

# **Southern Electric Power Distribution plc**

## **Regulatory Accounts for the year ended 31 March 2005**

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## **Southern Electric Power Distribution plc**

### **Corporate Report for the year ended 31 March 2005**

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## **Southern Electric Power Distribution plc**

### **Corporate Report: Review of the Year to 31 March 2005**

Southern Electric Power Distribution plc (the Company) is a wholly owned subsidiary of Scottish and Southern Energy plc (the Group). The Company's first responsibility remains the provision of a safe and reliable electricity network, and in line with this it is encouraging that our performance across a range of measures continues to be good. This performance has been achieved while maintaining a downward pressure on costs, and confirms that the electricity networks managed by SSE plc are among the most efficient in the world.

Investment is now the key issue facing electricity network companies in the UK. Looking ahead, as the House of Commons Trade and Industry Select Committee made clear in its Report in February 2004, there needs to be greater emphasis on ensuring that electricity network owners have the financial resources necessary to secure a viable long-term electricity supply. The Committee also pointed out that extra investment is required to ensure that the network is ready for the anticipated changes to electricity generation over the next decade.

In line with this, it is encouraging that the industry regulator, Ofgem, has said that a key priority in the distribution price control for 2005 to 2010 is to protect the interests of customers by ensuring that there is sufficient scope for companies to invest in the networks to safeguard security of supply and meet future demands from generation directly connected to the distribution network.

Operating profit fell by 2.8% to £193.8m, following the over-recovery of allowable revenues that occurred in 2003/04.

Ofgem's valuation of the physical assets of the distribution and metering businesses (the Regulated Asset Value, RAV) was £1.35bn on 1 April 2005 (at 02/03 prices) and is expected to grow by around £134m over the next five years, thus supporting the ongoing value of the business.

#### **Distribution Price Control Review**

Throughout the process for determining the new electricity Distribution Price Control for 2005-10, The Company's objective was to reach agreement with Ofgem on an overall package of measures in respect of The Company which would allow it to deliver a quality service for customers while achieving a reasonable return for investors. Agreement was reached in December 2004.

Ofgem's review confirmed that The Company is the most efficient operator in electricity distribution in Great Britain. Looking forward, The Company believes that, taken together, the arrangements for future allowed operational and capital expenditure, operational expenditure efficiency assumptions, the treatment of pensions costs and rising tax charges, the level of real post-tax cost of capital, the incentive framework for delivery of better than expected performance and the treatment of other company-specific issues meet its objective.

The review resulted in significantly increased allowances for capital expenditure to maintain and improve electricity networks. As a result, The Company's regulated capital expenditure is likely to increase by over 30%, to around £140m, in 2005/06. Overall, SSE expects the outcome of the Distribution Price Control Review to enable it to increase the revenue earned by its electricity distribution businesses in future years. The priority now is to maintain the highest standards of customer service and efficiency within the new price control framework.

This performance, combined with the £489m investment made in the electricity network during the 5 year price control period ended 2005 and our performance in response to the storms of 2002 and 2004 led to the Company being singled out as a 'benchmark company' by the government.

### **1. Operational Review**

#### **1.1 Factors affecting the Business**

The Company is responsible for managing an electricity distribution network, serving 2.75 million customers. Its RAV at current prices is over £1.4 billion.

## **Southern Electric Power Distribution plc**

### **Corporate Report: Review of the Year to 31 March 2005**

#### **1 Operational Review continued**

Distribution of electricity within specified areas is a monopoly activity and the income earned by charging electricity customers for the use of their wires is closely regulated by Ofgem, as is the level of investment which is made in electricity networks. The Company has completed the fifth and final year of the price controls set for the period up to 31 March 2005.

Against this background, the Company's objective is to manage the consequences of the growth in demand for electricity and ensure the network has the minimum number of faults and the maximum robustness in the face of severe weather and other supply interruption risks. It is also important to automate networks so that when supply is interrupted, it can be restored as soon as possible. The programme of investment is designed with these goals in mind.

#### **1.2 Use of Resources and Status of Significant Projects**

In line with the policies in place to achieve the objectives highlighted at 1.1, a total of £110.7m was invested in the electricity networks, taking the total investment to £489m during the 5 year price control period ended in 2005. Investment of this kind upgrades the electricity network and reinforces the value of the RAV which, in turn, supports the ongoing value of the business.

In the Southern Electric Power Distribution area, the programme to upgrade and refurbish the network continued during 2004/05, with 1,680km of high voltage overhead lines and 775km of low voltage lines refurbished.

The substantial programme of network automation continued, with another 86 urban substations completed, together with 220 new radio-controlled automated switching units in rural areas, allowing for faster restoration of supply to customers. There has also been significant investment in the underground network, with 50km of high voltage cable replaced.

In 2004/05, SEPD distributed 34.1TWh of electricity, an increase of 0.36TWh. The average number of minutes of lost electricity supply per customer was 83.9, which was within the target set by Ofgem under its Information and Incentives Project (IIP), which gives financial benefits to distribution network operators that deliver good performance for customers.

The number of supply interruptions per 100 customers was 97.6. Subject to the outcome of the forthcoming Ofgem review of exceptional events, which should reduce these figures, this performance is expected to lead to additional revenue of around £5m.

The Company was the 'benchmark' company and was not given any company-specific actions by the DTI commissioned report into power systems emergencies published at the end of 2002. Nevertheless, it has implemented a number of initiatives to improve further the resilience of the electricity network for the future. For example, falling trees or clashing branches are a major source of supply interruptions during windy weather conditions. To improve performance in this area, SSE has started employing directly most of the people involved in tree cutting. This is also in line with SSE's general approach that operations and services are best managed and delivered by people who are directly employed by the company.

