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SP DATASERVE LIMITED
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2018

Registered No. SC215842

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SCT 26/09/2019 #6
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SP DATASERVE LIMITED
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2018

CONTENTS

SP DATASERVE LIMITED
STRATEGIC REPORT

The directors present an overview of SP Dataserve Limited's business structure, 2018 performance and strategic outlook including principal risks and uncertainties..

STRATEGIC OUTLOOK

The principal activities of SP Dataserve Limited ("the company"), registered company number SC215842, are the provision of metering services and meter installation. The company will continue with these activities for the forseeable future.

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 Retail Holdings Limited ("SPRH") (formerly known as Scottish Power Generation Holdings Limited). Scottish Power Limited ("SPL") is the United Kingdom ("UK") holding company of the ScottishPower group ("ScottishPower") of which the company is a member.

The company continues to experience increased competition in its principal activities and continues to respond to industry changes mandated by the move towards smart metering.

The impact of Brexit on the company is considered on pages 2 and 3 of the Strategic Report. The Accounts are prepared on a going concern basis; refer to Note 19 for further details.

OPERATIONAL PERFORMANCE

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

	Revenue*		Operating profit/(loss)*		Capital investment**	
	2018	2017***	**2018**	2017	**2018**	2017
Financial key performance indicators	**£m**	£m	**£m**	£m	**£m**	£m
SP Dataserve Limited	**16.3**	21.9	**2.6**	(4.6)	**0.4**	0.3

*Revenue and operating profit/(loss) is presented on page 11.
**Capital investment is presented within Note 3 on page 22.
*** Restated (refer to Note 1B1.1).

Revenue decreased by £5.6 million to £16.3 million in 2018, with industry-wide legacy metering related activity reducing as the focus moves towards the roll out of smart meters.

Operating profit in the current year is £2.6 million compared to an operating loss of £4.6 million in the prior year. This movement is primarily due to the decrease in staff costs, following the implementation of a group wide restructuring programme (refer to Note 12). The overall reduction in costs has been partially offset by the decrease in revenue discussed above.

Capital investment for the year amounted to £0.4 million (2017 £0.3 million).

LIQUIDITY AND CASH MANAGEMENT

Cash and net debt

Net cash flows from operating activities for the year increased by £2.8 million to £3.1 million (refer to cash flow statement on page 13). Net funds (consisting of group loans receivable) increased by £3.0 million to £27.6 million.

Capital structure

The company is wholly funded by equity. All equity is held by the company's immediate parent undertaking, SPRH. Treasury services are provided by SPL. Further details of the treasury policy for ScottishPower and therefore the company and how it manages them is included in Note 10.

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.

SP DATASERVE LIMITED
STRATEGIC REPORT *continued*

UK DECISION TO LEAVE THE EU (BREXIT)

The UK was originally scheduled to leave the European Union ("EU") on 29 March 2019. Following intensive negotiations on the subjects of a separation payment, mutual recognition of citizens' rights and avoiding a hard border between Northern Ireland and the Republic of Ireland, two key documents were approved by the EU Council on 25 November 2018: the EU Withdrawal Agreement (a legally binding document setting out the terms of the UK's exit from the EU, including citizens' rights and the Irish 'backstop'); and the Political Declaration (setting out the basis for a future negotiation of the future UK-EU relationship after Brexit, including UK-EU trade and security). As at the date of signing these accounts this deal has not been approved by the UK Parliament. The EU and the UK have now agreed a delay to Brexit until 31 October 2019 at the latest.

If the EU Withdrawal Agreement is not approved by the UK Parliament within the EU timelines the risk of a 'no-deal' Brexit exists. This would probably mean that the trade relationship between the UK and EU would revert to World Trade Organisation ("WTO") rules. The UK Government has published a series of technical papers covering some of the key areas of concern in the event of 'no-deal' scenario. Essentially these papers seek to minimise the impacts as much as possible, including by limiting the scale of the changes to existing arrangements. Nevertheless, WTO rules would mean that trade between the UK and EU which is currently frictionless, would become cross-border trade subject to customs checks and tariffs. In the event of a 'no-deal' scenario some economic disruption is expected in the UK and thus ScottishPower is preparing to mitigate any negative impacts arising from this outcome. A cross-party operational working group has been co-ordinating ScottishPower's preparations to mitigate the impact of a 'no-deal' Brexit. Some of the key risks considered are explained in the table below.

SCOTTISHPOWER - BREXIT RISKS	
RISK	**RESPONSE**
Impacts arising from the UK decision to leave the EU or market reactions to events during the negotiation. These impacts could include movements in the value of Sterling and other financial instruments. In the longer term there could be positive or negative changes in the UK economy and in the political and regulatory environment in which ScottishPower and therefore 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 ScottishPower and the company will be managed in line with developments. A ScottishPower wide regulatory group is monitoring any potential risks arising from a regulatory perspective and is engaging with governments and regulators to minimise any disruption.
Supply chain disruption – import delays of key equipment and components for major programmes causing project delays.	Assessment of key equipment and components undertaken and additional orders placed in order to increase stock levels prior to the UK leaving the EU. Additional storage requirements also assessed and actions taken to ensure there is sufficient storage.
Contractual risk for existing non-trading contracts including the risk of contract re-openers, clauses such as force majeure/material adverse change clauses and jurisdiction.	Legal review of all critical contracts to determine potential exposure and mitigation specific to each contract.
Free movement of labour – potential restrictions on EU nationals working in the UK or international assignees from elsewhere in the Iberdrola group, not currently in the UK but wishing to enter the UK.	Recent announcements by the UK Government confirmed EU nationals in the UK will be part of an EU settlement scheme. Workplace audit underway to assess impact and support staff affected through the process.
Data Protection – impact of General Data Protection Regulation ("GDPR") rules and status of UK post Brexit could impact transfer of data between group companies and suppliers in the normal course of business.	All intercompany contracts reviewed to update contractual clauses. High risk suppliers identified and where appropriate discussions commenced to amend contractual terms.

Even in the event of an agreement being concluded, Brexit may have both risks and opportunities for ScottishPower and therefore the company. Until the terms of exit and the nature of the future relationship are clear, it is not possible to be definitive about these.

UK DECISION TO LEAVE THE EU (BREXIT) *continued*

Many of the risks described relating to a 'no-deal' scenario arise from so-called 'horizontal' issues where there could be issues affecting businesses in many sectors of the economy. UK official forecasts are for a negative impact on the UK economy as a whole; in the event of a 'no-deal' scenario it might be sharply negative, at least for the short/medium term. Variation in market views on this last factor is likely to manifest itself in movements (up or down) in the value of Sterling and inflation, which is likely to have impacts on most ScottishPower businesses, except to the extent that these can be hedged.

