SCOTTISHPOWER (DCL) LIMITED
DIRECTORS' REPORT AND ACCOUNTS
for the year ended 31 December 2018

Registered No. 02675504

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SCOTTISHPOWER (DCL) LIMITED
DIRECTORS' REPORT

The directors present their report and audited Accounts for the year ended 31 December 2018 in accordance with the special provisions relating to small sized companies under section 415A of the Companies Act 2006. The directors have taken advantage of the small companies' exemption provided by section 414B of the Companies Act 2006 not to provide a Strategic Report.

ACTIVITIES AND REVIEW

The principal activity of ScottishPower (DCL) Limited ("the company"), registered company number 02675504, is to hold a loan receivable from another Scottish Power Limited group ("ScottishPower") company. The company will continue with this activity for the foreseeable future.

The ultimate parent of the company is Iberdrola, S.A. ("Iberdrola") which is listed on the Madrid stock exchange and the immediate parent of the company is Scottish Power Retail Holdings Limited ("SPRH") formerly known as Scottish Power Generation Holdings Limited. Scottish Power Limited ("SPL") is the United Kingdom ("UK") holding company of the Scottish Power Limited group ("ScottishPower"), of which the company is a member.

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 environment are identified, along with the person responsible for the management of the specific risk. Details of the risk management practices of ScottishPower, under which the company operates, are provided in Note 4.

RESULTS AND DIVIDENDS

The net profit for the year amounted to £0.7 million (2017 £0.6 million). No dividends were paid during the current or prior year.

LIQUIDITY AND CASH MANAGEMENT

Cash and net funds

There was no overall movement in the net cash flows from operating activities (refer to cash flow statement on page 8). Net funds (consisting of group loans receivable) increased by £0.6 million to £55.6 million (refer to Note 3 on page 12).

Capital structure

The company is wholly funded by equity. All equity is held by the company's immediate parent company, SPRH. Treasury services are provided by SPL. Further details of the treasury policy for ScottishPower and how it manages this is included in Note 4.

HEALTH AND SAFETY

The company has a clear strategy to continue to improve health and safety performance using ScottishPower health and safety standards. A more extensive description of how ScottishPower, and therefore the company, addresses health and safety requirements can be found in the most recent Annual Report and Accounts of SPL.

ENVIRONMENTAL MANAGEMENT AND REGULATION

Throughout its operations, ScottishPower strives to meet, or exceed, relevant legislative and regulatory environmental requirements and codes of practice. A more extensive description of how the company addresses environmental requirements can be found in the most recent Annual Report and Accounts of SPL.

MODERN SLAVERY STATEMENT

ScottishPower is committed to human and labour rights and to eliminating modern slavery that could in any way be connected to its business. ScottishPower welcomed the introduction of the Modern Slavery Act 2015. ScottishPower published its most recent Modern Slavery Statement in June 2019 which was approved by the Board of Directors of SPL and signed by Keith Anderson, Chief Executive Officer.

ScottishPower's Modern Slavery Statement is published on the ScottishPower website at:
www.scottishpower.com/pages/scottishpowers_modern_slavery_statement.aspx.

DIRECTORS

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

Heather Chalmers White
Oscar Fortis Pita

Heather Chalmers White resigned on 31 January 2019. Douglas Ness was appointed as a director on 30 July 2019.

DIRECTORS' INDEMNITY

In terms of the company's Articles of Association, a qualifying third party indemnity provision is in force for the benefit of all the directors of the company and has been in force during the financial year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND ACCOUNTS

The directors are responsible for preparing the Directors' Report and Accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("EU") as at the date of approval of these Accounts and which are mandatory for the financial year ended 31 December 2018 ("IFRSs as adopted by the EU") and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they 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, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report that complies with that law and those regulations.

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

AUDITOR

KPMG LLP were re-appointed as the auditor of the company for the year ended 31 December 2018.

ON BEHALF OF THE BOARD

Douglas Ness
Director
12 **August 2019**

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF SCOTTISHPOWER (DCL) LIMITED

Opinion
We have audited the financial statements of ScottishPower (DCL) Limited ("the company") for the year ended 31 December 2018 which comprise the Balance Sheet, Income Statement and Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement, and related notes, including the accounting policies in Note 2.

