



**SSE Water Limited**

**Accounts for the year ended 31 March 2011**

**REGISTERED NO.  
6021063**

## **SSE Water Limited**

### **Financial statements for the year ended 31 March 2011**

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## **SSE Water Limited**

### **Report of the Directors**

The Directors present their report together with the audited financial statements for the year ended 31 March 2011

#### **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 is 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. An 'inset' appointment is the route by which one company replaces another as the appointed water and/or sewerage company for a specified area. The Company had 9 inset appointments by March 2011. Under these appointments, the Company will, eventually provide water and sewerage services to over 15,000 properties.

The Group is already experienced in designing, installing and operating multi-utility infrastructures. This is done via SSE Utility Solutions. 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 has been undertaken at 10 developments during the course of 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, the Company 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 2011, 707 domestic & commercial customers had been connected.

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. During 2011/12 the Company's main priority is to build upon the existing insets and to increase the number of new appointments.

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 £336,000 (2010: loss of £313,000). The Directors do not recommend the payment of a dividend.

## **SSE Water Limited**

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

#### **5. Directors**

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

Gregor Alexander  
David Seymour  
Nathan Sanders  
Adrian Pike (resigned 1 December 2010)

#### **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**

It is the Company's policy that payment terms are agreed at the outset of a transaction and are adhered to; that bills are paid in accordance with the contract; and that there are no alterations to payment terms without prior agreement. The number of suppliers days represented by trade creditors was 39 days at 31 March 2011.

#### **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



Gregor Alexander  
Director  
13 July 2011

## **SSE Water Limited**

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 Water Limited

### Independent Auditor's Report to the Members of SSE Water Limited

We have audited the financial statements of SSE Water Limited for the year ended 31 March 2011 set out on pages 5 to 12. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

#### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

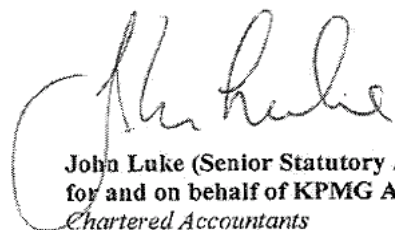
#### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



**John Luke (Senior Statutory Auditor)**  
for and on behalf of KPMG Audit Plc, Statutory Auditor  
*Chartered Accountants*  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

13 July 2011

**SSE Water Limited**

**Profit and Loss Account  
for the year ended 31 March 2011**

	Note	2011 £000	2010 £000
Turnover		170	43
Cost of Sales		(104)	(30)
<b>Gross profit</b>		<u>66</u>	<u>13</u>
Distribution costs		(403)	(335)
Administrative expenses		(115)	(95)
<b>Operating loss</b>		<u>(452)</u>	<u>(417)</u>
Net interest payable	4	(20)	(17)
<b>Loss on ordinary activities before taxation</b>		<u>(472)</u>	<u>(434)</u>
Tax on loss on ordinary activities	5	136	121
<b>Loss for the year</b>	12	<u><u>(336)</u></u>	<u><u>(313)</u></u>

The above results are derived from continuing operations.

The company has no recognised gains or losses other than its loss for the year.

The accompanying notes form part of these financial statements.

**SSE Water Limited**

**Balance Sheet as at 31 March 2011**

	<b>Note</b>	<b>2011 £000</b>	2010 £000
<b>Fixed assets</b>	6	<u>1,801</u>	799
<b>Current assets</b>			
Debtors	7	759	932
<b>Creditors:</b> amounts falling due within one year	8	(2,450)	(1,821)
<b>Net current liabilities</b>		<u>(1,691)</u>	(889)
<b>Total assets less current liabilities</b>		<u>110</u>	(90)
<b>Creditors:</b> amounts falling due after more than one year	9	(1,230)	(715)
<b>Provisions for liabilities and charges</b>			
Deferred tax	10	(28)	(7)
<b>Net liabilities</b>		<u>(1,148)</u>	(812)
<b>Capital and reserves</b>			
Called up share capital	11	-	-
Profit and loss account	12	(1,148)	(812)
<b>Deficit in Shareholders' funds</b>		<u>(1,148)</u>	(812)

These financial statements were approved by the Directors on 13 July 2011 and signed on their behalf by



Gregor Alexander, Director

Company Registered No. 6021063

**SSE Water Limited****Reconciliation of Movements in Shareholders' Deficit  
For the year ended 31 March 2011**

	<b>2011</b>	2010
	<b>£000</b>	£000
Loss for the year	<b>(336)</b>	(313)
Opening shareholders' deficit	<b>(812)</b>	(499)
<b>Closing deficit in shareholders' funds</b>	<b><u>(1,148)</u></b>	<u>(812)</u>

## **SSE Water Limited**

### **Notes on the Financial statements for the year ended 31 March 2011**

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

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

The financial statements 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 financial statements have been prepared on the going concern basis, notwithstanding the loss for the year of £336,000 (2010: £313,000) and net liabilities of £1,148,000 (2010: £812,000), 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 financial statements, 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 financial statements on a going concern basis. The financial statements 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 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, 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 Financial statements for the year ended 31 March 2011

#### 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

###### Customer contributions

Customer contributions and capital grants are recorded as deferred income and released to the profit and loss account over the estimated useful life of the related fixed asset.

#### 2. Staff Costs and numbers

	<b>2011</b>	2010
	<b>£000</b>	£000
Staff costs:		
Wages and salaries	<b>0</b>	227
Social security costs	<b>0</b>	24
Other pension costs	<b>0</b>	20
	<b>0</b>	271
	<b>2011</b>	2010
	<b>Number</b>	Number
Numbers employed at 31 March	<b>0</b>	5
	<b>2011</b>	2010
	<b>Number</b>	Number
The monthly average number of people employed by the Company during the year	<b>0</b>	5

The staff previously employed by SSE Water Limited were transferred to SSE Utility Solutions Limited on 1 April 2010. A monthly charge for the work done on behalf of SSE Water is made by SSE Utility Solutions to the Company.

