SP SMART METER ASSETS LIMITED
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2021

Registered No. SC554085

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SP SMART METER ASSETS LIMITED
STRATEGIC REPORT

The directors present their Strategic Report on SP Smart Meter Assets Limited ("the Company") for the year ended 31 December 2021. This includes an overview of the Company's structure, strategic outlook including 2021 performance, and principal risks and uncertainties.

INTRODUCTION

The principal activity of the Company, registered company number SC554085, is the provision of smart meter assets. This activity will continue for the foreseeable future.

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

The Company is a wholly-owned subsidiary of SPRH whose group of companies includes ScottishPower's Energy Retail business ("Energy Retail") which is responsible for the supply of electricity and gas to almost five million domestic and business customers throughout the UK, including customer registration, billing and handling of enquiries in respect of these services. Energy Retail is also responsible for the associated metering activity, including the smart meter installation programme, and managing ScottishPower's smart solutions activities.

STRATEGIC OUTLOOK

Operating review

UK energy suppliers have been mandated by the UK Government to offer a smart meter to all domestic and small and medium-sized enterprise ("SME") business customers in one of the biggest UK-wide 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 ScottishPower subsidiary, and will continue to support SPERL's smart meter rollout obligations. The Company charges for meter provision on a periodic basis; to SPERL as the installing supplier and all other suppliers following a customer's decision to switch supplier.

Energy Retail remains committed to the rollout of smart meters across its domestic and small and medium-sized enterprises customer base. It strongly supports the aims and objectives of the smart meter programme and believes that this investment in its infrastructure is critical to realising the smart energy future that it aspires to deliver for its customers, for its business, and to enable the UK to meet its legally binding target of net zero emissions by 2050.

The Company continues to focus on managing and tracking the portfolio of smart meters installed through the UK supplier electricity and gas network and ensuring that the returns from the significant investment made are maximised.

2021 performance

	Revenue*		Operating profit*		Capital investment**	
	2021	2020	**2021**	2020	**2021**	2020
Financial key performance indicators	**£m**	£m	**£m**	£m	**£m**	£m
SP SMART METER ASSETS LIMITED	**65.2**	59.6	**22.8**	22.5	**64.1**	47.2

* Revenue and Operating profit as presented on page 13.
** Capital investment for 2021 is presented in Notes 3 and 4 on page 21.

Revenue increased by £5.6 million reflecting the increased numbers of installed meters in the portfolio.

Operating profit increased by £0.3 million. This is largely due to increased revenues being partially offset by higher customer debt write-offs from customers entering into administration, and an increase in the depreciation and amortisation charge, allowances and provisions ("DAAP") charge. The DAAP charge has increased from 2020 primarily due to a £2.5 million rise in the depreciation charge, due to an increased capital base, offset by a £1.5 million decrease in losses on disposal of non-current assets.

Capital expenditure increased by £16.9 million in the year, mainly due to smart meter installation activity being restricted in 2020 due to the COVID-19 pandemic. The meter unit price has also increased in 2021.

Outlook for 2022 and beyond

The Company is in a strong position going into 2022 and beyond, with approximately two million smart meters already installed and plans to fund the installation of the remaining Energy Retail customer base. The Company is continuing to pursue meter rental agreements with energy suppliers, securing the long-term strategic objectives of the asset portfolio.

Effective monitoring and management of its supply chain is allowing the Company to deal with issues caused by the impacts of the Covid-19 pandemic, Brexit and the war in Ukraine.

COVID-19

As the COVID-19 crisis has developed and ScottishPower's response has evolved, it has been committed to taking all necessary measures to help to protect the safety and wellbeing of its employees, its customers and the communities it serves. ScottishPower, Energy Retail, and so the Company, has been working closely with government departments, Ofgem and industry bodies to ensure that they continue to follow the latest advice.

At a ScottishPower level, several measures were implemented to ensure it is well positioned to respond to the significant challenges posed by COVID-19. These include ongoing reviews of business continuity, IT resilience, supply chain operations, and the safety and wellbeing of critical and non-critical employees.

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 rate policy for ScottishPower and how it manages the related risks are included in the most recent Annual Report and Accounts of SPL.

PRINCIPAL RISKS AND UNCERTAINTIES

To deliver its strategy, ScottishPower, and therefore Energy Retail, and so the Company, conducts business in a manner benefitting customers through balancing cost and risk while delivering shareholder value and protecting its 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 risk management practices can be found in the most recent Annual Report and Accounts of SPL.

The principal risks and uncertainties of ScottishPower relevant to the Company, and those specific to the Company, that may impact current and future operational and financial performance and the management of those risks are described below:

REGULATORY AND POLITICAL RISKS	
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.
The potential for non-compliance with the UK Government's mandate to complete the rollout of smart metering to customers in accordance with prescribed timescales.	Dedicated project team focused on ensuring adequate business processes and systems are developed. The team is responsible for ensuring the rollout capability is secured to enable deployment of meters. Energy Retail, and so the Company, is an active participant in industry bodies responsible for developing smart metering.

