

Scottish Power UK plc
Directors' Report and Accounts
for the Year Ended 31 March 2000

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for the year ended 31 March 2000

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Scottish Power UK plc

Report of the Directors

The directors present their report and audited Accounts for the year ended 31 March 2000.

Activities and review

The principal activities of Scottish Power UK plc are the generation, transmission, distribution and supply of electricity. The company is also involved in other utility businesses including retailing. The principal activities of Southern Water plc and Thus plc, two significant subsidiaries of Scottish Power UK plc, respectively include water and wastewater services, and the provision of Internet and interactive services, call centre services, and a wide range of data and telecoms services.

During the year, the entire share capital of the company was acquired by Scottish Power plc (formerly New Scottish Power plc) following the Court approved Scheme of Arrangement becoming effective on 30 July 1999. The company changed its name from Scottish Power plc to Scottish Power UK plc on 30 July 1999.

Results and dividend

The profit of the company for the year amounted to £782.7 million, details of which are shown in the Profit and Loss Account on page 10.

The directors declared and paid dividends amounting to £1,061.9 million in respect of the year, and the retained loss for the year of £279.2 million was transferred to reserves.

Research and Development

Scottish Power UK plc supports research into the development of the generation, transmission, distribution and supply of electricity. It also continues to contribute on an industry-wide basis towards the cost of research into electricity utilisation and distribution developments.

Environmental policy

The ScottishPower group will publish its fifth Environment Report in June 2000. Scottish Power UK plc will meet, or better, relevant legislative and environmental requirements and codes of practice.

Directors and their interests

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

Murray Stuart	(resigned 2 August 1999)
Mair Barnes	(resigned 2 August 1999)
Sir Ronald Garrick	(resigned 30 April 1999)
Sir Peter Gregson	(resigned 2 August 1999)
Ewen Macpherson	(resigned 2 August 1999)
John Parnaby	(resigned 2 August 1999)

Sir Ian Robinson
 Charles Berry (appointed 1 April 1999)
 David Nish (appointed 13 December 1999)
 Alan Richardson (appointed 1 April 1999)
 Ian Russell
 Ken Vowles
 Duncan Whyte (resigned 31 May 1999)

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 in the shares of Scottish Power plc were as follows:

	Ordinary Shares		Share Options				Long Term Incentive Plan		
	as at		(Executive)		(Sharesave)		as at		
	31.3.00	1.4.99	31.3.00	1.4.99	31.3.00	1.4.99	31.3.00	1.4.99	
		or date of appointment				or date of appointment	**Vested	*Potential	*Potential
Sir Ian Robinson	67,412	57,412	-	-	6,581	6,581	36,072	142,689	147,295
Ian Russell	25,912	15,612	-	-	-	6,300	27,055	106,617	107,279
Charles Berry	3,520	-	-	5,134	2,232	3,849	9,420	43,346	37,810
David Nish	2,250	-	-	-	2,215	2,215	-	22,210	22,210
Alan Richardson	5,107	295	1,450	1,450	4,457	5,404	9,661	44,863	39,672
Ken Vowles	119,327	117,327	-	-	5,501	5,501	19,324	78,194	77,869

* 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.

** These shares represent the number of shares the directors are entitled to receive when the Long Term Incentive Plan award is exercisable after the fourth anniversary of grant calculated according to the performance criteria measured over the three year performance period.

Sharesave Scheme

	1.4.99	Granted	Exercised	31.3.00
	or date of appointment			
Sir Ian Robinson	6,581	-	-	6,581
Ian Russell	6,300	-	6,300	-
Charles Berry	3,849	903	2,520	2,232
David Nish	2,215	-	-	2,215
Alan Richardson	5,404	1,573	2,520	4,457
Ken Vowles	5,501	-	-	5,501

Long Term Incentive Plan

	1.4.99 or date of appointment	Granted	Exercised	Lapsed#	31.3.00
Sir Ian Robinson	147,295	46,927	-	15,461	178,761
Ian Russell	107,279	37,988	-	11,595	133,672
Charles Berry	37,810	18,994	-	4,038	52,766
David Nish	22,210	-	-	-	22,210
Alan Richardson	39,672	18,994	-	4,142	54,524
Ken Vowles	77,869	27,932	-	8,283	97,518

Executive Share Option Scheme

Charles Berry	5,134	-	5,134	-	-
Alan Richardson	1,450	-	-	-	1,450

During the year, the performance period for awards granted under the Long Term Incentive Plan in 1996 ended, and on the basis of the company's total shareholder return 30% of shares under awards lapsed and 70% of shares under awards vested. However, awards may not be exercised until the fourth anniversary of the grant and are exercisable until the seventh anniversary of grant.

Employees

Equal Opportunity

It is ScottishPower's policy to promote equality of opportunity in recruitment, employment continuity, 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. ScottishPower is a Gold Card Member of the Employers' Forum on Disability, and also a member of the Employers' Forum on Age, the Equal Opportunities Commission Equality Exchange and the Women's Engineering Society. The latter aims to promote the study and practice of engineering among women.

