SCOTTISHPOWER ENERGY MANAGEMENT (AGENCY) LIMITED
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2018

Registered No. SC222524

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SCOTTISHPOWER ENERGY MANAGEMENT (AGENCY) LIMITED
STRATEGIC REPORT

The directors present an overview of ScottishPower Energy Management (Agency) Limited's structure, 2018 performance and strategic outlook including principal risks and uncertainties.

STRATEGIC OUTLOOK

The principal activity of ScottishPower Energy Management (Agency) Limited ("the company"), registered company number SC222524, is to provide staff and administrative support on an agency basis for all commercial and trading activity undertaken by ScottishPower Energy Management Limited ("SPEML"). The company acts as an agent for SPEML. The company's income and cost base is largely dependent on the number of employees required to be seconded to the company, in order to meet its service agreement with SPEML. 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"). Scottish Power Limited ("SPL") is the UK holding company of the Scottish Power Limited group ("ScottishPower"), of which the company is a member.

The company is part of ScottishPower's Energy Wholesale business function ("Energy Wholesale"). Energy Wholesale's operations are focused on the purchase of external supplies of electricity and gas for onward sale to customers; the optimisation of gas storage; and the sale of electricity from wind power purchase agreements to wholesale market participants in the UK.

The company is authorised and regulated by the Financial Conduct Authority ("FCA").

OPERATIONAL PERFORMANCE

During the current year, there was a decrease in both revenue (2018 £12,479,000; 2017 £12,803,000) and procurements (2018 £11,296,000; 2017 £11,582,000) due to a decrease in overhead costs recharged to the company by SPEML. The net reduction in operating profit was £42,000.

LIQUIDITY AND CASH MANAGEMENT

Cash and net funds

Net cash flows from operating activities for the year decreased by £21,000 to £893,000 (refer to cash flow statement on page 12). Overall net funds (consisting of cash) decreased by £2,108,000 to £6,149,000.

Capital structure

The company is funded by equity. All equity is held by the company's immediate parent undertaking 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 is included in the most recent Annual Report and Accounts of SPL.

UK DECISION TO LEAVE THE EU (BREXIT)

The UK is scheduled to leave the European Union ("EU") on 29 March 2019. Following intensive negotiations on the subjects of a separation payment, mutual recognition of citizens' rights and avoiding a hard border between Northern Ireland and the Republic of Ireland, two key documents were approved by the EU Council on 25 November 2018: the EU Withdrawal Agreement (a legally binding document setting out the terms of the UK's exit from the EU, including citizens' rights and the Irish 'backstop'); and the Political Declaration (setting out the basis for a future negotiation of the future UK-EU relationship after Brexit, including UK-EU trade and security). At the date of signing of these accounts, this deal has not been approved by the UK Parliament; the UK government were seeking changes and the possibility of a postponement beyond March 2019 was under discussion.

UK DECISION TO LEAVE THE EU (BREXIT) *continued*
If the EU Withdrawal Agreement is not approved by the Westminster Parliament there is the risk of a 'no-deal' Brexit on 29 March 2019. This would probably mean that the trade relationship between the UK and EU would revert to World Trade Organisation ("WTO") rules. The UK Government has published a series of technical papers covering some of the key areas of concern in the event of 'no-deal' scenario. Essentially these papers seek to minimise the impacts as much as possible, including by limiting the scale of the changes to existing arrangements. Nevertheless, WTO rules would mean that trade between the UK and EU which is currently frictionless, would become cross-border trade subject to customs checks and tariffs. In the event of a 'no-deal' scenario some economic disruption is expected in the UK and thus ScottishPower is preparing to mitigate any negative impacts arising from this outcome. A cross-functional operational working group has been co-ordinating ScottishPower's preparations to mitigate the impact of a 'no-deal' Brexit. Some of the key risks considered applicable to ScottishPower and therefore the company are explained in the table below.

