SP DATASERVE LIMITED
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2021

Registered No. SC215842

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SP DATASERVE LIMITED
STRATEGIC REPORT

The directors present their Strategic Report on SP Dataserve 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 SC215842, is the provision of metering services. 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 Limited Group ("ScottishPower") of which the Company is a member.

The Company is part of ScottishPower's Energy Retail business ("Energy Retail") 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
The Company's principal operations have largely migrated from non-half-hourly domestic metering to half-hourly industrial and commercial metering in response to the move towards smart metering in the non-half-hourly domestic metering market.

2021 performance

	Revenue*		Operating profit*		Capital investment**	
	2021	2020	**2021**	2020	**2021**	2020
Financial key performance indicators	**£000**	£000	**£000**	£000	**£000**	£000
SP Dataserve Limited	**14,207**	14,549	**2,588**	2,994	**297**	607

*Revenue and operating profit are presented on page 14.
**Capital investment for 2021 is presented within Notes 3 and 4 on pages 22 and 23.

Revenue decreased by £342,000 to £14,207,000 in 2021, with industry-wide legacy meter-related activity reducing as the focus moves towards smart metering. This has had an impact on the Company's performance through a reduction in several areas of activity particularly in meter maintenance and communication revenue, and meter revenue protection services. This reduction was partially offset by increased meter installation revenue as COVID-19 restrictions were eased and installation activity normalised.

Operating profit decreased by £406,000 to £2,588,000 in 2021. This movement is primarily due to lower revenues, increased staff costs arising primarily as a consequence of movements in the restructuring and redundancy provision (refer to Note 10), recognition of a higher Expected Credit Loss ("ECL") due to a larger trade receivables balance offset by lower external service costs.

Capital investment decreased by £310,000 to £297,000 in 2021 reflecting reduced spend on meters.

Outlook for 2022 and beyond
Exit from industrial and commercial ("I &C") energy supply market
On 18 March 2022, ScottishPower Energy Retail Limited ("SPERL") announced that it would be exiting the I&C energy supply market. Whilst the supply of electricity to these I&C customers is not contractually linked to the Company's business activities, some of the revenue streams are inherently linked. For example, some metering and data collection income is recovered from customers through the supplier and consequently, some of this revenue may be at risk. This exposure is expected to be relatively low. There is also a reasonable likelihood that the Company's services will be retained by the new supplier given some of the metering equipment on-site belongs to the Company.

Market conditions
As the industry moves towards smart metering, tough market conditions and supply chain impacts are making the costs and reliability of electronic component deliveries difficult to predict. The Company continues to work with suppliers to manage these challenges.

STRATEGIC OUTLOOK ***continued***

Electric vehicle ("EV") infrastructure

Due to a change in UK Government legislation which bans the sale of new petrol and diesel cars from 2030, there is an urgent requirement to increase EV infrastructure in the UK. This will result in more public EV charge points being installed and subsequently an increased requirement for the Company's metering equipment.

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, are required to conduct 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 these risks are described below:

REGULATORY AND POLITICAL RISK	
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.

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

FINANCIAL RISKS	
RISK	**RESPONSE**
Impacts arising from market and regulatory reactions to events including COVID-19 and Brexit. These could include: increased volatility on the value of Sterling and, in the longer term, there could be positive or negative changes in the UK economy. 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.	In addition to monitoring ongoing developments, ScottishPower and so the Company has specific procedures in place to manage these key market risks. Further details of the Treasury risk management policy is included in the most recent Annual Report and Accounts of SPL. 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.
Increase in the level of overdue debt 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 RISKS	
RISK	**RESPONSE**
The risk that Iberdrola's, ScottishPower's, and therefore the Company's strategy or operations have an unacceptable impact on the environment and on national and international targets to tackle climate change, or that climate change has an unacceptable impact on operations. The impacts of climate change, include: the risks of transition (regulatory, market and technological) and other risks such as credit deterioration of counterparties.	Iberdrola's, ScottishPower's and so the Company's, commitment to tackle climate change is reflected in the Company's strategy. The potential impact from climate change factors on operations is mitigated as the Company is fully engaged with the UK Government and The Office of Gas and Electricity Markets ("Ofgem") on regulatory policy change in relation to relevant climate change targets. Further details of Iberdrola's, ScottishPower's, and so the Company's, key measures to mitigate climate change risks are set out in the most recent Annual Report and Accounts of SPL. Overall, the opportunities deriving from the decarbonisation of the global economy outweigh the risks. For further information, please refer to Iberdrola's latest Integrated Report and Sustainability Report. In addition, Iberdrola's Climate Change policy is available at www.Iberdrola.com.
Alternative income streams (including the expansion of smart metering-related activities) are not sufficient to offset the expected reduction in legacy metering income streams following the introduction of the UK Government's smart metering programme.	Reducing the operational resource and associated costs where no longer needed and continuing to focus activities on more enduring functions.