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 during 1999-00.

Employee Consultation and Negotiation

ScottishPower has employee consultation and communication arrangements to encourage the involvement and interest of employees in the company, and to develop an awareness of its business plans and objectives. These include divisional and local joint bodies, designed to provide regular discussions between management and staff representatives, and local annual conferences. The company executive and managing directors and the recognised trade unions meet informally twice a year to discuss aspects of the business.

Divisional and business 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.

Health and Safety

ScottishPower's safety strategy is based on a system of corporate determination of strategy, policy and auditing standards, with devolved responsibility for implementation and active leadership from the highest levels.

The company continues to manage its operations throughout the organisation to the highest health and safety standards, in the interests of staff, customers and members of the public.

The company has a well-established occupational health service and lifestyle health care programme. The employees therefore benefit from some of the best occupational health facilities in the United Kingdom.

Creditor payment policy and practice

The current policy and practice of the company concerning the payment of the majority of its trade creditors is to follow the Better Payment Practice Code. Copies are available from the Department of Trade and Industry. For other suppliers, the 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 2000 were 30 days.

Year 2000

A year 2000 strategy was established for the ScottishPower group, of which ScottishPower UK plc is a member. Details are contained within the 1999-00 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 period.

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements have been made in the preparation of the Accounts for the year 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 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.

Share buy-back

As intended, the company purchased, on market, 16,443,200 shares, totalling £93 million. The shares bought back represent 1.39% of the ordinary issued share capital as at 31 March 2000.

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
4 May 2000

Accounting Policies and Definitions

Business segment definitions

The business segments of the company are defined as follows:

Generation Wholesale

The generation of electricity from the company's own power stations, the purchase of external supplies of energy for sale to other business segments of the company and the sale of electricity to other public electricity suppliers and to the Pool in England and Wales.

Power Systems

The transmission and distribution businesses in Scotland and, specifically, the transportation of units of electricity from the power stations through the transmission and distribution networks to customers in Scotland and to customers in England and Wales through the Anglo-Scottish Interconnector.

Energy Supply

The sale of energy to customers, together with related billing and collection activities.

Other

The retailing and servicing of domestic electrical goods and home entertainment appliances, the provision of electrical contracting, consultancy and corporate services and gas trading.

In the segmental analysis on pages 13 and 16 all material activities are derived from continuing operations in the United Kingdom.

Revenue cost definitions

Cost of sales

The cost of sales for the company reflect the direct costs of the generation and purchase of electricity, the purchase of natural gas, appliance retailing, electrical contracting and consultancy services.

Transmission and distribution costs

The cost of transmitting units of electricity from the power stations through the transmission and distribution networks to customers. It includes the costs of metering, billing and debt collection. This heading is considered more appropriate to the electricity industry than the standard Companies Act heading of distribution costs.

Administrative expenses

The indirect costs of the business, the cost of centralised services and rates.

Accounting Policies

Basis of accounting

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

Basis of preparation

The Accounts contain information about Scottish Power UK plc as an individual company and do not contain consolidated financial information as the parent of subsidiary companies. The company is exempt under section 228 of the Companies Act 1985 from the requirements to prepare consolidated Accounts as it and its subsidiary undertakings are included by full consolidation in the consolidated Accounts of its 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.

Turnover

Turnover comprises the sales value of energy, goods, and other services supplied to customers during the year and excludes Value Added Tax and intra-business sales. 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.

Research and development

Expenditure on research and development is charged to the profit and loss account as it is incurred.

Interest

Interest payable and receivable is reflected in the profit and loss account as it arises.

Financial instruments

Debt instruments

All borrowings are stated at the fair value of consideration received after deduction of issue costs. The issue costs and interest payable on bonds are charged to the profit and loss account at a constant rate over the life of the bond.

Interest rate swaps

Interest rate swap agreements are used to manage interest rate exposures. Amounts payable or receivable in respect of these agreements are recognised as adjustments to interest expense over the period of the contracts. Where associated debt is not retired in conjunction with the termination of an interest swap, gains and losses are deferred and are amortised to interest expense over the remaining life of the associated debt to the extent that such debt remains outstanding.

Interest rate caps

Interest rate caps are used to limit interest rate exposures. The premiums on these contracts are amortised over the period of the contracts and are disclosed as interest expense.

Forward contracts

The company enters into forward contracts for the purchase and/or sale of foreign currencies in order to manage its exposure to fluctuations in currency rates. Unrealised gains and losses on contracts are not accounted for until the maturity of the contract.

Premiums and discounts

Premiums and discounts arising on the early repayment of borrowings are written off to the profit and loss account as incurred.

