REGISTERED NO.
213460

Scottish Hydro Electric Power Distribution plc

Regulatory Accounts

Year ended 31 March 2013

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Operating and Financial Review

The Operating and Financial Review sets out the main trends and factors underlying the development and performance of the Company during the year ended 31 March 2013, as well as those matters which are likely to affect its future development and performance.

The business, its objectives and strategy

Scottish Hydro Electric Power Distribution plc (the "Company") is a wholly owned subsidiary of SSE plc (the "Group"). The Company distributes electricity to around 750,000 customers in the North of Scotland. It currently has over 47,000 kilometres of electricity mains on commission. The Company also provides electricity connections within the Company's licensed area and owns and operates a number of the out of area electricity networks in the rest of Scotland.

The Company is the subject of incentive-based regulation by the industry regulator, the Office of Gas and Electricity Markets (Ofgem), which sets the prices that can be charged for the use of the electricity network, the capital expenditure and the allowed operating expenditure, within a framework known as the Price Control. In broad terms, Ofgem seeks to strike the right balance between attracting investment in electricity networks, encouraging companies to operate the networks as efficiently as possible and ensuring that prices for customers are no higher than they need to be. Ofgem also places specific incentives on companies to improve their efficiency and quality of service

The Company's strategy and main objectives are to:

- comply fully with all electricity network safety standards and environmental requirements;
- ensure that the electricity network is managed as efficiently as possible, including maintaining tight controls over operational expenditure;
- provide good performance in areas such as reliability of supply, customer service and innovation and thus earn additional incentive-based revenue under the various Ofgem schemes;
- deliver efficient and innovative capital expenditure programmes, so that the number and duration of power cuts experienced by customers is kept to a minimum;
- grow the RAV of the networks business and so secure increased revenue; and
- engage constructively with the regulator, Ofgem, to secure regulatory outcomes that meet the needs of customers and investors

Business performance overview

Performance during 2012/13 has been encouraging and against a range of measures has continued to be good. The following financial and operational key performance indicators are used by the Company in measuring performance:

a) Operating Profit (£m)

Year to March 2013	£137.5m
Year to March 2012	£101.7m
Increase (%)	35.2%

b) Capital Expenditure (£m)

Year to March 2013	£84.1m
Year to March 2012	£82.8m
Increase (%)	1.6%

c) Electricity Distributed (TWh)

Year to March 2013	8.4 TWh
Year to March 2012	8.1 TWh
Increase (%)	3.7%

d) Customer Minutes Lost

Year to March 2013	73
Year to March 2012	73
Change (%)	-

Operating and Financial Review (continued)

Business performance overview (continued)

e) Customer Interruptions – number per 100 customers

Year to March 2013	69
Year to March 2012	71
Decrease	2.8%

The increase in operating profit principally reflected additional allowed revenue under the existing Distribution Price Control, the recovery of allowed income not received in the previous year, 2011/12, and revenue resulting from the increase in the volume of electricity distributed during 2012/13 plus continued emphasis on the control of costs.

Volume of electricity distributed
The total volume of electricity distributed by the Company during 2012/13 was 8.4TWh, compared with 8.1TWh in the previous year. Under the electricity Distribution Price Control for 2010-15, the volume of electricity distributed does not affect companies' overall allowed revenue, although it does have an impact on the timing of revenue.

Operating electricity networks efficiently
Efficiency is one of the Group's and Company's core values and amongst Ofgem's explicit purposes in setting Price Controls is to keep as low as possible the costs of providing secure and reliable networks. The Company has a straightforward operating model, under which the vast majority of activities are in-house. Under this model:

- customer-facing activities, such as restoring power supplies or providing new connections, are managed from a network of 7 depots in communities throughout the north of Scotland; and
- network management activities, such as inspections, maintenance and investment, are carried out in Operational Production Groups.

This model gives the Company a strong oversight of operations and investment, allows flexibility in responding to changed circumstances and supports a culture of efficiency, teamwork and excellence, including innovation.

Investing in electricity networks at the lowest possible cost for customers
Capital expenditure in electricity distribution networks was £84.1m in 2012/13, taking the total for the 2010-15 Price Control to £228.7m so far. This investment contributes to its priority of providing a good service to its customers by delivering a reliable supply of electricity. Investing in its network to maintain reliability takes a number of forms including:

- keeping assets in good condition through a regular programme of inspection, maintenance, refurbishment and replacement;
- investing in areas to reinforce the existing network or build new lines to provide an alternative supply should the existing line be damaged;
- fast response to faults with up to 1,000 people based in 40 sites in the north of Scotland and south of England supported by Network Management Centres in Perth and Portsmouth; and
- communication with customers during planned and unplanned interruptions through telephone, website, email and social media.

The Company now restores supplies within 12 hours to over 99% of customers who experience an unplanned interruption. To achieve this it has used a combination of fast response teams and innovative technologies to find and repair faults quickly.

Each year customer tariffs are set to recover the amount of money agreed with Ofgem during the Price Control review. In turn, electricity supply companies then include these costs in the charges they make to their customers. In 2012/13 electricity distribution charges made up 16% of an average GB household electricity bill.

Therefore, since any investment made in the electricity distribution network is ultimately paid for by customers, the approach adopted by the Company is to make sufficient upfront investment, either through conventional reinforcement or use of new technologies, so that a quick response, when customers' needs become clear, can be made.

Operating and Financial Review (continued)

Investing in electricity networks at the lowest possible cost for customers (continued)
As at 31 March 2013, the Company's estimate of Ofgem's valuation of the assets of its electricity distribution business (the Regulated Asset Value, or RAV) was £965m based on Ofgem's methodology. The need for further significant investment in Great Britain's electricity distribution networks, to maintain and/or replace ageing assets or to provide additional capacity, is likely to mean the RAV of the Company's e lectricity distribution network should increase to around £1bn over the course of the year.

Managing energy networks in exceptional situations
In March 2013, the Company's distribution networks in the west of Scotland were affected by severe snow drifts and line-icing with the resulting requirement to replace around 350 wooden poles on the distribution network. To restore supplies as quickly as possible, two of the largest mobile power generation installations ever seen in the UK were deployed. Access was a key issue in what was an exceptional weather event.

Working closely with partners across government, local authorities and the emergency services, power was restored to the majority of homes within five days with the remaining households being connected within a week. The efforts of SSE's employees were recognised by, amongst many others, the residents of Arran, who gathered hampers of food and toiletries produced on the island to say thank you to the SSE employees who restored their electricity supply. The Chairman of Visit Arran said: 'We are enormously grateful to the small army of men and women who worked in some pretty appalling conditions to restore power to our homes and workplaces'.

Innovating for the future of electricity networks
In addition to the incorporation of innovation in day to day activities, wider change is taking place which means the way customers use electricity will evolve. The Company's electricity distribution business continues preparation to make the network ready for a low carbon future over the next decade.

The drivers for change are numerous and include:

- increasing electrification of heat and transport;
- further growth of large distributed generators, plus widespread community and micro-generation using solar, hydro and wind; and
- significant energy conservation.

All of this will change the traditional flows of electricity, which means smarter, more dynamic networks will be required. One major 'smart' project the Company is investing in is Northern Isles New Energy Solutions (NINES). This project features the use of heat and electricity storage to manage intelligently the impact of movements in demand on electricity generation, which could allow more renewable energy to be connected to the network. It also features new active network management solutions. This means NINES is not just a 'smart' programme but a comprehensive and sustainable solution to the energy challenges on Shetland. Information gathered through the project is making an important contribution to the Company's proposals for long term energy security on Shetland, which are due to be submitted to Ofgem in July 2013.

Working with stakeholders on the new electricity distribution Price Control
RIIO-ED1 will be the first electricity distribution Price Control review to reflect the new regulatory framework first adopted in RIIO-T1 and RIIO-GD1. It will run from 2015 to 2023. In line with wider trends in electricity networks, it is likely to put emphasis on incentives to secure the innovation required for low carbon transition. In March 2013 Ofgem published its strategy decision for RIIO-ED1, confirming that the regulatory policy for RIIO-ED1 will build on the existing framework and benefit efficient distribution companies that meet the expectations of their stakeholders.

