

Scottish Power UK plc

**Directors' Report and Accounts
for the year ended 31 March 2001**

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for the year ended 31 March 2001

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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 2001.

Activities and review

The principal activities of Scottish Power UK plc are the generation, transmission, distribution and supply of electricity. The group is also involved in other utility businesses including Appliance 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.

Results and dividend

The profit of the group for the year amounted to £397.5 million (2000 £850.2 million), details of which are shown in the Profit and Loss Account on page 13.

The directors declared and paid dividends amounting to £311.1 million in respect of the year, and the retained profit for the year of £86.4 million was transferred to reserves.

Future Developments

A number of strategic decisions are being implemented in order to meet the challenges in the market. Scottish Power UK plc intends to focus squarely on energy markets, and will recycle its capital into profitable, growing activities. It will build on the value chain connecting fuel, generation, commercial and trading, and energy supply businesses. It will also continue to make selective acquisitions that create value and growth through these activities and where it can deploy its skills at transforming wires businesses.

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 expects to publish its Corporate Environment Report in June 2001. 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:

Sir Ian Robinson
Charles Berry
David Nish
Alan Richardson
Ian Russell
Ken Vowles

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 are disclosed in the Annual Report and Accounts/Form 20-F of Scottish Power plc for the year ended 31 March 2001.

Employees

Equal opportunity

It is ScottishPower's policy to promote equal 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 group 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 2000-01.

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 formally 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 group 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 group 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.

Financial Instruments and Risk Management

Overview

The main financial risks faced by the group are interest rate risk, foreign exchange rate risk, liquidity risk and energy price risk. The Board has reviewed and agreed policies for managing each of these risks as summarised below. In order to mitigate the risks identified the Board has endorsed the use of derivative financial instruments. The derivative financial instruments endorsed for use by the Board include swaps, both interest rate and cross currency, swaptions, caps, forward rate agreements ("FRAs"), forward contracts, futures and contracts for differences ("CfDs").

The group treasury, which is authorised to conduct the day-to-day treasury activities of the group, reports annually to the Board and is subject to both internal and external audit.

The Energy Trading Centre, which is authorised to carry out activities to manage electricity and gas price risk, reports monthly to a risk committee which includes three executive directors. Electricity or gas price risk is defined as the possibility that a change in the cost of electricity or gas will either reduce the proceeds of electricity or gas sales or increase the costs of electricity or gas purchases.

Interest rate risk management

The group continues to access funding opportunities in the major global markets in a range of currencies at both fixed and floating rates of interest, using derivatives where appropriate, to convert the obligations and payments into fixed or floating rate sterling.

The exposure to fluctuating interest rates is managed by using a spectrum of financial instruments to maintain a majority of the group's debt portfolio at fixed rates. This involves either issuing fixed rate debt or swapping floating rate debt obligations into fixed rates by either interest rate swaps or a string of FRAs. Flexibility in the fixed/floating mix is maintained by using interest rate caps that protect the group should rates rise, i.e. above the strike price, while maintaining the potential benefit should interest rates fall. The overall policy framework with regard to the fixed/floating debt mix has been approved by the Board. At 31 March 2001, 70% (2000 68%) of the group's debt was either issued as fixed or converted to fixed rates using interest rates swaps. The interest rate on a further 5% of total borrowings was capped (2000 5%). £100 million of FRAs were outstanding as at 31 March 2001 (2000 £nil).

All transactions are undertaken to manage the risks arising from underlying activities and no speculative trading is undertaken. The counterparties to these instruments generally consist of financial institutions and other bodies with good credit ratings, i.e. "AA" rated by any one of the following, Standard & Poor's, Moody's or Fitch. Although the group is potentially exposed to credit risk in the event of non-performance by counterparties, such credit risk is controlled through credit rating reviews of the counterparties and by limiting the total amount of exposure to any one party to levels agreed by the Board. The group does not believe that it is exposed to any material concentration of credit risk.

Foreign exchange risk management

The group generally hedges trade related foreign currency exposures up to one year forward. Hedges are put in place using forward contracts at the time that forecast exposures become reasonably certain.

Commercial paper and Medium Term Notes (MTNs) are issued in several different foreign currencies. Forward contracts and cross currency interest rate swaps are taken out to convert the debt to sterling to remove the financial risk to the group of currency movements.

Liquidity Risk Management

The group's policy is to arrange that debt maturities are spread over a wide range of dates, thereby ensuring that the group is not subject to excessive refinancing risk in any one year. The group has undrawn committed revolving credit facilities totalling £1,000 million, as at 31 March 2001, which provide backstop liquidity should the need arise.

Energy Price Risk Management

Until the introduction of the New Electricity Trading Arrangements (“NETA”) on 27 March 2001, almost all electricity sold in England & Wales had to be sold to the Pool, and electricity suppliers including Manweb had likewise to buy electricity from the Pool for resale to their customers. ScottishPower participated in the Pool during the year by exporting/importing electricity to/from England & Wales via the interconnector. The Pool was operated under a Pooling and Settlement Agreement to which all licensed generators and suppliers of electricity in Great Britain were party.

The group had procedures in place to minimise exposure to Pool price variations, that is, the possibility that a change in Pool prices would reduce the proceeds of electricity sold to the Pool or increase the cost of electricity purchased from the Pool. These procedures involved Scottish Power UK plc and its subsidiary Manweb plc entering into CfDs. In general, the terms of CfDs are such that contracts are settled monthly (or more frequently) in arrears by reference to actual half-hourly Pool prices. During the year ended 31 March 2001, around 90% of the group’s exposure to Pool prices was hedged in this way.

NETA was introduced in England & Wales to replace the Pool. NETA is a new wholesale market, comprising trading between generators and suppliers of electricity in England & Wales under which bulk electricity will be traded forward through bilateral contracts and one or more screen based power exchanges. NETA will be operated under the Balancing and Settlement Code to which all licensed generators and suppliers of electricity in Great Britain are party.

The balancing mechanism, operated from 3 and a half hours ahead of real-time up to real-time, by the National Grid Company, will be used to manage the grid system on a second-by-second basis.

Market participants can participate actively in this market through the submission of bids and offers to vary their generation output or customer demand. The mechanism also provides for calculation and settlement of imbalance charges arising from the differences between parties’ notified contract positions and their actual physical energy flows.

The group has also entered into some longer-term (in excess of one year) arrangements to protect against the volatility of electricity prices. These arrangements have the potential to be increased as the business grows and the time period covered will be reviewed on an ongoing basis.

The group also has procedures in place to minimise exposure to gas price variations. Gas price risk is managed through the use of a combination of longer-term (in excess of one year) contracts, contracts with flexible delivery profiles and using the flexibility within our portfolio of gas storage and generation assets.

Cover is built up throughout the year and at 31 March 2001 a significant proportion of the group's exposure to electricity and gas price variations for the following financial year is covered.

The group controls credit risk arising from its energy trading activities through credit approvals, counterparty credit limits and monitoring procedures.

Creditor payment policy and practice

The group's current policy and practice 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 group'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 group's creditor days at 31 March 2001 were 33 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 and of the group as at the end of the financial period and of the profit or loss of the group for that 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 2001. 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 of the group and to prevent and detect fraud or any other irregularities.

Auditors

PricewaterhouseCoopers have expressed their willingness to continue in office and a resolution to reappoint PricewaterhouseCoopers as the company's auditors will be proposed at the Annual General Meeting.

By Order of the Board


Andrew Mitchell
Secretary
3 May 2001

Accounting Policies and Definitions

Definitions

Business segment definitions

ScottishPower defines business segments for management reporting purposes based on a combination of factors, principally differences in products and services and the regulatory environment in which the businesses operate.

The business segments of the group are defined as follows:

Generation Wholesale

The generation of electricity from the group's own power stations, the purchase of external supplies of energy for sale to other business segments of the group and the sale of electricity to other public electricity suppliers, to the Pool in England & Wales and, since 27 March 2001, full participation in the New Electricity Trading Arrangements (NETA) in England & Wales.

Power Systems

The transmission and distribution businesses in Scotland and the distribution business of Manweb operating in Merseyside and North Wales 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 & Wales through the Anglo-Scottish Interconnector.

Energy Supply

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

Southern Water

The provision of water and wastewater services in the south-east of England, together with related billing and collection activities.

Telecoms

The provision of telecommunications services, Internet access and information services to national corporates, small and medium-sized enterprises and residential customers. For the year ended 31 March 2001 this segment comprised Thus plc. In previous years this segment also included the operations of the mobile telephone business which was sold in November 1999 and the fixed radio access telephony operations from which the group withdrew in July 1999.

Other

The retailing and servicing of domestic electrical goods and home entertainment appliances, corporate services, generation gas trading and the businesses of the company's other UK subsidiary undertakings. In addition it included the provision of electrical contracting and consultancy services prior to the disposal of the group's Contracting Services and Technology businesses during the year ended 31 March 2001.

Revenue cost definitions**Cost of sales**

The cost of sales for the group, excluding Southern Water, reflect the direct costs of the generation and purchase of electricity, the purchase of natural gas, appliance retailing, telecommunications services, electrical contracting and consultancy services. For Southern Water, cost of sales represents the cost of extracting water from underground and raw water surface reservoirs and of its treatment and supply to customers and the collection of wastewater and its treatment and disposal.