## **Southern Electric Power Distribution plc**

### **Corporate Report: Review of the Year to 31 March 2005**

#### **1 Operational Review continued**

##### **1.3 Employees**

Enabling employees to derive the maximum possible benefit from their employment with the Group is one of the principles which has been adopted. The Board believes that this can be achieved through active encouragement of share ownership, participation in the Group's affairs, and the maintenance of effective policies on issues such as equal opportunities.

Participation in the Group's affairs is encouraged through team meetings, briefing documents and an internal magazine. During the year, employees were invited to attend business development and financial results briefings. Policies on such matters as Equal Opportunities and Health and Safety are regularly communicated to staff.

It is Group 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 any necessary re-training.

##### **1.4 Safety**

SSE believes that all work can be done in such a way that no-one, whether an employee, contractor, customer or member of the community, suffers from its operations. It believes that all injuries are preventable and it aims to provide staff with training, work methods and equipment to achieve that goal.

'Being safe' is a core value in the business. In line with this, SSE's Health, Safety and Environment Manual, which has the status of a work instruction, emphasises that safety will not be compromised for business interest or operational pressures and all injuries, plant damage and near misses will be reported and investigated. The Director with lead responsibility for Health and Safety is Colin Hood.

The net result of this commitment to safety is that Scottish and Southern Energy continues to lead Britain's electricity industry in safety.

## **Southern Electric Power Distribution plc**

### **Corporate Report: Review of the Year to 31 March 2005**

#### **2. Financial Review**

##### **2.1 Balance Sheet**

The Company continues to maintain one of the strongest balance sheets in the global utility sector, and holds an A+/Aa3 long-term credit rating. This gives the Company significant competitive advantage in terms of cost of funding and supporting new developments.

FRS 17 was adopted in full for 2001/02 for the treatment of pension scheme assets, liabilities and costs. The majority of employees of the Company are members of the Southern Electric Pension Scheme, which, at 31 March 2005, had an FRS 17 deficit, net of deferred tax, of £194.9M (2004 - £177.1M).

##### **2.2 Financial Risk Management**

The Company's financial risk is managed as part of the wider group risk management policy.

The Company's operations are financed by a combination of retained profits, bank borrowings, long term debt issuance and inter company loan stocks.

The main financial risk which SSE could face is in respect of interest rates and, to a lesser extent, inflation, foreign exchange, liquidity and credit. The Board of SSE reviews and agrees policies for addressing each of these risks. They were most recently agreed by the Audit Committee in February 2004.

At 31 March 2005, 97.6% of the Group's borrowings were at fixed rates, after taking account of interest rate swaps.

##### **2.3 Taxation**

The Company's effective current tax rate was 24.5% compared with 24.7% in the previous year. As deferred tax liabilities are only a potential exposure, discounting has been applied to reflect the long-term nature of assets and this impacts on both the profit and loss account and the balance sheet.

The headline tax charge after adjusting for discounting and prior year adjustments is now 27% compared with 27% in the previous year and an additional discounted deferred tax liability of £3.2m at 31 March 2005 has been recognised on the balance sheet.

##### **2.4 Dividend**

The Company's dividend policy was to distribute up to 50% of surplus cash flow as a dividend for both years.

##### **2.5 Accounting policy for connections and capital contributions.**

The Company provides financial support to individuals wishing to connect to its distribution network. This support, known as the DUoS allowance, is available whether or not the Company carries out the actual connection works. The cost of the support is capitalised by Southern Electric Power Distribution Ltd and depreciated over 40 years.

##### **2.6 Borrowings and Facilities**

The Company has loans of £890.1m (2004 - £895.3m) of which £350m (2004 - £350m) is due to other group companies and £128.3m (2004 - £133.6m) is in the form of loans from the European investment Bank. Of the total, interest is paid at fixed rates on £690.1m (2004 - £695.3m).

As at 31 March 2005, the weighted average interest rate payable was 5.84% (2004 - 5.57%) and the weighted average remaining term was 14.15 years (2004 - 14.84 years).

## **Southern Electric Power Distribution plc**

### **Corporate Report: Review of the Year to 31 March 2005**

#### **2. Financial Review continued**

##### **2.7 International Financial Reporting Standards**

The application of International Financial Reporting Standards (IFRS) will be required for listed companies for accounting periods commencing on or after 1 January 2005. Therefore, SSE will publish IFRS compliant financial statements for the year to 31 March 2006. A working group has been established to identify the potential areas of exposure and initiate a timetable of key dates to enable SSE to comply fully with the IFRS.

## **Southern Electric Power Distribution plc**

### **Corporate Governance Statement**

#### **Scottish and Southern Energy plc Group (“The Group”)**

The Board continues to commit to the highest standards of corporate governance, and has due regard to the continuing developments in this field. The Group seeks to run its entire business and maximise profits in a way which is responsible, safe, customer focused and commercially aware. These are the four core values which underlie everything the Group does. Moreover, the Group aims to conduct its business in an ethical manner that maintains an appropriate balance between social, economic and environmental issues.

In keeping with this, the Group has continued its commitment to high standards of corporate governance.

The Group has complied with the provisions of the Combined Code throughout the year apart from two provisions which are explained in the following paragraphs. The Board therefore considers that the company has satisfied its obligations under the Combined Code.

