ScottishPower (DCL) Limited
(formerly Damhead Creek Limited)

Directors' Report and Accounts
for the period ending 31 March 2005

Registered No. 02675504

ScottishPower (DCL) Limited
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Contents

ScottishPower (DCL) Limited

(formerly Damhead Creek Limited)

Report of the Directors

The directors present their report and audited Accounts for the fifteen month period ended 31 March 2005.

Activities and review
The principal activity of the company is the operation of a gas-fired power station near the River Medway in Kent.

On 1 February 2005 the name of the company was changed from Damhead Creek Limited to ScottishPower (DCL) Limited.

Review of business and future developments
The operating profit for the period ended 31 March 2005 is £10.3 million (year ended 31 December 2003: £10.1 million). The current year operating profit includes an exceptional cost of £1.3 million relating to fees payable on early termination of a commodity trading agreement. The level of business for the period was satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future.

On 1 June 2004, Scottish Power UK Holdings Limited completed the acquisition of ScottishPower (DCL) Limited (formerly Damhead Creek Limited) from its creditor banks for a cash consideration, excluding expenses, of £313.5 million.

The accounting reference date of the company was changed upon acquisition from 31 December to 31 March in order to be co-terminous with the Scottish Power plc accounting reference date.

The company has net current liabilities of £261.5 million at 31 March 2005 (31 December 2003: net current assets of £19.8 million). The directors consider that sufficient funding will be made available to the company by its ultimate parent company to continue operations and to meet liabilities, which includes a current loan from group undertakings of £288.4 million (31 December 2003: £nil), as they fall due.

Results and dividend
The loss of the company for the period ended 31 March 2005 amounted to £11.8 million (year ended 31 December 2003: loss of £15.4 million). The directors recommend that no dividend be paid in respect of the period ended 31 March 2005 (year ended 31 December 2003: £nil) and that the retained loss be deducted from reserves.

Directors and their interests
The directors who held office during the period were as follows:

Andrew McLeod	(resigned 1 June 2004)
Philip Smith	(resigned 1 June 2004)
Andrew Speak	(resigned 1 June 2004)
Clifford Stanley	(resigned 1 June 2004)
Susan Reilly	(appointed 1 June 2004, resigned 11 June 2004)
James Stanley	(appointed 1 June 2004, resigned 11 June 2004)
Robert Benns	(appointed 11 June 2004, resigned 16 August 2004)
Charles Berry	(appointed 11 June 2004, resigned 6 September 2005)
Alan Bryce	(appointed 11 June 2004)
John Campbell	(appointed 11 June 2004)
David Morrison	(appointed 11 June 2004)

ScottishPower (DCL) Limited
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Report of the Directors - continued

Directors and their interests – continued
None of the directors who held office at the end of the financial period had any disclosable interests in the shares of the company. The interests of the directors (other than those who are also directors of a parent company of the company) in the shares of Scottish Power plc, at the beginning and end of the period were as follows:

Alan Bryce	At date of appointment (11 June 2004)	Granted/ appropriated/ other net movement	Exercised	Lapsed	Vested	At 31 March 2005
Shares						
Ordinary Shares (*)	12,162	3,430	-	-	-	15,592
ESOP Free & Matching Shares (#)	1,325	305	-	-	-	1,630
Deferred Share Plan (†)	2,214	-	-	-	-	2,214
LTIP – Potential (**)	47,794	-	-	-	-	47,794
LTIP – Vested	5,029	-	(5,029)	-	-	-
Options						
Executive Scheme	98,226	-	-	-	-	98,266
Sharesave Scheme	2,941	-	-	-	-	2,941

John Campbell	At date of appointment (11 June 2004)	Granted/ appropriated/ other net movement	Exercised	Lapsed	Vested	At 31 March 2005
Shares						
Ordinary Shares (*)	3,495	6,175	-	-	-	9,670
ESOP Free & Matching Shares (#)	1,325	305	-	-	-	1,630
Deferred Share Plan (†)	4,849	-	(786)	-	-	4,063
LTIP – Potential (**)	59,002	-	-	-	-	59,002
LTIP – Vested	7,486	-	(7,486)	-	-	-
Options						
Executive Scheme	134,238	-	-	-	-	134,238
Sharesave Scheme	2,846	-	(1,003)	-	-	1,843

