SCOTTISHPOWER ENERGY MANAGEMENT (AGENCY) LIMITED
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2020

Registered No. SC222524

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CONTENTS

SCOTTISHPOWER ENERGY MANAGEMENT (AGENCY) LIMITED
STRATEGIC REPORT

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

STRATEGIC OUTLOOK
Introduction
The principal activity of the Company, registered company number SC222524, is to provide staff and administrative support on an agency basis for all commercial and trading activity undertaken by ScottishPower Energy Management Limited ("SPEML"). The Company acts as an agent for SPEML. The Company's income and cost base is largely dependent on the number of employees required to be seconded to the Company, in order to meet its service agreement with SPEML. 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 Scottish Power Limited Group ("ScottishPower"), of which the Company is a member.

The Company, and SPEML, are part of ScottishPower's Energy Wholesale business ("Energy Wholesale"). Energy Wholesale is responsible for managing ScottishPower's exposure to the UK wholesale electricity and gas markets and the optimisation of gas storage.

The Company is authorised and regulated by the Financial Conduct Authority.

Operating review
During the year to 31 December 2020, there was a decrease in both revenue (2020 £7,697,000; 2019 £11,520,000) and procurements (2020 £7,621,000; 2019 £10,410,000) due to a decrease in overhead costs recharged to the Company by SPEML, which in turn drives the revenue. There was an operating loss of £3,000 in the year to 31 December 2020 (2019 operating profit of £1,045,000).

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

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

PRINCIPAL RISKS AND UNCERTAINTIES
In order to deliver its strategy, ScottishPower, and therefore the Company, are required to conduct business in a manner benefitting customers through balancing cost and risk while delivering shareholder value and protecting ScottishPower's performance and reputation by prudently managing the risks inherent in the business. To maintain this strategic direction, ScottishPower develops and implements risk management policies and procedures, and promotes a robust control environment at all levels of the organisation. Further details of ScottishPower's risk management practices can be found in the most recent Annual Report and Accounts of SPL.

The principal risks and uncertainties of the Company, that may impact current, future operational and financial performance and the management of these risks are described in the table on the following page.

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

RISK	RESPONSE
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, and therefore the Company, is vulnerable and addressing these points through technical solutions. Educating ScottishPower employees and contractors as to how behaviour can reduce this risk. Embedding cyber security in all projects where appropriate.
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.
Inability of the Company to provide seconded staff with sufficient skills and relevant experience.	Continued investment in employee training and development with succession planning for key roles.

ENGAGING WITH STAKEHOLDERS

References to "ScottishPower" apply fully to the Energy Wholesale business, and so 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, especially employees, is key to promoting the success and values of ScottishPower.

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, 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 the Company, has four key stakeholder categories: employees; customers; government and regulators; 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, and they are also affected by ScottishPower's activities. In addition, these stakeholders interact with each other, creating a universe of relationships that ScottishPower needs to manage in order to achieve a better understanding of its operating environment and to deliver a more sustainable performance across its activities.

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

ENGAGING WITH STAKEHOLDERS *continued*

EMPLOYEES

The Company acts as an agent for SPEML. The Company's income and cost base is largely dependent on the number of staff required to be seconded to the Company, in order to meet its service agreement with SPEML. These individuals are employees of the ScottishPower Group and make a real difference in determining how successfully the Company operates. The creativity, innovation and individuality of ScottishPower's employees enables ScottishPower, and so the Company, 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 engages with its employees, and therefore how the Company engages with its seconded staff, are provided in the most recent Annual Report and Accounts of SPL.

CUSTOMERS

The Company's key customer is SPEML, to whom it provides staff and administrative support on an agency basis to support all its commercial and trading activity. The success of the Company depends on continuous engagement to understand and provide for the needs of SPEML.

GOVERNMENT AND REGULATORS

The Company is authorised and regulated by the Financial Conduct Authority. It recognises the importance of an open dialogue with the regulator, responding cooperatively to any requests for information and disclosing appropriately anything relating to the Company which the regulator would reasonably expect.

COMMUNITY AND ENVIRONMENT

Being a trusted, respected and integrated part of the community is something ScottishPower continually aims for. This is realised through 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.

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

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

MODERN SLAVERY

The term 'modern slavery' covers both slavery and human trafficking. ScottishPower 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 has been approved by the SPL Board. This statement is published on the ScottishPower website at:
https://www.scottishpower.com/userfiles/file/SP_Modern_Slavery_Statement_2019.pdf?v=1.2.

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 ScottishPower Energy Management (Agency) 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.

