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SCOTTISHPOWER

SCOTTISH POWER LIMITED
DIRECTORS' REPORT & ACCOUNTS 2007

CONTENTS

DIRECTORS' REPORT

The directors present their report and audited Accounts for Scottish Power Limited (the company") for the period ended 31 December 2007

ACTIVITIES AND REVIEW

The company principally acts as the holding company of the Scottish Power Limited group (the group") whose activities comprise the generation, transmission, distribution, energy management and supply of electricity and the supply of gas

The company was acquired by the Spanish utility group, Iberdrola S A (Iberdrola") on 23 April 2007 As a result, the Ordinary Shares of the company were cancelled from the Official List of the Stock Exchange at the commencement of business on 28 June 2007 On 13 July 2007, the company re registered as a private limited company and, as a consequence, changed its name to Scottish Power Limited from Scottish Power plc

The company has changed its accounting reference date to 31 December to match that of its ultimate parent undertaking, Iberdrola, and, therefore, these Accounts are prepared for the nine month period from 1 April 2007 to 31 December 2007

On 25 July 2007 the company acquired the entire share capital of ScottishPower Holdings Inc (SPHI) from a subsidiary undertaking for £872 million On 26 July 2007 the company transferred its investment in SPHI to Iberdrola, by way of a dividend in specie, amounting to £872 million

RESULTS AND DIVIDEND

The net profit for the period amounted to £73 million (year ended 31 March 2007 £323 million) The aggregate ordinary dividends paid during the period amounted to £178 million (year ended 31 March 2007 £308 million) This comprised a special ordinary dividend of 12 pence approved and paid in April 2007 In addition, a B share dividend of 13 3 pence per B share totalling £1 million was paid in May 2007 A dividend in specie of £872 million arising on the company's disposal of its investment in SPHI to Iberdrola was recognised during the period The company paid the B share annual dividend of 16 5p per share in May 2008

CAPITAL AND DEBT STRUCTURE

The company is funded by a combination of debt and equity All equity is held by Iberdrola Following the acquisition of the company by Iberdrola in April 2007 the cash management and funding activities of the company have been centrally managed by Iberdrola group treasury with the UK treasury department maintaining only a limited authority to undertake short term cash management activities The surplus cash position that existed at the ScottishPower group level at the time of the acquisition has been transferred to Iberdrola The Iberdrola group has access to committed funding arrangements of €11 billion, which can be used to fund group activities

RISK MANAGEMENT

The company s risk management policy is integrated as part of the risk management policy of the group The group's strategy is to conduct business in a manner benefiting customers through balancing cost and risk while delivering shareholder value and protecting the group s performance and reputation by prudently managing the risks inherent in the business To maintain this strategic direction the group develops and implements risk management policies and procedures, and promotes a robust control environment at all levels of the organisation

POLITICAL DONATIONS AND EXPENDITURE

The company is a politically neutral organisation It is subject to the Political Parties, Elections and Referendums Act 2000, which defines political donations and 'expenditure in wider terms than would be commonly understood by these phrases During the nine month period to 31 December 2007, the company and its subsidiaries paid a total of £15,200 for activities which may be regarded as falling within the terms of the Act The recipients of these payments were

- The Labour Party £6,000
- Scottish National Party £5,000
- The Conservative Party £2,200
- Plaid Cymru £2 000

These activities comprised the sponsorship of briefings and receptions at party conferences and attendance at party events These occasions provide an important opportunity for the company to represent its views on a non partisan basis to politicians from across the political spectrum The payments do not indicate support for any particular party

CREDITOR PAYMENT POLICY AND PRACTICE

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 December 2007 were nil

DIRECTORS

The directors who held office at the date of this report were as follows

Jose Ignacio Sanchez Galan (appointed 24 April 2007)
Jose Sainz Armada (appointed 24 April 2007)
Jose Miguel Alcolea Cantos (appointed 23 April 2007)
Jose Luis del Valle Doblado (appointed 23 April 2007)
Jose Luis San Pedro Gerenabarrena (appointed 24 April 2007)
Nick Horler (appointed 10 June 2008)
Francisco Javier Morras Zuazo (appointed 23 April 2007)
Fernando Becker Zuazua (appointed 24 April 2007)

In addition the following directors also served during the period

Euan Baird (resigned 23 April 2007)
Philip Bowman (resigned 23 April 2007)
Donald Brydon (resigned 23 April 2007)
Ramon Antonio Fernandez (appointed 23 April 2007 resigned 24 April 2007)
Peter Hickson (resigned 23 April 2007)
Simon Lowth (resigned 23 April 2007)
Nick Rose (resigned 23 April 2007)
Charles Miller Smith (resigned 23 April 2007)
Javier Maria Urquidi (appointed 23 April 2007, resigned 24 April 2007)
Nancy Wilgenbusch (resigned 23 April 2007)

DIRECTORSRESPONSIBILITIES FOR THE ACCOUNTS

The directors are responsible for preparing the Directors Report and Accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

The directors are responsible for preparing Accounts for each financial period which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of affairs of the company for that period In preparing those Accounts, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Accounts and
- prepare the Accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the Accounts comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Each of the directors in office as at the date of this Directors' Report and Accounts confirms that

- so far as he is aware, there is no relevant audit information of which the company's auditors are unaware, and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company s auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

AUDITORS

Ernst & Young LLP were appointed auditors of the company for the period ended 31 December 2007 in place of the retiring auditors, Deloitte & Touche LLP

