

ScottishPower Energy Retail Limited
(formerly ScottishPower Energy Supply Limited)

Directors' Report and Accounts
for the year ended 31 March 2002

Registered No. SC190287



ScottishPower Energy Retail Limited
Directors' Report and Accounts
for the year ended 31 March 2002

Contents	Page
Report of the Directors	1
Accounting Policies and Definitions	5
Profit and Loss Account	8
Reconciliation of Movements in Shareholders' Funds	9
Balance Sheet	10
Notes to the Accounts	11
Independent Auditors' Report	20

ScottishPower Energy Retail Limited

Report of the Directors

The directors present their report and audited Accounts for the year ended 31 March 2002.

Activities and review

On 11 May 2001, the name of the company was changed from ScottishPower Energy Supply Limited to ScottishPower Energy Retail Limited.

During the period prior to 1 October 2001, an exercise was undertaken to achieve legal separation of Scottish Power UK plc's businesses in response to regulatory and strategic drivers. As a result, and pursuant to the provisions of the Utilities Act 2000 administered by the Department of Trade and Industry (DTI), certain assets and liabilities relating to the Energy Supply businesses of Scottish Power UK plc, the immediate parent company, and of Manweb plc (subsequently renamed "SP Manweb plc"), a fellow group company, were transferred to the company on 1 October 2001 ("the transfer date") at net book value. The consideration was satisfied by the issue of shares and a group loan.

On 14 August 2001, the authorised share capital of the company was increased from £100 to £100,000,000 by the creation of 99,999,900 ordinary shares of £1 each, ranking *pari passu* in all respects with the existing ordinary shares of the company.

On 1 October 2001, the issued share capital of the company was increased from £2 to £37,407,000 by the issue of 37,406,998 ordinary shares of £1 each. On 19 December 2001, the issued share capital of the company was increased by a further £18,000,000 to £55,407,000.

The company did not trade until 1 October 2001 and from this date the principal activity has been the supply of electricity and gas to domestic and business customers.

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 remained steady at 3.5 million. We are committed to improving our customer service and to growing our customer base.

We intend to build on the advantage of our single billing system with a programme of customer service process improvements to drive out more cost efficiencies and, prior to the year end, announced a detailed business review. Our aim is to be best in class at delivering cost efficient and high quality customer service.

Results and dividend

The profit for the year amounted to £8.9 million (2001:£nil), details of which are shown in the Profit and Loss Account on page 8.

The directors recommend that no dividend be paid in respect of the year (2001:£nil), and the retained profit for the year of £8.9 million was transferred to reserves.

Directors and their interests

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

Charles Berry	
Willie MacDiarmid	(appointed 14 August 2001)
Ian Russell	(resigned 14 August 2001)
David Wark	(appointed 14 August 2001)

ScottishPower Energy Retail Limited **Report of the Directors - continued**

Directors and their interests (continued)

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 Charles Berry who is also a director of a parent company of the company) in the shares of Scottish Power plc, at the beginning of the year (or date of appointment if later) and the end of the year were as follows:

Willie MacDiarmid (appointed 14 August 2001)	At date of appointment	Granted/ appropriated/ other net movement	Exercised	Lapsed	Vested	At 31 March 2002
Ordinary Shares (*)	1,508	2,670	-	-	-	4,178
ESOP Free & Matching Shares (#)	228	210	-	-	-	438
Deferred Share Plan (†)	1,753	-	-	-	-	1,753
Executive Scheme	-	30,020	-	-	-	30,020
Sharesave Scheme	8,126	-	(3,933)	-	-	4,193
LTIP - Potential (**)	39,048	-	-	-	-	39,048
LTIP - Vested	1,719	-	-	-	-	1,719

David Wark (appointed 14 August 2001)	At date of appointment	Granted/ appropriated/ other net movement	Exercised	Lapsed	Vested	At 31 March 2002
Ordinary Shares (*)	182	239	-	-	-	421
ESOP Free & Matching Shares (#)	228	210	-	-	-	438
Deferred Share Plan (†)	995	-	-	-	-	995
Executive Scheme	-	12,089	-	-	-	12,089
Sharesave Scheme	2,258	-	-	-	-	2,258
LTIP - Potential (**)	9,704	-	-	-	-	9,704

(*) These shares include Partnership Shares purchased pursuant to the 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 until 1 May 2004.

