SP SMART METER ASSETS LIMITED
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2019

Registered No. SC554085

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SP SMART METER ASSETS LIMITED
STRATEGIC REPORT

The directors present an overview of SP Smart Meter Assets Limited's business structure, 2019 performance and strategic outlook including principal risks and uncertainties.

STRATEGIC OUTLOOK

Introduction

The principal activity of SP Smart Meter Assets Limited ("the company"), registered company number SC554085, is the provision of smart meter assets. The company will continue with this activity for the foreseeable future.

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

The company is part of ScottishPower's Energy Retail business ("Energy Retail").

UK energy suppliers have been mandated by the UK Government to offer a smart meter to all domestic and small business customers in one of the biggest infrastructure programmes ever undertaken. The company finances the purchase and installation of smart meter assets under an agreement with ScottishPower Energy Retail Limited ("SPERL"), a fellow Iberdrola group company, and will continue to support SPERL's smart meter rollout obligations. The company charges for meter provision on a monthly basis to SPERL as the installing supplier and all other suppliers following a customer's decision to switch supplier.

Operational Performance

	Revenue*		Operating profit*		Capital investment**	
	2019	2018	**2019**	2018	**2019**	2018
Financial key performance indicators	**£m**	£m	**£m**	£m	**£m**	£m
SP Smart Meter Assets Limited	**48.4**	33.2	**18.9**	16.1	**74.6**	78.4

* Revenue and operating profit as presented on page 12.
** Capital investment for 2019 as presented in Notes 3 and 4 on page 18.

Revenue increased by £15.2 million reflecting an increase in the number of installed meters.

Operating profit increased by £2.8 million to £18.9 million primarily due to the increase in revenue, partially offset by an increase in depreciation in relation to the higher number of installed meters.

Capital investment decreased by £3.8 million to £74.6 million. Although a higher number of meters were purchased in 2019, the unit cost was significantly less due to the move to second generation smart meters. These savings were partially offset by higher installation costs.

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 are included in the most recent Annual Report and Accounts of SPL.

PRINCIPAL RISKS AND UNCERTAINTIES

ScottishPower's strategy, which is adopted by the company, is 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 (other than those specific to COVID-19 and Brexit), and so those of the company, that may impact current, future operational and financial performance and the management of these risks are described in the table on the following page:

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

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.
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 relating to 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 this risk is described below.

RISK	**RESPONSE**
Impairment of smart meters	Pursuing meter rental agreements with energy suppliers, monitoring energy suppliers' licence obligations and regular financial review of the performance of the company.

Emergence and spread of Coronavirus (COVID-19)

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.

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.

ScottishPower's structural response to the issues arising from the pandemic and the associated lockdown was to invoke the existing Business Continuity command structure to provide strategic direction and make key policy decisions during the affected period. This team is referred to as "Gold Command" and consists of the ScottishPower Management Committee. This is supported by teams consisting of senior management pertinent to each division to make decisions at an operational level. These teams are referred to as the "Silver Groups".

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

The COVID-19 principal risks considered relevant for ScottishPower, the Energy Retail business, and therefore the company are set out below:

RISK	RESPONSE
Impacts arising from the pandemic following market reactions to the events. These impacts could include movements in the value of Sterling and other financial instruments. The pandemic is likely to have longer-term economic impacts on ScottishPower, and therefore the company, and on the political and regulatory environments in which ScottishPower operates.	In addition to monitoring ongoing developments related to the pandemic, a treasury risk management policy is in place to hedge financial risks which are the most prevalent in the short-term. Any longer-term impact on the UK economy, and its impact on ScottishPower and specific business units, will be managed in line with developments. Risks arising from the pandemic are being monitored and managed across ScottishPower, and therefore the company, with oversight from the ScottishPower Management Committee.
The UK Government response to minimising the impact of the pandemic on the population, has restricted the flow of physical goods and equipment in addition to restricting the mobility of labour. This is likely to result in a degree of supply chain interruption due to a lack of appropriate labour levels and delays to the receipt of products and equipment.	Supply chain monitoring groups have been established across all business divisions in ScottishPower to identify early shortages and gaps in the supply chain in terms of products, equipment and labour. This has been supplemented by emergency procurement procedures to expedite orders for replacements, utilising the framework agreements ScottishPower already has in place. Notification has been provided to sub-contractors highlighting their importance in the provision of essential services such that appropriate levels of labour are maintained within the UK and devolved Governments' social distancing guidelines. Contractual protection has also been utilised e.g. force majeure notices, such that ScottishPower is not penalised for the late delivery of projects.
There is a risk that installation activities may be impacted by the restrictions around access to customer premises.	While the company will continue to generate revenue from the smart meters already installed, the restrictions in place have impacted the level of meters installed during the period of lockdown. This delayed investment in smart installations and the subsequent revenue stream will be recovered over time as restrictions are eased.
The deterioration in the UK economy increases the risk of customer defaults, and the risk of overdue debt for the customer base.	The company has increased customer interaction in order to mitigate overdue debt increases. Analysis of large high risk customers continues in an attempt to proactively target those areas where increased debt is likely to have more of an impact.