SECTION 172 STATEMENT *continued*

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

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

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

The directors strongly believe that effective and meaningful engagement with stakeholders is key to promoting the success of the Company. Details of the Company's key stakeholders and how the 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 3.
- **Employees**: details of how ScottishPower, and so the Company, engages with its seconded employees are set out in the 'Employees' sub-section of the Strategic Report, on page 3.
- **Communities and the environment:** details of how ScottishPower, and so the Company, engages with communities are set out in the 'Community and environment' sub-section of the Strategic Report, on page 3.
- **Government and regulators**: details of how the Company engages with governments and regulators are set out in the 'Government and regulators' sub-section of the Strategic Report, on page 3.

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 2.

The directors, both individually and together as a board, consider that the decisions taken during the year ended 31 December 2020 in discharging the function of the Board of the Company ("the Board") were in conformance with their duty under section 172 of the Companies Act 2006.

The Board are 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

Douglas Ness
Director
19 April 2021

SCOTTISHPOWER ENERGY MANAGEMENT (AGENCY) LIMITED
DIRECTORS' REPORT

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

INFORMATION CONTAINED WITHIN THE STRATEGIC REPORT
The directors have chosen to disclose information on the following, required by the Companies Act 2006 to be included in the Directors' Report, within the Strategic Report, found on pages 1 to 4.

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

RESULTS AND DIVIDENDS
The net loss for the year amounted to £1,000 (2019 net profit of £846,000). No dividend was paid during the year (2019 nil).

DIRECTORS
The directors who held office during the year and to the date of this report were as follows:

Julián Calvo Moya
Carlos Pombo Jiménez
Neil Stainton
Douglas Ness

At the date of this report, there have been no changes to the composition of the board of directors 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 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;
- 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 differs 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 is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

AUDITOR

KPMG LLP were re-appointed as the auditor of the Company for the year ended 31 December 2020.

ON BEHALF OF THE BOARD

Douglas Ness
Director
19 April 2021

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SCOTTISHPOWER ENERGY MANAGEMENT (AGENCY) LIMITED

Opinion

We have audited the financial statements of ScottishPower Energy Management (Agency) Limited ("the company") for the year ended 31 December 2020 which comprises the Balance Sheet, Income Statement and Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement and related notes, including the accounting policies in Note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the Financial Reporting Council ("FRC") Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

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

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

As required by auditing standards, 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 all revenue recognised relates to services provided to other entities within the ScottishPower group and consists entirely of routine, non-complex transactions which do not require significant judgments.

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.

As the company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

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 and 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: certain aspects of company legislation recognising the nature of the company's activities and its legal form. 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.

Directors' responsibilities
As explained more fully in their statement set out on pages 5 and 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Williamson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St. Vincent Street
Glasgow
G2 5AS
20 April 2021

SCOTTISHPOWER ENERGY MANAGEMENT (AGENCY) LIMITED
BALANCE SHEET
at 31 December 2020

	Notes	**2020** **£000**	2019 £000
ASSETS			
CURRENT ASSETS			
Trade and other receivables	3	**7**	-
Cash		**6,822**	6,966
CURRENT ASSETS		**6,829**	6,966
TOTAL ASSETS		**6,829**	6,966
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		**6,766**	6,767
Share capital	4, 5	4,000	4,000
Retained earnings	5	2,766	2,767
TOTAL EQUITY		**6,766**	6,767
CURRENT LIABILITIES			
Trade and other payables	6	**63**	-
Current tax liabilities		**-**	199
CURRENT LIABILITIES		**63**	199
TOTAL LIABILITIES		**63**	199
TOTAL EQUITY AND LIABILITIES		**6,829**	6,966

Approved by the Board and signed on its behalf on 19 April 2021 .

Douglas Ness
Director

The accompanying Notes 1 to 12 are an integral part of the balance sheet at 31 December 2020.

SCOTTISHPOWER ENERGY MANAGEMENT (AGENCY) LIMITED
INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2020

	Notes	**2020** **£000**	2019 £000
Revenue		7,697	11,520
Procurements		(7,621)	(10,410)
GROSS MARGIN		**76**	1,110
External expenses		(79)	(65)
OPERATING (LOSS)/PROFIT		**(3)**	1,045
Finance income	7	1	1
Finance costs	8	1	(1)
(LOSS)/PROFIT BEFORE TAX		**(1)**	1,045
Income tax	9	-	(199)
NET (LOSS)/PROFIT FOR THE YEAR		**(1)**	846

Net loss for the current year and net profit for the prior year is wholly attributable to the equity holder of ScottishPower Energy Management (Agency) Limited.

Net loss for the current year and net profit for the prior year comprises total comprehensive income.

All results relate to continuing operations.

The accompanying Notes 1 to 12 are an integral part of the income statement and statement of other comprehensive income for the year ended 31 December 2020.