(**) 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 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 are disclosed in the Annual Report & Accounts/Form 20-F for the year ended 31 March 2002 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.

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 2001/02 Annual Report & Accounts/Form 20-F 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.

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 2002 were 16 days.

ScottishPower Energy Retail Limited

Report of the Directors - continued

Auditors

PricewaterhouseCoopers have expressed their willingness to continue in office. A resolution concerning their reappointment will be put before the members of the company.

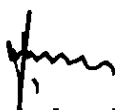
Directors' responsibilities

The directors are required by UK company law to prepare Accounts for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that 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 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 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.

By Order of the Board



Andrew Mitchell
Secretary
1 May 2002

ScottishPower Energy Retail Limited

Accounting Policies and Definitions

Definitions

Turnover

Turnover excludes Value Added Tax and comprises the sales value of energy supplied to customers during the year, rental income and energy services income. Income 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.

Cost of sales

The cost of sales for the company reflect 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

The costs of customer service, billing and debt collection.

Administrative and selling expenses

The indirect costs of the business as well as costs associated with sales and marketing.

Joint ventures

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 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.*

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

In accordance with Financial Reporting Standard 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 the straight line method over their estimated operational lives. Tangible fixed assets include capitalised employee and other costs which are directly attributable to construction of fixed assets. Generally 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 & machinery	4
Computer equipment	3 - 7
Vehicles & equipment	4 - 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.

Stocks

Stocks are valued at the lower of cost and net realisable value.

ScottishPower Energy Retail Limited

Accounting Policies and Definitions - continued

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 2001/02 Annual Report and Accounts/Form 20-F of Scottish Power plc, the ultimate parent company of ScottishPower Energy Retail Limited.

Grants and contributions

Government grants in respect of capital and deferred expenditure are treated as deferred income and are released to the profit and loss account on a straight line basis over the period of the energy services contract to which it relates.

ScottishPower Energy Retail Limited

Profit and Loss Account

for the year ended 31 March 2002

		Before exceptional item	Exceptional item (Note 3)	Total	Total
	Notes	2002 £m	2002 £m	2002 £m	2001 £m
Turnover		952.1	-	952.1	-
Cost of sales		(790.7)	-	(790.7)	-
Gross profit		161.4	-	161.4	-
Distribution costs		(40.3)	(4.1)	(44.4)	-
Administrative and selling expenses		(96.4)	(6.9)	(103.3)	-
Operating profit	1	24.7	(11.0)	13.7	-
Net interest charge	4	(0.9)	-	(0.9)	-
Profit on ordinary activities before taxation		23.8	(11.0)	12.8	-
Taxation	5	(7.2)	3.3	(3.9)	-
Profit retained	16	16.6	(7.7)	8.9	-

The results above represent the trade transferred to the company from the Energy Supply businesses of Scottish Power UK plc and Manweb plc in the year. Refer to Note 17 for details.

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 the year are recognised in the profit and loss account under the historical cost convention.

The Accounting Policies and Definitions on pages 5 to 7, together with the Notes on pages 11 to 19 form part of these Accounts.

ScottishPower Energy Retail Limited
Reconciliation of Movements in Shareholders' Funds
for the year ended 31 March 2002

	Note	2002 £m	2001 £m
Profit for the financial year		8.9	-
Share capital issued	16	55.4	-
Net movement in shareholders' funds		64.3	-
Opening shareholders' funds		-	-
Closing shareholders' funds		64.3	-

The Accounting Policies and Definitions on pages 5 to 7, together with the Notes on pages 11 to 19 form part of these Accounts.

ScottishPower Energy Retail Limited

Balance Sheet

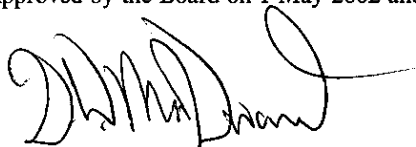
as at 31 March 2002

	Notes	2002 £m	2001 £m
Fixed assets			
Tangible assets	6	114.8	-
Investments	7	0.1	-
		114.9	-
Current assets			
Stocks	8	0.2	-
Debtors	9	344.4	-
Short-term bank and other deposits		34.7	-
		379.3	-
Creditors: amounts falling due within one year			
Loans and other borrowings	10	(71.3)	-
Other creditors	11	(334.2)	-
		(405.5)	-
Net current liabilities		(26.2)	-
Total assets less current liabilities		88.7	-
Provisions for liabilities and charges			
-Deferred tax	12	(14.0)	-
-Other provisions	13	(10.1)	-
		(24.1)	-
Deferred income	14	(0.3)	-
Net assets		64.3	-
Equity shareholders' funds	16	64.3	-
Called up share capital	15	55.4	-
Profit and loss account	16	8.9	-

At 31 March 2001, the net assets of the company were £2, comprising a debtor of £2. Share capital amounted to £2.