David Morrison	At date of appointment (11 June 2004)	Granted/ appropriated/ other net movement	Exercised	Lapsed	Vested	At 31 March 2005
Shares						
Ordinary Shares (*)	5,514	(331)	-	-	-	5,183
ESOP Free & Matching Shares (#)	1,325	305	-	-	-	1,630
Options						
Executive Scheme	52,328	-	-	-	-	52,328
Sharesave Scheme	4,476	3,144	-	(2,360)	-	5,260

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Directors and their interests – continued

(*) 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.

(†) Deferred shares represent a portion of performance bonus and are held in trust for three years from the award date.

(**) These shares represent, in each case, the maximum number of shares which the directors may receive, dependent on the satisfaction of certain performance criteria as approved by the shareholders of Scottish Power plc in connection with the Long Term Incentive Plan.

As permitted by Statutory Instrument, the Register of Directors' Interests maintained pursuant to section 325 of the Companies Act 1985 does not contain the interests of directors who are also directors of a company of which ScottishPower (DCL) Limited is a wholly owned subsidiary. Accordingly, the interests of Charles Berry in the shares of Scottish Power plc are disclosed in the Annual Report & Accounts for the year ended 31 March 2005 of Scottish Power plc.

Creditor payment policy and practice

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

The company's policy and practice is to settle terms of payment when agreeing the terms of the transaction, to include the terms in contracts, and to pay in accordance with its contractual and legal obligations. The company's creditor days at 31 March 2005 were 30 days.

Directors' responsibilities

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

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

ScottishPower (DCL) Limited
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Report of the Directors - continued

Auditors

KPMG LLP resigned as auditors on 27 May 2004 and the directors appointed PricewaterhouseCoopers LLP in their place on 1 June 2004.

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

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

By Order of the Board

Donald McPherson
Secretary
20 January 2006

ScottishPower (DCL) Limited
(formerly Damhead Creek Limited)

Accounting Policies and Definitions

Definitions

Cost of sales
Cost of sales reflect the direct costs of the purchase of gas and the generation of electricity. The accounting policy has been changed from the prior year because the directors consider the new policy gives a fairer presentation of the company's results, refer to Note 1 to the Accounts for details.

Administrative expenses
Administrative expenses represent the indirect costs of the company and, since acquisition, the costs of centralised services provided by Scottish Power UK plc. The accounting policy has been changed from the prior year because the directors consider the new policy gives a fairer presentation of the company's results, refer to Note 1 to the Accounts for details.

Subsidiary undertakings
Entities in which the company holds a long-term controlling interest.

Accounting Policies

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

The accounts contain information about ScottishPower (DCL) Limited as an individual company and do not contain consolidated financial information as the parent of subsidiary companies. The company is exempt under Section 228 of the Companies Act 1985 from the requirements to prepare consolidated Accounts as it and its subsidiary undertakings are included by full consolidation in the consolidated Accounts of its ultimate parent, Scottish Power plc, a company registered in Scotland.

Use of estimates
The preparation of Accounts in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Accounts and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from those estimates.

Turnover
Turnover for the period to 1 June 2004 (date of acquisition) comprised the sales value of energy supplied to external customers in the United Kingdom and from 1 June 2004, comprises the sales value of energy and other services supplied to other Scottish Power plc group companies, and excludes Value Added Tax. Income from the sale of energy is the value of units supplied during the year. Units are based on energy volumes recorded on power station meters and industry-wide trading and settlement systems.

Statement of cash flows
The company is exempt from including a statement of cash flows in its Accounts as it is a wholly owned subsidiary of Scottish Power plc, which has included a consolidated statement of cash flows in its consolidated Accounts.