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

OPERATIONAL RISKS	
RISK	**RESPONSE**
A major health and safety incident in the course of operations could impact staff, 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, and so the Company's, employees and contractors as to how behaviour can reduce this risk. Embedding cyber security in all projects where appropriate.

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 believes strongly that effective and meaningful engagement with stakeholders, especially employees, is key to promoting its success and values.

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: employees and 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/shareholders-engagement-policy.

ENGAGING WITH STAKEHOLDERS *continued*

EMPLOYEES AND CUSTOMERS

Employees

ScottishPower employs approximately 5,700 employees, working across a range of roles. The employees make a real difference in determining how successfully ScottishPower operates. The creativity, innovation and individuality of ScottishPower's employees enables ScottishPower to build on its future capability to operate effectively in a competitive market, and continue to have aspirations which are challenging and rewarding. ScottishPower respects and recognises the importance of individuality as part of its ongoing commitment to promoting a culture where individuality is celebrated. ScottishPower also understands that being a diverse organisation goes beyond having legally compliant policies and practices; it includes a focus on creating an innovative, integrated organisation where people feel valued, inspiring them to perform at their best.

Further details as to how ScottishPower, and so the Company, engages with its employees 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.

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 customers include other ScottishPower companies as well as external parties.

The Company's larger customers are account-managed involving regular direct contact to ensure the services provided are in line with contractual agreements. For these customers, the Company has an accessible help desk and digital solutions to respond to specific queries.

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 has 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 Company is subject to regulatory guidelines put in place by Ofgem and Elexon (who administer and implement the Balancing and Settlement Code) and adhere to the additional guidelines put in place through the Meter Operation Code of Practice Agreement ("MOCoPA"). The Company uses the regulatory mechanisms in place across ScottishPower to interact with the UK Government and these regulatory bodies will liaise directly with Meter Operations (which manages MOCoPA) for any specific discussion points.

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, and therefore the Company 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, Energy Retail, and so the Company, engages with its supply chain are provided in the most recent Annual Report and Accounts of SPL.

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.

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.

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 Dataserve 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 Energy Retail (headed by SPRH), of which the Company is a member, requires Energy Retail to conduct business in a manner benefitting customers through balancing cost and risk while delivering shareholder value and protecting the performance and reputation of Energy Retail 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 Company's key stakeholders and how 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 5.
- **Employees:** details of how Energy Retail, and so the Company, engages with its employees are set out in the 'Employees' sub-section of the Strategic Report, on page 5.
- **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 6.

SECTION 172 STATEMENT *continued*

- **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 5.
- **Government and regulators:** details of how the Company engages with governments and regulators are set out in the ‘Government and regulators’ section of the Strategic Report, on page 5.

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 4.

The directors, both individually and together as the board of SP Dataserve Limited (“the Board”), consider that the decisions taken during the year ended 31 December 2021 in discharging the function of the Board were in conformance with their duty under section 172 of the Companies Act 2006.

The Board is assisted in considering key stakeholders 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

Valerie Sim
Director
18 August 2022

SP DATASERVE LIMITED
DIRECTORS' REPORT

The directors present their report and audited Accounts for the year ended 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 7.

- information on financial risk management and policies;
- information regarding future developments of the Company's business; and
- information on employee regulations and policies.

RESULTS AND DIVIDEND

The net profit for the year was £2,350,000 (2020 £2,705,000). A dividend of £2,900,000 was paid during year (2020 £1,600,000).

DIRECTORS

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

Jon Mikel Rubina Diez
Stuart Reid
Valerie Sim

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

DIRECTORS' INDEMNITY

In terms of the Company's Articles of Association, a qualifying third party indemnity provision is in force for the benefit of all the directors of the Company and has been in force during the financial year.