Contracts for Differences (CfDs)

The Company uses CfDs to minimise exposure to Pool price variations. A CfD is a contract between two parties (e.g. a generator and a public electricity supplier) that requires each party to make or receive payments over a specific term based on the difference between an agreed price (i.e. the bilaterally determined strike price) and a price that varies with a specified commodity index (i.e. the Pool), applied to an agreed quantity (i.e. a number of kWhs). The average duration for such contracts is approximately one year. The company's use of such derivative instruments relates directly to the underlying purchase and sale of electricity to and from the Pool.

The cost or income attributable to CfDs is recorded in the accounting records when settlement is made. Where delivery under the CfD has taken place prior to the period end, adjustments are made to account for the known variances between the contract strike price and the Pool price on the date of delivery.

Taxation

The charge for ordinary taxation is based on the profits 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 the depreciation of fixed assets.

Tangible fixed assets

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

	Years
Coal and oil-fired generating stations	35-40
Hydro plant and machinery	20-40
Other buildings	40
Transmission and distribution plant	30-40
Towers, lines and underground cables	40-60
Vehicles, miscellaneous equipment and fittings	3-15

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

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

Investments

Investments in subsidiary undertakings and joint ventures are stated at cost, or nominal value of shares issued as consideration where applicable, less provision for any impairment in value. Other fixed asset investments are carried at cost less provision for impairment in value.

Own shares held under trust

The amount recorded in the balance sheet for shares in Scottish Power plc purchased for employee sharesave schemes represents the amounts receivable from option holders on exercise of the options.

Long Term Incentive Plan

Shares in Scottish Power plc purchased for the Long Term Incentive Plan are held under trust and are recorded within investments in the balance sheet at cost. The cost of awards made by the trust under the Long Term Incentive Plan, being the difference between the fair value of the shares and the option price at the date of grant, is taken to the profit and loss account on a straight line basis over the period in which performance is measured.

Stocks

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

Grants and contributions

Capital grants and customer contributions in respect of additions to fixed assets are treated as deferred income and released to the profit and loss account over the estimated operational lives of the related assets.

Pensions

The company provides pension benefits through both defined benefit and defined contribution arrangements. Contributions for defined benefit schemes are based on pension costs across the group as a whole. Payments to the defined contribution schemes are charged against profits as incurred.

Scottish Power UK plc

Profit and Loss Account

for the year ended 31 March 2000

	Notes	Total before exceptional items 2000 £m	Exceptional items (Note 4) 2000 £m	2000 £m	1999 £m
Turnover from continuing operations	1	2,358.6	-	2,358.6	2,252.8
Cost of sales		(1,557.7)	(151.1)	(1,708.8)	(1,445.3)
Gross profit from continuing operations		800.9	(151.1)	649.8	807.5
Transmission and distribution costs		(180.9)	(61.9)	(242.8)	(184.7)
Administrative expenses		(272.9)	(15.3)	(288.2)	(245.2)
Other operating income		14.9	-	14.9	15.2
Operating profit from continuing operations	1,2	362.0	(228.3)	133.7	392.8
Gain on partial disposal of Thus		-	621.2	621.2	-
Loss on disposal of and withdrawal from operations		-	(10.6)	(10.6)	-
		362.0	382.3	744.3	392.8
Income from subsidiary undertakings		280.0	-	280.0	56.3
Profit on ordinary activities before interest		642.0	382.3	1,024.3	449.1
Net interest charge	5	(106.8)	(15.9)	(122.7)	(100.5)
Profit on ordinary activities before taxation		535.2	366.4	901.6	348.6
Taxation	6	(62.9)	(56.0)	(118.9)	(88.1)
Profit for the financial year		472.3	310.4	782.7	260.5
Dividends	7			(1,061.9)	(267.9)
Loss retained	19			(279.2)	(7.4)

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 7 to 9, together with the Notes on pages 13 to 21, form part of these Accounts.

Scottish Power UK plc

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 March 2000

	2000 £m	1999 £m
Profit for the financial year	782.7	260.5
Dividends	(1,061.9)	(267.9)
Loss retained	(279.2)	(7.4)
Share capital issued	3.5	3.2
Share buy-back (including costs)	(92.7)	-
Net movement in shareholders' funds	(368.4)	(4.2)
Opening shareholders' funds	1,874.6	1,878.8
Closing shareholders' funds	1,506.2	1,874.6

The Accounting Policies and Definitions on pages 7 to 9, together with the Notes on pages 13 to 21, form part of these Accounts.

