REGISTERED NO.
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SSE Pipelines Limited

Accounts for the year ended 31 March 2002

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SSE Pipelines Limited

Report of the Directors

The Directors present their report together with the audited Accounts for the year ended 31 March 2002.

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. Share Capital

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

3. Results and Dividends

The retained profit for the financial year amounted to £263,814 (2001 - £72,603 profit). The Directors do not recommend the payment of a dividend.

4. Directors

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

Paul Clark
Colin Hood

5. Directors' Interests in Ultimate Holding Company

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

	31 March 2002		31 March 2001	
	No. of shares beneficially held	**No. of shares under option**	No. of shares beneficially held	No. of shares under option
Paul Clark	1,872	2,034	1,454	2,110

ON BEHALF OF THE BOARD

L J V Donnelly
Company Secretary
30 May 2002

SSE 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 3, 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 4 to 12, 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

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

We have audited the Accounts on pages 4 to 12.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Directors' Report and as described on page 2, 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 1985. 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 2002 and of the profit 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
30 May 2002

SSE Pipelines Limited

Profit and Loss Account
for the year ended 31 March 2002

	Note	2002 £	2001 restated £
Turnover		**453,408**	246,668
Distribution costs		**(81,924)**	(97,881)
Administrative expenses		**(62,257)**	(74,384)
Operating Profit	3	**309,227**	74,403
Net Interest Payable	5	**(20,822)**	-
Profit on ordinary activities before taxation		**288,405**	74,403
Taxation at 30% (2001 - 30%)	6	**(24,591)**	(1,800)
Retained profit for the financial year	13	**263,814**	72,603

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

SSE Pipelines Limited

Balance Sheet as at 31 March 2002

	Note	2002 £	2001 restated £
Fixed assets	7	**5,631,445**	3,824,460
Current assets			
Debtors	8	**242,842**	174,649
Creditors: amounts falling due within one year	9	**(4,704,787)**	(3,074,994)
Net current liabilities		**(4,461,945)**	(2,900,345)
Total assets less current liabilities		**1,169,500**	924,115
Creditors: amounts falling due after more than one year	10	**(839,851)**	(839,851)
Provisions for liabilities and charges			
Deferred tax	11	**(21,550)**	(39,979)
Net assets		**308,099**	44,285
Capital and reserves			
Called up share capital	12	**2**	2
Profit and loss account	13	**308,097**	44,283
Equity shareholders' funds		**308,099**	44,285

These Accounts were approved by the Board of Directors on 30 May 2002 and signed on their behalf by



Colin Hood, Director

SSE Pipelines Limited

Notes on the Accounts
for the year ended 31 March 2002

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

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.

SSE Pipelines Limited

Notes on the Accounts
for the year ended 31 March 2002

1. Principal accounting policies (continued)

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.

Deferred tax is measured on a discounting basis to reflect the time value of money over the period between the balance sheet date and the dates on which it is expected that the underlying timing differences will reverse. The discount rates used reflect the post-tax yields to maturity that can be obtained on government bonds.

2. Prior year adjustment

FRS 19 – Deferred Tax, including the option to discount, has been applied. The effect of this change on the Company's profit and loss account and balance sheet is as follows with comparative figures restated as required:

Profit attributable to shareholders	**31 March 2002 £**	**31 March 2001 £**
Impact of FRS 19		
Decreased/(increased) tax charge	**18,429**	(25,062)
Total net profit increase/(decrease)	**18,429**	(25,062)
As previously reported		97,665
As restated		72,603

Net assets as at 31 March 2001	**As at 31 March 2001 £**
Impact of FRS 19	
Increase in provision for deferred tax	(39,979)
Decrease in net assets	**(39,979)**
As previously reported	84,264
As restated	**44,285**

SSE Pipelines Limited

Notes on the Accounts
for the year ended 31 March 2002

3. Operating profit is arrived at after charging:

	2002 £	2001 £
Depreciation	**76,235**	43,840

4. Directors' remuneration

No Director received remuneration in respect of their service to the Company (2001 - nil). There were no staff employed during the year (2001 - nil).

