

# **SP Distribution Limited**

## **Directors' Report and Accounts for the year ended 31 March 2005**

Registered No: SC 189125



# **SP Distribution Limited**

## **Directors' Report and Accounts**

**for the year ended 31 March 2005**

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# SP Distribution Limited

## Report of the Directors

The directors present their report and audited Accounts for the year ended 31 March 2005.

### Activities and review

The principal activity of SP Distribution Limited is the ownership and operation of the electricity distribution network within the ScottishPower area. The network is used to distribute electricity, which has been transmitted to grid supply points, for electricity supply companies for onward sale to their customers.

### Review of business and future development

The financial position of the business at the year end was satisfactory. The majority of the revenue generated by the company is subject to regulation by the Gas and Electricity Markets Authority ("the Authority"). During the year we accepted Ofgem's distribution price control proposal, which will apply to the business over the five years from 1 April 2005. The outcome of the review reflects increased revenues mainly due to increased allowances for taxation and pension costs and also reflects higher capital investment levels. In addition challenging new incentive targets which will require further improvements in operational performance in order to avoid penalties were also introduced. The business has geared up across its activities to achieve and, where possible, outperform these new targets and to deliver the increased investment programme.

### Results and dividend

The profit of the company for the year amounted to £105.5 million (2004: £112.8 million). The directors paid an interim dividend of £50.0 million and proposed a final dividend of £58.3 million in the year ended 31 March 2005 (2004: final dividend proposed £111.7 million). The retained loss for the year of £2.8 million (2004: profit of £1.1 million) has been transferred to reserves.

### Directors and their interests

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

Robin MacLaren	(resigned 30 March 2005)
Ronnie Mercer	(resigned 10 January 2005)
David Nish	(appointed 10 January 2005)
James Sutherland	(appointed 30 March 2005)
James Wilson	

David Nish resigned his directorship on 6 September 2005 and was replaced by David Rutherford on the same day.

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

The interests of the directors (other than the director who is also a director of the parent company of the company) in the shares of Scottish Power plc at the beginning and end of the year were as follows:

#### James Sutherland (appointed 30 March 2005)

	At date of appointment	Granted/ appropriated/ other net movement	Exercised	Lapsed	Vested	At 31 March 2005
<b>Shares</b>						
Ordinary Shares (*)	6,606	-	-	-	-	6,606
ESOP Free & Matching Shares (#)	1,630	-	-	-	-	1,630
<b>Options</b>						
Executive Scheme	36,521	-	-	-	-	36,521

#### James Wilson

	At 1 April 2004	Granted/ appropriated/ other net movement	Exercised	Lapsed	Vested	At 31 March 2005
<b>Shares</b>						
Ordinary Shares (*)	1,210	370	-	-	-	1,580
ESOP Free & Matching Shares (#)	1,260	370	-	-	-	1,630
<b>Options</b>						
Executive Scheme	25,220	8,220	-	-	-	33,440
Sharesave Scheme	2,458	-	-	-	-	2,458

(\*) These shares include Partnership Shares purchased pursuant to the Inland Revenue approved ScottishPower Employee Share Ownership Plan ("ESOP").

(#) All Free Shares and Matching Shares appropriated pursuant to the Inland Revenue approved ScottishPower ESOP are held in trust and are subject to forfeiture provisions during the three year period from the date of appropriation.

# **SP Distribution Limited**

## **Report of the Directors - continued**

### **Directors and their interests - continued**

As permitted by Statutory Instrument, the Register of Directors' Interests maintained pursuant to Section 325 of the Companies Act 1985 does not contain the interests of the director who is also a director of a company of which SP Distribution Limited is a wholly owned subsidiary. Accordingly, the interests of David Nish are disclosed in the Annual Report & Accounts for the year ended 31 March 2005 of Scottish Power plc.

### **Creditor Payment Policy & Practice**

The current policy and practice of Scottish Power plc, the company's ultimate parent, concerning the payment of its trade creditors is to follow the Better Payment Practice Code to which it is a signatory. Copies of the code may be obtained from the Department of Trade and Industry or from the website [www.payontime.co.uk](http://www.payontime.co.uk).

The company's policy and practice is to settle terms of payment when agreeing the terms of the transaction, to include the terms in contracts, and to pay in accordance with its contractual and legal obligations. At the year end there were no trade creditors outstanding. Therefore, the creditor days of the company were nil.