The composition of the Board comprises a non-Executive Chairman, four Executive Directors and four independent non-Executive Directors, which complies with the Combined Code provisions in this regard. However, as reported last year, as a result of the Combined Code, Henry Casley was considered not to be independent and accordingly half of the Board did not, during the year, comprise independent non-Executive Directors excluding the Chairman.

As there was a change in the Chairmanship of the Board as at 31 December 2004, it was considered inappropriate to evaluate the performance of the retiring Chairman, and premature to evaluate the performance of the new Chairman. The new Chairman did, nevertheless, participate in the Board performance evaluation which is explained below. Evaluation of the Chairman’s performance will, however, be carried out in future years, unless similar special circumstances apply.

Sir Graeme Odgers, who retired on 18 May 2004, was considered to be independent, and Sir Robert Smith was considered to be independent prior to his appointment as Chairman on 1 January 2005.

The Board acknowledges its responsibility for ensuring that an adequate system of internal control exists which accords with the requirements of the Turnbull Committee guidance.

#### **Southern Electric Power Distribution Limited (“The Company”)**

##### **Board of Directors**

The Board consists of three Directors, two of whom are Directors of the Group. None of the Directors are Directors of Group Companies involved in Supply or Generation activities. The Group has an Audit Committee, a Remuneration Committee and a Nomination Committee and details of the appointees are included in the published Corporate Governance Statement of the Group. The Company, as a subsidiary entity, has no such Committees.

##### **Internal Control**

The Directors have overall responsibility for systems of internal control and risk management and for monitoring their effectiveness. The purpose of these systems is to manage, rather than eliminate, the risk of failure to achieve business objectives, and provide reasonable assurance as to the quality of management information and to maintain proper control over income, expenditure, assets and liabilities.

No system of control can, however, provide absolute assurance against material mis-statement or loss. Accordingly, the Directors have regard to what controls, in their judgement, are appropriate to the Company’s business, to the materiality of the risks inherent in the business, and to the relative costs and benefits of implementing specific controls. The Board maintains an ongoing process of identifying, evaluating and managing the key commercial, financial and general risks to the Company’s business. This process is regularly reviewed by the Board and has been in place for the whole year.

## **Southern Electric Power Distribution plc**

### **Corporate Governance Statement**

#### **Southern Electric Power Distribution Limited (“The Company”) continued**

Control is maintained through an organisational structure with clearly defined responsibilities, authority levels and lines of reporting; the appointment of suitably qualified staff in specialised business areas; and continuing investment in high quality information systems. These methods of control are subject to periodical review as to their implementation and continued suitability, and have been in place throughout the year and up to the date of approval of the accounts.

There are established procedures in place for regular budgeting and reporting of financial information. The Company’s performance is reviewed by the Directors. Reports include variance analysis and projected forecasts for the year compared to approved budgets and non-financial performance indicators.

There are policies in place covering a wide range of issues such as financial authorisations, IT procedures, health and safety and environmental risks. The business risks associated with the Company’s operations are regularly assessed by the Directors.

The effectiveness of the systems of internal control is monitored by the internal audit department. Their reports, which include where appropriate relevant action plans, are distributed to senior managers and Directors.

#### **Environment**

The Group manages a wide range of environmental issues. Operating the power systems network is recognised as a priority area and formal environmental management systems have been developed across the Group. The systems have five main elements, based on the established management cycle of (1) setting policy, (2) planning, (3) implementing and operating, (4) checking and correcting and (5) reviewing.

The system exists to enable managers to deliver the Group’s environmental policies through procedures and work instructions. It reflects an integrated, Group-wide health and safety and environmental management system.

#### **Going Concern**

The Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. The accounts are therefore prepared on a going concern basis.

## **Southern Electric Power Distribution plc**

### **Report of the Directors**

The Report of the Directors of the Company is included in the Regulatory Financial Statements section of these Accounts as part of the Audited Statutory Accounts.

## **Southern Electric Power Distribution plc**

### **Statement of Directors' Responsibilities in Respect of the Regulatory accounts and Compliance with Standard Licence Condition 42**

The licensee is required by standard condition 42 of the Electricity Distribution Licence to deliver to the Authority regulatory accounts prepared for each financial year ending on 31 March.



**Southern Electric Power Distribution plc**

**Accounts for the year ended 31 March 2005**

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# Southern Electric Power Distribution plc

## Report of the Directors

The Directors present their report together with the audited Accounts for the year ended 31 March 2005.

### 1. Principal Activities

The Company's principal activity during the year was the regulated distribution of electricity.

### 2. Business Review

The Directors intend the Company to pursue its principal activity of the distribution of electricity.

### 3. Results and Dividends

The profit for the financial year amounted to £110.1M (2004 - £114.9M). The Directors recommend the payment of a dividend of £30.0M (2004 - £30.0M).

### 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 Colin Hood and Gregor Alexander 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 2005		1 April 2004	
	No of shares beneficially held	No of shares under option	No of shares beneficially held	No of shares under option
Steven Kennedy	1,024	5,131	2,098	4,463

## **Southern Electric Power Distribution plc**

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

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

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

#### **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. Supplier Payment Policy**

The Company complies with the CBI Prompt Payment Code. The main features of the Code are that payment terms are agreed at the outset of a transaction and are adhered to; that there is a clear and consistent policy that bills are paid in accordance with the contract; and that there are no alterations to payment terms without prior agreement. Copies of the Code are available on application to the Company Secretary. The number of suppliers' days represented by trade creditors was 30 days at 31 March 2005 (2004 - 30 days).

