

SP Dataserve Limited

**Directors' Report and Accounts
for the year ended 31 March 2004**

Registered No. SC215842



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SP Dataserve Limited

Directors' Report and Accounts for the year ended 31 March 2004

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SP Dataserve Limited

Report of the Directors

The directors present their report and audited Accounts for the year ended 31 March 2004.

Activities and review

The principal activities of the company are data collection, data aggregation, meter operations and the provision of registration and settlement services.

The key aims during the current financial year have been to retain the company's market share of metering in-area fieldwork, to enhance the registration and settlements processes and to provide a stable platform for growth in the fully competitive half-hourly market.

SP Dataserve Limited continues to achieve significant improvements in terms of operational performance. The directors consider that the company has a solid base from which to grow in the future.

Results and dividend

The profit of the company for the year amounted to £5.7 million (2003: £4.9 million). The directors recommend that a dividend of £5.9 million be paid in respect of the year ended 31 March 2004 (2003: £7.0 million), and that the retained loss 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 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:

	At 1 April 2003	Granted/ appropriated/ other net movement	Exercised	Lapsed	Vested	At 31 March 2004
Willie MacDiarmid						
Shares						
Ordinary Shares (*)	2,686	727	-	-	-	3,413
ESOP Free & Matching Shares (#)	849	411	-	-	-	1,260
Deferred Share Plan (†)	7,700	-	-	-	-	7,700
LTIP – Potential (**)	54,314	27,906	-	(5,946)	(5,304)	70,970
LTIP – Vested	1,719	-	-	-	5,304	7,023
Options						
Executive Scheme	89,133	46,511	-	-	-	135,644
Sharesave Scheme	4,193	1,058	-	(784)	-	4,467

SP Dataserve Limited

Report of the Directors - continued

Directors and their interests - continued

David Wark	At 1 April 2003	Granted/ appropriated/ other net movement	Exercised	Lapsed	Vested	At 31 March 2004
Shares						
Ordinary Shares (*)	934	542	-	-	-	1,476
ESOP Free & Matching Shares (#)	849	411	-	-	-	1,260
Deferred Share Plan (†)	3,413	-	-	-	-	3,413
LTIP – Potential (**)	22,086	10,695	-	(2,531)	(2,257)	27,993
LTIP – Vested	-	-	-	-	2,257	2,257
Options						
Executive Scheme	35,882	17,914	-	-	-	53,796
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 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 2004 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, development and 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.

SP Dataserve 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 Annual Report & Accounts for the year ended 31 March 2004 of Scottish Power plc, the ultimate parent company of SP Dataserve 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 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 2004 were 47 days (2003: 47 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 2004. 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.

SP Dataserve Limited

Report of the Directors - continued

Auditors

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

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

By Order of the Board

A handwritten signature in black ink, appearing to read 'DMcPherson', written over a horizontal line.

Donald McPherson

Secretary

30 September 2004

SP Dataserve Limited

Accounting Policies and Definitions

Definitions

Turnover

Turnover comprises the sales value of data collection, data aggregation, meter operation and registration/settlement services supplied to customers and suppliers during the year and excludes Value Added Tax. Income from data collection and data aggregation is based upon commercial market rate contracts. Income from meter operation represents an annual charge for refurbishment, maintenance and installation of meters held by SP Power Systems Limited, a fellow subsidiary undertaking.

Cost of sales

The cost of sales for the company reflect the direct labour, material and other external charges incurred in the collection and aggregation of data and physical testing and exchanging of meters.

Administrative expenses

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

Accounting Policies

Basis of accounting

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

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 on an accruals basis as it arises.

Taxation

Where required and in accordance with Financial Reporting Standard 19 'Deferred Tax', full provision for deferred tax is made 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. Land is not depreciated. The main depreciation periods used by the company are as set out below.

	Years
Buildings	40
Plant and machinery	10
Vehicles and computer equipment	5

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.

SP Dataserve Limited

Accounting Policies and Definitions – continued

Leased assets

As lessee:

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

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.

Deferred income

Prepaid meter maintenance charges are released to the profit and loss account on a straight-line basis over the period covered by the payment.

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 and Accounts for the year ended 31 March 2004 of Scottish Power plc, the ultimate parent company of SP Dataserve Limited.

SP Dataserve Limited

Profit and Loss Account for the year ended 31 March 2004

	Notes	2004 £m	2003 £m
Turnover		67.2	67.8
Cost of sales		(40.6)	(40.9)
Gross profit		26.6	26.9
Administrative expenses		(19.5)	(20.2)
Other operating income		0.6	-
Operating profit	1	7.7	6.7
Net interest receivable	3	0.6	0.3
Profit on ordinary activities before taxation		8.3	7.0
Taxation	4	(2.6)	(2.1)
Profit after taxation		5.7	4.9
Dividends	5	(5.9)	(7.0)
Loss retained	13	(0.2)	(2.1)

The above results relate to continuing operations.