Whilst acknowledging the risks faced by ScottishPower, the Energy Retail business and so the company, COVID-19 is not deemed to impact the conclusion that the company will continue as a going concern. In respect of the impact on these Accounts, the Financial Reporting Council ("FRC") confirmed that COVID-19 is a non-adjusting post balance sheet event and any potential impacts on accounts, balances or assumptions are disclosed within Note 19.

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.

ENGAGING WITH STAKEHOLDERS
References to “ScottishPower” apply fully to the Energy Retail business, and therefore the company.

The importance of engaging with stakeholders
As part of the Iberdrola group, ScottishPower is 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 believes that effective and meaningful engagement with stakeholders is key to promoting the success and values 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 Energy Retail business, and so the company, engages with these stakeholders, and how these activities influence the company’s operations, are set out below.

Key stakeholders
ScottishPower, and the company, have four key stakeholder categories: customers; government and regulators; suppliers and contractors; and community and environment.

Behind these stakeholders are millions of people, and thousands of institutions, organisations and groups. All of them, with their decisions and opinions, influence ScottishPower, the Energy Retail business, and so the company, and they are also affected by ScottishPower’s activities. In addition, these stakeholders interact with each other, creating a universe of relationships that ScottishPower needs to manage in order to achieve a better understanding of its operating environment and to deliver a more sustainable performance across its activities.

Shareholders are also 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.

CUSTOMERS
The company’s main customer is SPERL, a fellow ScottishPower subsidiary, as well as external energy suppliers. The success of the company depends on continuous engagement to understand and provide for the needs of its customers. The company’s larger customers are account-managed involving regular direct contact to ensure the services provided are in line with contractual agreements. The success of the company depends on continuous engagement to understand and provide for the needs of its customers.

GOVERNMENT AND REGULATORS
Governments and regulators play a central role in shaping the energy sector. ScottishPower engages with them directly and through trade associations, responding to issues of concern and providing expertise to support policy development. Through this engagement ScottishPower aims to contribute to the delivery of a UK energy system that functions in the interests of customers now and in the future.

SUPPLIERS AND CONTRACTORS
As part of ScottishPower’s mission for a better future, quicker ScottishPower is always looking for new suppliers and contractors and also for ways it can improve working relationships with ScottishPower’s existing suppliers and contractors.

Further details as to how ScottishPower, and so the company, engages with its suppliers and contractors, are provided in the most recent Annual Report and Accounts of SPL.

COMMUNITY AND ENVIRONMENT
Building the trust of communities has been at the heart of ScottishPower’s activities for many years. ScottishPower has a significant presence in many communities and it aims to conduct activities responsibly, in ways that are considerate to local communities and make a positive contribution to society. Engaging with these communities, as key stakeholders, is

ENGAGING WITH STAKEHOLDERS *continued*

therefore an essential aspect to delivering ScottishPower's objectives, through sharing knowledge and information to help ScottishPower make informed decisions.

ScottishPower is working to minimise its carbon footprint through environmental management systems, which align with the UN Sustainable Development Goals ("SDGs"). ScottishPower has formal Environmental Management Systems ("EMS"), certified to International Standard 14001:2015, and managed by its operational businesses.

Further details as to how ScottishPower, and so the company, engages with communities and manages its impact on the environment are provided in the most recent Annual Report and Accounts of SPL.

