

**E.S. Pipelines Limited**

**Directors' report and financial  
statements**

**Registered number 3822878**

**31 March 2001**



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended to 31 March 2001.

### Principal activities

The company is engaged in the business of public gas transport.

### Dividend and transfer to reserves

The directors do not recommend the payment of a dividend (2000: *£nil*). The loss for the year retained in the company is £234,614 (2000: *loss £111,587*).

### Directors and directors' interests

The directors who held office during the year were as follows:

|                        |  |
|------------------------|--|
| Croft Nominees Limited | (appointed 10 August 1999, resigned 19 April 2000) |
| MR Hilson              | (appointed 19 April 2000)                          |
| NJ Fisher              | (appointed 19 April 2000)                          |
| APM Creedon            | (appointed 19 April 2000, resigned 4 May 2001)     |
| PB Holder              | (appointed 19 April 2000)                          |
| RW Wallace             | (appointed 14 August 2000)                         |

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the company:

|                        | Interest<br>at end of<br>year | Interest at<br>start of<br>year or date<br>of appointment |
|------------------------|-------------------------------|---|
| Croft Nominees Limited | -                             | 1   |

Croft Nominees Limited held their ordinary share in trust for Surrey Downs Holdings Limited.

None of the directors who held office during the financial year had any disclosable interest in the shares of the company. The interests of the directors of the shares of East Surrey Holdings plc are shown in the financial statements of that company.

### Political and charitable contributions

The company made no political or charitable contributions during the year.

## Directors' report *(continued)*

### Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



PB Holder      6.7.01  
Director

London Road  
Redhill  
Surrey

## Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for the year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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 financial statements comply with the Companies Act 1985. 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.



KPMG Audit Plc

8 Salisbury Square

London

EC4V 8BB

## Report of the auditors to the members of E.S. Pipelines Limited

We have audited the financial statements on pages 5 to 11.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements 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 financial statements 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 financial statements, 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

*26 July 2001*

**Profit and loss account**  
*for the year ended 31 March 2001*

|  | <i>Note</i> | <b>2001</b><br>£ | <b>2000</b><br>£ |
|--|-------------|------------------|------------------|
| Administrative expenses  |             | (236,498)        | (111,587)        |
| Operating Loss   |             | (236,498)        | (111,587)        |
| Other interest receivable and similar income   |             | 1,874            | -                |
| Loss on ordinary activities before taxation  |             | (234,624)        | (111,587)        |
| Tax on loss on ordinary activities   | 4           | -                | -                |
| <b>Loss on ordinary activities after taxation and retained loss for the financial year</b> |             | <b>(234,624)</b> | <b>(111,587)</b> |
| Retained loss brought forward  |             | (111,587)        | -                |
| <b>Retained loss carried forward</b>   |             | <b>(346 211)</b> | <b>(111,587)</b> |

**Balance sheet**  
*at 31 March 2001*

|   | <i>Note</i> | 2001<br>£ | 2000<br>£ |
|---|-------------|-----------|-----------|
| <b>Fixed assets</b>                                   | 6           | 181,350   | -         |
| <b>Current assets</b>                                 |             |           |           |
| Debtors   | 7           | 35,698    | 16,725    |
| Cash at bank and in hand                              |             | 130,414   | 1         |
|   |             | <hr/>     | <hr/>     |
|   |             | 166,112   | 16,726    |
| <b>Creditors: amounts falling due within one year</b> | 8           | (334,301) | (128,312) |
|   |             | <hr/>     | <hr/>     |
| <b>Net current liabilities</b>                        |             | (168,189) | (111,586) |
| <b>Creditors: amounts falling due after one year</b>  | 9           | (9,372)   | -         |
|   |             | <hr/>     | <hr/>     |
| <b>Net assets/ (liabilities)</b>                      |             | 3,789     | (111,586) |
|   |             | <hr/>     | <hr/>     |
| <b>Capital and reserves</b>                           |             |           |           |
| Called up share capital                               | 10          | 350,000   | 1         |
| Profit and loss account                               |             | (346,211) | (111,587) |
|   |             | <hr/>     | <hr/>     |
| <b>Shareholders' funds</b>                            | 11          | 3,789     | (111,586) |
|   |             | <hr/>     | <hr/>     |

