

# **ScottishPower Energy Retail Limited**

## **Directors' Report and Accounts for the year ended 31 March 2005**

Registered No. SC190287



# **ScottishPower Energy Retail Limited**

## **Directors' Report and Accounts for the year ended 31 March 2005**

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# **ScottishPower Energy Retail Limited**

## **Report of the Directors**

The directors present their report and audited Accounts for the year ended 31 March 2005.

### **Activities and review**

The principal activity of the company is the supply of electricity and gas to domestic and business customers along with associated customer services such as billing and call centre support.

The energy markets remain very competitive, and meeting customers' expectations on service is a challenge faced by the whole sector. Against a background of strong competition, customer numbers have grown to 5.11 million at 31 March 2005 (2004: 4.25 million). We remain committed to continuing to improve our customer service and to growing our customer base, with an on-going focus on gaining profitable customers that will add shareholder value.

We continue to drive customer service improvements and cost efficiency through our 6 Sigma process improvement programme.

### **Results and dividend**

The profit for the year amounted to £74.1 million (2004: £56.5 million). The directors recommend that a dividend of £73.2 million be paid for the year ended 31 March 2005 (2004: £56.0 million), and that the retained profit for the year of £0.9 million be transferred to reserves (2004: £0.5 million).

The company has net current liabilities of £23.6 million at 31 March 2005 (2004: £23.8 million), which includes a group loan of £132.7 million (2004: £49.9 million) that forms part of the total of "Amounts owed to group undertakings" as shown in Note 9 to the Accounts. The directors consider that sufficient funding will be made available to the company by its ultimate parent company to continue operations and to meet liabilities as they fall due.

### **Directors and their interests**

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

Charles Berry  
Willie MacDiarmid  
David Wark

Charles Berry resigned his directorship on 6 September 2005.

None of the directors who held office at the end of the financial year had any disclosable interests in the shares of the company. The interests of the directors (other than those who are also directors of a parent company of the company) in the shares of Scottish Power plc, at the beginning and end of the year, were as follows:

# ScottishPower Energy Retail Limited

## Report of the Directors – continued

### Directors and their interests - continued

<b>Willie MacDiarmid</b>	<b>At 1 April 2004</b>	<b>Granted/ appropriated/ other net movement</b>	<b>Exercised</b>	<b>Lapsed</b>	<b>Vested</b>	<b>At 31 March 2005</b>
<b>Shares</b>						
Ordinary Shares (*)	3,413	10,372	-	-	-	13,785
ESOP Free & Matching Shares (#)	1,260	370	-	-	-	1,630
Deferred Share Plan (†)	7,700	-	(1,753)	-	-	5,947
LTIP – Potential (**)	70,970	29,287	-	(11,652)	(7,767)	80,838
LTIP – Vested	7,023	-	(14,790)	-	7,767	-
<b>Options</b>						
Executive Scheme	135,644	48,811	-	-	-	184,455
Sharesave Scheme	4,467	1,048	-	(786)	-	4,729

<b>David Wark</b>	<b>At 1 April 2004</b>	<b>Granted/ appropriated/ other net movement</b>	<b>Exercised</b>	<b>Lapsed</b>	<b>Vested</b>	<b>At 31 March 2005</b>
<b>Shares</b>						
Ordinary Shares (*)	1,476	1,117	-	-	-	2,593
ESOP Free & Matching Shares (#)	1,260	370	-	-	-	1,630
Deferred Share Plan (†)	3,413	-	(995)	-	-	2,418
LTIP – Potential (**)	27,993	10,647	-	(4,669)	(3,112)	30,859
LTIP – Vested	2,257	-	(5,369)	-	3,112	-
<b>Options</b>						
Executive Scheme	53,796	17,835	-	-	-	71,631
Sharesave Scheme	5,123	-	-	-	-	5,123

(\*) These shares include Partnership Shares purchased pursuant to the Inland Revenue approved ScottishPower Employee Share Ownership Plan (ESOP).

(#) All Free Shares and Matching Shares appropriated pursuant to the ScottishPower ESOP are held in Trust and are subject to forfeiture provisions during the three year period from the date of appropriation.