A statement of total recognised gains and losses and a reconciliation to historical cost profit and losses are not shown as all gains and losses for both periods 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 16 form part of these Accounts.

SP Dataserve Limited

Reconciliation of Movements in Shareholders' Funds for the year ended 31 March 2004

	2004 £m	2003 £m
Profit for the financial year	5.7	4.9
Dividends	(5.9)	(7.0)
Loss retained	(0.2)	(2.1)
Net movement in shareholders' funds	(0.2)	(2.1)
Opening shareholders' funds	18.0	20.1
Closing shareholders' funds	17.8	18.0

The Accounting Policies and Definitions on pages 5 and 6, together with the Notes on pages 10 to 16 form part of these Accounts.

SP Dataserve Limited

Balance Sheet as at 31 March 2004

	Notes	2004 £m	2003 £m
Fixed assets			
Tangible assets	6	23.5	31.9
Current assets			
Debtors	7	23.0	18.9
Short-term bank and other deposits		-	0.4
		23.0	19.3
Creditors: amounts falling due within one year			
Other creditors	8	(24.5)	(24.5)
		(24.5)	(24.5)
Net current liabilities		(1.5)	(5.2)
Total assets less current liabilities		22.0	26.7
Provisions for liabilities and charges			
-Deferred tax	9	(2.6)	(5.7)
-Other provisions	10	-	(1.6)
		(2.6)	(7.3)
Deferred income	11	(1.6)	(1.4)
Net assets		17.8	18.0
Called up share capital	12, 13	17.6	17.6
Profit and loss account	13	0.2	0.4
Equity shareholders' funds	13	17.8	18.0

The Accounting Policies and Definitions on pages 5 and 6, together with the Notes on pages 10 to 16 form part of these Accounts.

Approved by the Board on 30 September 2004 and signed on its behalf by



Willie MacDiarmid
Director

SP Dataserve Limited

Notes to the Accounts for the year ended 31 March 2004

1 Operating profit

	2004	2003
	£m	£m
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets	12.7	11.0
Release of deferred income	(1.5)	(1.5)
Hire of other assets - operating leases	1.2	1.2
Loss on disposal of fixed assets	-	0.4

Auditors' remuneration for the year ended 31 March 2004, of £40,480 (2003: £39,633), represents an apportionment of the overall group audit fee in respect of Scottish Power plc.

2 Employee information

		2004	2003
	Note	£m	£m
(a) Employee costs			
Wages and salaries		18.6	18.7
Social security costs		1.2	1.0
Other pension costs	14	2.1	2.0
Total employee costs charged to the profit and loss account		21.9	21.7

(b) Employee numbers

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

	At 31 March		Average	
	2004	2003	2004	2003
Registrations and Settlements	232	266	219	252
Operations and Asset Management	891	861	906	879
Other	58	75	50	84
Total	1,181	1,202	1,175	1,215

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

	At 31 March		Average	
	2004	2003	2004	2003
Registrations and Settlements	221	256	210	242
Operations and Asset Management	765	708	771	742
Other	57	84	49	87
Total	1,043	1,048	1,030	1,071

(c) Directors' emoluments

Details of the directors' emoluments are set out in Note 15.

SP Dataserve Limited

Notes to the Accounts for the year ended 31 March 2004 - continued

3 Net interest receivable

	2004	2003
	£m	£m
Analysis of net interest		
Interest receivable from group companies	0.6	0.3

4 Tax on profit on ordinary activities

	Note	2004	2003
		£m	£m
Current tax:			
UK corporation tax charge on profits for the year		5.7	4.0
Deferred tax:			
Origination and reversal of timing differences	9	(3.1)	(1.9)
Tax on profit on ordinary activities		2.6	2.1

Factors affecting tax charge for the year

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

	2004	2003
	£m	£m
UK corporation tax at 30% on profit for the year	2.5	2.1
Permanent differences	0.1	-
Tax charge on ordinary activities	2.6	2.1
Effect of deferred tax	3.1	1.9
Current tax charge for the year	5.7	4.0

5 Dividends

	2004	2003
	£m	£m
Final dividend	5.9	7.0

SP Dataserve Limited

Notes to the Accounts for the year ended 31 March 2004 - continued

6 Tangible fixed assets

	Freehold land and buildings £m	Plant and machinery £m	Vehicles and computer equipment £m	Total £m
Cost:				
At 1 April 2003	0.7	4.1	74.6	79.4
Additions	-	1.1	3.2	4.3
At 31 March 2004	0.7	5.2	77.8	83.7
Depreciation:				
At 1 April 2003	0.1	1.4	46.0	47.5
Charge for the year	-	0.5	12.2	12.7
At 31 March 2004	0.1	1.9	58.2	60.2
Net book value:				
At 31 March 2004	0.6	3.3	19.6	23.5
At 31 March 2003	0.6	2.7	28.6	31.9