These financial statements were approved by the board of directors on **6-7-01** and were signed on its behalf by:



**PB Holder**  
*Director*



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

The holding company has undertaken to provide sufficient funds for the company to meet its external liabilities. Accordingly the financial statements have been 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 a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary the company's voting rights are controlled within the group headed by East Surrey Holdings plc, the company 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 group (or investees of the group qualifying as related parties). The consolidated financial statements of East Surrey Holdings plc, within which this company is included, can be obtained from the address given in note 13.

#### *Fixed assets and depreciation*

Freehold land is not depreciated. Depreciation is calculated so as to write off the cost of other fixed assets to their estimated residual value by equal instalments over their estimated useful lives as follows:

|                                       |            |
|---------------------------------------|------------|
| Fixtures, fittings, tools & equipment | - 4 years  |
| Plant and machinery                   | - 50 years |
| Motor vehicles                        | - 4 years  |

#### *Third party contributions*

Third party contributions received relate specifically to capital expenditure on the pipelines and are treated as deferred income which is then credited to the profit and loss account over the related assets' useful life.

#### *Pension scheme*

Some employees are members of the Water Companies Associated Pension Scheme which is a group pension scheme. The details of this scheme and the particulars of the actuarial valuation are disclosed in the accounts of the company's ultimate parent company.

## Notes (continued)

### 2 Loss on ordinary activities before taxation

|  | 2001<br>£    | 2000<br>£  |
|--|--------------|------------|
| <i>Loss on ordinary activities before taxation is stated after charging:</i> |              |            |
| Auditors' remuneration – audit   | 1,100        | 500        |
|  | <u>1,100</u> | <u>500</u> |
| <i>After crediting:</i>  |              |            |
| Third party contributions release  | 15           | -          |
|  | <u>15</u>    | <u>-</u>   |

### 3 Remuneration of directors

|                               | 2001<br>£     | 2000<br>£     |
|-------------------------------|---------------|---------------|
| <i>Directors' emoluments:</i> |               |               |
| As directors                  | 72,305        | 14,000        |
|                               | <u>72,305</u> | <u>14,000</u> |

There were two paid directors during the year (2000: one).

### 4 Staff numbers and costs

The average number of persons employed by the company (including two directors) during the year was as follows:

|                | 2001<br>£ | 2000<br>£ |
|----------------|-----------|-----------|
| Administration | 4         | -         |
|                | <u>4</u>  | <u>-</u>  |

The aggregate payroll costs of these persons were as follows:

|                       | 2001<br>£      | 2000<br>£ |
|-----------------------|----------------|-----------|
| Wages and salaries    | 111,391        | -         |
| Social security costs | 10,292         | -         |
| Pensions costs        | 9,828          | -         |
|                       | <u>131,511</u> | <u>-</u>  |

### 5 Taxation

Tax losses of approximately £235,000 were available at 31 March 2001 (2000: £nil) for relief within other group companies. These are subject to agreement by the Inland Revenue.

