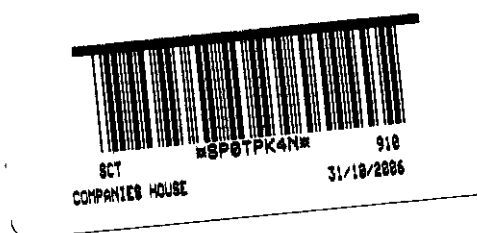


**SSE Power Distribution Limited**  
**Accounts for the year ended 31 March 2006**

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# **SSE Power Distribution 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 business is to act as an investment holding company

### **2. Business Review**

The Directors intend the company to pursue its activity of holding investments. The Directors do not anticipate any changes in activities in the forthcoming year.

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

The Company made a profit after tax of £115.7m in the year to 31 March 2006 (2005: £56.0m as restated). A dividend of £45.0m (2005: £70.7m) was declared during the year. The dividends declared in 2005 and 2006 were paid in the year ended 31 March 2006.

### **4. Directors**

The Directors who served during the year were as follows:

Gregor Alexander  
Colin Hood  
Steven Kennedy

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

The interests of Gregor Alexander and Colin Hood in the shares of the Company's ultimate holding company, Scottish and Southern Energy plc, are noted in the Accounts of Scottish and Southern Energy plc. The interests of Steven Kennedy in 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
Steven Kennedy	1,322	4,836	1,024	5,131

## **SSE Power Distribution Limited**

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

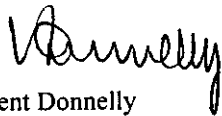
#### **6. Political and Charitable Donations**

During the year, no charitable or political donations were made

#### **7. 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  
Company Secretary  
1 September 2006

## **SSE Power Distribution 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.

## **SSE Power Distribution Limited**

### **Independent Auditors' Report to the Members of SSE Power Distribution Limited**

We have audited the Accounts of SSE Power Distribution 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  
1 September 2006

## **SSE Power Distribution Limited**

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

	<b>Note</b>	<b>2006 £M</b>	<b>2005 restated £M</b>
Income from fixed asset investments		<b>115.7</b>	56 0
<b>Profit on ordinary activities before taxation</b>		<b>115.7</b>	56 0
Taxation	4		
<b>Profit for the financial year</b>	9	<b>115.7</b>	56 0

Other than the retained profit for the financial year, there are no other recognised gains or losses such profit represents the only movement in equity shareholders' funds

The accompanying notes are an integral part of these Accounts

## SSE Power Distribution Limited

### Balance Sheet as at 31 March 2006

	Note	2006 £M	2005 restated £M
<b>Fixed assets:</b>			
Investments in subsidiaries	6	74.2	74.2
<b>Total assets less current liabilities</b>		74.2	74.2
<b>Creditors: amounts falling due after more than one year</b>	7	(74.2)	(74.2)
<b>Net assets</b>			
<b>Capital and reserves</b>			
Called up share capital	8		
<b>Total shareholders' funds</b>			

These Accounts were approved by the Directors on 1 September 2006 and signed on their behalf by



Gregor Alexander, Director

## **SSE Power Distribution 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>
Profit for the financial year	<b>115.7</b>	<b>56.0</b>
Total recognised gains and losses relating to the financial year	<b>115.7</b>	<b>56.0</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 for the financial year	<b>115.7</b>	<b>56.0</b>
Dividends	<b>(115.7)</b>	<b>(56.0)</b>
Net addition to shareholders' funds		
Opening shareholders' funds		
Closing shareholders' funds		



# **SSE Power Distribution 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 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:

- FRS 21 *Events after the Balance Sheet*,
- FRS 28 *Corresponding amounts*

#### **Taxation**

The charge for taxation is based on the profit 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.

#### **Dividends on shares presented within shareholders' funds**

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to these accounts.

# SSE Power Distribution Limited

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

### 2. Prior year adjustments

As a result of the adoption of FRS 21 *Events after the Balance Sheet date*, a prior year adjustment has been made in respect of the recognition of proposed dividends. The adjustment has not affected the reported net assets at 31 March 2006 or 31 March 2005.

#### Summary

Profit attributable to shareholders

	2005 £M
Adoption of FRS 21	
Reduction in income from fixed asset investments	(70.7)
Increase in income from fixed asset investments	56.0
Total net profit (decrease)	(14.7)
As previously reported	70.7
<b>As restated</b>	<b>56.0</b>

Net assets as at

	31 March 2005 £M
Impact of FRS 21	
Reduction in inter company creditor	70.7
(Reduction) in inter company debtor	(70.7)
Change in net assets	
As previously reported	
<b>As restated</b>	

### 3. Directors', staff and auditors' remuneration

The Directors did not receive remuneration in respect of their service to the Company. There were no staff employed during the year. During the year the Company did not incur an audit fee (2005: £nil).

### 4. Taxation

	2006 £M	2005 restated £M
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2005: 30%)	34.7	16.8
Effects of		
Non taxable income	(34.7)	(16.8)
<b>Current tax charge for year</b>		

# SSE Power Distribution Limited

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

### 5. Dividends

	2006 £M	2005 restated £M
<b>Amounts recognised as distributions from equity.</b>		
Final dividend for the previous year of £70.7m (2005 £56.0m) per share	70.7	56.0
Final dividend for the current year of £45.0m (2005 nil) per share	45.0	
	<u>115.7</u>	<u>56.0</u>
Proposed final dividend for the current year of nil (2005 £70.7m) per share		70.7

### 6. Investments in subsidiaries

	£M
<b>Cost</b>	
At 31 March 2006 and 1 April 2005	<u>74.2</u>

Details of the Company's investments are as follows

Investment	Holding	Proportion held	Nature of Business
Scottish Hydro Electric Transmission Ltd	Ordinary shares	100%	Transmission of electricity
Scottish Hydro Electric Power Distribution Ltd	Ordinary shares	100%	Distribution of electricity
Southern Electric Power Distribution plc	Ordinary shares	100%	Distribution of electricity
S + S Ltd	Ordinary shares	100%	New connections
SSE Pipelines Ltd	Ordinary shares	100%	Gas pipeline and meter installation

### 7. Creditors, amounts falling due after one year

	2006 £M	2005 restated £M
Amounts falling due after one year		
Amounts owed to ultimate parent	74.2	74.2

### 8. Share capital

	2006 £	2005 £
Authorised		
1,000 ordinary shares of £1	1,000	1,000
Allotted and called up		
1 ordinary share of £1	1	1

## **SSE Power Distribution Limited**

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

#### **9. Reserves**

	<b>Profit and loss account £M</b>
At 31 March 2005	
Prior year adjustments (note 2)	
At 31 March 2005 restated	
Retained profit for the year	115 7
Dividends to shareholders	(115 7)
<b>At 31 March 2006</b>	

#### **10. Ultimate holding company**

The Company's ultimate holding company is Scottish and Southern Energy plc, a company registered in Scotland. Accounts of Scottish and Southern Energy plc are available from Inveralmond House, 200 Dunkeld Road, Perth, PH1 3AQ