ScottishPower (DCL) Limited

Directors' Report and Accounts for the year ended 31 March 2006

Registered No. 02675504

ScottishPower (DCL) Limited

Directors' Report and Accounts
for the year ended 31 March 2006

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ScottishPower (DCL) Limited

Report of the Directors

The directors present their report and audited Accounts for the year ended 31 March 2006.

Activities and review
The principal activity of ScottishPower (DCL) Limited, "the company", is the operation of a combined cycle gas turbine electricity generating plant ("CCGT") near the River Medway in Kent. The company will continue with this activity for the foreseeable future.

The company has net current liabilities of £188.4 million at 31 March 2006 (2005: £261.5 million), which includes current loans from parent and group undertakings of £192.9 million (2005: £288.4 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 as they fall due.

Key factors affecting the business
The company is an integral component of ScottishPower's Energy Wholesale business. Energy Wholesale operates ScottishPower's generation assets in the British Isles and manages ScottishPower's exposure to the UK wholesale electricity and gas markets. The company operates an 800 MW CCGT plant in Kent.

The key driver impacting the company's financial performance is wholesale energy prices. Other factors affecting financial performance include plant performance and economic growth.

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

Operating profit increased by £97.9 million to £108.2 million because of higher wholesale energy prices, administrative cost savings, improved operational performance, the expiration of third party purchase and sales contracts and effective contract management.

Interest decreased by £16.5 million to £17.3 million, excluding an exceptional charge in the prior year of £4.5 million, because of the termination of interest rate swap agreements and lower loan interest rates following changes in the company's funding arrangements as a result of the acquisition by ScottishPower in 2005.

The profit before tax for the year ended 31 March 2006 is £90.9 million (fifteen month period ended 31 March 2005: loss of £28.0 million). This increase of £118.9 million is the result of the improved operational performance combined with lower funding costs as described above.

Results and dividend
The profit of the company for the year ended 31 March 2006 amounted to £65.9 million (fifteen month period ended 31 March 2005: loss of £11.8 million). The directors recommend that no dividend be paid in respect of the year and that the profit for the year be transferred to reserves.

Financing review
Capital and Debt Structure
The company is funded by a combination of debt and equity. All equity is held by Scottish Power UK Holdings Limited, the immediate parent undertaking, which has also granted the majority of the loan facilities to the company.

ScottishPower (DCL) Limited
Report of the Directors - continued

Financing review - continued

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 ScottishPower group and how it manages them is included in the Annual Report & Accounts of Scottish Power plc for the year ended 31 March 2006.

Funding

The loans represent drawings under working capital facilities (refer Note 10). The principal outstanding, accrued interest and associated costs are payable on written demand. Interest is calculated at a rate of 1% above base rate and is payable quarterly in arrears.

At the end of the year the company had net debt amounting to £192.9 million (2005: £288.4 million).

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. 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 as they fall due.

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.

Further details of the risks facing the ScottishPower group and how it manages them is included in the Annual Report & Accounts of Scottish Power plc for the year ended 31 March 2006.

Environment

Throughout its operations the company strives to meet, or exceed, relevant legislative and regulatory environmental requirements and codes of practice. A more extensive description of the ScottishPower group environmental requirements can be found in the Annual Report & Accounts of Scottish Power plc for the year ended 31 March 2006.

Health and 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 can be found in the Annual Report & Accounts of Scottish Power plc for the year ended 31 March 2006.

Directors and their interests

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

Charles Berry	(resigned 6 September 2005)
Alan Bryce	
John A Campbell	
David Morrison	

Alan Bryce resigned his directorship on 16 October 2006.

ScottishPower (DCL) Limited
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	1 April 2005	Granted/ appropriated/ other net movement	Exercised	Lapsed	Vested	At 31 March 2006
Shares						
Ordinary Shares (*)	15,592	7,700	-	-	-	23,292
ESOP Free & Matching Shares (#)	1,630	290	-	-	-	1,920
Deferred Share Plan (†)	2,214	-	(2,214)	-	-	-
LTIP – Potential (**)	47,794	16,702	-	(4,334)	(4,286)	55,876
LTIP – Vested	-	-	-	-	4,286	4,286
Options						
Executive Scheme	98,266	-	(21,551)	-	-	76,715
Sharesave Scheme	2,941	2,533	(2,941)	-	-	2,533