At the Annual General Meeting on 26 October 2007, the company elected to dispense with the requirement to lay accounts before a general meeting for future financial years pursuant to s252 of the Companies Act 1985

BY ORDER OF THE BOARD

Marion Venman
Secretary

17 September 2008

PROFIT AND LOSS ACCOUNT

for the nine months ended 31 December 2007

	Notes	Nine months ended 31 December 2007 £m	Year ended 31 March 2007 £m
Administrative expenses exceptional item	4		(49 0)
Operating loss			(49 0)
Dividends received from subsidiaries		35 0	500 0
Net interest receivable	5	61 6	59 5
Fair value losses on derivative financial instruments	6	(12 6)	(279 9)
Profit on ordinary activities before taxation		84 0	230 6
Taxation	7	(11 2)	92 7
Profit for the financial period/year		72.8	323 3

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the nine months ended 31 December 2007

	Nine months ended 31 December 2007 £m	Year ended 31 March 2007 £m
Profit for the financial period/year	72.8	323 3
Gains on effective cash flow hedges recognised		8 2
Gains on revaluation of available for sale securities		2 6
Tax on items taken directly to equity		(3 2)
Net gains removed from equity and recognised during the period/year	(9 7)	(1 1)
Tax on items transferred from equity	2 8	0 3
Total recognised gains and losses for the period/year	65 9	330 1

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the nine months ended 31 December 2007

	Nine months ended 31 December 2007 £m	Year ended 31 March 2007 £m
Profit for the financial period/year	72 8	323 3
Dividends ordinary	(178 3)	(307 9)
dividend in specie	(871 8)	
Other recognised (losses) and gains (net of taxation)	(6 9)	6 8
Return of cash to shareholders		(2 249 9)
Conversion of convertible bond (net of taxation)	681 0	
Share capital issued	16 7	22 9
Consideration paid in respect of purchase of own shares held under trust		(2 2)
Credit in respect of employee share awards	2 3	9 2
Consideration received in respect of sale of own shares held under trust	9 4	36 5
Treasury shares distributed to sharesave participants	23 2	
Treasury shares transferred to investments	4 5	
Other movements in treasury shares	(3 2)	
Net movement in shareholders' funds	(250 3)	(2,161 3)
Opening shareholders' funds	4,972.3	7133 6
Closing shareholders' funds	4,722 0	4,972 3

The Accounting Policies and Other Notes on pages 6 to 14 form part of these Accounts

BALANCE SHEET

as at 31 December 2007

	Notes	31 December 2007 £m	31 March 2007 £m
Fixed assets			
Investments	9	**3,976 5**	**3,972 0**
Current assets			
Debtors	10	2 899 0	2,604 8
Derivative financial instruments	11	35 8	116 9
Short term bank and other deposits		44 0	1 365 4
		2,978.8	**4,087 1**
Creditors amounts falling due within one year			
Loans and other borrowings	13	(2 107 5)	(1,746 5)
Derivative financial instruments	14	(28 4)	(518 4)
Other creditors	15	(90 0)	(12 4)
		(2,225.9)	**(2,277 3)**
Net current assets		**752 9**	**1,809 8**
Total assets less current liabilities		**4,729 4**	**5,781.8**
Creditors amounts falling due after more than one year			
Loans and other borrowings	13		(758 7)
Derivative financial instruments	14	(7 4)	(50 8)
		(7 4)	**(809 5)**
Net assets		**4,722 0**	**4,972 3**
Capital and reserves			
Called up share capital	16 17	670 3	625 6
Share premium	17	2 669 8	2,347 0
Other reserves	17	331 1	331 1
Hedge reserve	17		5 0
Profit and loss account	17	1,050 8	1,663 6
Shareholders' funds		**4,722 0**	**4,972.3**

The Accounting Policies and Other Notes on pages 6 to 14 form part of these Accounts

Approved by the Board on 17 September 2008 and signed on its behalf by

Nick Horler
Chief Executive Officer

Ramon Antonio Fernandez
Finance Director
(Non Board Member)

NOTES TO THE ACCOUNTS

as at 31 December 2007

1 ACCOUNTING POLICIES

The principal UK GAAP accounting policies applied in preparing the company's Accounts are set out below

Basis of accounting

The Accounts have been prepared under the fair value accounting rules contained in paragraphs 34A and 34C of Schedule 4 to the Companies Act 1985 in accordance with applicable UK accounting standards issued by the Accounting Standards Board and comply with the Companies Act 1985

The Accounts contain information about ScottishPower 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 Iberdrola S A a company incorporated in Spain

Cash flow statement, related party and financial instruments disclosures

The company is included in the consolidated Accounts of Iberdrola S A , which are publicly available Consequently the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 Cash Flow Statements (Revised 1996)

The company is also exempt under the terms of FRS 8 Related Party Disclosures from disclosing related party transactions with entities that are part of the group or investees of the group qualifying as related parties

The company is exempt from the disclosure requirements of Financial Reporting Standard (FRS) 29 Financial Instruments Disclosures (FRS 29) as it is a wholly owned subsidiary of Iberdrola S A which has included financial instruments disclosures in its Annual Report & Accounts for the year ended 31 December 2007 The Annual Report & Accounts for the year ended 31 December 2007 of Iberdrola S A have been prepared in accordance with International Financial Reporting Standards (IFRS) however the disclosure requirements for financial instruments required by IFRS 7 Financial Instruments Disclosures are virtually identical to those required by FRS 29

