



SP Dataserve Limited

**Directors' Report and Accounts
for the period ended 31 December 2007**

Registered No. SC215842

SP Dataserve Limited

Directors' Report and Accounts for the period ended 31 December 2007

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SP Dataserve Limited

Directors' Report

The directors present their report and audited Accounts for the period from 1 April 2007 to 31 December 2007

Activities and review

The principal activity of SP Dataserve Limited ("the company") is data collection, data aggregation, meter operations and the provision of registration and settlement services. The company will continue with this activity for the foreseeable future.

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

Key factors affecting the business

The company is an integral component of ScottishPower's Energy Retail business with its main activity being the provision of metering services to ScottishPower Energy Retail Limited. The business continues to experience increased competition in both non half hourly and half hourly field operations and data collection work. Upgrading our metering technology to improve customer service has been a key focus for the business and will continue to be going forward.

Operational financial performance

Both the level of business and the period end financial position were satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future.

The company's turnover decreased by £40.1 million to £106.4 million, cost of sales decreased by £28.9 million to £81.9 million and administrative expenses decreased by £7.6 million to £21.2 million. The main reason for these movements is the reduction of the accounting period from twelve to nine months.

Operating profit of £4.0 million is £3.6 million lower than the previous year. After allowing for the shorter reporting period, operating profit is still down on a comparable monthly basis. This is due mainly to on going competitive pressures within the industry.

Results and dividend

The profit for the period amounted to £3.7 million (year ended 31 March 2007: £8.0 million). The aggregate dividends paid during the period amounted to £nil (year ended 31 March 2007: £4.0 million).

Financing review

Capital Structure

The company is equity funded. All equity is held by Scottish Power UK plc, the immediate parent undertaking.

Treasury and Interest Policy

Treasury services are provided by Scottish Power UK plc. The risk policy within treasury and financing is designed to ensure that the company's exposure to variability of cash flows and asset values due to fluctuations in market interest rates and inflation are minimised and managed at acceptable risk levels. Further details of the treasury and interest policy for the ScottishPower group and how it manages them will be included in the Directors' Report & Accounts of Scottish Power UK Holdings Limited (the company's intermediate holding company) for the period ended 31 December 2007.

Liquidity

The directors confirm that the company remains a going concern on the basis of its future cash flow forecasts and has sufficient working capital for present requirements.

SP Dataserve Limited

Directors' Report- continued

Management of risks

The business identifies and assesses the key business risks associated with the achievement of its strategic objectives. Any key actions needed to enhance the control environments are identified, along with the person responsible for the management of the specific risk.

The credit, liquidity, cash flow and price risks faced by the company are managed at an Energy Retail & Wholesale business unit level. Further details of the risk management practices will be found in the Scottish Power UK Holdings Limited Directors' Report & Accounts.

Employees

Employment Regulation

Scottish Power Limited ("ScottishPower"), the company's ultimate UK parent undertaking, has well defined policies in place throughout its businesses to ensure compliance with applicable laws and related codes of practice. These policies cover a wide range of employment issues such as disciplinary action, grievance, harassment, discrimination, stress and 'whistle blowing' and have been brought together in the ScottishPower policy document, 'Compliance – Behaviour and the Law' (which also outlines expectations for employees' conduct).

Employee Consultation

ScottishPower's businesses use employee/staff surveys and other tools to understand the key issues for employees within each business unit. Regular consultation takes place using a variety of means, including monthly team meetings, team managers' conferences, business unit road shows, safety committees, presentations and employee magazines. The group believes that an important element of a positive working experience is stable employee and industrial relations, it recognises the legitimacy of trade union involvement and has formal agreements in place to foster open, two way communication and consultation. Positive relationships and ongoing liaison with employees and their representatives are seen as contributing significantly to achieving the performance objectives of the businesses.

Equal Opportunities

ScottishPower is committed to promoting equal opportunities for all, irrespective of age, colour, disability, ethnic or national origin, marital status, nationality, race, religion or similar belief, creed, sex, sexual orientation or any other considerations that do not affect a person's ability to perform their job. In recruitment ScottishPower aims to employ the best candidate for a job, irrespective of gender, race, disability or any other status protected by relevant laws. Further details of group workplace policy and performance can be found in the 'Corporate Responsibility' section of www.scottishpower.com.

