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

Registered No. SC215843

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SCOTTISHPOWER ENERGY MANAGEMENT LIMITED
STRATEGIC REPORT

The directors present their Strategic Report on ScottishPower Energy Management 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 activities of the Company, registered company number SC215843, are the purchase of external supplies of electricity and gas for onward sale to customers, and the management of electricity purchased via renewables Power Purchase Agreements ("PPAs") from ScottishPower's Renewables business ("Renewables") and other external parties with wholesale market participants in the United Kingdom ("UK"). These activities are performed on behalf of ScottishPower's Energy Retail business ("Retail"). The Company also optimises its gas storage assets. These activities 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 UK holding company of the Scottish Power Limited group ("ScottishPower) of which the Company is a member.

The Company is part of ScottishPower's Energy Wholesale business ("Energy Wholesale"). The Energy Wholesale business continues to focus on managing ScottishPower's exposure to the UK wholesale electricity and gas markets for Retail and Renewables.

The Company is subject to the requirements of the European Market Infrastructure Regulation ("EMIR"), as a non-financial counterparty. Prior to 31 December 2020, this was via the European Union ("EU") regulation on Over-The-Counter ("OTC") derivatives, central counterparties and EMIR Trade Repositories. From 1 January 2021, EU EMIR was 'onshored' into UK domestic law by virtue of the European Union (Withdrawal) Act 2018 to become UK EMIR. The regulation requires counterparties, who have entered into derivative contracts, to externally report these to an authorised Trade Repository, and to implement risk management standards for all bilateral OTC derivatives.

Operating review
COVID-19
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.

2020 performance
The table below provides key financial information relating to the Company's performance during the year.

	Revenue*		Operating profit/(loss)*		Capital investment**	
	2020	2019	**2020**	2019	**2020**	2019
Financial key performance indicators	**£m**	£m	**£m**	£m	**£m**	£m
ScottishPower Energy Management Limited	**2,406.2**	3,960.3	**3.1**	(24.1)	**2.7**	2.1

* Revenue and operating profit/(loss) presented on page 12.
** Capital investment for 2020 as presented in Notes 3 and 4 on page 22.

Revenue decreased by £1,554.1 million to £2,406.2 million in 2020. This was primarily due to lower commodity derivative revenue and the lower demand for gas and electricity from Retail following the impact of the COVID-19 pandemic and the impact of lower commodity prices year on year. Lower commodity derivative revenue is linked to the level of hedging activity required to effectively manage the procurement of gas and electricity on behalf of Retail, as well as the impact of the removal of the mandatory Secure and Promote licence obligation from 31 January 2019 fulfilled by the Company on behalf of ScottishPower.

An operating profit of £3.1 million was recorded in 2020 which is a £27.2 million increase from the operating loss recorded in 2019. Although COVID-19 had an impact on the large reduction in trading within Revenue, noted above, and Procurements, which decreased by £1,571.0 million, the risk to the Company from COVID-19 was minimal because the Company recharges the net traded cost of the energy procured to Retail.

Outwith the core electricity and gas trading operations, the Company's gas storage facility generated an increase in profitability from 2019 driving the £16.9 million improvement in gross margin. Other operating income also increased due to a higher level of intercompany recharges in 2020.

Capital investment increased by £0.6 million to £2.7 million. This is principally spend on computer software during the year.

STRATEGIC OUTLOOK *continued*

Outlook for 2021 and beyond

For 2021 and beyond, the Company, as part of Energy Wholesale, will continue to contribute towards the management of new, flexible assets being commissioned by Renewables; the delivery of greener energy for Retail; and to optimise the value of its gas storage facility.

FINANCIAL INSTRUMENTS

The Company's derivatives comprise commodity derivatives and forward foreign exchange contracts. The Company uses commodity forward (fixed price/ fixed volume) contracts to hedge its exposure to commodity price risk (the variability in cash flows associated with changes in the market price of electricity and natural gas). Refer to Note 6 for further information.

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 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:

FINANCIAL RISKS	
RISK	**RESPONSE**
The credit deterioration of commodity trading counterparties.	Continuous assessment of the credit worthiness of counterparties.

BUSINESS RISKS	
RISK	**RESPONSE**
Inability to efficiently hedge the exposure to power and gas prices due to the complexity of the price cap pricing mechanism.	Continuous assessment of the wholesale energy markets and constant monitoring of the impact of market movements across seasons.

OPERATIONAL RISKS	
RISK	**RESPONSE**
A major health and safety incident in the course of operations could impact staff, contractors, communities or the environment.	ScottishPower's Health and Safety function provides specialist services and support for the businesses, 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 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 Wholesale, 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 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 Wholesale, 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 Wholesale and the Company, have four key stakeholder categories: employees and energy 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 Wholesale, and so the Company, and they are also affected by ScottishPower’s activities. In addition, these stakeholders interact with each other, creating a universe of relationships that ScottishPower needs to manage in order to achieve a better understanding of its operating environment and to deliver a more sustainable performance across its activities.

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

EMPLOYEES AND ENERGY CUSTOMERS

Employees

ScottishPower employs approximately 5,600 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 understand 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 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 board of directors of SPL. This statement is published on the ScottishPower website at:
https://www.scottishpower.com/userfiles/file/SP_Modern_Slavery_Statement_2019.pdf?v=1.2.

ENGAGING WITH STAKEHOLDERS *continued*

Energy Customers

The Company performs all trading with external markets for electricity and gas on behalf of Retail with wholesale market participants in the UK as well as the management of electricity from renewables PPAs, including those from Renewables. The success of the Company depends on its ability to understand the needs of customers and engagement is key to successfully meeting customers' needs.