In June 2013 the Company submitted its plans for the RIIO-ED1 price control, entitled "Your Future Energy Networks". This comprehensive plan shows expected outputs for the eight-year period and how they will be delivered, including details of proposed expenditure and resultant revenue. During the preparation of this plan, the Company worked extensively with stakeholders to ensure that its plans meet the requirements of all users of its distribution network. The plan is available for review at www.yourfutureenergynetwork.co.uk. Ofgem are now consulting on the plan along with those from other distribution companies, and will issue their initial 'fast-track' decision in November 2013.

Operating and Financial Review (continued)

Electricity Distribution priorities in 2013/14 and beyond
During 2013/14 and beyond SSE's priorities in Electricity Distribution are to:

- comply fully with all safety standards and environmental requirements;
- ensure that the networks are managed as efficiently as possible, delivering required outputs while maintaining tight controls over operational expenditure;
- place customers' needs at the centre of plans for the businesses;
- put responsiveness at the heart of day-to-day operations, so that the number and duration of power cuts experienced by customers is kept to a minimum;
- ensure there is adequate capacity to meet changing demands on the electricity system;
- make progress on the deployment of innovative investment in smart grids; and
- ensure that we secure an appropriate settlement as part of the RIIO-ED1 price control.

With such significant changes required over the next few years, not least in adapting the networks to accommodate changes in production and consumption, the scope for additional incremental growth in electricity distribution networks is clear.

In addition to the changing nature of the electricity networks and the regulatory environment, other factors which would affect the longer term performance of the business would include the macroeconomic situation and impact on the Company's funding costs, and the performance of the Company and its contractors on large capital projects. The former is addressed by SSE plc's group treasury policies to ensure that appropriate funding is available to the business. The latter is addressed by use of the Group's Large Capital Project Governance Framework which is designed to ensure projects are governed, developed, approved and executed in an effective manner. All significant distribution projects are governed by this framework.

Values and responsibilities
The Company believes that the behaviours and culture of an organisation should be guided by its values, and that an organisation's values should be at its core. SSE has six core values which seek to bound the behaviour and attitude of its employees and those it works with. These are:

- Safety: We believe all accidents are preventable, so we do everything safely and responsibly or not at all.
- Service: We give our customers service we are proud of and make commitments that we deliver.
- Efficiency: We keep things simple, do the work that adds value and avoid wasting money, materials, energy or time.
- Sustainability: Our decisions and actions are ethical, responsible and balanced, helping to achieve environmental, social and economic wellbeing for current and future generations.
- Excellence: We strive to get better, smarter and more innovative and be the best in everything we do.
- Teamwork: We support and value our colleagues and enjoy working together as a team in an open and honest way.

Employees
The Group believes that there is a commonality of interest between employees, customers and shareholders. To reinforce this it provides opportunities for employees to become and remain shareholders in the Group through a Share Incentive Plan and a Sharesave Scheme. Employee participation in these schemes is now 48% and 38% respectively across the Group.

Within the Group, employee participation is encouraged through adherence to the Company's Teamwork value, which states: 'We support and value our colleagues and enjoy working together in an open and honest way.' The appraisal process for employees, including the senior management team, specifically evaluates their performance in Teamwork, along with performance in respect of the Group's other core values: Safety, Service, Efficiency, Sustainability and Excellence. The Group also runs an annual externally facilitated survey of employee engagement. The 2012 survey, with a 90% response rate, showed that the Group has an above-average benchmark employee engagement score of 81%.

In addition to a wide range of internal communication media and events, employee participation in the Group is also encouraged through the Chief Executive's blog, inter-active online forums, division and subject-specific employee surveys, Director-led regional road shows and the Licence to Innovate scheme, which enables employees to research, review and test-trial new ideas.

Operating and Financial Review (continued)

Resources available

As part of the SSE plc group, the Company has significant resources which it can draw upon to meet its service commitments. The Company benefits from group-wide treasury management functions in order to provide adequate financing, with undrawn facilities totalling £1bn available to SSE plc which could be made available to the Company as required. The Company also draws upon shared services covering central functions such as finance, HR, regulation, health and safety, company secretarial and insurance services. All such services are provided under an appropriate Service Level Agreement.

The Company has 772 employees which it calls on to maintain its distribution network and carry out investment in future developments. In addition to these employees, the services of key contractors are called upon in a number of large capital projects to ensure that these projects are delivered on time and on budget. Where possible and economically efficient for the Company, these contractors are provided by other SSE group companies, reducing reliance on external companies.

Social and community issues

The Company considers its relationship with the community it serves as a core part of its operations. Engagement with local users and the wider stakeholder community is a fundamental principle underlying the RIIO-ED1 price control, and the Company has a detailed stakeholder engagement plan in place to ensure that it is sufficiently informed by its customers and the community which it serves. The Business Plan which the Company submitted to Ofgem as part of that price control detailed the areas on which stakeholders were be consulted, their responses, and how those responses were used to shape our Business Plan and associated capital expenditure projects.

On a wider basis, the Company participates in SSE plc's programme of community-based schemes. SSE continues to establish close working relationships with local community groups, organisations and charities in the regions in which it operates;

- **Action** – employee volunteering, under which employees are given one day of leave to support community initiatives. During 2012/13, 6,268 volunteer days were given throughout the Group to 622 projects in the UK and Ireland. SSE teams supported a range of projects.
- **Education** – support the work of schools by promoting safe and responsible use of energy. During 2012/13, SSE established a partnership with Keep Scotland Beautiful. Through the partnership, SSE has sponsored the Eco-Schools initiative which works with schools to change attitudes towards the environment. Furthermore, SSE is supporting the work of the Wood Family Trust in helping to support the Youth and Philanthropy Initiative which engages young people in creating social change. SSE took the decision not to reopen its visitor facilities in Dorset and Perthshire. Following a detailed review, SSE concluded that, in order to bring the buildings up to modern standards, including the addition of suitable disabled access, a significant investment would be required. SSE is now seeking to create more sustainable options for delivering a quality education programme to schools and visitors in the future. In particular, it is developing proposals for a brand new visitors' facility close to its hydro-electric power station in Pitlochry. More information on SSE's community programmes can be found online at www.sse.com/community.

Key contractual arrangements

The Directors consider the Service Level Agreement in place between the Company and SSE Services plc for the provision of corporate services to be essential for the continuance of the Company's operations in the short-to-medium term. Due to its nature, the risk of this contract being terminated is low.

There are a number of contracts with both internal and external parties for the provision of services to maintain and develop the Company's distribution network. It is not believed that any of these contracts are of sufficient size or concentration to result in a dependence on any one external supplier.

Operating and Financial Review (continued)

Capital structure
The Company regards its capital as comprising its equity, cash and borrowings. Its objective in managing capital is to maintain a strong balance sheet and credit rating so as to maintain investor, creditor and market confidence and to sustain future development of the business. The capital structure is kept under review and the Group and Company both continue to maintain one of the strongest balance sheets in the global utility sector. This gives the Company significant competitive advantage in terms of cost of funding and supporting new developments.

Treasury policy, objectives and financial risk management
The Company's operations are generally financed by a combination of retained profits, bank borrowings, long term debt issuance and inter company loan balances. As a matter of policy, a minimum of 50% of the Company's debt is subject to fixed or inflation linked rates of interest. Within this policy framework, the Company borrows, as required, on different interest bases, with derivatives and forward rate agreements being used to achieve the desired out-turn interest rate profile. Borrowings of the Company are mainly made in Sterling to reflect the underlying currency denomination of assets and cash flows within the Company. Further details of the Company's borrowings can be found in note 13 of the notes to the financial statements.

The Company's financial risk is managed as part of the wider Group risk management policy. For more information regarding this please visit the Group's 2013 Annual Report at www.sse.com.
The Group's Risk and Trading Committee oversees any major changes to treasury policy or objectives. Regular reporting of treasury activity is made to the SSE's Audit Committee and Board. Strong internal controls are maintained and independent reviews take place.

The main financial risks affecting the Group, and therefore the Company, include exposures to fluctuations or changes in interest rates, foreign exchange rates, liquidity, commodity prices and volumes and counterparty creditworthiness.

The Group's Risk and Trading Committee, which reports to the Group Board, reviews and agrees policies for addressing each of these risks. At 31 March 2013, over 87% of the Group's borrowings were at fixed or inflation-linked interest rates, after taking account of interest rate swaps. The Company's main risk area is in relation to interest rates and, as noted, this is controlled as part of the Group's risk management policies.