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the Financial Reporting Council ("FRC") Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Impact of uncertainties due to the UK exiting the European Union on our audit
Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern
The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Directors' report
The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF SCOTTISHPOWER (DCL) LIMITED *continued*

Directors' report ***continued***

Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 2, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at: www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.

Andrew Williamson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St. Vincent Street
Glasgow
G2 5AS
13 August 2019

SCOTTISHPOWER (DCL) LIMITED
BALANCE SHEET
at 31 December 2018

	Notes	2018 £m	2017 £m
ASSETS			
CURRENT ASSETS			
Other receivables	3	**56.5**	55.7
CURRENT ASSETS		**56.5**	55.7
TOTAL ASSETS		**56.5**	55.7
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		**56.3**	55.6
Share capital	5, 6	50.9	50.9
Share premium	6	3.3	3.3
Retained earnings	6	2.1	1.4
TOTAL EQUITY		**56.3**	55.6
CURRENT LIABILITIES			
Current tax liabilities		**0.2**	0.1
CURRENT LIABILITIES		**0.2**	0.1
TOTAL LIABILITIES		**0.2**	0.1
TOTAL EQUITY AND LIABILITIES		**56.5**	55.7

Approved by the Board and signed on its behalf on 12 August 2019.

Douglas Ness
Director

The accompanying Notes 1 to 12 are an integral part of the balance sheet at 31 December 2018.

SCOTTISHPOWER (DCL) LIMITED
INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

	Notes	2018 £m	2017 £m
Finance income	8	0.9	0.7
PROFIT BEFORE TAX		**0.9**	0.7
Income tax	9	(0.2)	(0.1)
NET PROFIT FOR THE YEAR		**0.7**	0.6

Net profit for both years is wholly attributable to the equity holder of ScottishPower (DCL) Limited.

Net profit for both years comprises total comprehensive income.

All results relate to continuing operations.

The accompanying Notes 1 to 12 are an integral part of the income statement and statement of comprehensive income for the year ended 31 December 2018.

SCOTTISHPOWER (DCL) LIMITED
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	Share capital £m	Share premium £m	Retained earnings £m	Total £m
At 1 January 2017	50.9	3.3	0.8	55.0
Total comprehensive income for the year	-	-	0.6	0.6
At 1 January 2018	50.9	3.3	1.4	55.6
Total comprehensive income for the year	-	-	0.7	0.7
At 31 December 2018	**50.9**	**3.3**	**2.1**	**56.3**

The accompanying Notes 1 to 12 are an integral part of the statement of changes in equity for the year ended 31 December 2018.

SCOTTISHPOWER (DCL) LIMITED
CASH FLOW STATEMENT
for the year ended 31 December 2018

	2018 £m	2017 £m
Cash flows from operating activities		
Profit before tax	**0.9**	0.7
Adjustments for:		
Finance income	**(0.9)**	(0.7)
Interest received	**0.7**	0.6
Income taxes paid	**(0.1)**	-
Net cash flows from operating activities (i)	**0.6**	0.6
Cash flows from investing activities		
Increase in amounts due from Iberdrola group companies - current loans receivable	**(0.6)**	(0.6)
Net cash flows from investing activities (ii)	**(0.6)**	(0.6)
Net cash and cash equivalents (i)+(ii)	**-**	-
Cash and cash equivalents at beginning of year	**-**	-
Cash and cash equivalents at end of year	**-**	-

The accompanying Notes 1 to 12 are an integral part of the cash flow statement for the year ended 31 December 2018.

1 BASIS OF PREPARATION

A COMPANY INFORMATION

ScottishPower (DCL) Limited, registered company number 02675504, is a private company limited by shares, incorporated in England and Wales and its registered address is 3 Prenton Way, Prenton, CH43 3ET.

B BASIS OF PREPARATION OF THE ACCOUNTS

The company is required by law to prepare Accounts for the company and to deliver them to the Registrar of Companies. The Accounts have been prepared in accordance with International Financial Reporting Standards, as adopted by the EU as at the date of approval of these Accounts which are mandatory for the financial year ended 31 December 2018 (IFRSs as adopted by the EU). The Accounts are prepared in accordance with the Accounting Policies set out in Note 2. Monetary amounts are presented in pounds Sterling and are rounded to the nearest hundred thousand unless otherwise indicated.

