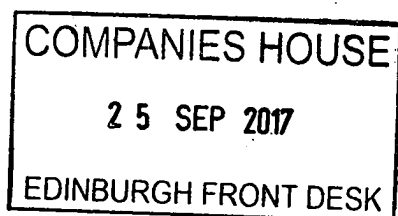


SP DATASERVE LIMITED
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2016

Registered No. SC215842



SP DATASERVE LIMITED
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2016

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SP DATASERVE LIMITED

STRATEGIC REPORT

The directors present an overview of SP Dataserve Limited's business structure, 2016 performance, strategic objectives and plans.

STRATEGIC OUTLOOK

The principal activity of SP Dataserve Limited ("the company"), is the provision of metering services, including data collection, data aggregation, meter operations and meter installations. The company will continue to provide these metering services to both ScottishPower Energy Retail Limited ("SPERL") and other external parties for the foreseeable future.

The business continues to experience increased competition in both non half-hourly and half-hourly field operations and data collection work. Going forward, the business will continue to respond to industry changes mandated by the move towards smart metering.

The ultimate parent of the company is Iberdrola, S.A. ("Iberdrola") which is listed on the Madrid stock exchange and the immediate parent of the company is Scottish Power Generation Holdings Limited ("SPGH"). Scottish Power Limited ("SPL") is the UK parent 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 function ("Energy Retail").

OPERATIONAL PERFORMANCE

The tables below provide key financial and non-financial information relating to the company's performance during the year.

	Revenue*		Operating (loss)/profit*		Capital investment**	
	2016	2015	2016	2015	2016	2015
Financial key performance indicators	£m	£m	£m	£m	£m	£m
SP Dataserve Limited	15.6	16.4	(0.8)	3.4	0.2	0.2

*Revenue and operating (loss)/profit is presented on page 9.

**Capital investment is presented within Note 3 on page 15.

Revenue decreased by £0.8 million to £15.6 million in 2016, with existing industry wide metering activity reducing as the focus moves towards the roll out of smart meters.

Operating profit fell by £4.2 million to create an operating loss of £(0.8) million in 2016. This movement is due to an increase in staff costs (£2.7 million) principally due to recognition of a restructuring provision and a decrease in revenue and other operating income of £3.2 million offset by a reduction in external services and depreciation of £1.7 million reflecting lower legacy metering activity.

Capital investment remained steady at £0.2 million.

LIQUIDITY AND CASH MANAGEMENT

Cash and net funds

Net cash flows from operating activities for the year have decreased by £9.0 million to £(5.1) million (refer to cash flow statement on page 11). As detailed in the table below net funds have decreased by £4.2 million to £24.1 million.

		2016	2015
Analysis of net funds	Note	£m	£m
Group loans receivable	(a)	24.1	28.3

(a) Loans due from Iberdrola group companies are presented within Note 5 on page 16.

Capital and debt structure

The company is entirely funded by equity. All equity is held by the company's immediate parent undertaking, SPGH.

Treasury and interest policy

Treasury services are provided by SPL. ScottishPower has a risk policy within treasury and financing which is designed to ensure that the company's exposure to variability of cash flows and asset values due to fluctuations in market interest rates and exchange rates are minimised and managed at acceptable risk levels. Further details of the treasury and interest policy for ScottishPower and how it manages them is included in Note 4 of the most recent Annual Report and Accounts of SPL.

SP DATASERVE LIMITED
STRATEGIC REPORT *continued*

LIQUIDITY AND CASH MANAGEMENT *continued*

Liquidity

The directors confirm that the company remains a going concern on the basis of its future cash flow forecasts and has sufficient working capital for present requirements. The directors consider that sufficient funding will be made available to the company to continue operations and to meet liabilities as they fall due. Further details of the going concern considerations made by the directors of the company are set out in Note 16.

HEALTH AND SAFETY

ScottishPower 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 addresses health and safety requirements can be found in the most recent Annual Report and Accounts of SPL.

PRINCIPAL RISKS AND UNCERTAINTIES

ScottishPower's strategy is to conduct business in a manner benefiting customers through balancing cost and risk while delivering shareholder value and protecting ScottishPower's performance and reputation by prudently managing the risks inherent in the business. To maintain this strategic direction ScottishPower develops and implements risk management policies and procedures, and promotes a robust control environment at all levels of the organisation. Further details of the risk management practices can be found in Note 4 of the most recent Annual Report and Accounts of SPL.