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. ScottishPower has continued to engage extensively with governments, local authorities and other stakeholders on decarbonisation, publishing in June 2020 a report 'Unlocking Net Zero' setting out a ten point plan to deliver jobs and investment for a green recovery.

SUPPLIERS AND CONTRACTORS

As part of ScottishPower's mission for a better future, quicker, ScottishPower is always looking for new suppliers and contractors, and for ways to improve its working relationships with existing suppliers and contractors. ScottishPower has a broad and diverse supply chain with over 3,000 suppliers, and during 2020, was awarded contracts with a cumulative value of around £1.8 billion. Suppliers have a key role to play in the delivery of ScottishPower projects and services that ScottishPower is undertaking to provide a low-carbon future for the UK. ScottishPower aims to develop and maintain strong relationships across the supply base with a focus on health and safety, quality and cost. ScottishPower expects suppliers to operate to a high standard including working in an ethical and sustainable manner, and has a range of policies that all suppliers must adhere to including ScottishPower's Code of Ethics.

Engaging proactively with the supply chain is key in ensuring positive outcomes for both ScottishPower and its suppliers, and ScottishPower seeks to engage specifically with suppliers through a variety of methods including business update sessions focused on the supply chain, participation at trade fairs and the ScottishPower Supplier Awards, which recognise excellence in the supply chain along with giving a wide range of suppliers the opportunity to interact with both the procurement team and other ScottishPower employees.

Engagement with the supply chain has been vital during the COVID-19 pandemic and allowed the impact to be assessed not only on the supply of goods, services and progress on works, but also how the pandemic was affecting suppliers. ScottishPower asked for suppliers to highlight significant risks they were facing and how this would affect its supplies, and this put them in a position to take any remedial action as required. In order to support suppliers, ScottishPower collated information on sources of government assistance and relevant contacts, which was shared within its organisation to ensure this information could reach as many suppliers as possible.

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.

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 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 Wholesale (headed by SPRH) of which the Company is a member, requires Energy Wholesale 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 Wholesale 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 it engages with them are as follows:

- **Customers:** details of how the Company engages with its customers are explained in the 'Customers' sub-section of the Strategic Report, on page 4.
- **Employees**: details of how the Company engages with its employees are set out in the 'Employees' sub-section of the Strategic Report, on page 3.
- **Community and 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 4.
- **Suppliers:** details of how ScottishPower, and so the Company, engages with its suppliers are set out in the 'Suppliers and contractors' sub-section of the Strategic Report, on page 4.
- **Government and regulators**: details of how ScottishPower, and so the Company, engages with governments and regulators are set out in the 'Government and regulators' sub-section of the Strategic Report, on page 4.

In addition, a statement in relation to the Company's interaction with its shareholders is described in the introduction to the 'Engaging with stakeholders' section of the Strategic Report on page 3.

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

The Board 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
2 June 2021

SCOTTISHPOWER ENERGY MANAGEMENT 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 5:

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

STREAMLINED ENERGY AND CARBON REPORTING
The Company is exempt under section 20A of The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 from the requirements to present disclosures concerning greenhouse gas emissions, energy consumption and energy efficiency action as such disclosures relating to the SPL group, of which the Company is a part, are presented in the most recent Annual Report and Accounts of SPL.

RESULTS AND DIVIDENDS
The net profit for the year amounted to £1.2 million (2019 net loss of £20.9 million). No dividend was paid during the year (2019 nil).

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

Julián Calvo Moya
Douglas Ness
Carlos Pombo Jiménez
Neil Stainton

As at the date of this report, there have been no changes to the composition of the Board of the Company 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 ANNUAL REPORT AND ACCOUNTS
The directors are responsible for preparing the Annual Reports and Accounts in accordance with applicable law and regulations.

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

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

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

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

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.

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

ON BEHALF OF THE BOARD

Douglas Ness
Director
2 June 2021

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

Opinion

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

In our opinion the financial statements:

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

Basis for opinion

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

Going concern

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

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

Our conclusions based on this work:

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

As required by auditing standards, 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 the Company's revenues consist entirely of routine, non-complex transactions which are subject to systematic processing and do not require significant judgments.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SCOTTISHPOWER ENERGY MANAGEMENT LIMITED *continued*

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

We 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 6 and 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

The purpose of our audit work and to whom we owe our responsibilities

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

Andrew Williamson

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

3 June 2021

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED
BALANCE SHEET
at 31 December 2020

	Notes	2020 £m	2019 £m
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	3	**8.4**	8.1
Property, plant and equipment		**17.1**	17.2
Property, plant and equipment in use	4	16.5	17.1
Property, plant and equipment in the course of construction	4	0.6	0.1
Right-of-use assets	5	**0.7**	0.7
Financial assets		**33.8**	5.5
Derivative financial instruments	6	33.8	5.5
Trade and other receivables	7	**0.1**	81.3
Deferred tax asset	8	**-**	36.2
NON-CURRENT ASSETS		**60.1**	149.0
CURRENT ASSETS			
Inventories	9	**3.4**	8.8
Trade and other receivables	7	**392.3**	432.1
Current tax asset		**-**	4.7
Financial assets		**315.4**	254.2
Derivative financial instruments	6	315.4	254.2
CURRENT ASSETS		**711.1**	699.8
TOTAL ASSETS		**771.2**	848.8
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		**253.2**	(78.2)
Share capital	10, 11	50.0	50.0
Hedge reserve	11	149.2	(181.0)
Retained earnings	11	54.0	52.8
TOTAL EQUITY		**253.2**	(78.2)
NON-CURRENT LIABILITIES			
Provisions	12	**1.4**	1.2
Bank borrowings and other financial liabilities		**4.5**	19.7
Derivative financial instruments	6	4.5	19.7
Lease liabilities	5	**0.6**	0.7
Trade and other payables	13	**-**	81.4
Deferred tax liabilities	8	**37.7**	-
NON-CURRENT LIABILITIES		**44.2**	103.0
CURRENT LIABILITIES			
Bank borrowings and other financial liabilities		**194.8**	587.5
Loans and other borrowings	14	33.8	140.5
Derivative financial instruments	6	161.0	447.0
Lease liabilities	5	**0.1**	-
Trade and other payables	13	**278.6**	236.5
Current tax liabilities		**0.3**	-
CURRENT LIABILITIES		**473.8**	824.0
TOTAL LIABILITIES		**518.0**	927.0
TOTAL EQUITY AND LIABILITIES		**771.2**	848.8

Approved by the Board and signed on its behalf on 2 June 2021.

