

SCOTTISHPOWER ENERGY RETAIL LIMITED
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2021

Registered No. SC190287

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SCOTTISHPOWER ENERGY RETAIL LIMITED STRATEGIC REPORT

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

INTRODUCTION

The principal activity of the Company, registered company number SC190287, is the supply of electricity and gas to domestic and business customers throughout Great Britain ("GB"), including customer registration, billing and handling enquiries in respect of these services. The Company is also responsible for the associated metering activity, including the smart meter installation programme, and managing its smart solutions and hydrogen activities.

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

The Company is part of ScottishPower's Energy Retail business ("Energy Retail"). During 2021, an average of 4.61 million gas and electricity customers were supplied by the Company. As at 31 December 2021, the Company supplied 4.77 million gas and electricity customers.

In 2020, the Company created a Hydrogen department to begin working with businesses to seek appropriate green hydrogen solutions. This department fully supports the large-scale transformation to replace heavy diesel vehicles with cleaner, greener alternatives. This is a pioneering strategic move to support the UK's efforts to achieve 'net zero' by 2050.

Notwithstanding net liabilities, the Accounts are prepared on a going concern basis. Refer to Note 1B3 for further details.

STRATEGIC OUTLOOK

Operating review

2021 Supply market conditions

During 2021, market conditions were challenging as the impact of the ongoing COVID-19 pandemic combined with unprecedented rises in wholesale costs presented significant challenges to suppliers, most notably due to the regulated nature of pricing for customers on default tariffs because of the price cap. The impact however has not been limited to customers on default tariffs, with the costs of failed suppliers being passed to remaining suppliers in the market through mutualisation, who cannot immediately recover such costs from existing fixed-term tariffs.

A real challenge exists for suppliers during this time with wholesale costs well above the level that can be recovered from taking on any additional standard variable tariff cap customers. Where suppliers are not hedging appropriately in advance, this has created a significant challenge to their financial position. In addition, even for well-hedged suppliers, as the market is only part price-regulated, this has led to variable tariffs being priced well below fixed-term tariffs, and many more customers than expected moving to the variable tariff option, creating additional unexpected costs which cannot be recovered immediately due to the price cap mechanism. In light of this, an assessment for onerous contracts has been made which concluded that as at 31 December 2021, no onerous contract provision was required. Refer to Note 2K.

The significant rise in wholesale costs triggered an unprecedented number of suppliers to fail throughout 2021, with 28 suppliers servicing approximately 7.5 million services failing and leaving significant levels of costs that will be recovered from suppliers and ultimately consumers through mutualisation and industry levies.

The scale of these costs will result in significant increases to consumers in the future through their tariffs, with estimates suggesting the costs left by the failed suppliers to date could total £2 billion. The Office of Gas and Electricity Markets ("Ofgem") has already approved initial claims of £1.8 billion for Supplier of Last Resort ("SoLR") for wholesale costs incurred for winter 2021. These estimates do not take account of the costs faced this winter for the greater number of customers defaulting to variable tariffs, or future costs relating to the failure of Bulb which is currently being operated under the Special Administration Regime.

SCOTTISHPOWER ENERGY RETAIL LIMITED

STRATEGIC REPORT *continued*

STRATEGIC OUTLOOK *continued*

Regulatory engagement

It is clear that the current market is not delivering for either suppliers or consumers, with the licensing regime and regulatory framework facilitating poor practice by some suppliers with the costs of their actions left to the remaining suppliers in the market, and ultimately consumers. The Company continues to engage with the UK Government and Ofgem regarding the fair recovery of all of these costs, and ensuring that appropriate actions are taken to futureproof the market and its regulatory framework to better manage such shocks and ensure responsible suppliers are able to recover the costs they incur supplying energy to customers. This includes engaging with Ofgem on reviewing and amending the price cap methodology for future periods, but also in relation to the broader recovery of retrospective costs for this winter.

Ofgem consulted on the recovery of retrospective costs in November 2021 and has included an adjustment in the level of the cap that will apply from April 2022. The new cap level from April 2022 has increased by 54% driven mainly by increased wholesale costs.

From mid-December 2021 and into early 2022, Ofgem consulted on potential changes to the price cap methodology from October 2022 to mitigate the impact of wholesale market volatility. In the meantime, Ofgem has also implemented short-term measures from April 2022 to mitigate risks of a falling wholesale market prior to October 2022, including a new ban on 'acquisition only' tariffs and the implementation of a Market Stabilisation Charge that would require payment by the gaining supplier to the losing supplier in certain market conditions. The Company has been responding, and will continue to respond, to these consultations as appropriate to influence and protect ScottishPower, Energy Retail and its customers.

The Company also continues to lobby Ofgem to make better use of their powers to take action where suppliers are operating in a financially irresponsible manner. It continues to support the implementation of much stronger rules for the licensing of new suppliers through introducing a requirement for capital adequacy at the point of licence granting. The Company also continues to engage with Ofgem regarding proposals to require suppliers to protect customer credit balances and is encouraging Ofgem to take earlier and stronger action where its monitoring shows suppliers are not operating in a sustainable or responsible manner. In mid-December 2021, Ofgem published a number of documents with the aim of ensuring increased supplier financial resilience including undertaking stress testing and planned consultations on new financial licence requirements and improved protections for credit balances and Renewable Obligation payments in mid-2022. Alongside the focus on ensuring suppliers in the market are operating in a sustainable manner, the Company believes it is also important that Ofgem focuses on policies to support the delivery of net zero, and continue to lobby Ofgem and the UK Government on this basis.

In late November 2021, the Company was appointed as the SoLR for the customers of Orbit Energy Limited and Entice Energy Supply Limited who had portfolios of approximately 112,000 and 9,000 services respectively. In mid-December 2021, Ofgem approved the Company's initial claim of £43.7 million for wholesale energy costs in excess of the price cap allowance for winter 2021. At 31 December 2021, £11.5 million has been recorded in the Income statement being the excess cost to that date of energy delivered in relation to these customers; a corresponding asset was recognised being the best view of the relevant portion of the initial claim relating to that energy delivered. Overall, there is no material impact of these SoLR appointments at the 2021 year-end. Further claims to true-up the Company's initial claim, including for additional cost categories, will be submitted to Ofgem in due course.

In 2021, while the Company's follow-up processes have largely returned to business as usual, it continues to see the negative impact of COVID-19 on customers' ability to pay. The effect of the withdrawal of the Coronavirus Job Retention Scheme ("CJRS") in October 2021, together with the enduring impact on the wider economy, continues to be monitored. The Company is also fully engaged with Ofgem to ensure increased debt cost incurred is reflected in the default tariff cap.

Smart metering

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

SCOTTISHPOWER ENERGY RETAIL LIMITED
STRATEGIC REPORT *continued*

STRATEGIC OUTLOOK *continued*

Notwithstanding the challenges of COVID-19, the Company has made significant efforts and investments to support its smart meter rollout target thus far and demonstrable progress has been made, having installed approximately two million smart meters across GB. As at 31 December 2021, the overall progress is 41.3% smart meters as a percentage of relevant meters in its portfolio. SP Smart Meter Assets Limited, a fellow ScottishPower company, purchases the smart meters on behalf of the Company. Energy Retail has an established network of installers across GB, who provide a strong platform to further increase its deployment capability for the remainder of the rollout. In 2021, the Company increased its installer engineer capacity by 30% through this network of installers, as well as increasing the number of customers who are technically eligible for a smart meter. The Company will continue to work under the UK Government's policy framework for smart meter installations between 2022 and 2025 and enable a safe and successful conclusion to the smart metering implementation programme.

Ofgem opened an investigation in 2020 into whether the Company breached rules around its obligations to install smart meters for domestic consumers in 2019. The Company has continued to co-operate with Ofgem throughout 2021 on the investigation which remains ongoing.

Smart solutions

The smart solutions department extended its range of services in 2021, complementing the existing Smart Home (Boiler and Appliance Care Services) and Smart Mobility (residential, business and public electric vehicles ("EVs") charging services) with Smart Heat (air source heat pump installations), Smart Solar (rooftop solar and battery storage propositions) and Smart Cities (delivering decarbonising solutions through Local Authorities and community groups). Together they represent the Company's commitment to the mission of achieving net zero using its technology and expertise as well as increasing involvement in a growing market offering attractive commercial returns.

Hydrogen

Following its creation in 2020, the Hydrogen department has rapidly built a pipeline of projects that will serve customers across the UK and the Republic of Ireland. The portfolio of potential hydrogen production locations stretches across more than 20 locations and with a total capacity of approximately 1 gigawatt ("GW") of installed hydrogen production capacity. At varying stages of development, the leading projects in the portfolio include the installation of up to 20 megawatts ("MW") hydrogen production at ScottishPower's Whitelee Windfarm, to work alongside new solar panels and existing wind capacity from ScottishPower's Renewables division. This strategically located project will have the capability of producing approximately eight tonnes of hydrogen per day, which could be used to refuel heavy duty vehicles, long-range passenger and freight travel, and regional industrial uses throughout the wider Glasgow and Scottish Central Belt region. On 22 November 2021, the Minister of State, Greg Hands MP, announced £9.4 million capital grant support for technology development and deployment within the project. The grant funding was awarded to ITM Power and BOC (a Linde company), who will work with the Company's Hydrogen department in the first phase of the project at 10 MW hydrogen production capacity, with a second phase expected soon after.

Values in action

During 2021, governments and Ofgem continued to focus strongly on the need for suppliers to deliver a positive consumer experience for all customer groups, recognising the need for suppliers to identify the particular needs of their customers, especially those in vulnerable circumstances. 2021 has seen a significant focus on this due to the additional challenges posed by COVID-19 on consumer finances. Refer to the 'Energy customers' section of the Strategic Report for further details.

2021 Performance

Financial key performance indicators	Revenue*		Operating loss*		Capital investment**	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
SP Energy Retail	4,009.4	3,693.2	(305.4)	(61.1)	103.7	87.8

*Revenue and Operating loss are presented on the Income Statement on page 21.

**Capital investment for 2021 is presented within Notes 3 and 4 on page 34.

Revenue increased by £316.2 million to £4,009.4 million in 2021. Domestic revenues increased as a result of tariff increases and from colder weather earlier in the year. Whilst business revenues recovered from the adverse 2020 COVID-19 lockdown impact and increased by £197 million, business gross margins were negatively impacted by market conditions.