Liquidity
The Company's exposure to liquidity risk is managed centrally by the Group's Treasury function. Short term liquidity is reviewed daily by Treasury, while the longer term liquidity position is reviewed on a regular basis by the Management Board. In relation to the Group's liquidity risk, the Group's and therefore Company's policy is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. It does this by ensuring that the Group has available committed borrowings and facilities equal to at least 105% of forecast borrowings over a rolling 6 month period.

Taxation
The Company's effective current tax rate was 20.7% compared with 24.3% in the previous year after prior year adjustments. The headline effective tax rate, which includes the impact of substantively enacted changes in the UK corporation tax rate, is 13.6% compared with 9.5% in the previous year.

Dividend
Following a review of distributable reserves, the Directors declared, approved and paid a dividend of £300.0m (2012 – £100m) in the year.

Operating and Financial Review (continued)

Borrowings and facilities
The Company has loans of £447.0m (2012 – £493.4m) of which £300.0m (2012 – £300.0m) is due to other Group companies and £147.0m (2012 – £193.4m) is in the form of loans from the European Investment Bank and an index-linked bond. Of the total, interest is paid at fixed or inflation-linked rates on £422.0m (2012 – £468.4m).

As at 31 March 2013, the weighted average interest rate payable was 4.49% (2012 – 4.71%) and the weighted average remaining term was 18.00 years (2012 – 16.93 years).

Pensions
57% of employees of the Company are members of the Scottish Hydro Electric Pension Scheme, which, at 31 March 2013 on an IAS 19 basis adjusted for IFRIC 14 had a deficit, net of deferred tax, of £143.1m included in the Group accounts (2012 – £149.1m).

International Financial Reporting Standards
The application of International Financial Reporting Standards (IFRS) is required for listed companies for accounting periods commencing on or after 1 January 2005. As a result, the Group's financial statements for the year to 31 March 2013 have been prepared in accordance with EU adopted IFRS. The financial statements of Scottish Hydro Electric Power Distribution plc have been prepared in accordance with applicable UK Generally Accepted Accounting Principles (UK GAAP).

Corporate Governance Statement

As a subsidiary company of SSE plc ("The Group"), Scottish Hydro Electric Power Distribution plc ("The Company") operates within the Group's corporate governance framework. The Company does not have listed shares and therefore is not subject to the Combined Code on Corporate Governance.

The Group's corporate governance policies are described in the SSE plc's annual report and accounts 2013 under Governance on pages 61 to 102.

The Board of SSE plc considers that it complied in full with the combined code during 2012/13.

SSE plc Group ("the Group")
The Board is collectively responsible to the Group's shareholders for the long-term success of the Group and for its overall strategic direction, its values and its governance. It provides the leadership necessary for the Group to meet its business objectives whilst ensuring that a sound system of internal control and risk management is in place.

The Group's core purpose is to provide the energy people need in a reliable and sustainable way while abiding by its core values: safety; service; efficiency; sustainability; excellence; and teamwork.

The Board continues to be committed to ensuring that the highest standards of corporate governance are maintained. The Board confirms that it has, throughout the period under review, complied with all provisions set out in the Code. More details of this can be found in SSE plc's annual report on page 61.

The Board comprises the Chairman, two Executive Directors (from 1 July 2013) and five independent non-Executive Directors. This gives the Board a good balance of independence and experience, ensuring that no one individual or group of individuals has undue influence over the Board's decision making.

There are four principal Board committees; an Audit Committee, a Remuneration Committee, a Health, Safety and Environmental Advisory Committee and a Nomination Committee and details of the appointees and work undertaken by these committees are included in the published Annual Report of the Group, a copy of which is on the Group website (www.sse.com).

Following a competitive tender, KPMG Audit Plc has been the external auditor of the enlarged Group since 1999. Under its terms of reference, the Audit committee has responsibility for recommending to the Board removal of the external Auditors. The Audit Committee considers that the relationship with the Auditors is working well and remains satisfied with their effectiveness. Accordingly, it has not considered it necessary to require the firm to tender for the audit work. There are no contractual obligations restricting the Company's choice of external auditor. The external Auditors are required to rotate the audit partner's responsible for the Group audit every five years and the current lead partner has been in place for four years.

Scottish Hydro Electric Power Distribution plc ("The Company")

Board of Directors
The Board consists of six Directors, one of which is a Director of the Group and one of whom is a member of the SSE Management Board. None of the Directors are Directors of Group Companies involved in Retail or Wholesale activities. Company Board meetings and sub committee meetings were held on 7 occasions during the course of the year. There are no non-executive or independent directors. The Board does not have a separately appointed chairman. Meetings are chaired by a member of the Board. The Board of the Company does not have a Nominations, Remuneration or Audit Committee. These functions are dealt for the Company in conjunction with the relevant committee of the SSE plc ('the Group') Board.

Attendance at meetings of the Board during 2012/13, expressed as a number of meetings attended out of number eligible to attend is set out below:

Corporate Governance Statement (continued)

Scottish Hydro Electric Power Distribution plc ("The Company")

Board of Directors

Director	Attendance	
Gregor Alexander	7 of 7	
Steven Kennedy	7 of 7	
Mark Mathieson	7 of 7	
Ian Funnell	3 of 3	Resigned 12 October 2012
Aileen McLeod	7 of 7	
Stuart Hogarth	6 of 6	
David Gardner	4 of 4	Appointed 16 November 2012

Internal control

The Directors acknowledge that they have responsibility for the Company's systems of internal control and risk management and for monitoring their effectiveness. The purpose of these systems are 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 the income, expenditure, assets and liabilities of the Company.

No system of control can, however, provide absolute assurance against material misstatement 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. This process is regularly reviewed by the Board and has been in place for the whole year.

Control is maintained through: an organisation 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 periodic review as to their implementation and continued suitability.

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

There are Group policies in place covering a wide range of issues and risks such as financial authorisations, IT procedures, health, safety and environmental risks, crisis management, and a policy on ethical principles. 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 Group 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. 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 financial statements are therefore prepared on a going concern basis.

Report of the Directors

The Directors present their report together with the audited Financial Statements for the year ended 31 March 2013.

1. Principal Activities

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

2. Business Review

The Company is responsible for managing an electricity distribution network, serving around 750,000 customers in the North of Scotland. Distribution of electricity and the level of capital investment within the network area is a monopoly activity and is closely regulated by the Office of Gas and Electricity Markets (Ofgem) within a framework known as the Price Control. The Company also carries out the business of provision of new electrical connections services within its licensed area and the construction and management of out-of-area electricity networks in Scotland. A full review of the year is contained within the Operating and Financial Review section of these Accounts.

3. Results and Dividends

The profit for the financial year amounted to £93.0m (2012 - £58.1m). A final dividend of £300.0m (2012 - £100.0m) was declared, approved and paid by the Board during the year.

4. Directors

The Directors who served during the year were as follows:

Gregor Alexander	
Steven Kennedy	
Mark Mathieson	
Ian Funnell	Resigned 12 October 2012
Aileen McLeod	
Stuart Hogarth	
David Gardner	Appointed 16 November 2012

5. Political and Charitable Donations

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

6. 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.

7. Supplier Payment Policy

It is the Group and 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 35 days at 31 March 2013.

Report of the Directors (continued)

8. Auditors

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

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD

L. Manderson

Lilian Manderson
Company Secretary
18 July 2013

Registered company number: 213460

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 judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the Regulatory Financial statements on a 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to Scottish Hydro Electric Power Distribution plc and to the Gas and Electricity Markets Authority ("The Regulator")

We have audited the Regulatory Financial statements of Scottish Hydro Electric Power Distribution plc ("the Company") set out on pages 15 to 37 which comprise: the Profit and Loss Account, Balance Sheet, Reconciliation of Movements in Shareholders' Funds, Statement of Total Recognised Gains and Losses, Cash Flow Statement and the related notes to the Regulatory Financial statements. These Regulatory Financial statements have been prepared under the accounting policies set out therein.

This report is made, on terms that have been agreed, solely to the Company and the Regulator in order to meet the requirements of Standard Condition 44 of the Company's 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 Company's 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 and the Regulator, for our audit work, for this report, or for the opinions we have formed.

