

ScottishPower Energy Retail Limited

**Directors' Report and Accounts
for the year ended 31 March 2003**

Registered No. SC190287



ScottishPower Energy Retail Limited

Directors' Report and Accounts for the year ended 31 March 2003

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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 2003.

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.

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 SP Manweb plc, a fellow group company, were transferred to the company on 1 October 2001 at net book value.

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 3.65 million. We remain committed to improving our customer service and to growing our customer base.

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 £45.3 million (2002: £8.9 million). The directors recommend that a dividend of £51.8 million be paid for the year ended 31 March 2003 (2002: £nil), and the retained loss for the year be transferred to reserves.

Directors and their interests

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

Charles Berry
Willie MacDiarmid
David Wark

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 the ultimate parent company) in the shares of Scottish Power plc, at the beginning and end of the year, were as follows:

	At 1 April 2002	Granted/ appropriated/ other net movement	Exercised	Lapsed	Vested	At 31 March 2003
Willie MacDiarmid						
Ordinary Shares (*)	4,178	(1,492)	-	-	-	2,686
ESOP Free & Matching Shares (#)	438	411	-	-	-	849
Deferred Share Plan (†)	1,753	5,947	-	-	-	7,700
Executive Scheme	30,020	59,113	-	-	-	89,133
Sharesave Scheme	4,193	-	-	-	-	4,193
LTIP – Potential (**)	39,048	23,645	-	(8,379)	-	54,314
LTIP – Vested	1,719	-	-	-	-	1,719

ScottishPower Energy Retail Limited

Report of the Directors – continued

Directors and their interests - continued

	At 1 April 2002	Granted/ appropriated/ other net movement	Exercised	Lapsed	Vested	At 31 March 2003
David Wark						
Ordinary Shares (*)	421	513	-	-	-	934
ESOP Free & Matching Shares (#)	438	411	-	-	-	849
Deferred Share Plan (†)	995	2,418	-	-	-	3,413
Executive Scheme	12,089	23,793	-	-	-	35,882
Sharesave Scheme	2,258	5,123	-	(2,258)	-	5,123
LTIP – Potential (**)	12,569	9,517	-	-	-	22,086

(*) 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 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 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 for the year ended 31 March 2003 of Scottish Power plc.

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.

ScottishPower Energy Retail Limited

Report of the Directors - continued

Employees - continued

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 2002/03 Annual Report & Accounts 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 2003 were 14 days (2002: 16 days).

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 2003. 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.

ScottishPower Energy Retail Limited

Report of the Directors - continued

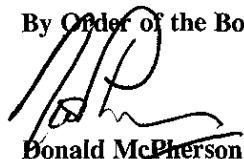
Auditors

Following the conversion of the company's auditors, PricewaterhouseCoopers, to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 21 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as 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
7 May 2003

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, the costs of support services and the costs of centralised services provided by Scottish Power UK plc.

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.

Taxation

In accordance with Financial Reporting Standard 19 'Deferred Tax', full provision is made for deferred tax on a non-discounted basis.

ScottishPower Energy Retail Limited

Accounting Policies and Definitions - continued

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 and machinery	4 - 30
Computer equipment	3 - 7
Equipment	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.

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 2002/03 Annual Report and Accounts 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 2003

	Notes	2003 £m	Before exceptional item 2002 £m	Exceptional item (Note 3) 2002 £m	Total 2002 £m
Turnover		1,674.6	949.9	-	949.9
Cost of sales		(1,361.2)	(790.7)	-	(790.7)
Gross profit		313.4	159.2	-	159.2
Distribution costs		(117.6)	(40.3)	(4.1)	(44.4)
Administrative and selling expenses		(135.4)	(96.4)	(6.9)	(103.3)
Other operating income		6.8	2.2	-	2.2
Operating profit	1	67.2	24.7	(11.0)	13.7
Net interest charge	4	(2.1)	(0.9)	-	(0.9)
Profit on ordinary activities before taxation		65.1	23.8	(11.0)	12.8
Taxation	5	(19.8)	(7.2)	3.3	(3.9)
Profit after taxation		45.3	16.6	(7.7)	8.9
Dividends	6	(51.8)	-	-	-
(Loss)/profit retained for the year	17	(6.5)	16.6	(7.7)	8.9

The above results relate to continuing operations.