The Accounting Policies and Definitions on pages 5 to 7, together with the Notes on pages 11 to 19 form part of these Accounts.

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



Willie MacDiarmid
Director

ScottishPower Energy Retail Limited

Notes to the Accounts

for the year ended 31 March 2002

1 Operating profit

	2002 £m	2001 £m
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets	8.6	-
Release of customer contributions/grants	(0.1)	-
Rental receivable under operating leases of land and buildings	(0.2)	-
Hire of other assets - operating leases	1.2	-
Hire of land and buildings - operating leases	0.1	-
Auditors' remuneration for audit of company	0.1	-
Auditors' remuneration for non-audit services	1.3	-

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

Auditors' remuneration for non-audit services comprised fees for consultancy services.

2 Employee information

	2002 £m	2001 £m
(a) Employee costs		
Wages and salaries	22.3	-
Social security costs	1.5	-
Other pension costs	1.4	-
Total employee costs	25.2	-
Less: charged as capital expenditure	(0.3)	-
Charged to the profit and loss account	24.9	-

(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		Annual average	
	2002	2001	2002	2001
Customer services	1,585	-	1,558	-
Administration	781	-	767	-
Total	2,366	-	2,325	-

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

	At 31 March		Annual average	
	2002	2001	2002	2001
Total	2,180	-	2,126	-

Employee information represents the period from 1 October 2001 to 31 March 2002.

(c) Directors' remuneration

Details of the directors' emoluments are set out in Note 20.

ScottishPower Energy Retail Limited
Notes to the Accounts
for the year ended 31 March 2002 - continued

3 Exceptional item

	Notes	2002 £m	2001 £m
Distribution costs		4.1	-
Administrative and selling expenses		6.9	-
Total reorganisation costs	13	11.0	-
Tax on exceptional item	5	(3.3)	-
Total exceptional item (net of tax)		7.7	-

An exceptional charge of £11.0 million was incurred and primarily represents severance and related costs associated with the announced company reorganisation. The reorganisation has been deemed necessary after completing a thorough review of business activities and processes. Its aims are to sharpen the focus on customer service and energy products.

4 Net interest charge

	2002 £m	2001 £m
Analysis of net interest charge		
Interest on group loans	0.9	-
Net interest charge	0.9	-

5 Tax on profit on ordinary activities

	Note	Before exceptional item 2002 £m	Exceptional item 2002 £m	Total 2002 £m	2001 £m
Current tax:					
UK corporation tax charge		7.5	(3.3)	4.2	-
Deferred tax:					
Origination and reversal of timing differences	12	(0.3)	-	(0.3)	-
Tax on profit on ordinary activities		7.2	(3.3)	3.9	-

	2002 £m	2001 £m
Factors affecting tax charge for year		
The current tax charge for the year varied from the standard rate of UK corporation tax as follows:		
UK corporation tax at 30% on profits for the year	3.8	-
Permanent and other differences	0.1	-
Tax charge on ordinary activities	3.9	-
Effect of deferred tax	0.3	-
Current tax charge for the year	4.2	-

ScottishPower Energy Retail Limited

Notes to the Balance Sheet

as at 31 March 2002 - continued

6 Tangible fixed assets

	Note	Land and Buildings £m	Plant and machinery £m	Computer equipment £m	Vehicles and equipment £m	Total £m
Cost:						
At 1 April 2001		-	-	-	-	-
Transfer	17	30.7	21.2	105.0	16.0	172.9
Additions		-	-	28.8	0.5	29.3
At 31 March 2002		30.7	21.2	133.8	16.5	202.2
Depreciation:						
At 1 April 2001		-	-	-	-	-
Transfer	17	12.9	9.5	44.8	11.6	78.8
Charge for the year		0.5	0.6	7.0	0.5	8.6
At 31 March 2002		13.4	10.1	51.8	12.1	87.4
Net book value:						
At 31 March 2002		17.3	11.1	82.0	4.4	114.8
At 31 March 2001		-	-	-	-	-

Assets not subject to depreciation are land. Land and buildings held by the company are predominantly freehold.

