SCOTTISHPOWER GENERATION (ASSETS) LIMITED
DIRECTORS' REPORT AND ACCOUNTS
for the period from incorporation to 31 December 2018

Registered No. SC591507

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SCOTTISHPOWER GENERATION (ASSETS) LIMITED
DIRECTORS' REPORT

The directors present their report and audited Accounts for the period from incorporation to 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 activities of ScottishPower Generation (Assets) Limited ("the company"), registered company number SC591507, are managing the operations of the company's steam generating plant and to minimise the cost of the decommissioning of the company's non-operational sites with a view to maximising value on their subsequent resale. These activities will continue for the foreseeable future.

The company was incorporated on 15 March 2018.

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

The Accounts are prepared on a going concern basis, refer to Note 20 for further details.

RESULTS AND DIVIDEND

The net loss for the period was £5.0 million. No dividend was paid during the period.

DIRECTORS

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

Neil Clitheroe	(appointed 15 March 2018)
Óscar Fortis Pita	(appointed 15 March 2018)
Heather Chalmers White	(appointed 15 March 2018)

Heather Chalmers White resigned as a director on 31 January 2019. Douglas Ness was appointed as a director on 14 June 2019. Neil Clitheroe resigned as a director on 30 June 2019. Colin McNeill 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 period. 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 period 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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND ACCOUNTS *continued*
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.

AUDITOR
KPMG LLP was appointed as the auditor of the company for the period from incorporation on 15 March 2018 to 31 December 2018.

ON BEHALF OF THE BOARD

Douglas Ness
Director
23 **September 2019**

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SCOTTISHPOWER GENERATION (ASSETS) LIMITED

Opinion

We have audited the financial statements of ScottishPower Generation (Assets) Limited ("the company") for the period from incorporation on 15 March 2018 to 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 loss for the period 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, such as the recoverability of inventories and related disclosures 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 period 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 period 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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SCOTTISHPOWER GENERATION (ASSETS) LIMITED *continued*

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. 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 period 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 pages 1 and 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 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.

Andrew Williamson

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

SCOTTISHPOWER GENERATION (ASSETS) LIMITED
BALANCE SHEET
at 31 December 2018

	Notes	2018 £m
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	3	**-**
Deferred tax asset	4	**0.1**
NON-CURRENT ASSETS		**0.1**
CURRENT ASSETS		
Inventories	5	**31.0**
Other receivables	6	**0.2**
Current tax asset		**0.4**
CURRENT ASSETS		**31.6**
TOTAL ASSETS		**31.7**
EQUITY AND LIABILITIES		
EQUITY		
Of shareholders of the parent		**(5.0)**
Share capital	8, 9	-
Retained losses	9	(5.0)
TOTAL EQUITY		**(5.0)**
NON-CURRENT LIABILITIES		
Provisions	10	**15.3**
NON-CURRENT LIABILITIES		**15.3**
CURRENT LIABILITIES		
Provisions	10	**9.0**
Bank borrowings and other financial liabilities		**10.6**
Loans and other borrowings	11	10.6
Trade and other payables	12	**1.8**
CURRENT LIABILITIES		**21.4**
TOTAL LIABILITIES		**36.7**
TOTAL EQUITY AND LIABILITIES		**31.7**

Approved by the Board and signed on its behalf on 23 September 2019 by:

Douglas Ness
Director

The accompanying Notes 1 to 20 are an integral part of the balance sheet as at 31 December 2018.

