

Company registration number 02675504 (England and Wales)

SCOTTISHPOWER (DCL) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

SCOTTISHPOWER (DCL) LIMITED

COMPANY INFORMATION

Directors	Valerie Margaret Sim	(Appointed 11 April 2022)
	Andrew Michael Ward	(Appointed 12 May 2023)
Secretary	Alistair Orr	
Company number	02675504	
Registered office	3 Prenton Way Prenton Chester UK CH43 3ET	
Auditor	Consilium Audit Limited 169 West George Street Glasgow Scotland G2 2LB	

SCOTTISHPOWER (DCL) LIMITED

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SCOTTISHPOWER (DCL) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022. This report has been prepared 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.

Principal activities

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. This activity will continue 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"). Scottish Power Limited ("SPL") is the United Kingdom ("UK") holding company of ScottishPower, of which the company is a member.

Results and dividends

The results for the year are set out on page 6.

No dividend was paid during the current or prior years.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Valerie Margaret Sim	(Appointed 11 April 2022)
Andrew Michael Ward	(Appointed 12 May 2023)
Douglas Andrew Ness	(Resigned 30 March 2022)
Oscar Fortis Pita	(Resigned 4 October 2022)

Qualifying third party indemnity provisions

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.

Financial instruments

The company's principal financial instruments are included in the statement of financial position. The principal financial risks to which the company is exposed to are credit, liquidity and interest rate risk.

Credit risk

Credit risk is the risk that the counterparty will not meet its contractual obligations under a customer contract, leading to a financial loss. The company is exposed to credit risk on trade receivable balances.

Liquidity risk

The company's liquidity position and short-term financing activities are integrated and aligned with Iberdrola's. Liquidity risk, the risk that the company will have insufficient funds to meet its liabilities, is managed by ScottishPower's Treasury department who are responsible for arranging banking facilities on behalf of the SPL Group. SPL is the principal counterparty for the loan receivable balances due.

Interest rate risk

The company is exposed to interest rate risk on the variable rate loans which are in place with SPL.

Auditor

During the year, KPMG LLP tendered their resignation as auditors and Consilium Audit Limited were appointed as auditor to the company and is deemed to be reappointed under section 487(2) of the Companies Act 2006.

SCOTTISHPOWER (DCL) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101'). 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 accounting 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; 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 its 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.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all 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.

On behalf of the board

Valerie Margaret Sim
Director

20 September 2023

SCOTTISHPOWER (DCL) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SCOTTISHPOWER (DCL) LIMITED

Opinion

We have audited the financial statements of ScottishPower (DCL) Limited (the 'company') for the year ended 31 December 2022 which comprise the income statement and statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

SCOTTISHPOWER (DCL) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SCOTTISHPOWER (DCL) LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- We ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations.
- We identified the laws and regulations applicable to the company through discussions with directors and management and from our knowledge of the regulatory environment relevant to the company.
- We assessed the extent of compliance with laws and regulations through making enquiries of management and inspecting legal correspondence.
- We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by making enquiries of management as to where they considered there was susceptibility to fraud and their knowledge of actual, suspected and alleged fraud.
- To address the risk of fraud through management bias and override of controls, we tested journal entries to identify unusual transactions, we assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias and we investigated the rationale behind significant or unusual transactions.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence.

SCOTTISHPOWER (DCL) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SCOTTISHPOWER (DCL) LIMITED

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, 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 members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Brian Thomson BA(Hons) CA (Senior Statutory Auditor)
For and on behalf of Consilium Audit Limited
Chartered Accountants
Statutory Auditor

169 West George Street
Glasgow
Scotland
G2 2LB

20 September 2023

SCOTTISHPOWER (DCL) LIMITED

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Finance income	5	1,437	636
Profit before taxation		1,437	636
Income tax expense	6	(273)	(121)
Profit and total comprehensive income for the year		1,164	515

All results relate to continuing operations.

Profits are wholly attributable to the equity holder of ScottishPower (DCL) Limited.

The notes on pages 9 to 13 form part of these financial statements.

SCOTTISHPOWER (DCL) LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
ASSETS			
Non-current assets			
Deferred tax asset	7	1	1
Current assets			
Trade and other receivables	8	59,648	58,332
Total assets		<u>59,649</u>	<u>58,333</u>
EQUITY			
Share capital	9	50,871	50,871
Share premium account		3,337	3,337
Retained earnings		5,168	4,004
Total equity		<u>59,376</u>	<u>58,212</u>
LIABILITIES			
Current liabilities	10	273	121
Total equity and liabilities		<u>59,649</u>	<u>58,333</u>

The notes on pages 9 to 13 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 20 September 2023 and are signed on its behalf by:

Valerie Margaret Sim
Director

Company registration number 02675504

SCOTTISHPOWER (DCL) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	Share premium account	Retained earnings	Total
	£'000	£'000	£'000	£'000
Balance at 1 January 2021	50,871	3,337	3,489	57,697
Year ended 31 December 2021:				
Profit and total comprehensive income for the year	-	-	515	515
Balance at 31 December 2021	50,871	3,337	4,004	58,212
Year ended 31 December 2022:				
Profit and total comprehensive income for the year	-	-	1,164	1,164
Balance at 31 December 2022	50,871	3,337	5,168	59,376

The notes on pages 9 to 13 form part of these financial statements.