(†) Deferred shares represent a portion of performance bonus and are held in trust for three years from the award date.

(\*\*) These shares represent, in each case, the maximum number of shares which the directors may receive, dependent on the satisfaction of certain performance criteria as approved by the shareholders of Scottish Power plc in connection with the Long Term Incentive Plan.

As permitted by Statutory Instrument, the Register of Directors' Interests maintained pursuant to Section 325 of the Companies Act 1985 does not contain the interests of directors who are also directors of a company of which ScottishPower Energy Retail Limited is a wholly owned subsidiary. Accordingly, the interests of Charles Berry are disclosed in the Annual Report & Accounts for the year ended 31 March 2005 of Scottish Power plc.

# **ScottishPower Energy Retail Limited**

## **Report of the Directors - continued**

### **Employees**

#### *Equal opportunity*

It is the company's policy to promote equal opportunity in recruitment, employment, training and career development. To support the Policy Statement on equal opportunities, specific policies have been introduced on people with disabilities, on sex and race discrimination, and on harassment. In addition, career break schemes are available.

As part of the ongoing development and implementation of its equal opportunities strategy, the company has designed and implemented an Equality Framework, which is used to audit and undertake action plans on an annual basis. Equal opportunities strategy and specific courses have been developed and implemented.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

#### *Employee consultation and negotiation*

The company has employee consultation and communication arrangements to encourage the involvement and interest of employees and to develop an awareness of its business plans and objectives. These include local joint bodies, designed to provide regular discussions between management and staff representatives.

Bargaining arrangements have been established to facilitate the development of terms and conditions of employment tailored to the diverse needs of the business and, through this, to provide employees with a greater involvement in local employment matters. These arrangements are kept under review to ensure they match the requirements of the business.

#### *Employee share schemes*

The company participates in the employee share schemes operated by the ScottishPower group. Full details of these schemes are disclosed in the Annual Report & Accounts for the year ended 31 March 2005 of Scottish Power plc, the ultimate parent company of ScottishPower Energy Retail Limited.

### **Creditor payment policy and practice**

The current policy and practice of Scottish Power plc, the company's ultimate parent, concerning the payment of its trade creditors is to follow the Better Payment Practice Code to which it is a signatory. Copies of the code may be obtained from the Department of Trade and Industry or from the website [www.payontime.co.uk](http://www.payontime.co.uk).

The company's policy and practice is to settle terms of payment when agreeing the terms of the transaction, to include the terms in contracts, and to pay in accordance with its contractual and legal obligations. The company's creditor days at 31 March 2005 were 23 days.

# **ScottishPower Energy Retail Limited**

## **Report of the Directors – continued**

### **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 the period.

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 31 March 2005. 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 maintaining 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**



**Donald McPherson**  
Secretary  
14 December 2005

# **ScottishPower Energy Retail Limited**

## **Accounting Policies and Definitions**

### **Definitions**

#### **Cost of sales**

The cost of sales for the company reflect the direct costs of the purchase of electricity and gas, the costs associated with transmitting units of energy through the electricity transmission and distribution networks and the gas transportation network and other costs directly related to customer energy consumption.

#### **Distribution costs**

Distribution costs reflect the costs of customer service, billing and debt collection.

#### **Administrative and selling expenses**

Administrative and selling costs reflect the indirect costs of the business, the costs of support services and the costs of centralised services provided by Scottish Power UK plc.

#### **Joint ventures**

Joint ventures are entities in which the company holds a long-term interest and shares control with another company.

### **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 comply with the requirements of the Companies Act 1985.

The Accounts contain information about ScottishPower Energy Retail Limited as an individual company and do not contain consolidated information as the parent of a subsidiary company. The company is exempt under Section 228 of the Companies Act 1985 from the requirements to prepare consolidated Accounts as it and its subsidiary undertaking are included by full consolidation in the consolidated Accounts of its ultimate parent, Scottish Power plc, a company registered in Scotland.

#### **Use of estimates**

The preparation of Accounts in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Accounts and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from those estimates.