SCOTTISHPOWER ENERGY MANAGEMENT (AGENCY) LIMITED
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020

	Share capital £000	Retained earnings £000	Total equity £000
At 1 January 2019	4,000	1,921	5,921
Total comprehensive income for the year	-	846	846
At 1 January 2020	4,000	2,767	6,767
Total comprehensive income for the year	-	(1)	(1)
At 31 December 2020	**4,000**	**2,766**	**6,766**

The accompanying Notes 1 to 12 are an integral part of the statement of changes in equity for the year ended 31 December 2020.

SCOTTISHPOWER ENERGY MANAGEMENT (AGENCY) LIMITED
CASH FLOW STATEMENT
for the year ended 31 December 2020

	2020 £000	2019 £000
Cash flows from operating activities		
Total (loss)/profit before tax	**(1)**	1,045
Adjustments for:		
Net finance income and costs	**(2)**	-
Changes in working capital:		
Change in trade and other receivables	**(7)**	-
Change in trade payables	**62**	(15)
Income taxes paid	**(199)**	(213)
Net cash flows from operating activities (i)	**(147)**	817
Cash flows from investing activities		
Interest received	**1**	1
Net cash flows from investing activities (ii)	**1**	1
Net (decrease)/increase in cash and cash equivalents (i)+(ii)	**(146)**	818
Cash and cash equivalents at beginning of year	**6,969**	6,151
Cash and cash equivalents at end of year	**6,823**	6,969

Cash and cash equivalents at end of year comprises:

Cash	**6,823**	6,969
Expected Credit Losses ("ECLs")	**(1)**	(3)
Cash per balance sheet	**6,822**	6,966

The accompanying Notes 1 to 12 are an integral part of the cash flow statement for the year ended 31 December 2020.

1 BASIS OF PREPARATION

A COMPANY INFORMATION

ScottishPower Energy Management (Agency) Limited, ("the Company"), registered company number SC222524, is a private company limited by shares, incorporated in Scotland and its registered address 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") in conformity with the requirements of the Companies Act 2006 (refer to Note 1C1) including newly effective International Financial Reporting Standards ("IFRS") for the year ended 31 December 2020 (refer to Note 1C2), but has made amendments where necessary in order to comply with the Companies Act 2006 and has set out below where FRS 101 disclosure exemptions have been taken.

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

- certain disclosures regarding revenue;
- disclosures in respect of transactions with wholly owned subsidiaries of Iberdrola, S.A.;
- disclosures in respect of capital management;
- the effects of new, but not yet effective, IFRS pronouncements; and
- disclosures in respect of the compensation of key management personnel.

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

B2. GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on pages 1 to 4.

The Company's balance sheet shows that it has net current assets and net assets of £6,766,000 as at 31 December 2020. As at 31 December 2020 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Company is ultimately owned by Iberdrola, S.A. and it participates in the Iberdrola Group's centralised treasury arrangements and shares banking facilities with its parent companies and fellow subsidiaries.

The directors have prepared cash flow forecasts for the period to 31 December 2022 which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, to meet its liabilities as they fall due for that period.

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

C ACCOUNTING STANDARDS

C1. IMPACT OF BREXIT

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

1 BASIS OF PREPARATION *continued*

C ACCOUNTING STANDARDS *continued*

C1. IMPACT OF BREXIT *continued*

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

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

C2. IMPACT OF NEW IFRS

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

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

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

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

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES

In determining and applying accounting policies, judgement is often required in respect of items which have a significant effect on the reported amounts of assets, liabilities, income and expenses recognised in the financial statements. Other than those involving estimates, the Company has no such judgements. At 31 December 2020, there were no assumptions made about the future and other major sources of estimation uncertainty which have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities in the next financial year.

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

A REVENUE
B PROCUREMENTS
C FINANCIAL INSTRUMENTS
D 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 it 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 activity of the Company.

The provision of staff and administrative support is a performance obligation satisfied over time as the customer benefits from the services as it is provided. Cost is used to measure progress towards complete satisfaction of the performance obligation as this represents the transfer of the service to the customer. Revenue is therefore recognised as the costs are incurred at the agreed contractual rate.

B PROCUREMENTS

Procurements principally comprises the agency staff and overhead costs recharged to the Company by SPEML. Costs are recorded on an accruals basis.

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

C 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.

C1 FINANCIAL ASSETS

C1.1 RECOGNITION AND INITIAL MEASUREMENT

The Company's financial asset, being cash, is classified as measured at amortised cost.

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

C1.2 CLASSIFICATION AND SUBSEQUENT MEASUREMENT

(a) Classification

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

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

(b) Subsequent measurement and gains and losses

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

(i) Derecognition

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

(c) Impairment of financial assets

ECLs on cash balances are presented within Finance costs in the income statement. ECLs for cash balances are recognised using the general model. The general model works as follows:

- for credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses resulting from default events that are considered possible within the next twelve months (a twelve-month ECL); and
- for those 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 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, the Company's cash balances are considered to have low credit risk at both the beginning and end of the reporting period.

