



SSE Water Limited

Accounts for the year ended 31 March 2009

SSE Water Limited**Accounts for the year ended 31 March 2009**

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Report of the Directors

The Directors present their report together with the audited Accounts for the year ended 31 March 2009.

1. Principal Activities

The Company is a wholly owned subsidiary of Scottish and Southern Energy plc and part of the Scottish and Southern Energy Group (the 'Group').

The Company's principal activity during the year was the provision of water and sewerage services including the installation and operation of water network infrastructure within defined geographical areas.

2. Business Review

The Company became the first new company to offer both water and sewerage services since privatisation in England and Wales in 1989. This followed the granting of an 'inset' appointment to SSE Water Limited on 1 October 2007. This 'inset' appointment allows for one supplier of these services to be replaced by another for a defined geographical area, in this case a housing development near Salisbury.

The Group is already experienced in designing, installing and operating multi-utility infrastructures. The granting of 'inset' appointments enables it to provide a more comprehensive multi-utility solution to customers in the property development and house-building sectors, through being able to install, own, operate and supply water and sewerage services alongside the Group's existing electricity and gas services.

Construction work at the development near Salisbury has continued throughout the year, and the early evidence suggests that the 'one-stop' approach to infrastructure installation on larger sites is a very good way forward for developers. Once the water infrastructure is completed, SSE will own and operate the network, having the same responsibilities as any other water company: issuing bills; reading meters; testing water quality and cleaning blocked sewers. By the end of March 2009, 35 domestic customers had been connected.

In March 2009, Ofwat varied the inset appointment of SSE Water, allowing it to serve a large development consisting of houses and commercial premises in south Wales, at Llanilid.

The Directors intend the Company to pursue its principal activity of the provision of water and sewerage services and expect to make further applications for 'inset' appointments in other areas.

Exact standards of performance are set to ensure the quality of connections work and service to customers are maintained. The principal risks and uncertainties concern securing future 'inset' appointments and maintaining the quality of service delivery.

3. Share Capital

The Company's authorised ordinary share capital is £1,000 divided into 1,000 shares of £1.00 each.

4. Results and Dividends

The loss for the year amounted to £321,000 (6 December 2006 to 31 March 2008 – loss of £178,000). The Directors do not recommend the payment of a dividend.

5. Directors

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

Gregor Alexander
Adrian Pike
David Seymour

6. Political and Charitable Donations

During the period, 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 supplier days represented by trade creditors was 39 days at 31 March 2009.

9. 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.

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

ON BEHALF OF THE BOARD



Peter Lawns
Secretary
7 July 2009

SSE Water 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 and applicable law (UK Generally Accepted Accounting Practice).

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.

Independent Auditors' Report to the Members of SSE Water Limited

We have audited the Accounts of SSE Water Limited for the year ended 31 March 2009 which comprises the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Deficit 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

The directors' responsibilities for preparing the Accounts in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

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.

In addition we 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 judgments 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 2009 and of its loss 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.



Chartered Accountants
Registered Auditor
Edinburgh
7 July 2009

SSE Water Limited

Profit and Loss Account for the year ended 31 March 2009

	Note	12 months to 31 March 2009 £000	6 December 2006 to 31 March 2008 £000
Distribution costs		(238)	(128)
Administrative expenses		(255)	(50)
Operating loss		(493)	(178)
Net interest payable	4	(23)	-
Loss on ordinary activities before taxation		(516)	(178)
Tax on loss on ordinary activities	5	195	-
Loss for the year	12	(321)	(178)

The above results are derived from continuing operations.

The accompanying notes form part of these accounts.

SSE Water Limited

Balance Sheet as at 31 March 2009

	Note	2009 £000	2008 £000
Fixed assets	6	<u>306</u>	218
Current assets			
Debtors	7	226	-
Creditors: amounts falling due within one year	8	(1,005)	(376)
Net current liabilities		<u>(779)</u>	(376)
Total assets less current liabilities		<u>(473)</u>	(158)
Creditors: amounts falling due after more than one year	9	(19)	(20)
Provisions for liabilities and charges			
Deferred tax	10	(7)	-
Net liabilities		<u>(499)</u>	(178)
Capital and reserves			
Called up share capital	11	-	-
Profit and loss account	12	(499)	(178)
Deficit in Shareholders' funds		<u>(499)</u>	(178)

These Accounts were approved by the Directors on 7 July 2009 and signed on their behalf by



Adrian Pike, Director

SSE Water Limited

Reconciliation of Movements in Shareholders' Deficit For the year ended 31 March 2009

	12 months to 31 March 2009 £000	6 December 2006 to 31 March 2008 £000
Loss for the year	(321)	(178)
Opening shareholders' deficit	(178)	-
Closing deficit in shareholders' funds	<u>(499)</u>	<u>(178)</u>

SSE Water Limited

Notes on the Accounts for the year ended 31 March 2009

1. Principal accounting policies

Basis of accounting

The Accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards. The principal accounting policies are summarised below and have been applied consistently.