FINANCIAL RISKS	
RISK	**RESPONSE**
Impacts arising from market and regulatory reactions to events including COVID-19 and Brexit. These could include increased cost of materials due to volatile global demand and shortages of key components resulting in higher smart meter prices, and in the longer-term, there could be positive or negative changes in the UK economy potentially resulting in increased costs of installation.	In addition to monitoring ongoing developments, ScottishPower, and so the Company, has specific procedures in place to manage these key market risks and monitor its global supply chain. Further details of the Treasury risk management policy is included in the most recent Annual Report and Accounts of SPL.
In light of the outbreak of war in Ukraine during 2022, ScottishPower, and therefore the Company, continues to assess the impact of this on the global supply chain through its market risk management policies noted above and continued engagement with suppliers.	No material operational issues have arisen to date or are expected, however ScottishPower will continue to monitor the situation and put mitigating actions in place if and when appropriate.

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

FINANCIAL RISKS *continued*	
RISK	**RESPONSE**
Increase in the level of overdue and unrecoverable debt as a result of challenging market conditions impacting on the level of debt write-off required.	There are measures in place across Energy Retail, and so the Company's business, to manage the key drivers of overdue debt, assess and implement remedial and preventative action, and to establish key metrics to monitor progress in reducing debt levels.

BUSINESS RISK	
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.

OPERATIONAL RISKS	
RISK	**RESPONSE**
A major health and safety incident in the course of operations could impact contractors, communities or the environment.	ScottishPower, and so the Company, has certified management systems in place to deliver activities as safely as possible. In addition, a ScottishPower Health and Safety function exists and provides specialist services and support for the businesses, and so the Company, 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 impacting key infrastructure, networks or core systems.	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 ScottishPower's, and so the Company's, contractors as to how behaviour can reduce this risk. Embedding cyber security in all projects where appropriate.
The COVID-19 pandemic and the war in Ukraine could have a material impact on the supply chain, resulting in insufficient meters being available to install.	Stock and forecast meter installations are closely monitored to ensure sufficient meters are available to meet the smart meter deployment profile. Long-term forecasting, further diversification of the Company's manufacturer supply chain and centralised warehousing effectively mitigate this risk.

ENGAGING WITH STAKEHOLDERS

References to "ScottishPower" apply fully to Energy Retail, and therefore to 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 its success and values.

ENGAGING WITH STAKEHOLDERS *continued*

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 ScottishPower, Energy Retail, and so the Company, engages with its stakeholders, and how these activities influence the Company's operations, are set out below.

Key stakeholders

ScottishPower, and therefore Energy Retail and the Company, has 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, Energy Retail, 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/governance-sustainability-system/corporate-governance-policies/shareholder-engagement-policy.

CUSTOMERS

ScottishPower's, Energy Retail's, and so the Company's success depends on its ability to understand and meet the needs of customers, and engagement is key to success in this rapidly changing environment. The Company's main customer is ScottishPower Energy Retail Limited ("SPERL"), a fellow ScottishPower subsidiary, as well as external energy suppliers. The Company's larger customers are account-managed involving regular direct contact to ensure the services provided are in line with contractual agreements.

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, including achievement of the UK and Scottish Governments' net zero decarbonisation targets.

In the course of the year, ScottishPower committed significant resource in its capacity as a principal sponsor to supporting the UK Government in delivering the climate change conference, The Conference of the Parties ("COP26") in Glasgow, highlighting priorities for decarbonising the energy sector and achieving a just transition.

The UK Government mandated that UK energy suppliers offer a smart meter to all domestic and SME business customers. The Company finances the purchase and installation of smart meter assets under an agreement with SPERL and will continue to support SPERL's smart meter roll out obligations.

ScottishPower, Energy Retail, and so the Company, continues to work with governments on their policies for future support for new technologies.

SUPPLIERS AND CONTRACTORS

As part of its mission for a better future, quicker, ScottishPower are always looking for new suppliers and contractors, and for ways to improve its working relationships with existing suppliers and contractors. ScottishPower's suppliers have a key role to play in the delivery of projects and services that are being undertaken to provide a low-carbon future for the UK. ScottishPower, and therefore the Company, aims to develop and maintain strong relationships across its supply base with a focus on health and safety, quality, cost and sustainability.

ENGAGING WITH STAKEHOLDERS *continued*

Engagement with the supply chain is always a critical activity for ScottishPower and it becomes even more important due to the current COVID-19 pandemic and the Brexit transition. Both COVID-19 and Brexit have impacted the supply chain. ScottishPower is experiencing cost pressures due to high global commodity prices along with increasing freight and labour costs. ScottishPower is also dealing with longer lead times for some equipment and a number of suppliers have also been impacted by labour shortages. ScottishPower has looked to support its supply chain during these challenging times by working collaboratively on forecasting its requirements and also established customs brokerage services, which can be utilised by its supply base.