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

The directors are responsible for preparing the Annual Reports and Accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101").

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

Disclosure of information to auditor

Each of the directors in office as at the date of this Annual Report and Accounts confirms that:

- so far as he or she is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- he or she has taken all the steps that he 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 auditor of the Company for the year ended 31 December 2022.

ON BEHALF OF THE BOARD

Valerie Sim
Director
18 August 2022

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SP DATASERVE LIMITED

Opinion

We have audited the financial statements of SP Dataserve 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, and the company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

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 and 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 the revenues consist of routine, non-complex transactions which are subject to systematic processing and do not require significant judgments.

We did not identify any additional fraud risks.

Fraud and breaches of laws and regulations – ability to detect *continued*

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

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

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

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

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

Firstly, 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, we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: employment law, health and safety and anti-bribery, recognising the nature of the company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

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

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

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SP DATASERVE LIMITED *continued*

Directors' responsibilities

As explained more fully in their statement set out on pages 8 and 9, 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
22 August 2022

SP DATASERVE LIMITED
STATEMENT OF FINANCIAL POSITION
at 31 December 2021

	Notes	2021 £000	2020 £000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	3	**27**	-
Property, plant and equipment	4	**1,944**	2,172
Right-of-use assets	5	**523**	842
Non-current trade and other receivables	6	**4**	1
Deferred tax asset	7	**173**	118
TOTAL NON-CURRENT ASSETS		**2,671**	3,133
CURRENT ASSETS			
Current trade and other receivables	6	**32,217**	32,757
TOTAL CURRENT ASSETS		**32,217**	32,757
TOTAL ASSETS		**34,888**	35,890
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		**30,880**	31,430
Share capital	8, 9	17,608	17,608
Retained earnings	9	13,272	13,822
TOTAL EQUITY		**30,880**	31,430
NON-CURRENT LIABILITIES			
Non-current lease liabilities	5	**198**	527
TOTAL NON-CURRENT LIABILITIES		**198**	527
CURRENT LIABILITIES			
Current provisions	10	**513**	249
Current lease liabilities	5	**357**	343
Current trade and other payables	11	**2,329**	2,753
Current tax liabilities		**611**	588
TOTAL CURRENT LIABILITIES		**3,810**	3,933
TOTAL LIABILITIES		**4,008**	4,460
TOTAL EQUITY AND LIABILITIES		**34,888**	35,890

Approved by the Board and signed on its behalf on 18 August 2022.

Valerie Sim
Director

The accompanying Notes 1 to 21 are an integral part of the Statement of financial position as at 31 December 2021.

SP DATASERVE LIMITED
INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2021

	Notes	**2021 £000**	2020 £000
Revenue	12	14,207	14,549
GROSS MARGIN		**14,207**	14,549
Staff costs	13	(6,200)	(6,027)
External services		(4,470)	(4,690)
Other operating results		206	259
Net operating costs		**(10,464)**	(10,458)
Taxes other than income tax		**(2)**	(2)
GROSS OPERATING PROFIT		**3,741**	4,089
Net expected credit losses on trade receivables		(331)	(219)
Depreciation and amortisation charge, allowances and provisions	14	(822)	(876)
OPERATING PROFIT		**2,588**	2,994
Finance income	15	340	373
Finance costs	16	(22)	(30)
PROFIT BEFORE TAX		**2,906**	3,337
Income tax	17	(556)	(632)
NET PROFIT FOR THE YEAR		**2,350**	2,705

Net profit for both years comprises total comprehensive income.

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

All results relate to continuing operations.

The accompanying Notes 1 to 21 are an integral part of the Income statement and statement of comprehensive income for the year ended 31 December 2021.

SP DATASERVE LIMITED
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2021

	Share capital £000	Retained earnings £000	Total £000
At 1 January 2020	17,608	12,717	30,325
Total comprehensive income for the year	-	2,705	2,705
Dividends	-	(1,600)	(1,600)
At 1 January 2021	17,608	13,822	31,430
Total comprehensive income for the year	-	2,350	2,350
Dividends	-	(2,900)	(2,900)
At 31 December 2021	**17,608**	**13,272**	**30,880**

The accompanying Notes 1 to 21 are an integral part of the Statement of changes in equity for the year ended 31 December 2021.