SCOTTISHPOWER ENERGY RETAIL LIMITED
STRATEGIC REPORT *continued*

STRATEGIC OUTLOOK *continued*

Operating losses increased by £244.3 million to £305.4 million. The impact of the unprecedented rise in energy prices in the latter part of 2021 has been the main cause of this increase, impacting both domestic and business margins in a number of ways. This included exposure to particularly high energy costs due to lower than expected purchases of variable renewable generation (£139.6 million) as well as increased costs as result of supplier failures in the market and the impact of tight system margins (£47.0 million). Operating costs and other taxes increased by £45.7 million mainly as a result of redundancy provision movements and a return to normal spend levels following COVID-19. A reduced bad debt cost (following the 2020 increase in the provision as a result of COVID-19), has been largely offset by increased amortisation.

Capital investment increased by £15.9 million mainly reflecting new customer contract costs as activity returned to more normal levels following 2020 COVID-19 restrictions.

Non-financial key performance indicators	Notes	2021	2020
Volume supplied (GWh)*	(a)	43,742	41,955
Complaints handling	(b)	4th	5th
Smart meters in portfolio	(c)	41.3%	34.6%
Customers (millions)	(d)		
- Electricity		2,757	2,777
- Gas		1,856	1,870
		4,613	4,647

*Gigawatt hours ("GWh")

- (a) Higher 2021 volumes due to a COVID-19-related increase in business demand and adverse weather conditions.
- (b) Based on the Citizens Advice Domestic Energy Suppliers' Customer Service Report. Rankings reflect the Company's position relative to the other 'Big Seven' Energy Companies. The Company has continued to invest in its customer service teams with a key focus on improving its timely management and resolution of complaints, coupled with an overall focus on service quality across all of its advisors.
- (c) Percentage of relevant customer base with a smart meter. The Company continues to make progress towards its smart meter rollout plan.
- (d) Customer numbers are based on the average number of Meter Point Administration Numbers for electricity customers and Meter Point Reference Numbers for gas customers during the year to 31 December. Average customer numbers have decreased marginally from 4,647 thousand to 4,613 thousand through a period of market instability caused by COVID-19 and energy market collapse. The overall portfolio remains strong at 4.6 million customers.

Outlook for 2022 and beyond

The Company is committed to supporting the energy market to evolve and most notably decarbonise and meet the ambitions of net zero. The Company is proud that it was a partner of the climate change conference, the Conference of the Parties ("COP26") and continues to play a key role working with leaders in government and industry to reduce the carbon impact of the UK energy sector through offering innovative solutions to support its customers to reduce their carbon emissions. However, the Company and industry more generally cannot do this without investment, which needs to be funded.

To date, it is consumers who have picked up the cost of investment in the energy sector through their energy bills. The Company continues to engage with government and Ofgem across a number of policy areas to ensure the regulatory framework is fit for purpose and fair, and can support the Company delivering the service and solutions needed to support its customers and deliver net zero.

As required by the Domestic Gas and Electricity (Tariff Cap) Act 2018, a price cap for default tariffs came into effect in January 2019. Currently it can be extended annually until 2023, and the UK Government announced in July 2021 that it intends to legislate to allow the cap to be extended past the end of 2023. Ofgem must publish a review of market conditions each year to assess whether the cap should be extended for a further year and provide a recommendation to the Secretary of State for the Department of Business, Energy & Industrial Strategy ("BEIS"). In October 2021, Ofgem's recommendation was accepted and the current cap price was extended for a year to the end of 2022. Ofgem has consulted, and continues to consult, on the price cap methodology for future periods including for the smart meter allowance and COVID-19-related costs. In November 2021, Ofgem consulted on whether there is a case for short-term adjustments to the price cap to better reflect the costs, risks and uncertainties faced by suppliers, and in February 2022 implemented changes to the April 2022 cap period. In mid-December 2021 and early 2022, Ofgem issued consultations on how the current design and operation of the price cap might evolve from October 2022, given the increased volatility of energy prices, and temporary options ahead of October 2022 to mitigate the impact of a falling wholesale market.

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STRATEGIC REPORT *continued*

STRATEGIC OUTLOOK *continued*

In the second half of 2021, BEIS published details of a number of initiatives as part of its Retail Strategy (subtitled 'Helping consumers on their net zero journey'):

- Consulting on proposals to introduce opt-in switching and test opt-out switching from 2024 when the small supplier exemption for the Warm Home Discount Scheme ("WHD") and the UK Government's Energy Company Obligation ("ECO") is removed. The Company considers these proposals will not support the UK Government in its aims and has engaged with them to push back on introducing such switching schemes. In late December 2021, the UK Government stated that it had paused policy development in this area while it undertakes a wider refresh of its retail market strategy.
- Publishing a call for evidence on green tariffs through its 'Framework for Transparency of Carbon Content in Energy Products'.
- Publishing a call for evidence on the role of third-party intermediaries in the energy market.
- An expected call for evidence on Energy Consumer Funding, Fairness and Affordability covering elements around funding of net zero initiatives.

Alongside influencing government and Ofgem to ensure any changes act to support the needs of consumers and deliver net zero, the Company continues to innovate to deliver for its customers. In particular it is supporting its smart solutions ambitions and the delivery of net zero through a range of new digital engagements, giving customers greater personalised insight and advice on their energy consumption. With the new Smart Assistant app, the Company utilises customers' half-hourly smart meter consumption to disaggregate their usage into specific areas and devices within their home. This innovation will form part of a suite of smarter digital solutions where the Company will begin to incorporate solar generation, battery storage and EVs usage into its core digital app offering supported by a suite of 'Time of Use' tariffs to enhance the customer proposition.

The plan for smart solutions in 2022 and beyond is to increase the range of solutions as well as the volume of transactional and enduring customers. In the established areas of Smart Home and Smart Mobility, the Company is developing potential new products and services around smart controls in the home and solutions for fleet operators moving to EVs.

The new Smart Heat and Smart Solar departments commenced in 2021 with a three-year plan to drive the growth of these departments into a net profitable position. Building knowledge and experience over this time will help create market share, a good reputation and cost savings which should position the Company well for the anticipated market growth in low-carbon technologies around 2025.

Flagship activities in the hydrogen sector will include the North of Scotland Hydrogen Project located in the Cromarty region, north of Inverness. This hydrogen production facility is likely to be built in several phases with Phase 1 being approximately 35 MW installed hydrogen production capacity, with subsequent phases expected to exceed 100 MW in total. The Cromarty and Highlands and Islands region is a strategic area for heavy industry, marine vessels and ports infrastructure, long-range public transport, and regional high energy users such as distilleries.

Along with project developments spread across a portfolio, the Company has been actively participating in public sector tenders, private sector proposals and forming collaborations that will unlock multiple domestic opportunities in hydrogen supply contracts, as well as forming international relationships to benefit the Iberdrola Group.

On 18 March 2022, the Company announced that it would be exiting the industrial and commercial energy supply market; this market accounted for approximately 60,000 customers as at 31 December 2021. During 2021, although revenue of £973.6 million was earned from this customer base, it generated an operating loss in 2021 and has had an immaterial impact on the Company's net profit in prior years. The Company will continue to service these customers for the duration of their contracts.

COVID-19

As the COVID-19 crisis has developed and ScottishPower's response has evolved, it has been committed to taking all necessary measures to help to protect the safety and wellbeing of its employees, its customers and the communities it serves. ScottishPower, Energy Retail, and so the Company, has been working closely with government departments, Ofgem and industry bodies to ensure that they continue to follow the latest advice. Through membership of Energy UK, ScottishPower has contributed to ongoing cross-industry activities to focus on supporting vulnerable people through the disruption caused by COVID-19.

SCOTTISHPOWER ENERGY RETAIL LIMITED
STRATEGIC REPORT *continued*

STRATEGIC OUTLOOK *continued*

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

Financial instruments

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

REGULATORY AND POLITICAL RISKS	
RISK	RESPONSE
Material deterioration in the relatively stable and predictable UK regulatory and political environment, including any sudden changes of policy, or interventions outside established regulatory frameworks.	Positive and transparent engagement with all appropriate stakeholders to ensure that long-term regulatory stability and political consensus is maintained and public backing is secured for the necessary investment in the UK energy system. Providing stakeholders with evidence of the risks of ad hoc intervention in markets.
Structural uncertainty resulting from unprecedented volatility in wholesale energy prices and regulatory market interventions prevents the Company as an efficient supplier from financing its operations.	Positive and constructive engagement with key industry stakeholders including both Ofgem and various government departments regarding the requirement for suppliers to recover all costs incurred for winter 2021, and the need to make fundamental changes to the market to ensure efficient suppliers can recover costs in the future. Engagement includes responding to consultations, and proactively lobbying key stakeholders providing evidence on the Company's costs and preferred regulatory amendments. The short-term volatility of wholesale energy prices is managed through the use of derivative contracts.
As a consequence of unprecedented high wholesale energy prices, the level of price cap is not set at an accurate rate to reflect the real cost of supplying and servicing the customer preventing a reasonable profit margin. There is further uncertainty over what other measures the UK Government may take to protect consumers and whether such measures will be funded through the price cap mechanism.	Ongoing support to and lobbying of the UK Government and regulatory bodies to demonstrate the need for accurate price cap calculations. Continue to offer fixed-term tariffs to customers on an economic basis to ensure customers continue to have options available particularly where they have a preference for the price security of a fixed-term tariff. Consideration has been given to onerous contracts due to current market conditions (refer to Note 2K).

SCOTTISHPOWER ENERGY RETAIL LIMITED
STRATEGIC REPORT *continued*

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

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

FINANCIAL RISKS	
RISK	RESPONSE
Increase in overdue debt impacting on the level of debt write-off required as a result of higher customer bills (driven by increases in wholesale prices and the pass-through of industry-wide supplier failure costs impacting on the level of the Ofgem price cap) and the associated pressures on customers' ability to pay linked to cost-of-living increases and the potential credit deterioration of customers.	There are measures in place across the Company to manage the key drivers of overdue debt, assess and implement remedial and preventative action, and to establish key metrics to monitor progress in reducing debt levels. Key measures include monitoring cash collection as bills increase, prompt re-assessment of customer payment terms, and support being offered to customers as soon as possible to agree on appropriate debt prevention measures, particularly for vulnerable customers.
Impacts arising from market and regulatory reactions to events including COVID-19 and Brexit. These could include: increased volatility on the value of Sterling and foreign currencies; movement in the market price of electricity and gas; and in the longer term, there could be positive or negative changes in the UK economy.	In addition to monitoring ongoing developments, ScottishPower, and so the Company, has specific procedures in place to manage these key market risks. Further details of the Treasury risk management policy, including the mitigation of energy market risk, is included in the most recent Annual Report and Accounts of SPL. Consideration has been given to onerous contracts due to current market conditions (refer to Note 2K).
In light of the outbreak of war in Ukraine during early 2022, ScottishPower, and therefore the Company, continues to assess the impact of this on commodity prices, foreign exchange rates and the global supply chain through our market risk management policies noted above and continued engagement with suppliers.	No material operational issues have arisen to date or are expected, however ScottishPower will continue to monitor the situation and put mitigating actions in place if and when appropriate.