#### **Turnover**

Turnover comprises the sales value of energy supplied to customers during the year, rental income and energy services income and excludes Value Added Tax. Turnover from the sale of energy is the value of units supplied during the year and includes an estimate of the value of units supplied to customers between the date of their last meter reading and the year end, based on external data supplied by the electricity and gas market settlement processes.

#### **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.

# ScottishPower Energy Retail Limited

## Accounting Policies and Definitions - continued

### Taxation

Where required and in accordance with Financial Reporting Standard ("FRS") 19 'Deferred Tax', full provision is made for deferred tax on a non-discounted basis.

### Tangible fixed assets

Tangible fixed assets are stated at cost and are generally depreciated on a straight line basis over their estimated operational lives. Tangible fixed assets include capitalised employee and other costs which are directly attributable to construction of fixed assets. Fixed assets are not subject to depreciation while under construction. Land is not depreciated. The main depreciation periods used by the company are as set out below.

	Years
Buildings	40
Plant and machinery	4 – 30
Computer and other equipment	3 – 10

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. Impairment losses are recognised in the period in which they are identified.

### Leased assets

#### *As lessee:*

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis.

#### *As lessor:*

Rentals receivable under operating leases are credited to the profit and loss account on a straight line basis over the period of the lease.

### Investments

Investments in subsidiary undertakings and joint ventures are stated in the balance sheet at cost, less provision for any impairment in value.

### Pensions

The company participates in group pension arrangements, consisting of both defined benefit and defined contribution schemes, operated by the ScottishPower group. The contributions for the defined benefit schemes are based on pension costs across all the participating companies. Full details of these pension arrangements are disclosed in the Annual Report & Accounts for the year ended 31 March 2005 of Scottish Power plc, the ultimate parent company of ScottishPower Energy Retail Limited.

### Grants and contributions

Capital grants in respect of additions to fixed assets are treated as deferred income and are released to the profit and loss account on a straight line basis over the estimated operational lives of the related assets.

# ScottishPower Energy Retail Limited

## Profit and Loss Account for the year ended 31 March 2005

	Notes	2005 £m	2004 £m
<b>Turnover</b>		<b>2,251.0</b>	1,816.5
Cost of sales		(1,811.9)	(1,430.4)
<b>Gross profit</b>		<b>439.1</b>	386.1
Distribution costs		(166.0)	(156.3)
Administrative and selling expenses		(167.9)	(154.9)
Other operating income		5.7	6.8
<b>Operating profit</b>	1	<b>110.9</b>	81.7
Net interest payable	3	(4.8)	(0.9)
<b>Profit on ordinary activities before taxation</b>		<b>106.1</b>	80.8
Taxation	4	(32.0)	(24.3)
<b>Profit for the financial year after taxation</b>		<b>74.1</b>	56.5
Dividends	5	(73.2)	(56.0)
<b>Profit retained</b>	14	<b>0.9</b>	0.5

The above results relate to continuing operations.

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

The Accounting Policies and Definitions on pages 5 and 6, together with the Notes on pages 10 to 18, form part of these Accounts.

## **ScottishPower Energy Retail Limited**

### **Reconciliation of Movements in Shareholders' Funds for the year ended 31 March 2005**

	<b>2005</b>	<b>2004</b>
	<b>£m</b>	<b>£m</b>
<b>Profit for the financial year</b>	<b>74.1</b>	<b>56.5</b>
<b>Dividends</b>	<b>(73.2)</b>	<b>(56.0)</b>
<b>Net movement in shareholders' funds</b>	<b>0.9</b>	<b>0.5</b>
<b>Opening shareholders' funds</b>	<b>58.3</b>	<b>57.8</b>
<b>Closing shareholders' funds</b>	<b>59.2</b>	<b>58.3</b>

The Accounting Policies and Definitions on pages 5 and 6, together with the Notes on pages 10 to 18, form part of these Accounts.