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 directors 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 SP Smart Meter Assets Limited 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.

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 Retail business, (headed by SPRH), of which the company is a member, requires the Energy Retail business to conduct business in a manner benefitting customers through balancing cost and risk while delivering shareholder value and protecting the Energy Retail business performance and reputation 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 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 stakeholders and how the Energy Retail business, and therefore the company, engages with them are as follows:

- **Customers:** details of how the company engages with its customers are explained in the 'Customers' sub-section of the Strategic Report, on page 4.
- **Communities and the environment:** details of how the Energy Retail business engages with communities are set out in the 'Community and environment' sub-section of the Strategic Report, on page 4.
- **Suppliers:** details of how the Energy Retail business engages with its suppliers are set out in the 'Suppliers and contractors' sub-section of the Strategic Report, on page 4.
- **Government and regulators**: details of how the Energy Retail business engages with governments and regulators are set out in the 'Government and regulators' sub-section of the Strategic Report, on page 4.

In addition, a statement in relation to the company's interaction with its shareholders is described in the introduction to the 'Engaging with stakeholders' sub-section of the Strategic Report on page 4.

SECTION 172 STATEMENT *continued*

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 of the company ("the Board") were in conformance with their duty under section 172 of the Companies Act 2006.

The Board is assisted in considering key stakeholders 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

Nicola M. Connelly

Nicola Connelly
Director
25 August 2020

SP SMART METER ASSETS LIMITED
DIRECTORS' REPORT

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

INFORMATION CONTAINED WITHIN THE STRATEGIC REPORT

The directors have chosen to disclose information on the following, required by the Companies Act 2006 to be included in the Director's Report, within the Strategic Report, found on pages 1 to 6:

• 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 £13.3 million (2018 £11.7 million). A dividend of £10.0 million was paid during the year (2018 £nil).

DIRECTORS

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

Graeme Brown
Heather Chalmers White (resigned 31 January 2019)
Nicola Connelly (appointed 29 May 2019)

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 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, 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.

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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT 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

Nicola M. Connelly

Nicola Connelly
Director
25 August 2020

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SP SMART METER ASSETS LIMITED

OPINION

We have audited the financial statements of SP Smart Meter Assets 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 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 SP SMART METER ASSETS LIMITED *continued*

Directors' responsibilities

As explained more fully in their statement set out on pages 7 and 8, 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 (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St. Vincent Street
Glasgow
G2 5AS
26 August 2020

SP SMART METER ASSETS LIMITED
BALANCE SHEET
at 31 December 2019

	Notes	**2019** **£m**	2018 £m
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	3	**0.3**	0.2
Property, plant and equipment		**227.4**	182.3
Property, plant and equipment in use	4	213.9	170.0
Property, plant and equipment in the course of construction	4	13.5	12.3
NON-CURRENT ASSETS		**227.7**	182.5
CURRENT ASSETS			
Trade and other receivables	5	**13.8**	6.4
Current tax asset		**-**	0.7
CURRENT ASSETS		**13.8**	7.1
TOTAL ASSETS		**241.5**	189.6
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		**19.8**	16.5
Share capital	6, 7	-	-
Retained earnings	7	19.8	16.5
TOTAL EQUITY		**19.8**	16.5
NON-CURRENT LIABILITIES			
Deferred tax liabilities	8	**7.0**	5.0
NON-CURRENT LIABILITIES		**7.0**	5.0
CURRENT LIABILITIES			
Loans and other borrowings	9	**164.2**	141.4
Trade and other payables	10	**49.6**	26.7
Current tax liabilities		**0.9**	-
CURRENT LIABILITIES		**214.7**	168.1
TOTAL LIABILITIES		**221.7**	173.1
TOTAL EQUITY AND LIABILITIES		**241.5**	189.6

Approved by the Board and signed on its behalf on 25 August 2020.

Nicola Connelly
Director

The accompanying Notes 1 to 19 are an integral part of the balance sheet at 31 December 2019.

