

**ScottishPower NA2 Limited**

**Directors' Report and Accounts**  
**for the Period from**  
**25 November 1998 to 31 March 2000**

Registered No. 191616



*IPM*

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**for the period from 25 November 1998 to 31 March 2000**

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# **ScottishPower NA2 Limited**

## **Report of the Directors**

The directors present their report and audited Accounts for the period from 25 November 1998 (date of incorporation) to 31 March 2000.

### **Results and dividend**

The loss for the period amounted to £44.0m. The directors recommend that no dividend be paid for the period ended 31 March 2000 and that the retained loss for the period be transferred to reserves.

### **Activities and review**

The company was incorporated on 25 November 1998 for the principal activity of holding interests in group entities, details of which are contained in Note 5 of these accounts. There is no anticipated change in the purpose of the company.

The company has net current liabilities of £35.3m at 31 March 2000. The directors consider that sufficient funding will be made available to the company by its parent company to continue operations and to meet liabilities as they fall due for the foreseeable future.

### **Directors and their interests**

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

Sheelagh Duffield (Appointed 23 July 1999)  
Andrew Mitchell (Appointed 25 November 1998)  
David Nish (Appointed 25 November 1998)  
Ian Russell (Appointed 1 December 1998)  
James Stanley (Appointed 1 December 1998)

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

In the period between 31 March 2000 and 3 May 2000, Sheelagh Duffield resigned as Director of the Company on 25 April 2000.

The interests of the directors, other than those who are also directors of Scottish Power plc, in the shares of Scottish Power plc, at 31 March 2000 and 25 November 1998, or date of appointment if later, were as follows:

	Ordinary Shares		Share Options						
			Executive Scheme		Sharesave Scheme		Long Term Incentive Plan		
	31.3.00	25.11.98	31.3.00	25.11.98	31.3.00	25.11.98		31.3.00	25.11.98
							Vested	* Potential	* Potential
Sheelagh Duffield	-	-	-	-	2,215	2,215	-	12,060	12,060
Andrew Mitchell	3,223	1,000	-	-	3,986	4,855	8,212	27,819	30,754
James Stanley	3,805	-	-	-	2,258	-	9,661	32,472	35,591
<b>Sharesave Scheme</b>									
	25.11.98	Granted	Exercised	31.3.00					
Andrew Mitchell	- 4,855	1,354	2,223	3,986					
James Stanley	-	2,258	-	2,258					
<b>Long Term Incentive Plan</b>									
	25.11.98	Granted	Exercised	Lapsed	31.3.00				
Andrew Mitchell	30,754	8,798	-	3,521	36,031				
James Stanley	35,591	10,684	-	4,142	42,133				

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

The interests of the directors, who are also directors of Scottish Power plc, are disclosed in the Annual Report and Accounts / Form 20-F of Scottish Power plc.

### **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.

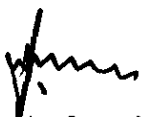
The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the Accounts for the period ended 31 March 2000. The directors also confirm that applicable accounting standards 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**

On 1 December 1998 PricewaterhouseCoopers were appointed by the directors as the company's auditors. PricewaterhouseCoopers have expressed their willingness to continue in office and a resolution to reappoint PricewaterhouseCoopers as the company's auditors will be proposed at the Annual General Meeting.

### **By order of the Board**



**Andrew Mitchell**  
Secretary  
3 May 2000

## **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 company holds a 90% investment in NA General Partnership ('NAGP'), a partnership registered in the State of Nevada, USA. The additional 10% investment in NAGP is held by ScottishPower NA1 Limited, a company also registered in Scotland and ultimately owned by Scottish Power plc.

Under the terms of the Partnership agreement there are no restrictions on the distribution of NAGP's profit or net assets to NA1 or NA2 and therefore the company accounts for its interest in NAGP using the proportional consolidation method.

### **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 is reflected in the profit and loss account as it arises. Cross-currency interest rate swaps, combined with forward currency contracts, are used to manage interest rate and exchange rate exposures on the loans from Scottish Power plc. Amounts receivable under the swaps are set against amounts payable under the loans, while amounts payable are recorded as interest expense in the profit and loss account.

### **Investments**

Investments held as fixed assets are valued at cost less any provision for impairment in value. Investments held as current assets are valued at the lower of cost and net realisable value.

### **Taxation**

The credit for ordinary taxation is based on the losses for the year and takes into account deferred taxation, using the liability method, in respect of timing differences to the extent that it is probable that a liability will crystallise in the foreseeable future. Such timing differences arise primarily from the differing treatment for taxation and accounting purposes of provisions and depreciation of fixed assets.

**Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. At the period end, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date or, where applicable, at the contracted rate. Any gain or loss arising on the restatement of such balances is taken to the profit and loss account.