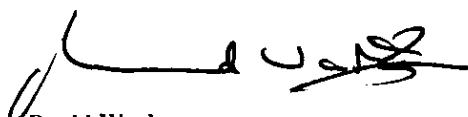
# ScottishPower Energy Retail Limited

## Balance Sheet as at 31 March 2005

	Notes	2005 £m	2004 £m
<b>Fixed assets</b>			
Tangible assets	6	91.5	92.5
Investments	7	0.1	0.1
		<b>91.6</b>	<b>92.6</b>
<b>Current assets</b>			
Debtors	8	562.3	417.3
Short-term bank and other deposits		37.5	23.8
		<b>599.8</b>	<b>441.1</b>
<b>Creditors: amounts falling due within one year</b>			
Other creditors	9	(623.4)	(464.9)
		<b>(623.4)</b>	<b>(464.9)</b>
<b>Net current liabilities</b>		<b>(23.6)</b>	<b>(23.8)</b>
<b>Total assets less current liabilities</b>		<b>68.0</b>	<b>68.8</b>
<b>Provisions for liabilities and charges</b>			
-Deferred tax	10	(8.1)	(9.9)
-Other provisions	11	(0.1)	(0.6)
		<b>(8.2)</b>	<b>(10.5)</b>
<b>Deferred income</b>	12	<b>(0.6)</b>	<b>-</b>
<b>Net assets</b>		<b>59.2</b>	<b>58.3</b>
<b>Called up share capital</b>	13,14	<b>55.4</b>	<b>55.4</b>
<b>Profit and loss account</b>	14	<b>3.8</b>	<b>2.9</b>
<b>Equity shareholders' funds</b>	14	<b>59.2</b>	<b>58.3</b>

The Accounting Policies and Definitions on pages 5 and 6, together with the Notes on pages 10 to 18, form part of these Accounts.

Approved by the Board on 14 December 2005 and signed on its behalf by

  
David Wark  
Director

# ScottishPower Energy Retail Limited

## Notes to the Accounts for the year ended 31 March 2005

### 1 Operating profit

	2005	2004
	£m	£m
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets	17.1	18.9
Release of customer contributions/grants	-	(0.2)
Loss on disposal of fixed assets	0.9	-
Rental receivable under operating leases of land and buildings	(0.8)	(0.8)
Hire of land and buildings - operating leases	0.7	0.7
Hire of other assets - operating leases	2.5	2.4
Auditors' remuneration for audit of company	0.4	0.2

Auditors' remuneration represents an apportionment of the overall group audit fee of Scottish Power plc.

### 2 Employee information

	2005	2004
	£m	£m
(a) Employee costs		
Wages and salaries	59.8	48.8
Social security costs	4.6	3.7
Other pension costs	5.8	5.8
<b>Total employee costs</b>	<b>70.2</b>	<b>58.3</b>
Less: charged as capital expenditure	(0.2)	(0.1)
<b>Charged to the profit and loss account</b>	<b>70.0</b>	<b>58.2</b>

#### (b) Employee numbers

The year end and average numbers of employees (full-time and part-time) employed by the company during the year, including executive directors, were:

	At 31 March		Average	
	2005	2004	2005	2004
Customer services	2,080	1,619	1,898	1,483
Administration	1,087	1,111	1,082	969
<b>Total</b>	<b>3,167</b>	<b>2,730</b>	<b>2,980</b>	<b>2,452</b>

The year end and average number of full-time equivalent staff employed by the company, including executive directors, were:

	At 31 March		Average	
	2005	2004	2005	2004
Customer services	1,902	1,486	1,743	1,353
Administration	1,008	1,045	1,016	915
<b>Total</b>	<b>2,910</b>	<b>2,531</b>	<b>2,759</b>	<b>2,268</b>

# ScottishPower Energy Retail Limited

## Notes to the Accounts for the year ended 31 March 2005 - continued

### 2 Employee information - continued

#### (c) Directors' emoluments

Details of the directors' emoluments are set out in Note 17.