BREXIT RISKS	
RISK	**RESPONSE**
Impacts arising from the UK decision to leave the EU or market reactions to events during the negotiation. These impacts could include movements in the value of Sterling and other financial instruments. In the longer term there could be positive or negative changes in the UK economy and in the political and regulatory environment in which ScottishPower operates.	In addition to monitoring ongoing developments related to Brexit the treasury risk management policy is in place to hedge financial risks which are the most prevalent in the short term. Any longer term impact on the UK economy and its impact on ScottishPower and the company will be managed in line with developments. A ScottishPower wide regulatory group is monitoring any potential risks arising from a regulatory perspective and is engaging with governments and regulators to minimise any disruption.
Data Protection – impact of General Data Protection Regulation ("GDPR") rules and status of UK post Brexit could impact transfer of data between group companies and suppliers in the normal course of business.	All intercompany contracts reviewed to update contractual clauses. High risk suppliers identified and where appropriate discussions commenced to amend contractual terms.

Even in the event of an agreement being concluded, Brexit may have both risks and opportunities for ScottishPower and therefore the company. Until the terms of exit and the nature of the future relationship are clear, it is not possible to be definitive about these.

Many of the risks described above relating to a 'no-deal' scenario arise from so-called 'horizontal' issues where there could be issues affecting businesses in many sectors of the economy. UK official forecasts are for a negative impact on the UK economy as a whole; in the event of a 'no-deal' scenario it might be sharply negative, at least for the short/medium term. ScottishPower, and therefore the company, will continue to monitor the impact of Brexit and take appropriate action to protect operations as the outcome of the Brexit deal becomes clearer.

PRINCIPAL RISKS AND UNCERTAINTIES
ScottishPower's strategy is to conduct business in a manner benefiting customers through balancing cost and risk while delivering shareholder value and protecting ScottishPower's performance and reputation by prudently managing the risks inherent in the business. To maintain this strategic direction ScottishPower develops and implements risk management policies and procedures, and promotes a robust control environment at all levels of the organisation. Further details of the risk management practices can be found in Note 4.

SCOTTISHPOWER ENERGY MANAGEMENT (AGENCY) LIMITED
STRATEGIC REPORT *continued*

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

The principal risks and uncertainties of ScottishPower (other than those specific to Brexit already discussed) and so those of the company, that may impact current and future operational and financial performance and the management of these risks are described below:

SCOTTISHPOWER	
RISK	**RESPONSE**
Material deterioration in the relatively stable and predictable UK regulatory and political environment, including any sudden changes of policy, or interventions outside established regulatory frameworks.	Positive and transparent engagement with all appropriate stakeholders to ensure that long-term regulatory stability and political consensus is maintained and public backing is secured for the necessary investment in the UK energy system. Providing stakeholders with evidence of the risks of ad hoc intervention in markets.
A major health and safety incident in the course of operations could impact staff, contractors, communities or the environment.	ScottishPower's Health and Safety function provides specialist services and support for the businesses in relation to health and safety. A comprehensive framework of health and safety policy and procedures, alongside audit programmes, is established throughout ScottishPower, which aim to ensure not only continuing legal compliance but also drive towards best practice in all levels of its health and safety operations.
Breach in cyber security and unwanted infiltration of the ScottishPower IT infrastructure by internal and external parties.	Implementation of a cyber-risk policy which provides the framework for mitigation. Proactive approach to identifying where ScottishPower is vulnerable and addressing these points through technical solutions. Educating company employees as to how behaviour can reduce this risk. Embedding cyber security in all projects where appropriate.

The principal risk and uncertainty of the company that may impact the current and future operational and financial performance and the management of this risk is described below:

RISK	RESPONSE
Inability of the company to provide seconded staff with sufficient skills and relevant experience.	Continued investment in employee training and development with succession planning for key roles.

ON BEHALF OF THE BOARD

Neil Stainton
Director
26 **March 2019**

DIRECTORS' REPORT

The directors present their report and audited Accounts for the year ended 31 December 2018.

INFORMATION CONTAINED WITHIN THE STRATEGIC REPORT

The directors have chosen to disclose information on the following, required by the Companies Act 2006 to be included in the Directors' Report, within the Strategic Report, found on pages 1 to 3.

- information on financial risk management and policies; and
- information regarding future developments of the business.