The company continues to apply the presentation requirements of FRS 25 Financial Instruments Disclosure and Presentation (FRS 25) as it has done since 1 April 2005

Foreign currencies

The functional currency of the company is UK sterling Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction At the period end monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date Any gain or loss arising on the restatement of such balances is taken to the profit and loss account

Own shares held under trust

In accordance with Urgent Issues Task Force (UITF) 38 Accounting for ESOP trusts own shares held under trust for the Scottish Power Limited group s employee share schemes were deducted in arriving at shareholders equity Purchases and sales of own shares were disclosed as changes in shareholders equity

Interest

Interest payable and receivable is recognised in the profit and loss account as it is incurred

Investments

Investments in subsidiaries are stated in the balance sheet at cost or nominal value of shares issued as consideration where applicable less provision for any impairment in value

Taxation

Current Tax: Current tax comprising UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred Tax. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date

Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

Deferred tax is measured on a non discounted basis at the tax rates that are expected to apply in the years in which timing differences are expected to reverse based on tax rates and laws enacted or substantively enacted at the balance sheet date

Deferred tax assets are recognised to the extent that it can be regarded as probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Financial instruments

Derivative financial instruments are accounted for in accordance with FRS 26 Financial Instruments Measurement FRS 26 requires all derivatives to be recognised on the balance sheet at fair value Gains and losses on remeasurement of derivatives are reported in the profit and loss account except when hedge accounting is applied

(a) Valuation of financial instruments

In those circumstances where FRS 26 requires financial instruments to be recognised in the balance sheet at fair value the company's valuation strategies for derivative and other financial instruments utilise as far as possible quoted prices in an active trading market

In the absence of quoted prices for identical or similar assets or liabilities it is sometimes necessary to apply valuation techniques where contracts are marked using approved models Models are used for developing both the forward curves and the valuation metrics of the instruments themselves where the instruments are complex combinations of standard or non standard products

All models are subject to rigorous testing prior to being approved for valuation and subsequent continuous testing and approval procedures designed to ensure the validity and accuracy of the model assumptions and inputs

(b) Offsetting of financial assets and financial liabilities

The company offsets a financial asset and a financial liability and reports the net amount only when the group has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously

(c) Convertible bond

The £700million convertible bonds issued by Scottish Power Finance (Jersey) Limited were converted into preference shares in Scottish Power Finance (Jersey) Limited which were subsequently converted into ordinary shares in Scottish Power Limited The embedded derivative contained within the convertible bonds was required to be separately fair valued with changes in the fair value recorded in the profit and loss account The gain on conversion has been recognised directly in equity

(d) Short term bank and other deposits

Short term bank and other deposits in the balance sheet comprise cash on hand and term deposits which can be readily convertible into a known amount of cash without a significant risk of changes in value

(e) Loans and borrowings

All interest bearing loans and borrowings are initially recognised at fair value net of directly attributable transaction costs after deduction of issue costs Interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method Premiums or discounts arising on the early repayment of borrowings are recognised in the profit and loss account as incurred or received

2 EMPLOYEES

The company has no employees and it is not the sponsoring company of any of the group's retirement benefit schemes Directors are remunerated by other group companies Full details of directors remuneration is provided in Note 18

3 AUDIT FEES

The auditors remuneration of the group is billed on a group basis and is not recharged to the company Of the total group and non audit fees for the nine months ended 31 December 2007 of £1 4 million (year ended 31 March 2007 £2 0 million) £0 1 million (year ended 31 March 2007 £0 1 million) relates to the audit of the company's Accounts For the nine months ended 31 December 2007, the amounts relate to fees paid to the incumbent auditors Ernst & Young LLP For the year ended 31 March 2007 the amounts disclosed related to the previous auditors Deloitte & Touche LLP

4 EXCEPTIONAL ADMINISTRATIVE EXPENSES

The exceptional cost recognised in the year ended 31 March 2007 of £49 0 million represented costs relating to the recommended offer by Iberdrola S A for the company's entire issued ordinary share capital

5 NET INTEREST RECEIVABLE

	Nine months ended 31 December 2007 £m	Year ended 31 March 2007 £m
Interest receivable on loans to parent undertaking	28 2	
Interest receivable on loans to subsidiary undertakings and fellow subsidiary undertakings	97 1	146 4
Interest receivable on bank and other deposits	50 6	72 5
Foreign exchange gains	4 4	
Interest receivable	**180.3**	218 9
Interest payable on loans from subsidiary undertaking	(110 1)	(133 4)
Interest payable on bank loans and other borrowings	(7 1)	(26 0)
Foreign exchange losses	(1 5)	
Interest payable	**(118 7)**	(159 4)
Net interest receivable	**61 6**	59 5

6 FAIR VALUE LOSSES ON DERIVATIVE FINANCIAL INSTRUMENTS

Fair value losses of £12 6 million on derivative financial instruments for the nine months ended 31 December 2007 comprises a movement of £19 5 million in the value of the embedded option contained in the convertible bonds of ScottishPower Finance (Jersey) Limited offset by £6 9 million relating to the release of a deferred gain on treasury hedging $600 million of the US dollar bonds novated to Iberdrola on 24 October 2007