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 businesses, the costs of centralised services and rates.

Other definitions**Company or ScottishPower**

Scottish Power UK plc.

Group

Scottish Power UK plc and its consolidated subsidiaries.

Associated undertakings

Entities in which the group holds a long-term participating interest and exercises significant influence.

Joint ventures

Entities in which the group holds a long-term interest and shares control with another company external to the group.

Subsidiary undertakings

Entities in which the group holds a long-term controlling interest.

Accounting Policies**Basis of accounting**

The Accounts have been prepared under the historical cost convention, modified to include the revaluation of certain tangible fixed assets, and in accordance with applicable accounting standards in the UK and, subject to the treatment of water infrastructure grants and contributions described under "Grants and contributions" below, comply with the requirements of the Companies Act 1985.

Basis of consolidation

The group Accounts include the Accounts of the company and its subsidiary undertakings together with the group's share of results and net assets of associated undertakings and joint ventures.

For commercial reasons certain subsidiaries have a different year end. The consolidation includes the Accounts of these subsidiaries as adjusted for material transactions in the period between the year ends and 31 March.

Statement of cash flows

The group 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, water, wastewater and other services supplied to customers during the year and excludes Value Added Tax and intra-group sales. Income from the sale of energy and measured water 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.

Interest

Interest on the funding attributable to major capital projects is capitalised gross of tax relief during the period of construction and written off as part of the total cost over the operational life of the asset. All other 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/Forward rate agreements

These 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/Swaptions

These are used to limit interest rate exposures. Premiums received and payable on these contracts are amortised over the period of the contracts and are disclosed as interest income and expense.

Forward contracts

The group enters into forward contracts for the purchase and/or sale of foreign currencies in order to manage its exposure to fluctuations in currency rates and to hedge overseas net investment. Unrealised gains and losses on contracts are not accounted for until the maturity of the contract. Where a currency forward contract no longer represents a hedge because either the underlying asset or liability has been derecognised, or the effectiveness of the hedge has been undermined, it is restated at fair value and any change in value is taken directly to the profit and loss account and reported within exchange losses.

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 group's objectives, policies and strategy for holding CfDs are outlined in the Report of the Directors.

The group used CfDs during the year to minimise exposure to Pool price variations in England & Wales. 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 MWhs).

The average duration for such contracts is approximately one year. The group's use of such derivative instruments during the year related directly to the underlying purchase and sale of electricity to and from the Pool.

The cost or income attributable to CfDs has been recorded in the accounting records when settlement was 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.

With the introduction of NETA on 27 March 2001, the majority of CfDs have been translated into bilateral contracts for the physical delivery or receipt of energy in England & Wales. The quantities to be delivered or received equate to the volumes and time periods covered by the former CfD and the amount payable or receivable is equivalent to the strike price within the CfD.

Taxation

The charge for ordinary taxation is based on the profits for the year and takes into account full provision for deferred tax, using the approach set out in Financial Reporting Standard 19 'Deferred tax', in respect of timing differences on a non-discounted basis. Such timing differences arise primarily from the differing treatment for taxation and accounting purposes of provisions and depreciation of fixed assets. Previously the provision for deferred tax was accounted for on the partial provisioning basis required by Statement of Standard Accounting Practice (SSAP) 15. The effect of this change in accounting policy on the results and net assets on the current and previous financial years is disclosed in Note 6.

Comparative figures have been restated in the Group Profit and Loss Account, the Balance Sheet and Notes.

Goodwill

Purchased goodwill represents the excess of the fair value of the purchase consideration over the fair value of the net assets acquired. Goodwill arising from the purchase of trading entities in accounting periods prior to 31 March 1998 was written off on acquisition against reserves. On disposal of trading entities, the goodwill previously included in reserves is charged to the profit and loss account matched by an equal credit to reserves. Goodwill arising on acquisitions since 1 April 1998 has been capitalised and amortised through the profit and loss account over its estimated useful economic life.

Tangible fixed assets

Accounting for non-water infrastructure assets

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

	Years
Coal, oil-fired, gas and other generating stations	22-40
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.

Decommissioning costs

Provision is made for the estimated decommissioning costs at the end of the producing lives of the group's power stations on a discounted basis. Capitalised decommissioning costs are depreciated over the useful lives of the related assets. The unwinding of the discount is included within net interest and similar charges.

Infrastructure accounting

Water infrastructure assets, being mains and sewers, reservoirs, dams, sludge pipelines and sea outfalls comprise a network of systems. Expenditure on water infrastructure assets relating to increases in capacity or enhancement of the network and on maintaining the operating capability of the network in accordance with defined standards of service is treated as an addition to fixed assets.

The depreciation charge for water infrastructure assets is the estimated level of annualised expenditure required to maintain the operating capability of the network and is based on the asset management plan agreed with the water industry regulator as part of the price regulation process.

The asset management plan is developed from historical experience combined with a rolling programme of reviews of the condition of the infrastructure assets.

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 finance leases are allocated to accounting periods to give a constant periodic rate of return on the net cash investment in the lease in each period. The amounts due from lessees under finance leases are recorded in the balance sheet as a debtor at the amount of the net investment in the lease after making provisions for bad and doubtful rentals receivable.

Investments

Investments in subsidiary and associated undertakings and joint ventures are stated in the balance sheet of the parent company at cost, or nominal value of shares issued as consideration where applicable, less provision for any impairment in value. The Group Profit and Loss Account includes the group's share of the operating profits less losses, net interest charge and taxation of associated undertakings and joint ventures. The Group Balance Sheet includes the investment in associated undertakings and joint ventures at the group's share of their net assets. Other fixed asset investments are carried at cost less provision for impairment in value.

Shares held in parent company under trust

The amount recorded in the balance sheet for shares in the company's parent company purchased for employee sharesave schemes represents the amounts receivable from option holders on exercise of the options.

The group has taken advantage of the exemption within Urgent Issues Task Force (UITF) Abstract 17 not to apply the requirements therein to Inland Revenue approved savings-related share option schemes and equivalent overseas schemes.

Long Term Incentive Plan

Shares in the company's parent company 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 non-water infrastructure fixed assets are treated as deferred income and released to the profit and loss account over the estimated operational lives of the related assets. Grants and contributions receivable relating to water infrastructure assets are deducted from the cost or valuation of those assets. While this treatment is in accordance with SSAP 4, it is not in accordance with the Companies Act 1985. The Act requires capital grants and contributions to be shown as deferred income rather than offset against the cost or valuation of tangible fixed assets. This departure from the requirements of the Act is, in the opinion of the directors, necessary for the Accounts to give a true and fair view as, while provision is made for depreciation of water infrastructure assets, these assets do not have determinable finite lives and therefore no basis exists on which to recognise grants and contributions as deferred income. The effect of this treatment on the value of tangible fixed assets is disclosed in Note 10.

Pensions

The group provides pension benefits through both defined benefit and defined contribution arrangements. The regular cost of providing pensions and related benefits and any variations from regular cost arising from the actuarial valuations for defined benefit schemes are charged to the profit and loss account over the expected remaining service lives of current employees following consultations with the actuary. Any difference between the charge to the profit and loss account and the actual contributions paid to the pension schemes is included as an asset or liability in the balance sheet. Payments to defined contribution schemes are charged against profits as incurred.

Environmental liabilities

Provision for environmental liabilities is made when expenditure on remedial work is probable and the group is obliged, either legally or constructively through its environmental policies, to undertake such work. Where the amount is expected to be incurred over the long term, the amount recognised is the present value of the estimated future expenditure and the unwinding of the discount is included within net interest and similar charges.

Foreign currencies

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

Group Profit and Loss Account
for the year ended 31 March 2001

	Notes	2001 £m	Total before exceptional items 2000 £m	Exceptional items 2000 (Note 4) £m	2000 £m
Turnover: group and share of joint ventures and associates		3,239.1	3,411.4	-	3,411.4
Less: share of turnover in joint ventures		(11.7)	(7.6)	-	(7.6)
Less: share of turnover in associates		(0.4)	(0.5)	-	(0.5)
Group turnover from continuing operations	1	3,227.0	3,403.3	-	3,403.3
Cost of sales		(1,971.5)	(1,995.4)	(173.5)	(2,168.9)
Gross profit from continuing operations		1,255.5	1,407.9	(173.5)	1,234.4
Transmission and distribution costs		(272.9)	(260.2)	(61.1)	(321.3)
Administrative expenses		(400.5)	(366.8)	(24.4)	(391.2)
Other operating income		34.0	25.2	-	25.2
Operating profit from continuing operations before goodwill amortisation		618.9	809.7	(259.0)	550.7
Goodwill amortisation		(2.8)	(3.6)	-	(3.6)
Operating profit from continuing operations	1,2	616.1	806.1	(259.0)	547.1
Share of operating (loss)/ profit in joint ventures		(9.4)	1.6	(3.3)	(1.7)
Share of operating profit in associates		0.1	0.1	-	0.1
		606.8	807.8	(262.3)	545.5
Gain on partial disposal of Thus		-	-	787.0	787.0
Loss on disposal of and withdrawal from operations		-	-	(55.0)	(55.0)
Profit on ordinary activities before interest		606.8	807.8	469.7	1,277.5
Net interest and similar charges					
- Group		(181.7)	(193.2)	(15.9)	(209.1)
- Joint ventures		(2.9)	(1.4)	-	(1.4)
	5	(184.6)	(194.6)	(15.9)	(210.5)
Profit on ordinary activities before goodwill amortisation and taxation		425.0	616.8	453.8	1,070.6
Goodwill amortisation		(2.8)	(3.6)	-	(3.6)
Profit on ordinary activities before taxation		422.2	613.2	453.8	1,067.0
Taxation					
- Group		(56.3)	(162.2)	(56.0)	(218.2)
- Joint ventures		(1.9)	0.1	-	0.1
	6	(58.2)	(162.1)	(56.0)	(218.1)
Profit after taxation		364.0	451.1	397.8	848.9
Minority interests	22	33.5			1.3
Profit for the financial year		397.5			850.2
Dividends	7	(311.1)			(1,061.9)
Profit/ (loss) retained	20	86.4			(211.7)

The Accounting Policies and Definitions on pages 7 to 12, together with the Notes on pages 16 to 31 form part of these Accounts.