Accounting Policies and Definitions (continued)

Stock
Stocks are stated at the lower of average cost and net realisable value.

Interest
Interest payable and receivable is reflected in the profit and loss account as it arises with the exception of interest which is capitalised under specific circumstances discussed in the Tangible fixed assets policy below. The accounting policy has been changed from the prior year, refer to Note 1 to the Accounts for details.

Interest rate swaps
In the prior year these were used to manage debt 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. The cash flows from, and gains and losses arising on termination of, these contracts are recognised as returns on investments and servicing of finance.

Taxation
Where required and in accordance with the Financial Reporting Standard ("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 a straight-line basis over their estimated operational lives. Tangible fixed assets include capitalised interest and other costs that are directly attributable to the construction of fixed assets, which includes the cost of strategic spares stocks held within the business. Assets in the course of construction are not depreciated. Freehold land is not depreciated. The main depreciation periods used by the company are as set out below.

	Years
Plant and machinery (power station)	3 - 35 years
Fixtures, fittings, tools and equipment	5 years

During the year the company conducted a review of all tangible fixed assets resulting in revisions to the expected useful lives of plant and machinery from 30 years to a range of 3 to 35 years. There is no material impact on the annual depreciation charge as a result of these changes.

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.

Overhaul costs relating to planned major overhauls are capitalised as part of generating assets and depreciated on a straight-line basis over their estimated useful life, typically the six year period until the next major overhaul.

Decommissioning costs
Provision is made for the estimated decommissioning costs at the end of the producing lives of the company'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.

Accounting Policies and Definitions (continued)

Pensions

Prior to the acquisition of the company by Scottish Power UK Holdings Limited on 1 June 2004, pension costs represented contributions payable by the company towards employees' personal pension schemes.

Following acquisition, ScottishPower (DCL) Limited paid contributions to a Scottish Power plc group personal pensions arrangement for a number of employees, pending admission to a defined benefits scheme.

The company participates in group pension arrangements, consisting of both defined benefit and defined contribution schemes, operated by the Scottish Power plc group. The contributions for the defined benefit schemes are based on pension costs across all the participating companies. Full details of these pension arrangements are disclosed in the Annual Report & Accounts for the year ended 31 March 2005 of Scottish Power plc, the ultimate parent company of ScottishPower (DCL) Limited.

ScottishPower (DCL) Limited
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Profit and Loss Account
for the period ended 31 March 2005

	Notes	Fifteen months ended 31 March 2005 £m	Restated Year ended 31 December 2003 £m
Turnover		**397.9**	153.9
Cost of sales before exceptional item	1	**(371.1)**	(127.5)
Exceptional item: early termination fees	2	**(1.3)**	-
Cost of sales		**(372.4)**	(127.5)
Gross profit		**25.5**	26.4
Administrative expenses	1	**(16.0)**	(16.3)
Other operating income		**0.8**	-
Operating profit	3	**10.3**	10.1
Net interest payable before exceptional item		**(33.8)**	(23.9)
Exceptional item: interest and accelerated amortisation of deferred loan costs	2	**(4.5)**	-
Net interest and similar charges	1,5	**(38.3)**	(23.9)
Loss on ordinary activities before taxation		**(28.0)**	(13.8)
Taxation	6	**16.2**	(1.6)
Loss retained	16	**(11.8)**	(15.4)

The above results relate to continuing operations.

The profit and loss account for the period ended 31 March 2005 represents results for the fifteen month period from 1 January 2004 to 31 March 2005.

A statement of total recognised gains and losses and a note of historical cost profits and losses are not shown as all gains and losses for the year are recognised in the profit and loss account under the historical cost convention.

The Accounting Policies and Definitions on pages 5 to 7, together with the Notes on pages 11 to 19, form part of these Accounts.