RESULTS AND DIVIDENDS

The net profit for the year amounted to £908,000 (2017 £941,000). A dividend of £3,000,000 was paid during the year (2017 £nil).

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 ScottishPower addresses environmental requirements can be found in the most recent Annual Report and Accounts of SPL.

DIRECTORS

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

Heather Chalmers White	
Julian Calvo Moya	
Carlos Pombo Jimenez	
Richard Hyde	(resigned 31 January 2018)
Neil Stainton	(appointed 25 April 2018)

Heather Chalmers White resigned on 31 January 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.

FIRM WIDE REMUNERATION POLICY

Throughout the year ended 31 December 2018, the company has complied with the relevant provisions of the Remuneration Code as published by the FCA. The company has applied the rules proportionately in line with the FCA's guidelines.

The company's Remuneration Policy Statement is reviewed and approved annually by the governing body of the company. The governing body decides how the company's remuneration policy will be implemented. During the year, the governing body comprised of Heather Chalmers White (Finance Director), Julian Calvo Moya (Corporate Market Risk Director), Carlos Pombo Jimenez (Head of Global Energy Management Control), Richard Hyde (Head of Operations UK) and Neil Stainton (GEM UK Director) whose total remuneration reflects the services they provide across the Iberdrola group. Annually the Remuneration Policy Statement is subject to central and independent review by Internal Audit.

Reward is linked to business performance (including performance matrices of the Iberdrola group, the applicable business area and the applicable division) as well as individual performance, all of which are tracked through a scorecard system. Results of the regulated business represent only a very small proportion of the measurement of remuneration due to the scorecard system in operation.

SCOTTISHPOWER ENERGY MANAGEMENT (AGENCY) LIMITED
DIRECTORS' REPORT *continued*

FIRM WIDE REMUNERATION POLICY *continued*
Aggregate remuneration broken down by business area

	Number of employees	Total Remuneration £000
Control functions - Compliance, Risk and Control	4	929
Global Energy Management	4	935
	8	**1,864**

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS
The directors are responsible for preparing the Annual Reports 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 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 Strategic Report and 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 Annual 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.

SCOTTISHPOWER ENERGY MANAGEMENT (AGENCY) LIMITED
DIRECTORS' REPORT *continued*

AUDITOR

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

ON BEHALF OF THE BOARD

Neil Stainton
Director
26 **March 2019**

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF SCOTTISHPOWER ENERGY MANAGEMENT (AGENCY) LIMITED

Opinion

We have audited the financial statements of ScottishPower Energy Management (Agency) Limited ("the company") for the year ended 31 December 2018 which comprises 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 (IFRSs as adopted by the EU); 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.

The 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, such as the recoverability of trade receivables and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depends 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 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 their 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 group or the company will continue in operation.

Strategic report and directors' report

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF SCOTTISHPOWER ENERGY MANAGEMENT (AGENCY) LIMITED *continued*

Strategic report and directors' report *continued*
Our responsibility is to read the strategic report and 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. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have 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.

We have nothing to report in these respects.

Directors' responsibilities
As explained more fully in their statement set out on page 5, 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.

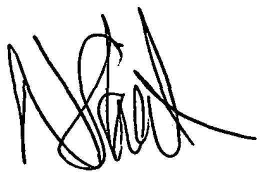
The purpose of our audit work and to whom we owe our responsibilities
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we 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.

Philip Charles (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St. Vincent Street
Glasgow
G2 5AS
27 March 2019

SCOTTISHPOWER ENERGY MANAGEMENT (AGENCY) LIMITED
BALANCE SHEET
at 31 December 2018

	Notes	2018 £000	2017 £000
ASSETS			
CURRENT ASSETS			
Trade and other receivables	3	**-**	3
Cash	4	**6,149**	8,257
CURRENT ASSETS		**6,149**	8,260
TOTAL ASSETS		**6,149**	8,260
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		**5,921**	8,015
Share capital	5, 6	4,000	4,000
Retained earnings	6	1,921	4,015
TOTAL EQUITY		**5,921**	8,015
NON-CURRENT LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7	**15**	20
Current tax liabilities		**213**	225
CURRENT LIABILITIES		**228**	245
TOTAL LIABILITIES		**228**	245
TOTAL EQUITY AND LIABILITIES		**6,149**	8,260

Approved by the Board and signed on its behalf on 26 March 2019.