SP SMART METER ASSETS LIMITED
INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019

	Notes	2019 £m	2018 £m
Revenue		48.4	33.2
GROSS MARGIN		**48.4**	33.2
NET OPERATING INCOME/(EXPENSES)		**0.2**	(1.2)
Net external income/(expenses)		**0.2**	(1.2)
External services		(1.4)	(1.5)
Other operating income		1.6	0.3
GROSS OPERATING PROFIT		**48.6**	32.0
Impairment losses on trade and other receivables		(0.3)	(0.2)
Depreciation and amortisation charge, allowances and provisions	11	(29.4)	(15.7)
OPERATING PROFIT		**18.9**	16.1
Finance costs	12	(2.7)	(2.1)
PROFIT BEFORE TAX		**16.2**	14.0
Income tax	13	(2.9)	(2.3)
NET PROFIT FOR THE YEAR		**13.3**	11.7

Net profit for both years is wholly attributable to the equity holder of SP Smart Meter Assets Limited.

Net profit for both years comprises total comprehensive income.

All results relate to continuing operations.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

	Ordinary share capital £m	Retained earnings £m	Total equity £m
At 1 January 2018	-	4.8	4.8
Total comprehensive income for the year	-	11.7	11.7
At 1 January 2019	-	16.5	16.5
Total comprehensive income for the year	-	13.3	13.3
Dividends	-	(10.0)	(10.0)
At 31 December 2019	**-**	**19.8**	**19.8**

The accompanying Notes 1 to 19 are an integral part of the income statement and statement of other comprehensive income for the year ended 31 December 2019.

SP SMART METER ASSETS LIMITED
CASH FLOW STATEMENT
for the year ended 31 December 2019

	2019	2018
	£m	£m
Cash flows from operating activities		
Profit before tax	**16.2**	14.0
Adjustments for:		
Depreciation and amortisation	**23.3**	15.1
Finance costs	**2.7**	2.1
Net losses on write-off of non-current assets	**6.1**	0.6
Changes in working capital:		
Change in trade and other receivables	**(8.8)**	(0.1)
Change in trade payables	**18.7**	8.8
Income taxes received	**0.7**	1.2
Net cash flows from operating activities (i)	**58.9**	41.7
Cash flows from investing activities		
Investments in intangible assets	**(0.2)**	(0.1)
Investments in property, plant and equipment	**(69.4)**	(82.9)
Net cash flows from investing activities (ii)	**(69.6)**	(83.0)
Cash flows from financing activities		
Increase in amounts due to Iberdrola group companies - current loans payable	**22.8**	42.0
Dividends paid to company's equity holder	**(10.0)**	-
Interest paid	**(2.1)**	(0.7)
Net cash flows from financing activities (iii)	**10.7**	41.3
Net cash and cash equivalents (i)+(ii)+(iii)	**-**	**-**
Cash and cash equivalents at beginning of year	**-**	-
Cash and cash equivalents at end of year	-	-

The accompanying Notes 1 to 19 are an integral part of the cash flow statement for the year ended 31 December 2019.

1 BASIS OF PREPARATION

A COMPANY INFORMATION

SP Smart Meter Assets Limited ("the company"), registered company number SC554085, is a private company limited by shares, incorporated in Scotland and its registered office is 320 St. Vincent Street, Glasgow, G2 5AD.

B BASIS OF PREPARATION OF THE ACCOUNTS

The company is required by law to prepare accounts and to deliver them to the Registrar of Companies. The Accounts 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 amounts are prepared on the historical cost basis.

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 as at the date of approval of these Accounts and which are mandatory for the 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 financial statements, 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;
- certain disclosures regarding revenue;
- comparative period reconciliations for property, plant and equipment and intangible assets;
- 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 ACCOUNTING STANDARDS

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 standards and 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 any 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.

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 REVENUE

The company recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services. All revenue is earned wholly within the UK and is wholly attributable to the principal activities of the company.

Smart meter provision is a performance obligation satisfied over time as the customer benefits from the service as it is provided. The customer benefits from the company's service evenly throughout the year and therefore time is used to measure progress towards complete satisfaction of the performance obligation. Revenue is recognised on a straight-line basis throughout the year based on the agreed contractual rate.

B INTANGIBLE ASSETS (COMPUTER SOFTWARE)

The costs of acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software and are amortised on a straight-line basis over their operational lives. Costs directly associated with the development of computer software programmes that are expected to generate economic benefits over a period in excess of one year are capitalised and amortised, on a straight-line basis, over their estimated operational lives. Amortisation of computer software is over periods of up to four years.

C PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost and is generally depreciated on a straight-line basis over the estimated operational lives of the assets once commissioned. Property, plant and equipment includes capitalised interest and other directly attributable costs. Reviews of the estimated remaining lives and residual values of property, plant and equipment are undertaken annually.

The main depreciation period used by the company is as set out below.

	Years
Meters and measuring devices	10

D IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

E 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.

E1 FINANCIAL ASSETS

E1.1 RECOGNITION AND INTITIAL MEASUREMENT

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost. Trade receivables are initially recognised when they originate. Trade receivables without a significant financing component and for which the company has applied the simplified Expected Credit Loss ("ECL") model are measured at the transaction price determined under IFRS 15 'Revenue from Contracts with Customers' ("IFRS 15") per Note 5.

E1.2 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 financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. These are expected to be infrequent and no other reclassifications are permitted.

The company's business model for managing financial assets refers to how it manages its financial assets 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 should be 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 impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in the income statement. Any gain or loss on derecognition is 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 simplified ECL model for its trade receivables.

In applying the simplified model, loss allowances for trade receivables are always measured at an amount equal to lifetime ECL. The company has established a provision matrix based on historical credit loss experience and where possible readily available forecast information.

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 that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

E FINANCIAL INSTRUMENTS *continued*

E1 FINANCIAL ASSETS *continued*

E1.2 CLASSIFICATION AND SUBSEQUENT MEASUREMENT *continued*

(c) Impairment of financial assets *continued*

(i) Measurement of ECLs *continued*

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

(ii) Credit-impaired financial assets

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

(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.

E2 FINANCIAL LIABILITIES

E2.1 RECOGNITION AND INITIAL MEASUREMENT

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

E2.2 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 and foreign exchange gains and losses are 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.

(a) Derecognition

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.

F TAXATION

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

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

Deferred tax is calculated on a non-discounted basis at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax is charged 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 dealt with in equity and is shown in the statement of comprehensive income.

3 INTANGIBLE ASSETS

Year ended 31 December 2019	Computer software £m
Cost:	
At 1 January 2019	0.3
Additions	0.2
At 31 December 2019	**0.5**
Amortisation:	
At 1 January 2019	0.1
Amortisation for the year	0.1
At 31 December 2019	**0.2**
Net book value:	
At 31 December 2019	**0.3**
At 1 January 2019	0.2

4 PROPERTY, PLANT AND EQUIPMENT
(a) Movements in property, plant and equipment

Year ended 31 December 2019	Meters and measuring devices in use £m	Meters and measuring devices in progress £m	Total £m
Cost:			
At 1 January 2019	189.9	12.3	202.2
Additions	51.3	23.1	74.4
Transfers from in progress to in use	20.4	(20.4)	-
Disposals	(5.7)	(1.5)	(7.2)
At 31 December 2019	**255.9**	**13.5**	**269.4**
Depreciation:			
At 1 January 2019	19.9	-	19.9
Depreciation for the year	23.2	-	23.2
Disposals	(1.1)	-	(1.1)
At 31 December 2019	**42.0**	**-**	**42.0**
Net book value:			
At 31 December 2019	**213.9**	**13.5**	**227.4**
At 1 January 2019	170.0	12.3	182.3

(b) Capital commitments

The company had £8.1 million of capital commitments at 31 December 2019 (2018 £24.4 million) expected to be settled within one year in both years.

5 TRADE AND OTHER RECEIVABLES

	Note	2019 £m	2018 £m
Current receivables:			
Receivables due from Iberdrola group companies - trade		**5.1**	0.3
Trade receivables (including accrued income)		**5.8**	2.2
Prepayments		**0.5**	1.9
Other tax receivables		**2.4**	2.0
	(a)	**13.8**	6.4

(a) The following table provides information about IFRS 15 contract balances included within trade and other receivables.

		2019 £m	2018 £m
Receivables	(i)	**10.9**	2.0

(i) £0.3 million (2018 £0.2 million) of impairment losses were recognised during the year on receivables arising from the company's contracts with customers.