1 BASIS OF PREPARATION

A COMPANY INFOMATION

SP Dataserve Limited, registered company number SC215842, 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 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 reconciliation for property, plants and equipment;
- reconciliation of movements of liabilities to cash flows arising from financing activities;
- disclosures in respect of transactions with wholly-owned subsidiaries of Iberdrola, S.A.;
- disclosures in respect of capital management;
- the effects of new, but not yet effective, IAS pronouncements;
- disclosures in respect of the compensation of key management personnel; and
- the preparation of a Statement of cash flows and the related notes (applied for the first time in the financial statements for the year ended 31 December 2021).

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

B2 GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on pages 1 to 7.

The Statement of financial position presents net current assets of £28,407,000 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 requirements through the global treasury function.

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 31 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 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.

1 BASIS OF PREPARATION *continued*

C ACCOUNTING STANDARDS

C1 IMPACT OF BREXIT

After the end of the Brexit transition period (31 December 2020), the UK ceased to be subject to European Union ("EU") law. Under the European Union (Withdrawal) Act 2018, all existing IAS 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 IAS endorsed by the EU 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.

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'	(b)
• 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.

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, assumptions made about the future and other major sources of estimation uncertainty which have significant risk of resulting in a material adjustment to the carrying amount of revenue, expenses, assets and liabilities in the next financial year relate to Expected Credit Losses ("ECLs") on trade receivables and accrued income (refer to Note 2F1.2(d) and Note 6 for further details).

ScottishPower, Energy Retail, and so 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 LEASED ASSETS
E IMPAIRMENT OF INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND LEASED ASSETS

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

F FINANCIAL INSTRUMENTS
G PROVISIONS
H RETIREMENT BENEFITS
I OTHER OPERATING RESULTS
J 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.

Metering services consist of meter maintenance and communication services, meter revenue protection services and the provision of meters to customers. These are performance obligations satisfied over time as the customer benefits from the services as they are provided. The Company has a right to consideration in an amount that corresponds directly with the value to the customer of the Company's performance to date. Therefore, revenue is recognised in the amount to which the Company has a right to invoice based on the agreed contractual rates. Amounts in contract liabilities consist of invoices issued in advance of the service being provided.

The installation of a meter is a performance obligation satisfied at a point in time. Revenue is recognised at the point the customer obtains control of the meter, which is when installation is completed, at the unit rate specified in the contract.

B INTANGIBLE ASSETS (COMPUTER SOFTWARE)

The costs of acquired computer software, such as licences 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 two years.

C PROPERTY, PLANT AND EQUIPMENT

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

The main depreciation periods used by the Company are as set out below.

	Years
Meters and measuring devices	10
Other items of property, plant and equipment	4 - 40

D LEASED ASSETS

A contract is, or contains a lease if, at inception, the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16 'Leases' ("IFRS 16").

An identified asset will be specified explicitly or implicitly in the contract, and will be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.

A contract conveys the right to control the use of an identified asset if the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use, and the customer has the right to direct the use of the asset. The customer has this right when they have the decision-making rights that are most relevant to changing how and for what purpose the asset is used. Where this is predetermined, the customer has the right to direct the use of the asset if either they have the right to operate the asset or they designed the asset in a way that predetermines how and for what purposes it will be used.

The Company has elected not to separate non-lease components and thus accounts for the lease and non-lease components in a contract as a single lease component.

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

D LEASED ASSETS *continued*

D1 LESSEE

As a lessee, the Company recognises a right-of-use asset at the lease commencement date, measured initially at cost. This comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset, or restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date over the shorter of the useful life of the underlying asset and the lease term. The right-of-use asset is reduced by any impairment losses and adjusted for certain remeasurements of the lease liability. The Company presents right-of-use assets within Non-current assets in the Statement of financial position and the deprecation charge is recorded within Depreciation, amortisation and provisions in the Income statement and statement of comprehensive income.

The lease liability recognised at the commencement date is measured initially at the present value of the lease payments that are not paid at that date. Where the rates implicit in the leases cannot be readily determined, the liabilities are discounted using the Company's incremental borrowing rate, being the currency-specific interest rate that would be incurred on a loan, with similar terms, to purchase a similar asset. The incremental borrowing rates will be updated annually and applied to leases commencing in the subsequent year. Therefore, the lease liability is measured at amortised cost using the effective interest rate method. Lease payments included in the measurement of the lease liability comprise fixed payments (including in-substance fixed payments); variable lease payments that depend on an index or a rate initially measured using the index or rate as at the commencement date; lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Company is reasonably certain not to do so.