As part of ScottishPower, the Company's engagement with its suppliers and contractors is driven by the decisions, policies and procedures in place at a ScottishPower level. Further details as to how ScottishPower and Energy Retail engages with its supply chain are provided in the most recent Annual Report and Accounts of SPL.

Health and safety

The Company has a clear strategy to continue to improve health and safety performance using ScottishPower health and safety standards. A more extensive description of how ScottishPower, and therefore the Company, addresses health and safety requirements can be found in the most recent Annual Report and Accounts of SPL.

Modern Slavery Statement

The term 'modern slavery' covers both slavery and human trafficking. ScottishPower, Energy Retail, and so the Company is committed to human and labour rights and to eliminating modern slavery that could in any way be connected to its business. In accordance with the Modern Slavery Act 2015, ScottishPower has produced its own Modern Slavery Statement, which was approved by the board of directors of SPL. This statement is published on the ScottishPower website at: https://www.scottishpower.com/pages/scottishpowers_modern_slavery_statement.aspx

COMMUNITY AND ENVIRONMENT

ScottishPower continually strives to be a trusted, respected and integrated part of the community, by operating with integrity, transparency, and working closely within the community to build relationships. ScottishPower aims to ensure it conducts its activities responsibly and makes a positive contribution to society. As key stakeholders, engaging with communities is essential to delivering ScottishPower's objectives.

ScottishPower is committed to reducing its environmental footprint by: reducing emissions to air, land and water and preventing environmental harm; minimising energy consumption and use of natural and man-made resources; sourcing material resources responsibly, cutting waste and encouraging re-use and recycling; and protecting natural habitats and restoring biodiversity.

The Company is committed to helping customers consume energy more efficiently and by promoting products and technologies such as smart meters, the Company can give customers more control over their energy consumption and help them to transition to a low-carbon future.

Further details as to how ScottishPower, Energy Retail, 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.

INNOVATION

Living with the sustained and significant impacts of the pandemic in 2021, it has never been more crucial that ScottishPower continues to grow and evolve to be the energy company of the future. Providing the critical services customers demand and ensuring those most vulnerable are not left behind during the transition to net zero is at the heart of everything ScottishPower does. By embracing innovative technologies, adopting new ways of working and collaborating with new partners, ScottishPower, Energy Retail, and so the Company, lead by example in making sure clean, affordable energy is available to all.

The Company's smart meter asset provision ("MAP") business finances and manages approximately 2 million smart meters across Great Britain. Established in 2017, the team comprises procurement, commercial, technical, and operational specialists. Today, it is recognised as a major MAP, thanks to its impressive performance in the energy industry and being part of the wider Iberdrola Group. The Company are focused on significantly growing its asset portfolio to meet the needs of its energy customers, using a diverse global supply chain. The smart MAP business plays an active role in the smart meter rollout programme, with its smart meters used by energy suppliers across the market.

Further details on the ScottishPower innovation activities relevant to Energy Retail, and so the Company, are provided in the most recent Annual Report and Accounts of SPL.

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 SP Smart Meter Assets Limited 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 Company business to conduct business in a manner benefitting customers through balancing cost and risk while delivering shareholder value and protecting the performance and reputation of the Company 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 and employees is key to promoting the success of the Company. Details of the key stakeholders of the Company, and how it 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 Energy Retail, and so the Company, engages with communities and considers the environment are set out in the 'Community and environment' section of the Strategic Report, on page 5.
- **Suppliers and contractors:** details of how Energy Retail, and so the Company, engages with its suppliers are set out in the 'Suppliers and contractors' sub-section of the Strategic Report, on page 4 and 5.
- **Government and regulators:** details of how Energy Retail, and so the Company, engages with governments and regulators are set out in the 'Government and regulators' 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' section of the Strategic Report on page 3 and 4.

The directors, both individually and together as a board, consider that the decisions taken during the year ended 31 December 2021 in discharging the function of the Company's board of directors ("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
29 September 2022

SP SMART METER ASSETS LIMITED
DIRECTORS' REPORT

The directors present their report and audited Accounts for the year to 31 December 2021.

INFORMATION CONTAINED WITHIN THE STRATEGIC REPORT

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

- information on financial risk management and policies;
- information regarding future developments of the Company's business; and
- information in relation to innovation activities.

STREAMLINED ENERGY AND CARBON REPORTING

The Company is exempt under section 20A of Part 7A of Schedule 7 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 from the requirements to present disclosures concerning greenhouse gas emissions, energy consumption and energy efficiency action as such disclosures relating to the SPL Group, of which the Company is a part, are presented in the most recent Annual Report and Accounts of SPL.

RESULTS AND DIVIDEND

The net profit for the year amounted to £12.1 million (2020 £15.7 million). A dividend of £19.9 million was paid during the year (2020 £21.6 million).