Neil Stainton
Director

The accompanying Notes 1 to 14 are an integral part of the balance sheet at 31 December 2018.

SCOTTISHPOWER ENERGY MANAGEMENT (AGENCY) LIMITED
INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2018

	Notes	2018 £000	2017 £000
Revenue	8	12,479	12,803
Procurements		(11,296)	(11,582)
GROSS MARGIN		**1,183**	1,221
External services		(63)	(59)
OPERATING PROFIT		**1,120**	1,162
Finance income	9	1	4
PROFIT BEFORE TAX		**1,121**	1,166
Income tax	10	(213)	(225)
NET PROFIT FOR THE YEAR		**908**	941

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

Net profit for both years comprises total comprehensive income.

All results relate to continuing operations.

The accompanying Notes 1 to 14 are an integral part of the income statement and statement of other comprehensive income for the year ended 31 December 2018.

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

	Share capital £000	Retained earnings £000	Total equity £000
At 1 January 2017	4,000	3,074	7,074
Total comprehensive income for the year	-	941	941
At 1 January 2018	4,000	4,015	8,015
Adjustments due to IFRS 9 (refer to Note 1B1.2)	-	(2)	(2)
Adjusted balance at 1 January 2018	4,000	4,013	8,013
Total comprehensive income for the year	-	908	908
Dividends	-	(3,000)	(3,000)
At 31 December 2018	**4,000**	**1,921**	**5,921**

The accompanying Notes 1 to 14 are an integral part of the statement of changes in equity for the year ended 31 December 2018.

SCOTTISHPOWER ENERGY MANAGEMENT (AGENCY) LIMITED
CASH FLOW STATEMENT
for the year ended 31 December 2018

	2018	2017
	£000	£000
Cash flows from operating activities		
Profit before tax	**1,121**	1,166
Adjustments for:		
Finance income	**(1)**	(4)
Changes in working capital:		
Change in trade and other receivables	**3**	(3)
Change in trade payables	**(5)**	4
Income taxes paid	**(225)**	(249)
Net cash flows from operating activities (i)	**893**	914
Cash flows from investing activities		
Interest received	**1**	7
Net cash flows from investing activities (ii)	**1**	7
Cash flows from financing activities		
Dividends paid to company's equity holder	**(3,000)**	-
Net cash flows from financing activities (iii)	**(3,000)**	-
Net increase in cash and cash equivalents (i)+(ii)+(iii)	**(2,106)**	921
Cash and cash equivalents at beginning of year under IAS 39	**8,257**	7,336
Adjustments due to IFRS 9 (refer to Note 1B1.2)	**(2)**	-
Adjusted cash and cash equivalents at beginning of year	**8,255**	7,336
Cash and cash equivalents at end of year	**6,149**	8,257
Cash and cash equivalents at end of year comprises:		
Cash	**6,149**	8,257
Cash flow statement cash and cash equivalents	**6,149**	8,257

The accompanying Notes 1 to 14 are an integral part of the cash flow statement for the year ended 31 December 2018.

1 BASIS OF PREPARATION

A COMPANY INFORMATION

ScottishPower Energy Management (Agency) Limited, ("the company"), registered company number SC222524, is a private company limited by shares, incorporated in Scotland and its registered address is 320 St. Vincent Street, Glasgow, G2 5AD.

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 thousand unless otherwise indicated.

B1 EFFECT OF INITIAL APPLICATION OF IFRS 15 AND IFRS 9

This is the first set of the company's annual financial statements in which IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' have been applied. The nature and effect of the changes as a result of the implementation of these standards is described below.

B1.1 EFFECT OF INITIAL APPLICATION OF IFRS 15

The company has applied IFRS 15 for the first time using the cumulative effect method i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 'Revenue' and the IFRS 15 disclosure requirements have not been applied to comparative information.