B1 EFFECT OF INITIAL APPLICATION OF IFRS 9

This is the first set of the company's annual financial statements in which IFRS 9 'Financial Instruments' has been applied. The nature and effect of the changes as a result of the implementation of this standard is described below.

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement' for annual periods beginning on or after 1 January 2018, bringing together all aspects of the accounting for financial instruments.

The initial application of IFRS 9 has not had a significant impact on the company and therefore there is nothing to disclose in relation to the impact on the opening balances at 1 January 2018.

The company has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018. In line with consequential amendments to IFRS 7 'Financial Instruments: Disclosures', the company has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the company's previous accounting policy under IAS 39.

(a) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

Financial assets

The company has classified its financial assets as being held at amortised cost. A description of the amortised cost category of financial assets can be found in Note 2A1.1.

The following table and the accompanying notes explain the original measurement category under IAS 39 and the new measurement category under IFRS 9 for the company's financial assets at 1 January 2018.

Financial Asset	Original Classification under IAS 39	New Classification under IFRS9	Notes	Original carrying value under IAS 39 £m	New carrying value under IFRS 9 £m
Current receivables	Loans and receivables	Amortised cost	(i), (ii)	55.7	55.7

(i) Current receivables comprise loans and interest receivable due from Iberdrola group companies. Refer to Note 3.

(ii) Whilst these balances are subject to the impairment requirements of IFRS 9, the identified expected credit loss ("ECL") was less than £0.1 million. The company uses the general model to measure ECLs. An extensive description of the general model used by ScottishPower, and therefore the company, can be found in the most recent Annual Report and Accounts of SPL.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the company. Other receivables continue to be valued at amortised cost as was the case under the previously applied IAS 39.

Financial liabilities

The company had no financial liabilities at 1 January 2018.

1 BASIS OF PREPARATION *continued*

C ACCOUNTING STANDARDS

In preparing these Accounts, the company has applied all relevant International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") (collectively referred to as IFRS) that have been adopted by the EU as of the date of approval of these Accounts and that are mandatory for the financial year ended 31 December 2018.

For the year ended 31 December 2018, the company has applied the following amendments for the first time:

Standard	Notes
• Annual Improvements to IFRS Standards 2014 –2016 Cycle	(a), (b)
• IFRS 15 'Revenue from Contracts with Customers' (including 'Amendments to IFRS 15: Effective date of IFRS 15' and 'Clarifications to IFRS 15 Revenue from Contracts with Customers')	(a)
• IFRS 9 'Financial Instruments'	(c)
• Amendments to IAS 40 'Investment Property: Transfers of Investment Property'	(a)
• Amendments to IFRS 2 'Share-based Payments: Clarification and Measurement of Share-based Payment Transactions'	(a)
• Amendments to IFRS 4 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts'	(a)
• IFRIC 22 'Foreign Currency Transactions and Advance Consideration'	(a)

(a) The application of these pronouncements has not had a material impact on the company's accounting policies, financial position or performance.
(b) This pronouncement includes amendments to three standards. The amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards' and IAS 28 'Investments in Associates and Joint Ventures' have been applied by the company effective 1 January 2018. The amendments to IFRS 12 'Disclosure of Interests in Other Entities' were applied by the company effective 1 January 2017.
(c) Refer to Note 1B1 for further information.

The following new standards and amendments to standards have been issued by the International Accounting Standards Board ("IASB") but have an effective date after the date of these financial statements or have not been endorsed by the EU thus have not been implemented by the company:

Standard	Notes	IASB effective date (for periods commencing on or after)	Planned date of application by the company
• IFRS 16 'Leases'	(d)	1 January 2019	1 January 2019
• IFRIC 23 'Uncertainty over Income Tax Treatments'	(e)	1 January 2019	1 January 2019
• Amendments to IFRS 9 'Financial Instruments: Prepayment Features with Negative Compensation'	(e)	1 January 2019	1 January 2019
• Amendments to IAS 28 'Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures'	(e)	1 January 2019	1 January 2019
• Annual Improvements to IFRS Standards 2015-2017 Cycle	(e)	1 January 2019	1 January 2019
• Amendments to IAS 19 'Employee Benefits: Plan Amendment, Curtailment or Settlement'	(e)	1 January 2019	1 January 2019
• Amendments to References to the Conceptual Framework in IFRS Standards	(e), (f)	1 January 2020	1 January 2020
• Amendments to IFRS 3 'Business Combinations'	(e), (f)	1 January 2020	1 January 2020
• Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors': 'Definition of Material'	(e), (f)	1 January 2020	1 January 2020

