REGISTERED NO.
2742721

SSE Pipelines Limited

Financial statements for the year ended 31 March 2012

CONTENTS

	Page No.
Report of the Directors	1 - 2
Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial statements	3
Independent Auditor's Report to the Members	4
Profit and Loss Account	5
Balance Sheet	6
Reconciliation of Movements in Shareholders' Funds	7
Notes on the Financial statements	8 - 13

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SSE Pipelines Limited

Report of the Directors

The Directors present their report together with the audited financial statements for the year ended 31 March 2012

1. Principal Activities

The Company is a wholly owned subsidiary of SSE plc and part of the SSE Group (the 'Group')

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 Scotia Gas Networks (SGN) or other Public Gas Transporters (PGT) network

2. Business Review

The Company is a licensed gas transporter, installing, owning and operating gas mains and services on new housing and commercial developments throughout the UK The total number of new premises connected to its gas networks has continued to grow, and during 2011/12 it connected a further 13,853 premises, taking the total number of connections to over 92,000 Contracts have been signed for a further 60,000 connections to be completed

The Group is already experienced in designing, installing and operating multi-utility infrastructures This is done via SSE Utility Solutions The Company operates in conjunction with SSE Utility Solutions and the Group's existing electricity and water services to provide a more comprehensive multi-utility solution to customers in the property development and house-building sectors

Operating profit in the year increased by 30% to £2,738,000 from £2,100,000

Management monitor the key business performance through indicators of the number of connections and contract profitability Exacting standards of performance are set to ensure the quality of connections work is maintained The principal risks and uncertainties concern securing future contract work from developers and new gas connection contracts and maintaining the quality of service delivery

3. Results and Dividends

The profit for the financial year amounted to £1,403,000 (2011 - £1,470,000) The Directors do not recommend the payment of a dividend (2011 - £nil)

4. Directors

The Directors who served during the year were as follows

Kevin Bennett
Nathan Sanders
Mark Mathieson

5. Political and Charitable Donations

During the year, no charitable or political donations were made

SSE Pipelines Limited

Report of the Directors (continued)

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 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 37 days at 31 March 2012

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

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

L. Manderson

Lilian Manderson
Company Secretary
23 July 2012

Company Registered Number 2742721

SSE Pipelines Limited

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

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

SSE Pipelines Limited

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

We have audited the financial statements of SSE Pipelines Limited for the year ended 31 March 2012 set out on pages 5 to 13 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 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and 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.

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 2012 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

31 July 2012

SSE Pipelines Limited

Profit and Loss Account
for the year ended 31 March 2012

	Note	2012 £000	2011 £000
Turnover		**5,449**	4,434
Distribution costs		**(2,308)**	(1,952)
Administrative expenses		**(403)**	(382)
Operating Profit	2	**2,738**	2,100
Net interest payable	5	**(1,065)**	(237)
Profit on ordinary activities before taxation		**1,673**	1,863
Tax on profit on ordinary activities	6	**(270)**	(393)
Profit for the financial year	13	**1,403**	1,470

The above results are derived from continuing operations

The company has no other recognised gains or losses other than the profit for the year

The accompanying notes form part of these financial statements

SSE Pipelines Limited

Balance Sheet as at 31 March 2012

	Note	2012 £000	2011 £000
Fixed assets	7	**48,752**	41,147
Current assets			
Debtors	8	**562**	627
Creditors: amounts falling due within one year	9	**(22,988)**	(19,043)
Net current liabilities		**(22,426)**	(18,416)
Total assets less current liabilities		**26,326**	22,731
Creditors: amounts falling due after more than one year	10	**(17,445)**	(15,587)
Provisions for liabilities and charges			
Deferred tax	11	**(1,833)**	(1,499)
Net assets		**7,048**	5,645
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account	13	**7,048**	5,645
Shareholders' funds		**7,048**	5,645

These financial statements were approved by the Directors on 23 July 2012 and signed on their behalf by

Mark Mathieson, Director

Company Registered Number 2742721

SSE Pipelines Limited

Reconciliation of Movements in Shareholders' Funds
For the year ended 31 March 2012

	2012 £000	2011 £000
Profit for the financial year	**1,403**	1,470
Net addition to shareholders' funds	**1,403**	1,470
Opening shareholders' funds	**5,645**	4,175
Closing shareholders' funds	**7,048**	5,645