6 SHARE CAPITAL

	2019 £	2018 £
Allotted, called up and fully paid shares:		
One ordinary share of £1 (2018 one)	**1**	1

The holder of the ordinary share is 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 the member entitled to one vote on a show of hands and on a poll one vote for the share held.

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

	Share capital £m	Retained earnings (Note (a)) £m	Total £m
At 1 January 2018	-	4.8	4.8
Profit for the year attributable to equity holder of the company	-	11.7	11.7
At 1 January 2019	-	16.5	16.5
Profit for the year attributable to equity holder of the company	-	13.3	13.3
Dividends	-	(10.0)	(10.0)
At 31 December 2019	**-**	**19.8**	**19.8**

(a) Retained earnings comprise the cumulative balance of profits and losses recognised in the financial statements.

8 DEFERRED TAX

Deferred tax recognised in the Accounts is as follows:

	Property, plant and equipment £m
At 1 January 2018	2.0
Charge to the income statement	3.0
At 1 January 2019	5.0
Charge to the income statement	2.0
At 31 December 2019	**7.0**

Legislation was previously enacted to reduce the rate of UK Corporation Tax to 17% on 1 April 2020. Accordingly, deferred tax balances have been measured at the 17% rate, this being the tax rate enacted at the balance sheet date and the rate temporary differences are expected to reverse. 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. This rate change would increase the 31 December 2019 deferred tax liability by £0.8 million.

9 LOANS AND OTHER BORROWINGS

Analysis of loans and borrowings by instrument and maturity

Instrument	Interest rate*	Maturity	**2019 £m**	2018 £m
Loans with Iberdrola group companies	Base + 1%	On demand	**164.2**	141.4

* Base – Bank of England Base Rate

10 TRADE AND OTHER PAYABLES

	Note	**2019 £m**	2018 £m
Current trade and other payables:			
Payables due to Iberdrola group companies - trade		**0.1**	0.1
Payables due to Iberdrola group companies - interest		**2.7**	2.1
Payables due to Iberdrola group companies - payments received on account		**34.1**	16.6
Trade payables		**1.5**	0.3
Capital payables and accruals		**11.2**	7.6
	(a)	**49.6**	26.7

(a) The following table provides information about IFRS 15 contract balances included within trade and other payables.

	2019 £m	2018 £m
Contract liabilities	**34.1**	16.6

11 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

	2019 £m	2018 £m
Property, plant and equipment depreciation charge	**23.2**	15.0
Intangible asset amortisation	**0.1**	0.1
Loss on write-off of non-current assets	**6.1**	0.6
	29.4	15.7

12 FINANCE COSTS

	2019	2018
	£m	£m
Interest on amounts due to Iberdrola group companies	**2.7**	2.1

13 INCOME TAX

	2019	2018
	£m	£m
Current tax:		
UK Corporation Tax charge/(credit)	**0.9**	(0.7)
Current tax charge/(credit) for the year	**0.9**	(0.7)
Deferred tax:		
Origination and reversal of temporary differences	**2.2**	3.4
Impact of tax rate change	**(0.2)**	(0.4)
Deferred tax for the year	**2.0**	3.0
Income tax expense for the year	**2.9**	2.3

Tax on profit on ordinary activities 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%)	**3.1**	2.7
Impact of tax rate change	**(0.2)**	(0.4)
Income tax expense for the year	**2.9**	2.3

Legislation was previously enacted to reduce the rate of UK Corporation Tax to 17% on 1 April 2020. Accordingly, deferred tax balances have been measured at the 17% rate, this being the tax rate enacted at the balance sheet date and the rate temporary differences are expected to reverse. 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.

14 DIVIDENDS

	2019	2018	**2019**	2018
	£m per ordinary share	£m per ordinary share	**£m**	£m
Interim dividend paid	**10.0**	-	**10.0**	-

15 EMPLOYEE INFORMATION

The company has no employees. Details of directors' remuneration are set out in Note 16(a).

16 RELATED PARTY TRANSACTIONS

(a) Directors' remuneration

The total remuneration of the directors that provided qualifying services to the company is shown below. As these directors are remunerated for their work for the ScottishPower group, it has not been possible to apportion the remuneration specifically in respect of services to this company. All three (2018 two) of the directors were remunerated by other companies within ScottishPower.