### 3 Net interest payable

	2005 £m	2004 £m
<b>Analysis of net interest payable</b>		
Interest payable on group loans	4.8	0.9

### 4 Tax on profit on ordinary activities

	Note	2005 £m	2004 £m
<b>Current tax:</b>			
UK corporation tax on profits for the year		33.8	25.7
<b>Deferred tax:</b>			
Origination and reversal of timing differences	10	(1.8)	(1.4)
<b>Tax on profit on ordinary activities</b>		<b>32.0</b>	<b>24.3</b>

#### Factors affecting tax charge for year

The current tax charge for the year varied from the standard rate of UK corporation tax as follows:

	2005 £m	2004 £m
UK corporation tax at 30% on profits for the year	31.8	24.2
Permanent differences	0.2	0.1
<b>Tax charge on ordinary activities</b>	<b>32.0</b>	<b>24.3</b>
Effect of deferred tax	1.8	1.4
<b>Current tax charge for the year</b>	<b>33.8</b>	<b>25.7</b>

### 5 Dividends

	2005 £m	2004 £m
Final dividend	73.2	56.0

# ScottishPower Energy Retail Limited

## Notes to the Accounts for the year ended 31 March 2005 - continued

### 6 Tangible fixed assets

	Land and buildings £m	Plant and machinery £m	Computer and other equipment £m	Total £m
<b>Cost:</b>				
At 1 April 2004	36.0	22.1	160.8	218.9
Additions	0.3	2.5	14.2	17.0
Disposals	-	(0.5)	(3.1)	(3.6)
<b>At 31 March 2005</b>	<b>36.3</b>	<b>24.1</b>	<b>171.9</b>	<b>232.3</b>
<b>Depreciation:</b>				
At 1 April 2004	16.9	13.4	96.1	126.4
Charge for the year	0.9	0.8	15.4	17.1
Disposals	-	(0.5)	(2.2)	(2.7)
<b>At 31 March 2005</b>	<b>17.8</b>	<b>13.7</b>	<b>109.3</b>	<b>140.8</b>
<b>Net book value:</b>				
<b>At 31 March 2005</b>	<b>18.5</b>	<b>10.4</b>	<b>62.6</b>	<b>91.5</b>
At 31 March 2004	19.1	8.7	64.7	92.5

Assets not subject to depreciation are land; cost of £5.2million (2004 £5.2 million). Land and buildings held by the company are predominantly freehold.

Included in the cost of tangible assets above are £12.3 million (2004: £4.7 million) of assets under construction which will not be depreciated until construction is complete.

The cost of assets held for use in operating leases at 31 March 2005 was £28.2 million (2004: £28.2 million) and the accumulated depreciation charged against the assets at 31 March 2005 was £13.5 million (2004: £13.0 million).

### 7 Fixed asset investments

	Subsidiary undertaking, Joint venture & Other shares
	Note £m
<b>(a) Cost:</b>	
At 1 April 2004 and 31 March 2005	(b) 0.1

#### (b) Shares in subsidiary undertaking, joint venture and other investments

The principal holdings of the company are as set out below:

Subsidiary undertaking	Class of share capital	Place of incorporation or registration	Proportion of shares held %	Activity
Manweb Energy Consultants Limited	Ordinary shares of £1 each	England and Wales	100	Provision of energy services
<b>Joint venture</b>				
N.E.S.T.Makers Limited	Ordinary shares of £1 each	England and Wales	50	Energy efficiency agent for the 'fuel poor'/benefit market
The cost of the investment in N.E.S.T.Makers Limited is £22,500 (2004: £22,500).				
<b>Other investments</b>				
Gemserv Limited	Ordinary shares of £1 each	England and Wales	8	Dormant
MRA Service Company Limited	Ordinary shares of £1 each	England and Wales	1	Non-trading
NFPA Holdings Limited	Ordinary shares of £1 each	England and Wales	8	Agent for Regional Electricity Companies in England and Wales
SPAA Limited	Ordinary shares of £1 each	England and Wales	4	Administers gas suppliers and transporters agreements
St Clements Services Limited	Ordinary shares of £1 each	England and Wales	13	Software consultancy and supply

The cost of other investments is £18,058 (2004: £18,053) with the cost of investment in Gemserv Limited being £18,001 (2004: £18,001) of the total.

