REGISTERED NO.
2742721

SSE Pipelines Limited
(formerly Southern Electric Pipelines Limited)

Accounts for the year ended 31 March 2000

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SSE Pipelines Limited
(formerly Southern Electric Pipelines Limited)

Report of the Directors

The Directors present their report together with the audited Accounts for the year ended 31 March 2000.

1. Principal Activities

The Company's principal business is to provide housing developers with the service of installing gas pipes and metering equipment, together with a connection to the Transco or another Public Gas Transporter's (PGT) network. The Company also offers gas suppliers a meter reading service within their own networks.

2. Review of Developments and Future Prospects

On 24 December 1999, the Company changed its name from Southern Electric Pipelines Limited to SSE Pipelines Limited.

3. Share Capital

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

4. Results and Dividends

The retained loss for the financial year amounted to £15,104 (1999 - £5,881 profit). The Directors do not recommend the payment of a dividend.

5. Directors

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

Robert Bird	(resigned 31 May 1999)
Paul Clark	
Colin Hood	
Ian McMillan	(appointed 17 January 2000)
Ian Marchant	(resigned 24 September 1999)

SSE Pipelines Limited
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Report of the Directors

6. Directors' Interests in Ultimate Holding Company

The interests of Ian McMillan in the shares of the Company's ultimate holding company, Scottish and Southern Energy plc, are noted in the Accounts of Scottish and Southern Energy plc.

The interests of Paul Clark and Colin Hood in the shares of Scottish and Southern Energy plc are as follows:

	31 March 2000		1 April 1999	
	No. of shares beneficially held	**No. of shares under option**	No. of shares beneficially held	No. of shares under option
Paul Clark	**1,454**	**1,875**	1,402	418
Colin Hood	**15,715**	**2,955**	10,399	418

ON BEHALF OF THE BOARD

L J V Donnelly
Company Secretary
31 May 2000

SSE Pipelines Limited
(formerly Southern Electric Pipelines Limited)

Directors' Responsibilities for Preparation of the Accounts

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

The Directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year. The Directors are required to use a going concern basis in preparing the Accounts unless this is inappropriate.

The Directors consider that, in preparing the Accounts on pages 5 to 10, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company and to enable them to ensure that the Accounts comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

SSE Pipelines Limited
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Auditor's Report to the Members of SSE Pipelines Limited

We have audited the Accounts on pages 5 to 10.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Directors' Report and as described on page 3, the Accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the Accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' Report is not consistent with the Accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination , on a test basis, of evidence relevant to the amounts and disclosures in the Accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Accounts.

Opinion

In our opinion the Accounts give a true and fair view of the state of the Company's affairs as at 31 March 2000 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Edinburgh
31 May 2000

SSE Pipelines Limited
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Profit and Loss Account
for the year ended 31 March 2000

	Note	2000 £	1999 £
Turnover		**126,357**	24,783
Distribution costs		**(63,128)**	(31,483)
Administrative expenses		**(85,000)**	-
Loss on ordinary activities before taxation	2	**(21,771)**	(7,060)
Taxation at 30% (1999 - 31%)		**6,667**	12,941
Retained (loss)/profit for the financial year	9	**(15,104)**	5,881

Other than the retained loss for the financial year, there are no other recognised gains or losses - such losses represent the movement on equity shareholders' funds.

SSE Pipelines Limited
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Balance Sheet as at 31 March 2000

	Note	2000 £	1999 £
Fixed assets	4	**1,737,127**	612,640
Current assets			
Debtors	5	**223,937**	62,626
		223,937	62,626
Creditors: amounts falling due within one year	6	**1,506,648**	548,344
Net current liabilities		**(1,282,711)**	(485,718)
Total assets less current liabilities		**454,416**	126,922
Creditors: amounts falling due after more than one year	7	**467,817**	125,219
Net (liabilities)/assets		**(13,401)**	1,703
Capital and reserves			
Called up share capital	8	**2**	2
Profit and loss account	9	**(13,403)**	1,701
Equity shareholders' funds		**(13,401)**	1,703

These Accounts were approved by the Board of Directors on 31 May 2000 and signed on their behalf by

Ian McMillan, Director

SSE Pipelines Limited
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Notes on the Accounts for the year ended 31 March 2000

1. Principal accounting policies

Basis of accounting

The Accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards. The principal accounting policies are summarised below and have been applied consistently. However, comparative amounts are restated, where necessary, to conform with current presentation.

These Accounts have been prepared on a going concern basis which assumes that the ultimate parent company, Scottish and Southern Energy plc, intends to provide such funds as are necessary for the Company to continue in existence for the foreseeable future. The Directors of the ultimate holding company have confirmed this undertaking.

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

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

Turnover

Turnover, stated exclusive of Value Added Tax, relates to gas distribution income in the UK.

Depreciation of Tangible Fixed Assets

Depreciation is provided on tangible fixed assets to write off cost on a straight line basis over their estimated operational lives. The lives of each major class of depreciable asset are as follows:

Gas distribution network	40 years

Taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation. Deferred taxation arises in respect of items where there are timing differences between their treatment for accounting and taxation purposes. Provision is made for deferred taxation using the liability method only to the extent that it is probable than an actual liability or asset will crystallise.

Customer contributions

Customer contributions and capital grants are recorded as deferred income and released to the profit and loss account over the estimated life used in calculating contributions.

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Notes on the Accounts for the year ended 31 March 2000

2. Loss on ordinary activities before taxation

This is arrived at after charging:

	2000 £	1999 £
Depreciation	**18,198**	2,731

3. Directors' remuneration

No Director received remuneration in respect of their service to the Company (1999 - nil). There were no staff employed during the year (1999 - nil).

4. Tangible fixed assets

	Gas Distribution Network £
Cost:	
At 1 April 1999	615,371
Additions in the year	1,142,685
At 31 March 2000	**1,758,056**
Depreciation:	
At 1 April 1999	2,731
Charge for year	18,198
At 31 March 2000	**20,929**
Net Book Value:	
At 31 March 2000	**1,737,127**
At 31 March 1999	612,640

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Notes on the Accounts for the year ended 31 March 2000

5. Debtors

	2000 £	1999 £
Trade debtors	**21,438**	4,921
Amount due by parent company	**2**	2
Amount due by group undertakings	**126,357**	24,783
Other debtors	**76,140**	32,920
	223,937	62,626

6. Creditors: amounts falling due within one year

	2000 £	1999 £
Amounts owed to parent company	**1,245,971**	482,002
Amounts owed to group undertakings	**-**	62,658
Accruals and deferred income	**260,677**	3,684
	1,506,648	548,344

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

	2000 £	1999 £
Accruals and deferred income	**467,817**	125,219
	467,817	125,219

8. Share capital

The authorised and called up share capital was:

	2000 £	1999 £
Authorised:		
1,000 ordinary shares of £1 each	**1,000**	1,000
Allotted and called up:		
2 ordinary shares of £1 each	**2**	2

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Notes on the Accounts for the year ended 31 March 2000

9. Profit and loss account

	£
Balance at 1 April 1999	1,701
Retained loss for the financial year	(15,104)
Balance at 31 March 2000	**(13,403)**

10. Capital Commitments

	2000 £	1999 £
Capital expenditure		
Contracted but not provided for in the accounts	**3,019,000**	1,733,000

11. Ultimate holding company

The Company's ultimate holding company is Scottish and Southern Energy plc, a company registered in Scotland. Accounts of Scottish and Southern Energy plc are available from Inveralmond House, 200 Dunkeld Road, Perth, PH1 3AQ.