The application of IFRS 15 has not had a significant impact on the company's revenue recognition and therefore there is nothing to disclose in relation to the impact on the opening balances at 1 January 2018 and the balances at and the results for the year ended 31 December 2018.

B1.2 EFFECT OF INITIAL APPLICATION OF IFRS 9

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

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.

The table below illustrates the impact of the initial application of IFRS 9 on the opening balances at 1 January 2018.

	Adjustments due to IFRS 9 £000
Retained earnings	
Recognition of Expected Credit Losses ("ECLs") under IFRS 9	(2)
Impact at 1 January 2018	**(2)**

(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.

1 BASIS OF PREPARATION *continued*
B BASIS OF PREPARATION OF THE ACCOUNTS *continued*
B1 EFFECT OF INITIAL APPLICATION OF IFRS 15 AND IFRS 9 *continued*
B1.2 EFFECT OF INITIAL APPLICATION OF IFRS 9 *continued*
(a) Classification and measurement of financial assets and financial liabilities *continued*
Financial assets
The classification and measurement requirements of IFRS 9 did not have a significant impact on the company. Cash balances that were classified as Receivables under IAS 39 are now classified at amortised cost. A description of the amortised cost category of financial assets can be found in Note 2C1.1.

The following table and the accompanying notes explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for the company's financial assets at 1 January 2018. The effect of adopting IFRS 9 on the carrying amounts of the company's financial assets at 1 January 2018 relates solely to the new impairment requirements.

Financial Asset	Original Classificiation under IAS 39	New Classificiation under IFRS9	Note	Original carrying value under IAS 39 £000	New carrying value under IFRS 9 £000
Cash	Loans and receivables	Amortised cost	(i)	8,257	8,255

(i) Balances that were classified as Loans and receivables under IAS 39 are now classified at amortised cost. An increase of £2,000 in the allowance for impairment over these balances was recognised in the opening retained earnings at 1 January 2018 on transition to IFRS 9 (refer to (b) below).

The classification and measurement requirements did not have a significant impact on the company. Financial assets continue to be measured at amortised cost.

Financial liabilities
The classification of the company's financial liabilities has not undergone any changes with respect to the application of IFRS 9. Consequently the application of IFRS 9 has not had a significant effect on the company's accounting policies related to financial liabilities. For an explanation of how the company classifies and measures financial liabilities and accounts for related gains and losses under IFRS 9, refer to Note 2C1.2.

(b) Impairment of financial assets
The application of IFRS 9 has changed the company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a new ECL approach. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The company applies the general model for calculation of ECLs on financial assets measured at amortised cost. Under the general model, the loss allowance is measured at an amount equal to twelve month ECL. However, if the credit risk on that financial instrument has increased significantly since initial recognition, the loss allowance is measured at an amount equal to the lifetime ECL.

Additional information about how the company measures the allowance for impairment is described in Note 2C1.1 and Note 4. The company has adopted the impairment requirements retrospectively, with initial application on 1 January 2018, thus opting not to restate the figures for comparative periods.

The company has determined that the application of IFRS 9's impairment at 1 January 2018 results in an additional allowance for impairment as follows:

	£000
Loss allowance at 31 December 2017 under IAS 39	-
Additional impairment recognised at 1 January 2018 on cash	2
Loss allowance at 1 January 2018 under IFRS 9	**2**

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 2012 - 2014 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')	(c)
• IFRS 9 'Financial Instruments'	(d)
• 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 1B1.1 for further information.
(d) Refer to Note 1B1.2 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'	(e)	1 January 2019	1 January 2019
• IFRIC 23 'Uncertainty over Income Tax Treatments'	(f)	1 January 2019	1 January 2019
• Amendments to IFRS 9 'Financial Instruments: Prepayment Features with Negative Compensation'	(f)	1 January 2019	1 January 2019
• Amendments to IAS 28 'Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures'	(f)	1 January 2019	1 January 2019
• Annual Improvements to IFRS Standards 2015-2017 Cycle	(f)	1 January 2019	1 January 2019
• Amendments to IAS 19 'Employee Benefits: Plan Amendment Curtailment or Settlement'	(f)	1 January 2019	1 January 2019
• Amendments to References to the Conceptual Framework in IFRS Standards	(f), (g)	1 January 2020	1 January 2020
• Amendments to IFRS 3 'Business Combinations'	(f), (g)	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'	(f), (g)	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'	(f), (g)	1 January 2021	1 January 2021
• IFRS 14 'Regulatory Deferral Accounts'	(f), (g), (h)	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'	(f), (g), (i)	Deferred indefinitely	To be decided

(e) 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.