The principal risks and uncertainties of ScottishPower, and so that of the company, that may impact current and future operational and financial performance and the management of these risks are described below:

RISK	RESPONSE
Material deterioration in the relatively stable and predictable UK regulatory and political environment, including any sudden changes of policy, or new initiatives in the retail market outside the framework of the Competition and Markets Authority ("CMA") investigation outcome.	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.
Impacts arising from the UK decision to leave the European Union ("EU") or market reactions to events during the negotiation. These impacts could include further depreciation in the value of Sterling and other financial instruments. In the longer term there could be negative or positive changes in the UK economy and in the political and regulatory environment in which the company operates.	In addition to monitoring ongoing developments related to "Brexit" the treasury risk management policy is in place to hedge financial risks which are the most prevalent in the short term. Any longer term impact on the UK economy and its impact on the group and specific business units will be managed in line with developments.
A major health and safety incident in the course of operations could impact staff, contractors, communities or the environment.	ScottishPower's Health and Safety function provides specialist services and support for the businesses in relation to health and safety. A comprehensive framework of health and safety policy and procedures, alongside audit programmes, is established throughout ScottishPower, which aim to ensure not only continuing legal compliance but also drive towards best practice in all levels of its health and safety operations.

SP DATASERVE LIMITED
STRATEGIC REPORT *continued*

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

RISK	RESPONSE
Breach in cyber security and unwanted infiltration of the ScottishPower IT infrastructure by internal and external parties.	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 company employees as to how behaviour can reduce this risk. Embedding cyber security in all projects where appropriate.

ON BEHALF OF THE BOARD



Valerie Sim
Director

11 September 2017

SP DATASERVE LIMITED

DIRECTORS' REPORT

The directors present their report and audited Accounts for the year ended 31 December 2016.

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 3.

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

RESULTS AND DIVIDENDS

The net profit for the year amounted to £0.6 million (2015 £3.0 million). No dividends were paid during the year (2015 £nil).

ENVIRONMENTAL REGULATION

Throughout its operations, ScottishPower strives to meet, or exceed, relevant legislative and regulatory environmental requirements and codes of practice. A more extensive description of how ScottishPower addresses environmental requirements can be found in the most recent Annual Report and Accounts of SPL.

EMPLOYEES

Employment regulation

ScottishPower has well-defined policies in place throughout its businesses to ensure compliance with applicable laws and related codes of practice. These policies cover a wide range of employment issues such as disciplinary, grievance, harassment, discrimination, stress, anti-bribery and 'whistleblowing' and have been brought together in the Code of Ethics of Iberdrola and its group of companies (which also outlines expectations for employees' conduct).

Training

ScottishPower has a continuing commitment to training and personal development for its employees with over 2,700 (2015 2,500) training events and over 139,000 hours (2015 169,000 hours) undertaken in 2016. Much of the training is focused on health and safety and technical training ensuring field staff are safe and competent. In addition ScottishPower recruits over 100 craft and engineering trainees annually who undertake a formal, structured training programme leading towards a recognised apprenticeship or formal engineering qualification. Team leaders and managers also participate in core management skills training and there are management development programmes and modules aimed at increasing our leadership capability.

Employee feedback and consultation

Employee feedback is recognised as key to driving engagement within ScottishPower and in 2016 the group again carried out its annual employee engagement survey, 'The LOOP'. This year there was a significant increase in the response rate from employees with 75% of employees across the group providing feedback. The overall engagement score increased to 76% in 2016 which is a positive reflection of how employees feel about working for ScottishPower.

All ScottishPower businesses recognise the importance of taking action in response to employee feedback. Action plans were developed following the LOOP survey in 2016 and focus on three key areas across ScottishPower – recognising the day to day achievements of our employees, improving face to face communication and creating a positive employee experience for all employees.

In addition to employee feedback, ScottishPower regularly consults with employees and their representatives via a variety of channels, including monthly team meetings, business conferences, health and safety committees and employee relations forums.

Equality and diversity

ScottishPower recognises the importance of difference and respects individuality as part of its ongoing commitment to promoting equality and diversity. ScottishPower also understands that diversity goes beyond legally compliant policies and practices and includes a focus on creating an innovative, integrated organisation where people feel valued, inspiring them to perform at their best.

SP DATASERVE LIMITED

DIRECTOR'S REPORT *continued*

EMPLOYEES *continued*

Equality and diversity continued

ScottishPower have a Diversity and Inclusion Governance Group whose objective is to drive the Diversity and Inclusion action plan with key stakeholders across the organisation to ensure that diversity is embedded into ScottishPower's working policies and practices.

Activities over 2016 included E-learning and training on diversity and unconscious bias to raise the awareness of employees and key stakeholders. ScottishPower also received external recognition for ScottishPower's flexible and agile working practices to support working families and its development and employment programmes for young people.