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

C FINANCIAL INSTRUMENTS *continued*

C1 FINANCIAL ASSETS *continued*

C1.2 CLASSIFICATION AND SUBSEQUENT MEASUREMENT *continued*

(c) Impairment of financial assets *continued*

(i) Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Lifetime ECLs are the ECLs resulting from all possible default events over the expected life of a financial instrument. Twelve-month ECLs are the ECLs resulting from default events that are possible within the twelve months after the reporting date (or a shorter period if the expected life of the instrument is less than twelve months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

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

(ii) Credit-impaired financial assets

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

(iii) Write-offs

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

C2 FINANCIAL LIABILITIES

C2.1 RECOGNITION AND INITIAL MEASUREMENT

The Company's financial liabilities are initially recognised at fair value net of directly attributable transaction costs.

C2.2 CLASSIFICATION AND SUBSEQUENT MEASUREMENT

The Company's financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in the income statement. Any gain or loss on derecognition is also recognised in the income statement.

(a) Derecognition

The Company derecognises a financial liability when the obligation under that liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the original liability is derecognised and a new liability recognised. The difference in their respective carrying amounts is recognised in the income statement.

D TAXATION

Liabilities for current tax are calculated using the tax rates that have been enacted, or substantively enacted, at the balance sheet date.

3 TRADE AND OTHER RECEIVABLES

	2020	2019
	£000	£000
Current receivables:		
Other tax receivables	**7**	-

4 SHARE CAPITAL

	2020	2019
	£000	£000
Allotted, called up and fully paid shares:		
4,000,001 ordinary shares of £1 each (2019 4,000,001)	**4,000**	4,000

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

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

	Share capital £000	Retained earnings (Note (a)) £000	Total equity £000
At 1 January 2019	4,000	1,921	5,921
Profit for the year attributable to equity holder of the Company	-	846	846
At 1 January 2020	4,000	2,767	6,767
Loss for the year attributable to equity holder of the Company	-	(1)	(1)
At 31 December 2020	**4,000**	**2,766**	**6,766**

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

6 TRADE AND OTHER PAYABLES

	2020 £000	2019 £000
Current trade and other payables:		
Payables due to Iberdrola group companies - trade	**27**	-
Payables due to Iberdrola group companies - interest	**1**	-
Trade payables	**35**	-
	63	-

7 FINANCE INCOME

	2020 £000	2019 £000
Interest on bank and other deposits	**1**	1

8 FINANCE COSTS

	2020 £000	2019 £000
Interest on amounts due to Iberdrola group companies	**1**	-
Expected Credit (reversals)/losses	**(2)**	1
	(1)	1

9 INCOME TAX

	2020 £000	2019 £000
Current tax:		
UK Corporation Tax charge on (loss)/profits for the year	**-**	199
Income tax expense for the year	**-**	199

The tax charge on (loss)/profit on ordinary activities for the year did not vary from the standard rate of UK Corporation Tax as follows:

	2020 £000	2019 £000
Corporation Tax at 19% (2019 19%)	**-**	199
Income tax expense for the year	**-**	199

Legislation was previously enacted to reduce the UK rate of Corporation Tax to 17% on 1 April 2020. Further legislation was enacted on 22 July 2020 under The Finance Act 2020 that maintains the 19% UK Corporation Tax rate. The 19% rate applies from 1 April 2020. In the 3 March 2021 Budget, the Chancellor of the Exchequer announced that the UK tax rate will increase to 25% from 1 April 2023.

10 EMPLOYEE INFORMATION

The Company has no employees (2019 none). Details of directors' remuneration are set out in Note 11(a).

11 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 group headed by SPRH, it has not been possible to apportion the remuneration specifically in respect of services to this Company. During 2020 two (2019 three) of the directors' remuneration was borne by the Company.

	2020	2019
	£000	£000
Aggregate remuneration in respect of qualifying services	**295**	248
Number of directors who exercised share options	**2**	3
Number of directors who received shares under a long-term incentive scheme	**-**	1
Number of directors accruing retirement benefits under a defined benefit scheme	**2**	3

	2020	2019
Highest paid director	**£000**	£000
Aggregate remuneration	**157**	145
Accrued pension benefit	**26**	24

(i) The highest paid director exercised share options during both years.

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

In addition to the parent undertakings disclosed above, the Company has no other related undertakings.

12 AUDITOR REMUNERATION

	2020	2019
	£000	£000
Audit of the Company's annual Accounts	**29**	17
Audit-related assurance services	**13**	12
Total	**42**	29