

REGISTERED NO.  
2764438

## SSEPG (Operations) Limited

### Accounts for the year ended 31 March 2006

#### CONTENTS

#### Page No.

Report of the Directors	1 - 2
Statement of directors' responsibilities in respect of the Directors' Report and the Accounts	3
Independent Auditors' Report to the Members	4
Profit and Loss Account	5
Balance Sheet	6
Statement of Total Recognised Gains and Losses and Reconciliation of Movements in Shareholders' Funds	7
Notes on the Accounts	8 - 16



## **SSEPG (Operations) Limited**

### **Report of the Directors**

The Directors present their report together with the audited Accounts for the year ended 31 March 2006.

#### **1. Principal Activities**

The Company's principal activity is the development, construction and operation of small-scale power plants.

#### **2. Business Review**

The Directors do not anticipate any change in the activities of the Company in the forthcoming period.

#### **3. Results and Dividends**

The profit for the financial year amounted to £1.0m (2005 - £3.0m loss as restated). The Directors do not recommend the payment of a dividend (2005 - nil).

#### **4. Directors**

The Directors who served during the year were as follows: -

Paul Smith (appointed 15 April 2005)  
Brian Smith

#### **5. Directors' Interests in Ultimate Holding Company**

The interests of the Directors in the shares of the Company's ultimate holding company, Scottish and Southern Energy plc, are as follows:

	31 March 2006		1 April 2005	
	No of shares beneficially held	No of shares under option	No of shares beneficially held	No of shares under option
Paul Smith	4,934	16,109	3,163*	12,194*
Brian Smith	681	8,659	1,333	8,590

\* - at date of appointment

#### **6. Political and Charitable Donations**

During the year, no charitable or political donations were made.

## **SSEPG (Operations) Limited**

### **Report of the Directors (continued)**

#### **7. Employment Policies**

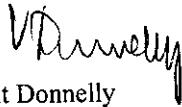
Staff are actively encouraged to be involved in Company affairs in a wide variety of ways. These include monthly team meetings, briefing documents and internal videos. Policies on such matters as Equal Opportunities and Health and Safety are regularly communicated to staff and involvement is supported through local committees. New staff joining the Company receive induction training.

It is Company policy, where possible, to provide employment opportunities for disabled people. Staff who become disabled are supported in continuing employment through identification of suitable jobs and the provision of necessary retraining.

#### **8. Auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that ought to have been taken as a director to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

ON BEHALF OF THE BOARD



Vincent Donnelly  
Secretary  
16 January 2007

## **SSEPG (Operations) Limited**

### **Statement of directors' responsibilities in respect of the Directors' Report and the Accounts**

The directors are responsible for preparing the Directors' Report and the Accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare Accounts for each financial year. Under that law they have elected to prepare the Accounts in accordance with UK Accounting Standards.

The Accounts are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these Accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Accounts; and
- prepare the Accounts 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its Accounts 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.

## **SSEPG (Operations) Limited**

### **Independent Auditors' Report to the Members of SSEPG (Operations) Limited**

We have audited the Accounts of SSEPG (Operations) Limited for the year ended 31 March 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These Accounts have been prepared under the accounting policies set out therein.

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 auditor's 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 we have formed.

#### **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the Accounts in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the Accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Accounts. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Accounts, 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 Accounts 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 Accounts.

#### **Opinion**

In our opinion:

- the Accounts give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its profit for the year then ended;
- the Accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Accounts.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
Edinburgh  
16 January 2007

## **SSEPG (Operations) Limited**

### **Profit and Loss Account for the year ended 31 March 2006**

	<b>Note</b>	<b>2006 £m</b>	<b>2005 restated £m</b>
<b>Turnover</b>		<b>12.4</b>	<b>4.4</b>
Cost of sales		<b>(8.6)</b>	<b>(6.0)</b>
<b>Operating profit/(loss)</b>	<b>3</b>	<b>3.8</b>	<b>(1.6)</b>
Interest payable	<b>6</b>	<b>(2.2)</b>	<b>(1.9)</b>
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>1.6</b>	<b>(3.5)</b>
Taxation on profit/(loss) on ordinary activities	<b>7</b>	<b>(0.6)</b>	<b>0.5</b>
<b>Retained profit/(loss) for the financial year</b>	<b>15</b>	<b>1.0</b>	<b>(3.0)</b>

The above results are derived from continuing activities.

The accompanying notes are an integral part of these Accounts.

