

SCOTTISH POWER ENERGY NETWORKS HOLDINGS LIMITED
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2019

Registered No. SC389555

SCOTTISH POWER ENERGY NETWORKS HOLDINGS LIMITED
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2019

CONTENTS

STRATEGIC REPORT	1
DIRECTORS' REPORT	5
INDEPENDENT AUDITOR'S REPORT	7
BALANCE SHEET	9
INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME	10
STATEMENT OF CHANGES IN EQUITY	11
CASH FLOW STATEMENT	12
NOTES TO ACCOUNTS	13

SCOTTISH POWER ENERGY NETWORKS HOLDINGS LIMITED

STRATEGIC REPORT

The directors present an overview of Scottish Power Energy Networks Holdings Limited’s structure, 2019 performance and strategic outlook including principal risks and uncertainties.

STRATEGIC OUTLOOK

The principal activity of Scottish Power Energy Networks Holdings Limited (“the company”), registered company number SC389555, is that of a holding company for the Scottish Power Limited Energy Networks business (“Energy Networks”). 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 UK plc (“SPUK”). Scottish Power Limited (“SPL”) is the UK holding company of the Scottish Power Limited group (“ScottishPower”), of which the company is a member.

Energy Networks owns three regulated electricity network businesses in the UK. These businesses are ‘asset-owner companies’, holding the regulated assets and electricity distribution and transmission licences, and are regulated monopolies. They own and operate the network of cables and power lines transporting electricity to around 3.5 million connected customers in the Central Belt and South of Scotland, Cheshire, Merseyside, North Shropshire and North Wales.

2019 performance

The net profit for the year reduced by £53.4m from £279.9m to £226.5m due to a decrease in dividends received from the company's subsidiaries.

Financial instruments

Treasury services are provided by SPL. ScottishPower has a risk policy within treasury and financing which is designed to ensure that the company’s exposure to variability of cash flows and asset values due to fluctuations in market interest rates and exchange rates are minimised and managed at acceptable risk levels. Further details of the treasury and interest policy for ScottishPower and how it manages them is included in the most recent Annual Report and Accounts of SPL.

PRINCIPAL RISKS AND UNCERTAINTIES

The delivery of ScottishPower’s strategy requires the group, and therefore the company, to conduct business in a manner benefitting 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 ScottishPower’s governance structure and risk management are provided in the most recent Annual Report and Accounts of SPL.

The principal risks and uncertainties of ScottishPower, and so that of the company, other than those specific to COVID-19 and Brexit, that may impact current and future operational and financial performance and the management of these risks are described in the following table:

SCOTTISHPOWER - GLOBAL	
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.

SCOTTISH POWER ENERGY NETWORKS HOLDINGS LIMITED
STRATEGIC REPORT *continued*

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

SCOTTISHPOWER - GLOBAL <i>continued</i>	
RISK <i>continued</i>	RESPONSE <i>continued</i>
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 aims to ensure not only continuing legal compliance but also to drive towards best practice in all levels of health and safety operations.
Breach in cyber security and unwanted infiltration of ScottishPower’s 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 and contractors 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 current and future operational and financial performance and the management of this risk is described below:

RISK	RESPONSE
The potential for impairment in the value of investments.	Periodic review of operational financial performance of the subsidiaries and joint venture.

Emergence and spread of Coronavirus (COVID-19)

In March 2020, the World Health Organization declared the outbreak of Coronavirus COVID-19 a pandemic, due to its rapid spread throughout the world. In common with many governments, the UK and devolved Governments have put in place restrictive measures to contain the spread of the virus. These are expected to endure for some time. Nevertheless, the principal activities of the company will continue and are expected to operate throughout this crisis period without significant disruption.

As the COVID-19 crisis has developed, ScottishPower, and therefore the company, has been committed to taking all necessary measures to help to protect the safety and wellbeing of its employees, its customers and the communities they serve and have been working closely with government departments, The Office of Gas and Electricity Markets (“Ofgem”) and industry bodies to ensure that ScottishPower, and therefore the company, continues to follow the latest advice.

Notwithstanding the above, as at the date of signing these Accounts, it is the directors’ opinion that the principal activities of the company are expected to operate throughout this crisis period without significant disruption and therefore will not have an impact on the company’s business operations, assets and liabilities. Further detail of events subsequent to the balance sheet date is provided in Note 16.

