SPW INVESTMENTS LIMITED
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2020

Registered No. SC473190

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CONTENTS

SPW INVESTMENTS LIMITED
STRATEGIC REPORT

The directors present their Strategic Report on SPW Investments Limited ("the Company") for the year ended 31 December 2020. This includes an overview of the Company's structure, strategic outlook including 2020 performance, and principal risks and uncertainties.

STRATEGIC OUTLOOK

Introduction

The principal activity of the Company, registered company number SC473190, is that of a holding company. The Company's sole investment is the entire share capital of Scottish Power Limited ("SPL"), the holding company of the Scottish Power Limited Group ("ScottishPower") in the United Kingdom ("UK"). The Company will continue with this activity for the foreseeable future.

The immediate and ultimate parent of the Company is Iberdrola, S.A. ("Iberdrola") which is listed on the Madrid stock exchange.

Operating review

The Company's net profit for the year was £860.3 million (2019 £351.0 million) principally representing dividends received from SPL of £860.4 million (2019 £342.0 million).

In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic, due to its rapid spread throughout the world. In common with many governments, the UK and devolved Governments put in place restrictive measures to contain the spread of the virus. These have been in place to various extents since March 2020 and are expected to endure in some form during 2021 and perhaps 2022. COVID-19 has not had a significant impact on the Company's business operations and is not deemed to impact the conclusions that the Company will continue as a going concern.

Financial instruments

Treasury services are provided by Iberdrola Group Treasury. Further details of the treasury policy for Iberdrola and how it managed this is included in the most recent Annual Report and Accounts of Iberdrola.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's risk management policy is integrated as part of the risk management policy of Iberdrola. Iberdrola develops and implements risk management policies and procedures, and promotes a robust control environment at all levels of the organisation. Further details of Iberdrola's governance structure and risk management are provided in the most recent Annual Report and Accounts of Iberdrola.

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 Company's subsidiaries and joint ventures.

ENGAGING WITH STAKEHOLDERS

The Company is the immediate parent and holding company of SPL, which is the holding company of ScottishPower.

The importance of engaging with stakeholders

Meaningful engagement with 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 and joint ventures in accordance at all times with the Company's 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 Company.

ENGAGING WITH STAKEHOLDERS *continued*
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 energy 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.

Shareholders are important to the Company. All shareholder management activities are carried out by Iberdrola. 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.

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 requires the directors of the Company 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.

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 Company requires the Company 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 Company's 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.

The principal activity of the Company is that of a holding company. The Company's sole investment is the entire share capital of SPL, which is the holding company of ScottishPower. The Company does not have employees, direct business relationships with suppliers and customers, or operations directly affecting the community and the environment. Other than its sole shareholder, the indirect stakeholders of the Company are the stakeholders of ScottishPower. Further details of the stakeholders of the Company are set out in the 'Engaging with Stakeholders' section of the Strategic Report above.

The directors strongly believe that effective and meaningful engagement with stakeholders is key to promoting the success of the Company. The directors, both individually and together as a board, consider that the decisions taken during the year ended 31 December 2020 in discharging the function of the Board, were in conformance with their duty under section 172 of the Companies Act 2006.

The Board is assisted in considering key stakeholders (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

David Wark
Director
8 July 2021

SPW INVESTMENTS LIMITED
DIRECTORS' REPORT

The directors present their report and audited Accounts for the year ended 31 December 2020.

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 2:

- Information on financial risk management and policies; and
- Information regarding future developments of the Company.

STREAMLINED ENERGY AND CARBON REPORTING
The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("the 2018 Regulations") requires certain companies to present disclosures concerning greenhouse gas emissions, energy consumption and energy efficiency action. The Company is exempt under section 20D.7(a) of the 2018 Regulations from the requirements to present detailed disclosures as it has consumed less than 40,000 kilowatt hours ("kWh") of energy in the UK during the year to 31 December 2020. Details of the information required by the 2018 Regulations relating to the ScottishPower Group are provided in the most recent Annual Report and Accounts of SPL.

RESULTS AND DIVIDEND
The net profit for the year was £860.3 million (2019 £351.0 million). A dividend of £860.0 million was paid during the year (2019 £1,330.0 million).

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

Andrés Campaña Ávila (resigned 20 November 2020)
Cristina González-Alemán Calleja (appointed 19 November 2020)
David Wark

As at the date of this report, there have been no changes to the composition of the Board since the year end.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS
The directors are responsible for preparing the Annual Reports and Accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with 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, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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

SPW INVESTMENTS LIMITED
DIRECTORS' REPORT *continued*

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

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.