# SSEPG (Operations) Limited

## Balance Sheet as at 31 March 2006

	Note	2006 £m	2005 restated £m
<b>Tangible fixed assets</b>	8	<u>31.8</u>	<u>34.4</u>
<b>Current assets</b>			
Stocks	9	0.2	0.1
Debtors: amounts falling due within one year	10	13.5	7.0
amounts falling due after more than one year	10	<u>5.2</u>	<u>5.2</u>
		18.9	12.3
<b>Creditors: amounts falling due within one year</b>	11	(48.1)	(45.4)
<b>Net current liabilities</b>		<u>(29.2)</u>	<u>(33.1)</u>
<b>Total assets less current liabilities</b>		2.6	1.3
<b>Creditors: amounts falling due after more than one year</b>	12	(6.4)	(6.4)
<b>Provisions for liabilities and charges</b>			
Deferred taxation	13	(6.3)	(6.0)
<b>Net liabilities</b>		<u>(10.1)</u>	<u>(11.1)</u>
<b>Capital and reserves</b>			
Called up share capital	14	1.2	1.2
Profit and loss account	15	(11.3)	(12.3)
<b>Deficit in equity shareholders' funds</b>		<u>(10.1)</u>	<u>(11.1)</u>

These Accounts were approved by the Directors on 16 January 2007 and signed by

*Paul R. Smith*

Paul Smith, Director

## **SSEPG (Operations) Limited**

### **Statement of Total Recognised Gains and Losses for the year ended 31 March 2006**

	<b>2006</b>	<b>2005</b>
	<b>£m</b>	<b>restated</b>
		<b>£m</b>
Retained profit/(loss) for the financial year	<u>1.0</u>	<u>(3.0)</u>
<b>Total recognised gains and losses relating to the financial year</b>	<b>1.0</b>	<b>(3.0)</b>
Prior year adjustments (note 2)	<u>(1.1)</u>	
<b>Total gains and losses recognised since last annual report</b>	<b><u>(0.1)</u></b>	

### **Reconciliation of Movement in Shareholders' Funds as at 31 March 2006**

	<b>2006</b>	<b>2005</b>
	<b>£m</b>	<b>restated</b>
		<b>£m</b>
Profit/(loss) for the financial year	<u>1.0</u>	<u>(3.0)</u>
<b>Net addition to/(reduction in) shareholders' funds</b>	<b>1.0</b>	<b>(3.0)</b>
Opening deficit in shareholders' funds	<u>(11.1)</u>	<u>(8.1)</u>
<b>Closing deficit in shareholders' funds</b>	<b><u>(10.1)</u></b>	<b><u>(11.1)</u></b>

The opening shareholders' funds at 1 April 2005 were originally in deficit by £10.0m before prior year adjustments of £1.1m (note 2).



## **SSEPG (Operations) Limited**

### **Notes on the Accounts for the year ended 31 March 2006**

#### **1. Significant accounting policies**

##### **Basis of preparation**

The Accounts have been prepared in accordance with all applicable United Kingdom accounting standards. The principal accounting policies are summarised below and have been applied consistently.

Under Financial Reporting Standard 1 (FRS 1), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent undertaking includes the Company in its own published consolidated Accounts.

As the Company is a wholly owned subsidiary of Scottish and Southern Energy plc (SSE plc), it has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Scottish and Southern Energy Group (the Group).

The company has adopted a number of new accounting policies or has amended previous policies as a result of new accounting standards becoming applicable. In particular, the impact and applicability of the following standards should be noted:

- The presentation requirements of FRS 25 *Financial Instruments: disclosure and presentation*;
- The application of FRS 20 *Share based payments* has been restricted to equity instruments issued by the ultimate parent that were granted to employees of the Company on or after 7 November 2002 and had not vested by 1 January 2005;
- FRS 21 *Events after the Balance Sheet Date*;
- FRS 28 *Corresponding amounts*.

The company has changed its application of FRS 19 *Deferred Taxation* by ceasing to measure the provision for deferred tax on a discounted basis.

##### **Turnover**

Turnover, stated net of value added tax, represents the amounts derived from the generation and sale of electricity, together with the provision of other goods and services in the UK.

##### **Taxation**

The charge for taxation is based on the profit or loss for the year and takes into account deferred taxation.

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted, or substantially enacted, by the balance sheet date.

Deferred taxation arises in respect of items where there are timing differences between their treatment for accounting and taxation purposes. This is recognised where an obligation to pay more tax in the future has originated but not reversed at the balance sheet date. A deferred tax asset is recognised only when it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

##### **Tangible Fixed Assets**

###### **(i) Depreciation**

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Plant and machinery	15 years
---------------------	----------

###### **(ii) Subsequent expenditure**

Expenditure incurred to replace a component of a tangible fixed asset that is accounted for separately is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits of the tangible fixed asset to which it relates.