DIRECTORS

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

Graeme Brown
Nicola Connelly

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, Strategic Report, Directors' Report 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, relevant, reliable and prudent;
- 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 their 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 differs 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 was re-appointed as the auditor of the Company for the year ending 31 December 2022.

ON BEHALF OF THE BOARD

Nicole M. Connelly

Nicola Connelly
Director
29 September 2022

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 2021 which comprise the Statement of financial position, Income statement and statement of comprehensive income, Statement of changes in equity 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 2021 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 minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets/ recent revisions to guidance/ our overall knowledge of the control environment, 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 revenue consists entirely of routine, non-complex transactions which do not require significant judgements.

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

Fraud and breaches of laws and regulations – ability to detect *continued*
We did not identify any additional fraud risks.

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.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

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.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
30 September 2022

SP SMART METER ASSETS LIMITED
STATEMENT OF FINANCIAL POSITION
at 31 December 2021

	Notes	2021 £m	2020 Restated* £m
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	3	**0.3**	0.3
Property, plant and equipment		**267.1**	239.3
Property, plant and equipment in use	4	249.6	226.4
Property, plant and equipment in the course of construction	4	17.5	12.9
TOTAL NON-CURRENT ASSETS		**267.4**	239.6
CURRENT ASSETS			
Current trade and other receivables	5	**12.3**	12.8
Current tax asset		**0.7**	-
TOTAL CURRENT ASSETS		**13.0**	12.8
TOTAL ASSETS		**280.4**	252.4
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		**6.1**	13.9
Share capital	6, 7	-	-
Retained earnings	7	6.1	13.9
TOTAL EQUITY		**6.1**	13.9
NON-CURRENT LIABILITIES			
Non-current loans and other borrowings	8	**100.0**	-
Deferred tax liabilities	9	**17.4**	9.1
TOTAL NON-CURRENT LIABILITIES		**117.4**	9.1
CURRENT LIABILITIES			
Current loans and other borrowings	8	**137.8**	215.6
Current trade and other payables	10	**19.1**	11.2
Current tax liabilities		-	2.6
TOTAL CURRENT LIABILITIES		**156.9**	229.4
TOTAL LIABILITIES		**274.3**	238.5
TOTAL EQUITY AND LIABILITIES		**280.4**	252.4

*Comparative figures have been restated (refer to Note 1B2).

Approved by the Board and signed on its behalf on 29 September 2022.

Nicola M. Connelly

Nicola Connelly
Director

The accompanying Notes 1 to 18 are an integral part of the Statement of financial position at 31 December 2021.

SP SMART METER ASSETS LIMITED
INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2021

	Notes	**2021 £m**	2020 £m
Revenue		65.2	59.6
GROSS MARGIN		**65.2**	59.6
External services		(3.0)	(2.7)
Other operating results		0.9	1.1
Net operating costs		**(2.1)**	(1.6)
GROSS OPERATING PROFIT		**63.1**	58.0
Net expected credit losses on trade and other receivables		(4.0)	(0.2)
Depreciation and amortisation charge, allowances and provisions	11	(36.3)	(35.3)
OPERATING PROFIT		**22.8**	22.5
Finance costs	12	(3.5)	(2.1)
PROFIT BEFORE TAX		**19.3**	20.4
Income tax	13	(7.2)	(4.7)
NET PROFIT FOR THE YEAR		**12.1**	15.7

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.

The accompanying Notes 1 to 18 are an integral part of the Income statement and statement of comprehensive income for the year ended 31 December 2021.

SP SMART METER ASSETS LIMITED
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2021

	Share capital £m	Retained earnings £m	Total £m
At 1 January 2020	-	19.8	19.8
Total comprehensive income for the year	-	15.7	15.7
Dividends	-	(21.6)	(21.6)
At 1 January 2021	-	13.9	13.9
Total comprehensive income for the year	-	12.1	12.1
Dividends	-	(19.9)	(19.9)
At 31 December 2021	**-**	**6.1**	**6.1**

The accompanying Notes 1 to 18 are an integral part of the Statement of changes in equity for the year ended 31 December 2021.

1 BASIS OF PREPARATION

A COMPANY INFORMATION

SP Smart Meter Assets Limited, 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

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 have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company has applied the recognition, measurement and disclosure requirements of international accounting standards ("IAS") as adopted by the UK ("UK-adopted IAS") including newly effective IAS for the year ended 31 December 2021 (refer to Note 1C2). As per Note 1C1, on transition from IAS as adopted by the European Union ("EU-adopted IAS") to UK-adopted IAS on 31 December 2020, the standards in force under both regimes were identical. However, in applying FRS 101, the Company 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:

- 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, IAS pronouncements;
- disclosures in respect of the compensation of key management personnel; and
- the preparation of a Statement of cash flows (applied for the first time in the financial statements for the year ended 31 December 2021) and the related notes.