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 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 was re-appointed as the auditor of the Company for the year ending 31 December 2021.

ON BEHALF OF THE BOARD

David Wark
Director
8 July 2021

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SPW INVESTMENTS LIMITED

Opinion

We have audited the financial statements of SPW Investments Limited ("the company") for the year ended 31 December 2020 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 2020 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 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").

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.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and internal audit and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no revenue transactions. We did not identify any additional fraud risks.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SPW INVESTMENTS LIMITED *continued*

Fraud and breaches of laws and regulations – ability to detect *continued*
Identifying and responding to risks of material misstatement due to fraud continued

We performed procedures including identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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 SPW INVESTMENTS LIMITED *continued*

Directors' responsibilities
As explained more fully in their statement set out on pages 3 and 4, 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

12 July 2021

SPW INVESTMENTS LIMITED
BALANCE SHEET
at 31 December 2020

	Notes	**2020** **£m**	2019 £m
ASSETS			
NON-CURRENT ASSETS			
Investments in subsidiaries	3	**6,329.4**	6,329.4
Deferred tax asset	4	**-**	-
NON-CURRENT ASSETS		**6,329.4**	6,329.4
CURRENT ASSETS			
Other receivables	5	**9.5**	7.5
Current tax asset		**0.1**	-
Cash and short-term deposits		**0.4**	4.2
CURRENT ASSETS		**10.0**	11.7
TOTAL ASSETS		**6,339.4**	6,341.1
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		**6,339.4**	6,339.1
Share capital	6, 7	1.0	1.0
Other reserves	7	5,008.4	5,008.4
Retained earnings	7	1,330.0	1,329.7
TOTAL EQUITY		**6,339.4**	6,339.1
CURRENT LIABILITIES			
Current tax liabilities		**-**	2.0
CURRENT LIABILITIES		**-**	2.0
TOTAL LIABILITIES		**-**	2.0
TOTAL EQUITY AND LIABILITIES		**6,339.4**	6,341.1

Approved by the Board and signed on its behalf on 8 July 2021.

David Wark
Director

The accompanying Notes 1 to 14 are an integral part of the balance sheet at 31 December 2020.

SPW INVESTMENTS LIMITED
INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2020

	Notes	2020 £m	2019 £m
External services		(0.3)	-
OPERATING LOSS/RESULT		**(0.3)**	-
Dividends received		860.4	342.0
Finance income	8	0.1	10.5
Finance costs	9	-	0.6
PROFIT BEFORE TAX		**860.2**	353.1
Income tax	10	0.1	(2.1)
NET PROFIT FOR THE YEAR		**860.3**	351.0

Net profit for both years comprises total comprehensive income.

Net profit for both years is wholly attributable to the equity holder of SPW Investments Limited.

All results relate to continuing operations.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020

	Share capital £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2019	1.0	5,008.4	2,308.7	7,318.1
Total comprehensive income for the year	-	-	351.0	351.0
Dividends paid	-	-	(1,330.0)	(1,330.0)
At 1 January 2020	1.0	5,008.4	1,329.7	6,339.1
Total comprehensive income for the year	-	-	860.3	860.3
Dividends paid	-	-	(860.0)	(860.0)
At 31 December 2020	**1.0**	**5,008.4**	**1,330.0**	**6,339.4**

The accompanying Notes 1 to 14 are an integral part of the income statement and statement of comprehensive income and the statement of changes in equity for the year ended 31 December 2020.

SPW INVESTMENTS LIMITED
CASH FLOW STATEMENT
for the year ended 31 December 2020

	2020 £m	2019 £m
Cash flows from operating activities		
Profit before tax	**860.2**	353.1
Adjustments for:		
Net finance income and costs	**(0.1)**	(11.1)
Shareholding income	**(860.4)**	(342.0)
Changes in working capital:		
Change in trade payables	**-**	(0.3)
Income taxes paid	**(2.0)**	(1.4)
Interest received	**7.3**	10.7
Dividends received	**860.4**	342.0
Net cash flows from operating activities (i)	**865.4**	351.0
Cash flows from investing activities		
(Increase)/decrease in amounts due from Iberdrola Group companies - current loans	**(9.2)**	983.2
Net cash flows from investing activities (ii)	**(9.2)**	983.2
Cash flows from financing activities		
Dividends paid to the Company's equity holder	**(860.0)**	(1,330.0)
Net cash flows from financing activities (iii)	**(860.0)**	(1,330.0)
Net increase in cash and cash equivalents (i)+(ii)+(iii)	**(3.8)**	4.2
Cash and cash equivalents at beginning of year	**4.2**	-
Cash and cash equivalents at end of year	**0.4**	4.2

Cash and cash equivalents at end of year comprises:

Cash and short-term deposits	**0.4**	4.2
Cash flow statement cash and cash equivalents	**0.4**	4.2

The accompanying Notes 1 to 14 are an integral part of the cash flow statement for the year ended 31 December 2020.