## **SSEPG (Operations) Limited**

### **Notes on the Accounts for the year ended 31 March 2006**

#### **1. Principal accounting policies (continued)**

##### **Stocks**

Stocks are valued at the lower of cost and net realisable value.

##### **Employee benefit obligations**

###### **Pensions**

Contributions to pension schemes on behalf of the employees of the Company are charged to the profit and loss account in accordance with the contributions incurred in the year.

##### **Equity and equity-related compensation benefits**

SSE plc, the ultimate parent of the Company, operates a number of All Employee Share Schemes as described in the Remuneration Report of the Group. These schemes enable Group employees to acquire shares of SSE plc. The employees of the Company are entitled, where applicable, to participate in these schemes. The Company has been charged with the cash cost of acquiring shares on behalf of its employees, with a corresponding increase in the equity of SSE plc. Where the fair value of the options granted has been measured, the Company has recognised the expense as if the share based payments related to the Company's own shares.

Applying the transitional provisions of FRS 20, its requirements have been applied to all grants of equity instruments after 7 November 2002 that had not vested as at 1 January 2005.

The exercise prices of the sharesave scheme are set at a discount to market price at the date of the grant. The fair value of the sharesave scheme option granted is measured at the grant date by use of an option pricing model. The fair value of the options granted is recognised as an expense on a straight-line basis over the period that the scheme vests. Estimates are updated at each balance sheet date with any adjustment in respect of the current and prior years being recognised in the profit and loss accounts.

The costs associated with the other main employee schemes, the share incentive plan and the deferred bonus scheme, are recognised over the period to which they relate.

#### **2. Prior year adjustments**

The Company has changed the accounting policy on deferred tax to align it with the new group accounting policy. Previously, deferred tax was measured on a discounted basis. The change in accounting policy is to state deferred tax on an un-discounted basis. A prior year adjustment has been made in respect of this change in measurement basis, resulting in an increase in the tax charge and a reduction in the profit for 2005 of £0.8M. The deferred tax liability at 31 March 2005 has increased by £1.1M with a consequent reduction in net assets of £1.1M at that date. The adjustment has not affected the reported net assets at 31 March 2006.

As a result of the introduction of FRS 20 *Share-based payments*, a prior year adjustment has been made in respect of the net share based credit in profit after tax in 2005. The impact on profit after tax and net assets at 31 March 2005 is immaterial.

## SSEPG (Operations) Limited

### Notes on the Accounts for the year ended 31 March 2006

#### 2. Prior year adjustments (continued)

##### Summary

Profit/(loss) attributable to shareholders:

2005  
£m

Change in the application of FRS 19

Reduction in tax credit

(0.8)

Total net loss increase

(0.8)

As previously reported

(2.2)

**As restated**

**(3.0)**

Net assets as at:

2005  
£m

Impact of change in application of FRS 19

(Increase) in provision for deferred tax

(1.1)

(Reduction) in net assets

(1.1)

As previously reported

(10.0)

**As restated**

**(11.1)**

#### 3. Operating profit/(loss)

The operating profit/(loss) is arrived at after charging:

2006  
£m

2005  
£m

Depreciation of tangible fixed assets

2.6

2.1

Net management fee in respect of services provided by group companies

0.1

-

#### 4. Directors' remuneration

The Directors received no remuneration in respect of their services to the Company (2005 - nil).

## SSEPG (Operations) Limited

### Notes on the Accounts for the year ended 31 March 2006

#### 5. Staff costs and numbers

	2006 £m	2005 £m
Staff costs:		
Wages and salaries	0.6	0.5
Social security costs	0.1	0.1
	<u>0.7</u>	<u>0.6</u>

Included within the above costs is a charge recognised under FRS 20 of £3,656 (2005 - £732).

	2006 Number	2005 Number
The number of people employed at 31 March	<u>19</u>	<u>18</u>
	2006 Number	2005 Number
The monthly average number of people employed by the Company during the year	<u>17</u>	<u>16</u>

#### 6. Interest payable

	2006 £m	2005 £m
To group companies	<u>(2.2)</u>	<u>(1.9)</u>

#### 7. Taxation

	2006 £m	2005 restated £m
Current tax:		
United Kingdom corporation tax	<u>0.3</u>	<u>(1.5)</u>
Deferred tax:		
Origination and reversal of timing differences	0.1	0.5
Adjustment in respect of prior years	<u>0.2</u>	<u>0.5</u>
Total Deferred Tax	<u>0.3</u>	<u>1.0</u>
Total tax charge/(credit) on profit/(loss) on ordinary activities	<u>0.6</u>	<u>(0.5)</u>