The Accounts have been prepared on the going concern basis, notwithstanding the loss for the year of £321,000 and net liabilities of £499,000, which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Scottish and Southern Energy plc, the company's ultimate parent company. Scottish and Southern Energy plc has indicated that for at least 12 months, and for the foreseeable future, from the date of approval of these Accounts, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

Based on this undertaking the directors believe that it remains appropriate to prepare the Accounts on a going concern basis. The Accounts do not include any adjustments that would result from this basis of preparation being inappropriate.

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 Accounts.

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, stated exclusive of Value Added Tax, relates to income associated with operating and maintaining a water distribution network in the UK.

Taxation

The charge for taxation is based on the profit for the period 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.

SSE Water Limited

Notes on the Accounts for the year ended 31 March 2009

1. Principal accounting policies (continued)

Property, Plant and Equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairments. The cost of self constructed assets includes the cost of materials, direct labour and an appropriate proportion of other directly attributable costs.

Where an item of property, plant and equipment comprises major components having different useful lives, the components are accounted for as separate items of property, plant and equipment and depreciated accordingly.

Depreciation

Depreciation is charged to the income statement to write off cost, less residual values, on a straight line basis over their estimated useful lives. Depreciation policy, useful lives and residual values are reviewed at least annually, for all asset classes to ensure that the current method is the most appropriate. The estimated useful lives are as follows:

Water distribution networks 40 to 80 years

2. Staff Costs and numbers

	12 months to 31 March 2009 £000	6 December 2006 to 31 March 2008 £000
Staff costs:		
Wages and salaries	159	87
Social security costs	17	9
Other pension costs	17	12
	<hr/> 193	<hr/> 108
	2009 Number	2008 Number
Numbers employed at 31 March	<hr/> 4	<hr/> 3
	12 months to 31 March 2009 Number	6 December 2006 to 31 March 2008 Number
The monthly average number of people employed by the Company during the period	<hr/> 3	<hr/> 2

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Notes on the Accounts for the year ended 31 March 2009

3. Directors' and auditors' remuneration

The levels of emoluments of the Directors employed by the Company were as follows:

	12 months to 31 March 2009 £000	6 December 2006 to 31 March 2008 £000
Remuneration as executives	<u>69</u>	<u>46</u>

The Company's audit fee for the year was borne by the Parent Company.

4. Net interest payable

	12 months to 31 March 2009 £000	6 December 2006 to 31 March 2008 £000
Interest receivable from group undertakings	1	-
Interest payable to group undertakings	(24)	-
Net interest payable	<u>(23)</u>	<u>-</u>

5. Taxation

	12 months to 31 March 2009 £000	6 December 2006 to 31 March 2008 £000
Current tax:		
United Kingdom corporation tax	(202)	-
Deferred tax:		
Origination and reversal of timing differences	7	-
Total tax on loss on ordinary activities	<u>(195)</u>	<u>-</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:

	12 months to 31 March 2009 £000	6 December 2006 to 31 March 2008 £000
Loss before tax	<u>(516)</u>	(178)
Tax on loss on ordinary activities at standard UK corporation tax rate of 28% (2008 – 30%)	(145)	(53)
Capital allowances in excess of depreciation	(7)	

Pre-trading expenditure
Current tax (credit)/charge for year
SSE Water Limited

(50)	53
(202)	-

Notes on the Accounts
for the year ended 31 March 2009

6. Fixed assets

	Water Distribution Network £000
Cost:	
At 1 April 2008	218
Additions in the year	94
At 31 March 2009	312
Depreciation:	
At 1 April 2008	-
Charge for year	6
At 31 March 2009	6
Net Book Value:	
At 31 March 2009	306
At 1 April 2008	218

7. Debtors

	2009 £000	2008 £000
Trade debtors	24	-
Group relief receivable	202	-
	226	-

8. Creditors: amounts falling due within one year

	2009 £000	2008 £000
Trade creditors	20	-
Amounts owed to group undertakings	977	375
Accruals and deferred income	7	-
Other	1	1
	1,005	376

9. Creditors: amounts falling due after more than one year

	2009 £000	2008 £000
Accruals and deferred income	19	20

SSE Water Limited

Notes on the Accounts for the year ended 31 March 2009

10. Deferred taxation

Deferred taxation is provided as follows:

	2009 £000	2008 £000
Accelerated capital allowances	<u>7</u>	-
		31 March 2009 £000
Provision at start of the year		-
Transferred from profit and loss account		<u>7</u>
Provision at end of year		<u>7</u>

11. Share capital

	Number	£
Authorised: At 1 April 2008 and 31 March 2009	<u>1,000</u>	<u>1,000</u>
Allotted and called up: At 1 April 2008 and 31 March 2009	<u>1</u>	<u>1</u>

12. Profit and loss account

	£000
Balance at 1 April 2008	(178)
Loss for the year	<u>(321)</u>
Balance at 31 March 2009	<u>(499)</u>

13. Ultimate holding company

The Company is a subsidiary of Scottish and Southern Energy plc, which is the ultimate parent company and is registered in Scotland. The largest and smallest group in which the results of the Company are consolidated is that headed by Scottish and Southern Energy plc. The consolidated accounts of the group (which include those of the Company) are available from Corporate Communications, Inveralmond House, 200 Dunkeld Road, Perth PH1 3AQ.