# **ScottishPower Energy Retail Limited**

## **Notes to the Accounts for the year ended 31 March 2005 - continued**

### **8 Debtors: amounts falling due within one year**

	2005	2004
	£m	£m
Trade debtors	300.7	217.8
Prepayments and accrued income	246.3	190.8
Amounts owed by subsidiary undertakings	1.6	1.6
Amounts owed by group undertakings	13.7	7.1
	<b>562.3</b>	<b>417.3</b>

### **9 Other creditors: amounts falling due within one year**

	2005	2004
	£m	£m
Trade creditors	11.5	16.5
Corporation tax	34.6	25.5
Other taxes and social security	36.6	32.9
Payments received on account	5.2	3.9
Capital creditors and accruals	5.6	4.1
Accrued expenses	111.6	86.7
Other creditors	0.1	6.9
Proposed dividend	73.2	56.0
Amounts owed to group undertakings	345.0	232.4
	<b>623.4</b>	<b>464.9</b>

# **ScottishPower Energy Retail Limited**

## **Notes to the Accounts for the year ended 31 March 2005 - continued**

### **10 Provisions for liabilities and charges - Deferred tax**

	2005 £m	2004 £m
Accelerated capital allowances	9.5	10.8
Other timing differences	(1.4)	(0.9)
	8.1	9.9
	Note	2005 £m
At 1 April 2004		9.9
Credited to profit and loss account	4	(1.8)
At 31 March 2005		8.1

### **11 Provisions for liabilities and charges - Other provisions**

	Note	At 1 April 2004 £m	Utilised during year £m	At 31 March 2005 £m
Reorganisation and restructuring	(i)	0.6	(0.5)	0.1

(i) The provision for reorganisation and restructuring comprises the estimated costs of reorganising the ScottishPower Energy Retail Limited business. The remaining balance of the provision is expected to be utilised in the financial year 2005/06.

### **12 Deferred income**

	At 1 April 2004 £m	Received during the year £m	At 31 March 2005 £m
Grants and customer contributions	-	0.6	0.6

# **ScottishPower Energy Retail Limited**

## **Notes to the Accounts for the year ended 31 March 2005 - continued**

### **13 Share capital**

	2005 £m	2004 £m
<b>Authorised:</b>		
100,000,000 (2004: 100,000,000) ordinary shares of £1 each	100.0	100.0
<b>Allotted, called up and fully paid:</b>		
55,407,000 (2004: 55,407,000) ordinary shares of £1 each	55.4	55.4

### **14 Analysis of movements in shareholders' funds**

	Share capital £m	Profit and loss account £m	Total £m
At 1 April 2004	55.4	2.9	58.3
Retained profit for the year	-	0.9	0.9
<b>Balance at 31 March 2005</b>	<b>55.4</b>	<b>3.8</b>	<b>59.2</b>

### **15 Pensions**

Scottish Power plc operates a number of defined benefit and defined contribution schemes in the UK. ScottishPower Energy Retail Limited is a participating company in these arrangements, and the contributions for the defined benefit schemes are based on pension costs across all the participating companies.

ScottishPower Energy Retail Limited is unable to identify its share of the underlying assets and liabilities in the defined benefit schemes, as the scheme administrators do not calculate these separately for each of the various companies participating in the schemes.

ScottishPower Energy Retail Limited's contributions payable during the year were £5.8 million (2004: £5.8 million) of which £nil (2004: £nil) were outstanding or prepaid at the year end.

Full details of the ScottishPower group arrangements are given in the Annual Report & Accounts for the year ended 31 March 2005 of Scottish Power plc.