Environment

Throughout its operations, ScottishPower strives to meet, or exceed, relevant environmental legislative and regulatory requirements and codes of practice.

Health & safety

The company has a clear strategy to continue to improve health and safety performance using ScottishPower group health and safety standards.

A more extensive description of how ScottishPower as a group addresses health and safety requirements will be found in the Directors' Report & Accounts of Scottish Power UK Holdings Limited for the period ended 31 December 2007.

SP Dataserve Limited

Directors' Report - continued

Creditor payment policy and practice

The current policy and practice of the ScottishPower group 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 for Business, Enterprise and Regulatory Reform 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 December 2007 were 3 days.

Directors

The directors who held office during the period were as follows

Raymond Jack
Willie MacDiarmid
David Wark

David Wark resigned as a director of the company on 20 March 2008 and was replaced by Donald Joyce on the same day.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 enable them to ensure that the financial statements 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.

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985.

SP Dataserve Limited

Directors' Report - continued

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

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

On Behalf of the Board



Willie MacDiarmid

Director

23 May 2008

SP Dataserve Limited

Accounting Policies and Definitions

Definitions

Revenue cost definitions

Cost of sales

The cost of sales for the company reflects the direct labour, material and other charges incurred in the collection and aggregation of data, in meter operations and physical testing and exchanging of meters

Administrative expenses

Administrative expenses comprise the indirect costs of the business, the costs of support services and the costs of centralised services provided by Scottish Power UK plc

Other definitions

Company

SP Dataserve Limited

Group

Iberdrola S A and its subsidiary undertakings

ScottishPower

Scottish Power Limited, the company's ultimate UK parent undertaking

ScottishPower group

Scottish Power Limited and its subsidiary undertakings

Accounting Policies

Basis of accounting

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

Cash flow statement

The company is exempt from including a statement of cash flows in its Accounts as it is a wholly owned subsidiary of Iberdrola S A, which has included a consolidated statement of cash flows in its consolidated Accounts

Turnover

Turnover comprises the sales value of data collection, data aggregation, meter operation and registration/settlement services supplied to customers and suppliers during the period and excludes Value Added Tax. Income from data collection and data aggregation is based upon commercial market rate contracts. Income from meter operation represents an annual charge for refurbishment, maintenance and installation of meters held by SP Power Systems Limited, a fellow subsidiary undertaking

Interest

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

SP Dataserve Limited

Accounting Policies and Definitions – continued

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 taxation 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

Tangible fixed assets

Tangible fixed assets are stated at cost and are generally depreciated on the straight line method over their estimated operational lives. Land is not depreciated. The main depreciation periods used by the company are as set out below

	Years
Buildings	40
Plant and machinery	10
Vehicles and computer equipment	3 – 5

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

Leased assets

As lessee

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease

Deferred income

Prepaid meter maintenance charges are released to the profit and loss account on a straight line basis over the period covered by the payment

Pensions

The ScottishPower group operates a number of defined benefit and defined contribution schemes in the UK. SP Dataserve 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. The company 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 and therefore treats these schemes as if they were defined contribution schemes. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the period

SP Dataserve Limited

Profit and Loss Account for the period ended 31 December 2007

		Nine months ended 31 December 2007 £m	Year ended 31 March 2007 £m
	Notes		
Turnover		106.4	146.5
Cost of sales		(81.9)	(110.8)
Gross profit		24.5	35.7
Administrative expenses		(21.2)	(28.8)
Other operating income		0.7	0.7
Operating profit	1	4.0	7.6
Interest receivable	3	1.1	1.5
Profit on ordinary activities before taxation		5.1	9.1
Taxation	4	(1.4)	(1.1)
Profit for the financial period/year	12	3.7	8.0

The above results relate to continuing operations

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 both periods are recognised in the profit and loss account under the historical cost convention

The Accounting Policies and Definitions on pages 5 and 6, together with the Notes on pages 10 to 16, form part of these Accounts

SP Dataserve Limited

Reconciliation of Movements in Shareholder's Funds for the period ended 31 December 2007