Scottish Power UK plc

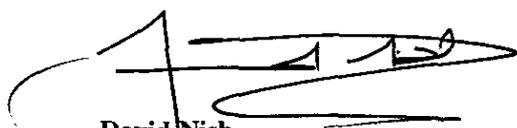
Balance Sheet

as at 31 March 2000

	Notes	2000 £m	1999 £m
Fixed assets			
Tangible assets	9	1,929.0	1,893.3
Investments	10	1,681.6	1,752.4
		3,610.6	3,645.7
Current assets			
Stocks	11	80.0	105.6
Debtors	12	2,076.3	1,910.1
Short-term bank and other deposits		17.5	29.2
		2,173.8	2,044.9
Creditors: amounts falling due within one year			
Loans and other borrowings	13	(1,169.7)	(826.5)
Other creditors	14	(876.0)	(1,196.6)
		(2,045.7)	(2,023.1)
Net current assets		128.1	21.8
Total assets less current liabilities		3,738.7	3,667.5
Creditors: amounts falling due after more than one year			
Loans and other borrowings	13	(1,899.3)	(1,584.8)
Provisions for liabilities and charges	15	(117.8)	(11.9)
Deferred income	17	(215.4)	(196.2)
Net assets	8	1,506.2	1,874.6
Called up share capital	18,19	592.0	599.4
Share premium	19	398.2	394.0
Capital redemption reserve	19	8.2	-
Other reserve	19	3.6	5.1
Profit and loss account	19	504.2	876.1
Equity shareholders' funds		1,506.2	1,874.6

The Accounting Policies and Definitions on pages 7 to 9, together with the Notes on pages 13 to 21, form part of these Accounts.

Approved by the Board on 4 May 2000 and signed on its behalf by



David Nish
Director

Scottish Power UK plc

Notes to the Accounts

for the year ended 31 March 2000

1 Segmental business information

(a) Turnover by business segment

	Total turnover		Inter-segment turnover		External turnover	
	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m
Generation Wholesale	1,069.9	1,052.9	806.1	817.0	263.8	235.9
Power Systems	487.4	469.8	377.9	412.6	109.5	57.2
Energy Supply	1,585.3	1,624.7	5.1	15.4	1,580.2	1,609.3
Other	472.2	190.9	67.1	73.0	405.1	350.4
Total					2,358.6	2,252.8

(b) Operating profit/(loss) by business segment

	Before exceptional items		Exceptional items	
	2000 £m	1999 £m	2000 £m	1999 £m
Generation Wholesale	95.7	(152.3)	(56.6)	105.4
Power Systems	292.8	(23.7)	269.1	288.5
Energy Supply	19.1	(41.1)	(22.0)	40.0
Other	(45.6)	(11.2)	(56.8)	(41.1)
Total	362.0	(228.3)	133.7	392.8

2 Operating profit

Operating profit is stated after charging /(crediting) :	2000 £m	1999 £m
Depreciation and impairment of fixed assets	209.3	103.4
Release of customer contributions/grants	(7.3)	(5.8)
Research and development	2.3	2.8
Hire of plant and equipment - operating leases	0.1	0.9
Hire of other assets - operating leases	31.6	30.7
Auditors' remuneration for audit of company	0.4	0.5
Non-audit fees paid to auditors:		
Regulatory advice	1.1	0.9
General consultancy	1.7	0.5
Taxation advice	0.1	-
Advice on new systems	0.6	-
Other	-	0.2
Total	3.5	1.6

Non audit fees of £1.6 million for PricewaterhouseCoopers in 1999 included £0.7 million paid to Coopers & Lybrand prior to the date of appointment of PricewaterhouseCoopers as auditors.

3 Employee information

(a) Employee costs

	2000 £m	1999 £m
Wages and salaries	206.6	188.3
Social security costs	15.5	14.4
Pension costs	0.4	6.8
Total employee costs	222.5	209.5
Less : charged as capital expenditure	(30.3)	(33.1)
Charged to the profit and loss account	192.2	176.4

(b) Employee numbers

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

	At 31 March		Annual average	
	2000	1999	2000	1999
Generation Wholesale	710	913	872	1,009
Power Systems	2,689	2,675	2,633	2,708
Energy Supply	1,660	1,388	1,572	1,318
Other	4,339	4,210	4,406	4,133
	9,398	9,186	9,483	9,168
The number of full time equivalent staff was :	8,591	8,505	8,683	8,535

4 Exceptional items

	Notes	2000 £m	1999 £m
(a) Recognised in arriving at operating profit			
Reorganisation costs	(i)	(39.3)	-
Energy contracts	(ii)	(93.1)	-
Impairment of assets	(iii)	(95.9)	-
		(228.3)	-
(b) Recognised after operating profit			
Gain on partial disposal of Thus	(iv)	621.2	-
Loss on disposal of other Telecoms operations	(v)	(10.6)	-
		610.6	-
Restructuring of debt portfolio	(vi)	(15.9)	-
Tax on exceptional items		(56.0)	-
		538.7	-
Total exceptional items (net of tax)		310.4	-

(i) Following the recent regulatory price reviews in the United Kingdom electricity industry, the company is restructuring a large part of its business. The exceptional costs principally comprise employee severance costs.

(ii) Exceptional charges have been recorded for the onerous costs on contracted energy and fuel purchases which are not expected to be recoverable.

(iii) Provision has been made for impairment of assets following an assessment of the company's generation portfolio and the outcome of the regulatory price reviews in the United Kingdom electricity industry.