Fair value losses on derivative financial instruments of £279 9 million for the year ended 31 March 2007 comprised the movement in the value of the embedded option contained in the convertible bonds of ScottishPower Finance (Jersey) Limited

7 TAXATION

	Nine months ended 31 December 2007 £m	Year ended 31 March 2007 £m
Current tax		
UK corporation tax	(10 7)	66 1
Adjustments in respect of prior years	4 1	24 2
Total current tax (charge)/credit for period/year	**(6 6)**	90 3
Deferred tax		
Origination and reversal of timing differences	(4 0)	2 4
Impact of change in rate on deferred tax	0 3	
	(3 7)	2 4
Adjustments in respect of prior years	0 1	
Impact of change of rate on opening deferred tax	(1 0)	
Total deferred tax (charge)/credit for period/year	**(4 6)**	2 4
Total taxation (charge)/credit for period/year	**(11 2)**	92 7

Factors affecting tax (charge)/credit for period/year

The tax (charge)/credit for the period/year varied from the standard rate of UK corporation tax as follows

	Nine months ended 31 December 2007 £m	Year ended 31 March 2007 £m
UK Corporation tax at 30% on profit for the period/year	(25 2)	(69 2)
Adjustments in respect of prior years	4 2	24 2
Income from shares in group undertakings	10 5	150 0
Impact of change in rate on deferred tax	(0 7)	
Tax effect of exceptional item		(12 3)
Tax (charge)/credit for period/year	(11 2)	92 7
Effect of deferred tax	4 6	(2 4)
Current tax (charge)/credit for period/year	**(6 6)**	90 3

8 DIVIDENDS

	Nine months ended 31 December 2007 £m	Year ended 31 March 2007 £m
Final ordinary dividend paid for the prior year		138 7
First interim ordinary dividend paid		169 2
Special ordinary dividend for the prior year	**178 3**	
Total ordinary dividends paid	**178 3**	307 9
Special ordinary dividend		178 3
Total ordinary dividends paid and proposed in respect of the financial period/year		347 5

A special dividend of 12 0 pence per ordinary share was approved and paid in April 2007 A B share dividend of 13 3 pence per B share was paid in May 2007, totalling £0 7 million

A dividend in specie of £871 8 million was made during the period on the distribution of the company's disposal of its investment in ScottishPower Holdings Inc (see Note 9)

9 FIXED ASSET INVESTMENTS

	Subsidiary undertakings Shares Note (a) £m	Available for-sale investments Note (b) £m	Total £m
Cost			
At 1 April 2007	3,972 0		3,972 0
Additions	874 0	4 5	878 5
Disposals	(874 0)		(874 0)
At 31 December 2007	**3,972 0**	**4.5**	**3,976 5**

(a) Details of the company s principal subsidiaries are as follows

Subsidiary undertakings	Class of share capital	Proportion of shares held	Activity
Scottish Power Finance (US) Inc (USA) #	Common Stock	100%	Finance company
ScottishPower NA1 Limited #	Ordinary shares £1	100%	Holding company
ScottishPower NA2 Limited #	Ordinary shares £1	100%	Holding company
Scottish Power UK Group Limited #	Ordinary shares £1	100%	Holding company
SP Finance 2 Limited #	Ordinary shares £1	100%	Holding company
Scottish Power UK Holdings Limited	Ordinary shares 50p	100%	Holding company
Scottish Power (DCL) Limited	Ordinary shares £1	100%	Holding company
Scottish Power UK plc	Ordinary shares 50p	100%	Holding company

All companies are incorporated in Great Britain unless otherwise stated

The investment in this company is a direct holding of Scottish Power Limited

Scottish Power Finance (US), Inc is a 100% owned finance subsidiary of Scottish Power Limited which will fully and unconditionally guarantee any securities issued by Scottish Power Finance (US) Inc

On 25 July 2007, Scottish Power Limited acquired the entire share capital of ScottishPower Holdings Inc (SPHI) from ScottishPower NA2 Limited for £871 7 million
On 26 July 2007 the company transferred its investment in SPHI to its ultimate parent undertaking Iberdrola S A , by way of a dividend in specie

(b) The fair value of the other available for sale investments at 31 December 2007 of £4 5 million (31 March 2007 £nil) is not materially different from their cost

10 DEBTORS

	Note	31 December 2007 £m	31 March 2007 £m
(a) Amounts falling due within one year			
Loans due from ultimate parent undertaking		1,197 7	
Loans due from subsidiary undertakings		1,675 2	2,518 0
Interest due from ultimate parent undertaking		14 2	
Other debtors		0 8	5 2
Interest due from subsidiary undertakings			5 3
Corporate tax debtor			63 4
		2 887 9	2,591 9
(b) Amounts falling due after more than one year			
Deferred tax asset	12	11 1	12 9
		11 1	**12.9**
		2,899 0	**2,604.8**

11 CURRENT ASSETS DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	31 December 2007 £m	31 March 2007 £m
(a) Amounts falling due within one year			
Forward contracts with Iberdrola group companies	14	8 1	
Forward contracts with Scottish Power group companies	14		35 9
Forward contracts with external parties	14	20 3	30 2
		28 4	66 1
(b) Amounts falling due after more than one year			
Cross currency swaps with Scottish Power group companies	14		46 5
Forward contracts with Iberdrola group companies	14	0 9	
Forward contracts with Scottish Power group companies	14		2 8
Forward contracts with external parties	14	6 5	1 5
		7 4	50 8
		35 8	116 9