SCOTTISHPOWER GENERATION (ASSETS) LIMITED
INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
for the period from incorporation to 31 December 2018

	Notes	Period from incorporation to 31 December 2018 £m
Revenue	13	4.2
Procurements		(4.5)
GROSS LOSS		**(0.3)**
NET OPERATING EXPENSES		**(4.7)**
Staff costs	14	**(1.5)**
Net external expenses		**(3.2)**
External services		(3.4)
Other operating income		0.2
GROSS OPERATING LOSS		**(5.0)**
Depreciation and amortisation charge, allowances and provisions	15	(0.4)
OPERATING LOSS		**(5.4)**
Finance costs	16	(0.1)
LOSS BEFORE TAX		**(5.5)**
Income tax	17	0.5
NET LOSS FOR THE PERIOD		**(5.0)**

Net loss is wholly attributable to the equity holder of ScottishPower Generation (Assets) Limited.

Net loss comprises total comprehensive income.

All results relate to continuing operations.

STATEMENT OF CHANGES IN EQUITY
for the period from incorporation to 31 December 2018

	Share capital £m	Retained losses £m	Total equity £m
At incorporation	-	-	-
Share capital issued	-	-	-
Total comprehensive income for the period	-	(5.0)	(5.0)
At 31 December 2018	**-**	**(5.0)**	**(5.0)**

The accompanying Notes 1 to 20 are an integral part of the income statement and statement of comprehensive income and statement of changes in equity for the period from incorporation to 31 December 2018.

SCOTTISHPOWER GENERATION (ASSETS) LIMITED
CASH FLOW STATEMENT
for the period from incorporation to 31 December 2018

	Period from incorporation to 31 December 2018 £m
Cash flows from operating activities	
Loss before tax	(5.5)
Adjustments for:	
Depreciation and impairment	0.4
Change in provisions	3.0
Finance costs	0.1
Changes in working capital:	
Change in inventories	(31.0)
Change in other receivables	(0.2)
Change in trade and other payables	1.7
Provisions paid	(2.1)
Transfers of provisions from Iberdrola group companies	23.4
Net cash flows from operating activities (i)	**(10.2)**
Cash flows from investing activities	
Transfers of property, plant and equipment from Iberdrola group companies	(0.4)
Net cash flows from investing activities (ii)	**(0.4)**
Cash flows from financing activities	
Increase in amounts due to Iberdrola group companies - current loans payable	10.6
Net cash flows from financing activities (iii)	**10.6**
Net increase in cash and cash equivalents (i)+(ii)+(iii)	-
Cash and cash equivalents at incorporation	-
Cash and cash equivalents at end of period	-

The accompanying Notes 1 to 20 are an integral part of the cash flow statement for the period from incorporation to 31 December 2018.

1 BASIS OF PREPARATION

A COMPANY INFORMATION

ScottishPower Generation (Assets) Limited, registered company number SC591507, 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 and to deliver them to the Registrar of Companies. The Accounts have been prepared in accordance with International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRSs") and International Financial Reporting Interpretations Committee ("IFRIC") Interpretations (collectively referred to as IFRS), as adopted by the EU as at the date of approval of these Accounts and which are mandatory for the financial period ended 31 December 2018. 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.

C ACCOUNTING STANDARDS

C1 IMPACT OF NEW IFRS

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 period ended 31 December 2018.

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'	(a)	1 January 2019	1 January 2019
• IFRIC 23 'Uncertainty over Income Tax Treatments'	(b)	1 January 2019	1 January 2019
• Amendments to IFRS 9 'Financial Instruments: Prepayment Features with Negative Compensation'	(b)	1 January 2019	1 January 2019
• Amendments to IAS 28 'Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures'	(b)	1 January 2019	1 January 2019
• Annual Improvements to IFRS Standards 2015-2017 Cycle	(b)	1 January 2019	1 January 2019
• Amendments to IAS 19 'Employee Benefits: Plan Amendment, Curtailment or Settlement'	(b)	1 January 2019	1 January 2019
• Amendments to References to the Conceptual Framework in IFRS Standards	(b), (c)	1 January 2020	1 January 2020
• Amendments to IFRS 3 'Business Combinations'	(b), (c)	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'	(b), (c)	1 January 2020	1 January 2020
• IFRS 17 'Insurance Contracts'	(b), (c)	1 January 2021	1 January 2021
• IFRS 14 'Regulatory Deferral Accounts'	(b), (c), (d)	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'	(b), (c), (e)	Deferred indefinitely	To be decided

(a) Refer to Note 1C2 for further information.
(b) The future application of this pronouncement is not expected to have a material impact on the company's accounting policies, financial position or performance.
(c) This pronouncement has not yet been endorsed by the EU.
(d) 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.
(e) The IASB set the effective date of this pronouncement as 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.

