets

	Goodwill £000's
Cost	£000's
At 1 April 2004	-
Addition	<u>2,073</u>
At 31 March 2005	<u>2,073</u>
Net Book Value	
At 31 March 2005	<u>2,073</u>
At 31 March 2004	<u>-</u>

On 12th January 2005 Southern Electric Contracting Limited acquired the assets and ongoing business of part of Alfred McAlpine Utilities Services SE Limited from Alfred McAlpine for a consideration of £2.0m. £990k of the above cost arises from an accounting policy adjustment that will result in this value being released to the profit and loss account as the relevant jobs are closed. This £990k charge to P&L will be offset by the release of a £990k excess payment held on these jobs.

The fair value of assets acquired from Alfred McAlpine Utilities Services SE Limited is:-

Fair Value Table	Book Value £000	Fair Value £000
Fixed Assets	73	36
Current Assets		
Stock	11	-
Trade Debtors	1,516	1,515
Prepayments	31	31
Staff Floats	10	10
Work in Progress	1,783	1,051
	3,351	2,607

SOUTHERN ELECTRIC CONTRACTING LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 March 2005

Current Liabilities

Trade Credit	(783)	(783)
Sub Contractor Creditors	(125)	(125)
Sub Contractor Retentions	(4)	(4)
Services Management Accruals	(274)	(274)
Accruals	(414)	(414)
Receipts not Invoiced	(167)	(167)
Deferred Income	(19)	(990)
	(1,786)	(2,757)

Current Assets less Liabilities	1,565	(150)
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Net Assets	1,638	(114)
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Goodwill	321	2,073
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Contribution Paid	1,959	1,959
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10. Tangible Fixed Assets

	Vehicles & Mobile Plant £000's	Fixtures and Equipment £000's	Total £000's
Cost			
At 1 April 2004	22,146	5,222	27,368
Additions	3,270	646	3,916
Disposals	(2,222)	-	(2,222)
At 31 March 2005	<u>23,194</u>	<u>5,868</u>	<u>29,062</u>
Depreciation			
At 1 April 2004	9,444	4,778	14,222
Charge for the year	3,264	207	3,471
Disposals	(2,141)	-	(2,141)
At 31 March 2005	<u>10,567</u>	<u>4,985</u>	<u>15,552</u>
Net book value			
At 31 March 2005	<u>12,627</u>	<u>883</u>	<u>13,510</u>
At 31 March 2004	<u>12,702</u>	<u>444</u>	<u>13,146</u>

Included in Fixtures and Equipment are assets held under finance leases with a net book value of £nil (2004 : £nil). Depreciation for the year on these assets was £nil (2004 : £nil).

SOUTHERN ELECTRIC CONTRACTING LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 March 2005

11. Investments

Cost	£000's
At 1 April 2004 and 31 March 2005	<u>1,888</u>
Amortisation	
At 1 April 2004	629
Charge for the year	<u>126</u>
At 31 March 2005	<u>755</u>
Net Book Value	
At 31 March 2005	<u>1,133</u>
At 31 March 2004	<u>1,259</u>

Details of shareholdings in subsidiary undertakings held directly or via a subsidiary are as follows :-

Name	Country of Incorporation	Principal Activity	Percentage of Ordinary Shares held
Connect Holdings Limited	England & Wales	Dormant	100%
Connect South West Limited	England & Wales	Dormant	100%
South West Lampcrushers Limited	England & Wales	Dormant	100%
PriDE (SERP) Limited	England & Wales	Facilities Management for MOD	50%
Novus Solutions Limited	England & Wales	Prime Contracting	33%

The investments above in Connect South West Limited, Connect Holdings Limited and South West Lampcrushers Limited were acquired on 29 January 1999 and are being amortised over 15 years. The investment relates to the trade of the 3 named companies, which is now being undertaken within Southern Electric Contracting Limited.

SOUTHERN ELECTRIC CONTRACTING LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 March 2005

12. Stocks

	2005 £000's	2004 £000's
Work in progress	13,088	11,716
Payments on account	(800)	(1,886)
	12,288	9,830
Raw materials	2,645	1,822
	14,933	11,652

There is no material difference between the balance sheet value of stocks and their replacement cost.