UK decision to leave the EU (Brexit)

On 31 January 2020 the UK left the European Union (“EU”). However, all EU laws will remain in force in the UK until 31 December 2020 when the transition period is scheduled to expire. A cross-business working group will continue to co-ordinate ScottishPower’s preparations to mitigate the impact on ScottishPower, and therefore the company, of any pre and post-Brexit outcomes as they become clearer. The key risks considered relevant to ScottishPower, and therefore the company, are detailed in the latest version of the Annual Report and Accounts of SPL. The directors of the company confirm that there has been no material change to these risks as at the date of approval of these Accounts.

SCOTTISH POWER ENERGY NETWORKS HOLDINGS LIMITED

STRATEGIC REPORT *continued*

ENGAGING WITH STAKEHOLDERS

References to “ScottishPower” apply fully to the Energy Networks business, and so the company.

The importance of engaging with stakeholders

As part of the Iberdrola Group, ScottishPower are developing a responsible and sustainable energy model which focuses on the wellbeing of people, the protection of the environment and the economic and social progress in the communities in which ScottishPower operates. ScottishPower strongly believe that effective and meaningful engagement with stakeholders and employees is key to promoting the success of ScottishPower.

Meaningful engagement with these stakeholder groups supports the ethos of Section 172 of the Companies Act 2006 which states that directors should have regard to stakeholder interests when discharging their duty to promote, in good faith, the success of the company for the benefit of its members as a whole. Details of how the company, engages with its stakeholders, and how these activities influence the company’s operations, are set out below.

Key stakeholders

The directors are fully aware of their duties under the Companies Act 2006, including as set out in section 172 of the same. The primary responsibility of the board of directors of the company (“the Board”) is to supervise and make decisions as required in relation to the activities of the company’s business and its subsidiaries, all as part of the Energy Networks business, in accordance at all times with the Energy Networks business corporate governance system and the provisions of all applicable legislation and regulations. The Board has the responsibility of carrying out the day-to-day management, effective administration and ordinary control of the Energy Networks business overall.

The company’s key stakeholder is its shareholder. Notwithstanding this, as a holding company and due to the governance framework described above, it also has indirect stakeholders, being the stakeholders of its subsidiary entities. The company’s subsidiary entities have four key stakeholder categories: employees and customers; suppliers and contractors; government and regulators; and community and environment. Further details as to how ScottishPower, and therefore the company and the company’s subsidiaries, engages with these four stakeholder categories are provided in the most recent Annual Report and Accounts of SPL (“the SPL Accounts”).

Shareholders are important to the company and ScottishPower. All shareholder management activities are carried out on ScottishPower’s behalf by its ultimate parent company, Iberdrola, which is listed on the Madrid Stock exchange. Iberdrola is committed to dialogue, proximity and actions in favour of shareholders. Iberdrola is one of the first companies in the world, to formalise a Shareholder Engagement Policy focusing upon two-way interaction with the shareholders in order to forge a sense of belonging and to encourage their engagement in the corporate life of Iberdrola. Iberdrola’s Shareholder Engagement Policy is published at <https://www.iberdrola.com/corporate-governance/corporate-governance-system/corporate-policies/shareholder-engagement-policy>.

Modern Slavery Statement

ScottishPower is committed to human and labour rights and to eliminating modern slavery that could in any way be connected to its business. ScottishPower welcomed the introduction of the Modern Slavery Act 2015 and ScottishPower published its own Modern Slavery Statement, which was approved by the board of SPL. This statement is published on the ScottishPower website at: www.scottishpower.com/pages/scottishpowers_modern_slavery_statement.aspx

SECTION 172 STATEMENT

Statement by the directors in performance of their statutory duties in accordance with section 172 of the Companies Act 2006

The Companies (Miscellaneous) Reporting Regulations 2018 introduced a new statutory reporting requirement for financial reporting years beginning on or after 1 January 2019. As a result, the directors of the company are required to give a statement which describes how the directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 when discharging their duty under that section.

SCOTTISH POWER ENERGY NETWORKS HOLDINGS LIMITED

STRATEGIC REPORT *continued*

SECTION 172 STATEMENT *continued*

The directors acknowledge and understand their duties and responsibilities, including that, under section 172 of the Companies Act 2006, a director of a company must act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a) the likely consequences of any decision in the long-term;
- b) the interests of the company's employees;
- c) the need to foster the company's business relationships with suppliers, customers and others;
- d) the impact of the company's operations on the community and the environment;
- e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly as between members of the company.