## Notes (continued)

### 6 Fixed assets

|                       | Plant and<br>machinery<br>£ | Motor<br>Vehicles<br>£ | Fixtures,<br>fittings, tools<br>& equipment<br>£ | Total<br>£ |
|-----------------------|-----------------------------|------------------------|--|------------|
| <b>Cost</b>           |                             |                        |  |            |
| At 1 April 2000       | -                           | -                      | -  | -          |
| Additions             | 158,972                     | 19,000                 | 8,358  | 186,330    |
|                       | <hr/>                       | <hr/>                  | <hr/>  | <hr/>      |
| At 31 March 2001      | 158,972                     | 19,000                 | 8,358  | 186,330    |
|                       | <hr/>                       | <hr/>                  | <hr/>  | <hr/>      |
| <b>Depreciation</b>   |                             |                        |  |            |
| At 1 April 2000       | -                           | -                      | -  | -          |
| Charge for year       | 256                         | 3,563                  | 1,161  | 4,980      |
|                       | <hr/>                       | <hr/>                  | <hr/>  | <hr/>      |
| At 31 March 2001      | 256                         | 3,563                  | 1,161  | 4,980      |
|                       | <hr/>                       | <hr/>                  | <hr/>  | <hr/>      |
| <b>Net book value</b> |                             |                        |  |            |
| At 31 March 2001      | 158,716                     | 15,437                 | 7,197  | 181,350    |
|                       | <hr/>                       | <hr/>                  | <hr/>  | <hr/>      |
| At 31 March 2000      | -                           | -                      | -  | -          |
|                       | <hr/>                       | <hr/>                  | <hr/>  | <hr/>      |

### 7 Debtors

|                                | 2001<br>£ | 2000<br>£ |
|--------------------------------|-----------|-----------|
| Other debtors                  | 32,846    | 16,725    |
| Prepayments and accrued income | 2,852     | -         |
|                                | <hr/>     | <hr/>     |
|                                | 35,698    | 16,725    |
|                                | <hr/>     | <hr/>     |

## Notes (continued)

### 8 Creditors: amounts falling due within one year

|                                    | 2001<br>£      | 2000<br>£      |
|------------------------------------|----------------|----------------|
| Trade creditors                    | 128,359        | -              |
| Amounts owed to group undertakings | 194,112        | 89,516         |
| Accruals and deferred income       | 11,830         | 38,796         |
|                                    | <u>334,301</u> | <u>128,312</u> |

### 9 Creditors: amounts falling due after more than one year

|                 | 2001<br>£    | 2000<br>£ |
|-----------------|--------------|-----------|
| Deferred income | 9,372        | -         |
|                 | <u>9,372</u> | <u>-</u>  |

### 10 Called up share capital

|   | 2001<br>£         | 2000<br>£  |
|---|-------------------|------------|
| <i>Authorised</i>                         |                   |            |
| Ordinary shares of £1 each                | 1,000,000         | 100        |
| Cumulative redeemable preference shares   | 10,000,000        | -          |
|   | <u>11,000,000</u> | <u>100</u> |
| <i>Allotted, called up and fully paid</i> |                   |            |
| Ordinary shares of £1 each                | 350,000           | 1          |
|   | <u>350,000</u>    | <u>1</u>   |

The company issued 349,999 ordinary shares of £1 each during the year at par.

### 11 Reconciliation of movements in shareholders' funds

|   | 2001<br>£      | 2000<br>£        |
|---|----------------|------------------|
| Loss for the financial year                       | (234,624)      | (111,587)        |
| New share capital subscribed (net of issue costs) | 349,999        | 1                |
|   | <u>115,375</u> | <u>(111,586)</u> |
| Net addition/(reduction) in shareholders' funds   | 115,375        | (111,586)        |
| Opening shareholders' funds                       | (111,586)      | -                |
|   | <u>3,789</u>   | <u>(111,586)</u> |
| Closing shareholders' funds                       | 3,789          | (111,586)        |

## **Notes** *(continued)*

### **12 Related party disclosures**

The company is controlled by Surrey Downs Holdings Limited. The ultimate controlling party is East Surrey Holdings plc. There were no disclosable related party transactions.

### **13 Ultimate holding company and parent undertaking of larger group**

The company's ultimate holding company is East Surrey Holdings plc, a company registered in England. The results of the company are consolidated in the financial statements of the ultimate holding company, which are available to the public and may be obtained from London Road, Redhill, Surrey, RH1 1LJ.