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 VOLUNTARY CHANGE IN PRESENTATION

B2.1 CHANGE TO STATEMENT OF FINANCIAL POSITION

Effective from 1 January 2021, the Company modified the format of its Statement of financial position in line with Iberdrola Group policy to reclassify interest payable from Current trade and other payables to Current loans and other borrowings. This change is deemed to provide more useful information to users of the financial statements and bring the Company into line with industry practice. This is a voluntary change in accounting policy resulting in the restatement of the prior year comparatives. Therefore, in the 2020 Statement of financial position, Current trade and other payables has been reduced by £2.1 million and Current loans and other borrowings increased by £2.1 million. This restatement has had no impact on the net assets position shown on the Statement of financial position or the net profit for the year shown in the Income statement and statement of comprehensive income.

B3 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's Statement of financial position presents net current liabilities of £143.9 million as at 31 December 2021. The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Company is part of ScottishPower which is a significant component 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, SPL. The UK treasury function works closely with Iberdrola to manage the Company's funding through the global treasury function.

1 BASIS OF PREPARATION *continued*

B BASIS OF PREPARATION *continued*

B3 GOING CONCERN *continued*

Scottish Power UK Plc ("SPUK"), an immediate subsidiary of SPL, has indicated its intention to provide the Company with the funding it requires, through the UK treasury function and utilising its committed facilities with SPL, for the period from the date of these financial statements to at least 31 December 2023. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue. However, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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 cash flow forecast to December 2023 including the cash flow of longer-term strategies and projects. The cash flow forecast takes account of severe, but plausible, downsides.

The cash flow forecast indicates that the Company's existing resources and facilities and the support noted above from SPUK are sufficient to enable it to trade and pay its liabilities as they fall due for the forecast period.

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

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 IASs adopted by the EU at that time were 'frozen' into UK law thus considered as in force in the UK at the end of the transition period. Adoptions, interpretations and amendments of EU-adopted IAS after the transition period will no longer apply in the UK. Since the end of the transition period, UK-registered companies must use UK-adopted IAS. At the end of the transition period, those standards were identical to the EU-adopted IAS in force on that date, but subsequently the UK has established its own endorsement process to adopt UK-adopted IAS, interpretations and amendments of IAS. For the year ended 31 December 2020, UK companies therefore had the option to use any standards which had been adopted for use within the UK in addition to the frozen EU-adopted IAS.

In line with the above, the Accounts for the year ended 31 December 2020 were prepared in accordance with the 'frozen' IAS 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, have been prepared in accordance with UK-adopted IAS.

C2 IMPACT OF NEW IFRS

As noted above, these Accounts have been prepared in accordance with UK-adopted IAS. In preparing these Accounts, the Company has applied all relevant IASs, International Financial Reporting Standards ("IFRSs") and International Financial Reporting Interpretations Committee interpretations ("IFRICs") (collectively referred to as IAS) that have been adopted by the UK as of the date of approval of these Accounts and that are mandatory for the financial year ended 31 December 2021.

C ACCOUNTING STANDARDS *continued*

C2 IMPACT OF NEW IFRS *continued*

For the year ended 31 December 2021, the Company has applied the following amendments for the first time:

Standard	Notes
• Amendments to IFRS 16 'Leases: Covid-19-Related Rent Concessions' and 'Covid-19-Related Rent Concessions beyond 30 June 2021'	(a), (b)
• Amendments to IFRS 9 'Financial Instruments'; IAS 39 'Financial Instruments: Recognition and Measurement'; IFRS 7 'Financial Instruments: Disclosures'; IFRS 4 'Insurance Contracts'; and IFRS 16 'Leases': 'Interest Rate Benchmark Reform – Phase 2'	(c)
• Amendments to IFRS 4 'Insurance Contracts: Extension of the Temporary Exemption from Applying IFRS 9'	(b)

(a) The first-noted amendment to IFRS 16 makes available a practical expedient around rent concessions affecting payments originally due on or before 30 June 2021 and was applied by the Company on 1 January 2021. The latter amendment extends the time that practical expedient is available and is effective for periods commencing on or after 1 April 2021.

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

(c) The Company has applied the requirements of the Interest Rate Benchmark Reform ("IBOR Reform") Phase 2 from 1 January 2021. The Company holds debt instruments referencing LIBOR (London Inter-Bank Offer Rate). The Company and all relevant counterparties have signed the International Swaps and Derivatives Association's ("ISDA") IBOR Fallbacks Protocol, and accordingly all debt instruments will be revised to reference the appropriate new benchmark rates from 1 January 2022. Refer to Note 8(b).

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND PRINCIPAL 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 2021, 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 Company considers that the impact of climate change risk and opportunities does not create any additional estimation uncertainty.

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

A REVENUE
B INTANGIBLE ASSETS (COMPUTER SOFTWARE)
C PROPERTY, PLANT AND EQUIPMENT
D IMPAIRMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT
E FINANCIAL INSTRUMENTS
F OTHER OEPRATING RESULTS
G TAXATION

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. Amortisation of acquired computer software is on a straight-line basis over their operational lives, which is generally up to four years.