1 BASIS OF PREPARATION *continued*
C ACCOUNTING STANDARDS *continued*

Standard *continued*	Notes	IASB effective date (for periods commencing on or after)	Planned date of application by the company
• IFRS 17 'Insurance Contracts'	(e), (f)	1 January 2021	1 January 2021
• IFRS 14 'Regulatory Deferral Accounts'	(e), (f), (g)	1 January 2016	To be decided
• Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures': 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	(e), (f), (h)	Deferred indefinitely	To be decided

(d) IFRS 16 'Leases' is effective for the company as from 1 January 2019. The company has carried out analysis in order to assess whether its agreements are, or contain, a lease at their inception considering the requirements of IFRS 16. The future application of this standard is not expected to have a material impact on the company's accounting policies, financial position or performance.
(e) The future application of this pronouncement is not expected to have a material impact on the company's accounting policies, financial position or performance.
(f) This pronouncement has not yet been endorsed by the EU.
(g) The endorsement process of this interim standard has not been launched as the EU has decided to wait for the final standard to be issued.
(h) The IASB set the effective date of this pronouncement as for periods commencing on or after 1 January 2016. However, in December 2015, the IASB postponed the effective date indefinitely pending the outcome of its research project on the equity method of accounting. The EU endorsement process for this pronouncement has been postponed, awaiting a revised exposure draft from the IASB. The effective date will be amended in due course.

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES
In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy to be followed could materially affect the reported amounts of revenues, expenses, assets and liabilities of the company, should it later be determined that a different choice would be more appropriate. The company has no such policies. At 31 December 2018, there are no items which have significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities in the next financial year.

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

A FINANCIAL INSTRUMENTS
B TAXATION

A FINANCIAL INSTRUMENTS
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A1 ACCOUNTING POLICIES UNDER IFRS 9
A1.1 FINANCIAL ASSETS
(a) Recognition and initial measurement
Financial assets of the company are classified, at initial recognition, as subsequently measured at amortised cost. Financial assets are initially recognised when the company becomes party to the contractual provisions of the instrument.

(b) Classification and subsequent measurement
(i) Classification
Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. These are expected to be infrequent and no other reclassifications are permitted.

The company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The business model of the company does not depend on the intentions of management for an individual instrument. Therefore, it is not an instrument-by-instrument classification approach and should be determined from a higher level of aggregation.

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*
A FINANCIAL INSTRUMENTS *continued*
A1 ACCOUNTING POLICIES UNDER IFRS 9 *continued*
A1.1 FINANCIAL ASSETS *continued*
(b) Classification and subsequent measurement *continued*
(i) Classification continued
A financial asset is measured at amortised cost if it meets both of the following conditions:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is referred to as the 'SPPI' test.

(ii) Subsequent measurement and gains and losses
Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment losses are recognised in the income statement. Any gain or loss on derecognition is recognised in the company income statement.

The company's financial assets measured at amortised cost include loans and interest receivable from Iberdrola group companies.

Derecognition
A financial asset (or, where applicable, a part of a financial asset) is primarily derecognised (i.e. removed from the company's balance sheet) when the rights to receive cash flows from the asset have expired.

Credit-impaired financial assets
At each reporting date, the company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

A2 ACCOUNTING POLICIES UNDER IAS 39
As detailed in Note 1B1, on initial application of IFRS 9, the company has elected not to restate comparative information. The accounting policy for the company under IAS 39 has therefore been presented below.
(a) All interest bearing loans and borrowings are initially recognised at fair value, net of directly attributable transaction costs. Interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

B TAXATION
The company's liability for current tax is calculated using the tax rates that have been enacted or substantively enacted at the balance sheet date.

3 OTHER RECEIVABLES

	Note	**2018 £m**	2017 £m
Current receivables:			
Receivables due from Iberdrola group companies - loans	(a)	55.6	55.0
Receivables due from Iberdrola group companies - interest		0.9	0.7
		56.5	55.7

(a) Current loans receivable from Iberdrola group companies are repayable on demand with interest payable at 1% above the Bank of England base rate ("Base").

