

ScottishPower Investments Limited

Directors' Report and Accounts for the year ended 28 February 2002

Registered No. 155873



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ScottishPower Investments Limited
Directors' Report and Accounts
for the year ended 28 February 2002

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ScottishPower Investments Limited

Report of the Directors

The directors present their report and audited Accounts for the year ended 28 February 2002.

Results and dividend

The loss for the year amounted to £2,002,000 (2001: profit of £8,501,000). The directors do not recommend the payment of a dividend. The loss for the year has been transferred to reserves.

Activities and review

The principal activity of the company is the making of long term equity investments and the provision of debt finance to other members of the group.

Directors and their interests

The directors who held office during the year were:

Charles Berry

David Nish (appointed 4 October 2001)

Sir Ian Robinson (resigned 4 May 2001)

Ian Russell

Ken Vowles (resigned 31 March 2002)

None of the directors who held office at the end of the financial year had any disclosable interests in the shares of the company.

As permitted by Statutory Instrument, the Register of Directors' Interests maintained under Section 325 of the Companies Act 1985 does not contain the interests of directors who are also directors of a company of which the company is a wholly owned subsidiary. Accordingly, the interests of Charles Berry, David Nish, Ian Russell and Ken Vowles are disclosed in the Scottish Power plc Annual Report & Accounts/Form 20-F for the year ended 31 March 2002.

Directors' responsibilities

The directors are required by UK company law 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 of the company for that period.

ScottishPower Investments Limited

Report of the Directors (continued)

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the Accounts for the year ended 28 February 2002. The directors also confirm that applicable accounting standards have been followed and that the Accounts have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, and sufficient internal controls to safeguard the assets of the company and to prevent and detect fraud or any other irregularities.

Auditors

Under Section 379A of the Companies Act 1985, the company has elected to dispense with the following obligations:

- to lay accounts and reports before general meetings;
- to hold annual general meetings; and
- to appoint auditors annually.

By order of the Board



A R Mitchell
Secretary

1 May 2002

ScottishPower Investments Limited

Accounting Policies

Basis of accounting

The Accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards in the UK and with the requirements of the Companies Act 1985.

Basis of preparation

The Accounts contain information about ScottishPower Investments Limited as an individual company and do not contain consolidated financial information as the parent of subsidiary companies. The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated Accounts as it and its subsidiary undertakings are included by full consolidation in the consolidated Accounts of its parent, Scottish Power plc, a company registered in Scotland.

Statement of cash flows

The company is exempt from including a statement of cash flows in its Accounts as it is a wholly owned subsidiary of Scottish Power plc, which has included a consolidated statement of cash flows in its consolidated Accounts.

Interest

Interest payable and receivable is reflected in the profit and loss account as it arises.

Investments

Investments held as fixed assets are valued at cost less any impairment in value.

Tax

Where required, and to comply with Financial Reporting Standard 19, full provision for deferred tax is made on a non-discounted basis.

ScottishPower Investments Limited

Profit and Loss Account

for the year ended 28 February 2002

	Notes	2002 £'000	2001 £'000
Gain on sale of investments	4	250	-
Income from shares in group undertakings		8,139	3,699
Net interest (payable)/receivable	2	(11,287)	8,445
(Loss)/profit on ordinary activities before taxation		(2,898)	12,144
Taxation	3	896	(3,643)
(Loss)/profit for the financial year		(2,002)	8,501

The above results relate to continuing operations.

A statement of total recognised gains and losses and a reconciliation to historical cost profits and losses are not shown as all gains and losses for 2001 and 2002 are recognised in the profit and loss account, under the historical cost convention.

The Accounting Policies on page 4, together with the Notes on pages 7 to 11, form part of these Accounts.