Costs directly attributable to 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. Costs include employee costs relating to software development and an appropriate proportion of relevant overheads directly attributable to bringing the software into use. Amortisation of developed computer software costs is over periods of up to four years.

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND PRINCIPAL ACCOUNTING POLICIES *continued*

C PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost and depreciated on a straight-line basis over the estimated operational lives of the assets once commissioned. Reviews of the estimated remaining lives and residual values of property, plant and equipment are undertaken annually. Residual values are assessed based on prices prevailing at each reporting date.

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

	Years
Meters and measuring devices	10 - 15

D IMPAIRMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

At each reporting date, the Company reviews the carrying amount of its intangible assets and property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset (the greater of its value-in-use and its fair value less costs to sell) is estimated in order to determine the extent of the impairment loss (if any). In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. 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. Any impairment is recognised in the Income statement and statement of comprehensive income in the period in which it is identified. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been recognised, net of depreciation or amortisation, if no impairment loss had been recognised.

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 CLASSIFICATION

Financial assets are classified as measured at amortised cost. The classification of financial assets depends on the Company's business model for managing them 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 but 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.

Financial assets are only subsequently reclassified when the Company changes its business model for managing them. Reclassifications are effective from the first day of the first reporting period following the change in business model. Such reclassifications are expected to be infrequent.

E1.2 RECOGNITION AND MEASUREMENT

(a) Initial recognition and measurement

All financial assets, except for trade receivables which are initially recognised when they originate, are initially recognised when the Company becomes party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. The exception is trade receivables without a significant financing component which are measured at the transaction price determined under IFRS 15 'Revenue from Contracts with Customers' ("IFRS 15").

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND PRINCIPAL ACCOUNTING POLICIES *continued*

E FINANCIAL INSTRUMENTS *continued*

E1 FINANCIAL ASSETS *continued*

E1.2 RECOGNITION AND MEASUREMENT *continued*

(b) Subsequent measurement and gains and losses

Financial assets classified as amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by expected credit losses ("ECLs"). Net credit losses are recognised in the Income statement and statement of comprehensive income. Any gain or loss on derecognition is also recognised in the Income statement and statement of comprehensive income.

(c) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is derecognised when either the rights to receive cash flows from the asset have expired or there is no reasonable expectation of recovering all, or a portion of, the contractual cash flows.

(d) Impairment of financial assets

(i) Measurement of ECLs

The Company recognises an allowance for ECLs for all financial assets. ECLs are a probability-weighted estimate of credit losses. The Company has adopted the simplified ECL model for its trade receivables and the general ECL model for all other financial assets measured at amortised cost.

In applying the simplified model, loss allowances for trade receivables are measured at an amount equal to a lifetime ECL. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for, where possible, forward-looking factors specific to the debtors and the economic environment. 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.

ECLs for all other financial assets are recognised using the general model 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 shorter of the next twelve months and the life of the financial asset (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.

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 other 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 amount in full (before taking into account any credit enhancements held by the Company); or
- the financial asset is more than 90 days past due.

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND PRINCIPAL ACCOUNTING POLICIES *continued*

E FINANCIAL INSTRUMENTS *continued*

E1 FINANCIAL ASSETS *continued*

E1.2 RECOGNITION AND MEASUREMENT *continued*

(d) Impairment of financial assets *continued*

(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.

E2 FINANCIAL LIABILITIES

E2.1 CLASSIFICATION

Financial liabilities are classified as measured amortised cost.

E2.2 RECOGNITION AND MEASUREMENT

(a) Initial recognition and measurement

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

(b) Subsequent measurement and gains and losses

Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in the Income statement and statement of comprehensive income. Any gain or loss on derecognition is also recognised in the Income statement and statement of comprehensive income. This is the category most relevant to the Company as it includes interest-bearing loans and borrowings, and trade and other payables.

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 charge is included as Finance costs in the Income statement and statement of comprehensive income.

(c) 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 and statement of comprehensive income.

F OTHER OPERATING RESULTS

Other operating results is principally comprised of income relating to compensation received from third parties for items of property, plant and equipment that were impaired, lost or given up.

G TAXATION

Assets and liabilities for current tax are calculated using the tax rates that have been enacted, or substantively enacted, at the reporting 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 Statement of financial position 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 reporting date.

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Income statement and statement of comprehensive income. For income tax arising on dividends, the related tax is recognised in the Income statement and statement of comprehensive income consistent with the transactions that generated the distributable profits.

SP SMART METER ASSETS LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

3 INTANGIBLE ASSETS

Year ended 31 December 2021	Computer software £m
Cost:	
At 1 January 2021	0.6
Additions	0.1
At 31 December 2021	**0.7**
Amortisation:	
At 1 January 2021	0.3
Amortisation for the year	0.1
At 31 December 2021	**0.4**
Net book value:	
At 31 December 2021	**0.3**
At 1 January 2021	0.3

(a) The cost of fully amortised computer software still in use at 31 December 2021 was £0.2 million (2020 nil).