### **Auditors**

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

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

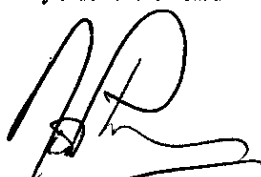
### **Directors' responsibilities**

The directors are required by UK company law to prepare Accounts for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the Accounts for the year ended 31 March 2005. 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.

By order of the Board



**Donald McPherson**  
Secretary

10 October 2005

# SP Distribution Limited

## Accounting Policies and Definitions

### Definitions

#### Turnover

Turnover comprises charges made to customers for the use of the distribution network and for other services provided. Turnover excludes Value Added Tax and includes an accrual in respect of unbilled income relating to units transmitted over the network established from industry data flows, and for other rechargeable work completed but not yet billed.

#### Cost of sales

The costs associated with the use of electricity networks for the transportation of electricity to bulk supply points and costs incurred in carrying out activities which are recharged to customers.

#### Transmission and distribution costs

The cost of distributing units of electricity through the distribution network to electricity supply companies and other customers, and the costs associated with the operation and ownership of the network, including operational rates and insurance costs. This heading is considered more appropriate to the electricity industry than the standard Companies Act 1985 heading of distribution costs.

#### Administrative expenses

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

### Accounting Policies

#### Basis of accounting

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

#### Statement of cash flows

The company is exempt from the requirement of Financial Reporting Standard ("FRS") 1 'Cash flow statements' to include a statement of cash flows in its Accounts on the grounds that it is a wholly owned subsidiary of Scottish Power plc, which has included a consolidated statement of cash flows in its consolidated Accounts.

#### Leased assets

Rentals payable under operating leases are charged to the Profit and Loss Account on a straight line basis over the term of the lease.

#### Interest

All interest payable and receivable is reflected in the Profit and Loss Account as it arises.

#### Financial instruments

All borrowings are stated at the fair value of consideration received after deduction of issue costs.

Cross currency interest rate swaps are used to hedge foreign exchange and interest rate exposures arising on foreign currency debt. The debt is recorded at the hedge contracted rate and amounts payable or receivable in respect of the agreements are recognised as adjustments to interest expense over the period of the contracts.

#### Taxation

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

#### Tangible fixed assets

Tangible fixed assets are stated at cost and are depreciated on the straight line method over their estimated operational lives. Fixed assets are not subject to depreciation while under construction.

Land is not depreciated.

The main depreciation periods used by the company are as set out below:

	Years
Buildings	40
Distribution plant	30-40
Towers, lines and underground cables	40-60
Vehicles, miscellaneous equipment & fittings	3-15

FRS 15 'Tangible fixed assets' requires that for those assets with estimated remaining useful economic lives of more than 50 years, impairment reviews are undertaken annually. As a business whose main source of income is regulated by the Authority, SP Distribution Limited's regulatory asset base is a single income generating unit and as such an impairment review of the total asset base, which includes assets which have estimated remaining useful lives of more than 50 years, is carried out annually. Impairment losses are recognised in the Profit and Loss Account in the period in which they are identified.

## **SP Distribution Limited**

### **Accounting Policies and Definitions - continued**

#### **Investments**

Fixed asset investments are stated at cost less provision for any impairment in value.

#### **Pensions**

The company participates in group pension arrangements, consisting of both defined benefit and defined contribution schemes, operated by the ScottishPower group. The contributions for the defined benefit schemes are based on pension costs across all the participating companies. Full details of these pension arrangements are disclosed in the 2004/05 Annual Report & Accounts of Scottish Power plc, the ultimate parent company of SP Distribution Limited.

#### **Customer contributions**

Customer contributions in respect of fixed assets are treated as deferred income and released to the Profit and Loss Account over the estimated operational lives of the related assets.