ScottishPower is committed to driving gender diversity in the energy sector by encouraging women into leadership roles and engineering careers, not only seeking to develop its diverse and inclusive workforce but take active steps to address the deepening skills shortage in the sector. During 2016 ScottishPower joined the Women's Engineering Society and Powerful Women, sponsored the Top 50 Women in Engineering list and supported National Women in Engineering day.

Employment of disabled persons

In support of the policy on Equality & Diversity (on the previous page), ScottishPower expects all employees to be treated with respect and has supporting policy guidance on People with Disabilities and Reasonable Adjustments to help ensure equality of employment opportunity for people with disabilities. The aim of these guidelines is to establish working conditions that encourage the full participation of people with disabilities, which may be achieved through activities such as: making adjustments and/or adaptations to premises; enabling access to the full range of recruitment and career opportunities including the provision of specialist training; and the retention of existing staff who are affected by disability, through rehabilitation, training and reassignment. ScottishPower also works with support organisations, such as Business Disability Forum, which provide support, guidance and sharing of best practice to enable companies to become disability confident.

Employee health and wellbeing

ScottishPower promotes and supports the physical and mental health and wellbeing of its employees through a programme of health promotion and information run by its occupational health department.

Employee volunteering

ScottishPower prides itself in being a good corporate neighbour, providing support to the communities it serves in each of its businesses. Volunteering is central to community involvement and ScottishPower has an excellent track record in this area. ScottishPower's company-wide Volunteering Policy has been actively utilised by employees during 2016. This policy gives all registered volunteers, on an annual basis, an opportunity to take an additional one day's paid leave, to be used as a volunteering day.

DIRECTORS

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

José María Acha Echevarría

Marc Rossi

Andrew Ward

On 1 April 2017, Marc Rossi resigned as a director of the company. On 2 May 2017, Valerie Sim was appointed as a director of the company.

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.

SP DATASERVE LIMITED
DIRECTOR'S REPORT *continued*

DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

The directors are responsible for preparing the Annual Report and Accounts in accordance with applicable laws and International Financial Reporting Standards ("IFRSs") as adopted by the EU.

The directors are responsible for preparing Accounts for each financial period which give a true and fair view, in accordance with IFRSs, of the state of affairs of the company and of the profit or loss for that period. In preparing those Accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the Accounts comply with IFRSs, subject to any material departures disclosed and explained in the Accounts; and
- prepare the Accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the Accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 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

Ernst & Young LLP were re-appointed as auditor of the company for the year ended 31 December 2016.

ON BEHALF OF THE BOARD



Valerie Sim
Director

11 September 2017

INDEPENDENT AUDITOR'S REPORT

to the members of SP Dataserve Limited

We have audited the Accounts of SP Dataserve Limited for the year ended 31 December 2016 which comprise the Balance Sheet, Income Statement and Statement of Other Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement, and the related Notes 1 to 16. These Accounts have been prepared under the accounting policies set out therein. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

This report is made solely to the company's member, 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the Accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Accounts in accordance with the applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE ACCOUNTS

An audit involves obtaining evidence about the amounts and disclosures in the Accounts sufficient to give reasonable assurance that the Accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the Accounts. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited Accounts, and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

OPINION ON ACCOUNTS

In our opinion the Accounts:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

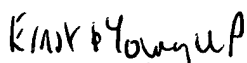
- the information given in the Strategic Report and the Directors' Report for the financial year for which the Accounts are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Accounts 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.



Annie Graham (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Glasgow

14 September 2017

SP DATASERVE LIMITED
BALANCE SHEETS
as at 31 December 2016 and 31 December 2015

	Notes	2016 £m	2015 £m
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		3.0	3.6
Property, plant and equipment in use	3	3.0	3.6
NON-CURRENT ASSETS		3.0	3.6
CURRENT ASSETS			
Trade and other receivables	5	31.6	30.9
Current tax asset		0.1	-
CURRENT ASSETS		31.7	30.9
TOTAL ASSETS		34.7	34.5
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		30.7	30.1
Share capital	6, 7	17.6	17.6
Retained earnings	7	13.1	12.5
TOTAL EQUITY		30.7	30.1
NON-CURRENT LIABILITIES			
Provisions		0.3	0.3
Other provisions	8	0.3	0.3
NON-CURRENT LIABILITIES		0.3	0.3
CURRENT LIABILITIES			
Provisions	8	1.0	-
Trade and other payables	9	2.7	3.3
Current tax liabilities		-	0.8
CURRENT LIABILITIES		3.7	4.1
TOTAL LIABILITIES		4.0	4.4
TOTAL EQUITY AND LIABILITIES		34.7	34.5

Approved by the Board on 11 September 2017 and signed on its behalf by:



Valerie Sim
Director

The accompanying Notes 1 to 16 are an integral part of the balance sheets as at 31 December 2016 and 31 December 2015.