ON BEHALF OF THE BOARD

Vincent Donnelly  
Company Secretary  
20 July 2005

## **Southern Electric Power Distribution plc**

### **Directors' Responsibilities for Preparation of the Accounts**

The following statement, which should be read in conjunction with the statement of auditors' responsibilities included in the auditors' report on page 4, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the Accounts.

The directors are required by the Companies Act 1985 to prepare Accounts 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 the financial year. The directors are required to use a going concern basis in preparing the Accounts unless this is inappropriate.

The directors consider that, in preparing the Accounts on pages 5 to 17 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

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 Accounts comply with the Companies Act 1985. They have a 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.

## **Southern Electric Power Distribution plc**

### **Independent Auditors' Report to the Members of Southern Electric Power Distribution plc**

We have audited the Accounts on pages 5 to 17.

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**

The directors are responsible for preparing the directors' report, and as described on page 3, the accounts 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 whether the accounts have been 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 accounts, 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 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 of the state of affairs of the Company as at 31 March 2005 and of the profit for the year then ended and the accounts have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
Edinburgh  
20 July 2005

## Southern Electric Power Distribution plc

### Profit and Loss Account for the year ended 31 March 2005

	Note	2005 £M	2004 £M
<b>Turnover</b>		<b>369.2</b>	378.5
Cost of sales		<b>(17.1)</b>	(25.5)
<b>Gross profit</b>		<b>352.1</b>	353.0
Distribution costs		<b>(146.5)</b>	(143.0)
Administrative costs		<b>(11.8)</b>	(10.6)
<b>Operating profit</b>	2	<b>193.8</b>	199.4
Gain on disposal of fixed assets		<b>0.3</b>	0.3
Net interest payable	5	<b>(44.0)</b>	(42.8)
<b>Profit on ordinary activities before taxation</b>		<b>150.1</b>	156.9
Tax on profit on ordinary activities	6	<b>(40.0)</b>	(42.0)
<b>Profit for the financial year</b>		<b>110.1</b>	114.9
Dividends	7	<b>(30.0)</b>	(30.0)
<b>Retained profit</b>	18	<b>80.1</b>	84.9

The above results are derived from continuing activities.

## Southern Electric Power Distribution plc

### Balance Sheet as at 31 March 2005

	Note	2005 £M	2004 £M
<b>Fixed Assets</b>			
Tangible assets	8	<u>1,564.2</u>	1,514.7
<b>Current assets</b>			
Stocks	9	1.7	1.6
Debtors	10	<u>206.9</u>	196.3
		<b>208.6</b>	197.9
<b>Creditors:</b> amounts falling due within one year	11	<b>(308.8)</b>	(163.0)
<b>Net current (liabilities)/assets</b>		<u><b>(100.2)</b></u>	34.9
<b>Total assets less current liabilities</b>		<u><b>1,464.0</b></u>	1,549.6
<b>Creditors:</b> amounts falling due after more than one year	12	<b>(945.5)</b>	(1,112.5)
<b>Provisions for liabilities and charges</b>			
Deferred Taxation	14	<b>(206.0)</b>	(202.8)
Other provisions	15	<b>(1.7)</b>	(3.6)
<b>Net assets</b>		<u><b>310.8</b></u>	230.7
<b>Capital and reserves</b>			
Called up share capital	17	<b>7.9</b>	7.9
Profit and loss account	18	<b>302.9</b>	222.8
<b>Total shareholders' funds</b>		<u><b>310.8</b></u>	230.7

These Accounts were approved by the Directors on 20 July 2005 and signed on their behalf by

Gregor Alexander, Director

## Southern Electric Power Distribution plc

### Statement of Total Recognised Gains and Losses for the year ended 31 March 2005

	2005 £M	2004 £M
Retained profit for the financial year	<b>110.1</b>	114.9
<b>Total recognised gains and losses relating to the financial year</b>	<b>110.1</b>	114.9
<b>Total gains and losses recognised</b>	<b>110.1</b>	114.9

### Reconciliation of Movement in Shareholders' Funds as at 31 March 2005

	2005 £M	2004 £M
Profit for the financial year	<b>110.1</b>	114.9
Dividends	<b>(30.0)</b>	(30.0)
<b>Net addition to shareholders' funds</b>	<b>80.1</b>	84.9
Opening shareholders' funds	<b>230.7</b>	145.8
<b>Closing shareholders' funds</b>	<b>310.8</b>	230.7

# **Southern Electric Power Distribution plc**

## **Notes on the Accounts for the year ended 31 March 2005**

### **1. Principal accounting policies**

#### **Basis of accounting**

The Accounts have been prepared under the historical cost convention and comply with all applicable United Kingdom accounting standards. The principal accounting policies are summarised below and have been applied consistently.

Under Financial Reporting Standard 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 financial statements.

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

#### **Turnover**

Turnover comprises the value of electricity distribution services and facilities provided during the year. Turnover includes an estimate of the value of the distribution of electricity on behalf of customers between the date of the last meter reading and the year end.

#### **Research and development**

Expenditure on research and development is charged to the profit and loss account as incurred.

#### **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.

#### **Derivatives and financial instruments**

The Company uses a range of derivative financial instruments to reduce its exposure to interest rate movements. The Company does not hold derivative financial instruments for speculative purposes.

Interest rate swap agreements, used to manage the Company's interest charge, are carried at cost. Interest receipts and payments are accrued to match the net income or cost with the related finance expense. No amounts are recognised in respect of future years. Gains and losses on early termination of interest rate swaps or repayment of borrowings are taken to the profit and loss account.