# SP Distribution Limited

## Profit and Loss Account for the year ended 31 March 2005

	Notes	2005 £m	2004 £m
<b>Turnover</b>		<b>347.2</b>	<b>346.4</b>
Cost of sales		(61.7)	(60.3)
<b>Gross profit</b>		<b>285.5</b>	<b>286.1</b>
Transmission and distribution costs		(95.5)	(92.1)
Administrative expenses		(3.9)	(4.8)
Other operating income		2.7	2.1
<b>Operating profit</b>	<b>1</b>	<b>188.8</b>	<b>191.3</b>
Net interest charge	3	(38.1)	(29.3)
<b>Profit on ordinary activities before taxation</b>		<b>150.7</b>	<b>162.0</b>
Taxation	4	(45.2)	(49.2)
<b>Profit for the financial year</b>		<b>105.5</b>	<b>112.8</b>
Dividends	5	(108.3)	(111.7)
<b>(Loss)/profit retained</b>	<b>14</b>	<b>(2.8)</b>	<b>1.1</b>

The results above relate to continuing operations.

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 3 and 4, together with the Notes on pages 8 to 14, form part of these Accounts.

## **SP Distribution Limited**

### **Reconciliation of Movements in Shareholders' Funds for the year ended 31 March 2005**

	<b>2005</b>	<b>2004</b>
	<b>£m</b>	<b>£m</b>
<b>Profit for the financial year</b>	<b>105.5</b>	<b>112.8</b>
<b>Dividends</b>	<b>(108.3)</b>	<b>(111.7)</b>
<b>(Loss)/profit retained</b>	<b>(2.8)</b>	<b>1.1</b>
<b>Net movement in shareholders' funds</b>	<b>(2.8)</b>	<b>1.1</b>
<b>Opening shareholders' funds</b>	<b>115.5</b>	<b>114.4</b>
<b>Closing shareholders' funds</b>	<b>112.7</b>	<b>115.5</b>

The Accounting Policies and Definitions on pages 3 and 4, together with the Notes on pages 8 to 14, form part of these Accounts.



# SP Distribution Limited

## Balance Sheet

as at 31 March 2005

	Notes	2005 £m	2004 £m
<b>Fixed assets</b>			
Tangible assets	6	1,403.6	1,326.9
Investments	7	-	-
		<b>1,403.6</b>	<b>1,326.9</b>
<b>Current assets</b>			
Debtors	8	37.6	40.2
Short-term bank and other deposits		0.4	-
		<b>38.0</b>	<b>40.2</b>
<b>Creditors: amounts falling due within one year</b>			
- Loans and other borrowings	9	(687.3)	(563.9)
- Other creditors	10	(133.0)	(191.0)
		<b>(820.3)</b>	<b>(754.9)</b>
<b>Net current liabilities</b>		<b>(782.3)</b>	<b>(714.7)</b>
<b>Total assets less current liabilities</b>		<b>621.3</b>	<b>612.2</b>
<b>Creditors: amounts falling due after more than one year</b>			
- Loans and other borrowings	9	(99.2)	(99.2)
<b>Provisions for liabilities and charges</b>			
- Deferred tax	11	(157.7)	(149.7)
<b>Deferred income</b>	12	<b>(251.7)</b>	<b>(247.8)</b>
<b>Net assets</b>		<b>112.7</b>	<b>115.5</b>
<b>Called up share capital</b>	13, 14	<b>109.6</b>	<b>109.6</b>
<b>Profit and loss account</b>	14	<b>3.1</b>	<b>5.9</b>
<b>Equity shareholders' funds</b>	14	<b>112.7</b>	<b>115.5</b>

The Accounting Policies and Definitions on pages 3 and 4, together with the Notes on pages 8 to 14, form part of these Accounts.

Approved by the Board on 10 October 2005 and signed on its behalf by



James Wilson  
Director

**SP Distribution Limited**  
**Notes to the Accounts**  
**for the year ended 31 March 2005**

**1 Operating profit**

	2005	2004
	£m	£m
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets	41.2	38.8
Loss on disposal of tangible fixed assets	-	0.3
Release of customer contributions	(8.2)	(8.3)
Auditors' remuneration for audit of company	0.1	0.1

Auditors' remuneration represents an apportionment of the overall group audit fee of Scottish Power plc and amounted to £131,723 (2004: £146,057).

Auditors' remuneration for non-audit services comprised fees for regulatory reporting and amounted to £23,400 (2004: £20,300).