1 BASIS OF PREPARATION *continued*

C2 IMPACT OF FUTURE IMPLEMENTATION OF IFRS 16

IFRS 16 'Leases' is effective for the company as from 1 January 2019. The impact of implementing this standard is detailed below. The impact of this standard will have no effect on the recorded cash flows.

From the lessors' perspective, IFRS 16 does not introduce any significant change. From the lessees' perspective, IFRS 16 removes the current classification of operating and finance leases and requires, for any lease agreements, that the lessee recognises the present value of the lease on the balance sheet as a right-of-use asset and a liability.

The company has carried out analysis in order to assess whether an agreement is, or contains, a lease at its inception considering the requirements of IFRS 16. In this analysis, in line with the Iberdrola group, the company has concluded that the assignment of land use does not constitute a lease when the landowner or third parties have the right to operate any kind of economic activity on the land in order to continue obtaining more than insignificant economic benefits as a result of that use. In line with the Iberdrola group, the company has concluded that such contracts grant shared use of the land to both the owner and the company, thus the company does not have the right to control the use of the underlying asset. Therefore, such agreements do not contain a lease in accordance with IFRS 16. The company has some such agreements.

In comparing the future minimum lease payments under non-cancellable operating leases under the scope of IAS 17 'Leases' as at 31 December 2018 (refer to Note 3(b)) to the lease liabilities to be recognised as at 1 January 2019 under IFRS 16 (£nil), the main reconciling item relates to scope changes between the two standards; specifically leases relating to land.

Under IAS 17, lease agreements for land are designated as operating leases. On the initial application of IFRS 16, in line with the Iberdrola group, the company has concluded that these agreements do not contain a lease in accordance with the criteria of IFRS 16 previously described. This interpretation of the application of IFRS 16 is based on international practice in the scope of the initial application of the IFRS 16. However, the accounting treatment of agreements permitting the shared used of the underlying asset under IFRS 16 is subject to revision based on future interpretations. The company will follow future discussions on the matter in order to confirm the reasonableness of the accounting treatment adopted.

The company will continue to refine its accounting policies and monitor emerging industry practice in relation to this standard.

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, the item which has significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities in the next financial year is decommissioning costs. Refer to Note 2G for further details. In determining the net realisable value of land for resale, significant judgement has been applied. Refer to Note 2E for further details.

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

- **A REVENUE**
- **B PROCUREMENTS**
- **C PROPERTY, PLANT AND EQUIPMENT**
- **D IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT**
- **E INVENTORIES – LAND FOR RESALE**
- **F FINANCIAL INSTRUMENTS**
- **G DECOMMISSIONING COSTS**
- **H TAXATION**

A REVENUE

Information about the company's accounting policies in relation to contracts with customers is provided in Note 13.

B PROCUREMENTS

Procurements principally comprises the cost of electricity purchased during the year.

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

C PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost and is generally depreciated on a straight-line basis over the estimated operational lives of the assets. Property, plant and equipment includes, where appropriate, capitalised interest and other directly attributable costs. Reviews of the estimated remaining lives and residual values of property, plant and equipment are undertaken annually. Residual values are assessed based on prices prevailing at each balance sheet date. Land is not depreciated. The depreciation period for the steam generating plant is 20 years.

D IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

At each balance sheet date, the company reviews the carrying amount of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

E INVENTORIES – LAND FOR RESALE

Land for resale is measured at the lower of cost and net realisable value. Significant judgement is applied in determining whether a write-down is required by comparing the carrying amount to the total estimated selling price less anticipated selling costs. An exercise is carried out at least annually to identify whether a write-down is required. This is based on the most reliable evidence available, at the reporting date, on the local market conditions and the economic circumstances which are expected to prevail in the future.

Estimates of the net realisable value are determined by reference to a number of external factors, such as expected future selling prices and the likelihood of achieving planning consent, which are subject to inherent uncertainty. In addition, it is not possible to determine with accuracy when the land for resale will be realisable.

F 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.

F1 FINANCIAL LIABILITIES

(a) Recognition and initial measurement

The company's financial liabilities are trade and other payables and loans and borrowings which are classified as measured at amortised cost and are initially recognised at fair value.

(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.

G DECOMMISSIONING COSTS

Provision is made on a discounted basis, where the time value of money is material, for the estimated decommissioning costs of the company's non-operational sites which are revised on a periodic basis. The unwinding of the discount is included within Finance costs. Key assumptions include the expected value and timing of future cash flows. If the expected cost of decommissioning increased by 5%, this would result in an additional charge to the income statement of £1,135,000.

H TAXATION

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

Deferred tax is the tax expected to be payable or recoverable on the difference between the carrying amounts of assets and liabilities in the balance sheet and the corresponding tax bases used in the computation of taxable profits (temporary differences), and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences, unused tax losses or credits can be utilised.

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

H TAXATION *continued*

Deferred tax is calculated on a non-discounted basis at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax is charged in the income statement, except where it relates to items charged or credited to equity (via the statement of comprehensive income), in which case the deferred tax is also dealt with in equity and is shown in the statement of comprehensive income.

3 PROPERTY, PLANT AND EQUIPMENT

(a) Movements in property, plant and equipment

Period ended 31 December 2018	Steam generating plant in use £m
Cost:	
At incorporation	-
Transfers from Iberdrola group companies (Note (i))	3.4
Impairment (Note (ii))	(0.3)
At 31 December 2018	**3.1**
Depreciation:	
At incorporation	-
Transfers from Iberdrola group companies (Note (i))	3.0
Depreciation for the period	0.1
At 31 December 2018	**3.1**
Net book value:	
At 31 December 2018	**-**
At incorporation	-

(i) During the period ended 31 December 2018, a fellow Iberdrola subsidiary, ScottishPower Generation Limited, transferred steam generating plant assets with a cost of £3.4 million and associated aggregate depreciation of £3.0 million to the company with £0.4 million paid as a cash outflow from the on demand group loan account.

(ii) Following a review during the period ended 31 December 2018 of the future cash flows associated with the steam generating plant, the company made an impairment charge of £0.3 million to the income statement, the effect of which was to reduce the net book value of the asset to £nil.

(iii) The cost (before impairment) of fully depreciated property, plant and equipment still in use at 31 December 2018 was £3.4 million.

(b) Operating lease arrangements

(i) Operating lease payments	Period from incorporation to 31 December 2018 £000
Minimum lease payments under operating leases recognised as an expense in the period	28

The company leases certain land under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights.

(ii) Operating lease commitments	2018 £000
Within one year	18
Between one and five years	67
More than five years	402
	487

(iii) Operating lease receivables	2018 £000
The future minimum discounted lease payments receivable under non-cancellable operating leases are as follows:	
Within one year	271

4 DEFERRED TAX ASSET

Deferred tax recognised in the Accounts is as follows:

	Other temporary differences £m
At incorporation	-
Credit to the income statement	0.1
At 31 December 2018	**0.1**

Legislation has been enacted to reduce the rate of UK Corporation Tax to 17% on 1 April 2020. This reduces the tax rates expected to apply when temporary differences reverse and impacts the deferred tax charge.