ScottishPower (DCL) Limited
(formerly Damhead Creek Limited)

Reconciliation of Movements in Shareholders' Funds for the period ended 31 March 2005

	31 March 2005 £m	31 December 2003 £m
Loss retained	**(11.8)**	(15.4)
Net movement in shareholders' funds	**(11.8)**	(15.4)
Opening shareholders' funds	**8.6**	24.0
Closing shareholders' (deficit)/funds	**(3.2)**	8.6

The Accounting Policies and Definitions on pages 5 to 7, together with the Notes on pages 11 to 19, form part of these Accounts.

ScottishPower (DCL) Limited

(formerly Damhead Creek Limited)

Balance Sheet
as at 31 March 2005

	Notes	31 March 2005 £m	Restated 31 December 2003 £m
Fixed assets			
Tangible assets	7	**261.2**	262.1
Current assets			
Stock	9	**1.8**	1.6
Debtors	10	**312.4**	12.4
Cash		-	20.9
		314.2	34.9
Creditors: amounts falling due within one year			
Loans and other borrowings	12(a)	**(288.4)**	-
Other creditors	13	**(287.3)**	(15.1)
		(575.7)	(15.1)
Net current (liabilities)/asssets		**(261.5)**	19.8
Total assets less current liabilities		**(0.3)**	281.9
Creditors: amounts falling due after more than one year			
Loans and other borrowings	12(b)	-	(273.3)
Provisions for liabilities and charges			
- Decommissioning	14	**(2.9)**	-
Net (liabilities)/assets		**(3.2)**	8.6
Called up share capital	15, 16	**50.9**	50.9
Share premium	16	**3.3**	3.3
Profit and loss account	16	**(57.4)**	(45.6)
Equity shareholders' (deficit)/funds		**(3.2)**	8.6

The Accounting Policies and Definitions on pages 5 to 7, together with the Notes on pages 11 to 19, form part of these Accounts.

Approved by the Board on 20 January 2006 and signed on its behalf by

Alan A. Bryce

Alan Bryce
Director

ScottishPower (DCL) Limited

(formerly Damhead Creek Limited)

Notes to the Accounts
for the period ended 31 March 2005

1 Change in accounting policy

Depreciation and specific maintenance costs are classified as cost of sales. Previously some of these costs were classified as administrative expenses. The accounting policy has been changed because the directors consider the new policy gives a fairer presentation of the company's results.

Capitalised loan costs were previously included within fixed assets. These have been reclassified and netted off against the associated borrowings. The amortisation of these costs has accordingly been reclassified from cost of sales to finance costs. These changes have had no impact on net assets or the reported loss.

As a result, comparative figures for the year ended 31 December 2003 have been restated: cost of sales has increased by £8,335,000; administrative expenses have decreased by £8,704,000; net interest payable has increased by £369,000; tangible fixed assets have decreased by £4,460,000 and loans have decreased by £4,460,000. There is no change to profit or net assets as a result of this restatement.

2 Exceptional items

The exceptional cost of sales of £1.3 million (£0.9 million after tax) relate to costs incurred upon early termination of a commodity trading agreement.

The interest charge of £4.5 million (£3.2 million after tax) relates to: the accelerated amortisation of capitalised loan costs following repayment of the loans by ScottishPower UK Holdings Limited (£4.3 million); and interest costs incurred upon early termination of a commodity trading agreement (£0.2 million) following the acquisition of the company by ScottishPower UK Holdings Limited.

3 Operating profit

Operating profit is stated after charging:	**Fifteen months ended 31 March 2005 £m**	Restated Year ended 31 December 2003 £m
Depreciation of tangible fixed assets	**8.9**	10.0

Auditors' remuneration for audit of the company for the period ended 31 March 2005 was £67,000 (2003: £20,000) and represents an apportionment of the overall group audit fee in respect of Scottish Power plc.

4 Employee information

(a) Employee costs	Note	**Fifteen months ended 31 March 2005 £m**	Year ended 31 December 2003 £m
Wages and salaries		**2.2**	0.7
Social security costs		**0.2**	0.1
Other pension costs	20	**0.2**	0.1
Total employee costs charged to the profit and loss account		**2.6**	0.9

ScottishPower (DCL) Limited
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Notes to the Accounts
for the period ended 31 March 2005 - continued

4 Employee information - continued

(b) Employee numbers

The period/year end and average numbers of employees (full-time and part-time) seconded to the company and employed by the company are shown below. These do not include the directors of the company.

