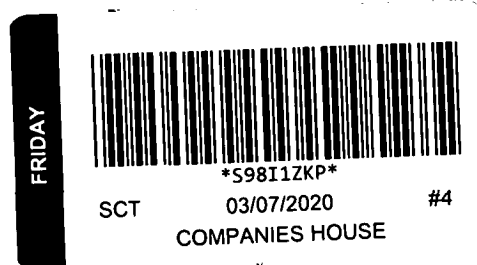


SP DATASERVE LIMITED
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2019

Registered No. SC215842



SP DATASERVE LIMITED
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2019

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SP DATASERVE LIMITED

STRATEGIC REPORT

The directors present an overview of SP Dataserve Limited's business structure, 2019 performance and strategic outlook including principal risks and uncertainties.

STRATEGIC OUTLOOK

Introduction

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 foreseeable 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"). 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 is part of ScottishPower's Energy Retail business ("Energy Retail").

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.

Operational performance

	Revenue*		Operating profit*		Capital investment**	
	2019	2018	2019	2018	2019	2018
Financial key performance indicators	£m	£m	£m	£m	£m	£m
SP Dataserve Limited	15.3	16.3	0.4	2.6	0.2	0.4

*Revenue and operating profit is presented on page 12.

**Capital investment for 2019 is presented within Note 3 on page 21.

Revenue decreased by £1.0 million to £15.3 million in 2019, with industry-wide legacy meter related activity reducing as the focus moves towards smart metering. This has had an impact on the company's performance through lower installations and the reduction of the related revenue, partially offset by an increase in other metering services activity.

Operating profit decreased by £2.2 million to £0.4 million in 2019. This movement is primarily due to an increase in staff costs following an Energy Retail restructuring programme launched in 2019 compared to a restructuring provision release during 2018 following the completion of group-wide restructuring programmes launched during 2017 and 2018 (refer to Note 12). This movement is partially offset by a decrease in external services.

Capital investment for the year amounted to £0.2 million (2018 £0.4 million).

Financial instruments

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

The principal risks and uncertainties of ScottishPower, and therefore those of the company, other than those specific to the emergence and spread of Coronavirus (COVID-19) and Brexit, that may impact current, future operational and financial performance and the management of these risks are described in the table on the following page:

SP DATASERVE LIMITED
STRATEGIC REPORT *continued*

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

SCOTTISHPOWER - GLOBAL	
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 aims to ensure not only continuing legal compliance but also to drive towards best practice in all levels of health and safety operations.
Breach in cyber security and unwanted infiltration of ScottishPower's IT infrastructure by internal and external parties.	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 and contractors as to how behaviour can reduce this risk. Embedding cyber security in all projects where appropriate.

Emergence and spread of Coronavirus (COVID-19)

On 11 March 2020, the World Health Organization declared the outbreak of Coronavirus COVID-19 a pandemic, due to its rapid spread throughout the world, having affected more than 110 countries at that time. Most global governments are taking restrictive measures to contain the spread of the virus, including: isolation, quarantine, restricting the free movement of people, closure of public and private premises (except those of basic necessity and health), closure of borders and a significant reduction in air, sea, rail and land transport.

In the UK, the UK and the devolved Governments have put in place various measures, culminating on 23 March 2020 when a 'lockdown' was announced, requiring all citizens to stay at home (with a few specific exceptions) for a number of weeks. Following the slow release of the full lockdown, some level of restriction is expected to be in place for a significant part of 2020. Also, temporary emergency legislation, the Coronavirus Act 2020 ("The Act") received Royal Assent on 25 March 2020. This Act (and other similar acts approved by the devolved governments) provide powers needed to respond to the current coronavirus pandemic, including containing and slowing the virus and enhancing capacity and the flexible deployment of staff.

ScottishPower's structural response to the issues arising from the pandemic and the associated lockdown was to invoke the existing Business Continuity command structure to provide strategic direction and make key policy decisions during the affected period. This team is referred to as "Gold Command" and consists of the ScottishPower Management Committee. This is supported by teams consisting of senior management pertinent to each division to make decisions at an operational level. These teams are referred to as the "Silver Groups".