The cost and accumulated depreciation of assets held for the purposes of letting under operating leases are £23.4 million (2001: £nil) and £9.7 million (2001: £nil) respectively.

7 Fixed asset investments

	Note	Subsidiary undertaking Shares £m	Total £m
(a) Cost:			
At 1 April 2001		-	-
Transfers	17	0.1	0.1
At 31 March 2002		0.1	0.1

(b) Shares in subsidiary undertaking and joint venture

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
Joint venture				
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 the joint venture is £22,500.

ScottishPower Energy Retail Limited

Notes to the Balance Sheet

as at 31 March 2002 - continued

8 Stocks

	2002 £m	2001 £m
Finished goods and goods for resale	0.2	-

9 Debtors

	2002 £m	2001 £m
Amounts falling due within one year:		
Trade debtors	210.1	-
Prepayments and accrued income	105.8	-
Amounts owed by subsidiary undertaking	4.1	-
Amounts owed by group companies	11.8	-
Other debtors	12.6	-
	344.4	-

10 Loans and other borrowings

(a) Analysis by instrument	Note	2002 £m	2001 £m
Loan from parent undertaking	(i)	71.3	-

(i) Loan from parent undertaking

This loan represents a working capital facility provided by Scottish Power UK plc. The principal outstanding, accrued interest and associated costs are repayable on written demand and, in any event, repayable in full on 30 September 2006. Interest is calculated at a rate of 1% above the base rate and is repayable quarterly in arrears. The working capital facility is available up to the limit of £100 million and a commitment fee of 0.25% is charged on the daily uncanceled undrawn amount.

(b) Maturity analysis	2002 £m	2001 £m
Repayments fall due as follows:		
Within one year, or on demand	71.3	-

ScottishPower Energy Retail Limited

Notes to the Balance Sheet

as at 31 March 2002 - continued

11 Other creditors

	2002 £m	2001 £m
Amounts falling due within one year:		
Trade creditors	19.9	-
Corporation tax	4.2	-
Other taxes and social security	53.0	-
Payments received on account	3.0	-
Capital creditors and accruals	3.9	-
Accrued expenses	61.4	-
Amounts due to group undertakings	188.8	-
	334.2	-

12 Provisions for liabilities and charges - Deferred tax

	2002 £m	2001 £m
Accelerated capital allowances	15.4	-
Other timing differences	(1.4)	-
	14.0	-

	Notes	2002 £m	2001 £m
At 1 April		-	-
Transfers	17	14.3	-
Credited to profit and loss account	5	(0.3)	-
At 31 March		14.0	-

13 Provisions for liabilities and charges - Other provisions

	Note	At 1 April 2001 £m	Transfers (Note 17) £m	New provisions (Note 3) £m	Utilised during year £m	At 31 March 2002 £m
Reorganisation and restructuring	(i)	-	0.6	11.0	(1.5)	10.1

(i) The provisions for reorganisation comprise the estimated costs of reorganising the company's business. The provisions are principally in respect of severance and related costs which are expected to be incurred in the financial year 2002/03.

ScottishPower Energy Retail Limited
Notes to the Balance Sheet
as at 31 March 2002 - continued

14 Deferred income

	At 1 April 2001 £m	Transfers (Note 17) £m	Receivable during year £m	Released to profit and loss account £m	At 31 March 2002 £m
Grants and customer contributions	-	0.4	-	(0.1)	0.3

15 Share capital

	2002 £m	2001 £m
Authorised:		
100,000,000 (2001:100) ordinary shares of £1 each	100.0	-
	100.0	-
Allotted, called up and fully paid:		
55,407,000 (2001:2) ordinary shares of £1 each	55.4	-
	55.4	-

On 14 August 2001, the authorised share capital of the company was increased from £100 to £100,000,000 by the creation of 99,999,900 ordinary shares of £1 each, ranking pari passu in all respects with the existing ordinary shares of the company. On 1 October 2001, the company allotted 37,406,998 ordinary shares of £1 each to Scottish Power UK plc. On 19 December 2001, a further 18,000,000 shares were allotted to SP Manweb plc and were transferred to Scottish Power UK plc on the same day. The consideration received of £55.4 million related to net assets of £75.8 million and intercompany debt of £20.4 million as detailed in Note 17.