ScottishPower Investments Limited

Balance Sheet

as at 28 February 2002

	Notes	2002 £'000	2001 £'000
Fixed asset investments	4	934,908	25,450
Current assets			
Cash		13	13
Debtors	5	133,850	176,055
		133,863	176,068
Creditors: amounts falling due within one year			
Other creditors	6	(25,021)	(62,339)
Net current assets		108,842	113,729
Creditors: amounts falling due after one year			
Other creditors	7	(906,573)	-
Net assets		137,177	139,179
Called up share capital	8	100,000	100,000
Capital reserve	9	-	14,288
Profit and loss account	10	37,177	24,891
Equity shareholders' funds	11	137,177	139,179

The Accounting Policies on page 4, together with the Notes on pages 7 to 11, form part of these Accounts.

Approved by the Board on 1 May 2002 and signed on its behalf by



Ian Russell
Director

ScottishPower Investments Limited

Notes to the Accounts

for the year ended 28 February 2002

1 Employee information

None of the directors received any remuneration from the company or from related companies, in respect of their services to the company.

The company has no employees.

2 Net interest (payable)/receivable

	Note	2002 £'000	2001 £'000
Interest payable on loans from group companies	9	(18,854)	-
Interest receivable on loans to group companies		7,531	8,445
Other interest receivable		36	-
		<u>(11,287)</u>	<u>8,445</u>

3 Tax on (loss)/profit on ordinary activities

	2002 £'000	2001 £'000
Current tax:		
Corporation tax credit/(charge) at 30% on (loss)/profit for the year	869	(3,643)
Permanent differences	32	-
Adjustment in respect of prior years	(5)	-
Tax credit/(charge) on (loss)/profit on ordinary activities	<u>896</u>	<u>(3,643)</u>

No provision for deferred tax was required at either 28 February 2002 or 28 February 2001, therefore, no deferred tax charge was incurred.

ScottishPower Investments Limited

Notes to the Accounts

for the year ended 28 February 2002

4 Fixed asset investments

(a) Shares in subsidiary undertakings and other investments at cost

	Subsidiary undertakings £'000	Other £'000	Total £'000
At 1 March 2001	24,850	600	25,450
Additions during the year	907,379	2,329	909,708
Disposals during the year	(250)	-	(250)
At 28 February 2002	931,979	2,929	934,908

During the year, the company sold its interest in Domestic Appliance Insurance Limited resulting in a gain on sale of £250,000. There were no other disposals during the year. The additions of subsidiary undertakings are the transfers of SP Manweb plc and Manweb Holdings Limited, both of which were transferred from other group companies at net book value.

(b) Subsidiaries at 28 February 2002

	Year end	% Holding	Place of incorporation /registration	Activity
Caledonian Communications Limited	31 March	100	Scotland	Dormant
Genscot Limited	31 March	100	Scotland	Holding company
Manweb Holdings Limited	31 March	100	England	Holding company
ScotPower Limited	31 March	100	Scotland	Dormant
Scotsgrid Limited	31 March	100	Scotland	Dormant
Scotspower Limited	31 March	100	Scotland	Dormant
ScottishPower Finance Limited	31 March	100	Scotland	Dormant
ScottishPower Insurance Limited	31 March	100	Isle of Man	Insurance
ScottishPower Leasing Limited	31 March	100	Scotland	Leasing
ScottishPower Securities Limited	31 March	100	Scotland	Dormant
ScottishPower Telecommunications Limited	31 March	100	Scotland	Dormant
SP Manweb plc	31 March	100	England	Operates distribution network
SSEB Limited	31 March	100	Scotland	Dormant

(c) Other investments (ordinary shares)

Rosyth Regeneration Limited (formerly Rosyth 2000 Limited)	28 February	25	Scotland	Property development
Eutelia NV	31 December	9.8	The Netherlands	Procurement portal

ScottishPower Investments Limited

Notes to the Accounts

for the year ended 28 February 2002

5 Debtors

	2002 £'000	2001 £'000
(a) Amounts falling due within one year:		
Amounts owed by parent and subsidiary undertakings	90,000	100,439
Dividends receivable from group undertakings	-	50,000
Corporation tax recoverable	1,900	-
Group relief receivable	901	-
Other debtors	575	-
	93,376	150,439
(b) Amounts falling due after one year:		
Amounts owed by parent and subsidiary undertakings	40,474	25,000
Other debtors	-	616
	133,850	176,055