5 INVENTORIES

	2018 £m
Land for resale	**30.9**
Other inventories	**0.1**
	31.0

(a) During the period ended 31 December 2018, £31.0 million of land for resale and other inventories were transferred to the company from a fellow Iberdrola subsidiary, ScottishPower Generation Limited, and an equivalent amount was paid as a cash outflow from the on demand group loan account.

6 OTHER RECEIVABLES

	Note	2018 £m
Current receivables:		
Other receivables	(a)	**0.1**
Other tax receivables	(a)	**0.1**
		0.2

(a) These balances are outwith the scope of IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures'.

7 FINANCIAL INSTRUMENTS

(a) Carrying value of financial instruments

	2018 Carrying amount £m	2018 Fair value £m
Financial liabilities		
Loans and other borrowings	**(10.6)**	**(10.6)**
Payables	**(1.8)**	**(1.8)**

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

(b) Financial risk management

The company's financial liabilities comprise loans and borrowings and trade and other payables. The company has exposure to the following risks arising from the above financial instruments:

i. Treasury risk (comprising both liquidity and market risk).

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) Treasury risk

Treasury risk is comprised of liquidity risk and market 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 ScottishPower's credit facilities already in place.

7 FINANCIAL INSTRUMENTS *continued*
(b) Financial risk management *continued*
(i) Treasury risk continued

Treasury liquidity risk management
ScottishPower's liquidity position and short-term financing activities, and therefore that of the company, 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 Iberdrola group Treasury, who are responsible for arranging banking facilities on behalf of ScottishPower and therefore the company. SPL is the principal counterparty for the loan balances due by 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.

Treasury market risk management
Market risk is the risk of loss that results from changes in market rates (interest rates and foreign currency). Within the Treasury function, ScottishPower, and therefore the company, utilises a number of financial instruments to manage interest rate exposures.

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

Debt category	Interest rate	Change in rate	Impact on interest 2018 £m
Short-term variable rate debt	Base*	+0.25%	-
		+0.50%	0.1
		-0.25%	-
		-0.50%	(0.1)

*Base – Bank of England base rate.

8 SHARE CAPITAL

	2018 £
Allotted, called up and fully paid share:	
One ordinary share of £1 each	1

(a) On 15 March 2018, the company upon incorporation issued one ordinary share of £1 to SPRH for a consideration of £1.
(b) Holders of 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.

9 ANALYSIS OF MOVEMENTS IN EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF SCOTTISHPOWER GENERATION (ASSETS) LIMITED

	Share capital (Note (a)) £m	Retained losses (Note (b)) £m	Total £m
At incorporation	-	-	-
Share capital issued	-	-	-
Loss for the period attributable to equity holder of ScottishPower Generation (Assets) Limited	-	(5.0)	(5.0)
At 31 December 2018	**-**	**(5.0)**	**(5.0)**

(a) On 15 March 2018 the company issued one ordinary share of £1 to SPRH for a consideration of £1.
(b) Retained losses comprises the cumulative balance of losses recognised in the Accounts.

10 PROVISIONS

Period ended 31 December 2018	Notes	At incorporation £m	Transfers from Iberdrola group companies (Note (c)) £m	New provisions £m	Utilised during period £m	Released during year £m	At 31 December 2018 £m
Decommissioning	(a)	-	22.8	2.0	(2.1)	-	**22.7**
Other	(b)	-	0.6	1.1	-	(0.1)	**1.6**
		-	23.4	3.1	(2.1)	(0.1)	**24.3**

Analysis of total provisions	2018 £m
Non-current	**15.3**
Current	**9.0**
	24.3

(a) The provision for decommissioning and environmental costs is the future estimated costs (discounted where the time value of money is material) of decommissioning the company's non-operational sites. The decommissioning is expected to occur over the period between 2019 and 2067.
(b) The Other category at 31 December 2018 includes £0.6 million in relation to a contractual dispute which has been settled in 2019. The remaining provisions are not individually sufficiently material to warrant separate disclosure.
(c) During the period ended 31 December 2018, £23.4 million of provisions were transferred to the company from a fellow Iberdrola subsidiary, ScottishPower Generation Limited, and an equivalent amount was received as a cash inflow to the on demand group loan account.