John A Campbell	1 April 2005	Granted/ appropriated/ other net movement	Exercised	Lapsed	Vested	At 31 March 2006
Shares						
Ordinary Shares (*)	9,670	3,668	-	-	-	13,338
ESOP Free & Matching Shares (#)	1,630	290	-	-	-	1,920
Deferred Share Plan (†)	4,063	-	(4,063)	-	-	-
LTIP – Potential (**)	59,002	17,601	-	(8,544)	(8,451)	59,608
LTIP – Vested	-	-	-	-	8,451	8,451
Options						
Executive Scheme	134,238	-	(64,226)	-	-	70,012
Sharesave Scheme	1,843	1,767	-	-	-	3,610

David Morrison	1 April 2005	Granted/ appropriated/ other net movement	Exercised	Lapsed	Vested	At 31 March 2006
Shares						
Ordinary Shares (*)	5,183	1,666	-	-	-	6,849
ESOP Free & Matching Shares (#)	1,630	290	-	-	-	1,920
Options						
Executive Scheme	52,328	-	(20,172)	-	-	32,156
Sharesave Scheme	5,260	-	-	-	-	5,260

ScottishPower (DCL) Limited
Report of the Directors - continued

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.

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 2006 were 11 days.

Directors' responsibilities

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

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements have been made in the preparation of the Accounts for the year ended 31 March 2006. 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.

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.

ScottishPower (DCL) Limited
Report of the Directors - 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.

During the year, Scottish Power plc, the company's ultimate parent company, carried out a competitive tender in relation to the provision of audit services. Following the outcome of this exercise, the Board of Scottish Power plc, on recommendation of the Audit Committee of Scottish Power plc, sought shareholder approval at the Annual General Meeting of Scottish Power plc to appoint Deloitte & Touche LLP in place of the retiring auditors, PricewaterhouseCoopers LLP. This approval was obtained and the directors of ScottishPower (DCL) Limited will propose the appointment of Deloitte & Touche LLP as auditors of the company for the year ending 31 March 2007.

By Order of the Board

Rhona Gregg
Secretary
15 December 2006

ScottishPower (DCL) Limited

Accounting Policies and Definitions

Definitions

Revenue cost definitions

Cost of sales
Cost of sales reflect the direct costs of the purchase of gas and the generation of electricity.

Administrative expenses
Administrative expenses represent the indirect costs of the company and the costs of centralised services provided by Scottish Power UK plc.

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

Company
ScottishPower (DCL) Limited

ScottishPower
Scottish Power plc.

Ultimate parent company
Scottish Power plc.

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 Acts 1985.

Basis of preparation
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.

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 ScottishPower, which has included a consolidated statement of cash flows in its consolidated Accounts.

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.

ScottishPower (DCL) Limited

Accounting Policies and Definitions - continued

Financial instruments
The company has adopted the presentation requirements of FRS 25 'Financial Instruments – Disclosure and presentation' in the financial year ended 31 March 2006. The company offsets a financial asset and a financial liability and reports the net amount only when the company 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. The effect of applying this policy to the year ended 31 March 2006 was to decrease prepayments and accrued income (Note 9) by £46,000 with a corresponding decrease in accrued expenses (Note 11).

Turnover
Turnover comprises the sales value of energy and other services supplied to customers during the year, primarily 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.

Interest
Interest on the funding attributable to major capital projects is capitalised gross of tax relief during the year of construction and written off as part of the total cost over the operational life of the asset. All other interest payable and receivable is reflected in the profit and loss account as it arises.

Taxation
Where required, and to comply with the Financial Reporting Standard ("FRS") 19 'Deferred Tax', full provision is made for deferred tax on a non-discounted basis.

Other intangible fixed assets
Emissions allowances
The company participates in the EU Emissions Trading Scheme. Purchased emissions allowances are initially recognised at cost (purchase price) within intangible assets. Allocated allowances awarded to the group by the government or a similar body are recorded at a nominal value (nil value). The company recognises liabilities in respect of its obligations to deliver emission allowances to the extent that the allowances to be delivered exceed allocated allowances. Any liabilities recognised are measured based on the cost of allowances purchased up to the level of purchased allowances held and thereafter at the market price of allowances at the balance sheet date. The allowances held within intangible assets may be surrendered at the end of each compliance period reflecting the consumption of economic benefit. As a result no amortisation is recorded during the period.

Tangible fixed assets
Tangible fixed assets are stated at cost and are generally depreciated on the straight line method 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. 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

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.