SCOTTISHPOWER ENERGY RETAIL LIMITED
STRATEGIC REPORT *continued*

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

BUSINESS RISKS	
RISK	RESPONSE
<p>The risk that Iberdrola's, ScottishPower's, and therefore the Company's strategy or operations have an unacceptable impact on the environment and on national and international targets to tackle climate change, or that climate change has an unacceptable impact on operations.</p> <p>The impacts of climate change, include the risks of transition (regulatory, market, demand variations), physical risks (increase in temperatures) and greater competition for financial resources.</p>	<p>Iberdrola's, ScottishPower's, and so the Company's, commitment to tackle climate change is reflected in the Company's strategy. The potential impact from climate change factors on operations is mitigated through consideration of temperature and demand trends as part of demand forecasting employed by the Company. Furthermore, the Company is fully engaged with the UK Government and Ofgem on regulatory policy change in relation to climate change targets that may impact on the Company.</p> <p>Further details of Iberdrola's, ScottishPower's, and so the Company's, key measures to mitigate climate change risks are set out in the most recent Annual Report and Accounts of SPL.</p> <p>Overall, the opportunities deriving from the decarbonisation of the global economy outweigh the risks.</p> <p>For further information, please refer to Iberdrola's latest Integrated Report and Sustainability Report. In addition, Iberdrola's Climate Change policy is available at www.iberdrola.com.</p>
<p>Impact of competition on the Company's market share and profitability.</p>	<p>Constantly managing the operating cost base to ensure that profitability is protected and focusing on growth through organic and other acquisition opportunities.</p>
OPERATIONAL RISKS	
RISK	RESPONSE
<p>The impact of COVID-19 increases the risk of ScottishPower, and so the Company, not being able to meet its operational obligations to maintain the continuity of electricity supply, and obligations as an energy supplier.</p> <p>Key areas of risk include supply chain disruption and mobility of labour, which are impacted also by the Brexit deal.</p>	<p>Business continuity plans continued in the first part of 2021 through 'Gold Command'; making strategic decisions and determining priorities across ScottishPower and so the Company. This was underpinned by 'Silver Groups' specific to each business division at an operational level to ensure continuity of decisions and communications. This ensured consistency in prioritising key issues, and timely and efficient escalation of matters to the appropriate level of management with focus on those issues which might impact the obligations of ScottishPower, and so the Company.</p> <p>Procurement continues to support all business divisions to identify early shortages and gaps in the supply chain of products, equipment and labour.</p> <p>In the second half of 2021, there was a return to managing operational risks resulting from COVID-19 and Brexit through existing procedures. This allowed the Company to provide additional support to the supply chain following Brexit and the additional requirements associated with the importation of goods to the UK.</p>

SCOTTISHPOWER ENERGY RETAIL LIMITED
STRATEGIC REPORT *continued*

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

OPERATIONAL RISKS <i>continued</i>	
RISK	RESPONSE
A major health and safety incident in the course of operations could impact staff, contractors, communities or the environment.	ScottishPower, and so the Company, has certified management systems in place to deliver activities as safely as possible. In addition, a ScottishPower Health and Safety function exists and provides specialist services and support for the businesses, and so the Company, in relation to health and safety. A comprehensive framework of health and safety policy and procedures, alongside audit programmes, is established throughout ScottishPower, which aims to ensure not only continuing legal compliance but also to drive towards best practice in all levels of health and safety operations.
Breach in cyber security and unwanted infiltration of ScottishPower's IT infrastructure by internal and external parties impacting key infrastructure, networks or core systems.	Implementation of a cyber-risk policy which provides the framework for mitigation. Proactive approach to identifying where ScottishPower is vulnerable and addressing these points through technical solutions. Educating ScottishPower and the Company's employees and contractors as to how behaviour can reduce this risk. Embedding cyber security in all projects where appropriate.
Reputational damage caused by poor customer service performance.	Continued investment in the simplification and enhancement of the processes customers use together with continual training of customer-facing staff. Ongoing actions to remove the need for customers to contact the Company via telephone, with greater flexibility for customers to make contact through a variety of channels.

ENGAGING WITH STAKEHOLDERS

References to "ScottishPower" apply fully to Energy Retail, and therefore to the Company.

The importance of engaging with stakeholders

As part of the Iberdrola Group, ScottishPower is developing a responsible and sustainable energy model which focuses on the wellbeing of people, the protection of the environment, and the economic and social progress in the communities in which ScottishPower operates. ScottishPower strongly believes that effective and meaningful engagement with stakeholders, especially employees, is key to promoting its success and values.

Meaningful engagement with stakeholder groups supports the ethos of section 172 of the Companies Act 2006 which states that directors should have regard to stakeholder interests when discharging their duty to promote, in good faith, the success of the Company for the benefit of its members as a whole. Details of how ScottishPower, Energy Retail, and so the Company, engages with its stakeholders, and how these activities influence the Company's operations, are set out below.

Key stakeholders

ScottishPower, and therefore Energy Retail and the Company, has four key stakeholder categories: employees and 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, 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.

SCOTTISHPOWER ENERGY RETAIL LIMITED STRATEGIC REPORT *continued*

ENGAGING WITH STAKEHOLDERS *continued*

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

EMPLOYEES AND ENERGY CUSTOMERS

Employees

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

As part of ScottishPower, the Company's engagement with its employees is driven by the decisions, policies and procedures in place at a ScottishPower level. The directors of the Company ensure that in applying these ScottishPower decisions, policies and procedures they are meeting their duties to the Company.

Details of the following areas in relation to employee engagement which apply fully to the Company are provided in the most recent Annual Report and Accounts of SPL:

- COVID-19;
- employment regulation;
- training;
- employee feedback and consultation;
- inclusion and diversity;
- rewards and benefits;
- Brexit;
- employee volunteering; and
- employee health and wellbeing.

Health and safety

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

Modern Slavery Statement

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

https://www.scottishpower.com/pages/scottishpowers_modern_slavery_statement.aspx

Energy customers

ScottishPower provides energy and related services to millions of domestic and business customers. ScottishPower's, Energy Retail's, and so the Company's success depends on its ability to understand and meet the needs of customers, and engagement is key to success in this rapidly changing environment. ScottishPower seeks feedback in several ways including forums, market research and product testing, as well as via complaints channels and surveys. More specifically, the Company engages with its customers in many different ways to ensure these business relationships are fostered in a manner which benefits and promotes the success of the Company. Understanding Energy Retail's, and so the Company's, customers extends to the ability to identify their needs, in particular for vulnerable customers.

SCOTTISHPOWER ENERGY RETAIL LIMITED STRATEGIC REPORT *continued*

ENGAGING WITH STAKEHOLDERS *continued*

Delivering excellent customer service to customers when they need to contact the Company continues to be the key priority. The Company has worked hard to ensure the focus is on the customer. This has highlighted certain processes requiring enhancement to meet the Company's expectation, and that of customers. The Company will be relentless in its pursuit to improve the customer experience.

As well as retaining the traditional telephone and email service channels, the Company continues to focus on delivering customer service through a number of digital channels. Indeed, throughout 2021, the Company has seen continued adoption of digital tools as the channel of choice amongst its customer base with mobile apps now being the most frequently-utilised self-service tool, alongside digital online web chats and social media. The Company saw significant growth during the earlier COVID-19 lockdown periods of customers utilising digital channels and this has maintained higher levels year-on-year following the initial spike. Continued investment supporting in-house digital development capabilities enabled the rapid design and creation of multiple new customer-centric processes and refinements to meet the immediate demands of customers and helped to manage operational requirements in this unique period. Offering increased flexibility around payments and digital communication methods, the Company can respond rapidly to the evolving situation and meet the needs of its customers.

In addition to the growth of and enhancements to key self-service account tools, there has been a focus on leveraging the capabilities of smart meters to deliver automated services and insights to help customers gain a better understanding of their energy usage and digitise processes such as, but not limited to, smart prepayment top-ups and more granular consumption insights.

The Company's smart solutions operation is all about helping customers decarbonise their lives and serving customers at a time when they need the Company most. The Company has a range of products and emergency services that customers can call on, such as a central heating or boiler breakdown, a plumbing leak, or a kitchen appliance breakdown. The Company has long-term contracts with its strategic partners who provide these services, and they continue to work together focusing on the value and service being delivered for customers, closely monitoring and learning from customers' feedback.

The Company offers a range of charging solutions for customers with EVs be it at home, in the workplace or public charging. Alongside an EV tariff, this can help customers save money as well as shift demand to overnight, helping minimise system costs of generating and distributing that electricity.

As part of the Company's 'business as usual' processes, it offers a number of services to support both financially and non-financially vulnerable customers, particularly during winter periods where consumption naturally increases and some customers could have more challenges in managing their energy costs.

These services include: routing the most vulnerable customers to dedicated lines with specialist staff trained to offer support; offering alternative payment options and tariffs for different customer circumstances; flexible repayment schemes for those who have built up debt; advice on how to reduce energy consumption; and signposting to the Company's Hardship Fund as well as third parties who can offer additional guidance and support. In 2021 the Hardship Fund contributed £5 million to the relief of fuel poverty through awarding grants to families and individuals experiencing hardship and who are struggling with energy arrears, to help them clear those debts.

The Company does however recognise that there are times when it may need to provide more support than business as usual services for a short-term period, and it has demonstrated during the COVID-19 pandemic that it is prepared and willing to do this where it is necessary to safeguard customers.

When the initial impact of the COVID-19 pandemic became apparent in March 2020, the Company took immediate action to communicate with customers and to offer a wider range of options to support those customers who were particularly affected by the impact of the lockdown. These included:

- offering payment holidays of up to two months;
- allowing customers to reduce their direct debit payment amount to as little as £5 per fuel; and
- sending out pre-paid top-up cards to prepayment customers.

Since that initial period, the Company has transitioned back to a more business as usual position to ensure customers do not build up higher levels of debt than is necessary, and its focus has been on prompting customers to contact the Company to discuss their concerns and understand the options available that could help them.

The recent impacts of the increase in wholesale costs will present more challenges for customers particularly during the winter period, and while the Company will continue to take action where it can to support customers, there are limits on the support energy suppliers can offer.