Douglas Ness
Director

The accompanying Notes 1 to 24 are an integral part of the balance sheet as at 31 December 2020.

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED
INCOME STATEMENT
for the year ended 31 December 2020

	Notes	**2020 £m**	2019 £m
Revenue	15	2,406.2	3,960.3
Procurements		(2,399.6)	(3,970.6)
GROSS MARGIN		**6.6**	(10.3)
NET OPERATING EXPENSES		**(0.6)**	(10.3)
Net personnel expenses		**(6.2)**	(5.3)
Staff costs	16	(6.3)	(5.3)
Capitalised staff costs	16	0.1	-
Net external expenses		**5.6**	(5.0)
External services		(16.8)	(22.5)
Other operating income		22.4	17.5
Taxes other than income tax	17	**(0.8)**	(0.9)
GROSS OPERATING PROFIT/(LOSS)		**5.2**	(21.5)
Net expected credit losses on trade and other receivables		0.4	(0.3)
Depreciation and amortisation charge, allowances and provisions	18	(2.5)	(2.3)
OPERATING PROFIT/(LOSS)		**3.1**	(24.1)
Finance income	19	0.2	0.3
Finance costs	20	(1.3)	(3.0)
PROFIT/(LOSS) BEFORE TAX		**2.0**	(26.8)
Income tax	21	(0.8)	5.9
NET PROFIT/(LOSS) FOR THE YEAR		**1.2**	(20.9)

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

All results relate to continuing operations.

The accompanying Notes 1 to 24 are an integral part of the income statement for the year ended 31 December 2020.

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2020

	Note	**2020**	2019
		£m	£m
NET PROFIT/(LOSS) FOR THE YEAR		**1.2**	(20.9)
OTHER COMPREHENSIVE INCOME			
Items that may be subsequently reclassified to the income statement:			
Cash flow hedges:			
Change in the value of cash flow hedges	11	**403.6**	(292.5)
Tax relating to cash flow hedges	11	**(73.4)**	52.3
		330.2	(240.2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**331.4**	(261.1)

Total comprehensive income for both years is wholly attributable to the equity holder of ScottishPower Energy Management Limited.

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

	Ordinary share capital	Hedge reserve	Retained earnings	Total
	£m	£m	£m	£m
At 1 January 2019	50.0	59.2	73.7	182.9
Total comprehensive income for the year	-	(240.2)	(20.9)	(261.1)
At 1 January 2020	50.0	(181.0)	52.8	(78.2)
Total comprehensive income for the year	-	330.2	1.2	331.4
At 31 December 2020	**50.0**	**149.2**	**54.0**	**253.2**

The accompanying Notes 1 to 24 are an integral part of the statement of comprehensive income and the statement of changes in equity for the year ended 31 December 2020.

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

	2020 £m	2019 £m
Cash flows from operating activities		
Profit/(loss) before tax	**2.0**	(26.8)
Adjustments for:		
Depreciation and amortisation	**2.5**	2.1
Change in provisions	**-**	(0.3)
Net finance income and costs	**1.1**	2.7
Write-off of non-current assets	**-**	0.1
Net fair value losses on operating derivatives	**12.9**	(11.1)
Changes in working capital:		
Change in trade and other receivables	**121.0**	60.2
Change in inventories	**5.4**	7.4
Change in trade payables	**(37.7)**	(64.9)
Provisions paid	**-**	(0.7)
Income taxes received	**4.7**	1.5
Net cash flows from operating activities (i)	**111.9**	(29.8)
Cash flows from investing activities		
Interest received	**0.1**	0.1
Investments in intangible assets	**(2.1)**	(1.7)
Investments in property, plant and equipment	**(0.6)**	-
Net cash flows from investing activities (ii)	**(2.6)**	(1.6)
Cash flows from financing activities		
(Decrease)/increase in amounts due to Iberdrola group companies - current loans payable	**(106.7)**	31.8
Interest paid	**(2.6)**	(0.3)
Payments of lease liabilities	**-**	(0.1)
Net cash flows from financing activities (iii)	**(109.3)**	31.4
Net movement in cash and cash equivalents (i)+(ii)+(iii)	**-**	-
Cash and cash equivalents at beginning of year	**-**	-
Cash and cash equivalents at end of year	**-**	-

The accompanying Notes 1 to 24 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 Limited, registered company number SC215843, is a private company limited by shares, incorporated in Scotland and its registered office is 320 St. Vincent Street, Glasgow, Scotland, G2 5AD.

B BASIS OF PREPARATION

B1 BASIS OF PREPARATION OF THE ACCOUNTS

The Company is required by law to prepare accounts and to deliver them to the Registrar of Companies. The Accounts are prepared in accordance with the Accounting Policies set out in Note 2. Monetary amounts are presented in pounds Sterling and are rounded to the nearest hundred thousand unless otherwise indicated. The Accounts are prepared on the historical cost basis apart from certain financial instruments which are measured at fair value.