SP DATASERVE LIMITED
INCOME STATEMENTS AND STATEMENTS OF OTHER COMPREHENSIVE INCOME
for the years ended 31 December 2016 and 31 December 2015

	Notes	2016 £m	2015 £m
Revenue		15.6	16.4
GROSS MARGIN		15.6	16.4
NET OPERATING EXPENSES		(15.8)	(12.0)
Net personnel expenses		(16.0)	(13.3)
Staff costs	10	(16.0)	(13.3)
Net external expenses		0.2	1.3
External services		(7.9)	(9.2)
Other operating income		8.1	10.5
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION		(0.2)	4.4
Depreciation and amortisation charge, allowances and provisions	11	(0.6)	(1.0)
OPERATING (LOSS)/PROFIT		(0.8)	3.4
Gains on disposal of non-current assets		0.9	-
Finance income	12	0.4	0.4
PROFIT BEFORE TAX		0.5	3.8
Income tax	13	0.1	(0.8)
NET PROFIT FOR THE YEAR		0.6	3.0

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

All results relate to continuing operations.

The accompanying Notes 1 to 16 are an integral part of the income statements and statements of other comprehensive income for the years ended 31 December 2016 and 31 December 2015.

SP DATASERVE LIMITED
STATEMENTS OF CHANGES IN EQUITY
for the years ended 31 December 2016 and 31 December 2015

	Ordinary share capital £m	Retained earnings £m	Total equity £m
At 1 January 2015	17.6	9.5	27.1
Total comprehensive income for the year	-	3.0	3.0
At 1 January 2016	17.6	12.5	30.1
Total comprehensive income for the year	-	0.6	0.6
At 31 December 2016	17.6	13.1	30.7

Total comprehensive income for both years comprises the net profit for year and is wholly attributable to the equity holders of SP Dataserve Limited.

The accompanying Notes 1 to 16 are an integral part of the statements of changes in equity for the years ended 31 December 2016 and 31 December 2015.

SP DATASERVE LIMITED
CASH FLOW STATEMENTS
for the years ended 31 December 2016 and 31 December 2015

	2016 £m	2015 £m
Cash flows from operating activities		
Profit before tax	0.5	3.8
Adjustments for:		
Depreciation	0.6	0.7
Change in provisions	1.0	0.2
Finance income	(0.4)	(0.4)
Net gains on disposal of non-current assets	(0.9)	-
Changes in working capital:		
Change in trade and other receivables	(4.9)	(0.2)
Change in trade and other payables	(0.6)	0.6
Provisions paid	-	(0.2)
Income taxes paid	(0.8)	(0.9)
Interest received	0.4	0.3
Net cash flows from operating activities (i)	(5.1)	3.9
Cash flows from investing activities		
Investments in property, plant and equipment	(0.2)	(0.3)
Proceeds from disposal of property, plant and equipment	1.1	-
Net cash flows from investing activities (ii)	0.9	(0.3)
Net (decrease)/increase in cash and cash equivalents (i)+(ii)	(4.2)	3.6
Cash and cash equivalents at beginning of year	28.3	24.7
Cash and cash equivalents at end of year	24.1	28.3
Cash and cash equivalents at end of year comprises:		
Receivables due from Iberdrola group companies - loans	24.1	28.3
Cash flow statement cash and cash equivalents	24.1	28.3

The accompanying Notes 1 to 16 are an integral part of the cashflow statements for the years ended 31 December 2016 and 31 December 2015.

SP DATASERVE LIMITED
NOTES TO ACCOUNTS
31 December 2016

1 BASIS OF PREPARATION

A. COMPANY INFORMATION

SP Dataserve Limited ("the company"), registered company number SC215842, is a private company limited by shares, incorporated in Scotland and its registered address is 320 St Vincent Street, Glasgow, G2 5AD.

B. BASIS OF PREPARATION OF THE ACCOUNTS

The company is required by law to prepare Accounts and to deliver them to the Registrar of Companies. The Accounts have been prepared in accordance with International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") Interpretations (collectively referred to as IFRS), as adopted by the EU as at the date of approval of these Accounts and which are mandatory for the financial year ended 31 December 2016. The Accounts are prepared in accordance with the Accounting Policies set out in Note 2.

C. ACCOUNTING STANDARDS

In preparing these Accounts, the company has applied all relevant IAS, IFRS and IFRIC Interpretations which have been adopted by the EU as of the date of approval of these Accounts and which are mandatory for the financial year ended 31 December 2016.