## **Southern Electric Power Distribution plc**

### **Notes on the Accounts for the year ended to 31 March 2005**

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

##### **Depreciation of tangible fixed assets**

Heritable and freehold land is not depreciated.

Depreciation is provided on other tangible fixed assets to write off cost, less residual values, on a straight line basis over their estimated operational lives. The estimated operational lives are as follows:

	<b>Years</b>
Distribution assets	10 to 80
Non-operational assets:	
Buildings - freehold	Up to 60
- leasehold	Lower of lease period and 60
Fixtures, equipment, plant and machinery, vehicles and mobile plant	4 to 10

##### **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 labour, plus appropriate overheads and the cost of materials. Progress invoices are deducted in arriving at the amounts stated.

##### **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.

Deferred tax is measured on a discounted basis to reflect the time value of money over the period between the balance sheet date and the dates on which it is expected that the underlying timing differences will reverse. The discount rates used reflect the post-tax yields to maturity that can be obtained on government bonds.

## Southern Electric Power Distribution plc

### Notes on the Accounts for the year ended 31 March 2005

#### 2. Operating profit

Operating profit is arrived at after charging/(crediting):

	<b>2005</b>	2004
	<b>£M</b>	£M
Depreciation of tangible fixed assets	<b>61.2</b>	59.4
Release of deferred income in relation to customer contributions and capital grants	<b>(11.6)</b>	(10.0)
Net management fee in respect of services provided by parent company	<b>11.8</b>	10.6

Research and development of £113,000 was incurred in the year (2004 - £48,000). The Company incurred an audit fee of £0.1M (2004 - £0.1M) in the year.

#### 3. Staff costs and numbers

	<b>2005</b>	2004
	<b>£M</b>	£M
Staff costs:		
Wages and salaries	<b>45.1</b>	42.8
Social security costs	<b>4.0</b>	3.6
Other pension costs	<b>4.6</b>	4.3
	<b>53.7</b>	50.7
Less charged as capital expenditure	<b>(20.4)</b>	(19.5)
	<b>33.3</b>	31.2

	<b>2005</b>	2004
	<b>Number</b>	Number
Numbers employed at 31 March	<b>1,495</b>	1,484

	<b>2005</b>	2004
	<b>Number</b>	Number
The average number of people employed by the Company during the year	<b>1,472</b>	1,459

#### 4. Directors' remuneration

No Director received remuneration in respect of service to the Company.

## Southern Electric Power Distribution plc

### Notes on the Accounts for the year ended 31 March 2005

#### 5. Net interest payable

	2005 £M	2004 £M
Interest receivable:		
Other interest receivable	<u>9.8</u>	11.3
Interest payable:		
Bank loans and overdrafts	(30.5)	(25.9)
Other financing charges	<u>(23.3)</u>	<u>(28.2)</u>
	<u>(53.8)</u>	<u>(54.1)</u>
Net interest payable	<u>(44.0)</u>	<u>(42.8)</u>

#### 6. Taxation

	2005 £M	2004 £M
Current tax:		
United Kingdom corporation tax	<u>36.8</u>	38.7
Deferred tax:		
Origination and reversal of timing differences	8.3	8.4
Movement in discount	(4.3)	(5.8)
Adjustment in respect of prior years	(0.8)	0.7
Total Deferred Tax	<u>3.2</u>	<u>3.3</u>
Total tax on profit on ordinary activities	<u>40.0</u>	<u>42.0</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 profit before tax is as follows:

	2005 £M	2004 £M
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2004 - 30%)	45.1	47.1
Effects of:		
Capital allowances in excess of depreciation	(7.7)	(8.1)
Other timing differences	(0.6)	(0.3)
<b>Current tax charge for year</b>	<u>36.8</u>	<u>38.7</u>

#### 7. Dividends

	2005 £M	2004 £M
Dividend of £3.82 (2004 - £3.82) per ordinary share	<u>30.0</u>	<u>30.0</u>

## Southern Electric Power Distribution plc

### Notes on the Accounts for the year ended 31 March 2005

#### 8. Tangible fixed assets

	Distribution assets £M	Other land and buildings £M	Vehicles and miscellaneous equipment £M	Total £M
<b>Cost:</b>				
At 1 April 2004	2,451.5	0.5	37.5	2,489.5
Additions	110.7	-	-	110.7
Disposals	-	-	-	-
<b>At 31 March 2005</b>	<b>2,562.2</b>	<b>0.5</b>	<b>37.5</b>	<b>2,600.2</b>
<b>Depreciation:</b>				
At 1 April 2004	937.1	0.2	37.5	974.8
Charge for the year	61.2	-	-	61.2
<b>At 31 March 2005</b>	<b>998.3</b>	<b>0.2</b>	<b>37.5</b>	<b>1,036.0</b>
<b>Net book value:</b>				
<b>At 31 March 2005</b>	<b>1,563.9</b>	<b>0.3</b>	<b>-</b>	<b>1,564.2</b>
At 31 March 2004	1,514.4	0.3	-	1,514.7

	2005 £M	2004 £M
Tangible fixed assets include:		
Assets in the course of construction	<u>2.1</u>	4.0

#### 9. Stocks

	2005 £M	2004 £M
Raw materials and consumables	<u>1.7</u>	1.6

#### 10. Debtors

	2005 £M	2004 £M
Amounts falling due within one year:		
Trade debtors	20.1	27.0
Amounts owed by group undertakings	186.8	169.3
	<u>206.9</u>	<u>196.3</u>