			Period average	
	Fifteen months ended 31 March 2005	Year ended 31 December 2003	**Fifteen months ended 31 March 2005**	Annual average Year ended 31 December 2003
Administration staff	**2**	3	**3**	4
Operational staff	**42**	39	**40**	16
Total	**44**	42	**43**	20

All operational staff are seconded from ScottishPower (DCOL) Limited, therefore their contracts of employment are with ScottishPower (DCOL) Limited, but costs are recharged to ScottishPower (DCL) Limited.

(c) Directors' emoluments

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

5 Net interest and similar charges

Analysis of net interest and similar charges	Note	**Fifteen months ended 31 March 2005 £m**	Restated Year ended 31 December 2003 £m
Interest payable on amounts owed to group undertakings		**13.7**	-
Interest on other borrowings	(i)	**12.1**	17.7
Interest rate swaps		**14.0**	7.2
Total interest payable		**39.8**	24.9
Interest receivable on amounts owed by group undertakings		**(1.1)**	-
Other interest receivable		**(0.5)**	(1.0)
Net interest charge		**38.2**	23.9
Unwinding of discount on provisions	14	**0.1**	
Net interest and similar charges		**38.3**	23.9

(i) Included within interest on other borrowings is an exceptional item of £4.5 million as explained in note 2.

6 Tax on loss on ordinary activities

	Note	**Fifteen months ended 31 March 2005 £m**	Year ended 31 December 2003 £m
Current tax:			
UK corporation tax on loss for the period/year		**(4.0)**	-
Deferred tax:			
Origination and reversal of timing differences		**(4.1)**	-
Adjustment in respect of prior years		**(8.1)**	1.6
Total deferred tax	11	**(12.2)**	1.6
Tax (credit)/charge on loss on ordinary activities		**(16.2)**	1.6

ScottishPower (DCL) Limited

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Notes to the Accounts
for the period ended 31 March 2005 - continued

6 Tax on loss on ordinary activities - continued

Factors affecting (credit)/charge for the period

The current tax credit for the period varied from the standard rate of corporation tax in the UK as follows:

	Fifteen months ended 31 March 2005 £m	Year ended 31 December 2003 £m
UK corporation tax at 30% on the loss for the period/year	**(8.4)**	(4.1)
Deferred tax assets not recognised	-	4.1
Adjustment in respect of prior years	**(8.1)**	1.6
Permanent differences	**0.3**	-
Tax (credit)/charge on loss on ordinary activities	**(16.2)**	1.6
Effect of deferred tax	**12.2**	(1.6)
Current tax credit for the period/year	**(4.0)**	-

7 Tangible fixed assets

	Note	Freehold land £m	Restated Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Restated Total £m
Cost:					
At 1 January 2004	1	1.2	284.4	0.3	285.9
Additions		-	7.9	0.1	8.0
At 31 March 2005		**1.2**	**292.3**	**0.4**	**293.9**
Depreciation:					
At 1 January 2004	1	-	23.5	0.3	23.8
Charge for the period		-	8.9	-	8.9
At 31 March 2005		-	**32.4**	**0.3**	**32.7**
Net book value:					
At 31 March 2005		**1.2**	**259.9**	**0.1**	**261.2**
At 31 December 2003	1	1.2	260.9	-	262.1

Land is not subject to depreciation.

Included in plant and machinery are £4.5 million (2003: £nil) of assets under construction which will not be depreciated until construction is complete.

Included in the cost of tangible fixed assets above is capitalised interest of £33.6 million (2003: £33.6 million). Capitalised interest was calculated at various rates dependant on the finance provider and was based on LIBOR plus differing percentage points.