4 FINANCIAL INSTRUMENTS

The effect of initially applying IFRS 9 on the company's Accounts is detailed in Note 1B1. Due to the transition method chosen, comparative information has not been presented to reflect the new requirements.

(a) Carrying value of financial instruments

The table below sets out the carrying amount and fair value of the company's financial instruments within the scope of IFRS 9.

		2018			2017		
	Note	**Carrying amount £m**	**Fair value £m**	**Classification under IFRS 9**	Carrying amount £m	Fair value £m	Classification under IAS 39
Financial assets							
Current receivables	(i)	**56.5**	**56.5**	**Amortised cost**	55.7	55.7	Loans and receivables

The carrying amount of these financial instruments is calculated as set out in Note 2A. The carrying value of financial instruments is a reasonable approximation of fair value.

(i) Whilst this balance is subject to the impairment requirements of IFRS 9, the identified ECL was less than £0.1 million.

(b) Financial risk management

The company has other receivables that arise directly from its operations. The company has exposure to the following risks arising from the above financial instrument:

i. Credit risk; and
ii. Treasury risk (i.e. market risk).

An extensive description of the risk management framework of ScottishPower, and therefore the company, can be found in the most recent Annual Report and Accounts of SPL.

(i) Credit risk

Credit risk is the risk that a counterparty will not meet its contractual obligations under a financial instrument, leading to a financial loss. The carrying amount of financial assets represents the maximum credit exposure to the company.

Credit risk management

The company is exposed to settlement risk, defined as the risk of the counterparty failing to meet its contractual obligations. Credit risk from balances with Iberdrola group companies is considered to be low as the company is part of the Iberdrola group's centralised Treasury function and no Iberdrola group company has a credit rating lower than BBB+ (in line with Standard & Poor's external credit ratings).

Loans due from other Iberdrola group companies (including interest receivable) £56.5 million (2017 £55.7 million)

On initial application of IFRS 9 on 1 January 2018, the company recognised an ECL of less than £0.1 million. The movement in the ECL in the year to 31 December 2018 was also less than £0.1 million.

(ii) Treasury risk

Treasury risk for the company is comprised of market risk. ScottishPower's cash management and short-term financing activity (and so that of the company) is integrated with Iberdrola's. The company produces short-term rolling cash-flow requirements and if necessary any required funding is obtained via ScottishPower's credit facilities already in place.

Treasury market risk management

Market risk is the risk of loss that results from changes in market rates e.g. interest rates. Within the Treasury function ScottishPower utilises a number of financial instruments to manage interest rate exposures.

4 FINANCIAL INSTRUMENTS *continued*

(b) Financial risk management *continued*

(ii) Treasury risk *continued*

Sensitivity analysis on interest rate changes

The table below illustrates the impact on the annual interest income considering various rate changes. The analysis assumes all other factors remain constant.

Loans receivable	Interest rate	Change in rate	Impact on interest rate income in 2018 £m	Impact on interest rate income in 2017 £m
Short-term variable rate	Base	+0.25%	**0.1**	0.1
		+0.50%	**0.3**	0.3
		-0.25%	**(0.1)**	(0.1)
		-0.50%	**(0.3)**	(0.3)

5 SHARE CAPITAL

	2018 £m	2017 £m
Allotted, called up and fully paid shares:		
50,870,530 ordinary shares of £1 each (2017 50,870,530)	**50.9**	50.9

(a) Each ordinary share is entitled to one vote in any circumstance.

6 ANALYSIS OF MOVEMENTS IN EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF SCOTTISHPOWER (DCL) LIMITED

	Share capital £m	Share premium (Note (a)) £m	Retained earnings (Note (b)) £m	Total £m
At 1 January 2017	50.9	3.3	0.8	55.0
Profit for the year attributable to equity holder of ScottishPower (DCL) Limited	-	-	0.6	0.6
At 1 January 2018	50.9	3.3	1.4	55.6
Profit for the year attributable to equity holder of ScottishPower (DCL) Limited	-	-	0.7	0.7
At 31 December 2018	**50.9**	**3.3**	**2.1**	**56.3**

(a) The share premium account represents consideration received for shares issued in excess of their nominal amount.
(b) Retained earnings comprise the cumulative balance of profits and losses recognised in the financial statements as adjusted for transactions with shareholders, principally dividends.

7 EMPLOYEE INFORMATION

The company has no employees (2017 none). Details of directors' remuneration are set out in Note 10(c).