ScottishPower (DCL) Limited

Accounting Policies and Definitions - continued

Tangible fixed assets - continued
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 station 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.

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

Pensions
The company participates in 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.

ScottishPower (DCL) Limited

Profit and Loss Account
for the year ended 31 March 2006

	Notes	**Year ended 31 March 2006 £m**	Fifteen months ended 31 March 2005 £m
Turnover		**254.9**	397.9
Cost of sales before exceptional item		**(139.9)**	(371.1)
Exceptional item: early termination fees	1	**-**	(1.3)
Cost of sales		**(139.9)**	(372.4)
Gross profit		**115.0**	25.5
Administrative expenses		**(7.6)**	(16.0)
Other operating income		**0.8**	0.8
Operating profit	2	**108.2**	10.3
Net interest payable before exceptional item		**(17.3)**	(33.8)
Exceptional item: interest and amortisation of deferred loan costs	1	**-**	(4.5)
Net interest and similar charges	4	**(17.3)**	(38.3)
Profit/(loss) on ordinary activities before taxation		**90.9**	(28.0)
Taxation	5	**(25.0)**	16.2
Profit/(loss) for the year/period	15	**65.9**	(11.8)

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 the year are recognised in the profit and loss account under the historical cost convention.

The Accounting Policies and Definitions on pages 6 to 8, together with the Notes on pages 12 to 19, form part of these Accounts.

ScottishPower (DCL) Limited

Reconciliation of Movements in Shareholders' Funds for the year ended 31 March 2006

	Year ended 31 March 2006 £m	Fifteen months ended 31 March 2005 £m
Profit/(loss) for the financial year/period	**65.9**	(11.8)
Net movement in shareholders' funds	**65.9**	(11.8)
Opening shareholders' (deficit)/funds	**(3.2)**	8.6
Closing shareholders' funds/(deficit)	**62.7**	(3.2)

The Accounting Policies and Definitions on pages 6 to 8, together with the Notes on pages 12 to 19, form part of these Accounts.

ScottishPower (DCL) Limited

Balance Sheet
as at 31 March 2006

	Notes	2006 £m	2005 £m
Fixed assets			
Tangible assets	6	**258.4**	261.2
Investments	7	**-**	-
Current assets			
Stock	8	**1.8**	1.8
Debtors	9	**36.4**	312.4
		38.2	314.2
Creditors: amounts falling due within one year			
Loans and other borrowings	10	**(192.9)**	(288.4)
Other creditors	11	**(33.7)**	(287.3)
		(226.6)	(575.7)
Net current liabilities		**(188.4)**	(261.5)
Total assets less current liabilities		**70.0**	(0.3)
Provisions for liabilities and charges			
- Deferred tax	12	**(4.3)**	-
- Decommissioning	13	**(3.0)**	(2.9)
Net assets/(liabilities)		**62.7**	(3.2)
Called up share capital	14, 15	**50.9**	50.9
Share premium	15	**3.3**	3.3
Profit and loss account	15	**8.5**	(57.4)
Equity shareholders' funds/(deficit)		**62.7**	(3.2)

The Accounting Policies and Definitions on pages 6 to 8, together with the Notes on pages 12 to 19, form part of these Accounts.

Approved by the Board on 15 December 2006 and signed on its behalf by

David Morrison
Director

ScottishPower (DCL) Limited

Notes to the Accounts for the year ended 31 March 2006

1 Exceptional items

The exceptional cost of sales for the period ended 31 March 2005 of £1.3 million (£0.9 million after tax) relate to costs incurred upon early termination of a commodity trading agreement.

The exceptional interest charge for the period ended 31 March 2005 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.

2 Operating profit

Operating profit is stated after charging:	**Year ended 31 March 2006 £m**	Fifteen months ended 31 March 2005 £m
Depreciation of tangible fixed assets	**10.7**	8.9
Auditors' remuneration for audit of the company	**0.1**	0.1

Auditors' remuneration for audit of the company for the period ended 31 March 2006 was £58,000 (2005: £67,000) and represents an apportionment of the overall group audit fee in respect of Scottish Power plc.

3 Employee information

(a) Employee costs	Note	**Year ended 31 March 2006 £m**	Fifteen months ended 31 March 2005 £m
Wages and salaries		**2.0**	2.2
Social security costs		**0.2**	0.2
Other pension costs	20	**0.3**	0.2
Charged to the profit and loss account		**2.5**	2.6

(b) Employee numbers

The year/period 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.