For the year ended 31 December 2016, the company has applied the following standards and amendments for the first time:

Standard	Note
• Amendments to IAS 1 'Presentation of Financial Statements: Disclosure Initiative'	(a)
• Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' – 'Clarification of Acceptable Methods of Depreciation and Amortisation'	(a)
• Amendments to IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture' – 'Bearer Plants'	(a)
• Amendments to IAS 27 'Separate Financial Statements: Equity Method in Separate Financial Statements'	(a)
• Amendments to IFRS 11 'Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations'	(a)
• Annual Improvements to IFRS Standards 2012 - 2014 Cycle	(a)
• Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' – 'Investment Entities: Applying the Consolidated Exception'	(a)

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

The following new standards and amendments to standards have been issued by the International Accounting Standards Board ("IASB") but have an effective date after the date of these financial statements or have not been endorsed by the EU thus have not been implemented by the company:

Standard	Notes	IASB effective date (for periods commencing on or after)	Planned date of application by the company
• Amendments to IAS 12 'Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses'	(b), (c), (d)	1 January 2017	1 January 2018
• Amendments to IAS 7 'Statement of Cash Flows: Disclosure Initiative'	(b), (c), (d)	1 January 2017	1 January 2018
• Annual Improvements to IFRS Standards 2014 – 2016 Cycle	(b), (c), (e)	1 January 2017 & 1 January 2018	1 January 2018
• IFRS 9 'Financial Instruments'	(b)	1 January 2018	1 January 2018
• IFRS 15 'Revenue from Contracts with Customers' (including Amendments to IFRS 15 'Effective date of IFRS 15')	(b)	1 January 2018	1 January 2018
• Clarifications to IFRS 15 'Revenue from Contracts with Customers'	(b), (c)	1 January 2018	1 January 2018

SP DATASERVE LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2016

1 BASIS OF PREPARATION *continued*
C. ACCOUNTING STANDARDS *continued*

Standard <i>continued</i>	Notes	IASB effective date (for periods commencing on or after)	Planned date of application by the company
• Amendments to IAS 40 'Investment Property: Transfers of Investment Property'	(b), (c)	1 January 2018	1 January 2018
• Amendments to IFRS 2 'Share-based Payments: Clarification and Measurement of Share-based Payment Transactions'	(b), (c)	1 January 2018	1 January 2018
• Amendments to IFRS 4 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts'	(b), (c)	1 January 2018	1 January 2018
• IFRIC 22 'Foreign Currency Transactions and Advance Consideration'	(b), (c)	1 January 2018	1 January 2018
• IFRS 16 'Leases'	(b), (c)	1 January 2019	1 January 2019
• IFRIC 23 'Uncertainty over Income Tax Treatments'	(b), (c)	1 January 2019	1 January 2019
• IFRS 17 'Insurance Contracts'	(b), (c), (f)	1 January 2021	1 January 2021
• IFRS 14 'Regulatory Deferral Accounts'	(b), (c), (g)	1 January 2016	To be decided
• Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' – 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	(b), (c), (g)	Deferred indefinitely	To be decided

- (b) The future application of this pronouncement is not expected to have a material impact on the company's accounting policies, financial position or performance.
- (c) This pronouncement has not yet been endorsed by the EU.
- (d) Despite the IASB effective date of 1 January 2017, this pronouncement has yet to be endorsed by the EU (expected 2017). The endorsement notice will be reviewed for specific guidance but in the absence of further information it is anticipated that the company will apply this pronouncement from the accounting period following endorsement i.e. 1 January 2018.
- (e) This pronouncement includes amendments to three standards. The amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards' and IAS 28 'Investments in Associates and Joint Ventures' have an effective date of 1 January 2018. The amendments to IFRS 12 'Disclosure of Interests in Other Entities' have an effective date of 1 January 2017. Despite this, the pronouncement has yet to be endorsed by the EU (expected 2017). The endorsement notice will be reviewed for specific guidance but in the absence of further information it is anticipated that the company will apply this pronouncement from the accounting period following endorsement i.e. 1 January 2018.
- (f) The endorsement process of this interim standard has not been launched as the EU has decided to wait for the final standard to be issued.
- (g) The IASB set the effective date of this pronouncement as for periods commencing on or after 1 January 2016. However, in December 2015, the IASB postponed the effective date indefinitely pending the outcome of its research project on the equity method of accounting. The EU endorsement process for this pronouncement has been postponed, awaiting a revised exposure draft from the IASB. The effective date will be amended in due course.

2 ACCOUNTING POLICIES

- A REVENUE**
B PROPERTY, PLANT AND EQUIPMENT
C IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT
D FINANCIAL INSTRUMENTS
E TAXATION
F RETIREMENT BENEFITS

A REVENUE

Revenue comprises the sales value of data collection, data aggregation and meter operation services supplied to customers and suppliers during the year and exclude Value Added Tax. Revenue from data collection and data aggregation is based on commercial market rate contracts. Revenue from meter operation represents an annual charge for refurbishment, maintenance and installation of meters held by SP Power Systems Limited ("SPPS"), a fellow ScottishPower undertaking. All revenue is earned wholly within the UK.

B PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost and is generally 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 are undertaken annually of the estimated remaining lives and residual values of property, plant and equipment. Residual values are assessed based on prices prevailing at each balance sheet date.

SP DATASERVE LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2016

2 ACCOUNTING POLICIES *continued*

B PROPERTY, PLANT AND EQUIPMENT *continued*

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

	Years
Meters and measuring devices	10
Other facilities and other items of property, plant and equipment	2 - 40

C IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

At each balance sheet date, the company reviews the carrying amount of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). 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.

D FINANCIAL INSTRUMENTS

- (a) Financial assets categorised as trade and other receivables are recognised and carried at original invoice amount less an allowance for impairment of doubtful debts. Allowance for doubtful debts has been estimated by management, taking into account future cash flows, based on past experience and assessment of the current economic environment within which the company operates.
- (b) In the cashflow statement, cash and cash equivalents comprise current loans receivable from Iberdrola companies.
- (c) Financial liabilities categorised as trade payables are recognised and carried at original invoice amount.
- (d) All interest bearing loans and borrowings are initially recognised at fair value, net of directly attributable transaction costs. Interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

E TAXATION

The company's liability for current tax is calculated using the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on the difference between the carrying amounts of assets and liabilities in the balance sheet and the corresponding tax bases used in the computation of taxable profits (temporary differences), and is accounted for using the balance sheet liability method. 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 settled or the asset realised based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax is charged in 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 dealt with in equity and is shown in the statement of comprehensive income.

F RETIREMENT BENEFITS

ScottishPower operates a number of defined benefit and defined contribution retirement benefit schemes in the UK. SP Dataserve Limited is a participating company in these 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.

SP DATASERVE LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2016

3 PROPERTY, PLANT AND EQUIPMENT

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

	Meters and measuring devices £m	Other items of property, plant and equipment in use (Note (ii)) £m	Total property, plant and equipment in use £m
Year ended 31 December 2015			
Cost:			
At 1 January 2015	8.3	1.4	9.7
Additions	0.2	-	0.2
At 31 December 2015	8.5	1.4	9.9
Depreciation:			
At 1 January 2015	5.1	0.5	5.6
Depreciation for the year	0.5	0.2	0.7
At 31 December 2015	5.6	0.7	6.3
Net book value:			
At 31 December 2015	2.9	0.7	3.6
At 1 January 2015	3.2	0.9	4.1

	Meters and measuring devices £m	Other items of property, plant and equipment in use (Note (ii)) £m	Total property, plant and equipment in use £m
Year ended 31 December 2016			
Cost:			
At 1 January 2016	8.5	1.4	9.9
Additions	0.1	0.1	0.2
Disposals	-	(0.6)	(0.6)
At 31 December 2016	8.6	0.9	9.5
Depreciation:			
At 1 January 2016	5.6	0.7	6.3
Depreciation for the year	0.5	0.1	0.6
Disposals	-	(0.4)	(0.4)
At 31 December 2016	6.1	0.4	6.5
Net book value:			
At 31 December 2016	2.5	0.5	3.0
At 1 January 2016	2.9	0.7	3.6

(i) The cost of fully depreciated property, plant and equipment still in use at 31 December 2016 was £3.6 million (2015 £3.5 million).

(ii) The category of "Other items of property, plant and equipment in use" principally comprises of buildings and data measuring equipment.

(b) Capital Commitments

	2016 £m	2015 £m
Contracted but not provided	0.1	-

SP DATASERVE LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2016

4 FINANCIAL INSTRUMENTS

(a) Carrying value of financial instruments

The table below sets out the carrying amount and fair value of the company's financial instruments.

	Notes	2016		2015	
		Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial assets					
Receivables	(i)	31.6	31.6	30.9	30.9
Financial liabilities					
Payables	(i), (ii)	(1.2)	(1.2)	(1.5)	(1.5)

The carrying amount of these financial instruments is calculated as set out in Note 2D. The carrying value of financial instruments is a reasonable approximation of fair value.

- (i) Balances out with the scope of IFRS 7 'Financial Instruments: Disclosures ('IFRS 7')' have been excluded, principally payments received on account and other taxes and social security.
(ii) The undiscounted contractual cash flows associated with the above liabilities are equivalent in value and are payable in less than one year.

(b) Borrowing facilities

The company had no undrawn committed borrowing facilities at 31 December 2016 (2015 £nil).