The lease liability is remeasured when there is a change in the future lease payments arising from a change in the index or rate, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. This change in the lease liability will result in a corresponding adjustment to the carrying amount of the right-of-use asset, or in profit or loss if the carrying amount of the right-of-use asset is zero.

The Company presents lease liabilities separately in the Statement of financial position; the discount on the liabilities unwinds over the term of the lease and is charged to Finance costs in the Income Statement and statement of comprehensive income.

The Company has elected not to recognise right-of-use assets and lease liabilities for certain short-term leases that have a lease term of twelve months or less, and leases of intangible assets. The Company recognises any lease payments associated with such leases as an expense on a straight-line basis over the lease term.

E IMPAIRMENT OF INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND LEASED ASSETS

At each reporting date, the Company reviews the carrying amount of its intangible assets, property, plant and equipment and leased 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 (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, the risks specific to the asset and lease liabilities under IFRS 16.

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.

F FINANCIAL INSTRUMENTS

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

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

F FINANCIAL INSTRUMENTS *continued*

F1 FINANCIAL ASSETS

F1.1 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.

F1.2 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").

(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. Interest income, and 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).

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

F FINANCIAL INSTRUMENTS *continued*

F1 FINANCIAL ASSETS *continued*

F1.2 RECOGNITION AND MEASUREMENT *continued*

(d) Impairment of financial assets *continued*

(i) Measurement of ECLs *continued*

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.

(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.

F2 FINANCIAL LIABILITIES

F2.1 CLASSIFICATION

Financial liabilities are classified as measured amortised cost.

F2.2 RECOGNITION AND MEASUREMENT

(a) Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of 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 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.

G PROVISIONS

A provision is recognised when the Company has a present obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle that obligation.

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

H RETIREMENT BENEFITS

ScottishPower operates two defined benefit schemes and one defined contribution retirement benefit scheme in the UK. SP Dataserve Limited is a participating company in these group arrangements, and the contributions for the defined benefit schemes are based on pension costs across all the participating companies. The Company is unable to identify its share of the underlying assets and liabilities in the defined benefit schemes, as the scheme administrators do not calculate these separately for each of the various companies participating in the schemes and therefore treats these schemes as if they were defined contribution schemes. The amount charged to the Income statement and statement of comprehensive income in respect of pension costs is the contributions payable in the year.

I OTHER OPERATING RESULTS

Other operating results is principally comprised of recharges of services to fellow ScottishPower companies.

J 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 consistent with the transactions that generated the distributable profits. 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.

3 INTANGIBLE ASSETS

Year ended 31 December 2021	Computer software £000
Cost:	
At 1 January 2021	-
Additions	38
At 31 December 2021	**38**
Amortisation:	
At 1 January 2021	-
Amortisation for the year	11
At 31 December 2021	**11**
Net book value:	
At 31 December 2021	**27**
At 1 January 2021	-

4 PROPERTY, PLANT AND EQUIPMENT

(a) Movements in property, plant and equipment in use

Year ended 31 December 2021	Meters and measuring devices £000	Other items of property, plant and equipment (Note (i)) £000	Total £000
Cost:			
At 1 January 2021	8,079	646	8,725
Additions	259	-	259
Disposals	(3,380)	(47)	(3,427)
At 31 December 2021	**4,958**	**599**	**5,557**
Depreciation:			
At 1 January 2021	6,194	359	6,553
Depreciation for the year	452	31	483
Disposals	(3,376)	(47)	(3,423)
At 31 December 2021	**3,270**	**343**	**3,613**
Net book value:			
At 31 December 2021	**1,688**	**256**	**1,944**
At 1 January 2021	1,885	287	2,172

(i) Other items of property, plant and equipment principally comprises buildings and fixtures and fittings.
(ii) The cost of fully depreciated property, plant and equipment still in use at 31 December 2021 was £933,000 (2020 £3,611,000).

(b) Capital commitments

The Company had £8,000 (2020 £11,000) of capital commitments at 31 December 2021 expected to be settled within one year in both the current and prior year.

5 LEASING

The Company primarily leases vehicles. Information about the principal leases for which the Company is a lessee is presented below.