(iv) In November 1999, the ScottishPower group made Global and Employee Offerings of shares in its Internet and telecommunications services subsidiary, Thus plc. As a result of these offerings the company disposed of part of its investment in Thus. This disposal, together with an issue of new shares by Thus in which the company did not participate, resulted in the reduction of the company's interest in the share capital of Thus from 100% to 50.1%. The gain on disposal represents the difference between the proceeds received by the company from the sale of shares in Thus and the apportioned cost of the company's investment in the shares held in Thus prior to the disposal. The gain is stated before a taxation charge of £80.0 million.

(v) In November 1999 the company disposed of its mobile telephone business. The loss on disposal was £10.6 million.

(vi) Finance costs were incurred on the closing out of swaps and redemption of debt to restructure the company's debt portfolio, consequent on the receipt of the Thus sale proceeds.

5 Net interest charge

(a) Analysis of net interest charge			
		2000 £m	1999 £m
Interest on overdrafts, bonds and other borrowings		256.5	217.5
Total interest payable		256.5	217.5
Interest receivable		133.8	117.0
Net interest charge		122.7	100.5

(b) Analysis of total interest payable			
		2000 £m	1999 £m
Bank loans and overdrafts		23.5	29.2
Other loans		215.7	188.3
Loan from parent undertaking		17.3	-
		256.5	217.5

The interest rate applicable on the loan from the parent company is set at the UK clearance banks base rate (as adjusted from time to time) plus 1%.

6 Tax on profit on ordinary activities

	Before exceptional items 2000 £m	Exceptional items 2000 £m	2000 £m	1999 £m
Corporation tax at 30% (1999 31%)	62.9	56.0	118.9	88.1

7 Dividends

	2000 £m	1999 £m
Interim dividend paid	-	89.9
Proposed final dividend	-	178.0
Dividends paid to parent company	1,061.9	-
Total dividends	1,061.9	267.9

8 Segmental business information

Net assets/(liabilities) by business segment

	Notes	2000 £m	1999 £m
Generation Wholesale		210.2	321.4
Power Systems		1,262.7	1,221.5
Energy Supply		180.2	144.8
Other		943.9	792.7
Sub total		2,597.0	2,480.4
Unallocated net liabilities	(a)	(1,090.8)	(605.8)
Total		1,506.2	1,874.6

(a) Unallocated net liabilities include net debt, dividends payable, tax liabilities and fixed asset investments.

9 Tangible fixed assets

	Land and buildings £m	Plant and machinery £m	Vehicles and equipment £m	Total £m
Cost				
At 1 April 1999	305.4	2,380.3	389.4	3,075.1
Additions	1.5	149.9	95.1	246.5
Disposals	(0.4)	(22.8)	(2.8)	(26.0)
At 31 March 2000	306.5	2,507.4	481.7	3,295.6
Depreciation :				
At 1 April 1999	137.7	911.5	132.6	1,181.8
Charge for the year	48.9	4.2	60.3	113.4
Impairment	2.4	50.9	42.6	95.9
Disposals	(0.1)	(21.9)	(2.5)	(24.5)
At 31 March 2000	188.9	944.7	233.0	1,366.6
Net book value :				
At 31 March 2000	117.6	1,562.7	248.7	1,929.0
At 31 March 1999	167.7	1,468.8	256.8	1,893.3

Included in the cost of tangible fixed assets above are :

	Note	2000 £m	1999 £m
Major assets in the course of construction		44.8	109.9
Capitalised interest		8.0	8.0
Assets not subject to depreciation	(i)	18.2	19.0

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

10 Fixed asset investments

Company	Subsidiary undertakings		Joint ventures		Own shares held under trust £m	Other investments £m	Total £m
	Shares £m	Loans £m	Shares £m	Loans £m			
Cost or nominal value :							
At 1 April 1999	1,512.9	176.2	-	21.1	41.6	0.6	1,752.4
Additions	187.6	-	-	1.0	3.0	0.5	192.1
Disposals and other	(76.7)	(176.2)	-	(2.8)	(7.2)	-	(262.9)
At 31 March 2000	1,623.8	-	-	19.3	37.4	1.1	1,681.6

The principal subsidiary undertakings and joint ventures are listed below:

Subsidiary undertakings	Class of share capital	Proportion of shares held	Activity
CRE Energy Limited	Ordinary shares £1	100%	Wind-powered electricity generation
Domestic Appliance Insurance Limited (Isle of Man)	Ordinary shares £1	100%	Insurance
Genscot Limited	Ordinary shares £1	100%	Holding company
Manweb plc	Ordinary shares 50p	100%	Regional electricity
Scottish Power Insurance Limited (Isle of Man)	Ordinary shares £1	100%	Insurance
Scottish Power Investments Limited	Ordinary shares £1	100%	Holding company
Southern Water plc	Ordinary shares £1	100%	Holding company
Southern Water Services Finance plc	Ordinary shares £1	100%	Finance company
Southern Water Services Limited	Ordinary shares £1	100%	Water supply and wastewater services
Thus plc	Ordinary shares 2.5p	50.1%	Internet and telecommunications
Joint ventures			
CeltPower Limited	Ordinary shares £1	50%	Wind-powered electricity generation
ScotAsh Limited	Ordinary shares £1	50%	Ash sales
Scottish Electricity Settlements Limited	Ordinary shares £1	50%	Scottish electricity settlements
Shoreham Operations Company Limited	Ordinary shares £1	50%	Management services
South Coast Power Limited	Ordinary shares £1	50%	Electricity generation

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The information above includes the subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affect the results or financial position of the company.