(f) The future application of this pronouncement is not expected to have a material impact on the company's accounting policies, financial position or performance.

(g) This pronouncement has not yet been endorsed by the EU.

(h) 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.

(i) 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 REVENUE
B PROCUREMENTS
C FINANCIAL INSTRUMENTS
D CASH AND CASH EQUIVALENTS
E TAXATION

A REVENUE

The company has applied IFRS 15 for the first time from 1 January 2018. Information about the company's accounting policy in relation to contracts with customers is provided in Note 8. The effect of the initial application of IFRS 15 is disclosed in Note 1B1.1.

B PROCUREMENTS

Procurements principally comprises the agency staff and overhead costs recharged to the company by SPEML.

C 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.

C1 ACCOUNTING POLICIES UNDER IFRS 9

C1.1 FINANCIAL ASSETS

(a) Recognition and initial measurement

The company's financial assets are classified, at initial recognition, as subsequently measured at amortised cost and are initially measured at fair value.

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

C FINANCIAL INSTRUMENTS *continued*

C1 ACCOUNTING POLICIES UNDER IFRS 9 *continued*

C1.1 FINANCIAL ASSETS *continued*

(b) Classification and subsequent measurement

(i) Classification

The company's financial assets are measured at amortised cost. 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.

(ii) Subsequent measurement and gains and losses

Financial assets categorised 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.

(iii) Impairment of financial assets

Disclosures relating to impairment of financial assets are provided in Note 4. ECLs for cash balances are recognised using the general model. The general model works as follows:

- For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next twelve months (a twelve month ECL).
- For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

As an exception to the general model, if the credit risk of a financial instrument is low at the reporting date, management can measure impairment using twelve month ECL and so it does not have to assess whether a significant increase in credit risk has occurred. In order for this operational simplification to apply, the financial instrument has to meet the following requirements:

- it has a low risk of default;
- the borrower is considered, in the short-term, to have a strong capacity to meet its obligations; and
- the lender expects, in the longer term, that adverse changes in economic and business conditions might, but will not necessarily, reduce the ability of the borrower to fulfil its obligations.

All of the company's cash balances have low credit risk at both the beginning and end of the reporting period. The company considers these assets to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The company considers this to be BBB- or higher per rating agency Standard & Poor's.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. Twelve month ECLs are the portion of ECLs that result from default events that are possible within the twelve months after the reporting date (or a shorter period if the expected life of the instrument is less than twelve months). The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

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.

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

C FINANCIAL INSTRUMENTS *continued*

C1 ACCOUNTING POLICIES UNDER IFRS 9 *continued*

C1.1 FINANCIAL ASSETS *continued*

(b) Classification and subsequent measurement *continued*

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.

C1.2 FINANCIAL LIABILITIES

(a) Recognition and initial measurement

The company's financial liabilities are trade and other payables which are classified as measured at amortised cost. Trade payables are initially recognised at fair value net of directly attributable transaction costs (the invoice amount).

(b) Classification and subsequent measurement

The company's financial liabilities are subsequently measured at amortised cost using the effective interest method. The company derecognises a financial liability when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

C2 ACCOUNTING POLICIES UNDER IAS 39

As detailed in Note 1B1.2 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) Financial liabilities categorised as trade and other payables are recognised and carried at original invoice amount.

D CASH AND CASH EQUIVALENTS

Cash and short-term deposits in the balance sheet comprise cash on hand and term deposits which are readily convertible into a known amount of cash without significant risk of changes in value. In the cash flow statement, cash and cash equivalents exclude term deposits which have a maturity of more than 90 days at the date of acquisition and include bank overdrafts repayable on demand the next business day.