SSE Pipelines Limited

Notes on the Financial statements for the year ended 31 March 2012

1. Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards The principal accounting policies are summarised below and have been applied consistently

The Company's balance sheet at 31 March 2012 shows a net current liability position of £22,426,000 (2011 - £18,416,000) 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

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 SSE 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 SSE Group

Turnover

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

Tangible Fixed Assets
(i) Depreciation
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

(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

Customer contributions

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

SSE Pipelines Limited

Notes on the Financial statements
for the year ended 31 March 2012

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

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

	2012	2011
	£000	£000
Depreciation	**1,138**	958
Release of deferred income in relation to customer contributions and capital grants	**(435)**	(379)

The Company incurred an audit fee of £900 in the year (2011 – £860)

3. Staff costs and numbers

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

4. Directors' remuneration

No Director received remuneration in respect of their service to the Company (2011 - £nil)

5. Net interest (payable)/receivable

	2012	2011
	£000	£000
Interest receivable from group undertakings	**-**	2
Interest payable to group undertakings	**(1,065)**	(239)
Net interest payable	**(1,065)**	(237)

SSE Pipelines Limited

Notes on the Financial statements
for the year ended 31 March 2012

6. Taxation

	2012 £000	2011 £000
Current tax		
United Kingdom corporation tax	(55)	82
Adjustments in respect of previous years	(9)	(70)
	(64)	12
Deferred tax		
Origination and reversal of timing differences	489	442
Effect of change in tax rate	(153)	(115)
Adjustments in respect of previous years	(2)	54
Total Deferred Tax	334	381
Total tax on profit on ordinary activities	270	393

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

	2012 £000	2011 £000
Profit before tax	1,673	1,863
Tax on profit on ordinary activities at standard UK corporation tax rate of 26% (2011 - 28%)	435	521
Effects of		
Capital allowances in excess of depreciation	(489)	(442)
Expenses not deductible for tax purposes	(1)	3
Adjustment in respect of previous years	(9)	(70)
Current tax charge for year	(64)	12

The 2012 Budget on 21 March 2012 announced that the UK corporation tax will reduce to 22% by 2014 A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 3 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively This will reduce the Company's future tax charge accordingly, and further reduce the deferred tax liability at 31 March 2012 (which has been calculated based on the 24% substantively enacted at the balance sheet date) by £153,000 It has not yet been possible to quantify the full anticipated effect of the announced further 1% rate reduction, although this will further reduce the Company's future tax charge and reduce the Company's deferred tax liability accordingly

SSE Pipelines Limited

Notes on the Financial statements
for the year ended 31 March 2012

7. Tangible fixed assets

	Gas Distribution Network £000
Cost	
At 1 April 2011	46,429
Additions in the year	8,743
At 31 March 2012	**55,172**
Depreciation	
At 1 April 2011	5,282
Charge for year	1,138
At 31 March 2012	**6,420**
Net Book Value	
At 31 March 2012	**48,752**
At 31 March 2011	41,147

8. Debtors

	2012 £000	2011 £000
Trade debtors	133	224
Amounts due by group undertakings	23	23
Group relief receivable	32	-
Prepayments and accrued income	374	380
	562	627

9. Creditors: amounts falling due within one year

	2012 £000	2011 £000
Trade creditors	95	-
Amounts owed to group undertakings	22,107	18,365
Accruals and deferred income	708	570
Corporation tax	-	70
Other creditors	78	38
	22,988	19,043

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

	2012 £000	2011 £000
Accruals and deferred income	17,445	15,587

Notes on the Financial statements for the year ended 31 March 2012

11. Deferred taxation

Deferred taxation is provided as follows

	2012 £000	2011 £000
Accelerated capital allowances	1,833	1,499

	31 March 2012 £000
Provision at start of the year	1,499
Transferred from profit and loss account	334
Provision at end of year	**1,833**

12. Share capital

	Number	£
Authorised		
At 1 April 2011 and 31 March 2012	1,000	1,000
Allotted and called up		
At 1 April 2011 and 31 March 2012	2	2

13. Profit and loss account

	£000
Balance at 1 April 2011	5,645
Profit for the financial year	1,403
Balance at 31 March 2012	**7,048**

14. Commitments and contingencies

Capital expenditure

	2012 £000	2011 £000
Contracted for but not provided	1,460	790

15. Ultimate holding 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 Corporate Communications, Inveralmond House, 200 Dunkeld Road, Perth PH1 3AQ