	31 March 2006	31 March 2005	**Annual average Year ended 31 March 2006**	Period average Fifteen months ended 31 March 2005
Administration staff	-	2	-	3
Operational staff	**43**	42	**42**	40
Total	**43**	44	**42**	43

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.

ScottishPower (DCL) Limited

Notes to the Accounts
for the year ended 31 March 2006 - continued

4 Net interest and similar charges

Analysis of net interest and similar charges	Note	Year ended 31 March 2006 £m	Fifteen months ended 31 March 2005 £m
Interest payable on external borrowings	(i)	**0.4**	12.1
Interest payable on group loans		**17.0**	13.7
Other interest payable		**-**	14.0
Total interest payable		**17.4**	39.8
Interest receivable on group loans		**-**	(1.1)
Other interest receivable		**(0.2)**	(0.5)
Total interest receivable		**(0.2)**	(1.6)
Net interest charge		**17.2**	38.2
Unwinding of discount on provisions	13	**0.1**	0.1
Net interest and similar charges		**17.3**	38.3

(i) Included within interest on external borrowings for the period ended 31 March 2005 is an exceptional item of £4.5 million as explained in note 1.

5 Tax on profit/(loss) on ordinary activities

	Note	Year ended 31 March 2006 £m	Fifteen months ended 31 March 2005 £m
Current tax:			
UK corporation tax		**9.1**	(4.0)
Adjustment in respect of prior years		**(0.6)**	-
Total current tax		**8.5**	(4.0)
Deferred tax:			
Origination and reversal of timing differences		**18.4**	(4.1)
Adjustment in respect of prior years		**(1.9)**	(8.1)
Total deferred tax	12	**16.5**	(12.2)
Tax charge/(credit) on profit/(loss) on ordinary activities		**25.0**	(16.2)

ScottishPower (DCL) Limited

Notes to the Accounts
for the year ended 31 March 2006 - continued

5 Tax on profit/(loss) on ordinary activities - continued

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

	Year ended 31 March 2006 £m	Fifteen months ended 31 March 2005 £m
UK corporation tax at 30% on the profit/(loss) for the period	**27.3**	(8.4)
Adjustment in respect of prior years	**(2.5)**	(8.1)
Permanent differences	**0.2**	0.3
Tax charge/(credit) (current and deferred)	**25.0**	(16.2)
Effect of deferred tax	**(16.5)**	12.2
Current tax charge/(credit) for the year/period	**8.5**	(4.0)

6 Tangible fixed assets

	Freehold land £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Total £m
Cost:				
At 1 April 2005	1.2	292.3	0.4	293.9
Additions	0.9	6.8	0.2	7.9
At 31 March 2006	**2.1**	**299.1**	**0.6**	**301.8**
Depreciation:				
At 1 April 2005	-	32.4	0.3	32.7
Charge for the period	-	10.7	-	10.7
At 31 March 2006	**-**	**43.1**	**0.3**	**43.4**
Net book value:				
At 31 March 2006	**2.1**	**256.0**	**0.3**	**258.4**
At 31 March 2005	1.2	259.9	0.1	261.2

Included in the cost of tangible fixed assets above are:		**2006 £m**	2005 £m
Assets in the course of construction	(i)	**11.3**	4.5
Capitalised interest	(ii)	**33.6**	33.6

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

(ii) Interest on the funding attributable to major capital projects was calculated at various rates dependant on the finance provider and was based on LIBOR plus differing percentage points.

ScottishPower (DCL) Limited

Notes to the Accounts
for the year ended 31 March 2006 - continued

7 Fixed asset investments

	Shares in group undertakings £'000	Total £'000
Costs		
At 1 April 2005 and 31 March 2006	30	30
Provisions		
At 1 April 2005 and 31 March 2006	(30)	(30)
Net book value		
At 1 April 2005 and 31 March 2006	-	-

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

8 Stock

	2006 £m	2005 £m
Raw materials and consumables	1.8	1.8

9 Debtors

	Note	2006 £m	2005 £m
Amounts falling due within one year:			
Trade debtors		-	0.4
Group relief receivable		-	4.0
Prepayments and accrued income		1.5	19.4
Amounts owed by group undertakings		30.8	273.8
Deferred tax asset	12	-	12.2
Other debtors		4.1	2.6
		36.4	312.4

ScottishPower (DCL) Limited

Notes to the Accounts
for the year ended 31 March 2006 - continued

10 Loans and other borrowings

	2006	2005
	£m	£m
Amounts falling due within one year:		
Amounts owed to parent undertaking	**159.7**	288.4
Amounts owed to group undertakings	**33.2**	-
	192.9	288.4

These loans are repayable on demand. Interest is calculated at a rate of 1% above the Royal Bank of Scotland plc's Base rate and is payable quarterly in arrears.