	Notes	Nine months ended 31 December 2007 £m	Year ended 31 March 2007 £m
Profit for the financial period/year	12	3.7	8 0
Dividends	5		(4 0)
Net movement in shareholder's funds		3.7	4 0
Opening shareholder's funds		23 2	19 2
Closing shareholder's funds		26 9	23 2

The Accounting Policies and Definitions on pages 5 and 6, together with the Notes on pages 10 to 16, form part of these Accounts

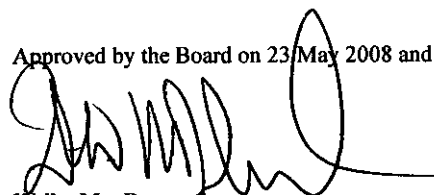
SP Dataserve Limited

Balance Sheet as at 31 December 2007

	Notes	31 December 2007 £m	31 March 2007 £m
Fixed assets			
Tangible assets	6	2.1	8.2
Current assets			
Debtors	7	44.5	39.1
Creditors' amounts falling due within one year			
Other creditors	8	(18.4)	(23.2)
Net current assets		26.1	15.9
Total assets less current liabilities		28.2	24.1
Deferred income	10	(1.3)	(0.9)
Net assets		26.9	23.2
Called up share capital	11, 12	17.6	17.6
Profit and loss account	12	9.3	5.6
Shareholder's funds		26.9	23.2

The Accounting Policies and Definitions on pages 5 and 6, together with the Notes on pages 10 to 16, form part of these Accounts

Approved by the Board on 23 May 2008 and signed on its behalf by



Willie MacDiarmid

Director

SP Dataserve Limited

Notes to the Accounts for the period ended 31 December 2007

1 Operating profit

	Nine months ended 31 December 2007 £m	Year ended 31 March 2007 £m
Operating profit is stated after charging/(crediting)		
Depreciation of tangible fixed assets	0.9	2.9
Loss on disposal of fixed assets		0.4
Release of deferred income	(1.9)	(2.3)
Hire of other assets operating leases	0.1	0.1

Auditors' remuneration for the period ended 31 December 2007 of £12,000 (year ended 31 March 2007 £9,000) was borne by another company in the ScottishPower group

2 Employee information

		Nine months ended 31 December 2007 £m	Year ended 31 March 2007 £m
(a) Employee costs	Note		
Wages and salaries		20.4	24.3
Social security costs		1.6	1.6
Other pension costs	13	3.2	4.1
Total employee costs		25.2	30.0

(b) Employee numbers

The period end and average numbers of employees (full time and part time) employed by the company were

	At period/year end		Average	
	At 31 December 2007	At 31 March 2007	Nine months ended 31 December 2007	Year ended 31 March 2007
Registrations and Settlements	309	290	306	272
Operations and Asset Management	1,022	1,108	1,075	1,065
Other	24	33	27	30
Total	1,355	1,431	1,408	1,367

SP Dataserve Limited

Notes to the Accounts for the period ended 31 December 2007 continued

2 Employee information continued

(b) Employee numbers continued

The period end and average numbers of full time equivalent staff employed by the company were

	At period/year end		Nine months ended	Average
	At 31 December	At 31 March	31 December	Year ended
	2007	2007	2007	31 March
				2007
Registrations and Settlements	293	274	290	256
Operations and Asset Management	928	976	965	923
Other	24	33	27	30
Total	1,245	1,283	1,282	1,209

(c) Directors' emoluments

Details of the directors' emoluments are set out in Note 14

3 Interest receivable

	Nine months ended	Year ended
	31 December	31 March
	2007	2007
	£m	£m
Analysis of interest		
Interest receivable on group loans	1.1	1.5

4 Taxation

	Nine months ended	Year ended
	31 December	31 March
	2007	2007
	£m	£m
Note		
Current tax		
UK corporation tax charge	1.4	3.2
Adjustments in respect of prior years	(0.1)	(1.3)
Total current tax for period/year	1.3	1.9
Deferred tax		
Origination and reversal of timing differences	0.1	(0.5)
Adjustments in respect of prior years		(0.3)
Total deferred tax for period/year	9	(0.8)
Total tax on profit on ordinary activities	1.4	1.1