## Southern Electric Power Distribution plc

### Notes on the Accounts for the year ended 31 March 2005

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

	2005 £M	2004 £M
Short-term loans	155.6	5.2
Trade creditors	8.4	15.6
Amounts owed to group undertakings	44.9	54.2
Corporation tax	26.6	23.0
Taxation and social security	4.7	3.1
Other creditors	21.9	21.8
Accruals and other deferred income	16.7	10.1
Dividends payable to parent	30.0	30.0
	<u>308.8</u>	<u>163.0</u>

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

	2005 £M	2004 £M
Loans	534.5	540.1
Loans due to ultimate parent	200.0	350.0
Accruals and other deferred income	161.7	173.1
Amounts owed to group undertakings	49.3	49.3
	<u>945.5</u>	<u>1,112.5</u>

#### 13. Pensions

The majority of the Company's employees are members of the Electricity Supply Pension Scheme which provides defined benefits based on final pensionable pay. The Company's contributions to this scheme 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 a contribution to a defined contribution scheme. New 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 £4.6M (2004 - £4.3M).

The Company has provided a guarantee to the Southern Electric Pension Scheme in respect of 80% of the Scheme's deficit. Should the company operating the Scheme, SSE Services plc, fail to adequately fund the deficit, then the Company will provide 80% of the funding required.

## Southern Electric Power Distribution plc

### Notes on the Accounts for the year ended 31 March 2005

#### 14. Deferred taxation

Deferred taxation is provided as follows:

	At 31 March 2005 £M	At 31 March 2004 £M
Accelerated capital allowances	339.4	333.0
Other timing differences	(0.8)	(1.9)
<b>Undiscounted provision for deferred tax</b>	<b>338.6</b>	<b>331.1</b>
Discount	(132.6)	(128.3)
<b>Discounted provision for deferred tax</b>	<b>206.0</b>	<b>202.8</b>
Provision at start of year	202.8	199.5
Transferred from profit and loss account	3.2	3.3
<b>Provision at end of year</b>	<b>206.0</b>	<b>202.8</b>

#### 15. Provisions for liabilities and charges

	Restructure £M
At 1 April 2004	3.6
Utilised in the year	(1.9)
<b>At 31 March 2005</b>	<b>1.7</b>

The restructure provision is in relation to expected costs associated with the continuing rationalisation of the business. The costs mainly comprise employee related costs, principally redundancy and early retirement costs. The majority of the expenditure is expected to be incurred over the next two years.

## Southern Electric Power Distribution plc

### Notes on the Accounts for the year ended 31 March 2005

#### 16. Derivatives and financial instruments

The Company uses derivatives and financial instruments to reduce exposure to interest rate movements.

The numerical disclosures in this note deal with financial assets and liabilities as defined in Financial Reporting Standard (FRS) 13 'Derivatives and Other Financial Instruments: Disclosures'. As permitted by FRS 13, short-term debtors and creditors have also been excluded from the disclosures, other than the currency disclosures.

#### Interest rate risk

The Company's funds are managed by the Company Treasurer operating within the policies, strategies and procedures approved by the Company Board of Directors. These policies and strategies are aimed at minimising risk. Derivative financial instruments, predominantly interest rate swaps and forward rate agreements are used to manage the desired mix of fixed and floating rate debt. The current policy is to keep a minimum of 50% of borrowings at fixed interest rates with the balance being at floating rate.

#### Interest rate profile

After taking into account interest rate swaps and currency swaps, the interest rate profile of the Company's total borrowings was as follows:

	Borrowings			Fixed rate borrowings	
	Total £M	Floating rate £M	Fixed rate £M	Weighted average interest rate %	Weighted average period for which rate is fixed Years
<b>31 March 2005</b>	<b>890.1</b>	<b>426.4</b>	<b>463.7</b>	<b>5.93</b>	<b>15.09</b>
31 March 2004	895.3	476.4	418.9	5.94	14.48

The floating rate borrowings comprises Interest Rate Swaps in relation to the Eurobond, the floating rate element of the US\$ bond and Loan Stock with Scottish and Southern Energy plc.

## Southern Electric Power Distribution plc

### Notes on the Accounts for the year ended 31 March 2005

#### 16. Derivatives and financial instruments (continued)

##### Maturity of borrowings

	2005 £M	2004 £M
Within one year		
6.00% Loan Stock repayable to Scottish and Southern Energy plc on 31 March 2006	150.0	-
7.32% European Investment Bank repayable on 15 March 2012*	2.0	1.8
6.44% European Investment Bank repayable on 15 September 2012*	1.8	1.7
5.69% European Investment Bank repayable on 15 September 2013*	1.8	1.7
	<u>155.6</u>	<u>5.2</u>
Between two and five years		
6.00% Loan Stock repayable to Scottish and Southern Energy plc on 31 March 2006 US\$100M repayable on 1 May 2007	-	150.0
	61.5	61.5
6.83% European Investment Bank repayable on 15 September 2007	25.0	25.0
7.32% European Investment Bank repayable on 15 March 2012*	9.4	8.7
6.44% European Investment Bank repayable on 15 September 2012*	8.5	8.0
5.69% European Investment Bank repayable on 15 September 2013*	8.4	8.0
	<u>112.8</u>	<u>261.2</u>
Over five years		
5.66% European Investment Bank repayable on 20 December 2010	25.0	25.0
Floating rate Loan Stock repayable to Scottish and Southern Energy plc on 31 March 2011	100.0	100.0
5.24% European Investment Bank repayable on 5 April 2011	25.0	25.0
7.32% European Investment Bank repayable on 15 March 2012*	5.8	8.3
6.44% European Investment Bank repayable on 15 September 2012*	6.5	8.9
5.69% European Investment Bank repayable on 15 September 2013*	9.1	11.4
Floating rate Loan Stock repayable to Scottish and Southern Energy plc on 31 March 2021	100.0	100.0
5.50% Eurobond repayable on 19 June 2032	350.3	350.3
	<u>621.7</u>	<u>628.9</u>
	<u>890.1</u>	<u>895.3</u>

\* Amortising

The US\$100M loan has been swapped into Sterling with £60.0M being fixed at an effective rate of 7.78%,  
The floating rate European Investment Bank advance is reset quarterly at a rate normally less than 3 month LIBOR.