ScottishPower, and therefore the company, will continue to monitor the impact of Brexit and take appropriate action to protect operations as the outcome of the Brexit deal becomes clearer.

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 10.

The principal risks and uncertainties of ScottishPower (other than those specific to Brexit already discussed), and so those of the company, that may impact current and future operational and financial performance and the management of these risks are described below:

SCOTTISHPOWER	
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.
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.
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.

SP DATASERVE LIMITED
STRATEGIC REPORT *continued*

The principal risk and uncertainty of the company that may impact current and future operational and financial performance and the management of this risk is described below:

RISK	RESPONSE
Alternative income streams (including the expansion of smart related activities) are not sufficient to offset the expected reduction in traditional legacy metering income streams following the introduction of the UK Government's smart metering programme.	Reducing the operational resource and associated costs where no longer needed and continuing to focus activities on more enduring functions.

ON BEHALF OF THE BOARD

Valerie S

Valerie Sim
Director
23 **September 2019**

DIRECTORS' REPORT

The directors present their report and audited Accounts for the year ended 31 December 2018.

INFORMATION CONTAINED WITHIN THE STRATEGIC REPORT

The directors have chosen to disclose information on the following, required by the Companies Act 2006 to be included in the Directors' Report, within the Strategic Report, found on pages 1 to 4:

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

RESULTS AND DIVIDEND

The net profit for the year amounted to £2.4 million (2017 loss of £3.5 million). No dividend was paid during the year (2017 £nil).

ENVIRONMENTAL MANAGEMENT AND 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 3,061 (2017 2,900) training events in the year. 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 leadership capability.

Employee feedback and consultation

In 2018, ScottishPower carried out its annual employee engagement survey, 'The LOOP' as part of an Iberdrola group engagement survey framework. The survey provides key insight on how employees feel about working for ScottishPower. The response rate in 2018 equalled 2017, with 75% of employees providing feedback. The results of the survey highlighted a number of strengths and opportunities and overall 61% of employees feel proud to work for ScottishPower. Areas of strength highlighted were in relation to collaboration, performance management and safety. The opportunities identified as part of the feedback where the ScottishPower businesses have the opportunity to respond to challenges are around providing more clarity on ScottishPower's future strategy, enabling employees to carry out their role and supporting employees to develop and grow through the organisation. These areas are a focus for the ScottishPower action plan going forward.

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.

Inclusion and diversity

Inclusion and diversity fosters innovation and creativity, driving better business performance. ScottishPower is working hard to create an inclusive and diverse workplace that is open to change; where employees feel they can be themselves. In March 2018, ScottishPower welcomed the steps the UK Government has taken to introduce legislation on gender pay gap reporting.

ScottishPower is committed to pay for performance equally and fairly, and is focused on breaking down barriers across the employee lifecycle as over time this will improve the Gender Pay Gap position whilst widening the inclusion of other under-represented groups. Key activities during 2018 included the design and roll out of e-learning and training on diversity and unconscious bias for recruiting managers and newly appointed managers.

EMPLOYEES *continued*

Inclusion and diversity continued

In addition, in 2018 ScottishPower welcomed six females into Science, Technology, Engineering and Mathematics ("STEM") based placements as part of the Women Returners programme to support women returning to work after a lengthy career break. The programme aims to help women grow their career after a career break from the STEM sector, offering the time and support needed to refresh and redevelop their skills to help them in returning to employment on a more permanent basis.

As part of its commitment to closing the gender pay gap the ScottishPower Senior Leadership Team have set two aspirational targets to break down the barriers for women:

- Increase the number of women in ScottishPower's senior leadership population to exceed 30% (currently 21%).
- Increase the number of women in ScottishPower's middle management population to exceed 40% (currently 29%).

For more information on ScottishPower's gender pay gap please go to
https://www.scottishpower.com/pages/gender_pay.aspx

ScottishPower continues to forge links with a number of recognised organisations to grow its commitment to diversity and inclusion. These include: Business Disability Forum, Employers Network for Equality & Inclusion, Equate, Working Families, ENABLE, POWERful Women and Stonewall. ScottishPower expects all employees to be treated with respect and has supporting policy guidance on People with Disabilities to help ensure equality of employment opportunity for people with disabilities. ScottishPower have obtained the Disability Confident standard and are accredited to an 'engaged level' with Carers Scotland. In addition, in 2018 ScottishPower was part of an inspirational programme, called Breaking Barriers. The programme aimed to raise aspirations for young people who have learning disabilities and provide equal opportunities to access university. Between January and June 2018 eight learners aged 18 to 24 studied for a Certificate in Applied Business Skills at the University Of Strathclyde Business School. As part of this experience the learners gained valuable skills and work experience as part of an eight week placement with ScottishPower.

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 2018. 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.

Modern Slavery Statement

ScottishPower is committed to human and labour rights and to eliminating modern slavery that could in any way be connected to its business. ScottishPower welcomed the introduction of the Modern Slavery Act 2015. ScottishPower published its most recent Modern Slavery Statement in June 2019 which was approved by the Board of Directors of Scottish Power Limited and signed by Keith Anderson, Chief Executive Officer.

ScottishPower's Modern Slavery Statement is published on the ScottishPower website at;
www.scottishpower.com/pages/scottishpowers_modern_slavery_statement.aspx.

DIRECTORS

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

José María Acha Echevarría
Valerie Sim
Andrew Ward

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 International Financial Reporting Standards 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 2018 ("IFRSs as adopted by the EU") and applicable law.

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 and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

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

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 were re-appointed as auditor of the company for the year ended 31 December 2018.

ON BEHALF OF THE BOARD

Valerie Sim
Director
23 **September 2019**

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

Opinion

We have audited the financial statements of SP Dataserve Limited ("the company") for the year ended 31 December 2018 which comprise the Balance Sheet, Income Statement and Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement, and related notes, including the accounting policies in Note 2. In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the recoverability of trade receivables and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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 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 their 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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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.