The company enters into derivative contracts with external parties which are matched with contracts entered into with Iberdrola (ScottishPower) group companies
The movements in the fair values of these contracts therefore have a net £nil impact on the profit and loss account

NOTES TO THE ACCOUNTS *continued*

as at 31 December 2007

12 DEFERRED TAX ASSET

	Note	31 December 2007 £m	31 March 2007 £m
Unamortised losses recognised on implementation of FRS 26		11 1	13 4
Other timing differences			(0 5)
	10	11 1	12 9

(a) Under prevailing tax legislation relief for losses recognised on the implementation of FRS 26 is spread over a ten year period The deferred tax asset is amortised to match the tax relief available

(b) The UK 2007 Finance Act changed the rate of corporation tax from 30% to 28% effective from 1 April 2008 Accordingly deferred tax has been provided at 28%, the rate at which timing differences are expected to reverse

	£m
At 1 April 2007	12 9
Charged in the profit and loss account	(4 6)
Recognised in the Statement of Total Recognised Gains and Losses	2 8
At 31 December 2007	**11 1**

13 LOANS AND OTHER BORROWINGS

	Notes	31 December 2007 £m	31 March 2007 £m
Loans and other borrowings are repayable as follows			
Within one year or on demand			
Loans from subsidiary undertakings		2,084 3	1,700 1
B shares	(a)	23 2	46 4
		2,107 5	1,746 5
After more than one year	(b)		758 7
		2,107 5	2 505 2

(a) Holders of B shares have the opportunity to have these purchased by the company on certain future dates up to 2011

(b) On 24 October 2007 Scottish Power Limited transferred $1 5 billion US dollar bonds to Iberdrola International B V These US dollar bonds of £758 7 million at 31 March 2007 were repayable as follows due between two and three years £278 8 million and in more than five years £479 9 million

14 CREDITORS DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	31 December 2007 £m	31 March 2007 £m
Amounts falling due within one year			
Embedded option of convertible bonds of Scottish Power Finance (Jersey) Limited	(a)		452 3
Forward contracts with external parties	11	8 1	35 9
Forward contracts with Iberdrola group companies	11	20.3	
Forward contracts with Scottish Power group companies	11		30 2
		28 4	518 4
Amounts falling due after more than one year			
Cross currency swaps with external parties	11		46 5
Forward contracts with external parties	11	0 9	2 8
Forward contracts with Iberdrola group companies	11	6 5	
Forward contracts with Scottish Power group companies	11		1 5
		7 4	50 8
		35.8	569 2

(a) Pursuant to the acquisition of Scottish Power Limited by Iberdrola S A on 23 April 2007 bondholders were given the opportunity as set out in the bonds documentation to convert the $700 million convertible bonds into ordinary shares in Scottish Power Limited at a reduced exchange price of £4 16 (or £4 099 after the payment of a special dividend by Scottish Power Limited) subject to the bondholders exercising their conversion rights within the period of 60 calendar days following 24 April 2007 At the end of the special conversion period US$695 992 000 of the bonds were converted into US$695 992 000 redeemable preference shares of Scottish Power Finance (Jersey) Limited which were exchanged on issuance for 101 213,345 ordinary shares of 42 pence each in Scottish Power Limited The remaining bondholders were permitted to exercise their conversion rights under existing terms subject to an adjusted Exchange Price of £4 459 with an additional 521 090 shares issued On 23 July 2007 all outstanding bonds were converted at their principal amount together with interest accrued to the conversion date resulting in an additional 14 429 shares being issued

15 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR OTHER CREDITORS

	31 December 2007 £m	31 March 2007 £m
Corporate tax	84 7	
Accrued expenses	5 0	3 4
Other creditors	0 3	0 3
Interest due to subsidiary undertakings		8 7
	90.0	12 4

16 SHARE CAPITAL

	31 December 2007 £m	31 March 2007 £m
Allotted, called up and fully paid equity shares		
106 197,793 ordinary shares of 42p each (31 March 2007 1,489,436,894)	44 6	625 6
4,330 935,176,274 ordinary shares of 42/2 907p each (31 March 2007 nil)	625 7	
	670 3	625 6

On 30 March 2007 shareholder approval was obtained at a Court Meeting and Extraordinary General Meeting of the company for the recommended offer for the ordinary share capital of Scottish Power by Iberdrola effected by way of a scheme of arrangement pursuant to section 425 of the Companies Act 1985

Court hearings held on 19 April and 23 April 2007 respectively approved the sanction of the Scheme and the reduction of ScottishPower s share capital

In the period from 1 April to 22 April 2007 the company issued 72 351 ordinary shares of 42p each in respect of the Employee Share Ownership Plan 309 940 ordinary shares of 42p each in respect of the Sharesave Schemes and 10 597 ordinary shares of 42p each in respect of the conversion of the Convertible Bond

On 22 April 2007 the company's 1 489 829 782 ordinary shares of 42p each in issue at that date were subdivided and reclassified into 2 227 654,220 620 A1 ordinary shares of 42/2907p each (A1 Shares) 2 066 393,907,634 A2 ordinary shares of 42/2907p each (A2 Shares) and 36 887 048 020 A3 ordinary shares of 42/2907p each (A3 Shares')