11 LOANS AND OTHER BORROWINGS

(a) Analysis by instrument and maturity

Instrument	Interest rate	Maturity	2018 £m
Loans with Iberdrola group companies	Base + 1%	On demand	**10.6**

(b) Borrowing facilities

The company has no undrawn borrowing facilities at 31 December 2018.

(c) Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities		
	Loans and other borrowings £m	**Interest payable £m**	**Total £m**
At incorporation	**-**	**-**	**-**
Increase in amounts due to Iberdrola group companies	10.6	-	10.6
Total movements from financing cash flows	**10.6**	**-**	**10.6**
Other movements	-	0.1	0.1
Total liability-related other movements	**-**	**0.1**	**0.1**
At 31 December 2018	**10.6**	**0.1**	**10.7**

12 TRADE AND OTHER PAYABLES

	2018 £m
Current trade and other payables:	
Payables due to Iberdrola group companies - trade	**0.1**
Payables due to Iberdrola group companies - interest	**0.1**
Trade payables	**1.5**
Other payables	**0.1**
	1.8

(a) During the period ended 31 December 2018, £0.1 million of trade and other payables was transferred to the company from a fellow Iberdrola subsidiary, ScottishPower Generation Limited, and an equivalent amount was received as a cash inflow to the on demand group loan account.

13 REVENUE

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

	£m
Provision of electricity (via ScottishPower Energy Retail Limited)	2.6
Provision of steam generating plant	1.6
	4.2

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

(b) Accounting policies

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 company's performance obligations are the provision of electricity (via ScottishPower Energy Retail Limited) and the provision of steam generating plant. These performance obligations are both satisfied over time as the customer simultaneously receives and consumes the benefits of the company's performance as it is performed. The company has a right to consideration in an amount that corresponds directly with the value to the customer of the company's performance to date. Revenue is therefore recognised in the amount to which the company has a right to invoice based on the value of units supplied during the year and the contractual rates agreed with the customer.

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.

14 EMPLOYEE INFORMATION

(a) Staff costs

	Note	Period from incorporation to 31 December 2018 £m
Wages and salaries		0.4
Pension and other costs	(i)	1.6
Total staff costs		**2.0**
Less: included within decommissioning provision utilisation		(0.5)
Charged to the income statement		**1.5**

(i) Pension and other costs includes £1.5 million of costs in relation to pension-related restructuring costs.

(b) Employee numbers

The period end and average numbers of employees (full and part-time) employed by the company, including UK-based directors, were:

	Period end 2018	Average 2018
Administrative staff	5	3
Operations	7	5
Total	12	8

The period end and average numbers of full time equivalent staff employed by the company, including UK based directors were;

	Period end 2018	Average 2018
Total	12	8

15 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

	Period from incorporation to 31 December 2018 £m
Property, plant and equipment depreciation charge	0.1
Impairment of assets	0.3
	0.4

16 FINANCE COSTS

	Period from incorporation to 31 December 2018 £m
Interest on amounts due to Iberdrola group companies	0.1

17 INCOME TAX

	Period from incorporation to 31 December 2018 £m
Current tax:	
UK Corporation Tax	(0.4)
Current tax for the period	(0.4)
Deferred tax:	
Origination and reversal of temporary differences	(0.1)
Deferred tax for the period	(0.1)
Income tax credit for the period	(0.5)

The tax charge on loss on ordinary activities for the period varied from the standard rate of UK Corporation Tax as follows:

	Period from incorporation to 31 December 2018 £m
Corporation Tax at 19%	(1.0)
Non-deductible expenses and other permanent differences	0.5
Income tax credit for the period	(0.5)

Legislation has been enacted to reduce the rate of UK Corporation Tax to 17% on 1 April 2020. This reduces the tax rates expected to apply when temporary differences reverse and impacts the deferred tax charge.