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

	Nine months ended	Year ended
	31 December	31 March
	2007	2007
	£m	£m
Note		
UK corporation tax at 30% on profits for the period/year	1.5	2.7
Adjustment in respect of prior years	(0.1)	(1.6)
Tax charge on ordinary activities	1.4	1.1
Effect of deferred tax	9	0.8
Current tax charge for period/year	1.3	1.9

SP Dataserve Limited

Notes to the Accounts for the period ended 31 December 2007 continued

5 Dividends

	Nine months ended 31 December 2007 £m	Year ended 31 March 2007 £m
Interim dividend paid		4 0

6 Tangible fixed assets

	Freehold land and buildings £m	Plant and machinery £m	Vehicles and computer equipment £m	Total £m
Cost:				
At 1 April 2007	0 7	4 3	71 2	76 2
Additions		0 1	0 1	0 2
Disposals		(1 0)	(71 2)	(72 2)
At 31 December 2007	0.7	3 4	0 1	4 2
Depreciation				
At 1 April 2007	0 1	2 8	65 1	68 0
Charge for the period		0 2	0 7	0 9
Disposals		(1 0)	(65 8)	(66 8)
At 31 December 2007	0.1	2 0		2 1
Net book value:				
At 31 December 2007	0.6	1 4	0.1	2 1
At 1 April 2007	0 6	1 5	6 1	8 2

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

(b) Due to a reorganisation of business responsibilities under Iberdrola S A , all information technology assets were disposed of to Scottish Power UK plc during the period

7 Debtors

	Note	31 December 2007 £m	31 March 2007 £m
Trade debtors		2 5	1 3
Prepayments and accrued income			2 2
Amounts owed by group undertakings		16 7	14 2
Loan owed by parent undertaking		23 6	19 2
Deferred tax asset	9	1.3	1 4
Other debtors		0.4	0 8
		44.5	39 1

Interest on the loan owed by parent undertaking is calculated at a rate of 1% above the Royal Bank of Scotland base rate and is receivable quarterly in arrears

SP Dataserve Limited

Notes to the Accounts for the period ended 31 December 2007 continued

8 Other creditors

	31 December 2007 £m	31 March 2007 £m
Amounts falling due within one year:		
Amounts owed to group undertakings	6.3	7.7
Trade creditors	0.3	1.7
Corporation tax	4.5	3.2
Accrued expenses	7.3	10.6
	18.4	23.2

9 Deferred tax asset

	31 December 2007 £m	31 March 2007 £m
Deferred taxation recognised in the Accounts is as follows		
Fixed asset related timing differences	0.8	0.7
Other timing differences	0.5	0.7
Total deferred tax asset	1.3	1.4

	Note	£m
Deferred tax recognised at 1 April 2007		1.4
Charged to profit and loss account	4	(0.1)
Deferred tax recognised at 31 December 2007		1.3

The UK 2007 Finance Bill proposed a change in the rate of corporate taxation effective from 1 April 2008. This change was included in the UK 2007 Finance Act reducing the rate of corporation tax from 30% to 28% and is therefore substantively enacted as at the balance sheet date. Accordingly the deferred tax balance has been calculated at the rate of 28% being the rate at which it is expected that the timing differences will reverse.

SP Dataserve Limited

Notes to the Accounts for the period ended 31 December 2007 continued

10 Deferred income

	At 1 April 2007 £m	Receivable during period £m	Released to profit and loss account £m	At 31 December 2007 £m
Prepaid meter maintenance charges	0.9	2.3	(1.9)	1.3

11 Share capital

	31 December 2007 £m	31 March 2007 £m
Authorised:		
100,000,000 (31 March 2007 100,000,000) ordinary shares of £1 each	100.0	100.0
Allotted, called up and fully paid:		
17,608,000 (31 March 2007 17,608,000) ordinary shares of £1 each	17.6	17.6

12 Analysis of movements in shareholder's funds

	Share capital £m	Profit and loss account £m	Total £m
At 1 April 2007	17.6	5.6	23.2
Profit for the period		3.7	3.7
As at 31 December 2007	17.6	9.3	26.9

13 Pensions

The company's contributions payable in the period were £3.2 million (year ended 31 March 2007 £4.1 million)

The company contributes to the ScottishPower group's defined benefit and defined contribution schemes in the UK. Full details of these schemes will be provided in the Scottish Power UK Holdings Limited Directors' Report & Accounts. These financial statements have been prepared under International Financial Reporting Standards ("IFRS"), however the pension assets and liabilities disclosed in accordance with IFRS would not be materially different had they been calculated under UK GAAP in accordance with Financial Reporting Standards ("FRS") 17, "Retirement Benefits".