On 1 October 2001, certain assets and liabilities relating to the Energy Supply businesses of Scottish Power UK plc and of Manweb plc (subsequently renamed "SP Manweb plc") were transferred to the company. The profit retained for the year ended 31 March 2002 therefore represented results for the period from 1 October 2001 to 31 March 2002.

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 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 2003

	2003 £m	2002 £m
Profit for the financial year	45.3	8.9
Dividends	(51.8)	-
(Loss)/profit retained	(6.5)	8.9
Share capital issued	-	55.4
Net movement in shareholders' funds	(6.5)	64.3
Opening shareholders' funds	64.3	-
Closing shareholders' funds	57.8	64.3

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 2003

	Notes	2003 £m	2002 £m
Fixed assets			
Tangible assets	7	98.0	114.8
Investments	8	0.1	0.1
		98.1	114.9
Current assets			
Stocks	9	-	0.2
Debtors	10	359.8	344.4
Short-term bank and other deposits		-	34.7
		359.8	379.3
Creditors: amounts falling due within one year			
Loans and other borrowings	11	(10.4)	(71.3)
Other creditors	12	(376.7)	(334.2)
		(387.1)	(405.5)
Net current liabilities		(27.3)	(26.2)
Total assets less current liabilities		70.8	88.7
Provisions for liabilities and charges			
-Deferred tax	13	(11.3)	(14.0)
-Other provisions	14	(1.5)	(10.1)
		(12.8)	(24.1)
Deferred income	15	(0.2)	(0.3)
Net assets		57.8	64.3
Equity shareholders' funds			
Called up share capital	16,17	55.4	55.4
Profit and loss account	17	2.4	8.9
	17	57.8	64.3

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 7 May 2003 and signed on its behalf by



Willie MacDiarmid
Director

ScottishPower Energy Retail Limited

Notes to the Accounts for the year ended 31 March 2003

1 Operating profit

	2003 £m	2002 £m
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets	21.8	8.6
Release of customer contributions/grants	(0.1)	(0.1)
Loss on disposal of fixed assets	0.1	-
Rental receivable under operating leases of land and buildings	(1.8)	(0.2)
Hire of other assets - operating leases	2.4	1.2
Hire of land and buildings - operating leases	0.3	0.1
Auditors' remuneration for audit of company	0.2	0.1
Auditors' remuneration for non-audit services	0.3	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, which was paid to PricewaterhouseCoopers Consulting in the period prior to its disposal by PricewaterhouseCoopers on 2 October 2002.

2 Employee information

	2003 £m	2002 £m
(a) Employee costs		
Wages and salaries	42.5	22.3
Social security costs	3.0	1.5
Other pension costs	5.3	1.4
Total employee costs	50.8	25.2
Less: charged as capital expenditure	(0.4)	(0.3)
Charged to the profit and loss account	50.4	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	Period Average
	2003	2002	2003	2002
Customer services	1,303	1,585	1,355	1,558
Administration	902	781	826	767
Total	2,205	2,366	2,181	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	Period Average
	2003	2002	2003	2002
Customer services	1,172	1,461	1,247	1,424
Administration	852	719	780	702
Total	2,024	2,180	2,027	2,126

Employee information for the year ended 31 March 2002 shown above related to the period from 1 October 2001 to 31 March 2002.

ScottishPower Energy Retail Limited

Notes to the Accounts

for the year ended 31 March 2003 - continued

2 Employee information - continued

(c) Directors' emoluments

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

3 Exceptional item

	Note	2003 £m	2002 £m
Distribution costs		-	4.1
Administrative and selling expenses		-	6.9
Total reorganisation costs		-	11.0
Tax on exceptional item	5	-	(3.3)
		-	7.7

An exceptional charge of £11.0 million was incurred in the year ended 31 March 2002 and primarily represented severance and related costs associated with the announced company reorganisation. The reorganisation was deemed necessary after completing a thorough review of business activities and processes.