6 Creditors: amounts falling due within one year

	2002 £'000	2001 £'000
Other creditors:		
Corporation tax	-	2,339
Proposed dividend	-	60,000
Amounts owed to parent and subsidiary undertakings	12,973	-
Interest payable	12,048	-
	25,021	62,339

7 Creditors: amounts falling due after one year

	2002 £'000	2001 £'000
Other creditors:		
Amounts owed to parent and subsidiary undertakings	906,573	-

Repayment of the above amount is due in more than 5 years.

ScottishPower Investments Limited

Notes to the Accounts

for the year ended 28 February 2002

8 Share capital

	2002 £'000	2001 £'000
Authorised: 500,000,000 (2001: 500,000,000) ordinary shares of £1	500,000	500,000
Allotted, called up and fully paid: 100,000,000 (2001: 100,000,000) ordinary shares of £1	100,000	100,000

9 Capital reserve

	Note	2002 £'000	2001 £'000
Balance brought forward		14,288	14,288
Appropriation - Gain on sale of investment	10	250	-
Interest charge applied	10	(14,538)	-
Capital reserve		-	14,288

The Articles of Association require that capital profits be applied to the Capital Reserve and, therefore, the gain on the sale of Domestic Appliance Insurance Limited has been transferred to the reserve. The Articles also give the Directors discretion to charge the reserve with interest payable. The company paid interest of £18,854,000 (note 2) and the Directors have decided to apply this interest against the capital reserve subject to the available balance on the reserve. Accordingly £14,538,000 of interest has been charged against reserves.

10 Profit and loss account

	Note	2002 £'000	2001 £'000
Balance brought forward		24,891	16,390
(Loss)/profit for financial year		(2,002)	8,501
Appropriated to capital reserve	9	(250)	-
Interest charge applied to capital reserve	9	14,538	-
		37,177	24,891

No charge for auditors' remuneration is made in arriving at the loss for the year. The auditors' remuneration is included within the Accounts of the ultimate parent company, Scottish Power plc.

ScottishPower Investments Limited

Notes to the Accounts

for the year ended 28 February 2002

11 Reconciliation of movement in shareholders' funds

	2002 £'000	2001 £'000
Opening shareholders' funds	139,179	130,678
Retained (loss)/profit for year	(2,002)	8,501
Closing shareholders' funds	137,177	139,179

12 Related party transactions

Scottish Power plc has ultimate control over the company. The company has taken an exemption, as allowed by Financial Reporting Standard 8, not to disclose related party transactions with other group companies as the ultimate parent company publishes full statutory consolidated Accounts.

13 Ultimate parent company

Scottish Power Investments Limited is a wholly owned subsidiary of Scottish Power UK plc.

The directors regard Scottish Power plc as the ultimate parent company. Both the immediate parent company and the ultimate parent company are registered in Scotland. Copies of the immediate and ultimate parent companies' consolidated Accounts may be obtained from The Secretary, Scottish Power plc, 1 Atlantic Quay, Glasgow, G2 8SP.

ScottishPower Investments Limited

Independent auditors' report to the members of ScottishPower Investments Limited

We have audited the Accounts on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 4.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and Accounts in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the Accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 Report of the Directors 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 is not disclosed.

We read the other information contained in the Directors' Report and Accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Accounts. The other information comprises the Report of the Directors.

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 adequacy of the presentation of information in the Accounts.

ScottishPower Investments Limited

Independent auditors' report to the members of ScottishPower Investments Limited (continued)

Opinion

In our opinion the Accounts give a true and fair view of the state of the company's affairs at 28 February 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Pricewaterhouse Coopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Glasgow

1 May 2002