Notes to the Accounts
for the period ended 31 March 2005 - continued

8 Fixed asset investments

	Shares in group undertakings £'000	Total £'000
Costs		
At 1 January 2004 and 31 March 2005	**30**	**30**
Provisions		
At 1 January 2004 and 31 March 2005	**(30)**	**(30)**
Net book value		
At 1 January 2004 and 31 March 2005	**-**	**-**

The company wrote down its investment in Damhead Creek Finance Limited to £nil during 2002 as the subsidiary's net assets no longer supported the carrying value.

Shares in subsidiary undertakings

The principal holdings of the company are as set out below:

Subsidiary undertaking	Place of incorporation or registration	Class of share capital	Proportion of shares held %	Activity
ScottishPower (DCOL) Limited	England and Wales	Ordinary shares of £1 each	100.0	Provision of operational services
Damhead Creek Finance Limited	Cayman Islands	Ordinary shares of US$ 0.01 each	100.0	Financing

9 Stock

	31 March 2005 £m	31 December 2003 £m
Raw materials and consumables	**1.8**	1.6

10 Debtors

	Note	31 March 2005 £m	31 December 2003 £m
Amounts falling due within one year:			
Trade debtors		**0.4**	11.1
Group relief receivable		**4.0**	-
Prepayments and accrued income		**19.4**	1.0
Amounts owed by group undertakings		**273.8**	0.3
Deferred tax asset	11	**12.2**	-
Other debtors		**2.6**	-
		312.4	12.4

Notes to the Accounts
for the period ended 31 March 2005 - continued

11 Deferred tax asset

	31 March 2005 £m	31 December 2003 £m
Accelerated capital allowances	**(4.5)**	(18.1)
Trading losses	**16.7**	18.1
	12.2	-

	£m
At 1 January 2004	-
Charge for the period (note 6)	**12.2**
At 31 March 2005	**12.2**

12 Loans and other borrowings

	Note	31 March 2005 £m	Restated 31 December 2003 £m
(a) Amounts falling due within one year:			
Amounts owed to group undertakings		**288.4**	-
(b) Amounts falling due after more than one year:			
Bank debt	1	-	273.3

At 31 December 2003 the maturity of all bank debt was greater than five years.

On 1 June 2004, Scottish Power UK Holdings Limited completed the acquisition of ScottishPower (DCL) Limited (formerly Damhead Creek Limited) from its creditor banks for a cash consideration, excluding expenses, of £313.5 million. The bank debt noted above was repaid and was replaced by intercompany loans payable to other group undertakings. These are repayable on demand with interest calculated at a rate of 1% above the Royal Bank of Scotland plc's Base rate and is payable quarterly in arrears.

ScottishPower (DCL) Limited
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Notes to the Accounts
for the period ended 31 March 2005 - continued

13 Other creditors

	31 March 2005 £m	31 December 2003 £m
Amounts falling due within one year:		
Trade creditors	**0.3**	3.1
Accrued expenses	**14.1**	10.8
Capital accruals	**1.5**	-
Other taxes and social security	**4.0**	1.2
Amounts owed to group undertakings	**267.4**	-
	287.3	15.1

14 Provisions for liabilities and charges - Other provisions

	Note	At 1 January 2004 £m	New provisions £m	Unwinding of discount £m	At 31 March 2005 £m
Decommissioning costs	(i)	-	2.8	0.1	**2.9**

(i) The provision for decommissioning costs is the discounted future estimated costs of decommissioning the company's power plant. The decommissioning of this plant is expected to begin in 2036.