**2 Employee information**

a) Employee costs	2005	2004
	£'000	£'000
Wages and salaries	293	383
Social security costs	29	32
Other pension costs	43	74
<b>Total employee costs charged to the Profit and Loss Account</b>	<b>365</b>	<b>489</b>

The employee costs for the year ended 31 March 2005 include those in respect of one director only, James Sutherland. The emoluments of all other directors of the company for the years ended 31 March 2005 and 31 March 2004 are included within the employee costs of other group companies, as they do not have a contract of service with the company.

**b) Employee numbers**

The year end and average number of employees (full-time and part-time) employed by the company during the year were:

	At 31 March		Annual average	
	2005	2004	2005	2004
Administrative	7	9	8	9

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

	At 31 March		Annual average	
	2005	2004	2005	2004
Administrative	7	9	8	9

**c) Directors' emoluments**

Details of directors' emoluments are set out in Note 18.

**3 Net interest charge**

	2005	2004
	£m	£m
Interest payable to group companies	33.2	24.4
Interest payable on bank loans and borrowings	5.5	5.6
Total interest payable	38.7	30.0
Interest receivable from joint venture	(0.6)	(0.7)
<b>Net interest charge</b>	<b>38.1</b>	<b>29.3</b>

# SP Distribution Limited

## Notes to the Accounts

for the year ended 31 March 2005

### 4 Tax on profit on ordinary activities

	Note	2005 £m	2004 £m
Current tax:			
UK Corporation tax		37.2	39.1
Adjustments in respect of prior years		-	0.6
		37.2	39.7
Deferred tax:			
Origination and reversal of timing differences	11	8.0	9.5
<b>Tax on profit on ordinary activities</b>		<b>45.2</b>	<b>49.2</b>

#### Factors affecting tax charge for year:

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

	Note	2005 £m	2004 £m
UK Corporation tax at 30% on profits for the year		45.2	48.6
Adjustments in respect of prior years		-	0.6
<b>Tax charge on ordinary activities</b>		<b>45.2</b>	<b>49.2</b>
Effect of deferred tax	11	(8.0)	(9.5)
<b>Current tax charge for year</b>		<b>37.2</b>	<b>39.7</b>

### 5 Dividends

	2005 £m	2004 £m
Interim dividend paid	50.0	-
Final dividend proposed	58.3	111.7
<b>Total dividends</b>	<b>108.3</b>	<b>111.7</b>

**as at 31 March 2005**

	Land and buildings £m	Plant and machinery £m	Vehicles and miscellaneous equipment £m	Total £m
<b>Cost</b>				
At 1 April 2004	106.0	1,797.5	38.5	1,942.0
Additions	3.0	114.2	0.9	118.1
Disposals	-	(4.5)	-	(4.5)
<b>At 31 March 2005</b>	<b>109.0</b>	<b>1,907.2</b>	<b>39.4</b>	<b>2,055.6</b>
<b>Depreciation</b>				
At 1 April 2004	39.0	544.9	31.2	615.1
Charge for the year	2.1	36.1	3.0	41.2
Disposals	-	(4.3)	-	(4.3)
<b>At 31 March 2005</b>	<b>41.1</b>	<b>576.7</b>	<b>34.2</b>	<b>652.0</b>
<b>Net book value</b>				
<b>At 31 March 2005</b>	<b>67.9</b>	<b>1,330.5</b>	<b>5.2</b>	<b>1,403.6</b>
<b>At 31 March 2004</b>	<b>67.0</b>	<b>1,252.6</b>	<b>7.3</b>	<b>1,326.9</b>

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

(ii) The historical cost of fully depreciated assets still in use was £112.7 million (2004: £92.8 million).

<b>Joint venture</b>	<b>Class of share capital</b>	<b>Proportion of shares held</b>	<b>Activity</b>
Scottish Electricity Settlements Limited*	Ordinary shares £1	50%	Scottish electricity settlements
<hr/>			
		<b>Shares in joint venture £</b>	<b>Other unlisted investments £</b>
<b>Cost</b>			<b>Total £</b>
At 1 April 2004 and 31 March 2005		1	6,473
			<b>6,474</b>

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# SP Distribution Limited

## Notes to the Accounts

as at 31 March 2005

### 8 Debtors

	2005 £m	2004 £m
<b>(a) Amounts falling due within one year:</b>		
Trade debtors	10.4	7.4
Amounts owed by fellow subsidiary undertakings	17.7	20.0
Prepayments and accrued income	-	0.1
Other debtors	9.5	5.9
	<b>37.6</b>	<b>33.4</b>
<b>(b) Amounts falling due after more than one year:</b>		
Other debtors	-	6.8
	<b>37.6</b>	<b>40.2</b>