5 TRADE AND OTHER RECEIVABLES

	Notes	2016 £m	2015 £m
Current receivables:			
Receivables due from Iberdrola group companies - trade		5.0	-
Receivables due from Iberdrola group companies - loans	(a)	24.1	28.3
Receivables due from Iberdrola group companies - interest		0.4	0.4
Trade receivables and accrued income	(b), (c)	2.1	2.2
		31.6	30.9

- (a) Interest on loans due from Iberdrola group companies is payable at 1% above the Bank of England base rate and the loans are repayable on demand.
(b) Trade receivables are stated net of allowance for impairment of doubtful debts of £0.1 million (2015 £0.1 million). Provisions for doubtful debts have been estimated by management, taking into account future cash flows, based on prior experience, ageing analysis and an assessment of the current economic environment within which the company operates. The income statement impact of the change in bad debt for the year to 31 December 2016 is £nil (2015 £(0.1) million).
(c) At 31 December 2016 trade receivables of £0.7 million (2015 £0.5 million) were past due but not impaired.

	2016 £m	2015 £m
Past due but not impaired		
Less than 3 months	0.6	0.3
Between 3 and 6 months	0.1	0.2
	0.7	0.5

- (d) Movements on the provision for impairment of trade receivables are as follows:

	2016 £m	2015 £m
At beginning of year	0.1	0.2
Provisions for receivables impairment	-	(0.1)
At end of year	0.1	0.1

SP DATASERVE LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2016

6 SHARE CAPITAL

	2016 £m	2015 £m
Authorised:		
100,000,000 ordinary shares of £1 each (2015 100,000,000)	100.0	100.0
Allotted, called up and fully paid shares:		
17,608,000 ordinary shares of £1 each (2015 17,608,000)	17.6	17.6

7 ANALYSIS OF MOVEMENTS IN EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF SP DATASERVE LIMITED

	Ordinary share capital £m	Retained earnings (Note (a)) £m	Total £m
At 1 January 2015	17.6	9.5	27.1
Profit for the year attributable to equity holders of SP Dataserve Limited	-	3.0	3.0
At 1 January 2016	17.6	12.5	30.1
Profit for the year attributable to equity holders of SP Dataserve Limited	-	0.6	0.6
At 31 December 2016	17.6	13.1	30.7

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

8 PROVISIONS

		At 1 January 2015 £m	New provisions £m	Utilised during year £m	At 31 December 2015 £m
Year ended 31 December 2015	Notes				
Reorganisation and restructuring	(a)	0.2	-	(0.2)	-
Insurance	(b)	0.1	0.2	-	0.3
		0.3	0.2	(0.2)	0.3

		At 1 January 2016 £m	New provisions £m	At 31 December 2016 £m
Year ended 31 December 2016	Notes			
Reorganisation and restructuring	(a)	-	1.0	1.0
Insurance	(b)	0.3	-	0.3
		0.3	1.0	1.3

	2016 £m	2015 £m
Analysis of total provisions		
Non-current	0.3	0.3
Current	1.0	-
	1.3	0.3

(a) The reorganisation and restructuring provision at 1 January 2015 was fully utilised during 2015. The new provision of £1.0 million was recognised in the year to 31 December 2016 following a further reorganisation. This provision is expected to be fully utilised during 2017.

(b) The provision for insurance principally represents the value of claims reserves and is expected to be utilised in 2018.

SP DATASERVE LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2016

9 TRADE AND OTHER PAYABLES

	2016 £m	2015 £m
Current trade and other payables:		
Payables due to Iberdrola group companies - trade	-	0.1
Trade payables	0.8	1.0
Other taxes and social security	0.3	0.3
Payments received on account	1.2	1.5
Other payables	0.4	0.4
	2.7	3.3

10 EMPLOYEE INFORMATION

(a) Staff costs

	Note	2016 £m	2015 £m
Wages and salaries		9.4	9.9
Social security costs		0.8	0.7
Pension and other costs	(a)	5.8	2.7
Total staff costs		16.0	13.3

(a) "Pension and other costs" in 2016 includes £3.5 million (2015 £0.3 million) of costs for a restructuring programme.

(b) Employee numbers

The year end and average numbers of employees (full and part-time) employed by the company, including executive directors, where appropriate, were:

	Year end 2016	Average 2016	Year end 2015	Average 2015
Administrative staff	-	-	7	7
Operations	323	341	354	368
Total	323	341	361	375

The year end and average numbers of employees of full-time equivalent staff employed by the company, including executive directors, were:

	Year end 2016	Average 2016	Year end 2015	Average 2015
Total	314	332	351	366

(c) Pensions

The company's pension contributions payable in the year were £2.3 million (2015 £2.4 million). The company contributes to the ScottishPower group's defined benefit and defined contribution schemes in the UK. Full details of these schemes are provided in the most recently available Annual Report and Accounts of SPL. As at 31 December 2016, the deficit in the ScottishPower group's defined benefit schemes in the UK amounted to £442.5 million (2015 £264.4 million). The employer contribution rate for these schemes in the year ended 31 December 2016 was 30.1-31.0%.