Statement of Total Recognised Gains and Losses
for the year ended 31 March 2001

	2001 £m	2000 £m
Profit for the financial year	397.5	850.2
Prior year adjustment for implementation of FRS 19 'Deferred tax' (as explained in Note 6)	(774.9)	
Total gains and losses recognised since last annual Accounts	(377.4)	

Reconciliation of Movements in Shareholders' Funds
for the year ended 31 March 2001

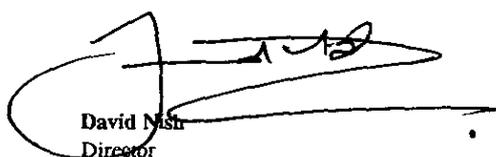
	2001 £m	2000 £m
Profit for the financial year	397.5	850.2
Dividends	(311.1)	(1,061.9)
Profit/(loss) retained	86.4	(211.7)
Share capital issued	-	3.5
Share buy-back (including costs)	-	(92.7)
Impairment of goodwill previously written off to reserves	-	7.5
Goodwill realised on disposals	-	15.3
Net movement in shareholders' funds	86.4	(278.1)
Opening shareholders' funds (as adjusted for the implementation of FRS 19 'Deferred tax')	924.7	1,202.8
Closing shareholders' funds	1,011.1	924.7

The Accounting Policies and Definitions on pages 7 to 12, together with the Notes on pages 16 to 31 form part of these Accounts.

Balance Sheets
as at 31 March 2001

	Notes	Group		Company	
		2001 £m	2000 £m	2001 £m	2000 £m
Fixed assets					
Intangible assets	9	127.4	33.1	96.7	-
Tangible assets	10	6,613.4	5,750.1	2,358.9	1,929.0
Investments					
- Investments in joint ventures:					
Share of gross assets		118.4	95.9		
Share of gross liabilities		(74.6)	(76.3)		
		43.8	19.6	57.7	19.3
- Investments in associates		5.0	5.4	-	-
- Other investments		62.7	39.0	1,658.4	1,662.3
	11	111.5	64.0	1,716.1	1,681.6
		6,852.3	5,847.2	4,171.7	3,610.6
Current assets					
Stocks	12	104.5	102.3	83.9	80.0
Debtors	13	695.0	621.3	2,332.9	2,076.3
Short-term bank and other deposits		130.1	102.7	33.3	17.5
		929.6	826.3	2,450.1	2,173.8
Creditors: amounts falling due within one year					
Loans and other borrowings	14	(401.7)	(831.1)	(375.0)	(1,169.7)
Other creditors	15	(2,075.5)	(1,405.2)	(1,830.7)	(876.0)
		(2,477.2)	(2,236.3)	(2,205.7)	(2,045.7)
Net current (liabilities)/ assets		(1,547.6)	(1,410.0)	244.4	128.1
Total assets less current liabilities		5,304.7	4,437.2	4,416.1	3,738.7
Creditors: amounts falling due after more than one year					
Loans and other borrowings	14	(2,596.0)	(2,005.4)	(2,496.3)	(1,899.3)
Provisions for liabilities and charges					
-Deferred tax	17	(790.4)	(774.9)	(308.7)	(299.4)
-Other provisions	16	(302.1)	(147.5)	(283.5)	(117.8)
		(1,092.5)	(922.4)	(592.2)	(417.2)
Deferred income	18	(477.2)	(423.3)	(251.0)	(215.4)
Net assets	8	1,139.0	1,086.1	1,076.6	1,206.8
Called up share capital	19,20	592.0	592.0	592.0	592.0
Share premium	20	398.2	398.2	398.2	398.2
Revaluation reserve	20	217.1	220.5	-	-
Capital redemption reserve	20	8.2	8.2	8.2	8.2
Other reserve	20	-	-	-	3.6
Profit and loss account	20	(204.4)	(294.2)	78.2	204.8
Equity shareholders' funds	20	1,011.1	924.7	1,076.6	1,206.8
Minority interests	22	127.9	161.4	-	-
Capital employed		1,139.0	1,086.1	1,076.6	1,206.8

Approved by the Board on 3 May 2001 and signed on its behalf by


David Nish
Director

The Accounting Policies and Definitions on pages 7 to 12, together with the Notes on pages 16 to 31 form part of these Accounts.

Notes to the Accounts
for the year ended 31 March 2001

1 Segmental information

(a) Turnover by segment	Notes	Total turnover		Inter-segment turnover		External turnover	
		2001 £m	2000 £m	2001 £m	2000 £m	2001 £m	2000 £m
Generation Wholesale		798.8	884.6	523.1	626.8	275.7	257.8
Power Systems		652.2	728.5	439.6	555.9	212.6	172.6
Energy Supply		1,748.9	1,908.9	40.7	9.6	1,708.2	1,899.3
Southern Water		421.6	470.5	-	-	421.6	470.5
Telecoms	(i)	233.8	243.2	34.4	40.4	199.4	202.8
Other		729.1	756.5	319.6	356.2	409.5	400.3
Total	(ii)					3,227.0	3,403.3

(b) Operating profit/(loss) by segment

	Before goodwill amortisation	Goodwill amortisation	Before goodwill amortisation and exceptional items		Goodwill amortisation	Exceptional items	
	2001 £m	2001 £m	2001 £m	2000 £m	2000 £m	2000 £m	2000 £m
Generation Wholesale	92.9	(0.4)	92.5	106.8	-	(152.3)	(45.5)
Power Systems	324.2	-	324.2	361.2	-	(57.7)	303.5
Energy Supply	36.1	-	36.1	50.6	-	(29.4)	21.2
Southern Water	221.2	-	221.2	286.5	-	(8.4)	278.1
Telecoms	(58.0)	(2.4)	(60.4)	(9.5)	(3.6)	-	(13.1)
Other	2.5	-	2.5	14.1	-	(11.2)	2.9
Total	618.9	(2.8)	616.1	809.7	(3.6)	(259.0)	547.1

(i) The Telecoms segment included external turnover of £25.7 million for the year ended 31 March 2000 in respect of the group's mobile telephone business which was disposed of in November 1999.

(ii) Turnover arises from activities carried out in the UK.

2 Operating profit

	2001 £m	2000 £m
Operating profit is stated after charging/(crediting):		
Depreciation and impairment of tangible fixed assets	276.7	378.9
Amortisation of goodwill	2.8	3.6
Release of customer contributions/grants	(14.7)	(15.6)
Research and development	4.2	4.5
Hire of plant and equipment - operating leases	0.3	0.4
Hire of other assets - operating leases	49.0	43.2
Auditors' remuneration for audit of		
- group	0.9	0.7
- company	0.7	0.4
Non-audit fees paid to auditors:		
Regulatory advice	0.5	1.1
Advice on systems and consultancy services	5.1	2.3
Taxation advice	0.6	0.1
Due diligence	0.6	3.2
Total non-audit fees paid to auditors	6.8	6.7

3 Employee information

(a) Employee costs	2001 £m	2000 £m
Wages and salaries	339.2	362.8
Social security costs	28.0	29.4
Pension costs	15.8	10.0
Total employee costs	383.0	402.2
Less: charged as capital expenditure	(68.5)	(66.6)
Charged to the profit and loss account	314.5	335.6

(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	
	2001	2000	2001	2000
Generation Wholesale	737	710	699	872
Power Systems	3,181	4,414	3,241	4,394
Energy Supply	3,440	2,147	3,372	2,059
Southern Water	2,103	2,143	2,123	2,203
Telecoms	2,686	2,516	2,696	2,379
Other	3,166	4,395	3,223	4,466
Total	15,313	16,325	15,354	16,373

Notes to the Accounts
for the year ended 31 March 2001

3 Employee information continued

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

	At 31 March		Annual average	
	2001	2000	2001	2000
Total	14,209	15,176	14,174	15,224

(c) Directors' remuneration

Details of the directors' remuneration, pension entitlements and interests in share options are set out in Note 27.

