

REGISTERED NO.
3757502

SSE Energy Supply Limited

Accounts for the year ended 31 March 2001

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SSE Energy Supply Limited

Report of the Directors

The Directors present their report together with the audited Accounts for the year ended 31 March 2001.

1. Principal Activities

The Company's principal activities during the year were the distribution and supply of electricity to industrial, commercial and domestic customers.

2. Business Review

The company was incorporated as a shelf company on 22 April 1999 under the name of Aprilbridge Limited. On 26 May 1999, British Energy plc acquired the company's shares and changed its name to British Energy Retail Markets Limited. On 7 August 2000, Scottish and Southern Energy plc acquired the Company and changed its name on 25 August 2000 to SSE Energy Supply Limited.

3. Share Capital

The Company's authorised share capital is £100 divided into 100 shares of £1 each.

4. Results and Dividends

The retained profit for the financial year amounted to £458,000 (2000:£257,000 loss) after payment of a dividend of £7,500,000 (2000: nil).

5. Directors

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

Michael Langley	(resigned 7 August 2000)
Michael Kirwan	(resigned 7 August 2000)
Peter Hollins	(resigned 7 August 2000)
Robert Armour	(resigned 7 August 2000)
Michael Mackey	(resigned 7 August 2000)
James Hart	(appointed 7 August 2000), (resigned 31 March 2001)
L J Vincent Donnelly	(appointed 7 August 2000)
Ian D Marchant	(appointed 7 August 2000)
P M Alistair Phillips Davies	(appointed 7 August 2000)

6. Directors' Interests in Ultimate Holding Company

The interests of Jim Hart and Ian Marchant 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.

SSE Energy Supply Limited

Report of the Directors (continued)

The interests of Alistair Phillips Davies and Vincent Donnelly and in Scottish and Southern Energy plc are as follows:

	31 March 2001		31 March 2000	
	No of shares beneficially held	No of shares under option	No of shares beneficially held	No of shares under option
A Phillips-Davies	52	8,391	2,081	3,171
V Donnelly	10,929	39,481	12,429	37,284

ON BEHALF OF THE BOARD



L J V Donnelly
Company Secretary
28 January 2002

SSE Energy Supply 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 14 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 Energy Supply Limited**Auditors' Report to the Members
of SSE Energy Supply Limited**

We have audited the Accounts on pages 5 to 14.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing 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 or the Listing Rules regarding Directors' remuneration and transactions with the Company is not disclosed.

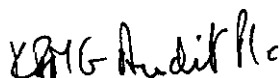
Basis of Audit Opinion

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 presentation of information in the Accounts.

Opinion

In our opinion the Accounts give a true and fair view of the state of affairs of the Company as at 31 March 2001 and of the profit of the Company 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
28 January 2002

SSE Energy Supply Limited
**Profit and Loss Account
for the year ended 31 March 2001**

	Note	2001 £000	6 weeks to 31 March 2000 £000
Turnover		429,456	55,653
Cost of sales		364,909	52,285
Gross profit		<u>64,547</u>	<u>3,368</u>
Administrative costs		52,525	4,012
Operating Profit/(loss)	2	<u>12,022</u>	<u>(644)</u>
Gains on disposal of fixed asset investment		-	-
Income from fixed asset investments		-	-
Net interest receivable	5	135	286
Profit/(loss) on ordinary activities before taxation		<u>12,157</u>	<u>(358)</u>
Tax on profit on ordinary activities	6	(4,199)	101
Profit/(loss) on ordinary activities after taxation		<u>7,958</u>	<u>(257)</u>
Dividends		(7,500)	-
Retained Profit/(loss) for the financial year		<u>458</u>	<u>(257)</u>

The above results are derived from continuing activities and there were no acquisitions during the year.

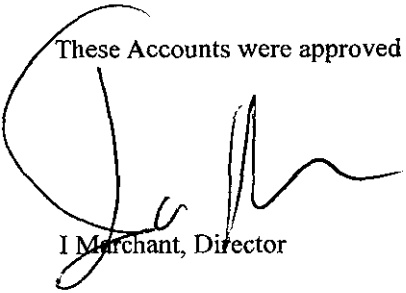
Other than the retained profit for the financial year, there were no other recognised gains or losses.