The delivery of the strategy of the Energy Networks business (headed by the company), requires the Energy Networks business to conduct business in a manner benefitting customers through balancing cost and risk while delivering shareholder value and protecting the performance and reputation of the Energy Networks business by prudently managing risks inherent in the business. In carrying out this strategy, the directors' duties under section 172 of the Companies Act 2006 have been considered.

Details of the key stakeholders of the company (both direct and indirect) and how ScottishPower, and therefore the company, engages with them are as follows:

- Customers: details of how ScottishPower assesses broader customer service measures are explained in the 'Energy customers' sub-section of the Strategic Report of the most recent SPL Accounts, on page 19.
- Employees: details of how ScottishPower engages with its employees are set out in the 'Employees' sub-section of the Strategic Report of the most recent SPL Accounts, on page 16.
- Communities and the environment: details of how ScottishPower engages with communities are set out in the 'Community and environment' section of the Strategic Report of the most recent SPL Accounts, on page 18.
- Suppliers: details of how ScottishPower engages with its suppliers are set out in the 'Suppliers and contractors' sub-section of the Strategic Report of the most recent SPL Accounts, on page 21.
- Government and regulators: details of how ScottishPower engages with governments and regulators are set out in the 'Government and regulators' section of the Strategic Report of the most recent SPL Accounts, on page 20.

The directors strongly believe that effective and meaningful engagement with stakeholders is key to promoting the success of the company. Details of the company's key stakeholder, its shareholder, and its indirect stakeholders are described in the 'Engaging with stakeholders' section of the Strategic Report on page 3.

The directors, both individually and together as a board, consider that the decisions taken during the year ended 31 December 2019 in discharging the function of the Board, were in conformance with their duty under section 172 of the Companies Act 2006.

The Board are assisted in considering key stakeholders (both direct and indirect) as part of the decision-making process by including stakeholder considerations in board papers as appropriate, and board papers are carefully reviewed and considered by all directors.

ON BEHALF OF THE BOARD



Scott Mathieson
Director

23 June 2020

SCOTTISH POWER ENERGY NETWORKS HOLDINGS LIMITED

DIRECTORS' REPORT

The directors present their report and audited Accounts for the year ended 31 December 2019.

INFORMATION CONTAINED WITHIN THE STRATEGIC REPORT

The directors have chosen to disclose information on the following, required by Companies Act 2006 to be included in the Directors' Report, within the Strategic Report, found on pages 1 to 4:

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

RESULTS AND DIVIDEND

The net profit for the year amounted to £226.5 million (2018 £279.9 million). A dividend of £227.0 million was paid during the year (2018 £280.2 million).

DIRECTORS

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

Armando Martínez Martínez (Chairman, non-independent, non-executive director)

Frank Mitchell (Chief Executive Officer)

Antonio Espinosa de los Monteros Herrera (Non-independent, non-executive director)

José Izaguirre Nazar (Non-independent, non-executive director)

Wendy Barnes (Independent, non-executive director)

Alison McGregor (Independent, non-executive director)

Scott Mathieson (Non-independent, executive director)

Professor Dame Lesley Anne Glover (Independent, non-executive director) (appointed 3 July 2019)

Wendy Barnes resigned on 6 May 2020.

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

The directors are responsible for preparing the Annual Report and Accounts, including a Strategic Report and Directors' Report, 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 UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101").

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, any related matters; 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information relating to the company that is included on the ScottishPower website. Legislation in the UK governing the preparation and dissemination of the financial statements differ from legislation in other jurisdictions.

SCOTTISH POWER ENERGY NETWORKS HOLDINGS LIMITED
DIRECTORS' REPORT *continued*

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORTS AND ACCOUNTS *continued*

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 or she is aware, there is no relevant audit information of which the company's auditor is unaware; and
- he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

AUDITOR

KPMG LLP were re-appointed as the auditor of the company for the year ended 31 December 2019.

ON BEHALF OF THE BOARD



Scott Mathieson

Director

23 June 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH POWER ENERGY NETWORKS HOLDINGS LIMITED

OPINION

We have audited the financial statements of Scottish Power Energy Networks Holdings Limited ("the company") for the year ended 31 December 2019 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 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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.

GOING CONCERN

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model 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.

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.