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:

- reconciliation of movements of liabilities to cash flows arising from financing activities;
- certain disclosures regarding revenue;
- comparative period reconciliations for property, plant and equipment and intangible assets;
- disclosures in respect of transactions with wholly owned subsidiaries of Iberdrola, S.A.;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRS pronouncements; and
- disclosures in respect of the compensation of key management personnel.

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

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 5.

The Company balance sheet presents net current assets of £237.3 million as at 31 December 2020. The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Company is part of the ScottishPower Group 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. Scottish Power UK plc (“SPUK”), an immediate subsidiary company of SPL, has indicated its intention to provide the Company with the funding it requires, through the UK treasury function and utilising its committed facilities with SPL, for the period from the date of these financial statements to at least 31 December 2022. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Throughout the year, and up to the date of signing, the economic environment has been affected by the global COVID-19 pandemic, however, due to the nature of the Company’s core activities, the direct effects on cash flows are expected to be limited.

For the purposes of the directors’ assessment of the Company’s going concern position, and to satisfy them of the Company’s ability to pay its liabilities as they fall due, the directors have prepared a company cash flow forecast for the period to 31 December 2022 which indicates that, after taking account of severe but plausible downsides including the impact of the COVID-19 pandemic, the Company’s existing resources and facilities and the support noted above from SPUK are sufficient to enable it to trade and pay its liabilities as they fall due for the forecast period.

1 BASIS OF PREPARATION continued

B BASIS OF PREPARATION

B2 GOING CONCERN continued

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

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

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

C2 IMPACT OF NEW IFRS

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

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

Standard	Note
• Amendments to References to the Conceptual Framework in IFRS Standards	(a)
• Amendments to IFRS 3 'Business Combinations: Definition of a Businsess'	(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 UNCERTAINITIES 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 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 INTANGIBLE ASSETS

2 JUDGEMENTS, ESTIMATION UNCERTAINITIES AND ACCOUNTING POLICIES *continued*

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.

(i) Supply of wholesale electricity and gas

The Company's performance obligations are the supply of wholesale gas and/or electricity to customers. Both these performance obligations are satisfied over time as the customer simultaneously receives and consume the benefits of the Company's performance as it supplies wholesale gas and electricity. The customers benefit from the Company's service as the service is provided and therefore cost (an input method) is used to measure progress towards complete satisfaction of the performance obligation. This is appropriate as all costs are recharged to the customers. Therefore revenue is recognised as the costs are incurred at the contracted rate.

(ii) Supply of Renewable Obligation Certificates ("ROCs")

The supply of ROCs is a performance obligation satisfied at a point in time. Revenue is recognised at the point the customer obtains control of the ROC, which is when legal title has passed to the customer, at the unit rate specified in the contract.

(iii) Other revenue

Other revenues are recognised based on the consideration specified in the relevant contract with the customers, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur in the future. The Company recognises revenue either at a specific point in time or over a period of time based on when the control is transferred to the customer based on the performance obligations in the contract.

B PROCUREMENTS

Procurements comprises the value of units of wholesale energy purchased from the external market on behalf of Iberdrola group companies during the year and excludes Value Added Tax. The Company also purchases wholesale energy during certain market windows in which the Company is required to stand ready to buy under industry regulations. Costs are recorded on an accruals basis.

C INTANGIBLE ASSETS

The costs of acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software and are amortised on a straight-line basis over their operational lives. Costs directly attributable to the development of computer software programmes, that are expected to generate economic benefits over a period in excess of one year, are capitalised and amortised on a straight-line basis over their estimated operational lives. Costs include employee costs relating to software development and an appropriate proportion of relevant overheads directly attributable to bringing the software into use. Amortisation of computer software costs is over periods of up to eight years.

Licences are stated at cost and are depreciated on a straight-line basis over the estimated useful life of 28 years.

D PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost and depreciated on a straight-line basis over the estimated operational lives of the assets. Property, plant and equipment includes where appropriate capitalised employee costs, interest 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 balance sheet date.

2 JUDGEMENTS, ESTIMATION UNCERTAINITIES AND ACCOUNTING POLICIES *continued*

D PROPERTY, PLANT AND EQUIPMENT *continued*

Land is not depreciated. The main depreciation periods used by the Company are as set out below:

	Years
Gas storage facilities	35
Other items of property, plant and equipment	4 - 5

E 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'.

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.

E1 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 balance sheet and the deprecation charge is recorded within Depreciation, amortisation and provisions in the income statement.

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. As the rates implicit in the leases cannot be readily determined, the liabilities are discounted using the Company's incremental borrowing rate. This 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 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 balance sheet; the discount on the liabilities unwinds over the term of the lease and is charged to Finance costs in the income statement.

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.

2 JUDGEMENTS, ESTIMATION UNCERTAINITIES AND ACCOUNTING POLICIES *continued*

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

At each balance sheet date, the Company reviews the carrying amount of its property, plant and equipment, leased assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset (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 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.

G 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.

G1 FINANCIAL ASSETS

G1.1 RECOGNITION AND INITIAL MEASUREMENT

Financial assets, excluding derivative financial assets, are classified as measured at amortised cost both at initial recognition and subsequently.

Trade receivables are initially recognised when they originate.

Trade receivables without a significant financing component are measured at the transaction price determined under IFRS 15 'Revenue from Contracts with Customers'.

G1.2 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.

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

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

(b) Subsequent measurement and gains and losses

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

The Company's financial assets measured at amortised cost include trade receivables and trade receivables due from Iberdrola group companies.