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

7 Debtors

	Note	2004 £m	2003 £m
Trade debtors		2.6	0.5
Amounts owed by group undertakings		6.8	7.1
Loan to parent undertaking	(i)	13.2	11.0
Other debtors		0.4	0.3
		23.0	18.9

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

8 Other creditors

	2004 £m	2003 £m
Amounts falling due within one year:		
Trade creditors	2.6	6.2
Corporation tax	5.2	3.8
Capital creditors and accruals	1.1	0.3
Accrued expenses	6.3	3.7
Proposed dividend	5.9	7.0
Amounts due to group undertakings	3.4	3.5
	24.5	24.5

SP Dataserve Limited

Notes to the Accounts for the year ended 31 March 2004 - continued

9 Provisions for liabilities and charges - Deferred tax

Deferred taxation provided in the Accounts is as follows:

	2004 £m	2003 £m
Accelerated capital allowances	2.6	5.7
Total	2.6	5.7

	Note	2004 £m
At 1 April 2003		5.7
Credited to profit and loss account	4	(3.1)
As at 31 March 2004		2.6

10 Provisions for liabilities and charges - Other provisions

	Note	At 1 April 2003 £m	Released to profit and loss account £m	Utilised during the year £m	At 31 March 2004 £m
Reorganisation and restructuring	(i)	1.6	(1.0)	(0.6)	-
		1.6	(1.0)	(0.6)	-

(i) The provision for reorganisation and restructuring represented voluntary selective severance costs associated with the operational restructure and business review.

11 Deferred income

	At 1 April 2003 £m	Receivable during year £m	Released to profit and loss account £m	At 31 March 2004 £m
Prepaid meter maintenance charges	1.4	1.7	(1.5)	1.6

SP Dataserve Limited

Notes to the Accounts for the year ended 31 March 2004 - continued

12 Share capital

	2004 £m	2003 £m
Authorised:		
100,000,000 (2003: 100,000,000) ordinary shares of £1 each	100.0	100.0
Allotted, called up and fully paid:		
17,608,000 (2003: 17,608,000) ordinary shares of £1 each	17.6	17.6

13 Analysis of movements in shareholders' funds

	Share capital £m	Profit and loss account £m	Total £m
At 1 April 2003	17.6	0.4	18.0
Retained loss for the year	-	(0.2)	(0.2)
As at 31 March 2004	17.6	0.2	17.8

14 Pensions

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

SP Dataserve 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.

SP Dataserve Limited's contributions payable during the year were £2.1 million (2003: £2.0 million), and there were no amounts (2003: £nil) outstanding at the year end.

Full details of the ScottishPower group pension arrangements are disclosed in the Annual Report and Accounts of Scottish Power plc for the year ended 31 March 2004.

SP Dataserve Limited

Notes to the Accounts for the year ended 31 March 2004 - continued

15 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.

	2004 £'000	2003 £'000
Basic salary	590.6	556.6
Bonuses	398.0	335.9
Benefits in kind	55.7	51.8
Total	1,044.3	944.3

The above emoluments in respect of all directors were paid by other companies within the Scottish Power plc group. Consequently, these amounts are not included within 'Employee costs' in note 2(a).

No directors (2003: nil) exercised options over Scottish Power plc shares in the year.

Three directors (2003: one) received shares during the year under the Long Term Incentive Plan.

Three directors (2003: three) have retirement benefits accruing under defined benefit pension schemes.

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

	2004 £'000	2003 £'000
Highest paid director		
Basic salary	315.0	300.0
Bonuses	212.6	225.0
Benefits in kind	27.4	25.8
Total	555.0	550.8

During the year the highest paid director exercised no share options over Scottish Power plc shares (2003: nil).

The highest paid director received shares during the year under the Long Term Incentive Plan in both 2004 and 2003.

The amount of pension benefit accrued for the highest paid director is £111,004 (2003: £97,175).

SP Dataserve Limited

Notes to the Accounts for the year ended 31 March 2004 - continued

16 Financial commitments

At 31 March 2004 the company had annual commitments under non-cancellable operating leases for assets other than land and buildings expiring as follows:

	2004	2003
	£m	£m
(a) Analysis of annual commitments under operating leases		
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
	1.2	1.2
(b) Capital commitments		
Contracted but not provided	-	0.1

17 Related party transactions

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

18 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 SP Dataserve Limited

We have audited the Accounts on pages 5 to 16 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 2004 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

30 September 2004