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

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

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

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

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

Andrew Williamson

Andrew Williamson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St. Vincent Street
Glasgow
G2 5AS
24 September 2019

SP DATASERVE LIMITED
BALANCE SHEET
at 31 December 2018

	Notes	**2018** **£m**	2017 £m
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	**2.5**	2.7
Deferred tax asset	4	**0.1**	0.2
NON-CURRENT ASSETS		**2.6**	2.9
CURRENT ASSETS			
Trade and other receivables	5	**30.9**	27.6
Current tax asset		**-**	0.7
CURRENT ASSETS		**30.9**	28.3
TOTAL ASSETS		**33.5**	31.2
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		**29.6**	27.2
Share capital	6, 7	17.6	17.6
Retained earnings	7	12.0	9.6
TOTAL EQUITY		**29.6**	27.2
NON-CURRENT LIABILITIES			
Provisions	8	**-**	0.2
NON-CURRENT LIABILITIES		**-**	0.2
CURRENT LIABILITIES			
Provisions	8	**0.6**	0.9
Trade and other payables	9	**2.6**	2.9
Current tax liabilities		**0.7**	-
CURRENT LIABILITIES		**3.9**	3.8
TOTAL LIABILITIES		**3.9**	4.0
TOTAL EQUITY AND LIABILITIES		**33.5**	31.2

Approved by the Board and signed on its behalf on 23 September 2019.

Valerie S

Valerie Sim
Director

The accompanying Notes 1 to 19 are an integral part of the balance sheet at 31 December 2018.

SP DATASERVE LIMITED
INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2018

	Notes	2018 £m	2017 Restated* £m
Revenue	11	16.3	21.9
GROSS MARGIN		**16.3**	21.9
NET OPERATING EXPENSES		**(12.8)**	(25.9)
Staff costs	12	**(5.9)**	(17.2)
Net external expenses		**(6.9)**	(8.7)
External services		(7.2)	(9.0)
Other operating income		0.3	0.3
GROSS OPERATING PROFIT/(LOSS)		**3.5**	(4.0)
Impairment losses on trade and other receivables		(0.3)	(0.1)
Depreciation and amortisation charge, allowances and provisions	13	(0.6)	(0.5)
OPERATING PROFIT/(LOSS)		**2.6**	(4.6)
Finance income	14	0.4	0.4
PROFIT/(LOSS) BEFORE TAX		**3.0**	(4.2)
Income tax	15	(0.6)	0.7
NET PROFIT/(LOSS) FOR THE YEAR		**2.4**	(3.5)

* Comparative figures have been restated (refer to Note 1B1.1)

Net profit for the year and net loss for the prior year are wholly attributable to the equity holder of SP Dataserve Limited.

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

All results relate to continuing operations.

The accompanying Notes 1 to 19 are an integral part of the income statement and statement of other comprehensive income for the year ended 31 December 2018.

SP DATASERVE LIMITED
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	Share capital £m	Retained earnings £m	Total equity £m
At 1 January 2017	17.6	13.1	30.7
Total comprehensive income for the year	-	(3.5)	(3.5)
At 1 January 2018	17.6	9.6	27.2
Total comprehensive income for the year	-	2.4	2.4
At 31 December 2018	**17.6**	**12.0**	**29.6**

The accompanying Notes 1 to 19 are an integral part of the statement of changes in equity for the year ended 31 December 2018.

SP DATASERVE LIMITED
CASH FLOW STATEMENT
for the year ended 31 December 2018

	2018 £m	2017 £m
Cash flows from operating activities		
Profit/(loss) before tax	**3.0**	(4.2)
Adjustments for:		
Depreciation	**0.6**	0.6
Change in provisions	**0.5**	0.5
Finance income	**(0.4)**	(0.4)
Changes in working capital:		
Change in trade and other receivables	**(0.3)**	4.5
Change in trade and other payables	**(0.2)**	0.1
Provisions paid	**(1.0)**	(0.7)
Income taxes received/(paid)	**0.9**	(0.1)
Net cash flows from operating activities (i)	**3.1**	0.3
Cash flows from investing activities		
Interest received	**0.4**	0.4
Investments in property, plant and equipment	**(0.5)**	(0.2)
Increase in amounts due from Iberdrola group companies - current loans receivable	**(3.0)**	(0.5)
Net cash flows from investing activities (ii)	**(3.1)**	(0.3)
Net increase in cash and cash equivalents (i)+(ii)	**-**	-
Cash and cash equivalents at beginning of year	**-**	-
Cash and cash equivalents at end of year	**-**	-

The accompanying Notes 1 to 19 are an integral part of the cash flow statement for the year ended 31 December 2018.

SP DATASERVE LIMITED
NOTES TO THE ACCOUNTS
31 December 2018

1 BASIS OF PREPARATION

A COMPANY INFOMATION

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 for the company and to deliver them to the Registrar of Companies. The Accounts have been prepared in accordance with International Financial Reporting Standards, as adopted by the EU as at the date of approval of these Accounts which are mandatory for the financial year ended 31 December 2018 (IFRSs as adopted by the EU). The Accounts are prepared in accordance with the Accounting Policies set out in Note 2. Monetary amounts are presented in pounds Sterling and are rounded to the nearest thousand unless otherwise indicated.

B1 CHANGES IN PRESENTATION

B1.1 METER REVENUE PROTECTION SERVICES INCOME

The company earns income arising from meter revenue protection services. This income had previously been presented within Other operating income in the income statement. However, in order to provide better information to the users of the financial statements and classify all customer-derived income consistently under the scope of IFRS 15 'Revenue from Contracts with customers', the directors have opted to reclassify this stream of income, and as such, income arising from meter revenue protection services is now presented within Revenue in the income statement. The prior year income statement has been restated accordingly. The effect of this change in presentation has been to decrease the prior year Other operating income and increase Revenue by £7.6 million.

This restatement has had no impact on the net profit for the year shown on the income statement and statement of comprehensive income nor the net assets position shown on the balance sheet.

B2 EFFECT OF INITIAL APPLICATION OF IFRS 15 AND IFRS 9

This is the first set of the company's annual financial statements in which IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' have been applied. The nature and effect of the changes as a result of the implementation of these standards is described below.

B2.1 EFFECT OF INITIAL APPLICATION OF IFRS 15

The company has applied IFRS 15 for the first time using the cumulative effect method i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 'Revenue' and the IFRS 15 disclosure requirements have not been applied to comparative information.

The application of IFRS 15 has not had a significant impact on the company's revenue recognition and therefore there is nothing to disclose in relation to the impact on the opening balances at 1 January 2018 and the balances and results for the year ended 31 December 2018.

B2.2 EFFECT OF INITIAL APPLICATION OF IFRS 9

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments: Recognition and Measurement' for annual periods beginning on or after 1 January 2018, bringing together all aspects of the accounting for financial instruments.