13. Debtors

	2005 £000's	2004 £000's
Amounts falling due within one year:		
Trade debtors	32,918	31,903
Amounts owed by group undertakings	15,277	11,713
Other debtors	740	508
Accrued income and prepayments	280	58
	49,215	44,182
Amounts falling due after one year:		
Other debtors	1,114	5
Deferred tax asset (note 16)	967	765
	2,081	770
	51,296	44,952

14 Creditors (amounts falling due within one year)

	2005 £000's	2004 £000's
Bank loans and overdrafts	2,222	2,122
Payments received on account	15,173	12,669
Trade creditors	9,253	8,913
Amounts owed to group undertakings (incl dividends)	10,490	16,121
Corporation tax	2,428	1,962
Other taxes and social security	7,589	5,893
Other creditors	5,629	3,698
Accruals and deferred income	822	-
	53,606	51,378

SOUTHERN ELECTRIC CONTRACTING LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 March 2005

15. Creditors (amounts falling due after more than one year)

	2005 £000's	2004 £000's
Other loans	333	221
	<u>333</u>	<u>221</u>

16. Deferred Tax Asset

The movement in the year was :-

	2005 £000's	2004 £000's
At start of year	765	1,146
Transfer from profit and loss account	202	(381)
At end of year	<u>967</u>	<u>765</u>
Comprising:		
Accelerated capital allowances	(611)	(544)
Other timing differences	1,578	1,309
	<u>967</u>	<u>765</u>

17. Provisions for Liabilities and Charges

	Rationalisation £000's	Warranty £000's	Total £000's
At 1 April 2004	158	1,179	1,337
Utilised in the year	(67)	(416)	(483)
Transferred from profit and loss account	30	2,201	2,231
At 31 March 2005	<u>121</u>	<u>2,964</u>	<u>3,085</u>

18. Share Capital

	2005 £000's	2004 £000's
Authorised:		
10,000,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid:		
4,000,002 ordinary shares of £1 each	<u>4,000</u>	<u>4,000</u>

SOUTHERN ELECTRIC CONTRACTING LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 March 2005

19. Profit and Loss Account

	£000's
At 1 April 2004	14,073
Retained profit for the year	7,848
At 31 March 2005	<u>21,921</u>

20. Reconciliation of Movements in Shareholders' Funds

	2005 £000's	2004 £000's
Profit for the year	11,558	9,837
Dividends	<u>(3,710)</u>	<u>(3,290)</u>
Net addition to shareholders' funds	7,848	6,547
Opening shareholders' funds	<u>18,073</u>	<u>11,526</u>
Closing shareholders' funds	<u>25,921</u>	<u>18,073</u>

21. Pension Commitments

Most of the Company's employees who transferred from the Parent Company are members of the Electricity Supply Pension Scheme which provides pension and other related benefits based on final pensionable pay (defined benefit scheme) to employees throughout the Electricity Supply Industry in England and Wales.

The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore as required by FRS 17 "retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the current accounting period (ie these are not affected by any surplus or deficit in the scheme relating to past service of its employees and any other members of the scheme).

Full details of the Electricity Supply Pension Scheme (defined benefit scheme) can be found in the ultimate parent company's accounts.

Employees can opt to join a personal pension scheme which is a money purchase scheme with the Company matching the members' contributions up to a maximum (currently 5% of salary). That scheme is managed by Scottish Equitable and administered by Cavanagh Financial Management Limited.

The Company's share of the total contribution payable to the pension schemes during the year was £2,006k (2004 : £2,009k). Contributions amounting to £159k (2004 : £172k) were payable to the schemes at 31 March 2005 and are included in creditors.

SOUTHERN ELECTRIC CONTRACTING LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 March 2005

22. Capital Commitments

	2005 £000's	2004 £000's
Capital expenditure:		
Contracted for but not provided in the accounts	<u>184</u>	<u>304</u>

23. Operating Lease Commitments

Annual commitments under non-cancellable operating leases are as follows :

	2005		2004	
	Land & Buildings £000's	Other £000's	Land & Buildings £000's	Other £000's
Operating leases which expire :-				
Within one year	210	-	191	-
In the second to fifth years inclusive	146	147	161	144
In more than five years	287	-	244	-
	<u>643</u>	<u>147</u>	<u>596</u>	<u>144</u>

24. Ultimate Parent Company

The ultimate parent company is Scottish and Southern Energy plc, a company registered in Scotland. Copies of the group accounts of Scottish and Southern Energy plc may be obtained from :-

Director of Corporate Communications
Scottish and Southern Energy plc
Inveralmond House
200 Dunkeld Road
PERTH
PH1 3AQ