## ScottishPower NA2 Limited

### Profit and Loss Account for the period ended 31 March 2000

	Notes	2000 £m
Interest payable and similiar charges	3	(62.8)
Loss on ordinary activities before taxation		(62.8)
Taxation	4	18.8
<b>Loss for the financial period</b>	<b>10</b>	<b>(44.0)</b>

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

The Accounting Policies on pages 5 to 6, together with the Notes on pages 9 to 11, form part of these Accounts.



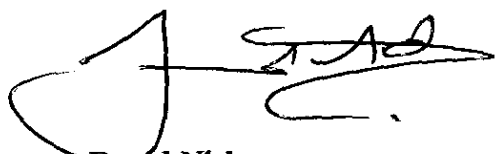
# ScottishPower NA2 Limited

## Balance Sheet as at 31 March 2000

	Notes	2000 £m
<b>Fixed assets</b>		
Investment	5	3,660.0
<b>Current assets</b>		
Current asset investments	6	9.0
Debtors	7	18.8
		27.8
<b>Creditors: amounts falling due within one year</b>		
Other creditors	8	(63.1)
<b>Net current liabilities</b>		(35.3)
<b>Creditors: amounts falling due after more than one year</b>		
Amounts owed to parent undertaking	8	(2,744.7)
<b>Net assets</b>		880.0
<b>Called up share capital</b>	9,10	924.0
<b>Profit and loss account</b>	10	(44.0)
<b>Equity shareholders' funds</b>	10	880.0

The Accounting Policies on pages 5 to 6, together with the Notes on pages 9 to 11, form part of the Accounts.

Approved by the Board on 3 May 2000 and signed on its behalf by



David Nish  
Director

## ScottishPower NA2 Limited

### Notes to the Accounts

for the period ended 31 March 2000

#### 1 Employee information

None of the directors received any remuneration in respect of their services to the company.  
The company has no employees.

#### 2 Audit fees

Audit fees are paid on behalf of the company by the ultimate parent company, Scottish Power plc.

#### 3 Interest payable and similiar charges

	2000 £m
Interest payable on the loan from Scottish Power plc to NAGP	62.7
Curreny translation differences	0.1
	<u>62.8</u>

#### 4 Taxation

	2000 £m
Taxation credit based on the loss for the period is made up as follows:	
Group relief	<u>18.8</u>

#### 5 Fixed asset investment

	£m
At 25 November 1998	-
Additions in period	<u>3,660.0</u>
At 31 March 2000	<u>3,660.0</u>

The fixed asset investment represents the company's 90% equity interest in PacifiCorp which is held through NA General Partnership ('NAGP'), a partnership registered in the state of Nevada, USA. ScottishPower NA2 Limited owns 90% of NAGP, the remaining 10% is owned by ScottishPower NA1 Limited.

#### 6 Current asset investments

	2000 £m
Listed investments	<u>9.0</u>
Market value thereof	<u>9.0</u>

#### 7 Debtors

	2000 £m
Group relief	<u>18.8</u>

## 8 Creditors

	2000 £m
<b>Creditors: amounts falling due within one year</b>	
Amounts owed to parent undertaking	63.1
	<b>63.1</b>
<b>Creditors: amounts falling due after more than one year</b>	
Amounts owed to parent undertaking	2,744.7

The amounts owed to the parent undertaking, Scottish Power plc, due after more than one year are split between two maturities: a \$4 billion fixed rate loan at 7.30% due in 2009 and two \$448 million floating rate loans due in 2014. These have been swapped into fixed rate sterling (£2,242 million) at 6.82% and floating rate sterling (£502 million) respectively.

## 9 Share capital

	2000 £m
<b>Authorised:</b>	
1,500,000,000 ordinary shares of £1 each	<b>1,500.0</b>
<b>Allotted, called up and fully paid:</b>	
923,974,764 ordinary shares of £1 each	<b>924.0</b>

## 10 Reconciliation of movements in shareholders' funds

	Share capital £m	Profit and loss account £m	Total £m
<b>At 25 November 1998</b>	-	-	-
Share capital issued	924.0	-	924.0
Loss for period	-	(44.0)	(44.0)
<b>At 31 March 2000</b>	<b>924.0</b>	<b>(44.0)</b>	<b>880.0</b>

## **11 Related party transactions**

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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.

## **12 Ultimate parent company**

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The directors regard Scottish Power plc, a company registered in Scotland, as the ultimate parent company and the ultimate controlling party. Copies of the ultimate parent's consolidated accounts may be obtained from The Secretary, Scottish Power plc, 1 Atlantic Quay, Glasgow, G2 8SP.

# ScottishPower NA2 Limited

## Report of the Auditors

to the members of ScottishPower NA2 Limited

We have audited the Accounts on pages 5 to 11 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 are responsible for preparing the Directors' Report and Accounts. As described on page 4, this includes responsibility for preparing the Accounts, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the Accounts give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Accounts.

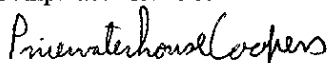
### Basis of audit opinion

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 2000 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers**

Chartered Accountants and Registered Auditors

Glasgow

3 May 2000