11 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

	2016 £m	2015 £m
Property, plant and equipment depreciation charge	0.6	0.7
Charges and provisions and allowances	-	0.3
	0.6	1.0

SP DATASERVE LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2016

12 FINANCE INCOME

	2016 £m	2015 £m
Interest receivable from Iberdrola group companies	0.4	0.4

13 INCOME TAX

	2016 £m	2015 £m
Current tax:		
UK Corporation tax	(0.1)	0.8
Income tax (credit)/expense for the year	(0.1)	0.8

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

	2016 £m	2015 £m
Corporation tax at 20% (2015 20.25%)	0.1	0.8
Other permanent differences	(0.2)	-
Income tax (credit)/expense for the year	(0.1)	0.8

Legislation has been enacted to reduce the rate of UK Corporation Tax to 19% on 1 April 2017 and to 17% on 1 April 2020. These changes reduce the tax rates expected to apply when temporary differences reverse and impact the deferred tax charge.

14 RELATED PARTY TRANSACTIONS

(a) Transactions and balances arising in the normal course of business

	2016		2015	
	UK Parent (SPL) £m	Other Iberdrola group companies £m	UK Parent (SPL) £m	Other Iberdrola group companies £m
Types of transaction				
Sales and rendering of services	-	16.7	-	20.5
Purchases and receipt of services	-	(4.0)	-	(4.5)
Interest income	0.4	-	0.4	-
Balances outstanding				
Loans receivable	24.1	-	28.3	-
Trade and other receivables	-	5.0	-	-
Interest receivable	0.4	-	0.4	-
Trade and other payables	-	-	-	(0.1)

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

(ii) During the year ended 31 December 2016, Scottish Power UK plc made pension contributions of £2.3 million (2015 £2.4 million) on behalf of the company.

(b) Remuneration of key management personnel

The remuneration of the key management personnel that provided qualifying services to the company is set out below. As these key management personnel are remunerated for their work for the ScottishPower group, it has not been possible to apportion the remuneration specifically in respect of services to this company. All of the key management personnel were remunerated by other companies within the ScottishPower group.

	2016 £000	2015 £000
Short-term employee benefits	1,425	1,427
Post-employment benefits	344	351
Share-based payments	496	499
	2,265	2,277

SP DATASERVE LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2016

14 RELATED PARTY TRANSACTIONS *continued*

(c) 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 ScottishPower group, it has not been possible to apportion the remuneration specifically in respect of services to this company. All of the directors were remunerated by other companies within the ScottishPower group.

	2016	2015
	£000	£000
Executive directors		
Aggregate remuneration in respect of qualifying services	379	395
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

	2016	2015
	£000	£000
Highest paid director		
Aggregate remuneration	211	216
Accrued pension benefit	44	40

- (i) The highest paid director received benefits under a long-term share incentive scheme in both years.
(ii) The highest paid director exercised share options in both years.

(d) Ultimate parent company

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

Copies of the Consolidated Accounts of Iberdrola, S.A. may be obtained from Iberdrola, at its registered address; S.A., Torre Iberdrola, Plaza Euskadi 5, 48009, Bilbao, Spain. Copies of the Consolidated Accounts of Scottish Power UK plc may be obtained from Scottish Power UK plc, at its registered address; 320 St Vincent Street, Glasgow, G2 5AD.

15 AUDITOR'S REMUNERATION

	2016	2015
	£000	£000
Audit of the company's annual Accounts	7	7

16 GOING CONCERN

The company's business activities are set out in the Strategic Report on pages 1 to 3.

The company has recorded a profit after tax in both the current and previous financial year and the company's balance sheet shows that it has net current assets of £28.0 million and net assets of £30.7 million at its most recent balance sheet date.

The company is ultimately owned by Iberdrola, S.A. and it participates in the Iberdrola group's centralised treasury arrangements and so shares banking facilities with its parent companies and fellow subsidiaries. As a consequence, the company depends, in part, on the ability of the Iberdrola group to continue as a going concern. The directors have considered the company's funding relationship with Iberdrola to date and have considered available relevant information relating to Iberdrola's ability to continue as a going concern. In addition, the directors have no reason to believe that the Iberdrola group will not continue to fund the company, should it become necessary, to enable it to continue in operational existence.

On the basis of these considerations, the directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis of accounting in preparing the Accounts.