E 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 TRADE AND OTHER RECEIVABLES

	2018 £000	2017 £000
Current receivables:		
Other tax receivables	-	3
	-	3

4 FINANCIAL INSTRUMENTS

The effect of initially applying IFRS 9 on the company's Accounts is detailed in Note 1B1.2. 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.

		2018			2017		
	Note	**Carrying amount £000**	**Fair value £000**	**Classification under IFRS 9**	Carrying amount £000	Fair value £000	Classification under IAS 39
Financial assets							
Cash	(a)	**6,149**	**6,149**	**Amortised cost**	8,257	8,257	Loans and receivables
Financial liabilities							
Payables		**(15)**	**(15)**	**Amortised cost**	(20)	(20)	Loans and receivables

The carrying amount of these financial instruments is calculated as set out in Note 2C1. The carrying value of financial instruments is a reasonable approximation of fair value.

(a) As a general rule, cash deposited with banks earns interest at rates similar to market rates on daily deposits.

(b) Financial risk management

The company's financial liabilities comprise trade and other payables. The company also has cash balances that arise directly from its operations. The company has exposure to the following risks arising from the above financial instruments:

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

ScottishPower's senior management oversee the management of these risks. An extensive description of this 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 counterparty will not meet its contractual obligations under a financial instrument, leading to a financial loss. The company is exposed to credit risk from its deposits with banks and financial institutions. The carrying amount of financial assets represent the maximum credit exposure to the company.

Credit risk management

Credit risk from balances with banks and financial institutions is managed by ScottishPower's treasury department in accordance with Iberdrola's cash investment procedure. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty by Corporate Risk Management.

Cash

The company held cash of £6,149,000 (2017 £8,257,000) at 31 December 2018. The cash balance is held with banks and financial institution counterparties, which are rated BBB- to AAA, based on Standard & Poor's ratings. Impairment on cash has been measured on a twelve month expected loss basis and reflects the short maturities of the exposures. The company considers that its cash balances have low credit risk based on the external credit ratings of the counterparties. On initial application of IFRS 9, the company recognised an ECL as at 1 January 2018 of £2,000. The 2018 movement in the ECL is less than £1,000.

(ii) Treasury risk

Treasury risk for the company represents liquidity risk. ScottishPower's cash management and short-term financing activity, and therefore 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 the group credit facilities already in place.

4 FINANCIAL INSTRUMENTS *continued*

(b) Financial risk management *continued*

(ii) Treasury risk continued

Treasury liquidity risk management

Liquidity risk, the risk that the company will have insufficient funds to meet its liabilities, is ultimately managed by Iberdrola group Treasury, who are responsible for arranging banking facilities on behalf of ScottishPower, and therefore the company.

The company's cash flows associated with financial liabilities are all due in less than one year. It is not expected that these cash flows could occur significantly later, or at significantly different amounts.

5 SHARE CAPITAL

	2018	2017
	£000	£000
Allotted, called up and fully paid shares:		
4,000,001 ordinary shares of £1 each (2017 4,000,001)	**4,000**	4,000
	4,000	4,000

(a) Holders of these ordinary shares are entitled to dividends as declared from time to time; amounts on the capitalisation of profits and reserves; and notice and attendance at general meetings of the company, with every member entitled to one vote on a show of hands and on a poll one vote for every share held.

6 ANALYSIS OF MOVEMENTS IN EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF SCOTTISHPOWER ENERGY MANAGEMENT (AGENCY) LIMITED

	Share capital £000	Retained earnings (Note(a)) £000	Total £000
At 1 January 2017	4,000	3,074	7,074
Profit for the year attributable to equity holder of ScottishPower Energy Management (Agency) Limited	-	941	941
At 1 January 2018	4,000	4,015	8,015
Adjustments due to IFRS 9	-	(2)	(2)
Adjusted balance at 1 January 2018	4,000	4,013	8,013
Profit for the year attributable to equity holder of ScottishPower Energy Management (Agency) Limited	-	908	908
Dividends	-	(3,000)	(3,000)
At 31 December 2018	**4,000**	**1,921**	**5,921**

(a) Retained earnings comprise the cumulative balance of profits and losses recognised in the financial statements as adjusted for transactions with shareholders, principally dividends.

