

**REGISTERED NO.**  
**214382**

**S+S Limited**

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

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## **S+S 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**

On 1 April 2010, the Company's principal activities were assumed by three related companies, Scottish Hydro Electric Power Distribution plc, Southern Electric Power Distribution plc and Scottish Hydro Electric Transmission Limited. All employees, contracts, commitments, assets and liabilities were assumed to have been transferred at that date. The transaction was part of a re-organisation within the Scottish and Southern Energy plc Group and was made to conform with the regulatory reporting requirements of the industry regulator, Ofgem.

The Company's principal activities in the previous year had been the provision of new connections services and the construction and management of out-of-area electricity networks on behalf of, SSE Power Distribution's (a related company) two licensed distribution businesses. S+S Limited is a wholly owned subsidiary of Scottish and Southern Energy plc and part of the Scottish and Southern Energy Group ('SSE' or 'Group').

#### **2. Business Review**

##### **Review of Business and Principal Risks & Uncertainties**

The Company's activities have been assumed by related parties and it is the intention of the Board of Directors to complete a voluntary wind-up of the Company in the following twelve months.

The Directors acknowledge that they have responsibility for the Company's systems of internal control and risk management and for monitoring their effectiveness. The purposes of these systems are to manage, rather than eliminate, the risk of failure to achieve business objectives, to 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 and to the relative costs and benefits of implementing specific controls.

As the principal activities carried out by the Company have been assumed by related Companies, no key performance indicators have been deemed relevant to the Company's accounts in the current year.

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

The profit after tax for the financial year amounted to £nil (2010 - £16.4m). The Directors recommend the payment of a dividend of £139.6m to complete the voluntary wind-up of the company (2010 - £nil).

#### **4. Directors**

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

Gregor Alexander  
Colin Hood  
Steven Kennedy  
Mark Mathieson  
Ian Funnell  
Rob McDonald (resigned 21 January 2011)  
Aileen McLeod (appointed 24 January 2011)  
Stuart Hogarth (appointed 24 January 2011)

#### **5. Political and Charitable Donations**

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

## **S+S Limited**

### **Report of the Directors**

#### **6. Employment Policies**

No staff were retained in the Company following transfer to the related Companies. Staff were actively encouraged to be involved in Company affairs in a wide variety of ways. These included 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. 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**

The Company complies with the CBI Prompt Payment Code. The main features of the Code are that payment terms are agreed at the outset of a transaction and are adhered to; that there is a clear and consistent policy that bills are paid in accordance with the contract; and that there are no alterations to payment terms without prior agreement. Copies of the Code are available on application to the Company Secretary. The number of suppliers' days represented by trade creditors was 38 days at 31 March 2010.

#### **8. Financial Instruments**

It is the company's policy to avoid complex financial instruments.

#### **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



Lilian Manderson  
Company Secretary  
16 September 2011

## **S+S 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.

## **S+S Limited**

### **Independent Auditor's Report to the Members of S+S Limited**

We have audited the financial statements of S+S Limited for the year ended 31 March 2011 which are set out on pages 5 to 15. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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, and to express an opinion on, 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 profit 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

16 September 2011

## **S+S Limited**

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

	<b>Note</b>	<b>2011 £m</b>	<b>2010 £m</b>
<b>Turnover</b>		-	131.4
Cost of sales		-	(87.2)
<b>Gross profit</b>		-	44.2
Distribution costs		-	(4.6)
Administrative costs		-	(17.8)
<b>Operating profit</b>	<b>3</b>	-	21.8
Net interest receivable	<b>6</b>	-	1.0
<b>Profit on ordinary activities before taxation</b>		-	22.8
Tax on profit on ordinary activities	<b>7</b>	-	(6.4)
<b>Profit for the financial year</b>	<b>14</b>	-	16.4

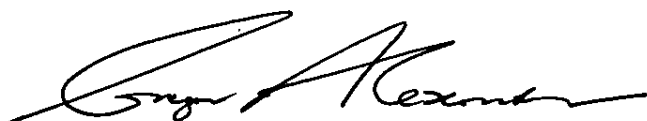
The accompanying notes are an integral part of these financial statements