All companies are incorporated in Great Britain unless otherwise stated.

(a) Shares in the company's parent company held under trust during the year are as follows :

	Notes	Dividends waived	Shares held at 1 April 1999 (000s)	Shares acquired during year (000s)	Shares transferred during year (000s)	Shares held at 31 March 2000 (000s)	Nominal value at 31 March 2000 £m	Market value at 31 March 2000 £m
Long Term Incentive Plan	(i)	no	1,877	564	-	2,441	1.2	12.4
ScottishPower Sharesave Scheme	(ii)	yes	12,790	-	(2,669)	10,121	5.1	51.4
			14,667	564	(2,669)	12,562	6.3	63.8

(i) Shares of the company's parent company are held under trust as part of the Long Term Incentive Plan for executive directors and other senior managers.

(ii) Shares of the company's parent company are held in a Qualifying Employee Share Ownership Plan as part of the Scottish Power UK plc Sharesave Scheme. Holders of options granted under the scheme will be awarded shares by the Trust upon exercise of the options.

11 Stocks

	2000 £m	1999 £m
Raw materials and consumables	20.5	31.1
Fuel stocks	11.6	30.0
Work in progress	3.8	6.7
Finished goods and goods for resale	44.1	37.8
	80.0	105.6

Fuel stocks include gas delivered to third parties under sale and repurchase agreements to match gas usage requirements with existing gas purchase obligations. Under the provisions of FRS 5, the cost under such agreements of gas delivered to third parties is shown as fuel stocks and amounts payable to third parties totalling £6.8 million (1999 £17.4 million) are included in accrued expenses in Note 14.

12 Debtors

	2000 £m	1999 £m
(a) Amounts falling due within one year :		
Trade debtors	164.4	123.0
Amounts owed by subsidiary undertakings	753.9	530.6
Prepayments and accrued income	220.4	154.9
Other debtors	27.8	35.3
	1,166.5	843.8
(b) Amounts falling due after more than one year :		
Amounts owed by subsidiary undertakings	909.8	1,066.3
	2,076.3	1,910.1

13 Loans and other borrowings

(a) Analysis by instrument

	Notes	Weighted average interest rate		2000 £m	1999 £m
		2000	1999		
Uncommitted bank loan		5.3%	7.0%	88.9	171.9
Commercial paper	(ii)	5.4%	7.1%	289.5	553.4
Medium-term notes/private placements	(iii)	5.9%	7.1%	613.2	438.4
Loan notes	(iv)	5.4%	6.8%	7.8	15.5
European Investment Bank loans	(v)	7.9%	9.1%	304.6	217.6
11.457% sterling bond 2001 (held by HM Treasury)		11.5%	11.5%	-	142.0
5.875% euro-US dollar bond 2003		6.9%	6.9%	183.2	183.0
5.250% deutschmark bond 2008		6.8%	6.8%	245.6	245.5
6.625% euro-sterling bond 2010		6.7%	-	197.9	-
8.375% euro-sterling bond 2017		8.4%	8.4%	197.1	197.0
6.750% euro-sterling bond 2023		6.8%	6.8%	247.0	247.0
Group loan		6.4%	7.8%	694.2	-
				3,069.0	2,411.3

All borrowings are unsecured.

(i) Committed bank loan

As at 31 March 2000 there were no amounts drawn under the new committed facilities totalling £2.0 billion. There were no drawings under the previous £2.6 billion facility as at 31 March 1999.

(ii) Commercial paper

The company has an established US\$ 2.0 billion (1999 US\$ 2.0 billion) euro-commercial paper programme. Paper is issued in a range of currencies and swapped back into sterling. Amounts borrowed under the commercial paper programme are repayable in less than one year.

(iii) Medium term notes/private placements

The company has an established US\$ 4.0 billion euro-medium term note programme. Paper is issued in a range of currencies and swapped back into sterling. As at 31 March 2000, maturities range from 1 to 40 years.

(iv) Loan notes

All loan notes are redeemable at the holders discretion. Ultimate maturity dates range from 2000 to 2006.

(v) European Investment Bank loans

These loans incorporate agreements with various interest rates and maturity dates. The maturity dates of these arrangements range from 2006 to 2011.