As at 31 December 2007, the surplus of scheme assets over obligations in the Scottish Power group's defined benefit schemes in the UK amounted to £218.6 million (31 March 2007 surplus of £44.6 million)

The employer contribution rate for these schemes in the period ended 31 December 2007 was 15% - 20.3% with no additional special contributions made over the course of the period (year ended 31 March 2007 £113.5 million). The employer contribution rate for the year ending 31 December 2008 is expected to be consistent with the period ended 31 December 2007.

SP Dataserve Limited

Notes to the Accounts for the period ended 31 December 2007 continued

14 Directors' emoluments

The total emoluments of the directors that provided qualifying services to the company 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.

	Nine months ended 31 December 2007 £'000	Year ended 31 March 2007 £'000
Basic salary	361.9	339.3
Bonuses	204.9	295.4
Benefits in kind	27.1	29.5
Total	593.9	664.2

The above emoluments in respect of all directors were paid by other companies within the Scottish Power Limited group. Consequently, these amounts are not included within 'Employee costs' in Note 2(a).

Three directors (year ended 31 March 2007: two) exercised options over ScottishPower shares in the period/year.

Three directors (year ended 31 March 2007: three) received shares during the period/year under the Long Term Incentive Plan.

Three directors (year ended 31 March 2007: three) have retirement benefits accruing under Scottish Power's defined benefit pension scheme.

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

	Nine months ended 31 December 2007 £'000	Year ended 31 March 2007 £'000
Highest paid director		
Basic salary	173.3	220.0
Bonuses	114.9	176.0
Benefits in kind	15.8	21.0
Total	304.0	417.0

The highest paid director exercised share options over ScottishPower shares in the period ended 31 December 2007 and the year ended 31 March 2007.

The highest paid director received shares under the Long Term Incentive Plan during the period ended 31 December 2007 and the year ended 31 March 2007.

The amount of pension benefit accrued for the highest paid director is £77,661 (31 March 2007: £72,629).

SP Dataserve Limited

Notes to the Accounts for the period ended 31 December 2007 continued

15 Financial commitments

	31 December 2007 £m	31 March 2007 £m
Analysis of annual commitments under operating leases		
Leases of land and buildings expiring.		
Within one year	0.1	0.1

16 Related party transactions

In the period from 1 April 2007 to 23 April 2007, Scottish Power Limited had ultimate control over the company. On 23 April 2007, Scottish Power Limited was acquired by Iberdrola S.A. From that date Iberdrola S.A. had 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 in the Iberdrola S.A. group as that company publishes full statutory consolidated Accounts.

17 Ultimate parent company

The directors regard Iberdrola S.A. 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 the consolidated Accounts of Iberdrola S.A. may be obtained from Iberdrola S.A., Calle Gardoqui 8, Bilbao, Spain. Copies of the consolidated Accounts of Scottish Power UK plc may be obtained from The Secretary, Scottish Power Limited, 1 Atlantic Quay, Glasgow, G2 8SP.

Independent Auditors' Report

To the shareholder of SP Dataserve Limited

We have audited the company's financial statements for the period ended 31 December 2007 which comprise the Profit and Loss Account, the Reconciliation of Movements in Shareholder's Funds, the Balance Sheet and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's member, as a body, 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 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 as a body, 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 financial statements 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 financial statements 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 financial statements 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 financial statements.

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

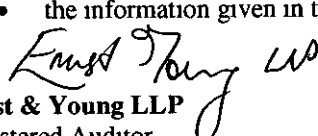
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In our opinion:

- the financial statements 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 financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.


Ernst & Young LLP
Registered Auditor
Glasgow, 23 May 2008