The COVID-19 principal risks considered relevant for ScottishPower, the Retail business, and therefore the company, are set out on the following page:

SP DATASERVE LIMITED
STRATEGIC REPORT *continued*

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

SCOTTISHPOWER - CORONAVIRUS (COVID-19) RISKS	
RISK	RESPONSE
The UK Government response to minimising the impact of the pandemic on the population, has restricted the flow of physical goods and equipment in addition to restricting the mobility of labour. This is likely to result in a degree of supply chain interruption due to a lack of appropriate labour levels and delays to the receipt of products and equipment.	Supply chain monitoring groups have been established across all business divisions in ScottishPower to identify early shortages and gaps in the supply chain in terms of products, equipment and labour. This has been supplemented by emergency procurement procedures to expedite orders for replacements, utilising the framework agreements ScottishPower already has in place. Notification has been provided to sub-contractors highlighting their importance in the provision of essential services such that appropriate levels of labour are maintained within the UK and devolved Governments' social distancing guidelines. Contractual protection has also been utilised e.g. force majeure notices, such that ScottishPower is not penalised for the late delivery of projects.
There is a risk that core metering services may be impacted by the restrictions around access to customer premises.	There has been some operational disruption to the company in 2020 in providing revenue protection services, meter maintenance and communication services. This has had a relatively small impact on revenue, some of which is expected to recover over the course of the year. Measures are in place to continue supporting critical work in the areas impacted. The company is ready to work through any backlog areas of work when the restrictions in place have been eased.
The deterioration in the UK economy increases the risk of customer defaults, and the risk of overdue debt for the customer base.	The company has increased customer interaction in order to mitigate overdue debt increases. Analysis of large high risk customers continues in an attempt to proactively target those areas where increased debt is likely to have more of an impact.

Notwithstanding the above, most of the principal activities of the company will continue and are expected to operate throughout this crisis period without significant disruption.

Whilst acknowledging the risks faced by ScottishPower, the Retail business and so the company, COVID-19 is not deemed to impact the conclusions that the company will continue as a going concern. In respect of the impact on these Accounts, the Financial Reporting Council ("FRC") confirmed that COVID-19 is a non-adjusting post balance sheet event and any potential impacts on accounts, balances or assumptions are disclosed within Note 20.

UK decision to leave the EU (Brexit)

On 31 January 2020, the UK left the European Union ("EU"). However, all EU laws will remain in force in the UK until 31 December 2020 when the transition period is scheduled to expire. A cross-business working group will continue to co-ordinate ScottishPower's preparations to mitigate the impact on ScottishPower, and therefore the company, of any pre and post-Brexit outcomes as they become clearer. The key risks considered relevant to ScottishPower, and therefore the company, are detailed in the latest version of the Annual Report and Accounts of SPL. The directors of the company confirm that there has been no material change to these risks as at the date of approval of these Accounts.

The principal risk and uncertainty of the Energy Retail business, and therefore that of the company, that may impact current and future operational and financial performance and the management of this risk is described on the following page:

SP DATASERVE LIMITED
STRATEGIC REPORT *continued*

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

RETAIL	
RISK	RESPONSE
Alternative income streams (including the expansion of smart metering related activities) are not sufficient to offset the expected reduction in 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.

ENGAGING WITH STAKEHOLDERS

References to "ScottishPower" apply fully to the Energy Retail business, and so the company.

The importance of engaging with stakeholders

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

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

Key stakeholders

ScottishPower and the company have four key stakeholder categories: employees and customers; suppliers and contractors; government and regulators; and community and environment.

Behind these stakeholders are millions of people, and thousands of institutions, organisations and groups. All of them, with their decisions and opinions, influence ScottishPower, the Energy Retail business, and so the company, and they are also affected by ScottishPower's activities. In addition, these stakeholders interact with each other, creating a universe of relationships that ScottishPower needs to manage in order to achieve a better understanding of its operating environment and to deliver a more sustainable performance across its activities.