# S+S Limited

## Balance Sheet as at 31 March 2011

	Note	2011 £m	2010 £m
<b>Fixed Assets</b>			
Tangible assets	8	-	64.5
<b>Current assets</b>			
Debtors: amounts falling due within one year	10	-	230.3
amounts falling due after more than one year	10	243.8	90.3
		<u>243.8</u>	<u>320.6</u>
<b>Creditors: amounts falling due within one year</b>	11	(104.2)	(80.1)
<b>Net current assets</b>		<u>139.6</u>	<u>240.5</u>
<b>Total assets less current liabilities</b>		<u>139.6</u>	<u>305.0</u>
<b>Creditors: amounts falling due after more than one year</b>	12	-	(165.4)
<b>Net assets</b>		<u>139.6</u>	<u>139.6</u>
<b>Capital and reserves</b>			
Called up share capital	13	-	-
Profit and loss account	14	139.6	139.6
<b>Shareholders' funds</b>		<u>139.6</u>	<u>139.6</u>

These Financial statements were approved by the Directors on 16 September 2011 and signed on their behalf by



Gregor Alexander, Director

Company Registered No: 214382

## **S+S Limited**

### **Statement of Total Recognised Gains and Losses for the year ended 31 March 2011**

	<b>2011 £m</b>	<b>2010 £m</b>
Profit for the financial year	-	16.4
<b>Total recognised gains and losses relating to the financial year</b>	<b>-</b>	<b>16.4</b>

### **Reconciliation of Movements in Shareholders' Funds as at 31 March 2011**

	<b>2011 £m</b>	<b>2010 £m</b>
Profit for the financial year	-	16.4
Credit in respect of employee share awards	-	0.1
<b>Net addition to shareholders' funds</b>	<b>-</b>	<b>16.5</b>
Opening shareholders' funds	<b>139.6</b>	<b>123.1</b>
<b>Closing shareholders' funds</b>	<b>139.6</b>	<b>139.6</b>



## **S+S Limited**

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

#### **1. Significant accounting policies**

##### **Basis of preparation**

The Financial statements have been prepared in accordance with all applicable United Kingdom accounting standards. The principal accounting policies are summarised below and have been applied consistently.

S+S Limited is a wholly owned subsidiary of Scottish and Southern energy Plc, and therefore relies upon group facilities to support its activities. The group's facilities and the rationale for preparing the group financial statements under the going concern basis are disclosed in full in the annual report and accounts of Scottish and Southern energy Plc. For this reason, the going concern basis has been adopted in preparing the financial statements of S+S Limited.

Under Financial Reporting Standard 1 (FRS 1), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent undertaking includes the Company in its own published consolidated Financial statements.

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

##### **Turnover**

Turnover comprises the value of non-regulatory new connection and rechargeable services provided in the period.

##### **Recognition of profits on contracts**

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

##### **Taxation**

The charge for taxation is based on the profit for the year and takes into account deferred taxation.

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted, or substantially enacted, by the balance sheet date.

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

##### **Tangible fixed assets**

###### **(i) Depreciation**

Heritable and freehold land is not depreciated.

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

	<b>Years</b>
Network assets	10 to 60

###### **(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.

##### **Stocks and work in progress**

Stocks are valued at the lower of cost and net realisable value. The valuation of work in progress is based on the cost of labour, plus appropriate overheads and the cost of materials. Progress invoices are deducted in arriving at the amounts stated.

## **S+S Limited**

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

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

##### **Employee benefit obligations**

###### **Pensions**

Contributions to pension schemes on behalf of the employees of the Company are charged to the profit and loss account in accordance with the contributions incurred in the year.

###### **Equity and equity-related compensation benefits**

Scottish and Southern Energy 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.

Under its transitional provisions, the requirements of FRS 20 have been applied to all grants of equity instruments after 7 November 2002 that had not vested as at 1 January 2005.

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 an option pricing 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 financial statements.

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.

#### **2. Transfer of business**

On 1 April 2010, the Company transferred its existing assets, liabilities, contracts and employees relating to the electrical connections business and the portfolio of electricity networks outside the Scottish and Southern Energy regulatory areas to three related parties, being Scottish Hydro-Electric Power Distribution plc, Southern Electric Power Distribution plc and Scottish Hydro Electric Transmission Limited. This followed a re-organisation within the Scottish and Southern Energy plc Group and made to conform with the regulatory reporting requirements of the industry regulator, Ofgem.

The transfer of net liabilities was made at book value for a combined consideration of £88.8m. The balances due from the related parties have been settled through the Group cash management process and consequently the payment reduced the indebtedness due from the ultimate holding company.