(b) Maturity analysis

Repayments fall due as follows :	2000 £m	1999 £m
Within one year, or on demand	1,169.7	826.5
After more than one year	1,899.3	1,584.8
	3,069.0	2,411.3

Repayments due after more than one year are analysed as follows :

Between one and two years	70.6	165.8
Between two and three years	274.0	61.3
Between three and four years	68.9	243.2
Between four and five years	97.5	68.7
More than five years	1,388.3	1,045.8
	1,899.3	1,584.8

14 Other creditors

	2000 £m	1999 £m
Amounts falling due within one year :		
Trade creditors	73.4	99.5
Amounts owed to subsidiary undertakings	267.6	462.0
Corporation tax	138.5	95.0
Advance corporation tax	-	22.1
Other taxes and social security	15.8	13.7
Payments received on account	0.7	1.7
Capital creditors and accruals	52.6	55.3
Other creditors	52.8	31.1
Accrued expenses	274.6	238.2
Proposed dividend	-	178.0
	876.0	1,196.6

For Scottish Power UK plc price control formulae determine the maximum revenue of the transmission and distribution businesses. In prior years if actual revenue exceeded the allowable maximum, the excess was deducted from turnover and included in creditors where amounts were due to be returned to customers. This was in line with industry practice prior to FRS 12 'Provisions, contingent liabilities and contingent assets'. Since the issue of this standard there has been some uncertainty regarding its impact on the accounting treatment of over recovery of regulated income. The Urgent Issue Task Force has recently issued a statement which clarifies the position that over recovery of regulated income should not be included as a liability. As a result, no over recovery is included in creditors at 31 March 2000. No adjustments have been made to comparative figures as the amounts involved are immaterial.

15 Provisions for liabilities and charges

	Notes	At 1 April 1999 £m	New provisions £m	Utilised during year £m	At 31 March 2000 £m
Environmental and health	(a)	6.8	-	(0.9)	5.9
Onerous contracts	(b)	-	79.0	-	79.0
Reorganisation and restructuring	(c)	-	39.3	(11.3)	28.0
Other		5.1	-	(0.2)	4.9
		11.9	118.3	(12.4)	117.8

(a) The environmental and health provisions include costs which will be incurred in complying with Health and Safety requirements, most of which are expected to be incurred in the period to 31 March 2001.

(b) The provision for onerous contracts comprises the costs of contracted energy purchases. The costs provided relate to the period to 31 March 2005.

(c) The provisions for reorganisation and restructuring comprise the estimated costs of restructuring following the recent regulatory price reviews in the United Kingdom electricity industry. The provisions are principally in respect of employee severance costs, most of which are expected to be incurred in the financial year 2000-01 with an element arising in the two years thereafter.

16 Deferred taxation

No provision for deferred taxation is considered necessary at 31 March 2000, since future taxation depreciation is expected to exceed accounting depreciation and therefore no deferred taxation liabilities are expected to crystallise in the foreseeable future. Total potential deferred liabilities computed at the future rate of corporation tax of 30% (1999 30%) are as follows :

	2000 £m	1999 £m
Accelerated capital allowances	312.1	307.3
Other timing differences	(16.3)	(16.8)
	295.8	290.5

17 Deferred income

	At 1 April 1999 £m	Receivable during year £m	Released to profit and loss account £m	At 31 March 2000 £m
Grants and customer contributions	196.2	26.5	(7.3)	215.4

18 Share capital

	2000 £m	1999 £m
Authorised :		
3,000,000,000 (1999 1,700,000,000) ordinary shares of 50p each	1,500.0	850.0
One Special Share of £1	-	-
	1,500.0	850.0
Allotted, called up and fully paid :		
1,183,983,102 (1999 1,198,678,222) ordinary shares of 50p each	592.0	599.4
One Special Share of £1	-	-
	592.0	599.4

On 30 July 1999 under the Scheme of Arrangement between the company and its shareholders under Section 425 of the Companies Act 1985, sanctioned by the Court of Session on 29 July 1999, all issued shares in the company at that time were cancelled. Following the cancellation, the share capital of the company was restored to its former nominal amount and the credit arising as a result of the cancellation was applied in paying up in full new shares equal in nominal value to the shares cancelled. The new shares were issued to New Scottish Power plc (now renamed Scottish Power plc) which, as a result, became the new holding company of the ScottishPower group. As part of the Scheme of Arrangement, the Special Share of £1 was cancelled during the year.

19 Analysis of movements in shareholders' funds

	Number of Shares 000s	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserve £m	Profit and loss account £m	Total £m
At 1 April 1999	1,198,678	599.4	394.0	-	5.1	876.1	1,874.6
Retained loss for the year	-	-	-	-	-	(279.2)	(279.2)
Share capital issued							
- Employee sharesave scheme	1,667	0.8	4.0	-	(1.5)	-	3.3
- Executive share option scheme	81	-	0.2	-	-	-	0.2
Share buy-back	(16,443)	(8.2)	-	8.2	-	(92.7)	(92.7)
Balance at 31 March 2000	1,183,983	592.0	398.2	8.2	3.6	504.2	1,506.2

The merger reserve has been re-named as the other reserve to be consistent with the reclassification of reserves in the Accounts of the company's parent company. The movement on the other reserve reflects the reduction in shares which were to be issued following the acquisition of Southern Water plc in August 1996. It represented the cost to the company of transferring existing options over Southern Water plc shares to the Scottish Power UK plc Sharesave Scheme. As these options are exercised, the other reserve is reduced for the attributable cost of the option.