SCOTTISHPOWER ENERGY RETAIL LIMITED

STRATEGIC REPORT *continued*

ENGAGING WITH STAKEHOLDERS *continued*

The Company considers the additional support offered by external parties to be a key part of the ongoing support to customers. Where a customer is struggling to manage their energy costs, in many cases they will also be struggling with other day-to-day costs, and it is important that they receive support at as holistic a level as possible.

Setting aside the financial constraints on the amount of free credit that suppliers can provide to customers, suppliers have a duty to consider their customers' overall welfare, and to balance the benefits of short-term financial relief against the longer-term risk of building up unmanageable levels of debt. The Company considers more needs done at a wider societal level to recognise this and ensure that those customers who struggle to pay for essential services are supported.

In 2021 the Company was awarded a Gold Star rating by Energy UK in the first year of its Vulnerability Commitment. The Vulnerability Commitment was launched in 2020, with the Company as one of the 15 founding members who committed to a set of principles to provide support to customers in vulnerable circumstances. This year, only two energy suppliers were awarded a Gold Star, including the Company. The Vulnerability Commitment published its best practice report and referenced the Company's activity including its Prepayment Voucher Scheme to provide financial support for prepayment customers at risk of self-disconnecting, and its activity to automatically route the most vulnerable customers who contact it to specialist support teams.

The delivery of energy efficiency measures continues to be an important responsibility of the Company's and 2021 was the eighth year of delivery of the ECO scheme. The ECO scheme is fundamental to improving the fabric of GB homes in the Company's pursuit of achieving net zero and focuses on reducing heating costs for the most vulnerable customers and aims to improve the energy efficiency of properties. The Company's programme has made a good recovery from the impact of the COVID-19 lockdowns and localised restrictions. It has continued to work closely with its supply chain partners to support them while they navigated their way through the pandemic restrictions. This support has seen the partners recover all of the activity that was halted and maintain the delivery strategy. Having successfully delivered two of the sub-obligations in early quarter four 2021, the Company completed the delivery of its overall obligation in December 2021, three months ahead of the legislative deadline; this ensured that the households could receive the benefit of the measures as early as practicable. In 2021, the Company supported the installation of more than 35,000 energy efficiency measures into 18,500 homes. Legislation which defines the 'ECO 3' scheme came into effect in December 2018 and covers the period from that date until 31 March 2022. In quarter one of 2021 there were 25 obligated suppliers due to changes in the scheme which placed an obligation on an additional seven smaller suppliers (who were previously exempt). Seven of the obligated suppliers have since failed and left the market and will not deliver their obligation. The UK Government published its response to the ECO 4 consultation in April 2022. The response document provides clear policy direction, with the new ECO 4 legislation expected to be in place in July 2022 and run until March 2026. However, qualifying measures will be permitted to be installed from April 2022.

The Company also supports vulnerable customers with their energy bills through the WHD. Now in its eleventh year, the WHD is the UK Government's main policy for tackling fuel poverty. The scheme is delivered by energy suppliers principally to qualifying customers by providing rebates on electricity accounts to help when bills may be higher over the winter period. During scheme year 10, which operated from 1 April 2020 to 31 March 2021, the Company spent £28.2 million providing assistance to 201,545 customers by applying a rebate of £140 to their electricity account. In addition, £3.6 million of funding was awarded to eight third-party organisations to deliver industry initiative projects to provide a range of assistance to domestic customers. The demand for these support services is high with the ongoing impact of COVID-19 being felt in all households. The Company's partners delivered energy efficiency advice to around 32,000 households, around 2,900 households received energy efficient white goods, and 10,000 households received measures to improve the energy efficiency of the property where they lived. Other projects focused on further financial support providing fuel debt assistance and benefit entitlement checks.

GOVERNMENT AND REGULATORS

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

In the course of the year, ScottishPower committed significant resource in its capacity as a principal sponsor to supporting the UK Government in delivering COP26 in Glasgow, highlighting priorities for decarbonising the energy sector and achieving a just transition.

SCOTTISHPOWER ENERGY RETAIL LIMITED

STRATEGIC REPORT *continued*

ENGAGING WITH STAKEHOLDERS *continued*

ScottishPower, Energy Retail, and so the Company, has worked closely with governments and Ofgem to respond to the unprecedented increases in wholesale energy costs and associated supplier insolvencies, seeking to minimise the impact on low income households whilst achieving longer-term reforms (including to the retail price cap) to ensure the sustainability of the supply sector. (Refer to 'Operating review' and 'Outlook for 2022 and beyond' sections of the Strategic Report for further details.)

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

SUPPLIERS AND CONTRACTORS

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

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

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

COMMUNITY AND ENVIRONMENT

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

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

ScottishPower became the first integrated energy company in the UK to shift completely from coal and gas generation to wind power. The Company purchases the related renewable output to support its green retail domestic fixed-term products, independently ranked joint first in the UK for being 100% backed by both Certificates of Origin and Power Purchase Agreements, for a totally sustainable solution. For other domestic tariffs, energy is purchased from the market which will come from various sources of generation. This electricity mix will further decarbonise as more renewables (including those from ScottishPower's Renewables business) are added to the grid. The Company is committed to helping customers consume energy more efficiently and by promoting products and technologies such as smart meters, remote heating control solutions and installation of charging infrastructure for EVs, the Company can give customers more control over their energy consumption and help them to transition to a low-carbon future.

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

INNOVATION

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

SCOTTISHPOWER ENERGY RETAIL LIMITED
STRATEGIC REPORT *continued*

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 Retail Limited to give a statement which describes how the directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 when discharging their duty under that section.

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

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

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

The directors strongly believe that effective and meaningful engagement with stakeholders and employees is key to promoting the success of the Company. Details of the key stakeholders of the Company, and how it engages with them are as follows:

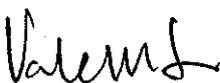
- **Customers:** details of how the Company engages with its customers are explained in the 'Customers' sub-section of the Strategic Report, on page 10.
- **Employees:** details of how Energy Retail, and so the Company, engages with its employees are set out in the 'Employees' sub-section of the Strategic Report, on page 10.
- **Communities and the environment:** details of how Energy Retail, and so the Company, engages with communities and considers the environment are set out in the 'Community and environment' section of the Strategic Report, on page 13.
- **Suppliers and contractors:** details of how Energy Retail, and so the Company, engages with its suppliers are set out in the 'Suppliers and contractors' sub-section of the Strategic Report, on page 13.
- **Government and regulators:** details of how Energy Retail, and so the Company, engages with governments and regulators are set out in the 'Government and regulators' section of the Strategic Report, on page 12.

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 9.

The directors, both individually and together as a board, consider that the decisions taken during the year ended 31 December 2021 in discharging the function of the Company's board of directors ("the Board") were in conformance with their duty under section 172 of the Companies Act 2006.

The Board is assisted in considering key stakeholders as part of the decision-making process by including stakeholder considerations in board papers as appropriate, and board papers are carefully reviewed and considered by all directors.

ON BEHALF OF THE BOARD



Valerie Sim
Director

29 April 2022

SCOTTISHPOWER ENERGY RETAIL LIMITED DIRECTORS' REPORT

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

INFORMATION CONTAINED WITHIN THE STRATEGIC REPORT

The directors have chosen to disclose information on the following, required by the Companies Act 2006 to be included in the Directors' Report, within the Strategic Report, found on pages 1 to 14:

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

The net loss for the year was £249.1 million (2020 £50.3 million). No dividend was paid during the year (2020 nil).

DIRECTORS

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

Valerie Sim
Andrew Ward

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

DIRECTORS INDEMNITY

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

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

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

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

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

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

SCOTTISHPOWER ENERGY RETAIL LIMITED
DIRECTORS' REPORT *continued*

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE 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 their financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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 or she is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

AUDITOR

KPMG LLP was re-appointed as the auditor of the Company for the year ending 31 December 2022.

ON BEHALF OF THE BOARD



Valerie Sim
Director

29 April 2022

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

Opinion

We have audited the financial statements of ScottishPower Energy Retail Limited ("the company") for the year ended 31 December 2021 which comprise the Statement of financial position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of cash flows and related notes, including the accounting policies in Note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including *FRS 101 Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the 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.

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

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

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

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 and the risk of bias in accounting estimates and judgements such as the recognition of accrued income. On this audit we do not believe there is a fraud risk related to revenue recognition because, with the exception of the accrued revenue, the company's revenues consist entirely of routine, non-complex transactions which are subject to systematic processing and do not require significant judgments.

We did not identify any additional fraud risks.

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. We also assessed significant accounting estimates for bias.

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: health and safety, anti-bribery, employment law, Ofgem regulations, recognising the regulated nature of the company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SCOTTISHPOWER ENERGY RETAIL LIMITED *continued*

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 15 and 16, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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



Andrew Williamson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

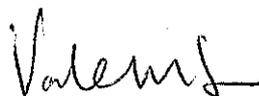
319 St. Vincent Street
Glasgow
G2 5AS
29 April 2022

SCOTTISHPOWER ENERGY RETAIL LIMITED
STATEMENT OF FINANCIAL POSITION
at 31 December 2021

	Notes	2021 £m	2020 £m
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	3	178.9	191.6
Property, plant and equipment	4	151.2	151.6
Right-of-use assets	5	0.4	0.5
Non-current trade and other receivables	6	19.9	8.6
TOTAL NON-CURRENT ASSETS		350.4	352.3
CURRENT ASSETS			
Inventories	7	190.4	190.5
Current trade and other receivables	6	849.6	743.6
Current tax asset		61.6	7.6
Cash		7.3	4.6
TOTAL CURRENT ASSETS		1,108.9	946.3
TOTAL ASSETS		1,459.3	1,298.6
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		(181.8)	67.4
Share capital	8,9	55.4	55.4
Hedge reserve	9	(0.1)	-
Retained (losses) / earnings	9	(237.1)	12.0
TOTAL EQUITY		(181.8)	67.4
NON-CURRENT LIABILITIES			
Non-current provisions	10	15.2	1.1
Non-current lease liabilities	5	0.1	0.2
Non-current trade and other payables	11	0.9	0.7
Non-current income tax liabilities		6.2	5.0
Deferred tax liabilities	12	4.2	6.0
TOTAL NON-CURRENT LIABILITIES		26.6	13.0
CURRENT LIABILITIES			
Current provisions	10	335.7	292.5
Bank borrowings and other current financial liabilities		0.3	87.5
Loans and other borrowings	13	0.2	87.5
Derivative financial instruments		0.1	-
Current lease liabilities	5	0.3	0.2
Current trade and other payables	11	1,278.2	838.0
TOTAL CURRENT LIABILITIES		1,614.5	1,218.2
TOTAL LIABILITIES		1,641.1	1,231.2
TOTAL EQUITY AND LIABILITIES		1,459.3	1,298.6

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

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Valerie Sim
 Director

The accompanying Notes 1 to 24 are an integral part of the Statement of financial position at 31 December 2021.