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

EMPLOYEES AND CUSTOMERS

Employees

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

Further details as to how ScottishPower, and so the company, engages with its employees, are provided in the most recent Annual Report and Accounts of SPL.

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 and ScottishPower published its own Modern Slavery Statement, which was approved by the board of SPL. This statement is published on the ScottishPower website at: www.scottishpower.com/pages/scottishpowers_modern_slavery_statement.aspx.

SP DATASERVE LIMITED

STRATEGIC REPORT *continued*

ENGAGING WITH STAKEHOLDERS *continued*

Customers

The company's customers include other ScottishPower companies as well as external parties. The success of the company depends on continuous engagement to understand and provide for the needs of its customers.

The company's larger customers are account managed involving regular direct contact to ensure the services provided are in line with contractual agreements. For the remaining customers, the company has an accessible help desk and digital solutions to respond to specific queries.

GOVERNMENT AND REGULATORS

The company is subject to regulatory guidelines put in place by The Office of Gas and Electricity Markets ("Ofgem") and Elexon (who administer and implement the Balancing and Settlement Code) and adhere to the additional guidelines put in place through the Meter Operations Code of Practice Agreement ("MOCOPA"). The company uses the regulatory mechanisms in place across the wider ScottishPower group to interact with the UK Government and these regulatory bodies will liaise directly with MOCOPA for any specific discussion points.

SUPPLIERS AND CONTRACTORS

As part of ScottishPower's mission for a better future, quicker ScottishPower is always looking for new suppliers and contractors and also for ways it can improve working relationships with ScottishPower's existing suppliers and contractors.

Further details as to how ScottishPower, and so the company, engages with its suppliers and contractors, are provided in the most recent Annual Report and Accounts of SPL.

COMMUNITY AND ENVIRONMENT

Building the trust of communities has been at the heart of ScottishPower's activities for many years. ScottishPower has a significant presence in many communities and it aims to conduct activities responsibly, in ways that are considerate to local communities and make a positive contribution to society. Engaging with these communities, as key stakeholders, is therefore an essential aspect to delivering ScottishPower's objectives, through sharing knowledge and information to help ScottishPower make informed decisions.

ScottishPower is working to minimise its carbon footprint through environmental management systems, which align with the UN Sustainable Development Goals ("SDGs"). ScottishPower has formal Environmental Management Systems ("EMS"), certified to International Standard 14001:2015, and managed by its operational businesses.

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

SECTION 172 STATEMENT

Statement by the directors in performance of their statutory duties in accordance with section 172 of the Companies Act 2006

The Companies (Miscellaneous) Reporting Regulations 2018 introduced a new statutory reporting requirement for financial reporting years beginning on or after 1 January 2019. As a result, the directors of SP Dataserve Limited are required to give a statement which describes how the directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 when discharging their duty under that section.

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

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

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

SP DATASERVE LIMITED
STRATEGIC REPORT *continued*

SECTION 172 STATEMENT *continued*

The directors strongly believe that effective and meaningful engagement with stakeholders is key to promoting the success of the company. Details of the key stakeholders of the Energy Retail business, and therefore the company, and how they engage with them are as follows:

- **Customers:** details of how the company engages with its customers are explained in the 'Customers' sub-section of the Strategic Report, on page 5.
- **Employees:** details of how the Energy Retail business engages with its employees are set out in the 'Employees' sub-section of the Strategic Report, on page 4.
- **Communities and the environment:** details of how the Energy Retail business engages with communities are set out in the 'Community and environment' sub-section of the Strategic Report, on page 5.
- **Suppliers:** details of how the Energy Retail business engages with its suppliers are set out in the 'Suppliers and contractors' sub-section of the Strategic Report, on page 5.
- **Government and regulators:** details of how the Energy Retail business engages with governments and regulators are set out in the 'Government and regulators' sub-section of the Strategic Report, on page 5.