2 JUDGEMENTS, ESTIMATION UNCERTAINITIES AND ACCOUNTING POLICIES *continued*
G FINANCIAL INSTRUMENTS *continued*
G1 FINANCIAL ASSETS *continued*
G1.2 CLASSIFICATION AND SUBSEQUENT MEASUREMENT *continued*
(b) Subsequent measurement and gains and losses *continued*

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

G2 FINANCIAL LIABILITIES
G2.1 RECOGNITION AND INITIAL MEASUREMENT
The Company's financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

G2.2 CLASSIFICATION AND SUBSEQUENT MEASUREMENT
Financial liabilities excluding derivative financial instruments are classified as measured at amortised cost.

Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the income statement. Any gain or loss on derecognition is also recognised in the income statement.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees, or costs that are an integral part of the effective interest rate. The effective interest charge is included as Finance costs in the income statement.

(a) Derecognition
The Company derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired. 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 the respective carrying amounts is recognised in the income statement.

G3 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING
G3.1 DERIVATIVE FINANCIAL INSTRUMENTS
The Company uses derivative financial instruments, such as forward foreign currency contracts and forward commodity contracts, to hedge its foreign currency risks and commodity price risks respectively. Such derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into, then subsequently remeasured at fair value. Derivatives are carried as financial assets and financial liabilities when the fair values are positive and negative respectively.

The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

At the inception of a hedge relationship, the Company formally designates and documents the relationship to which it wishes to apply hedge accounting, the risk management objective, and strategy for undertaking the hedge.

The hedge documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged, and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- there is 'an economic relationship' between the hedged item and the hedging instrument;
- the effect of credit risk does not 'dominate the value changes' that result from that economic relationship; and
- the hedge ratio of the relationship is the same as that resulting from the quantity of the hedged item and the quantity of the hedging instrument that the Company uses to hedge that quantity of hedged item.

Hedge accounting is applied when certain conditions required by IFRS 9 'Financial Instruments' are met. The accounting for cash flow hedges is set out at Notes 2G3.2.

2 JUDGEMENTS, ESTIMATION UNCERTAINITIES AND ACCOUNTING POLICIES *continued*

G FINANCIAL INSTRUMENTS *continued*

G3 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING *continued*

G3.2 CASH FLOW HEDGES

For all forward contracts the Company designates all of the forward contract (spot and forward element) as the hedging instrument.

The portion of gain or loss of the hedging instrument determined to be an effective hedge is recognised directly in equity and forms part of the hedge reserve. The ineffective portion of the change in fair value of the hedging instruments is recognised in the income statement within Procurements for hedges of underlying operations.

The Company discontinues hedge accounting when the hedge instrument expires or is sold, terminated or exercised, when the hedge relationship no longer qualifies for hedge accounting or when the designation is revoked. In the case of cash flow hedging, any gain or loss that has been recognised in equity until that time, remains separately recognised in equity until the forecast transaction occurs. If the transaction is no longer expected to occur, related cumulative gains and losses which have been previously deferred in equity are recognised in the income statement.

G3.3 VALUATION OF FINANCIAL INSTRUMENTS

In those circumstances where IFRS 9 requires financial instruments to be recognised in the balance sheet at fair value, the Company's valuation strategies for derivatives and other financial instruments utilise, as far as possible, quoted prices in an active trading market.

In the absence of quoted prices for identical or similar assets or liabilities, it is sometimes necessary to apply valuation techniques where contracts are marked using approved models. Models are used for developing both the forward curves and the valuation metrics of the instruments themselves where they are complex combinations of standard and non-standard products. All models are subject to rigorous testing prior to being approved for valuation, and subsequent continuous testing and approval procedures are designed to ensure the validity and accuracy of the model assumptions and inputs.

G3.4 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Company offsets a financial asset and a financial liability and reports the net amount only when the Company has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

H INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Costs include all directly attributable costs incurred in bringing the inventories to their present location and condition.

I RETIREMENT BENEFITS

ScottishPower operates two defined benefit schemes and one defined contribution retirement benefit scheme in the UK. The Company 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 in respect of pension costs is the contributions payable in the period.

J FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the spot rate at the date of the transaction. At the year end, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date, with exchange gains and losses recognised in the income statement.

K TAXATION

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

Deferred tax is the tax expected to be payable, or recoverable, on the difference between the carrying amounts of assets and liabilities in the balance sheet and the corresponding tax bases used in the computation of taxable profits (temporary differences), and is accounted for using the balance sheet liability method.

2 JUDGEMENTS, ESTIMATION UNCERTAINITIES AND ACCOUNTING POLICIES *continued*

K TAXATION *continued*

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences, unused tax losses or credits can be utilised.

Deferred tax is calculated on a non-discounted basis at the tax rates that are expected to apply in the period in which the liability is expected to be settled, or the asset realised based on tax rates and laws enacted, or substantively enacted, at the balance sheet date. Deferred tax is charged to the income statement, except where it relates to items charged or credited to equity (via the statement of comprehensive income), in which case the deferred tax is also recognised in equity and is shown in the statement of comprehensive income.

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

3 INTANGIBLE ASSETS

Year ended 31 December 2020	Computer software (Note (a)) £m	Licences £m	Total £m
Cost:			
At 1 January 2020	12.3	9.5	21.8
Additions	2.1	-	2.1
Disposals	(0.4)	-	(0.4)
At 31 December 2020	**14.0**	**9.5**	**23.5**
Amortisation:			
At 1 January 2020	9.5	4.2	13.7
Amortisation for the year	1.4	0.4	1.8
Disposals	(0.4)	-	(0.4)
At 31 December 2020	**10.5**	**4.6**	**15.1**
Net book value:			
At 31 December 2020	**3.5**	**4.9**	**8.4**
At 1 January 2020	2.8	5.3	8.1

(a) The cost of fully amortised computer software still in use at 31 December 2020 was £7.9 million (2019 £6.2 million).