The transfers can be summarised as follows:

Increase in Amounts owed to Group undertakings:	£m
Scottish Hydro Electric Transmission Limited	11.6
Scottish Hydro Electric Power Distribution Limited	22.9
Southern Electric Power Distribution Limited	54.3
	<hr/>
	<b>88.8</b>

## S+S Limited

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

#### 3. Operating profit

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

	2011 £m	2010 £m
Depreciation of tangible fixed assets	-	1.9
Release of deferred income in relation to customer contributions and capital grants	-	(1.4)
Net management fee in respect of services provided by group companies	-	17.8

The Company incurred an audit fee of £0.01m in the previous year. The current year's audit fee (£0.01m) was borne by a related company.

#### 4. Staff costs and numbers

	2011 £m	2010 £m
Staff costs:		
Wages and salaries	-	2.0
Social security costs	-	0.2
Share based remuneration	-	0.1
Other pension costs	-	0.3
	-	2.6

	2011 Number	2010 Number
Numbers employed at 31 March - operational	-	48

	2010 Number	2009 Number
The monthly average number of people employed by the Company during the year	-	50

#### 5. Directors' remuneration

No Director received remuneration in respect of service to the Company (2010 - £nil).

#### 6. Net interest receivable

	2011 £m	2010 £m
Interest receivable:		
From group undertakings	-	1.1
Interest payable:		
To group undertakings	-	(0.1)
Net interest receivable	-	1.0

# S+S Limited

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

### 7. Taxation

	2011 £m	2010 £m
Current tax:		
UK corporation tax	-	5.9
Deferred tax:		
Origination and reversal of timing differences	-	0.5
Total tax on profit on ordinary activities	-	6.4

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:

	2011 £m	2010 £m
Profit before tax	-	22.8
Tax on company profit on ordinary activities at standard UK corporation tax rate of 28% (2010 - 28%)	-	6.4
Effects of:		
Capital allowances in excess of depreciation	-	(0.4)
Other timing differences	-	(0.1)
<b>Current tax charge for year</b>	-	5.9

### 8. Tangible fixed assets

	Network assets £m
<b>Cost:</b>	
At 1 April 2010	73.7
Transfers to related companies (note 2)	(73.7)
<b>At 31 March 2011</b>	-
<b>Depreciation:</b>	
At 1 April 2010	9.2
Transfers to related companies (note 2)	(9.2)
<b>At 31 March 2011</b>	-
<b>Net book value:</b>	
<b>At 31 March 2011</b>	-
At 31 March 2010	64.5

## S+S Limited

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

#### 9. Stocks

	2011 £m	2010 £m
Work in progress	-	74.1
Payments on account received / receivable	-	(74.1)
	-	-

#### 10. Debtors

	2011 £m	2010 £m
Amounts falling due within one year:		
Trade debtors	-	10.5
Amounts owed by group undertakings	-	219.8
	-	230.3
Amounts falling due after more than one year:		
Amounts owed by group undertakings	243.8	90.3
	243.8	320.6

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

	2011 £m	2010 £m
Trade creditors	-	1.0
Amounts owed to group undertakings	104.2	30.4
Corporation tax	-	4.2
Taxation and social security	-	1.3
Accruals and deferred income	-	43.2
	104.2	80.1

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

	2011 £m	2010 £m
Amounts owed to group undertakings	-	51.4
Accruals and deferred income	-	114.0
	-	165.4

## S+S Limited

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

#### 13. Share capital

	2011 £	2010 £
Authorised: 1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid: 1 ordinary share of £1	<u>1</u>	<u>1</u>

#### 14. Reserves

	Profit and loss account £m
At 31 March 2010 and 2011	<u>139.6</u>

#### 15. Pensions

The majority of the Company's employees were members of the Electricity Supply Pension Scheme or the Scottish Hydro-Electric Pension Scheme which provides defined benefits based on final pensionable pay. The Company's contributions to this scheme were set in relation to the current service period only (i.e. these are not affected by any surplus or deficit in the scheme relating to past service of its own employees and any other members of the scheme) and as such are treated as a contribution to a defined contribution scheme. New employees can opt to join a personal pension scheme which is a money purchase scheme with the Company matching the members' contributions up to a maximum of 6% of salary. The scheme is managed by Friends Provident.

The Company's share of the total contribution payable to the pension schemes during the year was £nil (2010 - £0.3m).