4 Exceptional items

	Notes	2001 £m	2000 £m
(a) Recognised in arriving at operating profit			
Reorganisation costs	(i)	-	(55.0)
Energy contracts	(ii)	-	(107.1)
Impairment of assets	(iii)	-	(96.9)
		-	(259.0)
(b) Recognised after operating profit			
Share of joint venture impairment of assets		-	(3.3)
Gain on partial disposal of Thus	(iv)	-	787.0
Loss on disposal of and withdrawal from other Telecoms operations	(v)	-	(55.0)
		-	728.7
Restructuring of debt portfolio	(vi)	-	(15.9)
Tax on exceptional items		-	(56.0)
		-	656.8
Total exceptional items (net of tax)		-	397.8

Year ended 31 March 2000

(i) Following the regulatory price reviews in the United Kingdom electricity and water industries announced in November 1999, the group commenced restructuring a large part of its UK businesses. The exceptional costs principally comprised employee severance costs.

(ii) Exceptional charges were recorded for the onerous costs of contracted energy and fuel purchases which were not expected to be recoverable.

(iii) Provision was made for impairment of assets following an assessment of the group's UK generation portfolio and the outcome of the regulatory price reviews in the United Kingdom electricity industry announced in November 1999.

(iv) In November 1999, the group made Global and Employee Offerings of shares in its Internet and telecommunications services subsidiary, Thus plc. As a result of these offerings the group's interest in the share capital of Thus was reduced from 100% to 50.1%. The gain on sale represented the difference between the carrying amount of the net assets of Thus before the reduction in the group's interest and the carrying amount attributable to the group's interest immediately after the reduction and taking into account the net proceeds received. The gain on disposal was after charging goodwill of £48.0 million of which £13.4 million represented goodwill previously written off to reserves. The gain on partial disposal of Thus was stated before a taxation charge of £80.0 million.

(v) An exceptional charge of £47.5 million related to the costs arising as a result of the group's decision, in July 1999, to withdraw from the use of fixed radio access telephony, including a provision for impairment of tangible assets of £40.5 million. In November 1999 the group disposed of its mobile telephone business. There was no gain or loss on disposal after charging £1.9 million of goodwill relating to this business which was originally charged to reserves. In addition, during the year ended 31 March 2000 and prior to the disposal, an impairment of goodwill of £7.5 million in respect of this business was charged to the profit and loss account.

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

5 Net interest and similar charges

	2001 £m	2000 £m
Analysis of net interest and similar charges		
Interest on bank loans and overdrafts	35.9	23.6
Interest on other borrowings	170.2	220.1
Total interest payable	206.1	243.7
Interest receivable	(4.0)	(7.2)
Capitalised interest	(24.2)	(26.0)
Net interest charge	177.9	210.5
Unwinding of discount on provisions	6.7	-
Net interest and similar charges	184.6	210.5

Notes to the Accounts
for the year ended 31 March 2001

6 Tax on profit on ordinary activities

	2001 £m	Before exceptional items 2000 £m	Exceptional items 2000 £m	2000 £m
UK Corporation tax at 30% (2000 30%)	42.7	130.3	56.0	186.3
Deferred tax				
Origination and reversal of timing differences	15.5	31.8	-	31.8
Total tax on profit on ordinary activities	58.2	162.1	56.0	218.1

The rate of current tax charge on profit on ordinary activities before exceptional items and goodwill amortisation varied from the standard rate of corporation tax in the UK due to the following factors:

	2001 %	Before exceptional items 2000 %
UK corporation tax rate		30.0
Permanent UK differences		(16.3)
Effective tax rate on ordinary activities		13.7
Effect of deferred tax		(3.6)
Effective current tax rate on ordinary activities		10.1

Financial Reporting Standard 19 'Deferred Tax' (FRS 19) issued on 7 December 2000 requires full provision to be made for deferred tax assets and liabilities, subject to certain exceptions. Previously deferred tax was provided for in respect of timing differences to the extent that it was probable that a liability would crystallise in the foreseeable future. FRS 19 has been applied in preparing the 31 March 2001 Accounts and comparative figures have been restated in the Group Profit and Loss Account, the Balance sheet and Notes. The effect on the group's previously reported results and net assets is as follows:

Loss retained	2000 £m
As previously reported	(179.9)
Effect of implementing new accounting policy	(31.8)
As restated	(211.7)
Net assets	2000 £m
As previously reported	1,861.0
Effect of implementing new accounting policy	(774.9)
As restated	1,086.1

As a result of the change in accounting policy, the profit for the year ended 31 March 2001 has been reduced by £15.5 million.

7 Dividends

	2001 £m	2000 £m
Dividends declared and paid to parent company	311.1	1,061.9
Total dividends	311.1	1,061.9

Notes to the Balance Sheets
as at 31 March 2001 - continued

8 Segmental information

Net assets by segment	Notes	2001 £m	2000 £m
Generation Wholesale		459.8	201.0
Power Systems		1,871.3	1,955.2
Energy Supply		196.2	200.9
Southern Water		1,831.4	1,618.0
Telecoms		308.1	377.7
Other	(i)	87.3	56.8
		4,754.1	4,409.6
Unallocated net liabilities	(ii)	(3,615.1)	(3,323.5)
Total		1,139.0	1,086.1

(i) The net liabilities of the Appliance Retailing business, included within the Other business segment, excluding short-term bank and other deposits of £55.4 million (2000 £48.8 million), are £0.8 million (2000 net assets £9.1 million).

(ii) Unallocated net liabilities include net debt, dividends payable, tax liabilities and investments.

9 Intangible fixed assets

Goodwill	Note	Group £m	Company £m
Cost:			
At 1 April 2000		36.1	-
Acquisition	23	97.1	97.1
At 31 March 2001		133.2	97.1
Amortisation:			
At 1 April 2000		3.0	-
Amortisation for the year		2.8	0.4
At 31 March 2001		5.8	0.4
Net book value:			
At 31 March 2001		127.4	96.7
At 31 March 2000		33.1	-

Goodwill capitalised is being amortised over its estimated useful economic life, which is a range of between 15 to 20 years.

10 Tangible fixed assets

Group Year ended 31 March 2001	Land and buildings £m	Water infrastructure assets £m	Plant and machinery £m	Vehicles and equipment £m	Total £m
Cost or valuation:					
At 1 April 2000	1,037.0	1,093.7	4,470.5	818.9	7,420.1
Additions	112.1	90.5	473.5	186.9	863.0
Acquisitions	54.2	-	244.7	1.1	300.0
Grants and contributions	-	(8.7)	-	-	(8.7)
Disposals	(22.1)	(0.6)	(11.1)	(52.5)	(86.3)
At 31 March 2001	1,181.2	1,174.9	5,177.6	954.4	8,488.1
Depreciation:					
At 1 April 2000	235.8	68.1	1,078.9	287.2	1,670.0
Charge for the year	31.2	20.9	108.9	115.7	276.7
Disposals	(14.3)	(0.6)	(6.6)	(50.5)	(72.0)
At 31 March 2001	252.7	88.4	1,181.2	352.4	1,874.7
Net book value:					
At 31 March 2001	928.5	1,086.5	3,996.4	602.0	6,613.4
At 31 March 2000	801.2	1,025.6	3,391.6	531.7	5,750.1

Historical cost analysis	2001 £m	2000 £m
Cost	8,336.1	7,268.1
Depreciation based on cost	(1,939.8)	(1,738.5)
Net book value based on cost	6,396.3	5,529.6

Notes to the Balance Sheets
as at 31 March 2001 - continued

Company Year ended 31 March 2001	Land and buildings £m	Plant and machinery £m	Vehicles and equipment £m	Total £m
Cost:				
At 1 April 2000	306.5	2,507.4	481.7	3,295.6
Additions	13.9	182.7	73.9	270.5
Acquisitions	54.2	244.7	1.1	300.0
Disposals	(1.9)	(6.0)	(33.0)	(40.9)
At 31 March 2001	372.7	2,928.8	523.7	3,825.2
Depreciation:				
At 1 April 2000	188.9	944.7	233.0	1,366.6
Charge for the year	11.2	58.3	60.4	129.9
Disposals	(1.0)	(4.4)	(24.8)	(30.2)
At 31 March 2001	199.1	998.6	268.6	1,466.3
Net book value:				
At 31 March 2001	173.6	1,930.2	255.1	2,358.9
At 31 March 2000	117.6	1,562.7	248.7	1,929.0

Included in the cost or valuation of tangible fixed assets above are:	Notes	Group		Company	
		2001 £m	2000 £m	2001 £m	2000 £m
Major assets in the course of construction		670.1	499.2	24.0	44.8
Grants and contributions in respect of water infrastructure assets		(33.0)	(24.3)	-	-
Capitalised interest	(ii)	82.9	58.7	8.0	8.0
Assets not subject to depreciation	(iii)	101.3	58.7	60.8	18.2

(i) The Manweb distribution and Southern Water operational assets were revalued by the directors on 30 September 1997. The valuations have not been and will not be updated, as permitted under the transitional provisions of FRS 15 'Tangible fixed assets'. The net book value of tangible fixed assets included at valuation at 31 March 2001 was £2,198.1 million (2000 £2,253.1 million).

(ii) Interest on the funding attributable to major capital projects was capitalised during the year at a rate of 8% (2000: 8%).

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

(iv) Assets which were impaired in 2000 were valued on the basis of their estimated recoverable amounts.