4 PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment

Year ended 31 December 2020	Gas storage facilities £m	Other items of property, plant and equipment (Note (a)) £m	Plant in the course of construction £m	Total £m
Cost:				
At 1 January 2020	35.5	1.0	0.1	36.6
Additions	0.1	-	0.5	0.6
At 31 December 2020	**35.6**	**1.0**	**0.6**	**37.2**
Depreciation:				
At 1 January 2020	19.4	-	-	19.4
Depreciation for the year	0.7	-	-	0.7
At 31 December 2020	**20.1**	**-**	**-**	**20.1**
Net book value:				
At 31 December 2020	**15.5**	**1.0**	**0.6**	**17.1**
At 1 January 2020	16.1	1.0	0.1	17.2

4 PROPERTY, PLANT AND EQUIPMENT *continued*
Movements in property, plant and equipment *continued*

The net book value of property plant and equipment at 31 December 2020 is analysis as follows:

	£m	£m	£m	£m
Property, plant and equipment in use	15.5	1.0	-	16.5
Property, plant and equipment in the course of construction	-	-	0.6	0.6
	15.5	**1.0**	**0.6**	**17.1**

(a) The category 'Other items of property, plant and equipment' principally comprises computer equipment and land.
(b) Included within the cost of property, plant and equipment at 31 December 2020 are assets in use not subject to depreciation, being land and cushion gas, of £7.0 million (2019 £7.0 million).

5 LEASING
(a) Lessee
The Company leases land. Information about leases for which the Company is a lessee is presented below.

(i) Nature of leases
Land
The Company holds agreements to lease land, primarily for operational assets with typical lease terms running up to 35 years. Certain agreements can be terminated with appropriate notice, generally up to twelve months.

Extension options
Certain leases contain extension options exercisable by the Company at the end of the non-cancellable contract period or an agreed point before that date; the terms can be extended by up to 25 years. Where practicable, the Company seeks to include extension options in leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. At lease commencement, the Company will assess whether it is reasonably certain to exercise the extension options and reassesses this if there is a significant event or change in circumstances within its control.

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.

(ii) Right-of-use assets

Year ended 31 December 2019	Land £m
Cost:	
On transition to IFRS 16 at 1 January 2019	0.8
At 31 December 2019	0.8
Depreciation:	
On transition to IFRS 16 at 1 January 2019	-
Charge for the year	0.1
At 31 December 2019	0.1
Net book value:	
At 31 December 2019	0.7
On transition to IFRS 16 at 1 January 2019	0.8

Year ended 31 December 2020	Land £m
Cost:	
At 1 January 2020 and 31 December 2020	**0.8**
Depreciation:	
At 1 January 2020 and 31 December 2020	**0.1**
Net book value:	
At 1 January 2020 and 31 December 2020	**0.7**

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

5 LEASING *continued*

(a) Lessee *continued*

(iii) 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.

	2020	2019
	£m	£m
Less than one year	0.1	0.1
One to five years	0.3	0.3
More than five years	0.5	0.6
Total undiscounted lease liabilities at 31 December	**0.9**	1.0
Finance cost	(0.2)	(0.3)
Total discounted lease liabilities	**0.7**	0.7

Analysis of total lease liabilities		
Non-current	0.6	0.7
Current	0.1	-
Total	**0.7**	0.7

During both 2020 and 2019, interest on lease liabilities of less than £0.1 million was charged to the income statement.

Details of ScottishPower's, and so 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.

(iv) Amounts recognised in the cash flow statement

	2020	2019
	£m	£m
Payments of lease liabilities	**-**	(0.1)

6 FINANCIAL INSTRUMENTS

The Company holds certain financial instruments which are measured in the balance sheet at fair value as detailed below.

	Derivative financial instruments £m
At 1 January 2019	74.4
Recorded in income statement	11.1
Recorded in cash flow hedge reserve	(292.5)
At 1 January 2020	(207.0)
Recorded in income statement	(12.9)
Recorded in cash flow hedge reserve	403.6
At 31 December 2020	**183.7**

The £403.6 million recorded in the cash flow hedge reserve during 2020 (2019 (£292.5) million) is principally driven by changes in the market price of commodities.

Derivative financial instruments

The Company's derivatives comprise commodity derivatives and forward foreign exchange contracts. The Company uses commodity forward (fixed price/fixed volume) contracts to hedge its exposure to commodity price risk (the variability in cash flows associated with changes in the market price of electricity, natural gas and until the last quarter of 2020, carbon allowances). Forward foreign exchange contracts are used to hedge foreign currency risk associated with holding Euro collateral. The Euro collateral is required due to spot power trading.

The critical terms of the commodity derivatives must align with the hedged items to qualify for hedge accounting. For such items the Company designates the entire value of the commodity forward in the hedge relationship. When cash flow hedge accounting is applied, the Company defers in equity the fair value changes of open derivative positions until the period in which the forecast transactions occur. Some commodity forward contracts and the foreign currency forwards do not satisfy the strict requirements for hedge accounting and are accounted for as trading derivatives.

6 FINANCIAL INSTRUMENTS *continued*

Derivative financial instruments *continued*

Changes in the fair value of any commodity derivative instrument that does not qualify for hedge accounting is recognised immediately in the income statement and is included in gross margin. Changes in the fair value of the foreign currency forwards is recognised in the income statement within finance income and costs.

The table below illustrates the timing of the notional amount of the hedging instrument and the average forward price of the hedging instrument.