Following the reclassification and the subdivision on 23 April 2007 the company's authorised share capital was reduced by £625 7 million effected by the cancellation of all of the A1 Shares A2 Shares and A3 Shares in issue at that date The share capital was then increased by £625 7 million by the creation of 4,330 935 176 274 new ordinary shares of 42/2907p each

Subsequent to the reclassification and subdivision on 23 April 2007 the company issued a further 4 459 526 ordinary shares of 42p each in respect of the Sharesave Schemes and 101 738 267 ordinary shares of 42p each in respect of the Convertible Bond

During the period US $700 million 4% step up perpetual subordinated bonds issued by Scottish Power Finance (Jersey) Limited were converted into 101,748 864 ordinary shares of 42p each in Scottish Power Limited The ordinary shares were transferred by the bondholders to Iberdrola in consideration for payment by Iberdrola to the bondholders of 400p in cash and the issue of 0 1646 of an Iberdrola share for each ordinary On 30 March 2007 shareholder approval was obtained at a Court Meeting

As a result of the acquisition of ScottishPower by Iberdrola on 23 April 2007, the ordinary shares of ScottishPower were cancelled from the Official List of the London Stock Exchange at the commencement of business on 28 June 2007

6,626 047 allotted, called up and fully paid non cumulative preference B shares of 50p each with a nominal value of £3 3 million and a book value of £23 9 million remain outstanding at 31 December 2007 The B shares are classified as liabilities under FRS 25 and are therefore included within loans and borrowings (see Note 13) The B shares carry an entitlement to a non cumulative preference dividend and voting rights only in the event of the B share dividend remaining unpaid for a specified time or in the event of winding up the company During the period 6 257 997 shares were repurchased and cancelled As a result of the acquisition of ScottishPower by Iberdrola the B shares of ScottishPower were cancelled from the Official List of the London Stock Exchange at the commencement of business on 12 July 2007

370 655 937 allotted called up and fully paid deferred shares of 50p each with a nominal value of £185 3 million and a book value of £nil were outstanding at 31 March 2007 The deferred shares carried no entitlement to profit participation and no voting rights During the period all of these share were cancelled

The company had 1 871 235 749 ordinary shares of 50p each in issue at 1 April 2006 A further 1 063 837 ordinary shares were issued under the company s employee share schemes prior to a capital reorganisation which resulted in the issue of 1,485 952 052 new ordinary shares and 623 864 749 B shares The company issued a further 3 484 842 ordinary shares of 42p each under the company s employee share schemes prior to 31 March 2007

The company declared a dividend of £3 60 per share in respect of 370,655,937 B shares these shares then being converted into deferred shares of 50p each with a negligible value A further 240 324 768 B shares were repurchased by the company

The company had 1 489 436 894 ordinary shares of 42p each 12,884,044 B shares and 370,655,937 deferred shares of 50p each in issue at 31 March 2007

	31 December 2007 £m	31 March 2007 £m
Authorised		
2 073 710 637 ordinary shares of 42p each (31 March 2007 3 114,833 355)	871 0	1 308 3
4,330 935 176 274 ordinary shares of 42/2907p each (31 March 2007 nil)	625 7	
6 626 047 non cumulative preference B shares of 50p each (31 March 2007 12,884 044)	3 3	6 4
Nil deferred shares of 50p each (31 March 2007 370,655 937)		185 3
1 special rights non voting redeemable preference share of £1 (31 March 2007 One)		
36 unclassified shares of 1p each (31 March 2007 24)		
	1,500 0	1,500 0

16 SHARE CAPITAL *continued*

(a) Employee share schemes

Prior to the acquisition of the company by Iberdrola the group operated a range of share based plans for employees Options were granted and awards made to eligible employees to subscribe for or receive by transfer ordinary shares or ADSs (American Depository Shares, traded in the US each of which represented four ordinary shares) in Scottish Power Limited in accordance with the rules of each plan All of these plans have ended prior to 31 December 2007, with the exception of the Employee Share Ownership Plan as discussed below

The Scottish Power Sharesave Schemes were savings related and under normal circumstances share options were exercisable on completion of a three or five year save as you earn contract as appropriate

Under the rules of the Sharesave Scheme participants were entitled to continue to participate and exercise their options up to 19 October 2007 at which time all unexercised options lapsed

Options granted under the Executive Share Option Plan 2001 (ExSOP") to executive directors and certain senior managers in the UK were subject to the performance criterion that the percentage increase in the company s annualised earnings per share excluding goodwill amortisation and exceptional items be at least 3% (adjusted for any increase in the RPI) Options granted to US participants under the ExSOP were not subject to any outstanding performance criteria

In agreement with Iberdrola following the acquisition of the company by Iberdrola S A , the performance conditions attaching to the ExSOP were treated as satisfied in full Participants were eligible to exercise in full conditional on the Court approving the Scheme All unexercised Executive Share Options lapsed immediately after that

The PacifiCorp Stock Incentive Plan (' PSIP) related to options over Scottish Power ADSs Following the sale of PacifiCorp on 21 March 2006 participants (other than those who became employees of PPM Energy) had 12 months from the date of sale in which to exercise their options

Awards granted under the Scottish Power 2000 Long Term Incentive Plan vested only if the Remuneration Committee was satisfied that certain performance measures related to the sustained underlying financial performance of the group and improvements in customer service standards were achieved over a period of three financial years commencing with the financial year preceding the date an award was made The number of shares which became exercisable was dependent on the company's Total Shareholder Return Performance compared to a group of international energy companies