11 Fixed asset investments

	Note	Subsidiary undertaking		Joint ventures		Associated undertakings		Shares held in parent company under trust*	Other investments £m	Total £m
		Shares £m	Shares £m	Loans £m	Shares £m	Shares £m	Shares £m			
Group										
Cost or valuation:										
At 31 March 2000		-	0.3	19.3	5.4	37.3	1.7	-	-	64.0
Additions		-	23.7	16.8	-	2.8	26.0	-	-	69.3
Share of retained (loss) /profit		-	(4.8)	(9.4)	0.1	-	-	-	-	(14.1)
Disposals and other		-	(0.4)	(1.7)	(0.5)	(4.7)	(0.4)	-	-	(7.7)
At 31 March 2001		-	18.8	25.0	5.0	35.4	27.3	-	-	111.3
Company										
Cost or nominal value:										
At 31 March 2000		1,623.8	-	19.3	-	37.4	1.1	-	-	1,681.6
Additions		-	23.7	16.8	-	2.8	1.7	-	-	45.0
Amendment to original cost	20	(3.6)	-	-	-	-	-	-	-	(3.6)
Disposals and other		-	(0.4)	(1.7)	-	(4.8)	-	-	-	(6.9)
At 31 March 2001		1,620.2	23.3	34.4	-	35.4	2.8	-	-	1,716.1

* At 31 March 2000, Scottish Power UK plc held its own shares under trust for the purposes of the Employee Share Ownership Plan. As a result of the new holding company structure, the shares are now held in Scottish Power plc.

Shares held in parent company under trust

	Shares held at Dividend Waived	Shares held at 31 March 2000 (000s)	Market Value at 31 March 2000 £m	Shares held at 31 March 2001 (000s)	Market Value at 31 March 2001 £m
ScottishPower Sharesave Schemes	Yes	10,113	51.4	8,313	38.9

Details of other listed investments held are given below:

Balance Sheet value at 31 March 2001	£m	24.3
Market value at 31 March 2001	£m	10.8

(i) The ScottishPower Sharesave Scheme is savings related and under normal circumstances share options are exercisable on completion of three, five or seven year save-as-you-earn contracts as appropriate.

The principal subsidiary undertakings, joint ventures and associated undertakings are listed on page 31.

12 Stocks

	Group		Company	
	2001 £m	2000 £m	2001 £m	2000 £m
Raw materials and consumables	40.6	33.9	28.8	20.5
Fuel stocks	5.6	11.6	5.6	11.6
Work in progress	8.2	11.6	0.9	3.8
Finished goods and goods for resale	50.1	45.2	48.6	44.1
	104.5	102.3	83.9	80.0

13 Debtors

	Notes	Group		Company	
		2001 £m	2000 £m	2001 £m	2000 £m
(a) Amounts falling due within one year:					
Trade debtors		309.0	301.9	119.6	164.4
Amounts receivable under finance leases	(i)	8.3	2.7	-	-
Prepayments and accrued income		306.2	276.7	247.3	220.4
Amounts owed from fellow subsidiary undertakings		24.6	2.9	942.3	753.9
Other debtors		52.7	37.1	33.1	27.8
		692.8	621.3	1,342.3	1,166.5
(b) Amounts falling due after more than one year:					
Amounts owed from fellow subsidiary undertakings		-	-	990.6	909.8
Amounts receivable under finance leases	(i)	2.2	-	-	-
		695.0	621.3	2,332.9	2,076.3

(i) Amounts receivable under finance leases relate to ScottishPower Leasing Limited, one of the company's subsidiaries. The total cost of assets acquired by ScottishPower Leasing Limited for letting under leases is £3.5 million (2000 £3.6 million). Total amounts receivable during the year under finance leases were £0.4 million (2000 £0.4 million).

Notes to the Balance Sheets
as at 31 March 2001 - continued

14 Loans and other borrowings

Details of the group's objectives, policies and strategy with regard to financial instruments and risk management are contained within the Report of the Directors on pages 3 to 6. The analyses of financial instruments in this Note do not include short-term debtors and creditors as permitted by FRS 13.

(a) Analysis by instrument	Notes	Weighted average interest rate		Group		Company	
		2001	2000	2001	2000	2001	2000
				£m		£m	
Bank overdraft		-	-	23.6	23.7	-	-
Uncommitted bank loan		6.0%	5.3%	96.0	89.3	96.0	88.9
Commercial paper	(i)	6.0%	5.4%	203.8	289.5	203.8	289.5
Medium-term notes/private placements	(ii)	6.5%	5.9%	1,151.3	613.2	1,151.3	613.2
Loan notes	(iii)	6.2%	5.4%	9.1	8.7	6.0	7.8
European Investment Bank loans	(iv)	7.2%	7.9%	342.8	304.6	342.8	304.6
5.875% euro-US dollar bond 2003		6.9%	6.9%	183.4	183.2	183.4	183.2
Variable coupon bond 2008		6.9%	6.8%	99.7	99.7	-	-
5.250% deutschmark bond 2008		6.8%	6.8%	245.7	245.6	245.7	245.6
6.625% euro-sterling bond 2010		6.6%	6.7%	198.1	197.9	198.1	197.9
8.375% euro-sterling bond 2017		8.4%	8.4%	197.1	197.1	197.1	197.1
6.750% euro-sterling bond 2023		6.8%	6.8%	247.1	247.0	247.1	247.0
Amounts owed to group companies		-	6.4%	-	337.0	-	694.2
				2,997.7	2,836.5	2,871.3	3,069.0

All borrowings are unsecured.

(i) Commercial paper

Scottish Power UK plc has an established US\$2.0 billion (2000 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.

(ii) Medium term notes/private placements

Scottish Power UK plc 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 2001, maturities range from 1 to 39 years.

(iii) Loan notes

All loan notes are redeemable at the holders discretion. Ultimate maturity dates range from 2001 to 2006.

(iv) 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) Fair value of financial instruments	At 31 March 2001		At 31 March 2000		
	Book amount	Fair value	Book amount	Fair value	
		£m	£m	£m	£m
Short-term debt and current portion of long-term debt	401.7	401.7	831.1	831.1	
Long-term debt	2,596.0	2,679.2	2,005.4	2,013.0	
Total debt	2,997.7	3,080.9	2,836.5	2,844.1	
Interest rate swaps	-	54.8	-	18.9	
Interest rate swaptions	4.0	1.9	4.2	1.4	
Forward rate agreements	-	0.1	-	-	
Interest rate caps	-	-	-	(0.9)	
Cross currency interest rate swaps	-	(25.5)	-	28.9	
Forward contracts	-	(3.2)	-	0.2	
Total financial instruments	3,001.7	3,109.0	2,840.7	2,892.6	

The assumptions used to estimate fair values of debt and other financial instruments are summarised below :

- For cash, short-term deposits and short-term borrowings (uncommitted borrowing, commercial paper and short-term borrowings under the committed facilities) the book value approximates to fair value because of their short maturities.
- The fair values of all quoted euro bonds are based on their closing clean market price converted at the spot rate of exchange as appropriate.
- The fair values of the European Investment Bank loans have been calculated by discounting their future cash flows at market rates adjusted to reflect the redemption adjustments allowed under each agreement.
- The fair values of unquoted debt have been calculated by discounting the estimated cash flows for each instrument at the appropriate market discount rate in the currency of issue in effect at the balance sheet date.
- The fair values of the sterling interest rate swaps, sterling forward rate agreements and sterling interest rate caps have been estimated by calculating the present value of estimated cash flows.
- The fair values of the sterling interest rate swaptions are estimated using the sterling yield curve and implied volatilities as at 31 March.
- The fair values of the cross currency interest rate swaps have been estimated by adding the present values of the two sides of each swap. The present value of each side of the swap is calculated by discounting the estimated future cash flows for that side, using the appropriate market discount rates for that currency in effect at the balance sheet date.
- The fair values of the forward contracts are estimated using market forward exchange rates on 31 March.

(c) Maturity analysis	Group		Company		
	2001	2000	2001	2000	
		£m	£m	£m	£m
Repayments fall due as follows:					
Within one year, or on demand	401.7	831.1	375.0	1,169.7	
After more than one year	2,596.0	2,005.4	2,496.3	1,899.3	
		2,997.7	2,836.5	2,871.3	3,069.0

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

Between one and two years	337.4	73.3	337.4	70.6	
Between two and three years	118.4	274.0	118.4	274.0	
Between three and four years	97.5	68.8	97.5	68.9	
Between four and five years	161.4	97.5	161.4	97.5	
More than five years	1,881.3	1,491.8	1,781.6	1,388.3	
		2,596.0	2,005.4	2,496.3	1,899.3

Notes to the Balance Sheets
as at 31 March 2001 - continued

14 Loans and other borrowings continued

(d) Interest rate analysis	Borrowings at 31 March		Weighted average interest rate at which borrowings are fixed/ capped at 31 March		Weighted average period for which interest rate is fixed/ capped	
	2001	2000	2001	2000	2001	2000
	£m	£m	%	%	Years	Years
Fixed rate borrowings	2,090.1	1,925.4	7.1	7.3	10	10
Capped rate borrowings	150.0	150.0	7.0	7.0	1	2
Floating rate borrowings	757.6	761.1				
	2,997.7	2,836.5				

All amounts in the analysis above are payable in sterling and take into account the effect of interest rate swaps and caps and currency swaps. Floating rate borrowings bear interest at rates based on LIBOR. The average interest rate on short-term borrowings as at 31 March 2001 was 6.0% (2000 5.8%).