In addition, a statement in relation to the company's interaction with its shareholders is described in the introduction to the 'Engaging with stakeholders' section of the Strategic Report on page 4.

The directors, both individually and together as the board of SP Dataserve Limited ("the Board"), consider that the decisions taken during the year ended 31 December 2019 in discharging the function of the board were in conformance with their duty under section 172 of the Companies Act 2006.

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

ON BEHALF OF THE BOARD



Valerie Sim
Director
25 June 2020

SP DATASERVE LIMITED

DIRECTORS' REPORT

The directors present their report and audited Accounts for the year ended 31 December 2019.

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 6.

- 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 £0.7 million (2018 £2.4 million). No dividend was paid during the current or prior year.

DIRECTORS

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

José María Acha Echevarría
Valerie Sim
Andrew Ward

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

DIRECTORS' INDEMNITY

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

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

The directors are responsible for preparing the Annual Reports and Accounts, including a Strategic Report and Directors' Report, in accordance with applicable law and regulations.

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

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

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

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information relating to the company that is included on the ScottishPower website. Legislation in the UK governing the preparation and dissemination of the financial statements differ from legislation in other jurisdictions.

SP DATASERVE LIMITED
DIRECTORS' REPORT *continued*

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

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 2019.

ON BEHALF OF THE BOARD



Valerie Sim
Director
25 June 2020

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 2019 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 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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.

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.

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

Directors' responsibilities

As explained more fully in their statement set out on pages 7 and 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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



Andrew Williamson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St. Vincent Street
Glasgow
G2 5AS
29 June 2020

SP DATASERVE LIMITED
BALANCE SHEET
at 31 December 2019

	Notes	2019 £m	2018 £m
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	2.1	2.5
Right-of-use assets	4	1.2	-
Deferred tax asset	5	0.1	0.1
NON-CURRENT ASSETS		3.4	2.6
CURRENT ASSETS			
Trade and other receivables	6	32.9	30.9
CURRENT ASSETS		32.9	30.9
TOTAL ASSETS		36.3	33.5
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		30.3	29.6
Share capital	7, 8	17.6	17.6
Retained earnings	8	12.7	12.0
TOTAL EQUITY		30.3	29.6
NON-CURRENT LIABILITIES			
Lease liabilities	4	0.8	-
NON-CURRENT LIABILITIES		0.8	-
CURRENT LIABILITIES			
Provisions	9	1.0	0.6
Lease liabilities	4	0.3	-
Trade and other payables	10	3.6	2.6
Current tax liabilities		0.3	0.7
CURRENT LIABILITIES		5.2	3.9
TOTAL LIABILITIES		6.0	3.9
TOTAL EQUITY AND LIABILITIES		36.3	33.5

Approved by the Board and signed on its behalf on 25 June 2020.



Valerie Sim
Director

The accompanying Notes 1 to 20 are an integral part of the balance sheet as at 31 December 2019.

SP DATASERVE LIMITED
INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2019

	Notes	2019 £m	2018 £m
Revenue	11	15.3	16.3
GROSS MARGIN		15.3	16.3
NET OPERATING EXPENSES		(13.9)	(12.8)
Staff costs	12	(9.2)	(5.9)
Net external expenses		(4.7)	(6.9)
External services		(5.0)	(7.2)
Other operating income		0.3	0.3
GROSS OPERATING PROFIT		1.4	3.5
Impairment losses on trade and other receivables		(0.1)	(0.3)
Depreciation and amortisation charge, allowances and provisions	13	(0.9)	(0.6)
OPERATING PROFIT		0.4	2.6
Finance income	14	0.5	0.4
PROFIT BEFORE TAX		0.9	3.0
Income tax	15	(0.2)	(0.6)
NET PROFIT FOR THE YEAR		0.7	2.4

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

Net profit for both years comprises total comprehensive income.

All results relate to continuing operations.