Basis of preparation

The Regulatory Financial statements have been prepared under the historical cost convention and in accordance with Standard Condition 44 of the Regulatory Licence and the accounting policies set out in the statement of accounting policies.

The Regulatory Financial statements are separate from the statutory Financial statements of the Company. There are differences between United Kingdom Generally Accepted Accounting Principals (UK GAAP) and the basis of preparation of information provided in the regulatory financial statements because the Standard Condition 44 of the Regulatory Licence specify alternative treatment or disclosure in certain respects. Where Standard Condition 44 of the Regulatory Licence does not specifically address an accounting issue, then it requires UK GAAP to be followed. Financial information other than that prepared wholly on the basis of UK GAAP may not necessarily represent a true and fair view of the financial performance or financial position of the Company as shown in Financial statements prepared in accordance with the Companies Act 2006.

Respective responsibilities of the regulator, the directors and auditor

The nature, form and content of Regulatory Financial statements 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.

As described in the Statement of Directors' Responsibilities on page 12, the Company's directors are responsible for the preparation of the Regulatory Financial statements in accordance with Standard Condition 44 of the Regulatory Licence.

Our responsibility is to audit the Regulatory Financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland), 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'.

We report to you our opinion as to whether the Regulatory Financial statements are properly prepared in accordance with Standard Condition 44 of the Regulatory Licence and the accounting policies set out on pages 19 to 22 of the Regulatory Financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records or if, in our opinion, we have not received all the information and explanations we require for our audit.

We read the other information contained in the Regulatory Financial statements, 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 misstatements or material inconsistencies with the Regulatory Financial statements. The other information comprises the Operating and Financial Review, Corporate Governance Statement and Report of the Directors. Our responsibilities do not extend to the other information.

Independent auditor's report to Scottish Hydro Electric Power Distribution plc and to the Gas and Electricity Markets Authority ("The Regulator") (continued)

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board except as noted below. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Regulatory Financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Regulatory Financial statements, 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 Regulatory Financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. However, as the nature, form and content of Regulatory Financial statements 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 those auditing standards.

Our opinion on the Regulatory Financial statements is separate from our opinion on the statutory financial statements of the Company on which we report, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "statutory" audit) was made solely to the Company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our statutory audit work was undertaken so that we might state to the Company those matters which we are required to state to them in a statutory auditors' 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'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 Financial statements of the Company for the year ended 31 March 2013 are properly prepared, in accordance with Standard Condition 44 of the Regulatory Licence and the accounting policies set out on pages 19-22 of the Regulatory Financial statements.

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

25 July 2013

Profit and loss account for the year ended 31 March 2013

	Note	2013 £m	2012 £m
Turnover		**337.0**	302.2
Cost of sales		**(57.9)**	(63.1)
Gross profit		**279.1**	239.1
Distribution costs		**(126.9)**	(122.7)
Administrative costs		**(14.7)**	(14.7)
Operating profit	2	**137.5**	101.7
Net interest payable	5	**(29.9)**	(37.5)
Profit on ordinary activities before taxation		**107.6**	64.2
Tax on profit on ordinary activities	6	**(14.6)**	(6.1)
Profit for the financial year	16	**93.0**	58.1

The above results are derived from continuing activities.

The accompanying notes are an integral part of these Financial statements.

Statement of total recognised gains and losses for the year ended 31 March 2013

	2013 £m	2012 £m
Profit for the financial year	**93.0**	58.1
Gain on effective portion of cash flow hedges (net of tax)	**1.2**	0.1
Total recognised gains and losses relating to the financial year	**94.2**	58.2

Reconciliation of movements in shareholders' funds for the year ended 31 March 2013

	Note	2013 £m	2012 £m
Profit for the financial year		**93.0**	58.1
Dividends	7	**(300.0)**	(100.0)
Credit in respect of employee share schemes (net of tax)		**1.1**	0.9
Gain/(loss) on effective portion of cash flow hedges (net of tax)		**1.2**	0.1
Net (reduction)/ addition to shareholders' funds		**(204.7)**	(40.9)
Opening shareholders' funds		**419.3**	460.2
Closing shareholders' funds		**214.6**	419.3

Balance sheet
as at 31 March 2013

	Note	2013 £m	2012 £m
Fixed Assets			
Tangible assets	8	**937.5**	896.8
Current assets			
Stocks	9	**2.7**	1.8
Debtors:			
Amounts falling due within one year	10	**341.1**	456.6
Amounts falling due after more than one year	10	**22.4**	22.4
Total debtors		**363.5**	479.0
Total current assets		**366.2**	480.8
Creditors			
Amounts falling due within one year	11	**(400.8)**	(277.5)
Net current assets		**(34.6)**	203.3
Total assets less current liabilities		**902.9**	1,100.1
Creditors:			
Amounts falling due after more than one year	12	**(585.1)**	(556.8)
Derivative financial liabilities	19	**(10.3)**	(23.7)
Provisions for liabilities and charges			
Deferred taxation	14	**(92.9)**	(100.3)
Net assets		**214.6**	419.3
Capital and reserves			
Called up share capital	15	**62.0**	62.0
Profit and loss account	16	**152.9**	358.8
Hedge reserve	16	**(0.3)**	(1.5)
Shareholders' funds		**214.6**	419.3

These Financial Statements were approved by the Directors on 18 July 2013 and signed on their behalf by

Gregor Alexander, Director

Scottish Hydro Electric Power Distribution plc, Registered No. 213460

Cash flow statement
for the year ended 31 March 2013

	Note	2013 £m	2012 £m
Net cash inflow from operating activities	21	**489.3**	219.3
Interest received		**5.5**	7.4
Interest paid		**(43.7)**	(26.4)
Returns on investments and servicing of finance		**(38.2)**	(19.0)
Corporation tax paid		**(21.2)**	(19.8)
Taxation		**(21.2)**	(19.8)
Purchase of tangible fixed assets		**(79.9)**	(80.5)
Capital expenditure and financial investment		**(79.9)**	(80.5)
Equity dividends paid	7	**(300.0)**	(100.0)
Net cash inflow before management of liquid resources and financing		**50.0**	-
Repayment of borrowings		**(50.0)**	-
Financing		**(50.0)**	-
Increase/(decrease) in cash in the year		**-**	-

Notes on the Financial statements for the year ended 31 March 2013

1. Significant accounting policies

Basis of preparation

The Financial Statements have been prepared under the historical cost convention and in accordance with UK generally accepted accounting standards (UK GAAP). The principal accounting policies are summarised in the Notes to the Financial statements and have been applied consistently.

The Company's balance sheet at 31 March 2013 shows a net current liability position of £34.6m (2012 – net asset position of £203.3m). The parent company has confirmed that it will continue to provide financial support to the Company and in particular will not seek repayment of the amounts currently made available. On this basis, the directors believe that the Company will be in a position to meet its liabilities as they fall due and that the financial statements are appropriately prepared on a going concern basis.

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

It has also taken advantage of the exemption contained in FRS 29 and has therefore not prepared the disclosures relating to financial instruments and capital as full disclosure is provided in Group financial statements.

Limitation of application of CA06 exemption disclosure

Standard Condition 44 requires the Regulatory Financial statements to be prepared inclusive of all mandatory disclosures which otherwise may have been excluded from the Statutory Financial statements as a result of the application of a CA06 exemption allowance.

However, as the Company is a wholly owned subsidiary of SSE 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 two Defined Benefit Schemes, one of which, the Scottish Hydro Electric Pension Scheme, is the main defined benefit Pension Scheme for the Company. The contributions made to this scheme are treated as contributions to a Defined Contribution scheme. The Defined Benefit Schemes disclosure is published in the financial statements of the Group. The statutory accounts pensions accounting policy is commented upon in the notes to the financial statements.

- Director's Remuneration. The remuneration of the Director of the Company who is also Executive Directors of the Ultimate Parent is published in the financial statements of the Group.

Furthermore, while it has been mandatory to prepare Financial statements of listed entities in accordance with EU-adopted International Financial Reporting Standards (adopted IFRS) for reporting periods beginning on or after 1 January 2005, the statutory financial statements of all the Group's subsidiary entities continue to be prepared under UK GAAP. As a result, the Directors of the Company, and those of the Group, do not believe it would be reasonably practicable to prepare the Regulatory financial statements of the Company under adopted IFRS.