Based on the floating rate debt of £757.6 million at 31 March 2001 (2000 £761.1 million), a 100 base point change in interest rates would result in a £10.5 million change in profit before tax for the year (2000 £7.6 million change).

(e) Financial assets

	At 31 March		Weighted average interest rate at which financial assets are fixed at 31 March		Weighted average period for which interest rate is fixed	
	2001	2000	2001	2000	2001	2000
	£m	£m	%	%	Years	Years
Fixed rate financial assets	11.4	7.7	6.5	7.0	4	4
Floating rate financial assets	121.1	98.1				
	132.5	105.8				

The floating rate financial assets are principally cash deposits. Floating rate investments pay interest at rates based on LIBOR. The average interest rate on short-term financial assets as at 31 March 2001 was 6.1% (2000: 6.1%).

The fair values of the financial assets are not materially different from their book values.

(f) Borrowing facilities

The group has the following undrawn committed borrowing facilities at 31 March 2001 in respect of which all conditions precedent have been met.

During the financial year Scottish Power UK plc cancelled £1,000 million of its £2,000 million revolving credit facility that was outstanding, undrawn, as at 31 March 2000.

	Floating rate 2001 £m	Total 2001 £m	Total 2000 £m
Expiring within one year	1,000.0	1,000.0	-
Expiring between one and two years	-	-	2,000.0

Notes to the Balance Sheets
as at 31 March 2001 - continued

14 Loans and other borrowings continued

(g) Hedges

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains and losses on instruments used for hedging, and the movements therein, are as follows:

	Notes	Gains £m	Losses £m	Total net gains/ losses £m
Unrecognised gains and (losses) on hedges at 1 April 1999		10.7	(91.7)	(81.0)
Transfer from gains to losses	(i)	(4.6)	4.6	-
Transfer from losses to gains	(i)	(5.3)	5.3	-
Losses arising in previous years that were recognised in 1999-00		5.4	39.7	45.1
Gains and (losses) arising before 1 April 1999 that were not recognised in 1999-00		6.2	(42.1)	(35.9)
Gains and (losses) arising in 1999-00 that were not recognised in 1999-00		25.9	(34.3)	(8.4)
Unrecognised gains and (losses) on hedges at 31 March 2000		32.1	(76.4)	(44.3)
Gains and (losses) expected to be recognised in 2000-01		(5.2)	(18.5)	(23.7)
Gains and (losses) expected to be recognised in 2001-02 or later		37.3	(57.9)	(20.6)

(i) Figures in the table above are calculated by reference to 31 March 2000 fair value of the derivative concerned.

	Notes	Gains £m	Losses £m	Total net gains/ losses £m
Unrecognised gains and (losses) on hedges at 1 April 2000		32.1	(76.4)	(44.3)
Transfer from gains to losses	(ii)	(5.8)	5.8	-
Transfer from losses to gains	(ii)	(4.5)	4.5	-
Losses arising in previous years that were recognised in 2000-01		2.8	16.3	19.1
Gains and (losses) arising before 1 April 2000 that were not recognised in 2000-01		24.6	(49.8)	(25.2)
Gains and (losses) arising in 2000-01 that were not recognised in 2000-01		54.8	(53.7)	1.1
Unrecognised gains and (losses) on hedges at 31 March 2001		79.4	(103.5)	(24.1)
Gains and (losses) expected to be recognised in 2001-02		(1.6)	(14.1)	(15.7)
Gains and (losses) expected to be recognised in 2002-03 or later		81.0	(89.4)	(8.4)

(ii) Figures in the table above are calculated by reference to the 31 March 2001 fair value of the derivative concerned.

(h) Currency exposures

The Group did not hold material net monetary assets or liabilities in currencies other than sterling at 31 March 2001 (2000 £Nil).

(i) Contracts for Differences

The gross value of outstanding CFDs in the group at 31 March 2001 was less than £0.1 million (2000 £427.2 million). The Group estimated that the fair value of CFDs outstanding at the year end was £nil (2000 £1.8 million).

15 Other creditors

	Group		Company	
	2001 £m	2000 £m	2001 £m	2000 £m
Amounts falling due within one year:				
Trade creditors	138.7	132.5	96.5	73.4
Corporate tax	138.7	256.3	50.7	138.5
Other taxes and social security	11.6	10.5	16.3	15.8
Payments received on account	28.7	35.7	2.2	0.7
Capital creditors and accruals	234.1	217.6	70.1	52.6
Other creditors	28.6	105.9	5.5	52.8
Accrued expenses	591.6	411.2	356.3	274.6
Amounts due to group undertakings	903.5	235.5	1,233.1	267.6
	2,075.5	1,405.2	1,830.7	876.0

Notes to the Balance Sheets
as at 31 March 2001 - continued

16 Provisions for liabilities and charges - Other provisions

2000-01	Notes	At 1 April 2000 £m	Acquisition (Note 23) £m	New provisions £m	Unwinding of discount £m	Utilised during year £m	At 31 March 2001 £m
Group							
Reorganisation and restructuring	(a)	44.0	-	0.1	-	(10.3)	33.8
Environmental and health	(b)	9.1	-	3.5	-	(0.4)	12.2
Decommissioning costs	(c)	6.3	-	-	0.4	-	6.7
Onerous contracts	(d)	79.0	171.5	-	6.3	(12.7)	244.1
Other	(e)	9.1	-	0.3	-	(4.1)	5.3
		147.5	171.5	3.9	6.7	(27.5)	302.1
Company							
Reorganisation and restructuring	(a)	28.0	-	-	-	(9.4)	18.6
Environmental and health	(b)	5.9	-	3.5	-	(0.4)	9.0
Decommissioning costs	(c)	-	-	6.3	0.4	-	6.7
Onerous contracts	(d)	79.0	171.5	-	6.3	(12.7)	244.1
Other	(e)	4.9	-	0.2	-	-	5.1
		117.8	171.5	10.0	6.7	(22.5)	283.5

(a) The provisions for reorganisation and restructuring comprise the estimated costs of restructuring the group's businesses following the regulatory price reviews in the United Kingdom electricity and water industries announced in November 1999. The provisions are principally in respect of severance costs, most of which are expected to be incurred in the financial year 2001-02 with an element arising in the following year.

(b) The environmental and health provisions include:

(i) costs which will be incurred in the United Kingdom in complying with Health and Safety requirements, most of which are expected to be incurred in the period to 31 March 2002;

(ii) obligations to ensure former operational sites in the UK remain in an environmentally safe condition, the costs of which are expected to be incurred in the period to 31 March 2003;

(c) The provision for decommissioning costs is the discounted future estimated costs of decommissioning the group's power plants. The decommissioning of these plants is expected to occur over the period between 2010 and 2020.

(d) The provision for onerous contracts comprises the costs of contracted energy purchases. The costs provided are expected to be incurred in the period to 31 March 2009 as follows: less than 1 year £41.4 million, between 1 and 2 years £43.6 million, between 2 and 5 years £100.3 million, and the remainder after 5 years £58.8 million.

(e) The Other category comprises various provisions which are not individually sufficiently material to warrant separate disclosure.

17 Provisions for liabilities and charges - Deferred tax

Deferred taxation provided in the Accounts is as follows:

	Group		Company	
	2001 £m	2000 £m	2001 £m	2000 £m
Accelerated capital allowances	843.6	810.2	314.5	308.5
Other timing differences	(53.2)	(35.3)	(5.8)	(9.1)
Total	790.4	774.9	308.7	299.4
			Group	Company
			2001	2001
			£m	£m
At 1 April 2000 - as previously stated			-	-
Prior year adjustment for FRS 19			774.9	299.4
At 1 April 2000 - as restated			774.9	299.4
Charge to profit and loss account			15.5	9.3
Deferred tax provided at 31 March 2001			790.4	308.7

18 Deferred income

	At 1 April 2000 £m	Receivable during year £m	Released to profit and loss account £m	At 31 March 2001 £m
Grants and customer contributions				
- Group	423.3	68.6	(14.7)	477.2
- Company	215.4	42.6	(7.0)	251.0

Deferred income excludes grants and contributions received in respect of water infrastructure assets.