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SCOTTISH POWER ENERGY NETWORKS HOLDINGS LIMITED *continued*

DIRECTORS' RESPONSIBILITIES

As explained more fully in their statement set out on pages 5 and 6, 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

24 June 2020

SCOTTISH POWER ENERGY NETWORKS HOLDINGS LIMITED
BALANCE SHEET
at 31 December 2019

	Notes	2019 £m	2018 £m
ASSETS			
NON-CURRENT ASSETS			
Investments in subsidiaries	3	1,823.5	1,823.5
NON-CURRENT ASSETS		1,823.5	1,823.5
CURRENT ASSETS			
Current tax asset		0.1	0.1
CURRENT ASSETS		0.1	0.1
TOTAL ASSETS		1,823.6	1,823.6
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		1,808.3	1,808.8
Share capital	4, 5	1,804.3	1,804.3
Retained earnings	5	4.0	4.5
TOTAL EQUITY		1,808.3	1,808.8
CURRENT LIABILITIES			
Loans and other borrowings	6	15.0	14.6
Trade and other payables	7	0.3	0.2
CURRENT LIABILITIES		15.3	14.8
TOTAL LIABILITIES		15.3	14.8
TOTAL EQUITY AND LIABILITIES		1,823.6	1,823.6

Approved by the Board and signed on its behalf on 23 June 2020.



Scott Mathieson

Director

The accompanying Notes 1 to 16 are an integral part of the balance sheet at 31 December 2019.

SCOTTISH POWER ENERGY NETWORKS HOLDINGS LIMITED
INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019

	Notes	2019 £m	2018 £m
External services		(0.2)	(0.2)
OPERATING LOSS		(0.2)	(0.2)
Dividends received		226.9	280.2
Finance costs	8	(0.3)	(0.2)
PROFIT BEFORE TAX		226.4	279.8
Income tax	9	0.1	0.1
NET PROFIT FOR THE YEAR		226.5	279.9

Net profit for both years is wholly attributable to the equity holder of Scottish Power Energy Networks Holdings Limited.

Net profit for both years comprises total comprehensive income.

All results relate to continuing operations.

The accompanying Notes 1 to 16 are an integral part of the income statement and statement of comprehensive income for the year ended 31 December 2019.

SCOTTISH POWER ENERGY NETWORKS HOLDINGS LIMITED
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

	Share capital £m	Retained earnings £m	Total equity £m
At 1 January 2018	1,804.3	4.8	1,809.1
Total comprehensive income for the year	-	279.9	279.9
Dividends	-	(280.2)	(280.2)
At 1 January 2019	1,804.3	4.5	1,808.8
Total comprehensive income for the year	-	226.5	226.5
Dividends	-	(227.0)	(227.0)
At 31 December 2019	1,804.3	4.0	1,808.3

The accompanying Notes 1 to 16 are an integral part of the statement of changes in equity for the year ended 31 December 2019.

SCOTTISH POWER ENERGY NETWORKS HOLDINGS LIMITED
CASH FLOW STATEMENT
for the year ended 31 December 2019

	2019	2018
	£m	£m
Cash flows from operating activities		
Profit before tax	226.4	279.8
Adjustments for:		
Finance costs	0.3	0.2
Dividends received	(226.9)	(280.2)
Income taxes received	0.1	0.1
Dividends received	226.9	280.2
Net cash flows from operating activities (i)	226.8	280.1
Cash flows from financing activities		
Increase in amounts due to Iberdrola group companies - current loans payable	0.4	0.3
Dividends paid to company's equity holder	(227.0)	(280.2)
Interest paid	(0.2)	(0.2)
Net cash flows from financing activities (ii)	(226.8)	(280.1)
Net increase in cash and cash equivalents (i)+(ii)	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

The accompanying Notes 1 to 16 are an integral part of the cash flow statement for the year ended 31 December 2019.

SCOTTISH POWER ENERGY NETWORKS HOLDINGS LIMITED
NOTES TO ACCOUNTS
31 December 2019

1 BASIS OF PREPARATION

A COMPANY INFORMATION

Scottish Power Energy Networks Holdings Limited (“the company”), registered company number SC389555, is a private company limited by shares, incorporated in Scotland and its registered address is 320 St. Vincent Street, Glasgow, Scotland, 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 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. The company accounts are prepared on the historical cost basis apart from certain financial liabilities measured at fair value.