4 Net interest charge

	2003 £m	2002 £m
Analysis of net interest charge		
Interest payable on group loans	2.1	0.9

5 Tax on profit on ordinary activities

	Note	2003 £m	Before exceptional item 2002 £m	Exceptional item 2002 £m	Total 2002 £m
Current tax:					
UK corporation tax charge/(credit)		22.5	7.5	(3.3)	4.2
Deferred tax:					
Origination and reversal of timing differences	13	(2.7)	(0.3)	-	(0.3)
Tax on profit on ordinary activities		19.8	7.2	(3.3)	3.9

Factors affecting tax charge for year

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

	2003 £m	2002 £m
UK corporation tax at 30% on profits for the year	19.5	3.8
Permanent and other differences	0.3	0.1
Tax charge on ordinary activities	19.8	3.9
Effect of deferred tax	2.7	0.3
Current tax charge for the year	22.5	4.2

ScottishPower Energy Retail Limited

Notes to the Accounts

for the year ended 31 March 2003 - continued

6 Dividends

	2003 £m	2002 £m
Final dividend	51.8	-

7 Tangible fixed assets

	Land and buildings £m	Plant and machinery £m	Computer equipment £m	Equipment £m	Total £m
Cost:					
At 1 April 2002	30.7	21.2	133.8	16.5	202.2
Additions	0.5	0.3	3.3	1.1	5.2
Disposals	(0.5)	-	(0.3)	(0.4)	(1.2)
At 31 March 2003	30.7	21.5	136.8	17.2	206.2
Depreciation:					
At 1 April 2002	13.4	10.1	51.8	12.1	87.4
Charge for the year	1.0	1.3	17.8	1.7	21.8
Disposals	(0.4)	-	(0.2)	(0.4)	(1.0)
At 31 March 2003	14.0	11.4	69.4	13.4	108.2
Net book value:					
At 31 March 2003	16.7	10.1	67.4	3.8	98.0
At 31 March 2002	17.3	11.1	82.0	4.4	114.8

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 (2002: £23.4 million) and £10.2 million (2002: £9.7 million) respectively.

8 Fixed asset investments

	Note	Subsidiary undertaking Shares £m
(a) Cost:		
At 1 April 2002 and 31 March 2003	(b)	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 N.E.S.T. Makers Limited is £22,500 (2002: £22,500).

ScottishPower Energy Retail Limited

Notes to the Accounts

for the year ended 31 March 2003 - continued

9 Stocks

	2003 £m	2002 £m
Finished goods and goods for resale	-	0.2

10 Debtors

	Note	2003 £m	2002 £m
Amounts falling due within one year:			
Trade debtors		223.0	210.1
Prepayments and accrued income		114.7	105.8
Loan to parent undertaking	(i)	3.2	-
Amounts owed by subsidiary undertakings		1.5	4.1
Amounts owed by group undertakings		10.4	11.8
Other debtors		7.0	12.6
		359.8	344.4

(i) Interest on the loan to parent undertaking is calculated at a rate of 1% above the base rate and is receivable quarterly in arrears.

11 Loans and other borrowings

	Note	2003 £m	2002 £m
(a) Analysis by instrument			
Loan from parent undertaking	(i)	-	71.3
Bank overdraft		10.4	-
		10.4	71.3

(i) Loan from parent undertaking

The balance represented a working capital facility provided by Scottish Power UK plc. The working capital, outstanding accrued interest and associated costs are repayable in full on 30 September 2006. Interest is calculated at a rate of 1 percent 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 percent is charged on the daily uncanceled undrawn amount.

	2003 £m	2002 £m
(b) Maturity analysis		
Repayments fall due as follows:		
Within one year or on demand	10.4	71.3

ScottishPower Energy Retail Limited

Notes to the Accounts

for the year ended 31 March 2003 - continued

12 Other creditors

	2003 £m	2002 £m
Amounts falling due within one year:		
Trade creditors	2.5	19.9
Corporation tax	21.6	4.2
Other taxes and social security	50.5	53.0
Payments received on account	4.8	3.0
Capital creditors and accruals	3.5	3.9
Accrued expenses	68.1	61.4
Proposed dividend	51.8	-
Amounts due to group undertakings	173.9	188.8
	376.7	334.2

13 Provisions for liabilities and charges - Deferred tax

	2003 £m	2002 £m
Accelerated capital allowances	12.2	15.4
Other timing differences	(0.9)	(1.4)
	11.3	14.0
	Note	2003 £m
At 1 April 2002		14.0
Credited to profit and loss account	5	(2.7)
At 31 March 2003		11.3

14 Provisions for liabilities and charges - Other provisions

	Note	At 1 April 2002 £m	Released to profit and loss account £m	Utilised during year £m	At 31 March 2003 £m
Reorganisation and restructuring	(i)	10.1	(3.0)	(5.6)	1.5

(i) The provision for reorganisation and restructuring comprises the estimated costs of reorganising the ScottishPower Energy Retail Limited business. The provision is principally in respect of severance and related costs, the remaining balance of which is expected to be incurred in the financial year 2003/04.