## Southern Electric Power Distribution plc

### Notes on the Accounts for the year ended 31 March 2005

#### 16. Derivatives and financial instruments (continued)

##### Fair values

Set out below is a comparison by category of book values and fair values of the Company's other financial assets and liabilities:

	2005		2004	
	Book value £M	Fair value £M	Book value £M	Fair value £M
<b>Primary financial instruments held or issued to finance the Group's operations</b>				
Short-term borrowings	155.6	156.5	5.2	5.6
Long-term borrowings	734.5	739.0	890.1	961.6
<hr/>				
<b>Derivative financial instruments held to manage the interest rate and currency profile</b>				
Interest rate swaps and options	-	(4.6)	-	(7.5)
Cross currency swaps	-	(5.5)	-	0.7

Market values have been used to determine the fair values of the interest rate swaps and options, foreign currency contracts and sterling denominated long-term fixed rate debt. All other fair values shown above have been calculated by discounting cash flows at prevailing interest rates.

#### 17. Share capital

	2005 £	2004 £
Equity:		
Authorised:		
7,850,000 ordinary shares of £1 each	<u>7,850,000</u>	7,850,000
Allotted, called up and fully paid:		
7,850,000 ordinary shares of £1 each	<u>7,850,000</u>	7,850,000

#### 18. Reserves

	Profit and loss account £M
At 1 April 2004	222.8
Retained profit for the year	<u>80.1</u>
<b>At 31 March 2005</b>	<b><u>302.9</u></b>

#### 19. Capital commitments

	2005 £M	2004 £M
Capital expenditure:		
Contracted for but not provided	<u>12.2</u>	13.4

#### 20. Ultimate parent 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, Inveralmond House, 200 Dunkeld Road, Perth PH1 3AQ.

## **Southern Electric Power Distribution plc**

### **Additional Disclosures: Regulatory Financial Statements**

The attached schedules represent additional information required by Standard Condition 42 of the Electricity Distribution Licence.

This includes a Cash Flow Statement and additional guidance on the accounting policies adopted.

## Southern Electric Power Distribution plc

### Cash Flow Statement for the year ended 31 March 2005

	Note	2005 £M	2004 £M
<b>Net cash inflow from operating activities</b>	(i)	<b>221.1</b>	221.2
Returns on investments and servicing of finance	(ii)	(44.0)	(42.8)
Taxation		(33.2)	(35.9)
<b>Free cash flow</b>		<b>143.9</b>	142.5
Capital expenditure and financial investment	(iii)	(108.7)	(97.7)
Equity dividends paid		(30.0)	(42.8)
<b>Net cash inflow before management of liquid resources and financing</b>		<b>5.2</b>	2.0
Financing	(iv)	(5.2)	(2.0)
<b>Increase/(decrease) in cash* in the year</b>		<b>-</b>	-

### Notes to the Cash Flow Statement for the year ended 31 March 2004

#### Reconciliation of net cash flow to movement in net debt

	2005 £M	2004 £M
Cash inflow/(outflow) from increase/(decrease) in cash*	-	-
Cash outflow from decrease in debt and lease financing	5.2	2.0
<b>Movement in net debt in the year</b>	<b>5.2</b>	2.0
Net debt at 1 April	(895.3)	(897.3)
<b>Net debt at 31 March</b>	<b>(890.1)</b>	(895.3)

#### Analysis of net debt

	As at 1 April 2004 £M	Increase in cash* £M	Decrease in debt £M	As at 31 March 2005 £M
Cash at bank and in hand	-	-	-	-
Other debt due within one year	(5.2)	-	(150.4)	(155.6)
Net borrowings due within one year	(5.2)	-	(150.4)	(155.6)
Net borrowings due after more than one year	(890.1)	-	155.6	(734.5)
<b>Net debt</b>	<b>(895.3)</b>	<b>-</b>	<b>5.2</b>	<b>(890.1)</b>

\* The Company does not hold cash balances at any point in time. Cash generated or required by the Company is remitted to or obtained from SSE Services plc. As a result the movement in increase of the indebtedness from the Group can be said to represent the cash generated in the year.

**Southern Electric Power Distribution plc**

**Notes to the Cash Flow Statement (continued)  
for the year ended 31 March 2005**

	2005 £M	2004 £M
<b>Reconciliation of operating profit to operating cash flows</b>		
Operating profit	193.8	199.4
Depreciation (note 8)	61.2	59.4
Customer contributions and capital grants released	(11.6)	(10.0)
(Increase) in stocks	(0.1)	(0.3)
(Increase)/decrease in debtors	(10.6)	(43.7)
Increase/(decrease) in creditors	(9.7)	18.9
(Decrease) in provisions	(1.9)	(2.5)
(i) <b>Net cash inflow from operating activities</b>	<b>221.1</b>	<b>221.2</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	9.8	11.3
Interest paid	(53.8)	(54.1)
(ii) <b>Net cash (outflow) from returns on investments and servicing of finance</b>	<b>(44.0)</b>	<b>(42.8)</b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(109.0)	(98.0)
Sale of tangible fixed assets	0.3	0.3
(iii) <b>Net cash (outflow) from capital expenditure and financial investment</b>	<b>(108.7)</b>	<b>(97.7)</b>
<b>Financing</b>		
New long-term borrowings	-	98.0
Repayment of long-term borrowings	(5.6)	(100.0)
New short-term borrowings	0.4	-
Repayment of short-term borrowings	-	-
(iv) <b>Net cash (outflow) from financing</b>	<b>(5.2)</b>	<b>(2.0)</b>