The Accounts contain information about Scottish Power Energy Networks Holdings Limited as an individual company and do not contain consolidated financial information as the parent of subsidiary companies or an investor in a joint venture. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated Accounts as it and its subsidiary undertakings and joint venture are included by full consolidation in the consolidated Accounts of Iberdrola, S.A..

The Accounts have been prepared in accordance with FRS 101. In preparing these financial statements, the company has applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards (“IFRS”), as adopted by the EU at the date of approval of these Accounts and which are mandatory for the financial year ended 31 December 2019 (“IFRS as adopted by the EU”) but has made amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantages of the FRS 101 disclosure exemptions have been taken.

In the transition to FRS 101 from IFRS as adopted by the EU, the company has made no measurement and recognition adjustments.

In these Accounts, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- reconciliation of movements of liabilities to cash flows arising from financing activities;
- disclosures in respect of transactions with wholly owned subsidiaries of Iberdrola, S.A.;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRS pronouncements; and
- disclosures in respect of the compensation of key management personnel.

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

C IMPACT OF NEW IFRS

In preparing these Accounts, the company has applied all relevant International Accounting Standards (“IAS”), 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 2019.

For the year ended 31 December 2019, the company has applied the following amendments for the first time:

Standard	Notes
• IFRS 16 ‘Leases’	(a)
• IFRIC 23 ‘Uncertainty over Income Tax Treatments’	(b)
• Amendments to IFRS 9 ‘Financial Instruments: Prepayment Features with Negative Compensation’	(b)
• Amendments to IAS 28 ‘Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures’	(b)
• Annual Improvements to IFRS Standards 2015-2017 Cycle	(b)
• Amendments to IAS 19 ‘Employee Benefits: Plan Amendment, Curtailment or Settlement’	(b)

(a) IFRS 16 ‘Leases’ became effective for the company from 1 January 2019. The company carried out analysis to assess whether its agreements are, or contain, a lease at their inception considering the requirements of IFRS 16. No leases were identified, as such the application of IFRS 16 has not had a material impact on the company’s accounting policies, financial position or performance.

(b) The application of these pronouncements has not had a material impact on the company’s accounting policies, financial position or performance.

SCOTTISH POWER ENERGY NETWORKS HOLDINGS LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2019

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES

In determining and applying accounting policies, judgement is often required in respect of items which have a significant effect on the reported amounts of assets, liabilities, income and expenses recognised in the financial statements, other than those involving estimates; the company has no such judgements. At 31 December 2019, there are no assumptions made about the future or other major sources of estimation uncertainty which have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities in the next financial year.

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

A FINANCIAL INSTRUMENTS
B TAXATION
C INVESTMENTS

A FINANCIAL INSTRUMENTS

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

A1 FINANCIAL LIABILITIES

(a) Recognition and initial measurement

The company's financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

(b) Classification and subsequent measurement

Financial liabilities are classified as measured at amortised cost. Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in the income statement. Any gain or loss on derecognition is also recognised in the income statement.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest method is included as Finance costs in the income statement.

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.

B TAXATION

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

C INVESTMENTS

The company's investments in subsidiaries and joint ventures are stated in the balance sheet at cost, or fair value of shares issued as consideration where applicable. Dividends from subsidiaries are recognised when the right to receive the dividend is established.

3 INVESTMENTS

(a) Movements in investments

	Subsidiary undertakings shares £m
At 1 January 2018, 31 December 2018 and 31 December 2019	1,823.5

SCOTTISH POWER ENERGY NETWORKS HOLDINGS LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2019

3 INVESTMENTS *continued*

(b) Subsidiaries and joint ventures

The table below set out details of the subsidiaries and joint ventures of the company at 31 December. All entities are direct holdings unless specified.

Name	Principal activities	Registered office and country of incorporation (see Note (i))	Equity interest in ordinary shares		Notes
			2019	2018	
Subsidiaries					
SP Distribution plc	Ownership and operation of distribution network within the ScottishPower area	(A)	100%	100%	
SP Manweb plc	Ownership and operation of distribution network within the Mersey and North Wales area	(B)	100%	100%	(ii)
SP Network Connections Limited	Design and construction of utility connections	(B)	100%	100%	(iii)
SP Power Systems Limited	Provision of asset management services	(A)	100%	100%	
SP Transmission plc	Ownership and operation of transmission network within the ScottishPower area	(A)	100%	100%	
Manweb Services Limited	Operation of a private electricity distribution network	(B)	100%	100%	(iii)
Joint venture					
NGET/SPT Upgrades Limited	Construction and operation of offshore High Voltage Direct Current ("HVDC") West Coast transmission link	(C)	50%	50%	(iii)

(i) The registered offices of the subsidiaries and joint venture are as listed below, along with their countries of incorporation. Where a company's registered office is in England it is registered in England and Wales.