16 Analysis of movements in shareholders' funds

	Share capital £m	Profit and loss account £m	Total £m
At 1 April 2001	-	-	-
Share capital issued in year	55.4	-	55.4
Retained profit for the year	-	8.9	8.9
Balance at 31 March 2002	55.4	8.9	64.3

ScottishPower Energy Retail Limited**Notes to the Balance Sheet**

as at 31 March 2002 - continued

17 Transfer

On 1 October 2001, as a result and pursuant to the provisions in the Utilities Act 2000, administered by the Department of Trade and Industry (DTI), certain assets and liabilities relating to the Energy Supply businesses of Scottish Power UK plc, the immediate parent company, and Manweb plc, a fellow group company, were transferred to the company.

	Notes	Book value at 1 October 2001 £m
Tangible fixed assets	6	94.1
Investments	7	0.1
Stock		0.1
Debtors		235.6
Short term bank and other deposits		16.9
Creditors: amounts falling due within one year		
- Other creditors		(255.7)
Provisions for liabilities and charges		
- Deferred tax	12	(14.3)
- Other provisions	13	(0.6)
Deferred income	14	(0.4)
Net assets		75.8
Satisfied by:		
Shares allotted		55.4
Group loans issued		20.4
		75.8

In line with provisions of the Utilities Act 2000, all assets and liabilities were transferred at book value.

18 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 £1.4 million and there were no amounts outstanding at the year end.

Full details of the ScottishPower group pension arrangements are disclosed in the 2001/02 Annual Report and Accounts/Form 20-F of Scottish Power plc.

ScottishPower Energy Retail Limited

Notes to the Balance Sheet

as at 31 March 2002 - continued

19 Financial commitments

	2002 £m	2001 £m
Analysis of annual commitments under operating leases		
Leases of land and buildings expiring:		
Between four and five years	0.3	-
	0.3	-
Other operating leases expiring:		
Within one year	0.4	-
Between one and two years	0.4	-
Between two and three years	0.4	-
Between four and five years	1.2	-
	2.4	-

20 Directors' emoluments

The total emoluments of the directors that provided qualifying services to the company from the date of their appointment to 31 March 2002 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.

	2002 £'000	2001 £'000
Basic salary	431	-
Bonuses	63	-
Benefits in kind	34	-
Total	528	-

The aggregate value of £31,327 was paid for all directors as contributions under defined benefit schemes. Three directors have retirement benefits accruing under the ScottishPower group's defined benefit pension scheme.

Two directors exercised share options during the year.

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

	2002 £'000	2001 £'000
Basic salary	280	-
Bonuses	-	-
Benefits in kind	19	-
Total	299	-

The amount of pension benefit accrued for the highest paid director is £82,744 (2001: £nil).

ScottishPower Energy Retail Limited**Notes to the Balance Sheet****as at 31 March 2002 - continued****21 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 parent company publishes full statutory consolidated accounts.

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

	2002	2001
	£m	£m
Trading transactions and balances arising in the normal course of business		
Purchases from related parties	0.2	-

(ii) Related party transactions and balances with Thus plc, a former group company*, are detailed below:

	2002	2001
	£m	£m
Trading transactions and balances arising in the normal course of business		
Sales to related parties	0.2	-
Purchases from related parties	(0.2)	-
Amounts owed to Thus plc	(0.7)	-

* On 19 March 2002, the ScottishPower group demerged Thus plc. The related party sales and purchases represent those transactions between ScottishPower Energy Retail Limited and Thus plc for the period from 20 March to 31 March 2002.

22 Ultimate parent company

ScottishPower Energy Retail Limited is a wholly owned subsidiary of Scottish Power UK plc. The ultimate parent company is Scottish Power plc. 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 Energy Retail Limited

Independent auditors' report to the members of ScottishPower Energy Retail Limited

We have audited the Accounts on pages 5 to 19 which have been prepared under the historical cost convention and the accounting policies set out on pages 5 to 7.

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.

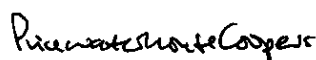
Basis of audit opinion

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.

Opinion

In our opinion the Accounts give a true and fair view of the state of the company's affairs at 31 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Glasgow
1 May 2002