1 BASIS OF PREPARATION

A COMPANY INFORMATION

SPW Investments Limited ("the Company"), registered company number SC473190, is a private company limited by shares, incorporated in Scotland and its registered office is 320 St Vincent Street, Glasgow, G2 5AD, Scotland.

B BASIS OF PREPARATION

B1 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 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 Accounts are prepared on the historical cost basis.

The Accounts contain information about SPW Investments Limited as an individual company and do not contain consolidated financial information as the parent of subsidiary companies. 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 ventures are included by full consolidation in the consolidated Accounts of its ultimate parent company 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 Accounting Standards ("IAS") in conformity with the requirements of the Companies Act 2006 (refer to Note 1C1) including newly effective International Financial Reporting Standards ("IFRS") for the year ended 31 December 2020 (refer to Note 1C2), but has made amendments where necessary in order to comply with the Companies Act 2006 and has set out below where FRS 101 disclosure exemptions have been taken.

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

- 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'.

B2 GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on pages 1 to 2.

The Company's balance sheet presents net current assets of £10.0 million as at 31 December 2020. The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

Throughout the year, and up to the date of signing, 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 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 forecast for the period to 31 December 2022 which indicates that, after taking account of severe but plausible downsides including the impact of the COVID-19 pandemic, the Company's existing resources and facilities are sufficient to enable it to trade and pay its liabilities as they fall due for the forecast period.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for the period to 31 December 2022 and therefore have prepared the financial statements on a going concern basis.

1 BASIS OF PREPARATION *continued*

C ACCOUNTING STANDARDS

C1 IMPACT OF BREXIT

After the end of the Brexit transition period (31 December 2020) the UK ceased to be subject to European Union ("EU") law. Under the European Union (Withdrawal) Act 2018, all existing IFRSs adopted by the EU at that time have been 'frozen' into UK law thus were considered as in force in the UK at the end of the transition period. Adoptions, interpretations and amendments of IFRS adopted by the EU after the end of the transition period will no longer apply in the UK. For subsequent financial years, companies must use UK-adopted IFRS. At the end of the transition period, those standards will be identical to the EU-adopted IFRS in force on that date, but subsequently the UK has established its own endorsement process to adopt UK-adopted IFRS, interpretations and amendments of IFRS. For the year ended 31 December 2020, UK companies therefore have the option to use any standards which have been adopted for use within the UK in addition to the frozen EU-adopted IFRS.

In previous years, the Accounts have been prepared in accordance with FRS 101 applying the recognition, measurement and disclosure requirements of IFRS as adopted by the EU at the date of approval of the Accounts and which were mandatory for each financial year. In line with the above, the Accounts for the year ended 31 December 2020 have been prepared in accordance with FRS 101 applying the 'frozen' IFRS as adopted by the EU in accordance with the International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019. The Accounts for financial year beginning 1 January 2021, will be prepared in accordance with FRS 101 applying the recognition, measurement and disclosure requirements of IFRS as adopted by the UK.

The changes in the way that IFRS are described as a result of the UK's exit from the EU, including the move to UK-adopted IFRS for accounting periods starting on or after 1 January 2021, do not represent a change in the basis of preparation which would necessitate a prior year restatement.

C2 IMPACT OF NEW IFRS

As noted above, these Accounts have been prepared in accordance with FRS 101. In preparing these Accounts, the Company has applied all relevant IASs, IFRSs and International Financial Reporting Interpretations Committee Interpretations ("IFRICs") (collectively referred to as "IFRS") that have been adopted by the EU/UK as of the date of approval of these Accounts and that are mandatory for the financial year ended 31 December 2020.