15 Share capital

	31 March 2005 £m	31 December 2003 £m
Authorised:		
100,000,000 (2003: 100,000,000) ordinary shares of £1 each	**100.0**	100.0
Allotted, called up and fully paid:		
50,870,530 (2003: 50,870,530) ordinary shares of £1 each	**50.9**	50.9

16 Analysis of movements in shareholders' funds

	Share capital £m	**Share premium £m**	**Profit and loss account £m**	**Total £m**
At 1 January 2004	50.9	3.3	(45.6)	**8.6**
Loss retained for the period	-	-	(11.8)	**(11.8)**
At 31 March 2005	50.9	3.3	(57.4)	**(3.2)**

ScottishPower (DCL) Limited
(formerly Damhead Creek Limited)

Notes to the Accounts
for the period ended 31 March 2005 - continued

17 Financial commitments

(a) Other contractual commitments

Contractual commitments comprise the purchase of gas to manage generation activities:

	31 March 2005 £m	31 December 2003 £m
Within one year	103.0	52.8
Between one and two years	139.7	62.4
Between two and three years	149.0	61.8
Between three and four years	143.9	62.7
Between four and five years	144.5	63.7
After five years	982.0	575.2
At 31 March/31 December	**1,662.1**	878.6

The company had contractual commitments for the forward sale of electricity, which included the sale of net call options giving counterparties the right to purchase 2.7Twh of electricity from the company in the period to April 2005. These commitments were as follows:

	31 March 2005 £m	31 December 2003 £m
Within one year	**13.5**	127.2
Between one and two years	-	45.8
At 31 March/31 December	**13.5**	173.0

(b) Capital commitments	**31 March 2005 £m**	31 December 2003 £m
Contracted but not provided	**9.6**	-

ScottishPower (DCL) Limited
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Notes to the Accounts
for the period ended 31 March 2005 - continued

18 Directors' emoluments

At the time of the acquisition of the company on 1 June 2004 by Scottish Power UK Holdings Limited, all existing directors resigned from the company and new directors were appointed by the Scottish Power plc group. None of the directors appointed at acquisition received any remuneration from the company in respect of their services to the company. The total emoluments of the directors that provided qualifying services to the company during the pre-acquisition period only are shown below.

	Fifteen months ended 31 March 2005	Year ended 31 December 2003
Executive directors	**£'000**	£'000
Basic salary	**310**	347
Bonuses	-	190
Total	**310**	537

	Fifteen months ended 31 March 2005	Year ended 31 December 2003
Highest paid director	**£'000**	£'000
Basic salary	**158**	279
Bonuses	-	60
Total	**158**	339

No directors (2004: nil) have retirement benefits accruing under the company's defined benefit pension scheme.

No directors (2004: nil) exercised share options over Scottish Power plc shares in the year.

No directors (2004: nil) received shares during the year under the Long Term Incentive Plan.

19 Related party transactions

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 ultimate parent company publishes full statutory consolidated accounts.

ScottishPower (DCL) Limited
(formerly Damhead Creek Limited)

Notes to the Accounts
for the period ended 31 March 2005 - continued

20 Pensions

Period prior to acquisition

Pension costs prior to acquisition of the company by Scottish Power UK Holdings Limited on 1 June 2004 represented contributions payable by the company towards employees personal pension schemes.

Period post acquisition

Upon acquisition, for a number of employees, ScottishPower (DCL) Limited paid contributions to a ScottishPower group personal pensions arrangement pending admission to a defined benefits scheme.

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

ScottishPower (DCL) Limited is unable to identify its share of the underlying assets and liabilities in the defined benefits schemes, as the scheme administrators do not calculate these separately for each of the various companies participating in the schemes.

ScottishPower (DCL) Limited's contributions payable during the period were £155,000 (2003: £51,000) and there were no amounts outstanding at the period end.

Full details of the ScottishPower group arrangements are given in the Annual Report & Accounts for the year ended 31 March 2005 of Scottish Power plc.

21 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 Holdings Limited. Copies of both companies' consolidated Accounts can be obtained from The Secretary, Scottish Power plc, 1 Atlantic Quay, Glasgow, G2 8SP.

Independent Auditors' Report
to the members of ScottishPower (DCL) Limited
(formerly Damhead Creek Limited)

We have audited the Accounts on pages 5 to 19 which have been prepared under the historical cost convention and the accounting policies set out on pages 5 to 7.

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 loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Glasgow
20 January 2006