As a result of the initial application of IFRS 9, the company has applied the consequential amendments to IAS 1 'Presentation of Financial Statements', which requires impairment of financial assets to be presented in a separate line item in the income statement. Previously, the company's approach was to include the impairment of trade and other receivables within Depreciation and amortisation charge, allowances and provisions. Consequently, the company reclassified impairment losses amounting to £0.1 million, recognised under IAS 39, from Depreciation and amortisation charge, allowances and provisions to Impairment losses on trade and other receivables in the company income statement for the year ended 31 December 2017.

Impairment losses on other financial assets continue to be presented under Finance costs in the income statement, similar to their presentation under IAS 39, and are not presented separately in the income statement on the grounds of materiality.

The company has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018. In line with consequential amendments to IFRS 7 'Financial Instruments: Disclosures', the company has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the company's previous accounting policy under IAS 39.

1 BASIS OF PREPARATION *continued*

B BASIS OF PREPARATION OF THE ACCOUNTS *continued*

B2 EFFECT OF INITIAL APPLICATION OF IFRS 15 and IFRS 9 *continued*

B2.2 EFFECT OF INITIAL APPLICATION OF IFRS 9 *continued*

The application of IFRS 9 had no significant impact on the opening balances at 1 January 2018.

(a) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

Financial assets

The company has classified its financial assets as being held at amortised cost; refer to Note 2E1.1 for further details. The following table and the accompanying notes explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the company's financial assets at 1 January 2018.

Financial asset	Original classification under IAS 39	New classification under IFRS9	Notes	Original carrying value under IAS 39 £m	New carrying value under IFRS 9 £m
Current receivables	Loans and receivables	Amortised cost	(i), (ii)	27.6	27.6

(i) Current receivables consist of trade receivables (including accrued income) and loans and interest receivables due from Iberdrola group companies. Refer to Notes 5 and 10(a).

(ii) Balances that were classified as Loans and receivables, under IAS 39 are now classified at amortised cost.

Refer to Note 10 for details of the company's financial assets in the current year. The classification and measurement requirements of IFRS 9 did not have a significant impact on the company.

Financial liabilities

The classification of the company's financial liabilities has not undergone any changes with respect to the application of IFRS 9. Consequently the application of IFRS 9 has not had a significant effect on the company's accounting policies related to financial liabilities. For an explanation of how the company classifies and measures financial liabilities and accounts for related gains and losses under IFRS 9, refer to Note 2E1.2.

(b) Impairment of financial assets

The application of IFRS 9 has changed the company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a new Expected Credit Loss ("ECL") approach. This new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39 (refer to Note 2E1.1).

The company applies the general model approach for calculation of ECLs on financial assets measured at amortised cost other than for trade receivables, where the simplified model approach is applied:

(i) **General Model:** The loss allowance is measured at an amount equal to twelve month ECL. However, if the credit risk on that financial instrument has increased significantly since initial recognition, the loss allowance is measured at an amount equal to the lifetime ECL.

(ii) **Simplified Model:** The loss allowance is measured at an amount equal to a lifetime ECL. The company has adopted the practical expedient whereby it calculates the ECL on trade receivables using a provision matrix based on its historical credit loss experience and where possible readily available forecast information.

Additional information about how the company measures the allowance for impairment is described in Note 10. The company has determined that the application of IFRS 9's impairment requirements at 1 January 2018 resulted in an additional allowance for impairment of less than £0.1 million.

1 BASIS OF PREPARATION *continued*
C ACCOUNTING STANDARDS
C1 IMPACT OF NEW IFRS

In preparing these Accounts, the company has applied all relevant International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") (collectively referred to as IFRS) that have been adopted by the EU as of the date of approval of these Accounts and that are mandatory for the financial year ended 31 December 2018.

For the year ended 31 December 2018, the company has applied the following amendments for the first time:

Standard	Notes
• Annual Improvements to IFRS Standards 2014 –2016 Cycle	(a), (b)
• IFRS 15 'Revenue from Contracts with Customers' (including 'Amendments to IFRS 15: Effective date of IFRS 15' and 'Clarifications to IFRS 15 Revenue from Contracts with Customers')	(c)
• IFRS 9 'Financial Instruments'	(d)
• Amendments to IAS 40 'Investment Property: Transfers of Investment Property'	(a)
• Amendments to IFRS 2 'Share-based Payments: Clarification and Measurement of Share-based Payment Transactions'	(a)
• Amendments to IFRS 4 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts'	(a)
• IFRIC 22 'Foreign Currency Transactions and Advance Consideration'	(a)

(a) The application of these pronouncements has not had a material impact on the company's accounting policies, financial position or performance.
(b) 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 been applied by the company effective 1 January 2018. The amendments to IFRS 12 'Disclosure of Interests in Other Entities' were applied by the company effective 1 January 2017.
(c) Refer to Note 1B2.1 for further information.
(d) Refer to Note 1B2.2 for further information.

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
• IFRS 16 'Leases'	(e)	1 January 2019	1 January 2019
• IFRIC 23 'Uncertainty over Income Tax Treatments'	(f)	1 January 2019	1 January 2019
• Amendments to IFRS 9 'Financial Instruments: Prepayment Features with Negative Compensation'	(f)	1 January 2019	1 January 2019
• Amendments to IAS 28 'Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures'	(f)	1 January 2019	1 January 2019
• Annual Improvements to IFRS Standards 2015-2017 Cycle	(f)	1 January 2019	1 January 2019
• Amendments to IAS 19 'Employee Benefits: Plan Amendment, Curtailment or Settlement'	(f)	1 January 2019	1 January 2019
• Amendments to References to the Conceptual Framework in IFRS	(f), (g)	1 January 2020	1 January 2020
• Amendments to IFRS 3 'Business Combinations'	(f), (g)	1 January 2020	1 January 2020
• Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors': 'Definition of Material'	(f), (g)	1 January 2020	1 January 2020
• IFRS 17 'Insurance Contracts'	(f), (g)	1 January 2021	1 January 2021
• IFRS 14 'Regulatory Deferral Accounts'	(f), (g), (h)	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'	(f), (g), (i)	Deferred indefinitely	To be decided

(e) Details of the impact of implementing IFRS 16 'Leases' is described at Note 1C2.
(f) The future application of this pronouncement is not expected to have a material impact on the company's accounting policies, financial position or performance.
(g) This pronouncement has not yet been endorsed by the EU.
(h) *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.*
(i) 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.