SCOTTISHPOWER ENERGY RETAIL LIMITED
INCOME STATEMENT
for the year ended 31 December 2021

	Notes	2021 £m	2020 £m
Revenue	14	4,009.4	3,693.2
Procurements		(3,541.8)	(3,020.1)
GROSS MARGIN		467.6	673.1
Staff costs	15	(91.6)	(69.3)
Capitalised staff costs	15	1.3	0.9
External services		(385.8)	(364.1)
Other operating results		26.4	19.2
Net operating costs		(449.7)	(413.3)
Taxes other than income tax	16	(110.7)	(101.4)
GROSS OPERATING (LOSS) / PROFIT		(92.8)	158.4
Net expected credit losses on trade and other receivables		(95.5)	(118.4)
Depreciation and amortisation charge, allowances and provisions	17	(117.1)	(101.1)
OPERATING LOSS		(305.4)	(61.1)
Finance income	18	0.4	1.0
Finance costs	19	(0.4)	(0.8)
LOSS BEFORE TAX		(305.4)	(60.9)
Income tax	20	56.3	10.6
NET LOSS FOR THE YEAR		(249.1)	(50.3)

Net loss for the current and prior year is wholly attributable to the equity holder of ScottishPower Energy Retail 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 2021.

SCOTTISHPOWER ENERGY RETAIL LIMITED
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2021

	Note	2021 £m	2020 £m
NET LOSS FOR THE YEAR		(249.1)	(50.3)
OTHER COMPREHENSIVE INCOME			
Items that may be subsequently reclassified to the Income statement:			
Cash flow hedges:			
Change in the value of cash flow hedges	9	(0.1)	-
Tax relating to cash flow hedges		-	-
		(0.1)	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR		(0.1)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(249.2)	(50.3)

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

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

	Share capital £m	Hedge reserve £m	Retained earnings /(losses) £m	Total equity £m
At 1 January 2020	55.4	-	62.3	117.7
Total comprehensive income for the year	-	-	(50.3)	(50.3)
At 1 January 2021	55.4	-	12.0	67.4
Total comprehensive income for the year	-	(0.1)	(249.1)	(249.2)
At 31 December 2021	55.4	(0.1)	(237.1)	(181.8)

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 2021.

SCOTTISHPOWER ENERGY RETAIL LIMITED
STATEMENT OF CASH FLOWS
31 December 2021

	2021 £m	2020 £m
Cash flows from operating activities		
Loss before tax	(305.4)	(60.9)
Adjustments for:		
Depreciation and amortisation	117.1	101.1
Change in provisions	463.9	397.9
Net finance income and costs	-	(0.2)
Changes in working capital:		
Change in trade and other receivables	20.7	96.5
Change in inventories	(405.8)	(370.5)
Change in trade and other payables	445.4	(66.9)
Provisions paid	(0.7)	(2.7)
Income taxes received	1.7	9.7
Net cash flows from operating activities (i)	336.9	104.0
Cash flows from investing activities		
Interest received	0.9	2.8
Investments in intangible assets	(88.7)	(72.1)
Investments in property, plant and equipment	(19.7)	(22.6)
Net cash flows from investing activities (ii)	(107.5)	(91.9)
Cash flows from financing activities		
Increase in amounts due from Iberdrola Group companies - current loans receivable	(138.7)	-
Decrease in amounts due to Iberdrola Group companies - current loans payable	(87.5)	(13.0)
Interest paid	(0.1)	-
Payments of lease liabilities	(0.4)	(0.3)
Net cash flows from financing activities (iii)	(226.7)	(13.3)
Net increase / (decrease) in cash and cash equivalents (i)+(ii)+(iii)	2.7	(1.2)
Cash and cash equivalents at beginning of year	4.6	5.8
Cash and cash equivalents at end of year	7.3	4.6
Cash and cash equivalents at end of year comprises:		
Statement of financial position cash	7.3	4.6
Statement of cash flows cash and cash equivalents	7.3	4.6

The accompanying Notes 1 to 24 are an integral part of the Statement of cash flows for the year ended 31 December 2021.

SCOTTISHPOWER ENERGY RETAIL LIMITED

NOTES TO THE ACCOUNTS

31 December 2021

1 BASIS OF PREPARATION

A COMPANY INFORMATION

ScottishPower Energy Retail Limited, registered company number SC190287, is a private company limited by shares, incorporated in Scotland and its registered address 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 liabilities 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") as adopted by the UK ("UK-adopted IAS") including newly effective IAS for the year ended 31 December 2021 (refer to Note 1C2). As per Note 1C1, on transition from IAS as adopted by the European Union ("EU-adopted IAS") to UK-adopted IAS on 31 December 2020, the standards in force under both regimes were identical. However, in applying FRS 101, the Company has made amendments where necessary in order to comply with the Companies Act 2006 and has set out below where FRS 101 disclosure exemptions have been taken.

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

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

B2.1 VOLUNTARY CHANGE IN PRESENTATION OF TRADE AND OTHER RECEIVABLES NOTE

In prior years, external operational collateral was included within Trade receivables and accrued income and internal operational collateral was recorded within Other receivables. Effective from 1 January 2021, as part of a Group-wide review of ScottishPower collateral balances, the classification of this collateral within the note was reviewed and it was concluded that external operational collateral should be recorded within Other receivables and internal operational collateral recorded within Receivables due from Iberdrola Group companies - other. This is a voluntary change in accounting policy resulting in the restatement of the prior year comparatives. The 2020 Trade and other receivables note has therefore been adjusted to decrease Trade receivables and accrued income by £10.1 million, increase Receivables due from Iberdrola Group companies - other by £15.0 million and decrease Other receivables by £4.9 million. These changes are deemed to provide more useful information to users of the financial statements. No other aspects of the financial statements are affected by the change.

B3 GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on pages 1 to 14.

The Statement of financial position presents net current liabilities of £505.6 million as at 31 December 2021. The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Company is part of ScottishPower which is a significant component of Iberdrola, one of the world's largest integrated utilities. The Company participates in a UK treasury function operated by the Company's intermediate parent company SPL. The UK treasury function works closely with Iberdrola to manage the Company's funding requirements, which are reviewed and adjusted on a regular basis through the global treasury function.

SCOTTISHPOWER ENERGY RETAIL LIMITED

NOTES TO THE ACCOUNTS *continued*

31 December 2021

1 BASIS OF PREPARATION *continued*

B BASIS OF PREPARATION *continued*

B3 GOING CONCERN *continued*

Since September 2021, increases in wholesale costs have resulted in suppliers across the energy retail market collapsing. ScottishPower, and so the Company, are also monitoring the situation in Ukraine and continually assessing the risk this presents for energy prices. ScottishPower's Energy Retail and Wholesale division continues to hedge the commodity price exposure to minimise the impact from increased wholesale prices, and therefore the Company should benefit from both the increase in the retail price cap from April 2022 and ongoing consultations that aim to achieve the price cap being more cost reflective in the future.

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

For the purposes of the directors' assessment of the Company's going concern position, and to satisfy them of the Company's ability to pay its liabilities as they fall due, the directors have prepared a cash flow forecast to December 2023 on the basis of the ongoing liquidity of the UK wholesale energy and gas markets, including the cash flow of longer-term strategies and projects. The cash flow forecast takes account of severe but plausible downsides, including decreases in the Company's customer numbers and demand, and reductions in the collectability of retail customer debt.

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

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

C ACCOUNTING STANDARDS

C1 IMPACT OF BREXIT

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

In line with the above, the Accounts for the year ended 31 December 2020 were prepared in accordance with the 'frozen' IAS as adopted by the EU in accordance with the International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019. The Accounts for financial year beginning 1 January 2021, have been prepared in accordance with UK-adopted IAS.

C2 IMPACT OF NEW IFRS

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

SCOTTISHPOWER ENERGY RETAIL LIMITED

NOTES TO THE ACCOUNTS *continued*

31 December 2021

1 BASIS OF PREPARATION *continued*

C ACCOUNTING STANDARDS *continued*

C2 IMPACT OF NEW IFRS *continued*

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

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

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

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

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND PRINCIPAL ACCOUNTING POLICIES

In determining and applying accounting policies, judgement is often required in respect of items which have a significant effect on the reported amounts of assets, liabilities, income and expenses recognised in the financial statements. Other than those involving estimates, the Company has made one such judgement being the recognition of onerous contracts. The policy is discussed further in Note 2K. At 31 December 2021, assumptions made about the future and other major sources of estimation uncertainty which have significant risk of resulting in a material adjustment to the carrying amount of revenues, expenses, assets and liabilities in the next financial year are detailed below:

- Accrued 'unbilled' revenue – Note 2A(a); and
- Expected credit losses ("ECLs") on trade receivables – Note 2H1.2(d) and Note 6(d).

ScottishPower, Energy Retail, and so the Company, considers that the impact of climate change risk and opportunities does not create any additional estimation uncertainty.

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

- A REVENUE
- B PROCUREMENTS
- C INTANGIBLE ASSETS (COMPUTER SOFTWARE)
- D INTANGIBLE ASSETS (CONTRACT COSTS)
- E PROPERTY, PLANT AND EQUIPMENT
- F LEASED ASSETS
- G IMPAIRMENT OF INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND LEASED ASSETS
- H FINANCIAL INSTRUMENTS
- I RENEWABLES OBLIGATION CERTIFICATES
- J RETIREMENT BENEFITS
- K ONEROUS CONTRACTS
- L FOREIGN CURRENCIES
- M OTHER OPERATING RESULTS
- N TAXATION
- O CASH

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.

(a) Supply of electricity and gas

The Company's performance obligations are the supply of electricity and/or gas to customers. Both of these performance obligations are satisfied over time as the customer simultaneously receives and consumes the benefits of the Company's performance as it supplies electricity and gas. The Company has a right to consideration in an amount that corresponds directly with the value to the customer of the Company's performance to date. Therefore, revenue is recognised in the amount to which the Company has a right to invoice based on the volume of units supplied during the year and the tariff agreed with the customer.