7 TRADE AND OTHER PAYABLES

	2018	2017
	£000	£000
Current trade and other payables:		
Trade payables	**15**	20
	15	20

8 REVENUE

The effect of the initial application of IFRS 15 on the company Accounts is detailed in Note 1B1.1.

(a) Disaggregation of revenue for the year ended 31 December 2018

	2018
	£000
Provision of staff and administrative support	**12,479**

All revenue is recognised over time and arises from operations within the UK.

(b) Accounting policy

The company recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services.

The provision of staff and administrative support is a performance obligation satisfied over time as the customer benefits from the service as it is provided. Cost is used to measure progress towards complete satisfaction of the performance obligation as this represents the transfer of the service to the customer. Revenue is therefore recognised as the costs are incurred at the agreed contractual rate.

Invoices are typically raised and settled on a monthly basis and therefore there are no related IFRS 15 receivables, contract assets or contract liabilities at the end of the year.

9 FINANCE INCOME

	2018	2017
	£000	£000
Interest on bank and other deposits	**1**	4

10 INCOME TAX

	2018	2017
	£000	£000
Current tax:		
UK Corporation tax on profits for the year	**213**	225
Income tax expense for the year	**213**	225

The tax charge on profit on ordinary activities for the year did not vary from the standard rate of UK Corporation Tax as follows:

	2018	2017
	£000	£000
Corporation tax at 19% (2017 19.25%)	**213**	225
Income tax expense for the year	**213**	225

Legislation has been enacted to reduce the rate of UK Corporation Tax from 19% to 17% on 1 April 2020.

11 DIVIDENDS

	2018	2017	**2018**	2017
	£ per ordinary share	£ per ordinary share	**£000**	£000
Interim dividend paid	**0.75**	-	**3,000**	-

12 RELATED PARTY TRANSACTIONS

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

	2018		2017	
	Immediate parent (SPRH) £000	Other Iberdrola group companies £000	Immediate parent (SPRH) £000	Other Iberdrola group companies £000
Types of transaction				
Sales and rendering of services	-	12,479	-	12,803
Purchases and receipt of services	-	(11,296)	-	(11,582)
Dividends paid	(3,000)	-	-	-

(b) Remuneration of key management personnel

The remuneration of the key management personnel of the company is set out 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 remuneration of three (2017 three) of the key management personnel was borne by the company.

	2018 £000	2017 £000
Short-term employee benefits	519	516
Post-employment benefits	97	134
Termination benefits	501	-
Share-based payments	122	132
	1,239	782

(c) Directors' remuneration

The total remuneration of the directors that provided qualifying services to the company is shown below. As these 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. During both years, the remuneration of one director was borne by the company, all other directors' remuneration was borne by other companies within the SPRH group.

Executive directors	2018 £000	2017 £000
Aggregate remuneration in respect of qualifying services	321	300
Aggregate contribution for loss of office	501	-
Number of directors who exercised share options	2	2
Number of directors who received shares under a long-term incentive scheme	1	1
Number of directors who accrued retirement benefits under a defined benefit scheme	3	2

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

(i) The highest paid director received shares under long term incentive schemes during both years.
(ii) The highest paid director exercised share options during both years.

12 RELATED PARTY TRANSACTIONS *continued*

(d) Ultimate and immediate parent company

The immediate parent company is SPRH, formerly known as Scottish Power Generation Holdings Limited. 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 of the company 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.

In addition to the parent undertakings disclosed above, the company has no other related undertakings.

13 AUDITOR REMUNERATION

	2018	2017
	£000	£000
Audit of the company's annual Accounts	**15**	15
Other assurance services	**10**	10
Total	**25**	25

14 GOING CONCERN

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on pages 1 to 3.

The company has recorded a profit after tax in both the current and previous financial years and the company's balance sheet shows that it has net current assets and net assets of £5,921,000 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. 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. In addition, 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 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 continue to adopt the going concern basis of accounting in preparing the Accounts.