20 Pensions

Scottish Power UK plc is a participating company of the group schemes established by Scottish Power plc. The group schemes are defined benefit and defined contribution schemes, and the contributions for the defined benefit schemes are based on pension costs across the group as a whole. Details of the pension charge are set out below:

Pension fund	Scheme type	Funded or unfunded	Pension charge for the year		Prepayment as at 31 March	
			2000 £m	1999 £m	2000 £m	1999 £m
ScottishPower*	Defined benefit	funded	-	6.9	5.0	5.0
Final Salary LifePlan	Defined benefit	funded	1.0	-	-	-
Money Purchase LifePlan	Defined contribution	funded	0.2	-	-	-

* The employer pension charge has been set to a minimum of nil on the advice of the Scheme actuaries as the variation credit exceeds regular cost plus interest.

Further details regarding the pension costs arising from the group schemes are given in the Accounts of Scottish Power plc.

21 Contingent liabilities

- (a) The company has guaranteed the overdraft of a subsidiary undertaking up to an amount of £0.7 million (1999 three subsidiary undertakings for £0.7 million).
 (b) The company has guaranteed Manweb's liabilities to the Pool in England and Wales. At 31 March 2000 these liabilities were £23.7 million (1999 £30.9 million).

22 Financial commitments

(a) Analysis of annual commitments under operating leases

Leases of land and buildings	2000 £m	1999 £m
Expiring within one year	0.2	0.9
Expiring between two and five years inclusive	1.3	0.4
Expiring in over five years	17.7	16.9
	19.2	18.2
Other operating leases		
Expiring within one year	-	1.9
Expiring between two and five years inclusive	9.7	4.5
Expiring in over five years	0.8	-
	10.5	6.4

(b) Capital commitments

	2000 £m	1999 £m
Contracted but not provided	43.5	54.2

(c) Other contractual commitments

Under contractual commitments the company has rights and obligations in relation to the undernoted contracts. The annual value of the purchases and sales arising from these contracts is provided below.

	Note	Commitment entered into	Commitment expires	Purchases / sales in year under company commitments	
				2000 £m	1999 £m
The purchase of electricity from British Energy Generation (UK) Limited		1990	2005	370.1	367.7
The purchase of electricity from Scottish and Southern Energy plc	(i)	1990	see below	72.4	78.8
The supply of electricity to Scottish and Southern Energy plc		1990	2005	17.6	18.2
Revenue from the operation of the company's transmission system and access by Scottish and Southern Energy plc to the Anglo-Scottish Interconnector		1990	no fixed date of expiry	31.0	27.7
Purchase of coal from The Scottish Coal Company Limited		1998	2003	19.0	22.0
Purchase of coal from The Scottish Coal (Deep Mine) Company Limited		1998	2004	49.2	50.5
Purchase of gas from various fields in the North Sea		1994	2010	125.8	123.6

(i) There are two agreements relating to the purchase of electricity from Scottish and Southern Energy plc. These expire in 2012 and 2039.

23 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.

24 Ultimate parent company

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 company's consolidated Accounts may be obtained from The Secretary, Scottish Power plc, 1 Atlantic Quay, Glasgow, G2 8SP.

25 Directors' emoluments and interests

The directors of the company are also directors of the ultimate holding company, Scottish Power plc. The amounts below represent the executive directors' remuneration for their services to the group as a whole. It is not possible to apportion the directors' remuneration to each of the group companies to which the directors provide services.

The aggregate amounts paid to the directors were:

	2000	1999
	£	£
Non- executive directors		
Fees and benefits in kind	127,514	377,382
Executive directors		
Basic salary	1,533,944	1,143,195
Bonuses	773,214	321,450
Benefits in kind	81,403	88,022
Total	2,388,561	1,552,667
Highest paid director		
Basic salary	448,000	390,000
Bonuses	221,000	109,200
Benefits in kind	19,611	16,093
Total	688,611	515,293

The amount of pension benefit accrued for the highest paid director is £226,904 (1999 £180,080). The 2000 figure includes an accrued pension benefit of £124,990 in respect of a transfer value received from a previous employer.

Report of the Auditors

to the members of Scottish Power UK plc

We have audited the Accounts on pages 10 to 22 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 9.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Report of the Directors and Accounts. As described on page 6, 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 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 evaluate the overall adequacy of the presentation of the information in the Accounts.

Opinion

In our opinion the Accounts give a true and fair view of the state of the affairs of the company at 31 March 2000 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

4 May 2000