1 BASIS OF PREPARATION *continued*

C ACCOUNTING STANDARDS *continued*

C2 IMPACT OF FUTURE IMPLEMENTATION OF IFRS 16

IFRS 16 'Leases' is effective for the company as from 1 January 2019. The impact of implementing this standard is detailed below. The impact of this standard will have no effect on the recorded cash flows.

From the lessors' perspective, IFRS 16 does not introduce any significant change. From the lessees' perspective, IFRS 16 removes the current classification of operating and finance leases and requires, for any lease agreements, that the lessee recognises the present value of the lease on the balance sheet as a right-of-use asset and a liability.

The company will transition to IFRS 16 applying the modified retrospective method which does not require comparative periods to be restated but recognises the effect of the initial application of IFRS 16 on the date it is implemented i.e. 1 January 2019. Therefore, for lease agreements in which the company is the lessee, the lease liability will be measured at the present value of the remaining lease payments, applying an appropriate discount rate as at the date of initial application. Generally, right-of-use assets will be measured as the same amount as the corresponding liabilities; both these assets and liabilities will be recognised on the balance sheet.

The right-of-use assets will be depreciated and the charge recorded within Depreciation and amortisation charge, allowances and provisions in the consolidated income statement; similarly the discount on the liabilities will unwind over the term of the lease and be charged to Finance costs in the consolidated income statement. The expense in the year relating to minimum lease payments under operating leases will no longer be recognised in the income statement; a charge of £24,000 was recognised in 2018.

Based on the scope exemptions available under IFRS 16, in line with the Iberdrola group, the company has opted not to apply it to lease agreements for intangible assets and short-term leases i.e. leases with a term of twelve months or less (which will continue being accounted for as now under IAS 17 'Leases').

A contract may include multiple lease components, not all of which would qualify as a lease under IFRS 16. In line with the Iberdrola group, the company has opted to not separate multiple components for accounting purposes but will recognise them as a single component, except for certain agreements for which the separation may have a significant impact on the financial statements.

As at 1 January 2019, IFRS 16 will give rise to an increase in current and non-current liabilities totalling an estimated £1.1 million as noted below for the different types of underlying assets:

Estimated total lease liability as at 1 January 2019	£m
Fleet	1.1

The total liability noted above is presented on a discounted net present value basis. As at the date of initial application, the range of discount rates used to calculate the above pertaining to Sterling were in the range of between 2.27% and 3.21%.

In comparing the future minimum lease payments under non-cancellable operating leases under the scope of IAS 17 as at 31 December 2018 (refer to Note 3(b)) to the lease liabilities to be recognised as at 1 January 2019 under IFRS 16 (see analysis above), any reconciling difference relates to different discount rate assumptions.

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy to be followed could materially affect the reported amounts of revenues, expenses, assets and liabilities of the company, should it later be determined that a different choice would be more appropriate. The company has no such policies. At 31 December 2018, items which have significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities in the next financial year are detailed below:

- Impairment of trade receivables – Note 2E1.1(b)(iii) and Note 5.

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

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

A REVENUE
B PROPERTY, PLANT AND EQUIPMENT
C IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT
D LEASED ASSETS
E FINANCIAL INSTRUMENTS
F PROVISIONS
G TAXATION
H RETIREMENT BENEFITS

A REVENUE

The company has applied IFRS 15 for the first time from 1 January 2018. Information about the company's accounting policies and estimation in relation to the contracts with customers is provided in Note 11. The effect of the initial application of IFRS 15 is disclosed in Note 1B2.1.

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

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

	Years
Meters and measuring devices	10
Other items of property, plant and equipment	3 - 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 LEASED ASSETS

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; whether fulfilment of the arrangement is dependent on the use of a specific asset(s) or the arrangement conveys a right to use the asset(s), even if that right is not explicitly specified in the arrangement. For arrangements entered into prior to 1 April 2004, the date of inception is deemed to be 1 April 2004 in accordance with the transitional requirements of IFRIC 4 'Determining Whether an Arrangement Contains a Lease'.

The company classifies leases as finance leases whenever the lessor transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

E FINANCIAL INSTRUMENTS

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

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

E FINANCIAL INSTRUMENTS *continued*

E1 ACCOUNTING POLICIES UNDER IFRS 9

E1.1 FINANCIAL ASSETS

(a) Recognition and initial measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost. Trade receivables are initially recognised when they originate. All other financial assets are initially recognised when the company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. Trade receivables without a significant financing component and for which the company has applied the simplified ECL model are measured at the transaction price determined under IFRS 15.

(b) Classification and subsequent measurement

(i) Classification

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

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

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

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

(ii) Subsequent measurement and gains and losses

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

The company's financial assets measured at amortised cost include external trade receivables and, trade, loan and interest receivables due from Iberdrola group companies.

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.

(iii) Impairment of financial assets

Disclosures relating to impairment of financial assets are provided in Note 10.

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 always measured at an amount equal to lifetime ECL.

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

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

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*
E FINANCIAL INSTRUMENTS *continued*
E1 ACCOUNTING POLICIES UNDER IFRS 9 *continued*
E1.1 FINANCIAL ASSETS *continued*
(b) Classification and subsequent measurement continued
(iii) Impairment of financial assets 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 twelve month ECL and so it does not have to assess whether a significant increase in credit risk has occurred. In order for this operational simplification to apply, the financial instrument has to meet the following requirements:

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

All of the company's other financial assets have low credit risk at both the beginning and end of the reporting period. The company considers these assets to have low credit risk when its 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 and Poor's.

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 amounts in full before taking into account any credit enhancements held by the company; or
- the financial asset is more than 90 days past due.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. Twelve month ECLs are the portion of ECLs that result from default events that are possible within the twelve months after the reporting date (or a shorter period if the expected life of the instrument is less than twelve months). The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

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

Credit-impaired financial assets

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

Write-offs

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

E1.2 FINANCIAL LIABILITIES
(a) Recognition and initial measurement

The company's financial liabilities include trade and other payables. All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

(b) Classification and subsequent measurement

The company's financial liabilities are subsequently measured at amortised cost using the effective interest method. The company derecognises a financial liability when the obligation under the liability is discharged or 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, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

E FINANCIAL INSTRUMENTS *continued*

E3 ACCOUNTING POLICIES UNDER IAS 39

As detailed in Note 1B2.2 on application of IFRS 9, the company has elected not to restate comparative information. The accounting policies for the company under IAS 39 have therefore been presented below:

(a) Financial assets categorised as trade and other receivables are recognised and carried at original invoice amount less a provision 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) Financial liabilities categorised as trade and other payables are recognised and carried at original invoice amount.
(c) 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.