SCOTTISHPOWER ENERGY RETAIL LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

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

A REVENUE *continued*

(a) Supply of electricity and gas *continued*

The Company operates in the GB energy industry, whose nature is such that revenue recognition is subject to a degree of estimation. Revenue includes an estimate of the units supplied to customers between the date of their last meter reading and the year end. This estimate is based on external data supplied by the electricity and gas market settlement process and internal data relating to energy purchases where settlement data is not yet available. Where volumes are yet to reach final settlement, a provision is made against unbilled revenue recognised in respect of those volumes. The provision is determined by considering the current unbilled position, historical trends, and any other known factors. The value assigned to these estimated volumes is based on a weighted average price per unit derived from the billing systems. This methodology is consistent with prior years.

The estimated value of energy delivered to customers is included within billed revenue (where an estimated reading is included within an issued invoice) and unbilled revenue (where no invoice has been invoiced). For further details on billed revenue, refer to Note 6(d). Gross unbilled revenue included within the Statement of financial position at 31 December 2021 amounts to £655.6 million (2020 £563.9 million). This is before applying customer credit balances of £526.5 million (2020 £443.4 million), a £21.3 million (2020 £14.8 million) provision in respect of ECLs and a £30.2 million (2020 £24.3 million) provision in relation to energy volumes which have still to reach final settlement. This results in a net unbilled position at 31 December 2021 of £77.6 million (2020 £81.4 million) which relates primarily to energy delivered in the final months of the year.

Had actual consumption been 3% higher or lower than the estimate of units supplied (the average variance based on recent historical analysis), this would have resulted in revenue recognised for unbilled amounts being £21.6 million higher or lower respectively. The value assigned to this volume sensitivity is based on a weighted average price per unit derived from the billing systems. Approximately 95% of unbilled revenue relates to the most recent quarter where there is a higher level of estimation uncertainty.

Invoices are generally raised at monthly or quarterly intervals, which customers typically settle on the same basis respectively, except for prepayment customers who pay in advance. Billed and unbilled revenues are recorded in receivables. Amounts in contract liabilities consist of direct debit ("DD") customer payments that are in excess of the associated units of energy delivered, and final customer credits.

(b) Other revenues

Other revenues, which includes revenue in relation to the smart solutions business, 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 control is transferred to the customer based on the performance obligations in the contract.

(c) Customer contract costs

The Company capitalises the incremental costs of obtaining certain customer contracts, principally sales commissions, if they are expected to be recovered. These are recorded as a separate asset class within Intangible assets and amortised on a systematic basis according to the average expected life of contracts with customers that are associated with such costs. The amortisation period is between two and four years.

The Company has elected to apply the amortisation period to a portfolio of contracts with similar characteristics as the Company expects that the effect on the financial statements is not materially different from applying it to the individual contracts.

B PROCUREMENTS

Procurements principally comprises the cost of electricity and gas purchased during the year in relation to energy supply, and related direct costs including services for the use of the energy network. Costs are recorded on an accruals basis.

C INTANGIBLE ASSETS (COMPUTER SOFTWARE)

The costs of acquired computer software, such as licences are capitalised on the basis of the costs incurred to acquire, and bring to use, the specific software. Amortisation of acquired computer software is on a straight-line basis over their operational lives, which is generally up to five years.

SCOTTISHPOWER ENERGY RETAIL LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

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

C INTANGIBLE ASSETS (COMPUTER SOFTWARE) *continued*

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

D INTANGIBLE ASSETS (CONTRACT COSTS)

Information about the Company's accounting policies and estimates in relation to customer contract costs is provided in Note 2A(c).

E 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 capitalised employee costs and other directly attributable costs. Reviews of the estimated remaining lives and residual values of property, plant and equipment are undertaken annually. Residual values are assessed based on prices prevailing at each reporting date.

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

	Years
Meters and measuring devices	10
Other facilities	10
Other items of property, plant and equipment	4 - 50

F 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.

F1 LESSEE

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

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

SCOTTISHPOWER ENERGY RETAIL LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

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

F LEASED ASSETS *continued*

F1 LESSEE *continued*

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

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

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

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.

In the Statement of cash flows, the Company includes the payment of lease liabilities and interest paid on lease liabilities within Cash flows from financing activities; variable lease payments which are not dependent on an index or rate are included in Cash flows from operating activities.

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

At each reporting date, the Company reviews the carrying amount of its intangible assets, property, plant and equipment and leased assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset (the greater of its value-in-use and its fair value less costs to sell) is estimated in order to determine the extent of the impairment loss (if any). In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money, the risks specific to the asset and lease liabilities under IFRS 16.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Any impairment is recognised in the Income statement 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.

H 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.

H1 FINANCIAL ASSETS

H1.1 CLASSIFICATION

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

SCOTTISHPOWER ENERGY RETAIL LIMITED

NOTES TO THE ACCOUNTS *continued*

31 December 2021

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

H FINANCIAL INSTRUMENTS *continued*

H1 FINANCIAL ASSETS *continued*

H1.1 CLASSIFICATION *continued*

The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The business model of the Company does not depend on the intentions of management for an individual instrument. Therefore, it is not an instrument-by-instrument classification approach but determined from a higher level of aggregation.

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

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

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

H1.2 RECOGNITION AND MEASUREMENT

(a) Initial recognition and measurement

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

Subject to two exceptions, financial assets are initially measured at fair value. The two exceptions are trade receivables without a significant financing component which are measured at the transaction price determined under IFRS 15 'Revenue from Contracts with Customers' ("IFRS 15"), and financial assets not classified as fair value through profit and loss ("FVTPL") which are measured at fair value plus transaction costs that are directly attributable to its acquisition or issue.

(b) Subsequent measurement and gains and losses

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

(c) 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.

(d) Impairment of financial assets

(i) Measurement of ECLs

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

In applying the simplified model, loss allowances for trade receivables are measured at an amount equal to lifetime ECL. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for, where possible, forward-looking factors specific to the debtors and the economic environment. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and those the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

ECLs for all other financial assets are recognised using the general model which works as follows:

- for credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses resulting from default events that are considered possible within the shorter of the next twelve months and the life of the financial asset (a twelvemonth ECL); and
- for credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

SCOTTISHPOWER ENERGY RETAIL LIMITED

NOTES TO THE ACCOUNTS *continued*

31 December 2021

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

H FINANCIAL INSTRUMENTS *continued*

H1 FINANCIAL ASSETS *continued*

H1.2 RECOGNITION AND MEASUREMENT *continued*

(d) Impairment of financial assets *continued*

(i) Measurement of ECLs *continued*

As an exception to the general model, if the credit risk of a financial instrument is low at the reporting date, management can measure impairment using a twelve-month ECL and so it does not have to assess whether a significant increase in credit risk has occurred. For this operational simplification to apply, the financial instrument has to meet the following requirements:

- it has a low risk of default;
- the borrower is considered, in the short-term, to have a strong capacity to meet its obligations; and
- the lender expects, in the longer-term, that adverse changes in economic and business conditions might, but will not necessarily, reduce the ability of the borrower to fulfil its obligations.

The Company considers financial assets to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment-grade'. The Company considers this to be BBB- or higher per rating agency Standard & Poor's. Therefore, all of the Company's other financial assets are considered to have low credit risk at both the beginning and end of the reporting period.

For customer debt, the Company does not consider that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. Debts for electricity and gas customers on secure payment plans (e.g. DD) can have debts in excess of 30 days, which would not be considered overdue. DD payments are based on an annual cycle, therefore, customers can be in either a debt or credit position at certain points in the year.

The Company considers a financial asset to be in default when:

- internal or external information indicates that the Company is unlikely to receive the outstanding contractual amount in full (before taking into account any credit enhancements held by the Company); or
- the financial asset is more than 90 days past due.

(ii) Credit-impaired financial assets

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

H2 FINANCIAL LIABILITIES

H2.1 CLASSIFICATION

Financial liabilities are classified as measured at amortised cost and fair value through other comprehensive income ("FVOCI").

H2.2 RECOGNITION AND MEASUREMENT

(a) Initial recognition and measurement

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

(b) Subsequent measurement and gains and losses

Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense 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.

Financial liabilities classified as FVOCI are subsequently measured at fair value. Net gains and losses are recognised within the Statement of comprehensive income.

SCOTTISHPOWER ENERGY RETAIL LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

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

H FINANCIAL INSTRUMENTS *continued*

H2 FINANCIAL LIABILITIES *continued*

H2.2 RECOGNITION AND MEASUREMENT *continued*

(c) Derecognition

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

H2.3 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.

H3 FAIR VALUATION OF FINANCIAL INSTRUMENTS

In those circumstances where IFRS 9 requires financial instruments to be recognised in the Statement of financial position at fair value, the Company's valuation strategies for derivative 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.

I RENEWABLES OBLIGATION CERTIFICATES

The Company participates in the Renewables Obligation ("RO") scheme administered by Ofgem. As there are no specific rules under IAS dealing with their treatment, the Company classifies Renewables Obligation Certificates ("ROCs") as inventories because they are a direct input cost to the process of supplying customers. ROCs are recognised at their acquisition cost and charged to the Income statement as the obligations arise.

The Company recognises liabilities in respect of its obligations to deliver ROCs at the value at which they were initially recorded on the Statement of financial position. Any estimated shortfall in the liability is calculated based on the relevant buyout price and estimated recycle price at the reporting date.

ROCs surrendered to meet the RO utilises the related provision and is a non-cash movement.

J RETIREMENT BENEFITS

ScottishPower operates two defined benefit schemes and one defined contribution retirement benefit scheme in the UK.

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

K ONEROUS CONTRACTS

An onerous contract is one in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract i.e. the incremental costs of fulfilling that contract. A provision should be recognised for any onerous contracts identified to the present value of the obligations under them.

SCOTTISHPOWER ENERGY RETAIL LIMITED

NOTES TO THE ACCOUNTS *continued*

31 December 2021

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

K ONEROUS CONTRACTS *continued*

Certain contracts, in particular those with domestic retail customers defaulting on to the standard variable tariff, may be assessed as being onerous. These contracts cannot be terminated by the Company but the incremental costs to supply customers may exceed the cap level. The assessment of such contracts to determine if they are onerous or not, is subject to a degree of judgement. The assessment as at 31 December 2021 has considered the net cost of continuing with the contracts after taking into account revenues directly related to the contracts. Judgement has been applied to assess the future revenues, incremental costs (including the cost of energy committed where relevant) and the expected customer life (i.e. the contract period). Taking this into account, these contracts are not considered to be onerous at 31 December 2021 thus no provision has been recognised.

L 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 reporting date, with exchange gains and losses recognised in Finance income and costs in the Income statement.

M OTHER OPERATING RESULTS

Other operating results is principally comprised of recharges of company activities to other Iberdrola Group companies.