18 RELATED PARTY TRANSACTIONS

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

	2018	
	UK parent (SPL) £m	**Other Iberdrola group companies £m**
Types of transaction		
Sales and rendering of services	-	4.2
Purchases and receipt of services	-	(4.5)
Transfer of property, plant and equipment	-	0.4
Transfer of inventories	-	31.0
Transfer of provisions	-	(23.4)
Transfer of trade and other payables	-	(0.1)
Finance costs	(0.1)	-
Balances outstanding		
Loans payable	(10.6)	-
Trade and other payables	-	(0.1)
Interest payable	(0.1)	-

(i) During the period ended 31 December 2018, as part of a ScottishPower reorganisation, £0.1 million of trade and other payables, £23.4 million of provisions, £0.4 million of property, plant and equipment and £31.0 million of inventories was transferred to the company from fellow Iberdrola group company, ScottishPower Generation Limited, with £7.9 million paid as a cash outflow to the on demand group loan account.

(ii) The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

(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 ScottishPower group, it has not been possible to apportion the remuneration specifically in respect of services to this company. All six key management personnel were remunerated by other ScottishPower group companies during the year.

	Period from incorporation to 31 December 2018 £000
Short-term employee benefits	716
Post-employment benefits	84
Share-based payments	475
	1,275

(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 ScottishPower group, it has not been possible to apportion the remuneration specifically in respect of services to this company. All three directors were remunerated by other ScottishPower group companies during the year.

Executive directors	**Period from incorporation to 31 December 2018 £000**
Aggregate remuneration in respect of qualifying services	709
Number of directors who exercised share options	2
Number of directors who received shares under a long-term incentive scheme	2
Number of directors accruing retirement benefits under a defined benefit scheme	2

18 RELATED PARTY TRANSACTIONS *continued*

(c) Directors' remuneration *continued*

Highest paid director	Period from incorporation to 31 December 2018 £000
Aggregate remuneration	508
Accrued pension benefit	99

(i) The highest paid director received shares under a long-term incentive scheme during the period.
(ii) The highest paid director exercised share options during the period.

(d) Ultimate 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 of the company are consolidated is Scottish Power UK plc.

Copies of the consolidated Accounts of Iberdrola, S.A. may be obtained from Iberdrola, S.A., at its registered office, Torre Iberdrola, Plaza Euskadi 5, 48009, Bilbao, Spain. Copies of the consolidated Accounts of Scottish Power UK plc may be obtained from ScottishPower 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.

19 AUDITORS' REMUNERATION

	Period from incorporation to 31 December 2018 £000
Audit of the company's annual Accounts	15

20 GOING CONCERN

The company has recorded a net loss of £5.0 million and operating cash outflows of £10.2 million for the period ended 31 December 2018 and the company's balance sheet shows that it has net current assets of £10.2 million and net liabilities of £5.0 million at its most recent balance sheet date.

The company participates in the Iberdrola group's centralised treasury arrangement and so shares banking facilities with its parent companies and fellow subsidiaries. The directors have prepared cash flow forecasts for the period up to 31 December 2020 which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its parent companies and fellow subsidiaries, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on the company's parent companies and fellow subsidiaries not seeking repayment of the amounts currently due to the group, which at 31 December 2018 amounted to £10.6 million, and providing additional financial support during that period. The wider Iberdrola group remain supportive of the company and SPUK has indicated that if required, SPUK (or if appropriate an alternative Iberdrola group subsidiary) will provide additional funding to enable the company to meet its liabilities as they fall due for a period of at least twelve months from the date of approval of the company's 31 December 2018 accounts. This includes funding to cover the amounts currently due to Iberdrola group companies. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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 twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.