### 9 Loans and other borrowings

	Notes	2005 £m	2004 £m
<b>(a) Analysis by instrument</b>			
Bank overdraft		-	0.1
European Investment Bank loans	(i)	99.2	99.2
Loan from parent undertaking	(ii)	687.3	563.8
		<b>786.5</b>	<b>663.1</b>
Loans and other borrowings are repayable as follows:			
Within one year, or on demand		687.3	563.9
After more than one year		99.2	99.2
		<b>786.5</b>	<b>663.1</b>

All borrowings are unsecured.

(i) There are three European Investment Bank ("EIB") loans. The loan amounts, interest rates and maturity dates are as follows: \$35 million (swapped into £21.2 million at 4.915%) maturing 16 September 2008, £30 million at 4.95% maturing 3 February 2009 and £48 million at 6.28% maturing 24 March 2010.

(ii) The loan from the parent undertaking represents drawings under a working capital facility provided by Scottish Power UK plc. The principal outstanding, accrued interest and associated costs are repayable on written demand and, in any event, in full on 30 September 2006. Scottish Power UK plc and the company do not foresee any reason why the terms of the existing working capital facility will not be extended beyond 30 September 2006. Interest is calculated at a rate of 1% above base rate and is payable quarterly in arrears. The working capital facility is available up to a limit of £800 million and a commitment fee of 0.25% is charged on the daily undrawn, uncanceled amount. There are no other committed facilities within the company at 31 March 2005.

	2005 £m	2004 £m
<b>(b) Maturity analysis</b>		
<b>Repayments fall due as follows:</b>		
Within one year, or on demand	687.3	563.9
Between three and four years	51.2	-
Between four and five years	48.0	51.2
More than five years	-	48.0
	<b>786.5</b>	<b>663.1</b>

# SP Distribution Limited

## Notes to the Accounts

as at 31 March 2005

### 10 Other creditors

	2005 £m	2004 £m
<b>Amounts falling due within one year:</b>		
Payments received on account	8.3	5.5
Amounts owed to parent undertaking	8.6	6.7
Amounts owed to fellow subsidiary undertakings	18.1	23.6
Corporation tax	33.0	35.5
Other taxes and social security	5.2	6.8
Other creditors and accruals	1.5	1.2
Proposed dividend	58.3	111.7
	<b>133.0</b>	<b>191.0</b>

The majority of trade creditors are dealt with by SP Power Systems Limited, a fellow subsidiary company responsible for the provision of asset management services to SP Distribution Limited. At 31 March 2005, SP Distribution Limited had no amounts due to trade creditors (2004: £nil).

### 11 Provisions for liabilities and charges - Deferred tax

	2005 £m	2004 £m
Accelerated capital allowances	158.7	150.7
Other timing differences	(1.0)	(1.0)
<b>Deferred tax provided at 31 March</b>	<b>157.7</b>	<b>149.7</b>
<b>Movement in deferred tax provision :</b>	<b>Note</b>	<b>2005 £m</b>
Deferred tax provided at 1 April 2004		149.7
Charge to Profit and Loss Account	4	8.0
<b>Deferred tax provided at 31 March 2005</b>		<b>157.7</b>

### 12 Deferred income

	2005 £m
At 1 April 2004	247.8
Receivable during the year	12.1
Released to the Profit and Loss Account	(8.2)
<b>At 31 March 2005</b>	<b>251.7</b>

### 13 Share capital

	2005 £m	2004 £m
<b>Authorised :</b>		
200,000,000 (2004: 200,000,000) Ordinary shares of £1 each	200.0	200.0
<b>Allotted, called up and fully paid :</b>		
109,600,000 (2004: 109,600,000) Ordinary shares of £1 each	109.6	109.6

# SP Distribution Limited

## Notes to the Accounts

as at 31 March 2005

### 14 Analysis of movements in shareholders' funds

	Share capital £m	Profit and loss account £m	Total £m
At 1 April 2004	109.6	5.9	115.5
Retained loss for the year	-	(2.8)	(2.8)
<b>At 31 March 2005</b>	<b>109.6</b>	<b>3.1</b>	<b>112.7</b>

### 15 Pensions

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

SP Distribution Limited is unable to identify its share of the underlying assets and liabilities in the defined benefit schemes, as the scheme administrators do not calculate these separately for each of the various companies participating in the schemes.