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

Year ended 31 December 2021	Meters and measuring devices £m	Meters and measuring devices in the course of construction £m	Total £m
Cost:			
At 1 January 2021	292.7	12.9	305.6
Additions	42.8	21.2	64.0
Transfers from in progress to in use	15.9	(15.9)	-
Disposals	(8.5)	(0.7)	(9.2)
At 31 December 2021	**342.9**	**17.5**	**360.4**
Depreciation:			
At 1 January 2021	66.3	-	66.3
Depreciation for the year	29.2	-	29.2
Disposals	(2.2)	-	(2.2)
At 31 December 2021	**93.3**	**-**	**93.3**
Net book value:			
At 31 December 2021	**249.6**	**17.5**	**267.1**
At 1 January 2021	226.4	12.9	239.3

The net book value of property plant and equipment at 31 December 2021 is analysed as follows:

	£m	£m	£m
Property, plant and equipment in use	249.6	-	249.6
Property, plant and equipment in the course of construction	-	17.5	17.5
	249.6	**17.5**	**267.1**

(a) Included within Other operating results in the Income statement and statement of comprehensive income for the year ended 31 December 2021 is £0.9 million (2020 £1.1 million) relating to compensation receivable from third parties for items of property, plant and equipment that were impaired, lost or given up.

4 PROPERTY, PLANT AND EQUIPMENT *continued*

(b) Capital commitments

	2021 2022 £m	 Total £m
Contracted but not provided	38.0	**38.0**

	2021 £m	2020 2022 £m	Total £m
Contracted but not provided	18.0	5.1	23.1

5 TRADE AND OTHER RECEIVABLES

	Note	2021 £m	2020 £m
Current receivables:			
Receivables due from Iberdrola Group companies - trade		**4.2**	3.8
Trade receivables (including accrued income)		**5.9**	8.0
Prepayments		**0.1**	-
Other tax receivables		**2.1**	1.0
	(a)	**12.3**	12.8

(a) Trade and other receivables includes £10.0 million (2020 £11.6 million) of IFRS 15 receivables. Net ECLs of £3.9 million (2020 £0.2 million) were recognised during the year on receivables arising from the Company's contracts with customers.

6 SHARE CAPITAL

	2021 £	2020 £
Allotted, called up and fully paid shares:		
One ordinary share of £1 (2020 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 2020	-	19.8	19.8
Profit for the year attributable to equity holder of the Company	-	15.7	15.7
Dividends	-	(21.6)	(21.6)
At 1 January 2021	-	13.9	13.9
Profit for the year attributable to equity holder of the Company	-	12.1	12.1
Dividends	-	(19.9)	(19.9)
At 31 December 2021	**-**	**6.1**	**6.1**

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

8 LOANS AND OTHER BORROWINGS

Instrument	Interest rate*	Maturity	Note	**2021** £m	2020 Restated** £m
Loans with Iberdrola Group companies	Base + 1%	On demand		135.5	213.5
Loans with Iberdrola Group companies	LIBOR + 2.3%	1 March 2028	(b)	100.0	-
Accrued interest due to Iberdrola Group companies				2.3	2.1
				237.8	215.6

Analysis of total loans and other borrowings	**2021** £m	2020 Restated** £m
Non-current	**100.0**	-
Current	**137.8**	215.6
	237.8	215.6

* Base – Bank of England Base Rate, LIBOR – London Inter-Bank Offer Rate.
** Comparative figures have been restated (refer to Note 1B2).

(a) All loans are repayable in full on maturity.
(b) As stated at Note 1C2(c), with the cessation of IBOR rates at the end of 2021, all current LIBOR variable rate loans will be switched to an alternative reference rate (Sterling Overnight Index Average ("SONIA") Term) in 2022.

9 DEFERRED TAX

Deferred tax recognised in the Accounts is as follows:

	Notes	Property, plant and equipment £m
At 1 January 2020		7.0
Charge to the Income statement and statement of comprehensive income	(a)	2.1
At 1 January 2021		9.1
Charge to the Income statement and statement of comprehensive income	(b)	8.3
At 31 December 2021		**17.4**

(a) Legislation was previously enacted to reduce the UK rate of Corporation Tax to 17% as from 1 April 2020. Accordingly, the deferred tax balances as at 1 January 2020, were measured at the 17% rate, this being the tax rate enacted at that time, and the rate temporary differences were expected to reverse at. Further legislation which was substantively enacted on 17 March 2020 under The Provisional Collection of Taxes Act 1968 maintained the 19% UK Corporation Tax rate. The 19% rate applied from 1 April 2020. This rate change increased the 31 December 2020 deferred tax liability by £0.8 million.
(b) Legislation was enacted on 10 June 2021 under the Finance Act 2021 that will increase the UK Corporation tax rate to 25% from 1 April 2023. Accordingly, the deferred tax balances at 1 January 2021 have been increased by £2.9 million to reflect the rate that the temporary differences are expected to reverse at.
(c) On 23 September 2022 the Chancellor of the Exchequer announced that the Corporation tax rate will remain at 19% from 1 April 2023, reversing a previously enacted measure to increase the rate to 25%. This reversal in the tax rate from 1 April 2023 has not been enacted or substantively enacted and accordingly has no impact on the tax balances at 31 December 2021. The potential impact of this change on the deferred tax balance at 31 December 2021 would be a reduction of £4.2 million in the deferred tax liability.