# ScottishPower Energy Retail Limited

## Notes to the Accounts for the year ended 31 March 2005 - continued

### 16 Financial commitments

	2005 £m	2004 £m
<b>(a) Analysis of annual commitments under operating leases</b>		
<b>Leases of land and buildings expiring:</b>		
Between one and two years	0.7	-
Between two and three years	-	0.7
	<b>0.7</b>	<b>0.7</b>
<b>Other operating leases expiring:</b>		
Within one year	0.4	0.4
Between two and five years	2.1	2.0
	<b>2.5</b>	<b>2.4</b>

	2005 £m	2004 £m
<b>(b) Capital commitments</b>		
Contracted but not provided	1.3	1.4

### (c) Other contractual commitments

(i) Under contractual arrangements, the company has the following purchase commitments primarily relating to energy purchases at 31 March 2005:

	2005 £m	2004 £m
Within one year	45.0	42.6
Between one and two years	1.5	8.5
Between two and three years	1.5	0.9
Between three and four years	1.5	0.9
Between four and five years	1.5	0.9
	<b>51.0</b>	<b>53.8</b>

(ii) In order to comply with Government Energy Efficiency Commitments, the company is required to undertake projects to deliver energy savings of approximately 13,904 GWh between April 2005 and March 2008 (4,500 GWh between April 2002 and March 2005). As at 31 March 2005, the company had not made any project commitments. All costs relating to the three year period from April 2002 and March 2005 were incurred by 31 March 2005.

	2005 £m	2004 £m
Within one year	-	24.2
Between one and two years	-	1.3
	<b>-</b>	<b>25.5</b>

# ScottishPower Energy Retail Limited

## Notes to the Accounts for the year ended 31 March 2005 - continued

### 17 Directors' emoluments

The total emoluments of the directors that provided qualifying services to the company are shown below. As these directors are remunerated for their work for the ScottishPower group as a whole, it has not been possible to apportion the emoluments specifically in respect of services to this company.

	2005	2004
Executive directors	£'000	£'000
Basic salary	693.6	590.6
Bonuses	581.1	398.0
Benefits in kind	68.0	55.7
Total	1,342.7	1,044.3

Included within the above amounts are emoluments in respect of Charles Berry which were paid by another company within the Scottish Power plc group. Consequently these amounts are not included within 'Employee costs' in note 2(a).

No directors (2004: nil) exercised options over Scottish Power plc shares in the year.

Three directors (2004: three) received shares during the year under the Long Term Incentive Plan.

Three directors (2004: three) have retirement benefits accruing under defined benefit pension schemes.

The emoluments of the highest paid director excluding pension contributions are given below:

	2005	2004
Highest paid director	£'000	£'000
Basic salary	400.0	315.0
Bonuses	382.0	212.6
Benefits in kind	37.7	27.4
Total	819.7	555.0

During the year the highest paid director did not exercise share options (2004: nil) over Scottish Power plc shares.

The highest paid director received shares during the year under the Long Term Incentive Plan in both 2005 and 2004.

The amount of pension benefit accrued for the highest paid director is £152,287 (2004: £111,004).

### 18 Related party transactions

Scottish Power plc has ultimate control over the company. The company has taken an exemption, as allowed by FRS 8, 'Related Party Disclosures', not to disclose related party transactions with other group companies as the parent company publishes full statutory consolidated accounts.

Related party transactions with N.E.S.T.Makers Limited, a 50% owned joint venture, are detailed below:

	2005	2004
Trading transactions arising in the normal course of business	£m	£m
Purchases from related parties	2.1	3.7
Funding transactions arising in the normal course of business	£m	£m
Loan	0.5	0.6

# **ScottishPower Energy Retail Limited**

## **Notes to the Accounts for the year ended 31 March 2005 - continued**

### **19 Ultimate parent company**

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The directors regard Scottish Power plc as the ultimate parent company, which is also the parent company of the largest group in which the results of the company are consolidated. The parent company of the smallest group in which the results of the company are consolidated is Scottish Power UK plc. Copies of both companies' consolidated Accounts can be obtained from The Secretary, Scottish Power plc, 1 Atlantic Quay, Glasgow, G2 8SP.

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## **Independent Auditors' Report**

### **to the members of ScottishPower Energy Retail Limited**

We have audited the Accounts on pages 5 to 18 which have been prepared under the historical cost convention and the accounting policies set out on pages 5 and 6.

#### **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. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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.

#### **Opinion**

In our opinion the Accounts give a true and fair view of the state of the company's affairs at 31 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
Glasgow  
14 December 2005