SSE Energy Supply Limited

Balance Sheet as at 31 March 2001

	Note	2001 £000	31 March 2000 £000
Fixed Assets			
Tangible assets	7	7,154	7,660
Intangible assets	8	-	169,771
Investments		-	1,025
		<u>7,154</u>	<u>178,456</u>
Current assets			
Debtors	9	60,073	117,700
Cash at bank and in hand		1,425	10,897
		<u>61,498</u>	<u>128,597</u>
Creditors: amounts falling due within one year	10	(68,451)	(155,358)
Net current liabilities		<u>(6,953)</u>	<u>(26,761)</u>
Total assets less current liabilities		201	151,695
Provisions for liabilities and charges	12	-	(151,952)
Net assets		<u>201</u>	<u>(257)</u>
Capital and reserves - including non-equity			
Called up share capital	13	-	-
Profit and loss account	14	201	(257)
Total shareholders' funds		<u>201</u>	<u>(257)</u>

These Accounts were approved by the Board of Directors on 28 January 2002 and signed on their behalf by



I Marchant, Director

SSE Energy Supply Limited
**Statement of Total Recognised Gains and Losses
for the year ended 31 March 2001**

	2001 £000	6 weeks to 31 March 2000 £000
Profit/(loss) for the financial year	7,958	(257)
Total recognised gains and losses relating to the financial year	7,958	(257)

**Reconciliation of Movement in Shareholders' Funds
as at 31 March 2001**

	2001 £000	6 weeks to 31 March 2000 £000
Profit/(loss) for the financial year	7,958	(257)
Dividends including non-equity	(7,500)	-
Retained profit for the year	458	(257)
Net addition/(reduction in) shareholders' funds	458	(257)
Opening shareholders' funds	(257)	-
Closing shareholders' funds	201	(257)

SSE Energy Supply Limited

Notes on the Accounts for the year ended 31 March 2001

1. Principal accounting policies

Basis of accounting

The Accounts have been prepared under the historical cost convention and comply with all applicable United Kingdom 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.

The Company is exempt by virtue of S228 of the Companies Act 1985 from the requirement to prepare Group Accounts. These financial statements present information about the Company as an individual undertaking and not about its Group.

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 comprises sales of electricity, including fees under sales contracts for differences stated net of difference payments and the value of goods, services and facilities provided during the year. Turnover includes an estimate of the value of electricity to customers between the date of the last meter reading and the year end.

Recognition of profits on contracts

Profit is taken on long-term contracts whilst the contract is in progress having regard to the proportion of the total contract which has been completed at the balance sheet date. Provision is made for all foreseeable losses.

Research and development

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

Pensions

Contributions to the Company's pension schemes are charged to the profit and loss account in order to spread the cost of pensions over employees' working lives with the Company. The contributions are determined by a qualified actuary on the basis of triennial valuations. The capital cost of ex-gratia and supplementary pensions is charged to the profit and loss account in the accounting period in which they are granted.

Derivatives and financial instruments

The Company uses a range of derivative financial instruments to reduce its exposure to interest rate and electricity pool price movements. The Company does not hold derivative financial instruments for speculative purposes.

SSE Energy Supply Limited

Notes on the Accounts for the year ended 31 March 2001

1. Principal accounting policies (continued)

Derivatives and financial instruments (continued)

Interest rate swap agreements, used to manage the Company's interest charge, are carried at cost. Interest receipts and payments are accrued to match the net income or cost with the related finance expense. No amounts are recognised in respect of future periods. Gains and losses on early termination of interest rate swaps or repayment of borrowings are taken to the profit and loss account.

For purchase contracts for difference and electricity futures agreements, the difference payments and receipts are recognised in electricity purchase costs over the financial year. Difference payments with regard to sales contracts for difference are included in turnover.

Depreciation of tangible fixed assets

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
Computer software	7 years

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.

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 that an actual liability or asset will crystallise.

Customer contributions and capital grants

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 Energy Supply Limited

Notes on the Accounts for the year ended 31 March 2001

2. Operating profit

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

	2001 £000	2000 £000
Depreciation of tangible fixed assets	693	180
Amortisation of goodwill	3,145	1,065
Amortisation of Power Purchase Agreement Provision	(3,775)	(2,058)
Revalorisation of Power Purchase Agreement Provision	-	781
Commissions received	-	266
Professional fees	1,155	167
Auditors' remuneration - audit fees	-	10
- other fees	-	-

3. Staff costs and numbers

	2001 £000	2000 £000
Staff costs:		
Wages and salaries	5,394	348
Social security costs	445	41
Other pension costs	197	22
	<u>6,036</u>	<u>411</u>

2001 Number	2000 Number
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The monthly average number of people employed by the Company during the year
(including directors)

<u>266</u>	<u>155</u>
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4. Directors' remuneration and interests

No Director received remuneration in respect of their service to the Company (2000 - nil).