8 FINANCE INCOME

	2018 £m	2017 £m
Interest receivable from Iberdrola group companies	**0.9**	0.7

9 INCOME TAX

	2018 £m	2017 £m
Current tax:		
Total UK Corporation tax for the year	**0.2**	0.1
Income tax charge for the year	**0.2**	0.1

The tax on profit before tax for the year varied from the standard rate of UK Corporation Tax as follows:

	2018 £m	2017 £m
Corporation tax at 19% (2017 19.25%)	**0.2**	0.1
Income tax charge for the year	**0.2**	0.1

Legislation has been enacted to reduce the rate of UK Corporation Tax to 17% on 1 April 2020.

10 RELATED PARTY TRANSACTIONS

(a) Transactions and balances arising in the normal course of business

	2018	2017
	UK parent (SPL) £m	UK parent (SPL) £m
Types of transaction		
Interest income	**0.9**	0.7
Balances outstanding		
Loans receivable	**55.6**	55.0
Interest receivable	**0.9**	0.7

(i) The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.
(ii) Related party transactions in respect of ECLs on financial assets are less than £0.1 million.

(b) Remuneration of key management personnel

The remuneration of the key management personnel of the company is below. As all of the key management personnel are remunerated for their work for the SPRH group, it has not been possible to apportion the remuneration specifically in respect of services to this company. The two (2017 two) key management personnel were remunerated by other ScottishPower group companies during both years.

	2018 £000	2017 £000
Short-term employee benefits	**233**	268
Post-employment benefits	**9**	54
Share-based payments	**109**	116
	351	438

(c) Directors' remuneration

The remuneration of the directors of the company is set out below. As all of the directors are remunerated for their work for the SPRH group, it has not been possible to apportion the remuneration specifically in respect of services to this company. The two (2017 two) directors were remunerated by other ScottishPower group companies during both years.

Executive directors	2018 £000	2017 £000
Aggregate remuneration in respect of qualifying services	**251**	286
Number of directors who exercised share options	**1**	1
Number of directors who received shares under a long-term incentive scheme	**1**	1
Number of directors accruing retirement benefits under a defined benefit scheme	**1**	1

10 RELATED PARTY TRANSACTIONS *continued*
(c) Directors' remuneration *continued*

Highest paid director	2018 £000	2017 £000
Aggregate remuneration	**241**	244
Accrued pension benefit	**105**	103

(i) The highest paid director received shares under a long-term incentive scheme in both years.
(ii) *The highest paid director exercised share options in both years.*

(d) Ultimate parent company and immediate parent company
The immediate parent company is SPRH. The registered office of SPRH is 320 St. Vincent Street, Glasgow, G2 5AD.

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 are consolidated is Scottish Power UK plc ("SPUK").

Copies of the consolidated Accounts of Iberdrola, S.A. may be obtained from Iberdrola, S.A., at its registered office, Torre Iberdrola, Plaza Euskadi 5, 48009, Bilbao, Spain. Copies of the consolidated Accounts of SPUK may be obtained from Scottish Power UK plc, at its registered office, 320 St. Vincent Street, Glasgow, G2 5AD.

The company has no other related undertakings in addition to the parent undertakings disclosed above.

11 AUDITOR'S REMUNERATION

	2018 £000	2017 £000
Audit of the company's annual Accounts	**7**	8

12 GOING CONCERN
The company's business activities together with the factors likely to affect its future development and position are set out in the Directors' Report on pages 1 and 2.

The company has recorded a profit after tax in both the current year and previous financial year. The company's balance sheet shows that it has net current assets of £56.3 million and net assets of £56.3 million at its most recent balance sheet date.

The company is ultimately owned by Iberdrola, S.A. and it participates in the Iberdrola group's centralised treasury arrangements and so shares banking facilities with its parent companies and fellow subsidiaries. As a consequence, the company depends, in part, on the ability of the Iberdrola group to continue as a going concern.. In addition, the directors have considered the company's funding relationship with Iberdrola to date and have considered available relevant information relating to Iberdrola's ability to continue as a going concern. The directors have no reason to believe that the Iberdrola group does not have the ability to and will not continue to fund the company, should it become necessary, to enable it to continue in operational existence.

On the basis of these considerations, the directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Therefore, they adopt the going concern basis of accounting in preparing the Accounts.