19 Share capital

	2001 £m	2000 £m
Authorised:		
3,000,000,002 (2000 3,000,000,002) ordinary shares of 50p each	1,500.0	1,500.0
	1,500.0	1,500.0
Allotted, called up and fully paid:		
1,183,983,102 (2000 1,183,983,102) ordinary shares of 50p each	592.0	592.0
	592.0	592.0

20 Analysis of movements in shareholders' funds

Note	Number of Shares 000s	Share capital £m	Share premium £m	Revaluation reserve £m	Capital redemption reserve £m	Other reserve £m	Profit and loss account £m	Total £m
Group								
At 1 April 2000 - as originally stated	1,183,983	592.0	398.2	220.5	8.2	-	480.7	1,699.6
Prior year adjustment for FRS 19	-	-	-	-	-	-	(774.9)	(774.9)
At 1 April 2000 - as restated	1,183,983	592.0	398.2	220.5	8.2	-	(294.2)	924.7
Retained profit for the year	-	-	-	-	-	-	86.4	86.4
Revaluation surplus realised	-	-	-	(3.4)	-	-	3.4	-
Balance at 31 March 2001	1,183,983	592.0	398.2	217.1	8.2	-	(204.4)	1,011.1
Company								
At 1 April 2000 - as originally stated	1,183,983	592.0	398.2	-	8.2	3.6	504.2	1,506.2
Prior year adjustment for FRS 19	-	-	-	-	-	-	(299.4)	(299.4)
At 1 April 2000 - as restated	1,183,983	592.0	398.2	-	8.2	3.6	204.8	1,206.8
Retained loss for the year	-	-	-	-	-	-	(126.6)	(126.6)
Employee share save scheme (b)	-	-	-	-	-	(3.6)	-	(3.6)
Balance at 31 March 2001	1,183,983	592.0	398.2	-	8.2	-	78.2	1,076.6

(a) Cumulative goodwill written off to reserves as at 31 March 2001 was £1,349.9 million (2000 £1,349.9 million).

(b) When Scottish Power UK plc acquired Southern Water plc, a balance was established within 'Other reserve' for the cost of transferring existing options over Southern Water plc shares to the Scottish Power plc Share Option Scheme. Prior to 1 April 2000, this balance reduced as new shares were issued to satisfy the exercise of these options. However, the shares to satisfy the exercise of these options have now been acquired by a Qualifying Employee Share Ownership Trust and, accordingly, the balance on the Other reserve has been reduced to zero with a corresponding adjustment to the company's investment in Southern Water plc (see Note 11).

21 Company profit and loss account

As permitted by Section 230 of the Companies Act 1985, the company has not presented its own profit and loss account. The company's profit and loss account was approved by the Board on 3 May 2001. The profit for the financial year per the Accounts of the company was £184.5 million (2000: £777.4 million).

22 Minority interests

	2001 £m	2000 £m
At 1 April 2000	161.4	1.3
Arising on partial disposal of Thus	-	162.2
Disposal	-	(0.8)
Profit and loss account	(33.5)	(1.3)
At 31 March 2001	127.9	161.4

Notes to the Balance Sheets
as at 31 March 2001 - continued

23 Acquisition

In March 2001, the group acquired the business and assets of Rye House power station for a total consideration of £227.7 million. The acquisition method of accounting has been adopted and the goodwill on the purchase has been capitalised and is being amortised over 20 years. The directors have estimated the useful economic life of the goodwill acquired after assessment of the earnings generating life of the plant. The details of the transaction are shown below.

	Provisional fair values £m
Fair value of Rye House consideration	
Tangible fixed assets	300.0
Stocks	2.1
Debtors	1.8
Creditors: amounts falling due within one year	(1.8)
Provisions for liabilities and charges	(171.5)
Net assets	130.6
Goodwill arising on acquisition of Rye House	97.1
Purchase consideration	227.7
Satisfied by:	
Cash paid	217.2
Acquisition expenses	10.5
	227.7

The net assets of the Rye House power station did not form part of a separate legal entity acquired and therefore no information on book values is available. The tangible fixed assets acquired have been provisionally fair valued at net depreciated replacement cost and a provision for an onerous gas contract has been established by reference to market prices prevailing at the time of the acquisition.

The post-acquisition results of the Rye House business are not material to the group's results for the year ended 31 March 2001.

The fair values attributed to the acquisition are provisional due to the proximity of the date of acquisition to the financial year end.

Notes to the Balance Sheets
as at 31 March 2001 - continued

24 Pensions

At 31 March 2001, ScottishPower had seven statutorily approved defined benefit pension schemes and one statutorily approved defined contribution scheme. Details of the principal schemes are set out below:

Pension fund	Scheme type	Funded or unfunded	Pension charge for the year			Prepayment as at 31 March	
			2001 £m	2000 £m	1999 £m	2001 £m	2000 £m
ScottishPower	Defined benefit	Funded	-	-	6.9	5.0	5.0
Manweb	Defined benefit	Funded	4.3	4.2	5.8	-	-
Southern Water	Defined benefit	Funded	3.7	4.1	5.3	-	-
Final Salary LifePlan	Defined benefit	Funded	3.0	1.0	-	-	-

The individual scheme funding details and assumptions made are as follows:

Pension fund	Latest full actuarial valuation	Valuation carried out by	Value of assets based on valuation £m	Market value of assets £m	Valuation method adopted	Principal actuarial assumptions				Value of fund assets/ accrued benefits
						Average investment rate of return	Average salary increases	Average pension increases	Average equity dividend growth	
ScottishPower	31 March 2000	William M Mercer	1,930.4	2,090.4	Projected unit	6.0%	4.5%	2.5%	N/A	129%
Manweb	31 March 1998	Bacon & Woodrow	467.6	613.7	Projected unit	8.5%	6.5%	4.5%	4.75%	105%
Southern Water	31 March 1998	Watson Wyatt	231.1	298.6	Projected unit	8.5%	6.5%	4.5%	5.5%	108%
Final Salary LifePlan	31 March 1999	William M Mercer	0.1	0.1	Projected unit	5.5%	4.0%	2.5%	N/A	97%

Notes to the Balance Sheets
as at 31 March 2001 - continued

(a) Group pension arrangements

Following a review of the group's UK pension arrangements, the ScottishPower Pension Scheme, Manweb Scheme and Southern Water Pension Scheme were closed to new members from 31 December 1998.

The group introduced two new group pension plans for new UK employees effective from 1 January 1999. The new plans are a defined benefit plan and a defined contribution plan which are open to continuous contract employees aged between 16 and 60, subject to any qualifying period of service required by the group.

Each of the pension schemes' assets are invested in an appropriate diversified range of equities, bonds, property and cash.

(b) ScottishPower

Scottish Power UK plc operates a funded pension scheme of the company providing defined retirement and death benefits based on final pensionable salary. This scheme was open prior to 1 January 1999 to employees of ScottishPower. Members are required to contribute to the Scheme at a rate of 5% of pensionable salary. Scottish Power UK plc meets the balance of cost of providing benefits, and company contributions paid are based on the results of the actuarial valuation of the Scheme and are agreed by Scottish Power UK plc and the Scheme Trustees.

The assets of the Scheme are held separately from those of the company in a trustee administered fund. Included in the Scheme assets are 1,021,570 ScottishPower shares (£4,780,948 based on market value as at 31 March 2001), purchased only as part of a pooled strategy to match the relative weightings in the UK Stock Exchange index.

The pension charge for the year is based on the advice of the Scheme's independent qualified actuary and is calculated using the same assumptions as those used at the last actuarial valuation of the Scheme. The scheme assets have been taken at an adjusted market value.

The prepayment included in the balance sheet represents the accumulated excess of the actual contributions paid to the Scheme over the pension accounting charge. The expensing calculations detailed above resulted in the accounting rate used for the calculation of the 2000-2001 pension charge being nil. This is derived from a regular cost of 19.8% of salaries, fully offset by the variation credit. The variation credit is calculated as the assessed surplus, less the prepayment, spread as a fixed percentage of pensionable salary roll over nine years.

(c) Manweb

Prior to 1 January 1999, most of the Manweb employees were entitled to join the Manweb Group of the Electricity Supply Pension Scheme, which provides pension and other related benefits based on final pensionable pay to employees throughout the Electricity Supply Industry in England and Wales. The ongoing contributions to the Scheme are based on the results of the actuarial valuation of the Scheme and the advice of the Scheme Actuary. On average, the company pays contributions at twice the rate payable by the member.

The assets are held in a separate trustee administered fund. Included in the Scheme assets are 202,797 ScottishPower shares (£949,090 based on market value as at 31 March 2001), purchased only as part of a pooled strategy to match the relative weightings in the UK Stock Exchange index. For funding and expensing purposes, the scheme assets are valued by discounting the income which can be expected from a notional portfolio of assets at the valuation rate of interest.

The pension charge for the year, of 12% of pensionable salaries, is based on the advice of the Scheme's independent qualified actuary and is calculated using the same assumptions as at the last actuarial valuation of the scheme. The variation credit is calculated as the assessed surplus spread over 3 years and an annual charge in respect of Early Retirement Deficiency Costs payable over 14 years.

(d) Southern Water

Southern Water operates a number of pension schemes. The Scheme details above relate to the principal defined benefit scheme which covers the majority of the Southern Water employees. Members are required to contribute to the Scheme at varying rates of pensionable salary depending upon category of membership. The company meets the balance of the cost of the accruing benefits. Contributions paid are based on the results of the actuarial valuation of the Scheme and are agreed by the company and the Scheme Trustees.

The assets are held in a separate trustee administered fund. For funding and expensing purposes, the scheme assets are valued by discounting the income which can be expected from a notional portfolio of assets at the valuation rate of interest.

The pension charge for the year of 10.0% of pensionable salaries, is based on the advice of the scheme's independent qualified actuary and is calculated using the same assumptions as at the last actuarial valuation of the scheme. The variation credit is calculated as the assessed surplus spread over 17 years.