#### 16. 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, and 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 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.

## S+S Limited

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

#### 16. Employee share-based payments (continued)

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

Award made	31 March 2005	31 March 2007	31 March 2008
Free shares per employee	50	20	10
Date at which employee must still be employed to receive award (in addition to 31 March)	20 August 2005	30 May 2007	1 August 2008

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.

As allowed by FRS 20, only options granted since 7 November 2002, which were unvested at 1 January 2005, have been included. Details used in the calculation of these costs are as follows:

#### (i) Savings-related share option scheme

As at 31 March 2010

Award Date	Option Price (pence)	Outstanding at start of year	Granted	Exercised	Lapsed	Outstanding at end of year	Date from which exercisable	Expiry date
25 July 2003	562	52	-	-	(52)	-	1 October 2008	31 March 2009
16 July 2004	622	4,731	-	(4,306)	(425)	-	1 October 2009	31 March 2010
14 July 2005	886	11,311	-	-	-	11,311	1 October 2010	31 March 2011
11 July 2006	999	2,187	-	(2,187)	-	-	1 October 2009	31 March 2010
11 July 2006	999	2,479	-	-	-	2,479	1 October 2011	31 March 2012
10 July 2007	1,306	866	-	-	(86)	780	1 October 2010	31 March 2011
10 July 2007	1,306	5,721	-	-	(2,464)	3,257	1 October 2012	31 March 2013
17 July 2008	1,274	2,064	-	-	(767)	1,297	1 October 2011	31 March 2012
17 July 2008	1,274	8,217	-	-	(4,466)	3,751	1 October 2013	31 March 2014
30 June 2009	1,042	-	4,575	-	-	4,575	1 October 2012	31 March 2013
30 June 2009	1,042	-	7,264	-	-	7,264	1 October 2014	31 March 2015
		37,628	11,839	(6,493)	(8,260)	34,714		

As share options are exercised continuously throughout the period from 1 October to 31 March, the weighted average share price during the previous period of 1,126p was 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.

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 2005		July 2006		July 2007		July 2008		June 2009	
	3 Year	5 Year	3 Year	5 Year	3 Year	5 Year	3 Year	5 Year	3 Year	5 Year
Fair value of option	126p	137p	217p	227p	287p	313p	304p	339p	244p	269p
Expected volatility	15%	15%	19%	19%	25%	25%	28%	28%	35%	35%
Risk free rate	4.1%	4.2%	4.7%	4.7%	5.8%	5.7%	4.9%	5.0%	2.7%	2.9%
Expected dividends	4.2%	4.2%	4.8%	4.8%	5.3%	5.2%	4.1%	4.2%	4.1%	4.2%
Term of the option	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	967p	967p	1,180p	1,180p	1,460p	1,460p	1,397p	1,397p	1,139p	1,139p
Strike price	886p	886p	999p	999p	1,306p	1,306p	1,274p	1,274p	1,042p	1,042p

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

## S+S Limited

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

#### 16. Employee share-based payments (continued)

##### (ii) Share Incentive Plan

##### Matching shares

	2011		2010	
	Shares	Weighted average price (pence)	Shares	Weighted average price (pence)
Outstanding at start of year	12,410	957	9,464	895
Transferred to related companies (note 2)	(12,410)	(957)	-	-
Granted	-	-	3,508	1,137
Forfeited	-	-	(194)	895
Exercised	-	-	(368)	1,125
Outstanding at end of year	-	-	12,410	957
Exercisable at end of year	-	-	5,386	1,091

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

##### Free shares

	2011		2010	
	Shares	Weighted average price (pence)	Shares	Weighted average price (pence)
Outstanding at start of year	2,480	1,124	2,550	1,212
Transferred to related companies (note 2)	(2,480)	(1,124)	-	-
Forfeited	-	-	(20)	1,212
Exercised	-	-	(50)	1,125
Outstanding at end of year	-	-	2,480	1,214
Exercisable at end of year	-	-	1,600	965

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.

For both the Share incentive plan and free shares, the options are exercised continuously throughout the year, the weighted average share price during the previous year 1,125p was considered representative of the weighted average share price at the date of exercise.

#### 17. Capital commitments

##### Capital expenditure

	2011 £m	2010 £m
Contracted for but not provided	-	11.0

#### 18. Ultimate parent 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, Inverlorn House, 200 Dunkeld Road, Perth PH1 3AQ.