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2006 £m	2005 restated £m
Profit/(loss) on ordinary activities before taxation	<u>1.6</u>	<u>(3.5)</u>
Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 30% (2005 - 30%)	0.4	(1.0)
Effects of:		
Capital allowances in excess of depreciation	<u>(0.1)</u>	<u>(0.5)</u>
Current tax charge/(credit) for year	<u>0.3</u>	<u>(1.5)</u>

# SSEPG (Operations) Limited

## Notes on the Accounts for the year ended 31 March 2006

### 8. Tangible fixed assets

	Plant and Machinery £m
<b>Cost:</b>	
At 1 April 2005 and at 31 March 2006	<u>47.4</u>
<b>Depreciation:</b>	
At 1 April 2005	13.0
Charge for the year	<u>2.6</u>
At 31 March 2006	<u>15.6</u>
<b>Net Book Value:</b>	
At 31 March 2006	<u>31.8</u>
At 31 March 2005	<u>34.4</u>

### 9. Stocks

	2006 £m	2005 £m
Raw materials	<u>0.2</u>	<u>0.1</u>

### 10. Debtors

	2006 £m	2005 £m
Amounts falling due within one year:		
Amounts owed by group undertakings	8.4	1.6
Group relief receivable	5.0	5.3
Value Added Tax	<u>0.1</u>	<u>0.1</u>
	<u>13.5</u>	<u>7.0</u>
Amounts falling due within one year:		
Amounts owed by group undertakings	<u>5.2</u>	<u>5.2</u>
	<u>18.7</u>	<u>12.2</u>

### 11. Creditors: amounts falling due within one year

	2006 £m	2005 £m
Amounts owed to group undertakings	46.6	44.3
Accruals and deferred income	1.4	1.1
Other creditors	<u>0.1</u>	<u>-</u>
	<u>48.1</u>	<u>45.4</u>

### 12. Creditors: amounts falling due after more than one year

	2006 £m	2005 £m
Amounts owed to group undertakings	<u>6.4</u>	<u>6.4</u>

## SSEPG (Operations) Limited

### Notes on the Accounts for the year ended 31 March 2006

#### 13. Deferred taxation

Deferred taxation is provided as follows:

	2006 £m	2005 restated £m
Accelerated capital allowances	6.3	6.0

	31 March 2006 £m
Provision at 31 March 2005 as previously stated	4.9
Prior year adjustment (note 2)	1.1
Provision at 31 March 2005 as restated	6.0
Transferred from / (to) profit and loss account	0.3
<b>Provision at 31 March 2006</b>	<b>6.3</b>

#### 14. Share capital

	2006 £m	2005 £m
Equity		
Authorised:		
2,500,000 ordinary shares of £1 each	2.5	2.5
40,000,000 preference shares of £1 each	40.0	40.0
	<b>42.5</b>	<b>42.5</b>
Allotted, called up, and fully paid:		
1,200,002 ordinary shares of £1 each	1.2	1.2

#### 15. Reserves

	Profit and loss account £m
Balance at 31 March 2005 as previously stated	(11.2)
Prior year adjustments (note 2)	(1.1)
Balance at 31 March 2005 as restated	(12.3)
Retained profit for the financial year	1.0
<b>Balance at 31 March 2006</b>	<b>(11.3)</b>

#### 16. Pensions

The majority of the Company's employees are members of the Electricity Supply Pension Scheme or the Scottish Hydro-Electric Pension Scheme which provide defined benefits based on final pensionable pay. The Company's contributions to these schemes are set in relation to the current service period only (i.e. these are not affected by any surplus or deficit in the scheme relating to past service of its own employees and any other members of the scheme) and as such are treated as contributions to a defined contribution scheme. 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 of 6% of salary. That scheme is managed by Friends Provident.

The Company's share of the total contribution payable to the pension schemes during the year was £28,745 (2005 - £23,109).

## **SSEPG (Operations) Limited**

### **Notes on the Accounts for the year ended 31 March 2006**

#### **17. Employee share-based payments**

The majority of the Company's employees are participants in the following Group share schemes:

##### **(i) Savings-related share option schemes ("Sharesave")**

This scheme gives employees the option to purchase shares in the parent Company at a discounted market price, subject to them remaining in employment with the Group for the term of the agreement. Employees may opt to save between £5 and £250 per month for a period of 3 or 5 years and at the end of this period, employees have six months to exercise their options by using the cash saved (including a bonus equivalent to interest). If the option is not exercised, the funds may be withdrawn by the employee and the option expires.