Awards granted under the Scottish Power 2006 Long Term Incentive Plan vested only if the Remuneration Committee was satisfied with the underlying performance of the business For awards granted in 2006 the number of shares which became exercisable was dependent on the company's Total Shareholder Return (averaged over the 12 months prior to the beginning and end of each performance period) over a three year period compared to the UK constituents of the DJ STOXX European Utilities Index

The performance conditions attaching to the Long Term Incentive Plan awards were also treated as satisfied in full following the acquisition of the company by Iberdrola S A Awards given in 2005 and 2006 were pro rated for time in accordance with the rules of the Plans Any unexercised awards under the 2000 Long Term Incentive Plan lapsed one month after the Court approved the Scheme and any unexercised awards under the 2006 Long Term Incentive Plan lapsed on the day after the Court approved the Scheme

The Employee Share Ownership Plan (ESOP') allowed eligible employees to make contributions from pre tax salary to buy shares in Scottish Power which were held in trust (Partnership Shares) These shares were matched by the company up to a value of £50 per month (Matching Shares) and were also held in trust At the launch of the ESOP, Free Shares were offered to employees Participating employees could elect to have dividends paid on the shares held in trust on their behalf reinvested in Scottish Power shares (Dividend Shares)

The last contributions from both the company and participants were made to the Employee Share Ownership Plan in March 2007 and no further contributions or awards will be made It is anticipated that Iberdrola shares and loan notes (which were converted from ScottishPower shares as a result of the Iberdrola offer) will continue to remain in the Plan for a minimum of five years

(i) Summary of movements in ordinary share options in ScottishPower shares

	ScottishPower Sharesave Schemes (number of shares 000s)	Weighted average exercise price (pence)	Executive Share Option Schemes (number of shares 000s)	Weighted average exercise price (pence)	PacifiCorp Stock Incentive Plan (number of shares 000s)	Weighted average exercise price (pence)	Total (number of shares 000s)
Outstanding at 1 April 2006	8,081	333 4	8 046	393 5	3,079	535 0	19 206
Granted	1 672	448 0					1 672
Exercised	(1 827)	340 0	(5,474)	369 5	(3 079)	469 1	(10,380)
Lapsed	(512)	351 3	(527)	345 3			(1,039)
Outstanding at 1 April 2007	7,414	356 3	2,045	393 2			9,459
Exercised	(4,774)	337 0	(2 045)	393 2			(6 819)
Lapsed	(2,640)	391 2					(2,640)
Outstanding at 31 December 2007							

16 SHARE CAPITAL *continued*

(ii) Ordinary shares in the company held under trust during the period/year as follows

Year ended 31 March 2007	Notes	Dividends waived	Ordinary Shares held at 1 April 2006 (000s)	Ordinary Shares acquired during year (000s)	Ordinary Shares transferred during year (Note (e)) (000s)	Ordinary Shares held at 31 March 2007 (000s)	Nominal value 31 March 2007 £m	Market value at 31 March 2007 £m
Scottish Power Sharesave Schemes	(a)	yes	4 761		(2,808)	1 953	0 8	15 6
Executive Share Option Plan 2001	(b)	yes	9 356		(5 881)	3 475	1 4	27 8
Employee Share Ownership Plan	(c)	no	3,564	336	(1 953)	1 947	0 8	15 6
Long Term Incentive Plan	(d)	no	3,471		(1 247)	2 224	1 0	17 8
			21 152	336	(11,889)	9,599	4 0	76 8

Nine months ended 31 December 2007	Notes	Dividends waived	Ordinary Shares held at 1 April 2007 (000s)	Ordinary Shares acquired during period (000s)	Ordinary Shares transferred during period (Note (g)) (000s)	Ordinary Shares held at 31 December 2007 (000s)	Nominal value 31 December 2007 £m	Market value at 31 December 2007 £m
Scottish Power Sharesave Schemes	(a)	yes	1,953		(1 953)			
Executive Share Option Plan 2001	(b)	yes	3 475		(3 475)			
Employee Share Ownership Plan	(c)	no	1,947		(1 947)			
Long Term Incentive Plan	(d)	no	2 224		(2 224)			
			9,599		(9,599)			

(a) Ordinary shares of the company were held in two Qualifying Employee Share Ownership Trusts as part of the Scottish Power Limited Sharesave Scheme and the Scottish Power UK plc Sharesave Scheme Details of options granted under these schemes are disclosed above

(b) Ordinary shares of the company were held under trust as part of the Executive Share Option Plan 2001 for executive directors and other senior managers

(c) Ordinary shares of the company were held in the Employee Share Ownership Plan Trust on behalf of employees of the Scottish Power group Shares appropriated under the Free Element and the Matching Element are subject to forfeiture for a period of three years from the date of appropriation Shares appropriated under the Partnership Element and the Dividend Element of the Employee Share Ownership Plan are not subject to forfeiture

(d) Ordinary shares of the company were held under trust as part of the Long Term Incentive Plan for executive directors and other senior managers

(e) One third of the ordinary shares under trust were exchanged for B shares in they year ended 31 March 2007 The ordinary shares exchanged for B shares are included in the totals of Ordinary shares transferred during year