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. In addition, turnover is also recognised on the value of customer contributions towards new connections, diversions and modifications to existing networks that occurred in the year.

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

Notes on the Financial statements for the year ended 31 March 2013

1. Significant accounting policies

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 substantively enacted, by the balance sheet date.

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

Tangible fixed assets

(i) Depreciation
Heritable and freehold land is not depreciated.

Depreciation is provided on 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:

			Years
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

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

Capitalised interest
Interest on the funding attributable to major capital projects is capitalised during the years of construction and depreciated as part of the total cost over the useful life of the asset.

Customer contributions
Customer contributions towards construction or acquisition of new Out-of-Area networks and capital grants are recorded as deferred income and released to the profit and loss account over the estimated life used in calculating contributions. Deferred income also includes outstanding balances of customer contributions on new connections to existing networks pre business separation in 2001.

Notes on the Financial statements for the year ended 31 March 2013

1. Significant accounting policies (continued)

Stocks and work in progress

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

Employee benefit obligations

Pensions

The Group operates a number of pension schemes on behalf of employees. The amounts charged represent the contributions payable to the schemes in the year and are charged directly to the profit and loss account as incurred.

Equity and equity-related compensation benefits

SSE plc, the ultimate parent of the Company, operates a number of All Employee Share Schemes as described in the Remuneration Report of the Group. These schemes enable Group employees to acquire shares of the ultimate parent company. The employees of the Company are entitled, where applicable, to participate in these schemes. The Company has not been charged with the cash cost of acquiring shares on behalf of its employees, this cost is borne by the Ultimate Parent Company. Where the fair value of the options granted has been measured, the Company has recognised the expense as if the share based payments related to the Company's own shares.

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

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

Dividends on shares presented within shareholders' funds

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

Financial instruments:

The Company adopted FRS 25 and FRS 26 with effect from 1 April 2005. FRS 26 requires that financial instruments are initially recognised and subsequently measured at fair value. Financial assets and liabilities are recognised when the Company becomes a party to the provisions of the instrument.

Recognition of profits on contracts

Profit is recognised on long-term contracts on completion of the total contract. Provision is made for foreseeable losses.

Notes on the Financial statements for the year ended 31 March 2013

1. Significant accounting policies (continued)

Accounting policies under FRS 25 and 26

i) Interest Rate Derivatives
Financial derivative instruments are used by the Company to hedge interest rate exposures. All such derivatives are recognised at fair value and are re-measured to fair value in each reporting period. Certain derivative financial
instruments are designated as being held for hedging purposes. The designation of the hedge relationship is established at the inception of the contract and procedures are applied to ensure the derivative is highly effective in achieving its objective and that the effectiveness of the hedge can be reliably measured. The treatment of gains and losses on re-measurement is dependent on the classification of the hedge and whether the hedge relationship is designated as either a 'fair value' or 'cash flow' hedge. Derivatives that are not designated as hedges are treated as if held for trading, with all fair value movements attributable to the risk being hedged recorded through the profit and loss account.

A derivative classified as a 'fair value' hedge recognises gains and losses from re-measurement immediately in the profit and loss account. Loans and borrowings are measured at cost except where they form the underlying transaction in an effective fair value hedge relationship. In such cases, the carrying value of the loan or borrowing is adjusted to reflect fair value movements with the gain or loss being reported in the profit and loss account.

A derivative classified as a 'cash flow' hedge recognises the portion of gains or losses on the derivative which are deemed to be effective directly in equity in the hedge reserve. Any ineffective portion of the gains or losses is recognised in the profit and loss account. The gains or losses that are recognised directly in equity are transferred to the profit and loss account in the same period in which the forecast transaction actually occurs.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point, any cumulative gain or loss on the hedging instrument recognised in equity remains in equity until the forecast transaction occurs. If the transaction is no longer expected to occur, the cumulative gain or loss recognised in equity is recognised in the profit and loss account.

ii) Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

iii) Debtors
Debtors do not carry any interest and are measured at cost (less an appropriate allowance for irrecoverable balances).

iv) Interest-bearing loans and borrowings
All such loans and borrowings are initially recognised at fair value including transaction costs and are subsequently measured at amortised cost, except where the loan or borrowing is the hedged item in an effective fair value hedge relationship.

v) Share Capital
Ordinary shares are accounted for as equity. Costs associated with the issue of new shares are deducted from the proceeds of issue.

Notes on the Financial statements for the year ended 31 March 2013

2. Operating profit

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

	2013 £m	2012 £m
Depreciation of tangible fixed assets	**43.4**	40.9
Operating lease rentals	**3.8**	0.6
Release of deferred income in relation to customer contributions and capital grants	**(3.1)**	(3.4)
Research and development	**1.4**	1.4
Net management fee in respect of services provided by group companies	**14.8**	15.1

The Company incurred an audit fee of £0.05m (2012 - £0.06m) in the year.

3. Staff costs and numbers

	2013 £m	2012 £m
Staff costs:		
Wages and salaries	**26.5**	26.1
Social security costs	**2.7**	2.7
Share based remuneration	**1.1**	0.9
Other pension costs (note 17)	**22.6**	23.0
	52.9	52.7
Less capitalised as tangible fixed assets	**(13.3)**	(19.2)
	39.6	33.5

Employee numbers

	2013 Number	2012 Number
Numbers employed at 31 March	**772**	735

	2013 Number	2012 Number
The monthly average number of people employed by the Company during the year	**752**	724

4. Directors' remuneration

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

	2013 £m	2012 £m
Remuneration as executives	**0.4**	0.4

Notes on the Financial statements for the year ended 31 March 2013

5. Net interest payable

	2013 £m	2012 £m
Interest receivable:		
Interest due from group companies	5.5	7.4
	5.5	7.4
Interest payable:		
Bank loans and overdrafts	(28.3)	(12.6)
Interest due to group companies	(19.2)	(18.5)
Capitalised interest	0.1	-
	(47.4)	(31.1)
Movement on financing derivatives	12.0	(13.8)
Net interest payable	(29.9)	(37.5)

6. Taxation

	2013 £m	2012 £m
Current tax:		
UK corporation tax on profits of the year	27.4	18.8
Adjustments in respect of prior years	(5.1)	(3.2)
	22.3	15.6
Deferred tax:		
Origination and reversal of timing differences	(1.4)	(1.9)
Effect of tax rate change	(4.1)	(8.4)
Adjustment in respect of previous year	(2.2)	0.8
Total Deferred Tax	(7.7)	(9.5)
Total tax on profit on ordinary activities	14.6	6.1

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:

	2013 £m	2012 £m
Profit before tax	107.6	64.2
Tax on profit on ordinary activities at standard UK corporation tax rate of 24% (2012 - 26%)	25.8	16.7
Effects of:		
Depreciation in excess of capital allowances	2.4	2.9
Depreciation of non qualifying assets	0.2	0.2
Share based remuneration	-	0.1
Other timing differences	(1.0)	(1.1)
Adjustments in respect of prior years	(5.1)	(3.2)
Current tax charge for year	22.3	15.6

The March 2013 Budget announced a 1% reduction in the tax rate, from 1 April 2013, to 23%. This was substantively enacted before March 2013. This change will reduce the Company's future current tax charge accordingly. As this rate change has been substantively enacted it has the effect of reducing the Company's net deferred tax liabilities recognised at 31 March 2013 by £4.1m. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction (the rate now being reduced to 20% over the next two years) due to legislation not being enacted, although this will further reduce the Company's future current tax charge and reduce the Company's deferred tax liabilities accordingly.

Notes on the Financial statements for the year ended 31 March 2013

7. Dividends

	2013 £m	2012 £m
Amounts recognised as distributions from equity:		
Final dividend of 483.9p (2012 – 161.3p) per share	**300.0**	100.0

The final dividend for the current year, £300.0m (2012 – £100.0m), was declared and approved on 27 March 2013 and was paid to shareholders on 29 March 2013.