5. Net Interest Payable

	2002 £	2001 £
Interest receivable	**(1,824)**	-
Interest payable	**22,646**	-
Net Interest payable	**20,822**	-

SSE Pipelines Limited

Notes on the Accounts
for the year ended 31 March 2002

6. Taxation

	2002 £	2001 £ restated
Current tax:		
United Kingdom corporation tax at 30%	**43,020**	(23,262)
Adjustments in respect of previous years	**-**	-
Total Current Tax	**43,020**	(23,262)
Deferred tax:		
Origination and reversal of timing differences	**43,502**	45,583
Decrease in discount	**(61,931)**	(20,521)
Total Deferred Tax	**(18,429)**	25,062
Total tax on profit on ordinary activities	**24,591**	1,800

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:

	2002 £000	2001 £000
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2001 - 30%)	**86,522**	22,321
Effects of:		
Capital allowances in excess of depreciation	**(43,502)**	(45,583)
Other timing differences	**-**	-
Utilisation of tax losses	**-**	-
Current tax charge for period	**43,020**	(23,262)

SSE Pipelines Limited

Notes on the Accounts
for the year ended 31 March 2002

7. Tangible fixed assets

	Gas Distribution Network £
Cost:	
At 1 April 2001	3,889,229
Additions in the year	1,883,220
At 31 March 2002	**5,772,449**
Depreciation:	
At 1 April 2001	64,769
Charge for year	76,235
At 31 March 2002	**141,004**
Net Book Value:	
At 31 March 2002	**5,631,445**
At 31 March 2001	3,824,460

8. Debtors

	2002 £	2001 £
Trade debtors	**107,793**	-
Amount due by parent company	-	23,264
Amount due by group undertakings	-	26,322
Other debtors	**135,049**	125,063
	242,842	174,649

9. Creditors: amounts falling due within one year

	2002 £	2001 £
Amounts owed to parent company	**3,106,344**	2,829,697
Amounts owed to group undertakings	**912,186**	-
Accruals and deferred income	**643,237**	245,297
Corporation tax	**43,020**	-
	4,704,787	3,074,994

SSE Pipelines Limited

Notes on the Accounts
for the year ended 31 March 2002

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

	2002 £	2001 £
Accruals and deferred income	**839,851**	839,851

11. Deferred taxation

A provision for deferred taxation is recognised in accordance with FRS 19 at 31 March 2002. Deferred taxation is provided as follows:

	at 31 March 2002 £	at 31 March 2001 £
Accelerated capital allowances	**269,096**	225,594
Undiscounted provision for deferred tax	**269,096**	225,594
Discount	**(247,546)**	(185,615)
Discounted provision for deferred tax	**21,550**	39,979

Provision at start of period	**39,979**	14,917
Prior year adjustment	**-**	-
Provision at start of period (as restated)	**39,979**	14,917
Transferred (to)/from profit and loss account	**(18,429)**	25,062
Discounted provision for deferred tax	**21,550**	39,979

SSE Pipelines Limited

Notes on the Accounts for the year ended 31 March 2002

12. Share capital

The authorised and called up share capital was:

	2002 £	2001 £
Authorised:		
1,000 ordinary shares of £1 each	**1,000**	1,000
Allotted and called up:		
2 ordinary shares of £1 each	**2**	2

13. Profit and loss account

	£
Balance at 1 April 2001	84,262
Prior year adjsutment FRS 19 (note 2)	(39,979)
Balance at 1 April 2001 (restated)	44,283
Retained profit for the financial year	263,814
Balance at 31 March 2002	308,097

14. Capital Commitments

	2002 £	2001 £
Capital expenditure		
Contracted but not provided for in the accounts	**18,540**	2,259,050

15. 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.