- (A) 320 St. Vincent Street, Glasgow, Scotland, G2 5AD
(B) 3 Prenton Way, Prenton, CH43 3ET, England
(C) 1-3 Strand, London, WC2N 5EH, England

(ii) At 31 December 2019 and 31 December 2018, the company held 599,999,999 of the 600,000,000 shares in issue for this entity. The remaining one share in this company is held by another ScottishPower company.

(iii) These entities are held indirectly.

4 SHARE CAPITAL

	2019	2018
	£m	£m
Allotted, called up and fully paid shares:		
1,804,257,993 ordinary shares of £1 each (2018 1,804,257,993)	1,804.3	1,804.3

(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

5 ANALYSIS OF MOVEMENTS IN EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE COMPANY

	Share capital	Retained earnings (Note (a))	Total
	£m	£m	£m
At 1 January 2018	1,804.3	4.8	1,809.1
Profit for the year attributable to equity holder of the company	-	279.9	279.9
Dividends	-	(280.2)	(280.2)
At 1 January 2019	1,804.3	4.5	1,808.8
Profit for the year attributable to equity holder of the company	-	226.5	226.5
Dividends	-	(227.0)	(227.0)
At 31 December 2019	1,804.3	4.0	1,808.3

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

SCOTTISH POWER ENERGY NETWORKS HOLDINGS LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2019

6 LOANS AND OTHER BORROWINGS

Instrument	Interest rate*	Maturity	2019	2018
			£m	£m
Loans with Iberdrola group companies	Base + 1%	On demand	15.0	14.6

* Base – Bank of England Base Rate

7 TRADE AND OTHER PAYABLES

	2019	2018
	£m	£m
Current trade and other payables:		
Payables due to Iberdrola group companies - interest	0.3	0.2

8 FINANCE COSTS

	2019	2018
	£m	£m
Interest on amounts due to Iberdrola group companies	0.3	0.2

9 INCOME TAX

	2019	2018
	£m	£m
Current tax:		
UK Corporation tax	(0.1)	(0.1)
Income tax credit for the year	(0.1)	(0.1)

The tax credit on profit for the year varied from the standard rate of UK Corporation Tax applicable to the company as follows:

	2019	2018
	£m	£m
Corporation tax at 19% (2018 19%)	43.0	53.1
Dividends from subsidiaries	(43.1)	(53.2)
Income tax credit for the year	(0.1)	(0.1)

Legislation was previously enacted to reduce the rate of UK Corporation Tax to 17% on 1 April 2020. After 31 December 2019, further legislation has been substantively enacted on 17 March 2020 under the Provisional Collection of Taxes Act 1968 that maintains the 19% UK Corporation tax rate. The 19% rate will apply from 1 April 2020.

10 EMPLOYEE INFORMATION

The company has no employees (2018 none). Details of directors' remuneration are set out in Note 13(a).

11 DIVIDENDS

	2019	2018	2019	2018
	pence per ordinary share	pence per ordinary share	£m	£m
Interim dividend paid	12.6	15.5	227.0	280.2

12 CONTINGENT LIABILITIES

Debt guarantees

As part of an Iberdrola group restructuring exercise to achieve legal separation of SPUK's businesses pursuant to the provision of the Utilities Act 2000, the company has provided indemnities to its subsidiaries, SP Transmission plc ("SPT") and SP Distribution plc ("SPD"), against any and all calls made under guarantees provided by those companies in relation to certain borrowings of SPUK. SPD, SPT and other subsidiary companies of SPUK have provided guarantees to external lenders of SPUK for debt existing in that company at 1 October 2001. The value of debt guaranteed by these companies, which was still outstanding at 31 December 2019, was £1,052.2 million (2018 £1,044.7 million).