Pension contributions payable during the year were £43,000 (2004: £74,000) and there were no amounts outstanding at the year end.

Full details of the ScottishPower group pension arrangements are disclosed in the 2004/05 Annual Report & Accounts of Scottish Power plc.

### 16 Contingent liabilities

As part of the exercise to achieve legal separation of Scottish Power UK plc's businesses pursuant to the provisions of the Utilities Act 2000, SP Distribution Limited and other subsidiary companies of Scottish Power UK plc were each required to jointly provide guarantees to external lenders to Scottish Power UK plc for debt existing in that company at 1 October 2001. The value of debt guaranteed by these companies, which was still outstanding at 31 March 2005, was £2,089.0 million.

### 17 Financial commitments

	2005 £m	2004 £m
<b>(a) Capital commitments</b>		
Contracted but not provided	129.2	113.1
<b>(b) Other contractual commitments</b>		
Provision of asset management services from SP Power Systems Limited	29.7	34.9

The contract in place for the provision of asset management services provided by SP Power Systems Limited at 31 March 2005 expires on 31 March 2006. The contract in place at 31 March 2004 expired on 31 March 2005.

# SP Distribution Limited

## Notes to the Accounts

as at 31 March 2005

### 18 Directors' emoluments

The total emoluments of the directors who provided qualifying services to the company during the year are shown below. As these directors are remunerated for their work for the ScottishPower group as a whole, it has not been possible to apportion the emoluments specifically in respect of services to this company.

	2005 £'000	2004 £'000
Basic salary	525	446
Bonuses	349	180
Benefits in kind	49	45
<b>Total</b>	<b>923</b>	<b>671</b>

Included within the above amounts for the year ended 31 March 2005 are emoluments in respect of Robin MacLaren, Ronnie Mercer, David Nish and James Wilson which were paid by other companies within the ScottishPower group. Included within the above amounts for the year ended 31 March 2004 were emoluments in respect of Robin MacLaren, Ronnie Mercer and James Wilson which were paid by other companies within the ScottishPower group. Consequently, for both 2005 and 2004 these amounts are not included within "Employee costs" in Note 2(a).

The aggregate value of £41,834 (2004: £27,500) was paid for all directors as contributions under defined benefit schemes. During the year, retirement benefits were accrued under the ScottishPower group's defined benefit pension scheme in respect of five directors (2004: three directors). Two of the directors (2004: none) exercised share options during the year.

Emoluments of the highest paid director, excluding pension contributions, are given below:

	2005 £'000	2004 £'000
Basic salary	250	275
Bonuses	182	132
Benefits in kind	17	22
<b>Total</b>	<b>449</b>	<b>429</b>

The amount of pension benefit accrued for the highest paid director is £106,551 (2004: £89,101).

### 19 Related party transactions

#### Funding transactions and balances arising in the normal course of business

Related party	Relationship to company	Interest receivable by SP Distribution Limited during the year		Amounts due to SP Distribution Limited as at 31 March	
		2005 £m	2004 £m	2005 £m	2004 £m
Scottish Electricity Settlements Limited	50% owned joint venture	0.6	0.7	7.3	10.1

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

### 20 Ultimate parent company

The directors regard Scottish Power plc as the ultimate parent company, which is also the parent company of the largest group in which the results of the company are consolidated. The parent company of the smallest group in which the results of the company are consolidated is Scottish Power UK plc. Copies of both companies' consolidated Accounts can be obtained from The Secretary, Scottish Power plc, 1 Atlantic Quay, Glasgow, G2 8SP.



# **Independent Auditors' Report**

## **to the members of SP Distribution Limited**

We have audited the Accounts on pages 3 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 3 to 4.

### **Respective responsibilities of directors and auditors**

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

Our responsibility is to audit the Accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

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

### **Basis of audit opinion**

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Accounts.

### **Opinion**

In our opinion the Accounts give a true and fair view of the state of the company's affairs at 31 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Glasgow

10 October 2005