The accompanying Notes 1 to 20 are an integral part of the income statement and statement of other comprehensive income for the year ended 31 December 2019.

SP DATASERVE LIMITED
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

	Share capital £m	Retained earnings £m	Total equity £m
At 1 January 2018	17.6	9.6	27.2
Total comprehensive income for the year	-	2.4	2.4
At 1 January 2019	17.6	12.0	29.6
Total comprehensive income for the year	-	0.7	0.7
At 31 December 2019	17.6	12.7	30.3

The accompanying Notes 1 to 20 are an integral part of the statement of changes in equity for the year ended 31 December 2019.

SP DATASERVE LIMITED
CASH FLOW STATEMENT
for the year ended 31 December 2019

	2019	2018
	£m	£m
Cash flows from operating activities		
Profit before tax	0.9	3.0
Adjustments for:		
Depreciation	1.0	0.6
Change in provisions	0.7	0.5
Finance income	(0.5)	(0.4)
Changes in working capital:		
Change in trade and other receivables	1.0	(0.3)
Change in trade and other payables	1.0	(0.2)
Provisions paid	(0.3)	(1.0)
Income taxes (paid)/received	(0.6)	0.9
Net cash flows from operating activities (i)	3.2	3.1
Cash flows from investing activities		
Interest received	0.4	0.4
Investments in property, plant and equipment	(0.2)	(0.5)
Increase in amounts due from Iberdrola group companies - current loans receivable	(2.9)	(3.0)
Net cash flows from investing activities (ii)	(2.7)	(3.1)
Cash flows from financing activities		
Payments of lease liabilities	(0.5)	-
Net cash flows from financing activities (iii)	(0.5)	-
Net increase in cash and cash equivalents (i)+(ii)+(iii)	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

The accompanying Notes 1 to 20 are an integral part of the cash flow statement for the year ended 31 December 2019.

SP DATASERVE LIMITED
NOTES TO THE ACCOUNTS
31 December 2019

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 are prepared in accordance with the Accounting Policies set out in Note 2. Monetary amounts are presented in pounds Sterling and are rounded to the nearest hundred thousand unless otherwise indicated. The Accounts are prepared on the historical cost basis apart from certain financial assets and liabilities which are measured at fair value.

The Accounts have been prepared in accordance with FRS 101. In preparing these financial statements, the company has applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards ("IFRS"), as adopted by the EU as at the date of approval of these Accounts and which are mandatory for the year ended 31 December 2019 ("IFRS as adopted by the EU") but has made amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantages of the FRS 101 disclosure exemptions have been taken.

In the transition to FRS 101 from IFRS as adopted by the EU, the company has made no measurement and recognition adjustments.

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

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

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

C IMPACT OF NEW IFRS

In preparing these Accounts, the company has applied all relevant International Accounting Standards ("IAS"), 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 2019.

For the year ended 31 December 2019, the company has applied the following amendments for the first time:

Standard	Notes
• IFRS 16 'Leases'	(a)
• IFRIC 23 'Uncertainty over Income Tax Treatments'	(b)
• Amendments to IFRS 9 'Financial Instruments: Prepayment Features with Negative Compensation'	(b)
• Amendments to IAS 28 'Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures'	(b)
• Annual Improvements to IFRS Standards 2015-2017 Cycle	(b)
• Amendments to IAS 19 'Employee Benefits: Plan Amendment, Curtailment or Settlement'	(b)

(a) Refer to Note 1C1 for further information.

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

SP DATASERVE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2019

1 BASIS OF PREPARATION *continued*

C IMPACT OF NEW IFRS *continued*

C1 EFFECT OF INITIAL APPLICATION OF IFRS 16

The company applied IFRS 16 'Leases' ("IFRS 16") with a date of initial application of 1 January 2019. The company applied IFRS 16 using the modified retrospective approach; under which any cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17 'Leases' ("IAS 17") and IFRIC 4 Determining Whether an Arrangement Contains a Lease ("IFRIC 4"). The details of the resultant changes in the company's accounting policy for lease contracts are disclosed below.