8. Tangible fixed assets

	Network Assets £m	Other Equipment £m	Total £m
Cost:			
At 1 April 2012	1,559.2	62.0	1,621.2
Additions	**83.2**	**0.9**	**84.1**
At 31 March 2013	**1,642.4**	**62.9**	**1,705.3**
Depreciation:			
At 31 March 2012	664.5	59.9	724.4
Charge for the year	**42.7**	**0.7**	**43.4**
At 31 March 2013	**707.2**	**60.6**	**767.8**
Net book value			
At 31 March 2013	**935.2**	**2.3**	**937.5**
At 31 March 2012	894.7	2.1	896.8

	2013 £m	2012 £m
Tangible fixed assets include:		
Assets in the course of construction	**16.2**	9.3

9. Stocks

	2013 £m	2012 £m
Raw materials and consumables	**2.7**	1.8
	2.7	1.8

10. Debtors

	2013 £m	2012 £m
Amounts falling due within one year:		
Trade debtors	**23.7**	24.1
Prepayments and accrued income	**28.0**	27.2
Amounts owed by group undertakings	**289.4**	405.3
	341.1	456.6
Amounts falling due after more than one year:		
Amounts owed by group undertakings	**22.4**	22.4
	363.5	479.0

Notes on the Financial statements for the year ended 31 March 2013

11. Creditors: amounts falling due within one year

	2013 £m	2012 £m
Short term loans (note 13)	**0.0**	50.0
Trade creditors	**3.2**	4.0
Amounts owed to group undertakings	**355.1**	178.7
Corporation tax	**14.5**	13.6
Other creditors	**8.4**	6.9
Accruals and other deferred income	**19.6**	24.3
	400.8	277.5

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

	2013 £m	2012 £m
Loans (note 13)	**147.0**	143.4
Loans due to ultimate parent (note 13)	**300.0**	300.0
Accruals and other deferred income	**138.1**	113.4
	585.1	556.8

13. Analysis of borrowings

	Weighted Average Interest rate 2013 %	Weighted Average Interest rate 2012 %	2013 £m	2012 £m
Within one year				
6.39% European Investment Bank repayable on 24 September 2012	**-**	6.39	**-**	50.0
Between two and five years				
Floating rate European Investment Bank repayable on 13 June 2014	**0.74**	1.27	**25.0**	25.0
			25.0	25.0
Over five years				
5.90% Loan Stock repayable to SSE plc on 31 March 2022	**5.90**	5.90	**300.0**	300.0
1.429% Index linked bond repayable 20 October 2056	**1.77**	1.72	**122.0**	118.4
			422.0	418.4
			447.0	493.4

Notes on the Financial statements for the year ended 31 March 2013

14. Deferred taxation

Deferred taxation is provided as follows:

	2013 £m	2012 £m
Accelerated capital allowances	93.1	101.9
Other timing differences	-	(1.1)
Hedging reserve	(0.2)	(0.5)
Provision for deferred tax	**92.9**	100.3

	31 March 2013 £m
Provision at 1 April 2012	100.3
Credit to profit and loss account	(7.7)
Charged directly to equity	0.3
Provision at end of year	**92.9**

15. Share capital

	2013 £m	2012 £m
Authorised:		
62,001,000 ordinary shares of £1 each	62.0	62.0
Allotted, called up and fully paid:		
62,000,000 ordinary shares of £1 each	62.0	62.0

16. Reserves

	Hedge Reserve £m	Profit and loss account £m	Total £m
At 1 April 2012	(1.5)	358.8	357.3
Retained profit for the year	-	93.0	93.0
Dividends	-	(300.0)	(300.0)
Credit in respect of employee share awards	-	1.1	1.1
Gain on effective portion of cash flow hedges (net of tax)	1.2	-	1.2
At 31 March 2013	**(0.3)**	**152.9**	**152.6**

Notes on the Financial statements for the year ended 31 March 2013

17. Pensions

57% of the Company's employees are members of the Scottish Hydro-Electric 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 accounted for as if they were contributions 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 £5.8m (2012 – £6.2m). In addition to this, the Company incurred a further charge, payable to SSE Services plc, of £16.8m (2012 – £16.8m), which related to its share of the Scheme's deficit repair contributions for the year ended 31 March 2013.

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

18. Employee share-based payments

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

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

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

(ii) Share Incentive Plan (SIP)

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

In addition to the shares purchased on behalf of the employee, the Group will also match the purchase up to a maximum of 6 (previously 5) shares ('Matching shares') per month. Again these shares are held in trust for the five years until they are transferred to the employee. If an employee leaves during the first three years, or removes his/her 'partnership' shares, these 'matching' shares are forfeited.

In addition to the above, the following special awards of free shares have been made:

Award made	**31 March 2008**
Free shares per employee	10
Date at which employee must still be employed to receive award (in addition to 31 March)	1 August 2008

Notes on the Financial statements for the year ended 31 March 2013

18. Employee share-based payments (continued)

These awards were made to all employees in recognition of their contribution to the success of the company. Under the arrangements for the awards, the shares will be held in trust for five years, at which point they will be transferred to the employees at no cost to the employee. These shares may be withdrawn at any point during years four and five, but income tax and national insurance would then be payable on any amounts withdrawn.

(iii) Deferred annual incentive scheme

This scheme (previously deferred bonus scheme) applies to senior managers and executive directors of the Group. Under this scheme, 25% of all eligible employees' annual bonus is deferred into shares which only vest after three years, subject to continued service. The number of shares awarded is determined by dividing the relevant pre-tax bonus amount by the share price shortly after the announcement of the results for the financial year to which the bonus relates.

(iv) Performance Share Plan

This scheme applies to Executive Directors and senior executives. The level of these awards are subject to certain performance conditions over the three year performance period, which can be summarised as follows:

Award made		02 June 2010	02 June 2011	2 June 2012
Maximum value of award as a % of base salary		150	150	150
Performance conditions				
Total shareholder return (50% of award) (i)	Full vesting	> 75th percentile	> 75th percentile	> 75th percentile
	25% vesting	median	median	Median
Earnings per share (50% of award) (ii)	Full vesting	RPI + 8%	RPI + 8%	RPI + 8%
	25% vesting	RPI + 2%	RPI + 2%	RPI + 2%
Dividend per share growth (iii)	Full vesting	RPI + 6%	RPI + 6%	RPI + 6%
	25% vesting	RPI + 2%	RPI + 2%	RPI + 2%

These awards will vest after three years to the extent that the relevant performance conditions are met.

(i) Total Shareholder Return (TSR) target relative to other FTSE100 companies and MSCI Europe Utilities Index over the relevant performance period. Pro rata vesting will take place between the median and 75th percentile, with no vesting if the minimum target is not met.

(ii) Under the EPS performance condition, pro rata vesting between the lower and upper level above RPI, with no vesting if the minimum EPS growth target is not achieved.

(iii) Under the Dividend per share growth performance condition, pro rata vesting between 2% and 6% above RPI, with no vesting if the minimum dividend per share growth target is not achieved.

Notes on the Financial statements for the year ended 31 March 2013

18. Employee share-based payments (continued)

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

(i) Savings-related share option scheme

As at 31 March 2013

Award Date	Option Price (pence)	Outstanding at start of year	Granted	Exercised	Lapsed	**Outstanding at end of year**	Date from which exercisable	Expiry date
11 July 2006	999	**14,695**	-	-	(14,695)	**-**	1 October 2011	31 March 2012
10 July 2007	1,306	**35,296**	-	(24,537)	(1,002)	**9,757**	1 October 2012	31 March 2013
17 July 2008	1,274	**4,215**	-	-	(4,215)	**-**	1 October 2011	31 March 2012
17 July 2008	1,274	**27,122**	-	-	(484)	**26,638**	1 October 2013	31 March 2014
30 June 2009	1,042	**15,630**	-	(15,359)	(271)	**-**	1 October 2012	31 March 2013
30 June 2009	1,042	**57,104**	-		(1,101)	**56,003**	1 October 2014	31 March 2015
30 June 2010	871	**49,370**	-	(220)	(790)	**48,360**	1 October 2013	31 March 2014
30 June 2010	871	**317,146**	-	(574)	(6,168)	**310,404**	1 October 2015	31 March 2016
28 June 2011	1,105	**19,091**	-	-	(3,048)	**16,043**	1 October 2014	31 March 2015
28 June 2011	1,105	**61,220**	-	-	(3,680)	**57,540**	1 October 2016	31 March 2017
29 June 2012	1,065	-	29,528	-	(168)	**29,360**	1 October 2015	31 March 2016
29 June 2012	1,065	-	52,973	-	(422)	**52,551**	1 October 2017	31 March 2018
		600,889	**82,501**	**(40,690)**	**(36,044)**	**606,656**		