F PROVISIONS

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

G TAXATION

The company's 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.

H RETIREMENT BENEFITS

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

3 PROPERTY, PLANT AND EQUIPMENT

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

Year ended 31 December 2017	Meters and measuring devices £m	Other items of property, plant and equipment (Note (i)) £m	Total property, plant and equipment £m
Cost:			
At 1 January 2017	8.6	0.9	9.5
Additions	0.3	-	0.3
At 31 December 2017	8.9	0.9	9.8
Depreciation:			
At 1 January 2017	6.1	0.4	6.5
Depreciation for the year	0.6	-	0.6
At 31 December 2017	6.7	0.4	7.1
Net book value:			
At 31 December 2017	2.2	0.5	2.7
At 1 January 2017	2.5	0.5	3.0

Year ended 31 December 2018	Meters and measuring devices £m	Other items of property, plant and equipment (Note (i)) £m	Total property, plant and equipment £m
Cost:			
At 1 January 2018	8.9	0.9	9.8
Additions	0.4	-	0.4
At 31 December 2018	**9.3**	**0.9**	**10.2**
Depreciation:			
At 1 January 2018	6.7	0.4	7.1
Depreciation for the year	0.6	-	0.6
At 31 December 2018	**7.3**	**0.4**	**7.7**
Net book value:			
At 31 December 2018	**2.0**	**0.5**	**2.5**
At 1 January 2018	2.2	0.5	2.7

(i) The category 'Other items of property, plant and equipment' principally comprises buildings and fixtures and fittings.
(ii) The cost of fully depreciated property, plant and equipment still in use at 31 December 2018 was £4.3 million (2017 £3.6 million).

(b) Operating lease arrangements

Operating lease commitments	**2018 £m**	2017 £m
Within one year	**0.3**	-
Between one and five years	**0.8**	-
	1.1	-

The operating lease charge for the current year was £24,000.

(c) Capital commitments

	2018 £m	2017 £m
Contracted but not provided	-	0.1

4 DEFERRED TAX

	Other temporary differences £m
At 1 January 2017	-
Credit to the income statement	0.2
At 1 January 2018	0.2
Charge to the income statement	(0.1)
At 31 December 2018	**0.1**

Legislation has been enacted to reduce the rate of UK Corporation Tax to 17% on 1 April 2020. This reduces the tax rates expected to apply when temporary differences reverse and impacts the deferred tax charge.

5 TRADE AND OTHER RECEIVABLES

	Notes	2018 £m	2017 £m
Current receivables:			
Receivables due from Iberdrola group companies - loans	(a)	**27.6**	24.6
Receivables due from Iberdrola group companies - interest		**0.4**	0.4
Trade receivables (including accrued income)		**2.9**	2.6
	(b)	**30.9**	27.6

(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 and other receivables includes £2.9 million of IFRS 15 receivables (refer to Note 11(c)).
(c) Information about the company's exposure to credit and market risks, and impairment losses are included in Note 10.

6 SHARE CAPITAL

	2018 £m	2017 £m
Allotted, called up and fully paid shares:		
17,608,000 ordinary shares of £1 each (2017 17,608,000)	**17.6**	17.6

(a) Holders of 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.

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

	Share capital £m	Retained earnings (Note(a)) £m	Total £m
At 1 January 2017	17.6	13.1	30.7
Loss for the year attributable to equity holder of SP Dataserve Limited	-	(3.5)	(3.5)
At 1 January 2018	17.6	9.6	27.2
Profit for the year attributable to equity holder of SP Dataserve Limited	-	2.4	2.4
At 31 December 2018	**17.6**	**12.0**	**29.6**

(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

Year ended 31 December 2017	Notes	At 1 January 2017 £m	New provisions £m	Utilised during year £m	Released during year £m	At 31 December 2017 £m
Reorganisation and restructuring	(a)	1.0	0.7	(0.7)	(0.1)	0.9
Insurance	(b)	0.3	-	-	(0.1)	0.2
		1.3	0.7	(0.7)	(0.2)	1.1

Year ended 31 December 2018	Notes	At 1 January 2018 £m	New provisions £m	Utilised during year £m	**At 31 December 2018 £m**
Reorganisation and restructuring	(a)	0.9	0.5	(1.0)	**0.4**
Insurance	(b)	0.2	-	-	**0.2**
		1.1	0.5	(1.0)	**0.6**

Analysis of total provisions	**2018 £m**	2017 £m
Non-current	-	0.2
Current	**0.6**	0.9
	0.6	1.1

(a) The provision for reorganisation and restructuring relates to group wide restructuring programmes launched during 2017 and 2018. The 2017 provision was largely utilised in 2018, the remainder is expected to be used in 2019. The new provision of £0.5 million relating to the 2018 scheme is expected to be utilised in 2019.

(b) The provision for insurance principally represents the value of claims reserves and is expected to be utilised in 2019.

9 TRADE AND OTHER PAYABLES

	Note	**2018 £m**	2017 £m
Current trade and other payables:			
Trade payables		**1.2**	1.0
Other taxes and social security		**0.4**	0.3
Payments received on account	(a)	**0.8**	1.2
Capital payables and accruals		-	0.1
Other payables		**0.2**	0.3
		2.6	2.9

(a) Trade and other payables include £0.8 million of IFRS 15 contract liabilities (refer to Note 11(c)).

10 FINANCIAL INSTRUMENTS

The effect of initially applying IFRS 9 on the company's Accounts is detailed on Note 1B2.2. Due to the transition method chosen, comparative information has not been presented to reflect the new requirements.

(a) Carrying value of financial instruments

The table below sets out the carrying amount and fair value of the company's financial instruments that are within the scope of IFRS 9.

		2018			2017		
	Note	**Carrying amount £m**	**Fair value £m**	**Classification under IFRS 9**	Carrying amount £m	Fair value £m	Classification under IAS 39
Financial assets							
Receivables		**30.9**	**30.9**	**Amortised cost**	27.6	27.6	Loans and receivables
Financial liabilities							
Payables	(i)	**(1.4)**	**(1.4)**	**Amortised cost**	(1.4)	(1.4)	Loans and receivables

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

(i) Balances out with the scope of IFRS 7 have been excluded, principally payments received on account and other taxes and social security.