(a) Nature of leases

The Company leases vehicles with lease terms of between four and five years, primarily being pool vehicles to mobilise its operational staff. Agreements can be terminated without notice. Certain vehicle leases are considered short-term and the Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

Other Information

The Company has not committed to any leases that have not yet commenced. The Company has no contracts containing residual value guarantee, no leases subject to significant restrictions or covenants and no sale and leaseback transactions.

5 LEASING *continued*

(b) Right-of-use assets

Year ended 31 December 2020	Note	Vehicles £000	Other £000	Total £000
Cost:				
At 1 January 2020		1,516	17	1,533
Adjustments for changes in liabilities	(i)	6	5	11
Disposals		(4)	-	(4)
At 31 December 2020		1,518	22	1,540
Depreciation:				
At 1 January 2020		361	15	376
Charge for the year		321	5	326
Disposals		(4)	-	(4)
At 31 December 2020		678	20	698
Net book value:				
At 31 December 2020		840	2	842
At 1 January 2020		1,155	2	1,157

Year ended 31 December 2021	Note	Vehicles £000	Other £000	Total £000
Cost:				
At 1 January 2021		1,518	22	1,540
Adjustments for changes in liabilities	(i)	-	5	5
Disposals		(40)	(6)	(46)
At 31 December 2021		1,478	21	**1,499**
Depreciation:				
At 1 January 2021		678	20	698
Charge for the year		319	5	324
Disposals		(40)	(6)	(46)
At 31 December 2021		957	19	**976**
Net book value:				
At 31 December 2021		**521**	**2**	**523**
At 1 January 2021		840	2	842

(i) Adjustments for changes in liabilities are movements in the right-of-use asset resulting from remeasurement of the associated lease liability to reflect changes to the lease payments due to any reassessment or lease modifications.

(ii) There are no right-of-use assets measured at revalued amounts.

(c) Lease liabilities

The following table sets out a maturity analysis of non-derivative lease liabilities, showing the undiscounted payments to be made after the reporting date.

	2021 £000	2020 £000
Less than one year	369	363
One to five years	200	541
Total undiscounted lease liabilities at 31 December	**569**	904
Finance cost	(14)	(34)
Total discounted lease liabilities	**555**	870

Analysis of total lease liabilities		
Non-current	198	527
Current	357	343
Total	**555**	870

5 LEASING *continued*

(c) Lease liabilities *continued*

Details of Scottish Power's, and therefore the Company's, management strategy for liquidity risks inherent in the Company's lease liability can be found in the most recent Annual Report and Accounts of SPL.

(d) Amounts recognised in the Income statement and statement of comprehensive income

	Note	**2021** £000	2020 £000
Interest on lease liabilities		**(22)**	(32)
Expenses relating to short-term leases*	(i)	**(4)**	(4)

(i) This charge relates to leases for vehicles. Future commitments relating to the portfolio of short-term leases are expected to be similar to the expense charged in the year.

(e) Total cash outflow for leases

	2021 £000	2020 £000
Total cash outflow for leases	**(346)**	(369)

6 TRADE AND OTHER RECEIVABLES

	Notes	**2021** £000	2020 £000
Current receivables:			
Receivables due from Iberdrola Group companies - trade		**34**	5
Receivables due from Iberdrola Group companies - loans	(a), (b)	**30,166**	30,808
Receivables due from Iberdrola Group companies - interest		**340**	373
Trade receivables (including accrued income)	(c)	**1,662**	1,571
Prepayments		**15**	-
	(d), (e)	**32,217**	32,757
Non-current receivables:			
Prepayments		**4**	1

(a) Current loans due from Iberdrola Group companies are repayable on demand and interest is payable at 1% above the Bank of England base rate.
(b) ECLs on loan receivables due from Iberdrola Group companies are £4,000 (2020 £4,000).
(c) The gross carrying amount of Trade receivables (including accrued income) is £2,365,000 (2020 £1,943,000). The ECL is £703,000 (2020 £372,000) giving a weighted average loss rate of 29.7% (2020 19.1%). Net ECLs on trade receivables per the Income statement and statement of comprehensive income of £331,000 (2020 £219,000) also includes no additional bad debt write offs (2020 £107,000). The actual level of trade receivables and accrued income collected may differ from the estimated levels of recovery, which could impact Operating profit positively or negatively. Based on the weighted average loss rate of 29.7% (2020 19.1%), a 5% increase in the overall expected loss rate would result in an increase to the ECL of £118,000 (2020 £97,000). A 5% decrease would result in a decrease to the ECL of £118,000 (2020 £97,000).
(d) Current trade and other receivables includes £1,348,000 (2020 £1,097,000) of IFRS 15 receivables.
(e) ECLs of £263,000 (2020 £152,000) were recognised during the year on current receivables arising from the Company's contracts with customers.