10 TRADE AND OTHER PAYABLES

	2021 £m	2020 Restated* £m
Current trade and other payables:		
Trade payables	**6.9**	4.7
Capital payables and accruals	**12.2**	6.5
	19.1	11.2

* Comparative figures have been restated (refer to Note 1B2).

11 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

	2021	2020
	£m	£m
Property, plant and equipment depreciation charge	**29.2**	26.7
Intangible asset amortisation charge	**0.1**	0.1
Loss on disposals of non-current assets	**7.0**	8.5
	36.3	**35.3**

12 FINANCE COSTS

	2021	2020
	£m	£m
Interest on amounts due to Iberdrola Group companies	**3.5**	2.1

13 INCOME TAX

	2021	2020
	£m	£m
Current tax:		
UK Corporation Tax (credit) / charge on profits for the year	**(0.7)**	2.6
Adjustments in respect of prior years	**(0.4)**	-
Current tax (credit) / expense for the year	**(1.1)**	2.6
Deferred tax:		
Origination and reversal of temporary differences	**3.7**	1.3
Adjustments in respect of prior years	**0.4**	-
Impact of tax rate change on opening deferred tax balance	**2.9**	0.8
Impact of tax rate change on current year charge	**1.3**	-
Deferred tax for the year	**8.3**	2.1
Income tax expense for the year	**7.2**	4.7

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

	2021	2020
	£m	£m
Corporation Tax at 19% (2020 19%)	**3.7**	3.9
Impact of tax rate change on opening deferred tax balance	**2.9**	0.8
Impact of tax rate change on current year charge	**1.3**	-
Other permanent differences	**(0.7)**	-
Income tax expense for the year	**7.2**	4.7

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 reporting date of 31 December 2019, and the rate temporary differences were expected to reverse. Further legislation which was substantively enacted on 17 March 2020 under The Provisional Collection of Taxes Act 1968 maintained the 19% UK Corporation Tax rate. The 19% rate was applicable from 1 April 2020. This rate change increased the deferred tax liability at 31 December 2020 by £0.8 million.

Further legislation was enacted on 10 June 2021 under the Finance Act 2021 that will increase the UK Corporation Tax rate to 25% from 1 April 2023. Accordingly deferred tax balances at 1 January 2021 increased by £2.9 million reflecting the rate that the temporary differences are expected to reverse at.

14 DIVIDENDS

	2021	2020	**2021**	2020
	£m per ordinary share	£m per ordinary share	**£m**	£m
Interim dividend paid	**19.9**	21.6	**19.9**	21.6

15 FINANCIAL COMMITMENTS

The Company had contractual commitments of £0.5 million at 31 December 2021 (2020 £0.1 million) which are expected to be settled within one year in both years.

16 EMPLOYEE INFORMATION

The Company has no employees (2020 none). Details of directors' remuneration are set out in Note 17(a).

17 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 the Company. Both (2020 both) of the directors were remunerated by other ScottishPower companies during the year.

	2021	2020
	£000	£000
Aggregate remuneration in respect of qualifying services	**527**	352
Number of directors who exercised share options	**2**	2
Number of directors who received shares under a long-term incentive scheme	**1**	1
Number of directors accruing retirement benefits under a defined benefit scheme	**1**	1

	2021	2020
Highest paid director	**£000**	£000
Aggregate remuneration	**410**	247

(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.

(b) Immediate and ultimate parent company

The immediate parent company is SPRH. Copies of the accounts of SPRH may be obtained from its registered office at 320 St. Vincent Street, Glasgow, G2 5AD.

The directors regard Iberdrola, S.A. (incorporated in Spain) as the ultimate parent company, which is also the parent company of the largest group in which the results of the Company are consolidated. The parent company of the smallest group in which the results of the Company are consolidated is SPUK.

Copies of the consolidated accounts of Iberdrola, S.A. may be obtained from Iberdrola, S.A., at its registered office, Torre Iberdrola, Plaza Euskadi 5, 48009, Bilbao, Spain. Copies of the consolidated accounts of SPUK may be obtained from its registered office, 320 St. Vincent Street, Glasgow, G2 5AD.

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

18 AUDITOR'S REMUNERATION

	2021	2020
	£000	£000
Audit of the Company's annual accounts	**58**	58