	2019	2018
Executive directors	**£000**	£000
Aggregate remuneration in respect of qualifying services	**272**	346
Number of directors who exercised share options	**3**	2
Number of directors who received shares under a long-term incentive scheme	**2**	1
Number of directors accruing retirement benefits under a defined benefit scheme	**2**	2

	2019	2018
Highest paid director	**£000**	£000
Aggregate remuneration	**144**	241
Accrued pension benefits	**-**	105

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

16 RELATED PARTY TRANSACTIONS *continued*

(b) Ultimate and immediate parent company

The immediate parent of the company is SPRH. The registered office of SPRH is 320 St. Vincent Street, Glasgow, G2 5AD. The directors regard Iberdrola, S.A. as the ultimate parent company, which is also the parent company of the largest group in which the results of the company are consolidated. The parent company of the smallest group in which the results of the company are consolidated is Scottish Power UK plc (“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.

The company has no other related undertakings in addition to the parent undertakings disclosed above.

17 AUDITOR REMUNERATION

	2019	2018
	£000	£000
Audit of the company's annual Accounts	**33**	25

18 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 6.

The company has recorded a profit after tax of £13.3 million in the current financial year and the company’s balance sheet shows that it has net current liabilities of £200.9 million as at 31 December 2019. 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 a component of the ScottishPower group which in turn is part of Iberdrola, one of the world’s largest integrated utilities. The company participates in a UK treasury function operated by the company’s intermediate parent company, 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 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, including not seeking repayment of the amounts currently due to Scottish Power Limited (“financial support”), for a period of at least twelve months from the date of these financial statements, which at 31 December 2019 amounted to £164.2 million. Scottish Power Limited will provide this financial support through the UK treasury function utilising its committed facilities with Iberdrola group treasury. The directors of Scottish Power Limited have completed an assessment of their ability to provide this financial support across the ScottishPower group and are satisfied that this can be provided utilising its committed facilities with Iberdrola group treasury.

The directors of the company are aware of the assessment performed by the directors of Scottish Power Limited and they are satisfied that Scottish Power Limited has the ability to provide the company with the financial support it requires to meet its liabilities as they fall due for a period of at least twelve months from the date of these financial statements. However, as with any company placing reliance on other group entities for financial support, the company directors acknowledge that there can be no certainty that this financial 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.

Since the year end, the economic environment has been affected by the global COVID-19 pandemic. Due to the nature of the company’s core activities, there has been a short-term reduction in trade. However, in England conditions have since improved, allowing a level of trade, with a similar pattern expected across the rest of the UK following the easing of government restrictions.

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 16 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 the financial 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.

18 GOING CONCERN *continued*

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

19 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.

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.

This situation is significantly affecting the global economy, due to the interruption or slow-down of supply chains, and the significant increase in economic uncertainty; evidenced by increased volatility of asset prices and exchange rates, and a reduction in long-term interest rates. The Chancellor of the Exchequer has launched a number of unprecedented measures in a bid to support the UK economy and to mitigate the economic and social impacts of this crisis.

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, at the date of signing these Accounts, the effects that the current crisis could have on the company in 2020 are considered to be as follows:

- While the company will continue to generate revenue from the smart meters already installed, the restrictions in place have impacted the level of meters installed during the period of lockdown. This delayed investment in smart meter installations and subsequent revenue stream will be recovered over time as restrictions are eased.
- The delay in smart meter installations has had an impact on the management of the supply chain of smart meters. The diverse global supply chain in place and the long-term relationships established with the meter manufacturers has allowed the company to implement flexible strategies to ensure that the required level of purchases is maintained to allow installations to re-commence in line with the easing of restrictions.
- There is an increased risk of debtor defaults, and the risk of overdue debt for the debtor base. The company has maintained communication with all significant customers and closely monitors any suppliers who may be at risk of failing. SPERL, a fellow ScottishPower subsidiary, remains the largest customer followed by the other major UK supplier companies who have minimal risk of default in the short to medium-term.

Notwithstanding the above, as at the date of signing these Accounts, it is the director's opinion that most of the principal activities of the company are expected to operate throughout this crisis period without significant disruption and therefore will not have a significant impact on the company's business operations, assets and liabilities.