10 *FINANCIAL INSTRUMENTS continued*

(b) Financial risk management

The company's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to finance the company's operations. The company has trade and other receivables that arise directly from its operations.

The company has exposure to the following risks arising from the above financial instruments:

i. Credit risk
ii. Treasury risk (comprising both liquidity and market risk).

An extensive description of this risk management framework of ScottishPower, and therefore the company, can be found in the most recent Annual Report and Accounts of SPL.

(i) Credit risk

Credit risk is the risk that a counterparty will not meet its contractual obligations under a financial instrument or customer contract, leading to a financial loss. The company is exposed to credit risk from its operating activities. The carrying amount of financial assets and contracts represent the maximum credit exposure to the company.

Credit risk management

The company is exposed to both settlement risk (defined as the risk of a counterparty failing to pay for services which have been delivered), as well as replacement risk (defined as the risk of incurring additional costs in order to replace a sale or purchase contract following a counterparty default).

Credit risk in respect of external customers is mitigated by contracting with multiple counterparties and limiting exposure to individual counterparties to clearly defined limits based upon the risk of counterparty default.

Credit risk from Iberdrola group companies is considered to be low as no Iberdrola group company has a credit rating lower than BBB+ (in line with Standard and Poor's external credit ratings).

At 31 December 2018 and 2017, the company evaluated the concentration of risk with respect to financial assets as low, with no material concentration of credit risk in company arising from one particular counterparty.

Expected credit loss assessment

For trade receivables the company applies the simplified approach for calculation of ECLs. For all other financial assets measured at amortised cost the company applies the general approach for calculation of ECLs.

Trade receivables

The company uses the simplified model approach to measure ECLs for all trade receivables. The provision rates represent a lifetime ECL and are based on the Iberdrola group's historical loss experience and default rates.

The table below illustrates the ECL on trade receivables:

	Ageing of Trade receivables		
		Greater than	
	0-6 months	**6 months**	**Total**
As at 31 December 2018	**£m**	**£m**	**£m**
Weighted Average Expected Loss Rate (%)	**3.8%**	**50.0%**	**14.7%**
Gross carrying value	**2.6**	**0.8**	**3.4**
Loss allowance	(0.1)	(0.4)	**(0.5)**
Net carrying value	**2.5**	**0.4**	**2.9**

	Ageing of Trade receivables		
		Greater than	
	0-6 months	6 months	Total
As at 1 January 2018	£m	£m	£m
Weighted Average Expected Loss Rate (%)	-	66.7%	7.1%
Gross carrying value	2.5	0.3	2.8
Loss allowance	-	(0.2)	(0.2)
Net carrying value	2.5	0.1	2.6

10 FINANCIAL INSTRUMENTS ***continued***
(b) Financial risk management *continued*
(i) Credit risk *continued*
Trade receivables *continued*

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the company.

Security for trade receivables

For some trade receivables the company may obtain security in the form of guarantees, or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement. The company does not otherwise require collateral in respect of trade and other receivables.

Loans due from other Iberdrola group companies (including interest receivable)

The company provides funding in the form of interest bearing on demand loans to other Iberdrola group companies. The ECL on both the application of IFRS 9 and at 31 December 2018 is less than £0.1 million.

Reconciliation of opening to closing loss allowance

The closing loss allowances for all financial assets measured at amortised cost, as at 31 December 2018 reconciles to the opening loss allowances as follows:

	Trade receivables £m
Balance as at 31 December 2017 under IAS 39	0.2
Adjustment on initial application of IFRS 9	-
Balance as at 1 January 2018 under IFRS 9	0.2
Increase in loss allowance recognised in the income statement	0.3
At 31 December 2018	**0.5**

The ECL has risen since 1 January 2018 due to the higher population of significantly aged trade receivables.

(ii) Treasury risk

Treasury risk is comprised of liquidity risk and market risk. ScottishPower's cash management and short term financing activity, and therefore that of the company, is integrated with Iberdrola's. The company produces short-term rolling cash flow requirements and if necessary any required funding is obtained via ScottishPower's credit facilities already in place.

Treasury liquidity risk management

ScottishPower's liquidity position and short term financing activities, and therefore that of the company, are integrated and aligned with Iberdrola's. Liquidity risk, the risk that the company will have insufficient funds to meet its liabilities, is managed by Iberdrola group, who are responsible for arranging banking facilities on behalf of ScottishPower and therefore the company.

The cash flows associated with financial liabilities are all due in less than one year. It is not expected that these cash flows could occur significantly later, or at significantly different amounts.

Treasury market risk management

Market risk is the risk of loss that results from changes in market rates (interest rates and foreign currency). Within the Treasury function ScottishPower utilises a number of financial instruments to manage interest rate and foreign currency exposures.

10 FINANCIAL INSTRUMENTS *continued*
(b) Financial risk management *continued*
(ii) Treasury risk continued
Sensitivity analysis on interest rate changes

The table below illustrates the impact on the annual interest rate income considering various rate changes. The analysis assumes all other factors remain constant.

Loans receivable	Interest rate	Change in rate	Impact on interest rate income in 2018	Impact on interest rate income in 2017
Short-term variable rate loan receivable	Base*	+0.25%	0.1	0.1
		+0.50%	0.1	0.1
		-0.25%	(0.1)	(0.1)
		-0.50%	(0.1)	(0.1)

*Bank of England base rate

(c) Borrowing facilities
The company has no undrawn committed borrowing facilities at 31 December 2018 (2017 £nil).

11 REVENUE
The effect of initially applying IFRS 15 on the company's Accounts is detailed in Note 2B2.1.

(a) Disaggregation of revenue for the year ended 31 December 2018

	Total £m
Meter maintenance and communication services	**9.2**
Meter revenue protection services	**4.3**
Meter installation	**2.0**
Meter provision	**0.8**
	16.3

All revenue arises from operations within the UK. Revenue from meter installations is recognised at a point in time and all other revenue is recognised over time.

(b) Accounting policies
The company recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services.

(i) Meter installation
The installation of a meter is a performance obligation satisfied at a point in time. Revenue is recognised at the point the customer obtains control of the meter, which is when installation is completed, at the unit rate specified in the contract. Invoices are generally raised monthly in arrears and typically settled within 30 to 60 days.