For the year ended 31 December 2020, the Company has applied the following amendments for the first time:

Standard	Note
• Amendments to References to the Conceptual Framework in IFRS Standards	(a)
• Amendments to IFRS 3 'Business Combinations'	(a)
• Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors': 'Definition of Material'	(a)
• Amendments to IFRS 9 'Financial Instruments'; IAS 39 'Financial Instruments: Recognition and Measurement'; and IFRS 7 'Financial Instruments: Disclosures': 'Interest Rate Benchmark Reform'	(a)

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

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 2020, there were 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

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

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 ASSETS

A1.1 RECOGNITION AND INITIAL MEASUREMENT

Financial assets (excluding investments) are classified as measured at amortised cost both at initial recognition and subsequently.

Financial assets are initially recognised when the Company becomes party to the contractual provisions of the instrument. A financial asset is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue.

A1.2 CLASSIFICATION AND SUBSEQUENT MEASUREMENT

(a) Classification

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. Such reclassifications are expected to be infrequent; no other reclassifications are permitted.

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

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is referred to as the 'SPPI' test.

(b) Subsequent measurement and gains and losses

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by net credit losses. Interest income, foreign exchange gains and losses and net credit losses are recognised in the income statement. Any gain or loss on derecognition is also recognised in the income statement.

(i) Derecognition

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

(c) Impairment of financial assets

The Company has adopted the general Expected Credit Loss ("ECL") model for financial assets measured at amortised cost which works as follows:

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

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

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

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

A FINANCIAL INSTRUMENTS *continued*

A1 FINANCIAL ASSETS *continued*

A1.2 CLASSIFICATION AND SUBSEQUENT MEASUREMENT *continued*

(c) Impairment of financial assets *continued*

The Company considers financial assets to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment-grade'. The Company considers this to be BBB- or higher per rating agency Standard & Poor's. Therefore, all of the Company's financial assets are considered to have low credit risk at both the beginning and end of the reporting period.

The Company considers a financial asset to be in default when:

- internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full (before taking into account any credit enhancements held by the Company); or
- the financial asset is more than 90 days past due.

(i) Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Lifetime ECLs are the ECLs resulting from all possible default events over the expected life of a financial instrument. Twelve-month ECLs are the ECLs resulting from default events that are possible within the twelve months after the reporting date (or a shorter period if the expected life of the instrument is less than twelve months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and those the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

(ii) Credit-impaired financial assets

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

(iii) Write-offs

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

A2 FINANCIAL LIABILITIES

A2.1 RECOGNITION AND INITIAL MEASUREMENT

The Company's financial liabilities are classified as measured at amortised cost.

A2.2 CLASSIFICATION AND SUBSEQUENT MEASUREMENT

The Company's 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.

(a) Derecognition

The Company derecognises a financial liability when the obligation under that liability is discharged, 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, the original liability is derecognised and a new liability recognised. The difference in their respective carrying amounts is recognised in the income statement.

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

B TAXATION

Assets and liabilities for current tax are 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.

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 expected to be settled, or the asset realised based on tax rates and laws enacted, or substantively enacted, at the balance sheet date. Deferred tax is charged to 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 recognised in equity and is shown in the statement of comprehensive income.

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income. For income tax arising on dividends, the related tax is recognised in the income statement, statement of other comprehensive income, or in equity consistently with the transactions that generated the distributable profits.

C INVESTMENTS

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

3 INVESTMENTS

(a) Movements in investments

	Investment in subsidiaries £m
At 1 January 2019, 1 January 2020 and 31 December 2020	**6,329.4**

(b) Subsidiaries and joint ventures

The subsidiaries and joint ventures of the Company at 31 December are set out below. Entities are indirect holdings unless specified.

Name	Principal activities	Registered office and country of incorporation (Note (ix))	Equity interest in ordinary shares 2020	2019
Energy Networks				
Subsidiaries				
Scottish Power Energy Networks Holdings Limited	Holding company	(A)	100%	100%
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%
SP Network Connections Limited	Design and construction of utility connections	(B)	100%	100%
SP Power Systems Limited	Provision of asset management services	(A)	100%	100%