(e) Group Final Salary LifePlan

The group operates a funded pension scheme providing defined retirement and death benefits based on final pensionable salary for eligible UK employees of the group. The assets of the LifePlan are held in a separate trustee administered fund. The pension charge for the year, of 11.4% of pensionable salaries, is based on the advice of the LifePlan's independent qualified actuary, representing the assessed balance of cost of the accruing benefits after allowing for members' contributions of 5% of pensionable salaries. The same actuarial assumptions have been adopted for both funding and expensing purposes.

(f) Group Money Purchase LifePlan

The group operates an approved defined contribution pension scheme for eligible employees. Contributions are paid by the member and employer at fixed rates. The benefits secured at retirement or death reflect each employee's accumulated fund and the cost of purchasing benefits at that time. The assets of the scheme are held in a separate trustee administered fund. The pension charge for the year represents the defined employer contribution and amounted to £0.3 million. The group also operates pension schemes for a number of other groups of employees; details of these have been omitted from the Accounts on the grounds of materiality.

Further details of the group's pension arrangements are disclosed in the Scottish Power plc Annual Report and Accounts/Form 20-F.

Notes to the Balance Sheets
as at 31 March 2001 - continued

25 Contingent liabilities

Thus Flotation

In November 1999, the group floated a minority stake in its Internet and telecommunications business, Thus plc. In the event that Thus plc ceases to be a part of the ScottishPower capital gains tax group before 30 September 2005, Thus plc will become liable to corporation tax on chargeable gains currently estimated, after consideration of various uncertainties, at amounts up to £570 million. Members of the ScottishPower group have agreed to indemnify Thus plc for any such liability, except in circumstances arising without the consent of the ScottishPower group.

Legal proceedings

The group's businesses are parties to various legal claims, actions and complaints, certain of which involve material amounts. Although the group is unable to predict with certainty whether or not the group will ultimately be successful in these legal proceedings or, if not, what the impact might be, the directors currently believe that disposition of these matters will not have a materially adverse effect on the group's consolidated Accounts.

The company has guaranteed Manweb's liabilities to various parties for electricity purchases, including Elexon (which replaced the Pool in England and Wales during 2000). At 31 March 2001 the liabilities to Elexon and various non-pooled generators were £9.1 million (2000 £23.7 million) and £3.1m respectively.

26 Financial commitments

	Group		Company	
	2001 £m	2000 £m	2001 £m	2000 £m
Analysis of annual commitments under operating leases				
Leases of land and buildings expiring:				
Within one year	0.4	0.3	0.2	0.2
Between one and two years	1.4	0.9	0.7	0.8
Between two and three years	0.4	1.1	-	-
Between three and four years	0.5	0.5	-	0.5
Between four and five years	0.8	-	0.5	-
More than five years	27.7	22.1	20.4	17.7
	31.2	24.9	21.8	19.2
Other operating leases expiring:				
Within one year	13.8	14.4	12.0	-
Between one and two years	8.4	1.0	7.4	0.7
Between two and three years	3.5	7.7	2.6	6.2
Between three and four years	0.9	0.9	0.6	0.3
Between four and five years	0.5	2.7	0.5	2.5
More than five years	0.1	1.0	-	0.8
	27.2	27.7	23.1	10.5
(b) Capital commitments				
	2001 £m	2000 £m	2001 £m	2000 £m
Contracted but not provided	174.6	286.2	82.0	43.5

(c) Other contractual commitments

Under contractual commitments the group and company have 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 group commitments	
				2001 £m	2000 £m
The purchase of electricity from British Energy Generation (UK) Limited		1990	2005	265.8	370.1
The purchase of electricity from Scottish and Southern Energy plc	(i)	1990	See below	49.7	72.4
The supply of electricity to Scottish and Southern Energy plc		1990	2005	17.6	17.6
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	32.4	31.0
Purchase of coal from The Scottish Coal Company Limited		1998	2003	41.0	19.0
Purchase of coal from The Scottish Coal (Deep Mine) Company Limited		1998	2004	44.8	49.2
Purchase of gas from various fields in the North Sea		1994	2017	172.0	125.8

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

(ii) Under the terms of the agreements to dispose of the group's UK technology, contracting and information technology divisions during the year ended 31 March 2001, the group has entered into purchase commitments with the purchasers of these businesses. The purchase commitments under these agreements at 31 March 2001 are:

	2002 £m	2003 £m	2004 £m	2005 £m	Total £m
Commitment to purchase in year	101.4	99.1	92.0	92.0	384.5

Notes to the Balance Sheets
as at 31 March 2001 - continued

27 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 Scottish Power plc group as a whole. No non-executive directors of Scottish Power plc were directors of Scottish Power UK plc during the year. 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:

	2001 £	2000 £
Non-executive directors		
Fees and benefits in kind	-	127,514
Executive directors		
Basic salary	1,872,668	1,533,944
Bonuses	-	773,214
Benefits in kind	120,893	81,403
Total	1,993,561	2,388,561

(i) Five directors (2000: 3) exercised share options over Scottish Power plc shares in the year.

(ii) During the year 3 directors (2000: none) exercised share options under the Scottish Power plc Long Term Incentive Plan.

(iii) Six directors (2000: 7) have retirement benefits accruing under defined benefit pension schemes.

	2001 £	2000 £
Highest paid director		
Basic salary	522,668	448,000
Bonuses	-	221,000
Benefits in kind	24,194	19,611
Total	546,862	688,611

(iv) During the year the highest paid director exercised share options over Scottish Power plc and received share options under the Scottish Power plc Long Term Incentive Plan.

(v) The amount of pension benefit accrued for the highest paid director is £319,200 (2000: £226,904). This figure includes an accrued pension benefit of £148,426 (2000 £124,990) in respect of a transfer value received from a previous employer.

28 Related party transactions

Related party transactions and balances with joint ventures and associated undertakings

(a) Trading transactions and balances arising in the normal course of business

Related party	Related party relationship to group	Sales/(purchases) to/(from) other group companies during the year		Amounts due from/(to) other group companies as at 31 March	
		2001 £m	2000 £m	2001 £m	2000 £m
Sales by related parties					
Scottish Electricity Settlements Limited	50% owned joint venture	6.2	8.7	1.4	1.7
ScotAsh Limited	50% owned joint venture	0.4	0.2	0.4	-
South Coast Power Limited	50% owned joint venture	25.1	-	3.5	-
Calanais Limited *	50% owned joint venture	69.0	-	0.6	-
Purchases by related parties					
Scottish Electricity Settlements Limited	50% owned joint venture	(0.2)	(0.4)	-	-
ScotAsh Limited	50% owned joint venture	(0.2)	(0.3)	(0.2)	(0.1)
South Coast Power Limited	50% owned joint venture	(3.2)	(0.3)	(0.6)	(0.1)
CeltPower Limited	50% owned joint venture	(0.3)	(0.4)	-	(0.1)
Calanais Limited*	50% owned joint venture	(13.0)	-	(0.8)	-

* On 23 March 2001 the group disposed of its 50% holding in Calanais Limited; as a result it ceased to be a joint venture from this date.

(b) Funding transactions and balances arising in the normal course of business

Related party	Related party relationship to group	Interest payable to other group companies during the year		Amounts due to other group companies as at 31 March	
		2001 £m	2000 £m	2001 £m	2000 £m
Scottish Electricity Settlements Limited	50% owned joint venture	(1.4)	(1.4)	(16.6)	(18.3)
ScotAsh Limited	50% owned joint venture	-	-	(3.0)	(1.0)
RoboScot (38) Limited	50% owned joint venture	-	-	(5.4)	-

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.

29 Post Balance Sheet Event

As a result of provisions in the Utilities Act 2000 administered by the Department of Trade and Industry (DTI), from 1 October 2001, the Generation, Power Systems and Energy Supply businesses will be hived down into separate legal entities, under ownership of Scottish Power UK plc. The final structure has not yet been agreed with the DTI.

30 Ultimate parent company

Scottish Power UK Limited is a wholly owned subsidiary of Scottish Power plc a company registered in Scotland. Copies of the ultimate parent's consolidated Accounts may be obtained from The Secretary, Scottish Power plc, 1 Atlantic Quay, Glasgow, G2 8SP.

Principal Subsidiary Undertakings and Other Investments

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
Manweb plc	Ordinary shares 50p	100%	Regional electricity company
ScottishPower Insurance Limited (Isle of Man)	Ordinary shares £1	100%	Insurance
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
Fixed asset investments			
- Joint ventures			
CellPower 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
- Associated undertakings			
Wind Resources Limited	Ordinary shares £1	45%	Wind-powered electricity generation
- Other investments			
Folkestone & Dover Water Services Limited	Ordinary shares £1	25%	Water supply
	Preference shares £1	22%	
	Deferred shares £1	12%	

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 undertakings whose results or financial position, in the opinion of the directors, principally affect the results or financial position of the group.

All companies are incorporated in Great Britain, unless otherwise stated.

Independent auditors' report to the members of Scottish Power UK plc

We have audited the Accounts as set out on pages 7 to 31 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on pages 7 to 12.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and Accounts in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the Accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the Accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the Accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Accounts.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Accounts, and of whether the accounting policies are appropriate to the group'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 affairs of the company and the group at 31 March 2001 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink that reads "PricewaterhouseCoopers". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Glasgow

3 May 2001