7 DEFERRED TAX

	Notes	Property, plant and equipment £000	Other temporary differences £000	Total £000
At 1 January 2020		49	88	137
Credit/(charge) to the Income statement and statement of comprehensive income	(a)	15	(34)	(19)
At 1 January 2021		64	54	118
Credit to the Income statement and statement of comprehensive income	(b)	5	50	55
At 31 December 2021		**69**	**104**	**173**

(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. 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 applies from 1 April 2020. This rate change has increased the 31 December 2020 deferred tax asset by £12,000.

7 DEFERRED TAX *continued*

(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 £15,000 to reflect the rate that the temporary differences are expected to reverse at.

8 SHARE CAPITAL

	2021	2020
	£000	£000
Allotted, called up and fully paid shares:		
17,608,000 ordinary shares of £1 each (2020 17,608,000)	**17,608**	17,608

Holders of these ordinary shares are entitled to dividends as declared from time to time; amounts on the capitalisation of profits and reserves; and notice and attendance at general meetings of the Company, with every member entitled to one vote on a show of hands and on a poll one vote for every share held.

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

	Share capital	Retained earnings (Note (a))	Total
	£000	£000	£000
At 1 January 2020	17,608	12,717	30,325
Profit for the year attributable to equity holder of the Company	-	2,705	2,705
Dividends	-	(1,600)	(1,600)
At 1 January 2021	17,608	13,822	31,430
Profit for the year attributable to equity holder of the Company	-	2,350	2,350
Dividends	-	(2,900)	(2,900)
At 31 December 2021	**17,608**	**13,272**	**30,880**

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

10 PROVISIONS

Year ended 31 December 2020	Notes	At 1 January 2020 £000	New provisions £000	Utilised during year £000	Released during year £000	At 31 December 2020 £000
Reorganisation and restructuring	(a)	851	5	(464)	(148)	244
Insurance	(b)	110	115	(113)	(110)	2
Other		8	-	-	(5)	3
		969	120	(577)	(263)	249

Year ended 31 December 2021	Notes	At 1 January 2021 £000	New provisions £000	Utilised during year £000	**At 31 December 2021 £000**
Reorganisation and restructuring	(a)	244	508	(244)	**508**
Insurance	(b)	2	-	-	**2**
Other		3	-	-	**3**
		249	508	(244)	**513**

(a) The opening 2020 provision related to a restructuring programmes launched during 2019. This provision was largely utilised or released during 2020. The remainder was released in 2021. The new provision in the current year relates to a restructuring programme that was launched in 2021; this is expected to be utilised in 2022.

(b) The provision for insurance principally represents the value of claims reserves and is expected to be utilised in 2022.

11 TRADE AND OTHER PAYABLES

	Note	2021 £000	2020 £000
Current trade and other payables:			
Payables due to Iberdrola Group companies - trade		**-**	142
Trade payables		**881**	847
Other taxes and social security		**275**	250
Payments received on account	(a)	**928**	1,245
Capital payables and accruals		**91**	80
Other payables		**154**	189
		2,329	2,753

(a) Trade and other payables include £928,000 (2020 £1,245,000) of IFRS 15 contract liabilities. The amount of contract liabilities recognised as income in the year is £1,245,000 (2020 £1,063,000).

12 REVENUE

	2021 £000	2020 £000
Meter maintenance and communication services	9,430	9,698
Meter revenue protection services	4,021	4,229
Meter installation	268	130
Meter provision	488	492
	14,207	14,549

13 EMPLOYEE INFORMATION

(a) Staff costs

	Note	2021 £000	2020 £000
Wages and salaries		3,767	4,537
Social security costs		327	396
Pension and other costs	(i)	2,106	1,094
Total staff costs		**6,200**	6,027

(i) Pension and other costs includes costs of £508,000 for a restructuring programme (2020 credit of £562,000).