##### **(ii) Share Incentive Plan (SIP)**

This scheme allows employees the opportunity to purchase shares in the parent Company on a monthly basis. Employees may nominate an amount between £10 and £125 to be deducted from their gross salary, and this is then used to purchase shares ('partnership shares') in the market on the final business day of each month. These shares are then held in trust for a period of 5 years, at which point they are transferred at no further cost to the employee. These shares may be withdrawn at any point during the 5 years, but tax and national insurance would then be payable on any amounts withdrawn.

In addition to the shares purchased on behalf of the employee, the Group will match the purchase up to a maximum of 5 shares ('matching shares') per month. Again these shares are held in trust for the five years until they are transferred to the employee. If an employee leaves during the first three years, or removes his/her 'partnership' shares, these 'matching' shares are forfeited.

In addition to the above, at 31 March 2005 the Group made a special award of 50 free shares to all employees in employment at both 31 March and 20 August 2005 in recognition of their contribution to the success of the Group. Under the arrangements for the award, the shares will be held in trust for five years, at which point they will be transferred to the employees at no cost to the employee. These shares may be withdrawn by the employee at any point during years four and five, but tax and national insurance would then be payable on any amounts withdrawn.

As allowed by FRS 20, only options granted since 7 November 2002, which were unvested at 1 January 2005, have been included.

## SSEPG (Operations) Limited

### Notes on the Accounts for the year ended 31 March 2006

#### 17. Employee share-based payments (continued)

Details used in the calculation of these costs are as follows:

##### (i) Savings-related share option scheme

Date of grant	25 July 2003		16 July 2004		14 July 2005	
	2006	2005	2006	2005	2006	2005
Outstanding at start of year	Shares	658	658	1,878	-	-
	Price	562	562	622	-	-
Granted	Shares	-	-	-	1,878	3,230
	Price	-	-	-	622	886
Outstanding at end of year	Shares	658	658	1,878	1,878	3,230
	Price	562	562	622	622	886

Of the outstanding options at the end of the year, none were exercisable.

The fair value of these shares at vesting, calculated using the Black-Scholes model, and the assumptions made in that model are as follows:

	July 2003		July 2004		July 2005	
	3 Year	5 Year	3 Year	5 Year	3 Year	5 Year
Price	659p	667p	730p	739p	1,012p	1,023p
Expected volatility	17%	17%	17%	17%	15%	15%
Risk free rate	4.7%	4.8%	4.7%	4.8%	4.1%	4.2%
Expected dividends	4.6%	4.6%	4.6%	4.6%	4.2%	4.2%
Term of the option	3 yrs	5 yrs	3 yrs	5 yrs	3 yrs	5 yrs
Underlying price at grant date	630p	630p	699p	699p	967p	967p
Strike price	562p	562p	622p	622p	886p	886p

Expected price volatility was obtained by calculating the historical volatility of the Group's share price over the previous 12 months.



## SSEPG (Operations) Limited

### Notes on the Accounts for the year ended 31 March 2006

#### 17. Employee share-based payments (continued)

##### (ii) Share Incentive Plan

	2006		2005	
	Shares	Weighted average price (pence)	Shares	Weighted average price (pence)
Outstanding at start of year	305	738	115	632
Granted	535	1,028	190	803
Forfeited	(131)	738	-	-
Outstanding at end of year	709	957	305	738

Of the outstanding options at the end of the year, none were exercisable.

Shares purchased under this scheme prior to 7 November 2002 have not been included as permitted by the transitional rules under FRS 20.

##### Free shares

	2006		2005	
	Shares	Weighted average price (pence)	Shares	Weighted average price (pence)
Outstanding at start of year	-	-	-	-
Granted	750	965	-	-
Forfeited	(50)	965	-	-
Outstanding at end of year	700	965	-	-

Of the outstanding options at the end of the year, none were exercisable.

#### 18. Capital commitments

##### Capital expenditure

	2006 £m	2005 £m
Contracted for but not provided	0.1	-

#### 19. Ultimate holding company

The Company is a subsidiary of Scottish and Southern Energy plc, a company registered in Scotland, whose consolidated accounts (which include those of the Company) are available from Corporate Communications, Inverlmond House, 200 Dunkeld Road, Perth PH1 3AQ.

#### 19. Financing Net Liabilities

The Company's balance sheet at 31 March 2006 shows a net liability position of £10.1m (2005 - £11.1m). Scottish and Southern Energy plc has confirmed that it will continue to provide financial support to the Company. On this basis, the directors believe that the Company will be in a position to meet its liabilities as they fall due and that the accounts are appropriately prepared on a going concern basis.