(ii) Metering services
Metering services consist of meter maintenance and communication services, meter revenue protection services and the provision of meters to customers. These are performance obligations satisfied over time as the customer benefits from the services as they are provided. The company has a right to consideration in an amount that corresponds directly with the value to the customer of the company's performance to date. Therefore revenue is recognised in the amount to which the company has a right to invoice based on the agreed contractual rates. Invoices are generally raised monthly in arrears and typically settled within 30 to 60 days. Amounts in contract liabilities consist of invoices issued in advance of the service being provided.

11 REVENUE *continued*

(c) Contract balances

	Notes	31 December 2018 £m	1 January 2018 £m
Receivables	(i), (ii)	**2.9**	2.6
Contract liabilities	(iii), (iv)	**(0.8)**	(1.2)

(i) Included within Trade and other receivables (refer to Note 5).
(ii) £0.3 million of impairment losses were recognised during the year on receivables arising from the company's contracts with customers.
(iii) Included within Trade and other payables (refer to Note 9).
(iv) The amount of contract liabilities recognised as income in the year is £1.2 million. The remaining movement is due to an increase in new contract liabilities in the year.

12 EMPLOYEE INFORMATION

(a) Staff costs

	Notes	2018 £m	2017 £m
Wages and salaries		**6.4**	8.2
Social security costs		**0.6**	0.8
Pension and other costs	(a)	**(1.1)**	8.2
Total staff costs	(b)	**5.9**	17.2

(a) Pension and other costs includes a credit of £3.3 million (2017 costs of £5.5 million) in relation to pension-related restructuring costs.
(b) The employee costs do not include the directors of the company as they do not have a contract of service with the company. The emoluments of all directors are included within the employee costs of other ScottishPower group companies. Details of directors' emoluments are set out in Note 17(c).

(b) Employee numbers

The year end and average numbers of employees (full and part-time) employed by the company were:

	Year end 2018	Average 2018	Year end 2017	Average 2017
Operations	**172**	**215**	239	289

The year end and average numbers of full time equivalent staff employed by the company were:

	Year end 2018	Average 2018	Year end 2017	Average 2017
Total	**165**	**208**	232	281

(c) Retirement benefits

The company's pension contributions payable in the year were £2.1 million (2018 £2.5 million). The company contributes to the ScottishPower group'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 recently available Annual Report and Accounts of SPL. As at 31 December 2018, the deficit in the ScottishPower group's defined benefit schemes in the UK amounted to £512.7 million (2017 £564.8 million). The employer contribution rate for these schemes in the year ended 31 December 2018 was 45.0-48.0%.

13 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

	2018 £m	2017 Restated* £m
Property, plant and equipment depreciation charge	**0.6**	0.6
Charges and provisions, allowances and impairment of assets	**-**	(0.1)
	0.6	0.5

*Comparative figures have been restated (refer to Note 1B2.2).

14 FINANCE INCOME

	2018 £m	2017 £m
Interest receivable from Iberdrola group companies	**0.4**	0.4

15 INCOME TAX

	2018 £m	2017 £m
Current tax:		
UK Corporation Tax	**0.7**	(0.7)
Adjustments in respect of prior years	**(0.2)**	0.2
Current tax charge/(credit) for the year	**0.5**	(0.5)
Deferred tax:		
Origination and reversal of temporary differences	**(0.1)**	(0.1)
Adjustments in respect of prior years	**0.2**	(0.1)
Deferred tax charge/(credit) for the year	**0.1**	(0.2)
Income tax charge/(credit) for the year	**0.6**	(0.7)

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

	2018 £m	2017 £m
Corporation Tax at 19% (2017 19.25%)	**0.6**	(0.8)
Adjustments in respect of prior years	**-**	0.1
Income tax charge/(credit) for the year	**0.6**	(0.7)

Legislation has been enacted to reduce the rate of UK Corporation Tax to 17% on 1 April 2020. This reduces the tax rates expected to apply when temporary differences reverse and impacts the deferred tax charge.

16 FINANCIAL COMMITMENTS

	2018						
	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	2024 and thereafter £m	Total £m
Other contractual commitments	0.1	-	-	-	-	-	**0.1**

There were no financial commitments at 31 December 2017.

17 RELATED PARTY TRANSACTIONS

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

	2018		2017	
	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	-	**10.9**	-	15.6
Purchases and receipt of services	-	**(3.1)**	-	(4.5)
Interest income	**0.4**	-	0.4	-
Balances outstanding				
Loans receivable	**27.6**	-	24.6	-
Interest receivable	**0.4**	-	0.4	-

(a) The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.
(b) During the year ended 31 December 2018, Scottish Power UK plc ("SPUK") made pension contributions of £2.1 million (2017 £2.5 million) on behalf of the company. The company received a credit of £3.3 million from SPUK (2017 paid £5.5 million of costs to SPUK) in relation to pension-related restructuring costs.
(c) ECLs recognised on related party transactions are less than £0.1 million.

17 RELATED PARTY TRANSACTIONS *continued*

(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 SPRH group, it has not been possible to apportion the remuneration specifically in respect of services to this company. All ten (2017 twelve) of the key management personnel were remunerated by other companies within the ScottishPower group.

	2018 £000	2017 £000
Short-term employee benefits	**1,643**	1,600
Post-employment benefits	**211**	269
Share-based payments	**769**	896
	2,623	2,765

(c) Directors' remuneration

The remuneration of the directors that provided qualifying services to the company is set out below. As these directors are remunerated for their work for the SPRH group, it has not been possible to apportion the remuneration specifically in respect of services to this company. All three (2017 four) of the directors were remunerated by other companies within the ScottishPower group.

Executive directors	2018 £000	2017 £000
Aggregate remuneration in respect of qualifying services	**391**	367
Number of directors who exercised share options	**2**	3
Number of directors who received shares under a long-term incentive scheme	**1**	2
Number of directors accruing retirement benefits under a defined benefit scheme	**2**	3

Highest paid director	2018 £000	2017 £000
Aggregate remuneration	**228**	215
Accrued pension benefits	**52**	48

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

(d) Ultimate and immediate parent company

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

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

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

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

18 AUDITOR REMUNERATION

	2018 £000	2017 £000
Audit of the company's annual Accounts	**7**	7

19 GOING CONCERN

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

The company has recorded a profit after tax of £2.4 million and operating cash inflows of £3.1 million for the year to 31 December 2018. The company's balance sheet shows that it has net current assets of £27.0 million and net assets of £29.6 million at its most recent balance sheet date.

The directors have prepared cash flow forecasts for the period up to 31 December 2020 which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, to meet its liabilities as they fall due for that period.

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 does not have the ability to and 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 adopt the going concern basis of accounting in preparing the Accounts.