11 Other creditors

	2006	2005
	£m	£m
Amounts falling due within one year:		
Amounts owed to group undertakings	**2.4**	267.4
Trade creditors	**0.8**	0.3
Corporation tax	**9.1**	-
Other taxes and social security	**-**	4.0
Capital accruals	**3.5**	1.5
Accrued expenses	**17.9**	14.1
	33.7	287.3

12 Deferred tax

	2006	2005
	£m	£m
Accelerated capital allowances	**1.2**	4.5
Other timing differences	**3.1**	(16.7)
	4.3	(12.2)

		2006
	Note	**£m**
Deferred tax asset at 1 April 2005		**(12.2)**
Charge in the profit and loss account	5	**16.5**
Deferred tax liability at 31 March 2006		**4.3**

Notes to the Accounts
for the year ended 31 March 2006 - continued

13 Provisions for liabilities and charges - Other provisions

	Note	At 1 April 2005 £m	New provisions £m	Unwinding of discount £m	**At 31 March 2006 £m**
Decommissioning costs	(i)	2.9	-	0.1	**3.0**

(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.

14 Share capital

	2006 £m	2005 £m
Authorised:		
100,000,000 (2005: 100,000,000) ordinary shares of £1 each	**100.0**	100.0
Allotted, called up and fully paid:		
50,870,530 (2005: 50,870,530) ordinary shares of £1 each	**50.9**	50.9

15 Analysis of movements in shareholders' funds

	Share capital £m	**Share premium £m**	**Profit and loss account £m**	**Total £m**
At 1 April 2005	50.9	3.3	(57.4)	**(3.2)**
Profit retained for the year	-	-	65.9	**65.9**
At 31 March 2006	50.9	3.3	8.5	**62.7**

16 Derivative Financial Instruments

The company has entered into a commodity contract in order to hedge movements in gas prices. The fair value of this contract as at 31 March 2006 is an asset of £162.5 million (2005: asset of £92.7 million).

17 Financial commitments

(a) Capital commitments	**2006 £m**	2005 £m
Contracted but not provided	**6.4**	9.6

17 Financial commitments - continued

(b) Other contractual commitments

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

	2006	2005
	£m	£m
Within one year	154.9	103.0
Between one and two years	196.2	139.7
Between two and three years	194.6	149.0
Between three and four years	169.3	143.9
Between four and five years	166.4	144.5
After five years	889.2	982.0
	1,770.6	**1,662.1**

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.

	Year ended 31 March 2006	Fifteen months ended 31 March 2005
Executive directors	**£'000**	£'000
Basic salary	-	310
Total	-	310

	Year ended 31 March 2006	Fifteen months ended 31 March 2005
Highest paid director	**£'000**	£'000
Basic salary	-	*158*
Total	-	158

No directors (2005: nil) have retirement benefits accruing under the company's defined benefit pension scheme.
No directors (2005: nil) exercised share options over Scottish Power plc shares in the year.
No directors (2005: nil) received shares during the year under the Long Term Incentive Plan.

ScottishPower (DCL) Limited

Notes to the Accounts
for the year ended 31 March 2006 - continued

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.

20 Pensions

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 year/period were £0.3 million (2005: £0.2 million) and there were no amounts outstanding at the year/period end.

Full details of the ScottishPower group arrangements are given in the Annual Report & Accounts for the year ended 31 March 2006 of Scottish Power plc. The Annual Report & Accounts for the year ended 31 March 2006 of Scottish Power plc have been prepared in accordance with International Financial Reporting Standards (IFRS); however, the pension assets and liabilities disclosed in those accounts in accordance with IFRS would not be materially different had they been calculated under UK GAAP in accordance with FRS 17 'Retirement Benefits'.

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.

ScottishPower (DCL) Limited

Independent Auditors' Report
To the members of ScottishPower (DCL) Limited

We have audited the financial statements of ScottishPower (DCL) Limited for the year ended 31 March 2006 which comprise the Accounting Policies and Definitions, the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors
As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also 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 judgments 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 March 2006 and of its profit for the year then ended; and
- 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Glasgow
15 December 2006