N TAXATION

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

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

Deferred tax is calculated on a non-discounted basis at the tax rates that are expected to apply in the period in which the liability is expected to be settled, or the asset realised based on tax rates and laws enacted, or substantively enacted, at the reporting date. 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 shown in the Statement of comprehensive income.

O CASH

Cash in the Statement of financial position comprises cash on hand.

SCOTTISHPOWER ENERGY RETAIL LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

3 INTANGIBLE ASSETS

Year ended 31 December 2021	Note	Computer software (Notes (a), (b)) £m	Customer contract costs £m	Total £m
Cost:				
At 1 January 2021		302.9	202.5	505.4
Additions	(c)	13.6	75.1	88.7
Disposals		-	(29.4)	(29.4)
At 31 December 2021		316.5	248.2	564.7
Amortisation:				
At 1 January 2021		233.1	80.7	313.8
Amortisation for the year		38.9	62.5	101.4
Disposals		-	(29.4)	(29.4)
At 31 December 2021		272.0	113.8	385.8
Net book value:				
At 31 December 2021		44.5	134.4	178.9
At 1 January 2021		69.8	121.8	191.6

(a) The cost of fully amortised computer software still in use at 31 December 2021 was £7.2 million (2020 £5.3 million).

(b) Included in the net book value of computer software is £2.8 million (2020 £13.9 million) relating to the customer relationship management system which has less than one year of remaining amortisation; and £16.2 million (2020 £29.3 million) relating to system upgrades for smart metering which has two years of remaining amortisation.

(c) Included within additions is £1.3 million (2020 £0.6 million) from internal development.

4 PROPERTY, PLANT AND EQUIPMENT

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

Year ended 31 December 2021	Smart meters and measuring devices £m	Other facilities (Note (ii)) £m	Other items of property, plant and equipment (Note (ii)) £m	Total £m
Cost:				
At 1 January 2021	16.3	182.5	28.4	227.2
Additions	0.2	14.5	0.3	15.0
Disposals	(2.3)	-	(4.6)	(6.9)
At 31 December 2021	14.2	197.0	24.1	235.3
Depreciation:				
At 1 January 2021	12.8	47.7	15.1	75.6
Charge for the year	1.2	13.2	1.0	15.4
Disposals	(2.3)	-	(4.6)	(6.9)
At 31 December 2021	11.7	60.9	11.5	84.1
Net book value:				
At 31 December 2021	2.5	136.1	12.6	151.2
At 1 January 2021	3.5	134.8	13.3	151.6

(i) The Other facilities category comprises smart meter infrastructure assets.

(ii) Other items of property, plant and equipment principally comprises land and buildings, and IT equipment.

(iii) The cost of fully depreciated property, plant and equipment still in use at 31 December 2021 was £11.3 million (2020 £7.5 million).

(iv) Included within the cost of property, plant and equipment at 31 December 2021 are assets in use not subject to depreciation, being land, of £0.2 million (2020 £0.2 million).

(b) Capital commitments

The Company had £0.8 million (2020 £0.3 million) of capital commitments at 31 December 2021 expected to be settled within one year, in both the current and prior year.

SCOTTISHPOWER ENERGY RETAIL LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

5 LEASES

(a) Lessee

The Company leases buildings and vehicles. Information about leases for which the Company is a lessee is presented below.

(i) Nature of leases

Buildings

The Company leases buildings primarily for office space. The leases have terms of between 19 and 23 years. Certain leases have options to terminate subject to a notice period typically of up to one month.

Some leases of buildings contain extension options exercisable by the Company at the end of the non-cancellable contract period or an agreed point before that date. 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.

Vehicles

The Company leases vehicles with lease terms of four years, primarily being pool vehicles to mobilise its operational staff. Certain agreements can be terminated without notice. In the prior year, certain vehicle leases were considered short-term and the Company elected not to recognise right-of-use assets and lease liabilities for these leases. In the prior year, the charge for the year for the short-term leases was less than £0.1 million.

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 2020	Note	Buildings £m	Vehicles £m	Total £m
Cost:				
At 1 January 2020		0.2	0.4	0.6
Additions		-	0.2	0.2
Adjustments for changes in liabilities	(a)	0.1	-	0.1
At 31 December 2020		0.3	0.6	0.9
Depreciation:				
At 1 January 2020		0.1	0.1	0.2
Charge for the year		0.1	0.1	0.2
At 31 December 2020		0.2	0.2	0.4
Net book value:				
At 31 December 2020		0.1	0.4	0.5
At 1 January 2020		0.1	0.3	0.4

SCOTTISHPOWER ENERGY RETAIL LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

5 LEASES *continued*

(b) Lessee *continued*

(ii) Right-of-use assets *continued*

Year ended 31 December 2021	Note	Buildings £m	Vehicles £m	Total £m
Cost:				
At 1 January 2021		0.3	0.6	0.9
Additions		-	0.1	0.1
Adjustments for changes in liabilities	(a)	0.1	-	0.1
At 31 December 2021		0.4	0.7	1.1
Depreciation:				
At 1 January 2021		0.2	0.2	0.4
Charge for the year		0.1	0.2	0.3
At 31 December 2021		0.3	0.4	0.7
Net book value:				
At 31 December 2021		0.1	0.3	0.4
At 1 January 2021		0.1	0.4	0.5

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

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

(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.

	2021 £m	2020 £m
Less than one year	0.3	0.2
One to five years	0.1	0.2
Total undiscounted lease liabilities at 31 December	0.4	0.4
Analysis of total lease liabilities		
Non-current	0.1	0.2
Current	0.3	0.2
Total	0.4	0.4

Details of ScottishPower's, and therefore the Company's, risk management strategy for liquidity risks inherent in its lease liability are described in the most recent Annual Report and Accounts of SPL.

(iv) Amounts recognised in the Statement of cash flows

	2021 £m	2020 £m
Payments of lease liabilities	(0.4)	(0.3)
Total cash outflow for leases	(0.4)	(0.3)

SCOTTISHPOWER ENERGY RETAIL LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

6 TRADE AND OTHER RECEIVABLES

	Notes	2021 £m	2020 Restated* £m
Current receivables:			
Receivables due from Iberdrola Group companies - trade		2.8	1.5
Receivables due from Iberdrola Group companies - loans	(a)	138.7	-
Receivables due from Iberdrola Group companies - other	(b), (c)	15.0	91.7
Receivables due from Iberdrola Group companies - interest		-	0.7
Trade receivables and accrued income	(d)	665.9	638.6
Prepayments		1.3	1.0
Other receivables	(b)	25.9	10.1
	(e)	849.6	743.6
Non-current receivables:			
Trade receivables and accrued income		2.9	-
Prepayments		0.1	0.2
Other receivables		16.9	8.4
		19.9	8.6

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

- (a) Current loans due from Iberdrola Group companies are repayable on demand and interest is payable at 1% above the Bank of England base rate.
- (b) The Company utilises forms of collateral, externally and internally with ScottishPower companies, to manage its credit exposure in respect of the provision of network services. All collateral posted is settled in cash. At 31 December 2021, the Company posted cash collateral of £32.2 million (2020 £25.2 million) and posted letters of credit of £29.8 million (2020 £31.9 million).
- (c) In the prior year this balance included £76.7 million of receivables due from Iberdrola Group companies as part of a contractual renegotiation.
- (d) Included within the gross carrying amount of trade receivables, £783.1 million (2020 £721.9 million) relates to billed receivables due from energy supply customers. The loss allowance in relation to these billed receivables is £202.6 million (2020 £186.2 million). The actual level of billed receivables collected may differ from the estimated levels of recovery, which could impact operating profit positively or negatively. At 31 December 2021, the loss allowance for billed receivables of £202.6 million (2020 £186.2 million) was supported by a projection based on a 36-month cash collection performance. Based on the weighted average expected loss rates, a 5% increase in the overall expected loss rate would increase the loss allowance by £39.2 million (2020 £36.1 million). A 5% decrease would decrease the loss allowance by £39.2 million (2020 £36.1 million).
- (e) The following table provides information about IFRS 15 contract balances included within Trade and other receivables.

	2021 £m	2020 £m
Receivables	650.8	703.2

£89.2 million (2020 £118.5 million) of impairment losses were recognised during the year on receivables arising from the Company's contracts with customers.

7 INVENTORIES

	Notes	2021 £m	2020 £m
ROCs	(a)	190.2	190.5
Other inventories		0.2	-
	(b)	190.4	190.5

- (a) ROCs surrendered in the year are used to settle the provision for the Renewables Obligation. Refer to Statement of cash flows, Note 2I and Note 10.
- (b) Inventories with a value of £428.4 million (2020 £389.4 million) were recognised as an expense in the year.

8 SHARE CAPITAL

	2021 £m	2020 £m
Allotted, called up and fully paid shares:		
55,407,000 ordinary shares of £1 each (2020 55,407,000)	55.4	55.4

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.

SCOTTISHPOWER ENERGY RETAIL LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

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

	Share capital £m	Hedge reserve (Note (a)) £m	Retained earnings / (losses) (Note (b)) £m	Total £m
At 1 January 2020	55.4	-	62.3	117.7
Loss for the year attributable to equity holder of the Company	-	-	(50.3)	(50.3)
At 1 January 2021	55.4	-	12.0	67.4
Loss for the year attributable to equity holder of the Company	-	-	(249.1)	(249.1)
Changes in the value of cash flow hedges	-	(0.1)	-	(0.1)
At 31 December 2021	55.4	(0.1)	(237.1)	(181.8)

- (a) The hedge reserve represents the balance of gains and losses on cash flow hedges (net of taxation) not yet transferred to income or the carrying amount of a non-financial asset.
- (b) Retained earnings/(losses) comprise the cumulative balance of profits and losses recognised in the financial statements as adjusted for transactions with shareholders, principally dividends.