## **Southern Electric Power Distribution plc**

### **Additional notes on the Regulatory Financial Statements for the year ended 31 March 2005**

#### **Principal accounting policies**

##### **Basis of accounting**

The Regulatory Financial Statements have been prepared under the historical cost convention and comply with United Kingdom accounting standards applicable to listed Companies and are in line with Standard Condition 42, Regulatory Accounts, of the Electricity Distribution Licence. The principal accounting policies are summarised in the Notes to the Accounts and have been applied consistently.

##### **Limitation of application of CA85 exemption disclosure**

Standard Condition 42 requires the Regulatory Financial Statements to be prepared inclusive of all mandatory disclosures which otherwise may have been excluded from the Statutory Accounts as a result of the application of a CA85 exemption allowance.

However, as the Company is a wholly owned subsidiary of Scottish and Southern Energy plc (“the Group”), the Directors believe certain accounting policies required of listed Companies cannot practicably be applied to the Company. These include, but are not limited to:

- Pensions. The Group operates three Defined Benefit Schemes, one of which, the Southern Electric Pension Scheme, is the main Pension Scheme for the Company. The contributions made to this scheme are treated as contributions to a Defined Contribution scheme. The FRS 17 disclosure is published in the accounts of the Group. The statutory accounts pensions accounting policy is commented upon in the notes to the accounts.
- Director’s Remuneration. The remuneration of the Directors of the Company who are also Executive Directors of the Ultimate Parent is published in the accounts of the Group

## **Independent Accountants' report to the Chairman of OFGEM ("the Regulator") and Southern Electric Power Distribution plc**

We have audited the Regulatory Accounts of Southern Electric Power Distribution plc ("the Company") on pages 1 to 21 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cashflow statement and the related notes to the Regulatory Accounts.

This report is made, on terms that have been agreed, solely to the Company, as a body, and the Regulator in order to meet the requirements of the Regulatory Licence. Our audit work has been undertaken so that we might state to the Company and the Regulator those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under the Regulatory Licence to procure such a report and (b) to facilitate the carrying out by the Regulator of its regulatory functions, 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, as a body, and the Regulator, for our audit work, for this report or for the opinions we have formed.

### **Basis of preparation**

The Regulatory Accounts have been prepared under the historical cost convention and in accordance with condition 42 of the Company's Regulatory Licence, and the accounting policies set out in the statement of accounting policies.

The Regulatory Accounts are separate from the statutory financial statements of the Company.

### **Respective responsibilities of the Regulator, the Directors and Auditors**

The nature, form and content of Regulatory Accounts are determined by the Regulator. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the Regulator's purposes. Accordingly we make no such assessment.

The directors' responsibilities for preparing the Regulatory Accounts in accordance with 42 of the Regulatory Licence are set out in the statement of directors' responsibilities.

Our responsibility is to audit the Regulatory Accounts in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board, except as stated in the 'Basis of audit opinion', below and having regard to the guidance contained in Audit 05/03 'Reporting to Regulators of Regulated Entities'. It is our responsibility to form an independent opinion based on our audit and to report our opinion to the Company and the Regulator.

We report our opinion as to whether the Regulatory Accounts present fairly, in accordance with condition 42 of the Company's Regulatory Licence and the accounting policies set out on page 21, the results and financial position of the Company. We also report to you if, in our opinion, the Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained within the Regulatory Accounts, including any supplementary schedules on which we do not express an audit opinion, and consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the Regulatory Accounts. The other information comprises the Corporate Report, the Corporate Governance Statement and the Report of the Directors.

### **Basis of audit opinion**

We conducted our audit in accordance with Statement of Auditing Standards issued by the Auditing Practices Board except as noted below and having regard to the guidance contained in Audit 05/03 'Reporting to Regulators of Regulated Entities'. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Regulatory Accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Regulatory Accounts, and of whether the accounting policies are 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 Regulatory Accounts are free from material mis-statement, whether caused by fraud or other irregularity or error. However, as the nature, form and content of Regulatory Accounts are determined by the Regulator, we did not evaluate the overall adequacy of the presentation of the information, which would have been required if we were to express an audit opinion under Auditing Standards.

Our opinion on the Regulatory Accounts is separate from our opinion on the statutory accounts of the Company on which we reported on 20 July 2005, which are prepared for a different purpose. Our audit report in relation to the statutory accounts of the Company (our "Statutory" audit) was made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a Statutory auditor's report and for no

other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than the Company and the Company's members as a body, for our Statutory audit work, for our Statutory audit report, or for the opinions we have formed in respect of that Statutory audit.

**Opinion**

In our opinion the Regulatory Accounts fairly present in accordance with condition 42 of the Company's Regulatory Licence and the accounting policies set out on page 21, the state of the Company's affairs at 31 March 2005 and of its profit and cashflow for the year then ended, and have been properly prepared in accordance with this condition and the accounting policies.

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

Edinburgh  
20 July 2005