ScottishPower Energy Retail Limited

Notes to the Accounts for the year ended 31 March 2003 - continued

15 Deferred income

	At 1 April 2002 £m	Released to profit and loss account £m	At 31 March 2003 £m
Grants and customer contributions	0.3	(0.1)	0.2

16 Share capital

	2003 £m	2002 £m
Authorised:		
100,000,000 (2002: 100,000,000) ordinary shares of £1 each	100.0	100.0
Allotted, called up and fully paid:		
55,407,000 (2002: 55,407,000) ordinary shares of £1 each	55.4	55.4

17 Analysis of movements in shareholders' funds

	Share capital £m	Profit and loss account £m	Total £m
At 1 April 2002	55.4	8.9	64.3
Retained loss for the year	-	(6.5)	(6.5)
Balance at 31 March 2003	55.4	2.4	57.8

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 £5.3 million (2002: £1.4 million) of which £nil (2002: £nil) were outstanding or prepaid at the year end.

Full details of the ScottishPower group arrangements are given in the 2002/03 Annual Report and Accounts of Scottish Power plc.

ScottishPower Energy Retail Limited

Notes to the Accounts

for the year ended 31 March 2003 - continued

19 Financial commitments

	2003 £m	2002 £m
(a) Analysis of annual commitments under operating leases		
Leases of land and buildings expiring:		
Between four and five years	0.3	0.3
	0.3	0.3
Other operating leases expiring:		
Within one year	0.4	0.4
Between one and two years	0.4	0.4
Between two and three years	0.4	0.4
Between four and five years	1.2	1.2
	2.4	2.4
	2003	2002
	£m	£m
(b) Capital commitments		
Contracted but not provided	0.7	-
(c) Other contractual commitments		
(i) Under contractual arrangements, the company has the following purchase commitments primarily relating to energy purchases at 31 March 2003:		
	2003 £m	2002 £m
Within one year	45.9	52.9
Between one and two years	51.1	61.1
Between two and three years	54.6	64.3
Between three and four years	58.8	67.5
Between four and five years	60.3	69.2
After five years	369.9	294.6
	640.6	609.6
(ii) In order to comply with Government Energy Efficiency Commitments, the company is required to undertake projects to deliver energy savings of approximately 4,500 GWh between April 2002 and March 2005. As at 31 March 2003, the company had the following project commitments:		
	2003 £m	2002 £m
Within one year	14.3	-
Between one and two years	8.3	-
Between two and three years	1.2	-
	23.8	-

ScottishPower Energy Retail Limited

Notes to the Accounts

for the year ended 31 March 2003 - continued

20 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.

	2003 £'000	2002 £'000
Executive directors		
Basic salary	556.6	431.0
Bonuses	335.9	63.2
Benefits in kind	51.8	34.3
Total	944.3	528.5

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 (2002: two) exercised options over Scottish Power plc shares in the year.

One director (2002: one) received shares during the year under the Long Term Incentive Plan.

Three directors (2002: three) have retirement benefits accruing under defined benefit pension.

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

	2003 £'000	2002 £'000
Highest paid director		
Basic salary	300.0	280.0
Bonuses	225.0	-
Benefits in kind	25.8	19.2
Total	550.8	299.2

During the year the highest paid director exercised no share options (2002: nil) over Scottish Power plc shares.

The highest paid director received shares during the year under the Long Term Incentive Plan in 2002.

The amount of pension benefit accrued for the highest paid director is £97,175 (2002: £82,744).

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

	2003 £m	2002 £m
Trading transactions arising in the normal course of business		
Purchases from related parties	1.6	0.2

ScottishPower Energy Retail Limited

Notes to the Accounts

for the year ended 31 March 2003 - continued

21 Related party transactions - continued

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

	2003 £m	2002 £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

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.

Independent Auditors' Report

to the members of ScottishPower Energy Retail Limited

We have audited the Accounts as set out 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 2003 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

7 May 2003