## SSE Water Limited

### Notes on the Financial statements for the year ended 31 March 2011

#### 3. Directors' and auditor's remuneration

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

	<b>2011</b> <b>£000</b>	2010 £000
Remuneration as executives	<u>0</u>	<u>71</u>

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

#### 4. Net interest payable

	<b>2011</b> <b>£000</b>	2010 £000
Interest receivable from group undertakings	1	-
Interest payable to group undertakings	(21)	(17)
Net interest payable	<u>(20)</u>	<u>(17)</u>

#### 5. Taxation

	<b>2011</b> <b>£000</b>	2010 £000
Current tax:		
United Kingdom corporation tax on profits for the year	(163)	(121)
Adjustments in respect of previous years	6	
	<u>(157)</u>	<u>(121)</u>
Deferred tax:		
Origination and reversal of timing differences	30	-
Adjustments in respect of previous years	(7)	-
Effect of change in UK corporation tax	(2)	-
	<u>21</u>	<u>-</u>
Total tax on loss on ordinary activities	<u>(136)</u>	<u>(121)</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:

	<b>2011</b> <b>£000</b>	2010 £000
Loss before tax	<u>(472)</u>	<u>(434)</u>
Tax on loss on ordinary activities at standard UK corporation tax rate of 28% (2010 – 28%)	(132)	(122)
Capital allowances in excess of depreciation	(30)	1
Expenses non deductible for tax purposes	(1)	-
Adjustment in respect of previous periods	6	-
<b>Current tax credit for year</b>	<u>(157)</u>	<u>(121)</u>

## SSE Water Limited

### Notes on the Financial statements for the year ended 31 March 2011

#### 6. Fixed assets

	<b>Water Distribution Network £000</b>
Cost:	
At 1 April 2010	813
Additions in the year	1,022
<b>At 31 March 2011</b>	<b>1,835</b>
Depreciation:	
At 1 April 2010	14
Charge for year	20
<b>At 31 March 2011</b>	<b>34</b>
Net Book Value:	
<b>At 31 March 2011</b>	<b>1,801</b>
At 1 April 2010	799

#### 7. Debtors

	<b>2011 £000</b>	2010 £000
Trade debtors	516	39
Group relief receivable	144	323
Amounts owed from group undertakings	99	570
	<b>759</b>	<b>932</b>

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

	<b>2011 £000</b>	2010 £000
Trade creditors	435	97
Amounts owed to group undertakings	1,623	1,703
Accruals and deferred income	222	5
Other	170	16
	<b>2,450</b>	<b>1,821</b>

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

	<b>2011 £000</b>	2010 £000
Accruals and deferred income	1,230	715

## SSE Water Limited

### Notes on the Financial statements for the year ended 31 March 2011

#### 10. Deferred taxation

Deferred taxation is provided as follows:

	<b>2011</b>	2010
	<b>£000</b>	£000
Accelerated capital allowances	<u>28</u>	<u>7</u>
	<b>31 March</b>	<b>31 March</b>
	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Provision at start and end of the year	7	7
Charged to profit and loss account	<u>21</u>	-
<b>Provision at 31 March 2011</b>	<u><b>28</b></u>	<u><b>7</b></u>

#### 11. Share capital

	Number	£
Authorised:		
At 1 April 2009 and 31 March 2010	<u>1,000</u>	<u>1,000</u>
Allotted and called up:		
At 1 April 2009 and 31 March 2010	<u>1</u>	<u>1</u>

#### 12. Profit and loss account

	<b>£000</b>
Balance at 1 April 2010	(812)
Loss for the year	<u>(336)</u>
<b>Balance at 31 March 2011</b>	<u><b>(1,148)</b></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 financial statements of the group (which include those of the Company) are available from Corporate Communications, Inveralmond House, 200 Dunkeld Road, Perth PH1 3AQ.

## **SSE Water Limited**

### **Notes on the Financial statements for the year ended 31 March 2011**

#### **14. Additional Regulatory Statements - Unaudited**

##### **Statement on Reliability of Information**

The Directors confirm that they are satisfied that the information contained in these accounts to be provided to Ofwat is, in so far as is practicable, reliable and complete.

##### **Statement on Compliance with Condition K**

The Directors confirm that, in their opinion, the company was in compliance with paragraph 1 of Condition K of the licence, relating to the availability of the rights and assets of the financial year.

##### **Statement on Directors' Remuneration and Service Standards**

This statement is made in accordance with section 35A of the Water Industry Act 1991 on behalf of SSE Water Limited.

In the financial year ending March 2011 and for the financial year ending March 2012, where appropriate the main directors of SSE Water Limited are remunerated under arrangements which fall under paragraph (3) of section 35A of the Act, i.e. the arrangements link the remuneration of the directors to standards of performance in connection with the carrying out by the company of the functions of a relevant undertaker.

Scottish and Southern Energy plc must ensure that it has remuneration policies in place that are competitive within the utilities sector. The main directors' remuneration packages are based on their overall Group responsibilities and include a basic salary, annual bonus, pension arrangements, benefits and, where appropriate, a Long Term Performance Share Plan. Under the annual bonus scheme, up to 40% of a director's maximum bonus depends on the achievement of personal targets, which may include performance in relation to the Water Supply & Sewerage Services (Customer Service Standards) Regulations 2008.

At year end, annual targets are reviewed against outcomes and the actual award made is in relation to achievement versus target performance. Where relevant the award is reviewed and approved by the Remuneration Committee.