(b) Employee numbers

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

	Average 2021	Average 2020
Operations	**132**	**157**

(c) Retirement benefits

The Company's contributions payable in the year were £1,512,000 (2020 £1,589,000). The Company contributes to ScottishPower's defined benefit and defined contribution schemes in the UK and the contributions payable in the year reflect the contributions payable in respect of active participants in the group schemes who are employed by the Company. Full details of these schemes are provided in the most recent Annual Report and Accounts of SPL. As at 31 December 2021, the surplus in ScottishPower's defined benefit schemes in the UK amounted to £192.2 million (2020 net liability of £558.6 million). The employer contribution rate for these schemes in the year ended 31 December 2021 was 47.9% - 51.0%.

14 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

	2021 £000	2020 £000
Property, plant and equipment depreciation charge	**483**	544
Right-of-use asset depreciation charge	**324**	326
Intangible asset amortisation charge	**11**	-
Charges and provisions, allowances and impairment of assets	**4**	6
	822	**876**

15 FINANCE INCOME

	2021 £000	2020 £000
Interest receivable from Iberdrola Group companies	**340**	373

16 FINANCE COSTS

	2021 £000	2020 £000
Net ECL reversals	**-**	(2)
Interest on lease liabilities	**22**	32
	22	30

17 INCOME TAX

	2021 £000	2020 £000
Current tax:		
UK Corporation Tax charge on profits for the year	**611**	588
Adjustments in respect of prior years	**-**	25
Current tax for the year	**611**	613
Deferred tax:		
Origination and reversal of temporary differences	**(58)**	48
Adjustments in respect of prior years	**21**	(17)
Impact of tax rate change on opening deferred tax balance	**(15)**	(12)
Impact of tax rate change on current year charge	**(3)**	-
Deferred tax for the year	**(55)**	19
Income tax expense for the year	**556**	632

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

	2021 £000	2020 £000
Corporation Tax at 19% (2020 19%)	**552**	634
Adjustments in respect of prior years	**21**	8
Impact of tax rate change on opening deferred tax balance	**(15)**	**(12)**
Impact of tax rate change on current year charge	**(3)**	-
Non-deductible expenses and other permanent differences	**1**	2
Income tax expense for the year	**556**	632

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 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 was applicable from 1 April 2020. This rate change increased the deferred tax asset at 31 December 2020 by £12,000.

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 £15,000 reflecting the rate that the temporary differences are expected to reverse at.

18 DIVIDENDS

	2021 pence per ordinary share	2020 pence per ordinary share	2021 £000	2020 £000
Interim dividend paid	**16.5**	9.1	**2,900**	1,600

19 FINANCIAL COMMITMENTS

The Company had £139,000 (2020 £127,000) of contractual commitments at 31 December 2021 expected to be settled within one year in both the current and prior year.

20 RELATED PARTY TRANSACTIONS

(a) Directors' remuneration

The remuneration of the directors that provided qualifying services to the Company is set out below. As all of the directors are remunerated for their work for the group headed by SPRH, it has not been possible to apportion the remuneration specifically in respect of services to this Company. All three (2020 five) of the directors were remunerated by other Iberdrola Group companies.

	2021	2020
	£000	£000
Aggregate remuneration in respect of qualifying services	**542**	647
Aggregate contributions payable to a defined contribution pension scheme	**11**	2
Number of directors who exercised share options	**3**	4
Number of directors who received shares under a long-term incentive scheme	**2**	3
Number of directors accruing retirement benefits under a defined benefit scheme	**2**	3
Number of directors accruing retirement benefits under a defined contribution scheme	**1**	1

	2021	2020
Highest paid director	**£000**	£000
Aggregate remuneration	**196**	406
Accrued pension benefit	**40**	58

(i) The highest paid director received shares under a long-term incentive scheme during 2020 only.
(ii) The highest paid director exercised share options during both years.

(b) Immediate and ultimate parent company

The immediate parent company is SPRH. The registered office of SPRH is 320 St. Vincent Street, Glasgow, G2 5AD.

The directors regard Iberdrola, S.A. (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 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 Company’s parent undertakings disclosed above.

21 AUDITOR’S REMUNERATION

	2021	2020
	£000	£000
Audit of the Company's annual accounts	**17**	**17**