3 INVESTMENTS *continued*

(b) Subsidiaries and joint ventures *continued*

Name	Principal activities	Registered office and country of incorporation (Note (ix))	Equity interest in ordinary shares 2020		2019
Energy Networks *continued*					
Subsidiaries					
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%
Joint venture					
NGET/SPT Upgrades Limited	Operation of offshore HVDC West Coast transmission link	(C)	50%		50%
Renewables					
Subsidiaries					
ScottishPower Renewable Energy Limited	Holding company	(A)	100%		100%
Coldham Windfarm Limited	Operation of an onshore wind farm	(B)	80%		80%
Cumberhead West Wind Farm Ltd.	Development of an onshore wind farm	(A)	72%	(i)	-
Douglas West Extension Ltd	Development of an onshore wind farm	(A)	72%	(ii)	72%
East Anglia One Limited	Construction and operation of an offshore wind farm	(D)	60%	(iii)	60%
East Anglia One North Limited	Development of an offshore wind farm	(D)	100%		100%
East Anglia Three Limited	Development of an offshore wind farm	(D)	100%		100%
East Anglia Two Limited	Development of an offshore wind farm	(D)	100%		100%
Hagshaw Hill Repowering Ltd	Development of an onshore wind farm	(A)	100%	(i)	-
ScottishPower Renewables (UK) Limited	Development, construction and operation of onshore wind farms	(E)	100%		100%
ScottishPower Renewables (WODS) Limited	Operation of an offshore wind farm	(A)	100%		100%
Joint ventures					
Celtpower Limited	Operation of an onshore wind farm	(B)	50%		50%
East Anglia Offshore Wind Limited	Commercial operation of offshore meteorological mast	(D)	50%		50%
Morecambe Wind Limited	Provision of operational services	(F)	50%		50%
Energy Retail and Wholesale					
Subsidiaries					
Scottish Power Retail Holdings Limited	Holding company	(A)	100%		100%
ScottishPower (DCL) Limited	Holding company	(B)	100%		100%
ScottishPower Energy Management Limited	Wholesale energy management company engaged in purchase and sale of electricity and gas	(A)	100%		100%
ScottishPower Energy Management (Agency) Limited	Agent for energy management activity of ScottishPower Energy Management Limited and Scottish Power UK plc	(A)	100%		100%
ScottishPower Generation (Assets) Limited	Asset owning company	(A)	100%		100%
ScottishPower (SCPL) Limited	Holding company	(B)	100%		100%
SP Gas Transportation Hatfield Limited	Holder of Gas Transporter Licence	(A)	100%		100%
ScottishPower Energy Retail Limited	Supply of electricity and gas to domestic and business customers	(A)	100%		100%
SP Dataserve Limited	Data collection, data aggregation, meter operation and revenue protection	(A)	100%		100%
SP Smart Meter Assets Limited	Provider of smart meter assets and services	(A)	100%		100%

3 INVESTMENTS *continued*

(b) Subsidiaries and joint ventures *continued*

Name	Principal activities	Registered office and country of incorporation (Note (ix))	Equity interest in ordinary shares 2020		2019
Other					
Subsidiaries					
Scottish Power Limited	Holding company	(A)	100%	(iv)	100%
Scottish Power UK plc	Holding company	(A)	100%		100%
Dormant subsidiaries in liquidation					
SP Gas Transportation Cockenzie Limited	In liquidation	(G)	100%	(v)	100%
ScottishPower Investments Limited	In liquidation	(G)	100%	(vi)	100%
ScottishPower Renewables (UK Assets) Limited	In liquidation	(G)	100%	(vii)	100%
Dormant subsidiaries now dissolved					
SP Gas Limited	Dissolved	(G)	-	(viii)	100%

(i) On 5 June 2020, ScottishPower Renewables (UK) Limited ("SPRUKL") acquired the entire share capital of Hagshaw Hill Repowering Ltd. On 28 August 2020, SPRUKL acquired 72% of the share capital of Cumberhead West Wind Farm Ltd.
(ii) On 20 May 2019, SPRUKL acquired 72% of the share capital of Douglas West Extension Ltd.
(iii) On 30 August 2019, SPRUKL sold 40% of the share capital of East Anglia One Limited to Bilbao Offshore Holding Limited.
(iv) Scottish Power Limited is a direct holding of SPW Investments Limited.
(v) SP Gas Transportation Cockenzie Limited was placed into member's voluntary liquidation on 10 December 2020.
(vi) ScottishPower Investments Limited was placed into member's voluntary liquidation on 14 June 2021.
(vii) ScottishPower Renewables (UK Assets) Limited was placed into member's voluntary liquidation on 22 June 2021.
(viii) SP Gas Limited was dissolved on 3 June 2020.
(ix) The registered offices of the subsidiaries and joint ventures 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, G2 5AD, Scotland
(B) 3 Prenton Way, Prenton, CH43 3ET, England
(C) 1–3 Strand, London, WC2N 5EH, England
(D) 3rd Floor,1 Tudor Street, London, EC4Y 0AH, England
(E) The Soloist, 1 Lanyon Place, Belfast, BT1 3LP, Northern Ireland
(F) 5 Howick Place, London, SW1P 1WG, England
(G) Johnston Carmichael, 227 West George Street, Glasgow, G2 2ND, Scotland

For those entities incorporated in Scotland, Northern Ireland and England and Wales, the principal place of business is considered to be the United Kingdom; for all other entities, the country of incorporation is the principal place of business.