(f) Prior to the acquisition of the company by Iberdrola the company s practice was to purchase shares in the market through an employee benefit trust to satisfy options and awards granted under the Executive Share Option Plan 2001 and the Long Term Incentive Plan New shares were issued in relation to the Qualifying Employee Share Trusts associated with the Sharesave Schemes, the Executive Share Option Scheme the PacifiCorp Stock Incentive Plan and the Employee Share Ownership Plan in the last ten years In the ten year period to 31 March 2007, new shares issued to satisfy discretionary options and awards represented 0 8% of the issued share capital

(g) Following the acquisition of the company by Iberdrola the ordinary shares held under trust were exchanged for cash Iberdrola loan notes and Iberdrola shares No ordinary shares in the company were held under trust at 31 December 2007

(iii) Purchases of equity securities made by the issuer during the period

No share purchases in the market were made during the period pursuant to the LTIP and the ExSOP The company's policy was to purchase in the market only the number of shares required to satisfy options and awards granted under the LTIP and the ExSOP

(iv) Share-based payments

The cost recognised in respect of the company's share and share option schemes for the period ended 31 December 2007 amounted to £2 3 million (year ended 31 March 2007 £9 2 million) As these amounts are not material to the company's results no further disclosures have been presented

NOTES TO THE ACCOUNTS *continued*

as at 31 December 2007

17 ANALYSIS OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £m	Share premium £m	Capital reserve £m	Capital redemption reserve £m	Hedge reserve £m	Profit and loss account £m	Total £m
At 1 April 2007	625 6	2,347 0	191 7	139 4	5 0	1,663 6	4,972 3
Profit for the period						72 8	72 8
Net gains removed from equity and recognised during the period					(7 1)	(2 6)	(9 7)
Tax on items transferred from equity					2 1	0 7	2 8
Dividends ordinary						(178 3)	(178 3)
dividend in specie						(871 8)	(871 8)
Share capital issued	2 0	14 7					16 7
Conversion of convertible bond (net of taxation)	42 7	308 1				330 2	681 0
Reserve transfer on repurchase of B share capital			(188 4)	188 4			
Credit in respect of employee share awards						2 3	2 3
Consideration received in respect of sale of own shares held under trust						9 4	9 4
Treasury shares distributed to sharesave participants						23 2	23 2
Treasury shares transferred to investments						4 5	4 5
Other movements in treasury shares						(3 2)	(3 2)
At 31 December 2007	**670.3**	**2,669 8**	**3.3**	**327.8**		**1,050 8**	**4,722 0**

Of the profit and loss account reserve at 31 December 2007 of £1,050 8 million (31 March 2007 £1 663 6 million) £885 6 million (31 March 2007 £1 498 4 million) is available for distribution

18 DIRECTORS' REMUNERATION

(i) The emoluments of the Chairman, Executive Directors and Non Executive Directors for the period/year were as follows

	Nine months ended 31 December 2007 £000	Year ended 31 March 2007 £000
Basic salary	119 4	1 818 0
Bonuses		1 510 0
Pension allowance		350 0
Benefits in kind	1 6	16 1
Compensation/payment in lieu of notice		4,473 7
	121.0	8,167 8

No director (year ended 31 March 2007 one director) has retirement benefits accruing under the company s defined benefit pension scheme

Two directors (year ended 31 March 2007 no directors) exercised share options over Scottish Power Limited shares in the period

Two directors (year ended 31 March 2007 two directors) received shares during the period under the Long Term Incentive Plan

The emoluments of the highest paid director, excluding pension contributions were £47 548 (year ended 31 March 2007 £5 003 458) The highest paid director received shares under the Long Term Incentive Plan during the nine months ended 31 December 2007 and the year ended 31 March 2007 During the nine months ended 31 December 2007 and the year ended 31 March 2007 the highest paid director exercised share options over Scottish Power Limited shares

Following the completion of the sale of the company to Iberdrola Philip Bowman and Simon Lowth ceased to be employed by the company Amounts of £2,894,458 and £1 579 235 were payable to Philip Bowman and Simon Lowth respectively in respect of compensation for loss of basic salary bonuses, pension allowance, pension and benefits

19 CONTINGENT LIABILITIES

The company has guaranteed the European Investment Bank (EIB') debt of SP Transmission Limited SP Distribution Limited and SP Manweb plc The total value of this debt in issue at 31 December 2007 is £195 4 million (31 March 2007 £195 8 million)

20 ULTIMATE PARENT COMPANY

At 31 December 2007 the company regarded Iberdrola S A a company incorporated in Spain, as its ultimate parent company and the only group in which the results of the company are consolidated Copies of Iberdrola S A consolidated Accounts for the year ended 31 December 2007, translated into English will be filed with the company's Accounts at Companies House Edinburgh

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDER OF SCOTTISH POWER LIMITED

We have audited the Accounts of Scottish Power Limited for the period ended 31 December 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses the Reconciliation of Movements in Shareholders' Funds the Balance Sheet and related notes 1 to 20 These Accounts have been prepared under the accounting policies set out therein

This report is made solely to the company's member In accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to them in an auditors report and for no other purpose To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the company and the company s member for our audit work, for this report or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors Report and the Accounts in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland)

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 whether in our opinion the information given in the Directors Report is consistent with the Accounts

In addition we report to you if in our opinion 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 other transactions is not disclosed

We read the Directors Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of the company's profit for the period then ended,
- the Accounts have been prepared in accordance with the Companies Act 1985 and
- the information given in the Directors Report is consistent with the Accounts

Ernst & Young LLP

Ernst & Young LLP

Registered Auditor

Glasgow

17 September 2008