SCOTTISH POWER ENERGY NETWORKS HOLDINGS LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2019

13 RELATED PARTY TRANSACTIONS

(a) Directors' remuneration

The remuneration of the directors that provided qualifying services to the company are shown below. As these directors are remunerated for their work for Energy Networks, it has not been possible to apportion the remuneration specifically in respect of services to this company. Of the eight directors in office during the year (2018 eight), two (2018 two) were remunerated directly by the company. The remaining directors were remunerated by other ScottishPower group companies in both years.

	2019	2018
	£000	£000
Aggregate remuneration in respect of qualifying services	1,410	1,194
Number of directors who exercised share options	1	1
Number of directors who received shares under a long-term incentive scheme	2	2
Number of directors accruing retirement benefits under a defined benefit scheme	1	1

	2019	2018
	£000	£000
Highest paid director		
Aggregate remuneration	839	690
Accrued pension benefits	99	96

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

(b) Ultimate and immediate parent company

The immediate parent company is SPUK. The registered office of SPUK 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 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 above, the company's other related undertakings are disclosed in Note 3.

14 AUDITOR REMUNERATION

	2019	2018
	£000	£000
Audit of the company's annual Accounts	9	8

15 GOING CONCERN

The company's principal activity is that of an intermediate holding company of its subsidiaries.

Notwithstanding net current liabilities of £15.2 million as at 31 December 2019, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The company is part of the Scottish Power group which in turn is part of Iberdrola, one of the world's largest integrated utilities groups. The company participates in a UK treasury function operated by the company's intermediate parent company, Scottish Power Limited. The UK treasury function works closely with Iberdrola to manage the company's funding requirements, which are reviewed and adjusted on a regular basis using a mixture of external funding and funding provided via Iberdrola, through the global treasury function. Scottish Power Limited has indicated its intention to provide the company with the funding it requires, through the UK treasury function and utilising its committed facilities with Iberdrola group treasury, for a period of at least twelve months from the date of these financial statements. 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. Further, should the subsidiaries cease to trade, the company will no longer act as an intermediate holding company. A list of all the subsidiaries is outlined in Note 3.

SCOTTISH POWER ENERGY NETWORKS HOLDINGS LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2019

15 GOING CONCERN *continued*

Since the year end, the economic environment has been affected by the global COVID-19 pandemic. However, due to the nature of the company's core activities, the direct effects on cash flows as a result of COVID-19 are expected to be limited.

For the purposes of the directors' assessment of the company's going concern position and to satisfy them of the company's ability to pay its liabilities as they fall due, the directors have prepared a company cash flow statement for a period of 18 months from the date of approval of these financial statements. The cash flow forecasts indicate that, after taking account of severe but plausible downsides including the impact of the COVID-19 pandemic, the company's existing resources and facilities and the support noted above from Scottish Power Limited are sufficient to enable it to trade and pay its liabilities as they fall due for the forecast period.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 18 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

16 EVENTS AFTER THE BALANCE SHEET DATE

On 11 March 2020, the World Health Organization declared the outbreak of Coronavirus COVID-19 a pandemic, due to its rapid spread throughout the world, having affected more than 110 countries at that time. Most global governments are taking restrictive measures to contain the spread of the virus, including: isolation, quarantine, restricting the free movement of people, closure of public and private premises (except those of basic necessity and health), closure of borders and a significant reduction in air, sea, rail and land transport. The principal activities of the company will continue and are expected to operate throughout this crisis period without significant disruption.

In the UK, the UK and the devolved Governments have put in place various measures, culminating on 23 March 2020 when a 'lockdown' was announced, requiring all citizens to stay at home (with a few specific exceptions) for a number of weeks. Following the slow release of the full lockdown, some level of restriction is expected to be in place for a significant part of 2020. Also, temporary emergency legislation, the Coronavirus Act 2020 ("The Act") received Royal Assent on 25 March 2020. This Act (and other similar acts approved by the devolved governments) provide powers needed to respond to the current coronavirus pandemic, including containing and slowing the virus and enhancing capacity and the flexible deployment of staff.

As the significant impacts of COVID-19 arose after 31 December 2019, this is considered a non-adjusting post balance sheet event for the company for the year ended 31 December 2019, without prejudice to the fact that the impacts will be recognised as part of the 31 December 2020 year end.

It is difficult to estimate the present and future impacts resulting from this crisis, however, as at the date of signing these Accounts, it is thought that the effects of the COVID-19 crisis on the results of the company's subsidiaries, and therefore the company itself, will be temporary and as such will not significantly affect the long-term recoverability of the company's investments.