	Notional amount of hedging instrument (maturity profile) £m				
At 31 December 2020	**1 year**	**2 years**	**3 years**	**4 years**	**Total**
Commodity forwards	1,065.1	227.1	74.1	16.3	**1,382.6**

	Average forward price (commodities) (£)				
At 31 December 2020	**1 year**	**2 years**	**3 years**	**4 years**	**5 years+**
Commodity forwards	**51.5**	**47.2**	**45.6**	**44.5**	**50.5**

The future cash flows on derivative instruments (including commodity derivatives) may be different from the amounts in the table as interest rates and exchange rates or the relevant conditions underlying the calculation change.

7 TRADE AND OTHER RECEIVABLES

	Notes	**2020 £m**	2019 £m
Current receivables:			
Receivables due from Iberdrola Group companies - trade		**245.6**	271.1
Receivables due from Iberdrola Group companies - other	(a)	**76.7**	-
Trade receivables and accrued income		**57.0**	147.6
Prepayments		**0.4**	0.3
Other tax receivables		**12.6**	13.1
	(b)	**392.3**	432.1
Non-current receivables:			
Receivables due from Iberdrola Group companies - other	(a)	**-**	81.3
Prepayments		**0.1**	-
		0.1	81.3

(a) This balance represents receivables due from Iberdrola Group companies as part of a contractual renegotiation (which was classified as a non-current receivable in 2019).

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

	Note	**2020 £m**	2019 £m
Receivables	(i)	**256.6**	328.3

(i) A credit of £0.2 million (2019 a charge of £0.3 million) of net expected credit losses were recognised during the year on receivables and contract assets arising from the Company's contracts with customers.

8 DEFERRED TAX

Deferred tax (assets)/liabilities are provided in the Accounts is as follows:

	Property, plant and equipment £m	Derivative financial instruments £m	Other temporary differences £m	Total £m
At 1 January 2019	1.8	15.7	(0.4)	17.1
(Credit)/charge to the income statement	(0.8)	(0.4)	0.2	(1.0)
Recorded in the statement of comprehensive income	-	(52.3)	-	(52.3)
At 1 January 2020	1.0	(37.0)	(0.2)	(36.2)
Charge to the income statement	0.2	0.2	0.1	0.5
Recorded in the statement of comprehensive income	-	73.4	-	73.4
At 31 December 2020	**1.2**	**36.6**	**(0.1)**	**37.7**

(a) Legislation was previously enacted to reduce the UK rate of Corporation Tax to 17% on 1 April 2020. Accordingly deferred tax balances were measured at the 17% rate at 31 December 2019. 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. This rate change increased the deferred tax asset at 31 December 2019 by £3.0 million.

(b) 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. This will have a consequential effect on the Company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax liability would have been £0.3 million higher.

9 INVENTORIES

	Note	**2020 £m**	2019 £m
Fuel stocks	(a)	**3.4**	8.8

(a) Inventories with a value of £8.6 million (2019 £15.7 million) were recognised as an expense during the year.

10 SHARE CAPITAL

	2020 £m	2019 £m
Allotted, called up and fully paid shares:		
50,000,000 ordinary shares of £1 each (2019 50,000,000)	**50.0**	50.0

(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.

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

	Share capital £m	Hedge reserve (Note (a)) £m	Retained earnings (Note (b)) £m	Total equity £m
At 1 January 2019	50.0	59.2	73.7	182.9
Loss for the year attributable to equity holder of the Company	-	-	(20.9)	(20.9)
Changes in the value of cash flow hedges	-	(292.5)	-	(292.5)
Tax on items relating to cash flow hedges	-	52.3	-	52.3
At 1 January 2020	50.0	(181.0)	52.8	(78.2)
Profit for the year attributable to equity holder of the Company	-	-	1.2	1.2
Changes in the value of cash flow hedges	-	403.6	-	403.6
Tax relating to cash flow hedges	-	(73.4)	-	(73.4)
At 31 December 2020	**50.0**	**149.2**	**54.0**	**253.2**

(a) The hedge reserve represents the balance of gains and losses on cash flow hedges (net of taxation) not yet transferred to the income statement or the carrying amount of a non-financial asset.

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

12 PROVISIONS

Year ended 31 December 2019	Note	At 1 January 2019 £m	Utilised during year £m	Released during year £m	At 31 December 2019 £m
Reorganisation and restructuring		1.0	(0.7)	(0.3)	-
Decommissioning and environmental	(a)	1.2	-	-	1.2
		2.2	(0.7)	(0.3)	1.2

Year ended 31 December 2020	Note	At 1 January 2020 £m	New provisions £m	**At 31 December 2020 £m**
Decommissioning and environmental	(a)	1.2	0.2	**1.4**

(a) The decommissioning and environmental provision is expected to be utilised by 2034.

13 TRADE AND OTHER PAYABLES

	Notes	**2020 £m**	2019 £m
Current trade and other payables:			
Payables due to Iberdrola Group companies - trade		**1.2**	14.5
Payables due to Iberdrola Group companies - interest		**1.2**	2.6
Payables due to Iberdrola Group companies - other	(a)	**76.7**	-
Trade payables	(b)	**175.8**	217.8
Other taxes and social security		**0.1**	0.1
Capital payables and accruals		**0.4**	0.6
Other payables		**23.2**	0.9
		278.6	236.5
Non-current other payables:			
Payables due to Iberdrola Group companies - other	(a)	**-**	81.4
		-	81.4

(a) This balance represents payables due to Iberdrola Group companies as part of a contractual renegotiation (which was classified as a non-current other payable in 2019).
(b) Trade payables include amounts due on commodity activities.