SCOTTISHPOWER (DCL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

ScottishPower (DCL) Limited is a private company limited by shares incorporated in England and Wales. The registered office is 3 Prenton Way, Prenton, Chester, UK, CH43 3ET. The company's registration number is 02675504. The company's principal activities and nature of its operations are disclosed in the Directors' report.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards, but makes amendments where necessary in order to comply with the Companies Act 2006 and where advantage of the FRS 101 disclosure exemptions has been taken.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

As permitted by FRS 101, the company has taken advantage of the following disclosure exemptions from the requirements of IFRS:

- presentation of a statement of cash flows and related notes;
- disclosure of the objectives, policies and processes for managing capital;
- disclosure of key management personnel compensation;
- the effects of new but not yet effective IFRS pronouncements; and
- related party disclosures for transactions with the parent or wholly owned members of the Iberdrola group.

As the consolidated financial statements of Iberdrola, S.A. include the equivalent disclosures, the company has also taken the exemptions available under FRS 101 in respect of certain disclosures required by IFRS 13 '*Fair Value Measurement*' and the disclosures required by IFRS 7 '*Financial Instrument Disclosures*'.

1.2 Going concern

The statement of financial position presents net current assets of £59,375,000 as at 31 December 2022. The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

As at the date of approval of these financial statements, the company is part of ScottishPower which is a significant component of Iberdrola, one of the world's largest integrated utilities. The company participates in a UK treasury function operated by the company's intermediate parent company, SPL. The UK treasury function works closely with Iberdrola to manage the company's funding requirements, which are reviewed and adjusted on a regular basis through the global treasury function.

For the purposes of the directors' assessment of the company's going concern position, and to satisfy them of the company's ability to pay its liabilities as they fall due, the directors have prepared a company cash flow forecast for at least one year from the date of approval of the financial statements which indicates that the company's existing resources and facilities are sufficient to enable it to trade and pay its liabilities as they fall due for the forecast period. Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least one year from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

SCOTTISHPOWER (DCL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.3 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Financial assets held at amortised cost

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from loans and interest receivable. They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

Impairment of financial assets

Financial assets carried at amortised cost are assessed for indicators of impairment at each reporting end date.

The expected credit losses associated with these assets are estimated on a forward-looking basis. A broad range of information is considered when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.4 Taxation

The tax expense represents the sum of the tax currently payable.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

SCOTTISHPOWER (DCL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements in applying the entity's accounting policies:

The company has not made any critical judgements in applying the entity's accounting policies.

Critical accounting estimates and assumptions:

The company has not made any critical estimates in applying the entity's accounting policies.

3 Audit fees

	2022 £'000	2021 £'000
Fees payable to the company's auditor for the audit of the company's financial statements	5	14

The company's audit fees were borne by a fellow subsidiary company and therefore no charge for audit fees is included in the income statement in the current or prior year.

4 Employees

The company has no employees in the current year or prior year.

The directors provided a minimal amount of qualifying services to the company and consequently received no remuneration.

SCOTTISHPOWER (DCL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

5 Finance income

	2022 £'000	2021 £'000
Interest income		
Interest receivable from group companies	1,435	636
Other interest income	2	-
Total income	1,437	636

6 Taxation

	2022 £'000	2021 £'000
Current tax		
UK corporation tax on profits for the current period	273	121

From April 2023 onwards, the main rate of corporation tax increased from 19% to 25%

7 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	£'000
Asset at 1 January 2021, 1 January 2022 and 31 December 2022	(1)

8 Trade and other receivables

	Interest rate*	Maturity	2022 £'000	2021 £'000
Interest due from Iberdrola Group companies			1,435	636
Loans due from Iberdrola Group companies	Base + 1%	On demand	58,213	57,696
			59,648	58,332

*Base - Bank of England Base Rate.

9 Share capital

	2022 Number of shares	2021 Number of shares	2022 £'000	2021 £'000
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	50,870,530	50,870,530	50,871	50,871

SCOTTISHPOWER (DCL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

10 Current liabilities

	2022	2021
	£'000	£'000
Corporation tax	273	121
	<u>273</u>	<u>121</u>

11 Related party transactions

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 101 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", not to disclose related party transactions with wholly owned subsidiaries within the group.

12 Ultimate and immediate parent company

The immediate parent company is SPRH. The registered office of the parent company 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 its registered office, 320 St. Vincent Street, Glasgow, G2 5AD.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.