As at 31 March 2012

Award Date	Option Price (pence)	Outstanding at start of year	Granted	Exercised	Lapsed	**Outstanding at end of year**	Date from which exercisable	Expiry date
14 July 2005	886	**21,688**		(746)	(20,942)	**-**	1 October 2010	31 March 2011
11 July 2006	999	**61,366**		(46,510)	(161)	**14,695**	1 October 2011	31 March 2012
10 July 2007	1,306	**16,945**		-	(16,945)	**-**	1 October 2010	31 March 2011
10 July 2007	1,306	**35,796**		-	(500)	**35,296**	1 October 2012	31 March 2013
17 July 2008	1,274	**9,823**		(5,578)	(30)	**4,215**	1 October 2011	31 March 2012
17 July 2008	1,274	**28,270**		-	(1,148)	**27,122**	1 October 2013	31 March 2014
30 June 2009	1,042	**16,497**		-	(867)	**15,630**	1 October 2012	31 March 2013
30 June 2009	1,042	**58,862**		-	(1,758)	**57,104**	1 October 2014	31 March 2015
30 June 2010	871	**51,661**		-	(2,291)	**49,370**	1 October 2013	31 March 2014
30 June 2010	871	**327,071**		-	(9,925)	**317,146**	1 October 2015	31 March 2016
28 June 2011	1,105	-	19,417	-	(326)	**19,091**	1 October 2014	31 March 2015
28 June 2011	1,105	-	61,973	-	(753)	**61,220**	1 October 2016	31 March 2017
		627,979	**81,390**	**(52,834)**	**(55,646)**	**600,889**		

As share options are exercised continuously throughout the period from 1 October to 31 March, the weighted average share price during this period of 1,433p (2012: 1,291p) is considered representative of the weighted average share price at the date of exercise. The weighted average share price of forfeitures is simply the option price to which the forfeit relates.

Notes on the Financial statements for the year ended 31 March 2013

18. Employee share-based payments (continued)

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

	July 2007		July 2008		June 2009		June 2010		June 2011		July 2012	
	3 Year	5 Year	3 Year	5 Year	3 Year	3 Year	5 Year	3 Year	5 Year	3 Year	3 Year	5 Year
Fair value of option	287p	313p	304p	339p	244p	269p	231p	246p	171p	163p	182p	159p
Expected volatility	25%	25%	28%	28%	35%	35%	19%	19%	18%	18%	18%	18%
Risk free rate	5.8%	5.7%	4.9%	5.0%	2.7%	2.9%	1.4%	2.2%	1.2%	2.1%	0.4%	0.9%
Expected dividends	5.3%	5.2%	4.1%	4.2%	4.1%	4.2%	1.7%	2.2%	6.1%	6.1%	5.9%	5.8%
Term of the option	3 yrs	5 yrs	3 yrs	5 yrs	3 yrs	5 yrs	3 yrs	5 yrs	3 yrs	5 yrs	3 yrs	5 yrs
Underlying price at grant date	1,460p	1,460p	1,397p	1,397p	1,139p	1,139p	1,089p	1,089p	1,393p	1,393p	1,391p	1,391p
Strike price	1,306p	1,306p	1,274p	1,274p	1,042p	1,042p	871p	871p	1,105p	1,105p	1,065p	1,065p

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

ii) Share Incentive Plan

Matching shares	**2013**		2012	
	Shares	**Weighted average price (pence)**	Shares	Weighted average price (pence)
Outstanding at start of year	**151,903**	**1,144**	142,861	1,133
Granted	**39,262**	**1,394**	34,768	1,315
Forfeited	**(3,486)**	**1,263**	(2,361)	1,194
Exercised	**(3,937)**	**1,255**	(3,671)	1,310
Transferred to pool	**(20,800)**	**1,506**	(19,694)	1,328
Outstanding at end of year	**162,942**	**1,240**	151,903	1,144
Exercisable at end of year	**49,459**	**1,301**	60,761	1,144

When shares have been held for a period of 5 years they are transferred to a pooled share account. At this point the holder has an unconditional right to the share but has chosen not to exercise immediately.

The fair value of these shares is not subject to valuation using the Black-Scholes model. However, the fair value of shares granted in the year is equal to the weighted average price paid for the shares at the grant date as shares are acquired out of the market as at that date to satisfy awards made under the scheme.

As share options are exercised continuously throughout the year, the weighted average share price during this period of 1,395p (2012: 1,310p) is considered representative of the weighted average share price at the date of exercise.

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

Notes on the Financial statements for the year ended 31 March 2013

18. Employee share-based payments (continued)

Free shares

	2013 Shares	2013 Weighted average price (pence)	2012 Shares	2012 Weighted average price (pence)
Outstanding at start of year	**17,521**	**1,161**	17,751	1,163
Forfeited	-	-	(20)	1,408
Exercised	**(766)**	**1,432**	(210)	1,310
Transferred to pool	**(11,095)**	**1,474**	-	-
Outstanding at end of year	**5,660**	**1,417**	17,521	1,161
Exercisable at end of year	**5,660**	**1,417**	17,521	1,161

The fair value of these shares is not subject to valuation using the Black-Scholes model. However, the fair value of shares granted in the year is equal to the weighted average price paid for the shares at the grant date as shares are acquired out of the market as at that date to satisfy awards made under the scheme.

As share options are exercised continuously throughout the year, the weighted average share price during this period of 1,395p (2012: 1,310p) is considered representative of the weighted average share price at the date of exercise.

(iii) Deferred annual incentive scheme

	2013 Shares	**2013** Price (pence)	2012 Shares	2012 Price (pence)
Outstanding at start of year	**13,619**	**1,059**	12,938	1,126
Granted	**3,384**	**1,383**	3,674	1,342
Exercised	**(4,938)**	**1,177**	(2,993)	1,545
Outstanding at end of year	**12,065**	**1,257**	13,619	1,059
Exercisable at end of year	-	-	-	-

The fair value of these shares is not subject to valuation using the Black-Scholes model. However, the fair value of shares granted in the year is equal to the weighted average price paid for the shares at the grant date as shares are acquired in the market as at that date to satisfy awards made under the scheme.

(iv) Performance Share Plan

	2013 Shares	**2013 Price (pence)**	2012 Shares	2012 Price (pence)
Outstanding at start of year	**67,181**	**1,210**	58,284	1,239
Granted	**26,597**	**1,383**	23,405	1,342
Forfeited	**(16,989)**	**1,204**	(13,470)	1,545
Exercised	-	-	(1,038)	1,545
Outstanding at end of year	**76,789**	**1,246**	67,181	1,210

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

The fair value of the performance share plan shares is not subject to valuation using the Black-Scholes model. The fair value of shares granted in the year is equal to the closing market price on the date of grant.

Notes on the Financial statements for the year ended 31 March 2013

19. Derivatives and financial instruments

Exposure to interest rate risk arises in the normal course of the Company's business. Derivative financial instruments are entered into to hedge exposure to risk. The objectives and policies for holding or issuing financial instruments and similar contracts, and the strategies for achieving those objectives that have been followed during the year are explained below. The Group's Risk and Trading Committee, a standing committee of SSE's Management Board comprising three Executive Directors and senior managers from the Energy Portfolio Management and Finance functions, to oversee the control of these activities. This Committee is discussed further in the Annual Report of the ultimate parent, SSE plc.

The Group's treasury department is responsible for managing the banking and liquidity requirements of the Company, risk management relating to interest rate and foreign exchange exposures, and for managing the credit risk relating to the banking counterparties with which it transacts. The department's operations are governed by policies determined by the Group's Management Board and any breaches of these policies are reported to the Risk and Trading Committee and Group's Audit Committee.

(i) Risk

Interest rate risk
Interest rate risk derives from the Company's exposure to changes in value of an asset or liability or future cash flows through changes in interest rates.

The Company's policy is to manage this risk by stipulating that a minimum of 50% of borrowings be subject to fixed rates of interest, either directly through the debt instruments themselves or through the use of derivative financial instruments. Such instruments include interest rate swaps and options, forward rate agreements and, in the case of debt raised in currencies other than sterling, cross currency swaps.