14 LOANS AND OTHER BORROWINGS
Analysis of loans and other borrowings by instrument and maturity

Instrument	Interest rate*	Maturity	**2020 £m**	2019 £m
Loans with Iberdrola Group companies	Base + 1%	On demand	**33.8**	140.5

*Base - Bank of England Base Rate

15 REVENUE
Disaggregation of revenue

	2020 £m	2019 £m
Commodity derivative income	**1,033.9**	2,131.4
Supply of wholesale electricity	**572.6**	830.0
Supply of wholesale gas	**667.8**	820.3
Supply of ROCs	**131.9**	178.6
	2,406.2	3,960.3

All revenue is recognised over time and arises from operations within the UK.

16 EMPLOYEE INFORMATION

(a) Staff costs

	Note	**2020**	2019
		£m	£m
Wages and salaries		4.5	4.4
Social security costs		0.5	0.5
Pension and other costs	(i)	1.3	0.4
Total staff costs		**6.3**	5.3
Less: capitalised staff costs		(0.1)	-
Charged to the income statement		**6.2**	5.3

(i) Pension and other costs for 2019 includes a credit for pension related restructuring costs of £1.8 million.

(b) Employee numbers

The average numbers of employees employed by the Company, including UK based directors, were:

	Average 2020	Average 2019
Administrative staff	**51**	53
Operations	**18**	23
Total	**69**	76

(c) Retirement benefits

The Company's contributions payable in the year were £1.2 million (2019 £1.3 million). 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 2020, the deficit in the ScottishPower group's defined benefit schemes in the UK amounted to £558.6 million (2019 £651.7 million). The employer contribution rate for these schemes in the year ended 31 December 2020 was 47.9% to 51.0%.

17 TAXES OTHER THAN INCOME TAX

	2020	2019
	£m	£m
Property taxes	**0.8**	0.9

18 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

	2020	2019
	£m	£m
Property, plant and equipment depreciation charge	**0.7**	0.6
Right-of-use asset depreciation charge	**-**	0.1
Intangible asset amortisation charge	**1.8**	1.4
Charges and provisions, allowances and impairment of assets	**-**	0.2
	2.5	2.3

19 FINANCE INCOME

	2020	2019
	£m	£m
Interest on bank and other deposits	**0.1**	0.1
Foreign exchange gains	**0.1**	0.1
Fair value and other gains on financing derivatives	**-**	0.1
	0.2	0.3

20 FINANCE COSTS

	2020	2019
	£m	£m
Interest on amounts due to Iberdrola group companies	**1.2**	2.7
Foreign exchange losses	**-**	0.2
Fair value and other losses on financing derivatives	**0.1**	0.1
	1.3	3.0

21 INCOME TAX

	2020	2019
	£m	£m
Current tax:		
UK Corporation Tax on profits/(losses) for the year	**0.3**	(4.7)
Adjustments in respect of prior years	**-**	(0.2)
Current tax for the year	**0.3**	(4.9)
Deferred tax:		
Origination and reversal of temporary differences	**0.2**	(0.3)
Adjustments in respect of prior years	**0.1**	(0.6)
Impact of tax rate change	**0.2**	(0.1)
Deferred tax for the year	**0.5**	(1.0)
Income tax expense/(credit) for the year	**0.8**	(5.9)

The tax expense/(credit) on profit/(losses) on ordinary activities for the year varied from the standard rate of UK Corporation Tax applicable to the Company as follows:

	2020	2019
	£m	£m
Corporation Tax at 19% (2019 19%)	**0.4**	(5.1)
Adjustments in respect of prior years	**0.1**	(0.8)
Impact of tax rate change	**0.2**	(0.1)
Non-deductible expenses and other permanent differences	**0.1**	0.1
Income tax expense/(credit) for the year	**0.8**	(5.9)

Refer to Note 8 for details of current and future tax rate change impacts.

22 FINANCIAL COMMITMENTS

Contractual commitments

ScottishPower manages its energy resource requirements by integrating long-term firm, short-term and spot market purchases with its own generating resources to manage volume and price volatility and maximise value across the energy value chain. As part of its energy resource portfolio the Company is committed under long-term purchase contracts summarised in the table below.

	2020						
	2021	**2022**	**2023**	**2024**	**2025**	**2026 and thereafter**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Long-term energy purchase contract commitments	1,239.3	242.8	77.8	16.3	-	-	**1,576.2**
Other contractual commitments	46.4	19.1	2.9	2.9	3.0	9.7	**84.0**

	2019						
	2020	2021	2022	2023	2024	2025 and thereafter	Total
	£m	£m	£m	£m	£m	£m	£m
Long-term energy purchase contract commitments	1,651.0	297.2	30.8	3.1	-	-	1,982.1
Other contractual commitments	95.6	24.0	19.7	3.5	3.6	11.5	157.9

23 RELATED PARTY TRANSACTIONS

(a) Transactions and balances arising in the normal course of business (excluding wholly owned subsidiaries of Iberdrola, S.A.)

	2020	2019
	Other Iberdrola Group companies £m	Other Iberdrola Group companies £m
Types of transaction		
Sales and rendering of services	**0.3**	0.3

(b) Directors' remuneration

The remuneration of the directors of the Company is set out below. As all of the directors are remunerated for their work for the SPRH group, it has not been possible to apportion the remuneration specifically in respect of services to this Company. Of the four directors (2019 five), two (2019 two) were remunerated directly by the Company. The remaining directors were remunerated by other Iberdrola Group companies in both years.

	2020 £000	2019 £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

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

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

(c) Ultimate parent company 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 ScottishPower 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 Scottish Power UK plc, at its registered office, 320 St. Vincent Street, Glasgow, G2 5AD.

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

24 AUDITOR REMUNERATION

	2020 £m	2019 £m
Audit of the Company's annual Accounts	**0.4**	0.2

KPMG LLP were re-appointed auditor of the Company during 2021.