10 PROVISIONS

	Notes	At 1 January 2020 £m	New provisions £m	Utilised during year £m	At 31 December 2020 £m
Year ended 31 December 2020					
Reorganisation and restructuring	(a)	3.4	-	(2.7)	0.7
Renewables obligation	(b)	314.9	397.9	(420.9)	291.9
Other	(c)	0.3	0.7	-	1.0
		318.6	398.6	(423.6)	293.6

	Notes	At 1 January 2021 £m	New provisions £m	Utilised during year £m	At 31 December 2021 £m
Year ended 31 December 2021					
Reorganisation and restructuring	(a)	0.7	4.8	(0.7)	4.8
Renewables obligation	(b)	291.9	458.7	(405.9)	344.7
Other	(c)	1.0	0.4	-	1.4
		293.6	463.9	(406.6)	350.9

	2021 £m	2020 £m
Analysis of total provisions		
Non-current	15.2	1.1
Current	335.7	292.5
	350.9	293.6

- (a) The opening 2020 provision largely related to a restructuring programme launched during 2019. This provision has been fully utilised. The new provision in the current year relates to a restructuring programme that was launched in 2021; this is expected to be utilised in 2022.
- (b) The provision for Renewables Obligation at 31 December 2021 principally represents the value of ROCs for 2021 expected to be delivered in 2022 and 2023. Refer to Note 21 for the accounting policy.
- (c) The Other category in both the current and prior year includes a £0.7 million provision for interest in relation to an ongoing investigation into a tax dispute. This is expected to be utilised in 2022. The balance at 31 December 2021 also includes a new provision for £0.4 million in respect of legal fees. This is also expected to be utilised in 2022. The remaining balance comprises various insurance provisions which are not individually material to warrant separate disclosure.

SCOTTISHPOWER ENERGY RETAIL LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

11 TRADE AND OTHER PAYABLES

	Notes	2021 £m	2020 £m
Current trade and other payables:			
Payables due to Iberdrola Group companies - trade		915.6	479.7
Trade payables		152.1	173.2
Other taxes and social security		62.6	60.1
Payments received on account		2.6	0.4
Capital payables and accruals		32.7	37.4
Other payables	(a)	112.6	87.2
	(b)	1,278.2	838.0
Non-current other payables:			
Other payables		0.9	0.7
	(b)	0.9	0.7

(a) The Company utilises forms of external collateral to manage its credit exposure in respect of business customer accounts. All collateral posted is settled in cash. At 31 December 2021, the Company held cash collateral of £3.9 million (2020 £3.2 million) and letters of credit held of £4.2 million (2020 £4.7 million).

(b) The following table provides information about IFRS 15 contract liabilities included within Trade and other payables.

	2021 £m	2020 £m
Contract liabilities	102.5	78.5

The amount of contract liabilities recognised as income in the year is £58.2 million (2020 £91.4 million). This balance consists of DD customer payments that are in excess of the associated units of energy delivered (final customer credits).

12 DEFERRED TAX

Deferred tax recognised in the Accounts is as follows:

	Notes	Property, plant and equipment £m	Other temporary differences £m	Total £m
At 1 January 2020		7.0	1.7	8.7
Credit to the Income statement	(a)	(1.4)	(1.3)	(2.7)
At 1 January 2021		5.6	0.4	6.0
Credit to the Income statement	(b)	(1.0)	(0.8)	(1.8)
At 31 December 2021		4.6	(0.4)	4.2

(a) Legislation was previously enacted to reduce the UK rate of Corporation Tax to 17% as from 1 April 2020. Accordingly, the deferred tax balances as at 1 January 2020, were measured at the 17% rate, this being the tax rate enacted at that time, and the rate temporary differences were expected to reverse at. Further legislation which was substantively enacted on 17 March 2020 under The Provisional Collection of Taxes Act 1968 maintained the 19% UK Corporation Tax rate. The 19% rate applied from 1 April 2020. This rate change increased the 31 December 2020 deferred tax liability by £1.0 million.

(b) Legislation was enacted on 10 June 2021 under the Finance Act 2021 that will increase the UK Corporation tax rate to 25% from 1 April 2023. Accordingly, the deferred tax balances at 1 January 2021 have been increased by £0.5 million to reflect the rate that the temporary differences are expected to reverse at.

(c) At 31 December 2021, the Company had unutilised capital losses of £15.1 million (2020 £15.1 million). No deferred tax asset was recognised in either year due to the unpredictability of suitable future profit streams against which these losses may be utilised.

13 LOANS AND BORROWINGS

Instrument	Interest rate*	Maturity	2021 £m	2020 £m
Loans with Iberdrola Group companies	Base + 1%	On demand	-	87.5
Accrued interest due to Iberdrola Group companies			0.2	-
			0.2	87.5

*Base – Bank of England Base Rate.

SCOTTISHPOWER ENERGY RETAIL LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

14 REVENUE

Disaggregation of revenue

	2021	2020
	£m	£m
Supply of electricity	3,007.8	2,719.4
Supply of gas	995.1	967.7
Other	6.5	6.1
	4,009.4	3,693.2

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

15 EMPLOYEE INFORMATION

(a) Staff costs

	2021	2020
	£m	£m
	Note	
Wages and salaries	55.7	55.5
Social security costs	5.6	5.6
Pension and other costs	(i) 30.3	8.2
Total staff costs	91.6	69.3
Less: capitalised staff costs	(1.3)	(0.9)
Charged to the Income statement	90.3	68.4

(i) Pension and other costs in 2021 includes costs of £11.2 million for a restructuring programme (2020 £7.8 million credit).

(b) Employee numbers

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

	Average	Average
	2021	2020
Administrative staff	677	670
Operations	587	674
Total	1,264	1,344

(c) Retirement benefits

The Company's contributions payable in the year were £17.8 million (2020 £15.4 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 2021, the surplus in ScottishPower's defined benefit schemes in the UK amounted to £192.2 million (2020 £558.6 million deficit). The employer contribution rate for these schemes in the year ended 31 December 2021 was 47.9% - 51.0%.

16 TAXES OTHER THAN INCOME TAX

	2021	2020
	£m	£m
Other taxes	110.7	101.4

Other taxes mainly comprises obligations specific to the energy industry, principally ECO and WHD.

17 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

	2021	2020
	£m	£m
Property, plant and equipment depreciation charge	15.4	15.6
Right-of-use asset depreciation charge	0.3	0.2
Intangible asset amortisation charge	101.4	85.3
	117.1	101.1

SCOTTISHPOWER ENERGY RETAIL LIMITED

NOTES TO THE ACCOUNTS *continued*

31 December 2021

18 FINANCE INCOME

	2021	2020
	£m	£m
Interest receivable from Iberdrola Group companies	0.2	0.9
Foreign exchange gains	0.2	0.1
	0.4	1.0

19 FINANCE COSTS

	2021	2020
	£m	£m
Interest on amounts due to Iberdrola Group companies	0.3	-
Reversal of impairment of financial investments	-	(0.2)
Interest on Corporation Tax	-	0.7
Foreign exchange losses	0.1	0.3
	0.4	0.8

20 INCOME TAX

	2021	2020
	£m	£m
Current tax:		
UK Corporation Tax credit on losses for the year	(55.4)	(7.6)
Adjustments in respect of prior years	0.9	(0.3)
Current tax for the year	(54.5)	(7.9)
Deferred tax:		
Origination and reversal of temporary differences	(2.5)	(3.8)
Adjustments in respect of prior years	0.2	0.1
Impact of tax rate change on opening deferred tax balance	0.5	1.0
Deferred tax for the year	(1.8)	(2.7)
Income tax credit for the year	(56.3)	(10.6)

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

	2021	2020
	£m	£m
Corporation Tax at 19% (2020 19%)	(58.0)	(11.6)
Adjustments in respect of prior years	1.1	(0.2)
Impact of tax rate change on opening deferred tax balance	0.5	1.0
Impact of tax rate change on current year charge	0.1	-
Non-deductible expenses and other permanent differences	-	0.2
Income tax credit for the year	(56.3)	(10.6)

Legislation was previously enacted to reduce the UK rate of Corporation Tax to 17% on 1 April 2020. Accordingly deferred tax balances were measured at the 17% rate, this being the tax rate enacted at the reporting date of 31 December 2019, and the rate temporary differences were expected to reverse. Further legislation was substantively enacted on 17 March 2020 under The Provisional Collection of Taxes Act 1968 that maintains the 19% UK Corporation Tax rate. The 19% rate was applicable from 1 April 2020. This rate increased the deferred tax liability at 31 December 2020 by £1.0 million.

Further legislation was enacted on 10 June 2021 under the Finance Act 2021 that will increase the UK Corporation Tax rate to 25% from 1 April 2023. Accordingly deferred tax balances at 1 January 2021 increased by £0.5 million reflecting the rate that the temporary differences are expected to reverse at.

SCOTTISHPOWER ENERGY RETAIL LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

21 FINANCIAL COMMITMENTS

	2021						Total £m
	2022 £m	2023 £m	2024 £m	2025 £m	2026 £m	2027 and thereafter £m	
Contractual commitments	19.7	0.4	0.2	-	-	-	20.3

	2020						Total £m
	2021 £m	2022 £m	2023 £m	2024 £m	2025 £m	2026 and thereafter £m	
Contractual commitments	18.4	-	-	-	-	-	18.4

22 RELATED PARTY TRANSACTIONS

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

	2021	2020
	Other Iberdrola Group companies £m	Other Iberdrola Group companies £m
Types of transaction		
Sales and rendering of services	0.2	0.2
Purchases and receipt of services	(320.0)	(76.9)
Balances outstanding		
Trade and other receivables	0.3	0.4
Trade and other payables	(79.0)	(14.8)

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

(b) **Directors' remuneration**

The remuneration of the directors that provided qualifying services to the Company is shown below. As these directors are remunerated for their work for the group headed by SPRH, it has not been possible to apportion the remuneration specifically in respect of services to this company. Both (2020 both) of the directors who served during the year were remunerated directly by the Company.

	2021 £000	2020 £000
Aggregate remuneration in respect of qualifying services	630	555
Number of directors who exercised share options	2	2
Number of directors who received shares under a long-term incentive scheme	2	2
Number of directors accruing retirement benefits under a defined benefit scheme	2	2
Highest paid director		
Aggregate remuneration	441	376
Accrued pension benefit	65	58

(i) The highest paid director received shares under a long-term incentive scheme during both years.

(ii) The highest paid director exercised share options in both years.

SCOTTISHPOWER ENERGY RETAIL LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

22 RELATED PARTY TRANSACTIONS *continued*

(c) Immediate and ultimate parent company

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

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

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 Scottish Power UK plc may be obtained from its registered office, 320 St. Vincent Street, Glasgow, Scotland, G2 5AD.

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

23 AUDITOR'S REMUNERATION

	2021	2020
	£m	£m
Audit of the Company's annual accounts	0.5	0.4

24 SUBSEQUENT EVENTS

On 18 March 2022, the Company announced that it would be exiting the industrial and commercial energy supply market; this market accounted for approximately 60,000 customers as at 31 December 2021. During 2021, although revenue of £973.6 million was earned from this customer base, it generated an operating loss in 2021 and has had an immaterial impact on the Company's net profit in prior years. The Company will continue to service these customers for the duration of their contracts.