SSE Energy Supply Limited

Notes on the Accounts for the year ended 31 March 2001

5. Net interest receivable

	2001 £000	2000 £000
Interest receivable:		
Interest from short-term deposits	109	-
Other interest receivable	118	298
	<u>227</u>	<u>298</u>
Interest payable and similar charges:		
Bank loans and overdrafts		
Other loans		
Other financing charges	(92)	(12)
	<u>(92)</u>	<u>(12)</u>
Net interest receivable	<u>135</u>	<u>286</u>

6. Taxation

	2001 £000	2000 £000
United Kingdom corporation tax		
Current year:		
Corporation Tax @ 30 %	5,653	-
Group relief receivable	-	(118)
Deferred taxation	(1,454)	17
	<u>4,199</u>	<u>(101)</u>

7. Tangible fixed assets

	Computer Software £000
Cost:	
At 1 April 2000	7,840
Additions	187
At 31 March 2001	<u>8,027</u>
Depreciation:	
At 1 April 2000	180
Charge for the year	693
At 31 March 2001	<u>873</u>
Net book value:	
At 31 March 2001	<u>7,154</u>
At 31 March 2000	<u>7,660</u>

SSE Energy Supply Limited

Notes on the Accounts for the year ended 31 March 2001

8. Intangible fixed assets

	£000
Cost:	
At 1 April 2000	170,836
Transfer	(170,836)
At 31 March 2001	-
Depreciation:	
At 1 April 2000	1,065
Charge for the year	3,145
Transfer	(4,210)
At 31 March 2001	-
Net book value:	
At 31 March 2001	-
At 31 March 2000	169,771

9. Debtors

	2001 £000	2000 £000
Amounts falling due within one year:		
Trade debtors	36,874	37,395
Amounts owed by subsidiary undertakings	-	10,186
Other debtors	5,091	6,695
Deferred tax	1,437	45,952
Prepayments and accrued income	16,671	17,472
	<u>60,073</u>	<u>117,700</u>

10. Creditors: amounts falling due within one year

	2001 £000	2000 £000
Trade creditors	56,843	58,383
Amounts owed to subsidiary undertakings	1,873	93,402
Other creditors	868	-
Payments received on account	3,337	3,573
Corporation tax	5,530	-
	<u>68,451</u>	<u>155,358</u>

SSE Energy Supply Limited

Notes on the Accounts for the year ended 31 March 2001

11. Deferred taxation

Deferred Taxation

Tax effect of timing differences:

Excess of tax allowances over depreciation

Other timing differences

Amount provided		Amount unprovided	
2001	2000	2001	2000
£000	£000	£000	£000
393	17	-	-
(1,830)	-	-	-
(1,437)	17	-	-

12. Provisions for liabilities and charges

Power Purchase Agreement £000

At 1 April 2000

Amortisation

Transfer

At 31 March 2001

151,952

(3,775)

(148,177)

-

13. Share capital

2001	2000
£	£

Authorised:

100 ordinary shares of £1 each

100

100

Allotted, called up and fully paid:

1 ordinary share of £1

1

1

SSE Energy Supply Limited

Notes on the Accounts for the year ended 31 March 2001

14. Reserves

	Profit and loss account £000
At 1 April 2000	(257)
Retained profit for the year	458
At 31 March 2001	<u>201</u>

15. Capital commitments

Capital expenditure contracted for but not provided for at 31 March 2001 amounted to Nil. (2000:£4,694,000)

16. Ultimate parent company

The Company is a subsidiary of Scottish and Southern Energy plc, a company registered in Scotland, whose consolidated accounts (which include those of the Company) are available from Corporate Communications, Inveralmond House, 200 Dunkeld Road, Perth PH1 3AQ.

17. Regulatory accounts

The Company publishes Regulatory Accounts for Southern Electric. Copies are available on application to Corporate Communications, Inveralmond House, 200 Dunkeld Road, Perth PH1 3AQ.