4 DEFERRED TAX

	Other temporary differences £m
At 1 January 2019	(0.1)
Charge to the income statement	0.1
At 31 December 2019 and 31 December 2020	-

5 OTHER RECEIVABLES

	Note	**2020 £m**	2019 £m
Current receivables:			
Receivables due from Iberdrola Group companies - loans	(a)	**9.4**	0.2
Receivables due from Iberdrola Group companies - interest		**0.1**	7.3
		9.5	7.5

(a) Current loans due from Iberdrola Group companies are receivable on demand with interest payable at LIBOR (London Inter-Bank Offer Rate) plus 0.3943%.

6 SHARE CAPITAL

	2020 £m	2019 £m
Allotted, called up and fully paid shares:		
1,000,100 ordinary shares of £1 each (2019 1,000,100)	**1.0**	1.0

(a) 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.

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

	Share capital £m	Other reserves (Note (a)) £m	Retained earnings (Note (b)) £m	Total £m
At 1 January 2019	1.0	5,008.4	2,308.7	7,318.1
Profit for the year attributable to equity holder of the Company	-	-	351.0	351.0
Dividends paid	-	-	(1,330.0)	(1,330.0)
At 1 January 2020	1.0	5,008.4	1,329.7	6,339.1
Profit for the year attributable to equity holder of the Company	-	-	860.3	860.3
Dividends paid	-	-	(860.0)	(860.0)
At 31 December 2020	**1.0**	**5,008.4**	**1,330.0**	**6,339.4**

(a) On 1 April 2014 the Company issued 1,000,000 ordinary shares of £1 each to Iberdrola in exchange for the entire share capital of SPL. The difference between the nominal value of the shares issued and the deemed fair value of the shares issued was credited to Other reserves, which is non-distributable.

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

8 FINANCE INCOME

	2020 £m	2019 £m
Interest receivable from Iberdrola Group companies	**0.1**	10.5

9 FINANCE COSTS

	2020 £m	2019 £m
Net ECLs	**-**	(0.6)

10 INCOME TAX

	2020 £m	2019 £m
Current tax:		
UK Corporation Tax (credit)/charge on profits for the year	**(0.1)**	2.0
Current tax for the year	**(0.1)**	2.0
Deferred tax:		
Origination and reversal of temporary differences	**-**	0.1
Deferred tax for the year	**-**	0.1
Income tax (credit)/expense for the year	**(0.1)**	2.1

10 INCOME TAX *continued*

Tax on the profit for the year varied from the standard rate of UK Corporation Tax applicable to the Company as follows:

	2020 £m	2019 £m
Corporation Tax at 19% (2019 19%)	163.4	67.1
Dividends from subsidiaries	(163.5)	(65.0)
Income tax (credit)/expense for the year	**(0.1)**	2.1

(a) Legislation was previously enacted to reduce the UK rate of Corporation Tax to 17% on 1 April 2020. Accordingly deferred tax balances were measured at the 17% rate, this being the tax rate enacted at the balance sheet date 31 December 2019, and the rate temporary differences were expected to reverse. Further legislation was enacted on 22 July 2020 under the Finance Act 2020 that maintains the 19% UK Corporation Tax rate. The 19% rate applies from 1 April 2020.

(b) Further legislation was substantively enacted on 24 May 2021 under the Finance Act 2021 that will increase the UK tax rate to 25% from 1 April 2023. This will have a consequential effect on the Company's future tax charge.

11 EMPLOYEE INFORMATION

The Company has no employees (2019 none).

12 DIVIDENDS

	2020 £ per ordinary share	2019 £ per ordinary share	2020 £m	2019 £m
Interim dividend paid	859.9	1,329.9	860.0	1,330.0

13 RELATED PARTY TRANSACTIONS

(a) Directors' remuneration

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

(b) Ultimate and immediate parent company

The directors regard Iberdrola, S.A. as the immediate and ultimate parent company, which is also the parent company of the only group in which the results of the Company are consolidated.

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

In addition to the parent undertaking disclosed above, the Company's other related undertakings are disclosed in Note 3.

14 AUDITOR'S REMUNERATION

	2020 £000	2019 £000
Audit of the Company's annual Accounts	7	6