Although interest rate derivatives are primarily used to hedge risk relating to current borrowings, under certain circumstances they may also be used to hedge future borrowings. Any such pre-hedging is unwound at the time of pricing the underlying debt, either through cash settlement on a net present value basis or by transacting offsetting trades. The floating rate borrowings mainly comprise commercial paper issued at interest rates less than LIBOR and cash advances from the European Investment Bank (EIB).

Effective interest rate analysis
In respect of income earning financial assets and interest bearing financial liabilities, the following table indicates their effective interest rates as at the balance sheet date and the periods in which they re-price or mature:

At 31 March 2013	**Effective interest rate %**	**Total £m**	Within 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m
Long term bonds	**1.7736**	**122.0**	-	-	-	122.0
Other bank loans – fixed	**5.9700**	**300.0**	-	-	-	300.0
Other bank loans – floating	**0.7369**	**25.0**	-	25.0	-	-
Interest rate swaps – fixed	**4.9164**	**75.0**	-	-	-	75.0

(ii) Fair values
The fair values of the Company's financial assets and financial derivatives, and the carrying amounts in the balance sheet are analysed below. Balances included in the analysis of primary financial assets and liabilities include cash and cash equivalents, loans and borrowings, trade and other debtors, trade and other creditors and provisions, all of which are disclosed separately. Own use commodity contracts are not considered to be financial instruments.

Notes on the Financial statements for the year ended 31 March 2013

19. Derivatives and financial instruments (continued)

Summary fair values

The fair values of the primary financial assets and liabilities together with their carrying values are as follows:

	2013 Carrying Value £m	2013 Fair Value £m	2012 Carrying Value £m	2012 Fair Value £m
Financial Assets				
Trade and other debtors	**354.6**	**354.6**	451.8	451.8
Financial Liabilities				
Trade and other creditors	**381.2**	**381.2**	207.1	207.1
Bank loans and overdrafts	**25.0**	**25.0**	75.0	76.1
Long-term bonds	**122.0**	**124.4**	118.4	120.4
Loan Stock	**300.0**	**360.6**	300.0	367.9
Derivative financial liabilities	**10.3**	**10.3**	23.7	23.7

Fair values have been determined with reference to closing market prices.

Unless otherwise stated, carrying value approximates fair value.

Financial derivative instruments – disclosure

For disclosure purposes, derivative financial instruments are classified into two categories, operating derivatives and financing derivatives. The Company only utilises financing derivatives. Financing derivatives include all fair value and cash flow interest rate hedges, non-hedge accounted (mark-to-market, noted as MTM) interest rate derivatives, cash flow foreign exchange hedges and non-hedge accounted (MTM) foreign exchange contracts. Non-hedge accounted contracts are treated as held for trading (MTM). The carrying value is the same as the fair value for all instruments. All balances are stated gross of associated deferred taxation.

The net financial liabilities of £10.3m (2012 - £23.7m) are represented as creditors that are due after more than one year.

Basis of determining fair value

Closing rate market values have been used to determine the fair values of the interest rate and foreign currency contracts and denominated long-term fixed rate debt. Estimates applied reflect the management's best estimates of these factors.

20. Commitments and contingencies

(i) Capital expenditure

	2013 £m	2012 £m
Contracted for but not provided	**6.9**	6.5

(ii) Operating lease commitments

Leases as lessee:

	2013 £m	2012 £m
Amount included in the profit and loss account relating to the current year leasing arrangements	**3.8**	0.5

Notes on the Financial Statements for the year ended 31 March 2013

20. Commitments and contingencies (continued)

(ii) Operating lease commitments (continued)

The payments under operating leases which are due to be made in the next year, analysed over the periods when the leases expire, are:

	Other assets	
	2013	2012
	£m	£m
Less than one year	**0.3**	0.1
Between two and five years	**3.1**	0.3
After five years	**0.4**	0.1
	3.8	0.5

(iii) Guarantees and Indemnities

The Company has provided a guarantee in relation to £300.0m Eurobonds held by SSE plc. This Guarantee has been jointly provided with Scottish Hydro Electric Transmission plc.

21. Reconciliation of operating profit to operating cash flows

	2013	2012
	£m	£m
Reconciliation of operating profit to operating cash flows		
Operating profit including gains on disposals	**137.5**	101.7
Depreciation	**43.4**	40.9
Customer contributions and capital grants released	**(3.1)**	(3.4)
Increase in stocks	**(0.9)**	(0.1)
Increase in debtors	**(0.4)**	(11.6)
Increase/(decrease) in creditors	**19.4**	15.2
Movement in intercompany	**292.3**	75.7
Charge in respect of employee share awards	**1.1**	0.9
Net cash inflow from operating activities	**489.3**	219.3

22. Net debt

Reconciliation of net cash flow to movement in net debt

	2013	2012
	£m	£m
Cash flow from increase/(decrease) in debt	**50.0**	-
Other non cash movement	**(3.6)**	(5.7)
Movement in net debt in the year	**46.4**	(5.7)
Net debt at 1 April	**(493.4)**	(487.7)
Net debt at 31 March	**(447.0)**	(493.4)

Notes on the Financial Statements for the year ended 31 March 2013

22. Net debt (continued)

Analysis of net debt

	As at 1 April 2012 £m	Increase in cash[(i)] £m	Decrease in debt £m	Non-cash movements[(ii)] £m	**As at 31 March 2013 £m**
Cash at bank and in hand	-	-	-	-	-
Net borrowings due within one year	(50.0)	-	50.0	-	-
Net borrowings due after more than one year	(443.4)	-	-	(3.6)	**447.0**
Net debt	(493.4)	-	**50.0**	(3.6)	**447.0**

(i) The Company does not hold cash balances at any time. Cash generated or required by the Company is remitted to or obtained from SSE plc or SSE Services plc. As a result the movement in indebtedness from the Group (reflected in movement in debtor and creditor balances on the balance sheet) can be said to represent the cash generated in the year.

(ii) The fair value adjustment relates to the adoption of FRS 26 from 1 April 2005 and is in relation to certain hedged debt balances, which are fair valued in accordance with the fair value hedge accounting requirements under the standard. The Company's policies are explained in the Notes to the Financial statements. Movements in these values are shown as a non-cash item in the analysis of net debt.

23. Regulatory Segmental Analysis

In accordance with standard licence condition 44, a segmental analysis of the Company's performance has been presented based on the prescribed distribution activities within the licence. The Company does not consider these activities to be segments as defined by SSAP 25.

2012/13	Distribution (DUoS) £m	Excluded Services [(i)] £m	Metering [(ii)] £m	Out of Area Networks £m	De Minimis [(iii)] £m	**Total £m**
Revenue	307.3	24.1	2.1	1.5	2.0	**337.0**
Operating Costs	(130.3)	(25.2)	-	(1.7)	(2.0)	**(159.2)**
Depreciation	(39.8)	-	(0.4)	(0.1)	-	**(40.3)**
Operating Profit	**137.2**	**(1.1)**	**1.7**	**(0.3)**	-	**137.5**
Capital additions	**81.6**	-	-	**2.5**	-	**84.1**

2011/12	Distribution (DUoS) £m	Excluded Services [(i)] £m	Metering [(ii)] £m	Out of Area Networks £m	De Minimis [(iii)] £m	**Total £m**
Revenue	259.9	36.9	2.2	1.5	1.7	**302.2**
Operating Costs	(126.4)	(33.0)	-	(1.9)	(1.7)	**(163.0)**
Depreciation	(37.0)	-	(0.4)	(0.1)	-	**(37.5)**
Operating Profit	**96.5**	**3.9**	**1.8**	**(0.5)**	-	**101.7**
Capital additions	**79.5**	-	-	**3.3**	-	**82.8**

Notes on the Financial Statements for the year ended 31 March 2013

23. Regulatory Segmental Analysis (continued)

(i) Excluded services includes connections, diversions and other excluded services as defined in the licence (ES1, ES3 and ES7).
(ii) Metering services refer to Legacy MAP only. The Company does not undertake other metering activities.
(iii) De minimis activities primarily relate to activities undertaken on behalf of other SSE plc Group companies, which are recharged at cost.

24. Ultimate parent company

The Company is a subsidiary of SSE 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 SSE plc. The consolidated financial statements of the Group (which include those of the Company) are available from the Company Secretary, SSE plc, Inveralmond House, 200 Dunkeld Road, Perth PH1 3AQ or by accessing the Group's website at www.sse.com.