Previously the company determined at contract inception whether an arrangement was, or contained, a lease under IFRIC 4. Under IFRS 16, the company assesses whether a contract is, or contains, a lease based on the definition of a lease, as explained in Note 2C2. On transition to IFRS 16, the company reassessed all of its existing contracts to determine whether each contract is, or contains, a lease applying the requirements of IFRS 16.

Lessee

As a lessee, the company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the company. Under IFRS 16, the company recognises right-of-use assets and lease liabilities for leases i.e. these leases are on-balance sheet.

The company decided to apply the recognition exemption to certain short-term leases. For leases of all assets which were classified as operating under IAS 17, the company has recognised right-of-use assets and lease liabilities. On initial application of IFRS 16, lease liabilities have been measured at the present value of the remaining lease payments and discounted at the company's incremental borrowing rate as at 1 January 2019.

Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application.

When applying IFRS 16 to leases previously classified as operating leases under IAS 17, the company did not apply any practical expedients at the date of initial application.

On transition to IFRS 16, the company recognised £1.1 million of right-of-use assets and £1.1 million of lease liabilities. When measuring lease liabilities, the company discounted lease payments using its incremental borrowing rate at 1 January 2019. The discount rates used to calculate the below pertaining to Sterling was in the range of 2.27% to 3.21%.

	1 January 2019
	£m
Operating lease commitment at 31 December 2018 (discounted using interest rate at lease commencement) (as disclosed in Note 4(b))	1.1
Operating lease commitment at 31 December 2018 (discounted using the incremental borrowing rate at 1 January 2019)	1.1
Lease liabilities recognised at 1 January 2019	1.1

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES

In determining and applying accounting policies, judgement is often required in respect of items which have a significant effect on the reported amounts of assets, liabilities, income and expenses recognised in the financial statements, other than those involving estimates; the company has no such judgements. At 31 December 2019, assumptions made about the future and other major sources of estimation uncertainty which have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities in the next financial year relate to the impairment of trade receivables and accrued income. Refer to Note 2E1.2(c) and Note 6 for further details.

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

- A REVENUE**
- B PROPERTY, PLANT AND EQUIPMENT**
- C LEASED ASSETS**
- D IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT**
- E FINANCIAL INSTRUMENTS**

SP DATASERVE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2019

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

F PROVISIONS

G RETIREMENT BENEFITS

H TAXATION

A REVENUE

The company recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services. All revenue is earned wholly within the UK and is wholly attributable to the principal activities of the company.

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. Amounts in contract liabilities consist of invoices issued in advance of the service being provided.

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.

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 LEASED ASSETS

The company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately at Note 2C2 if they are different from those under IFRS 16 and the impact of the change in policy disclosed in Note 1C1.

C1 POLICY APPLICABLE FROM 1 JANUARY 2019

A contract is, or contains a lease if, at its inception, the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company uses the definition of a lease in IFRS 16.

An identified asset will be specified explicitly or implicitly in the contract, and will be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.

A contract conveys the right to control the use of an identified asset if the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use and the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. Where this is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset or the customer designed the asset in a way that predetermines how and for what purposes it will be used.

The company has elected not to separate non-lease components and account for the lease and non-lease components in a contract as a single lease component.

SP DATASERVE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2019

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

C LEASED ASSETS *continued*

C1 POLICY APPLICABLE FROM 1 JANUARY 2019 *continued*

C1.1 LESSEE

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

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

The lease liability recognised at the lease commencement date is measured initially at the present value of the lease payments that are not paid at the commencement date. As the rates implicit in the leases cannot be readily determined, the liabilities are discounted using the company's incremental borrowing rate. Therefore, the lease liability is measured at amortised cost using the effective interest rate method. Lease payments included in the measurement of the lease liability comprise fixed payments (including in-substance fixed payments); variable lease payments that depend on an index or a rate initially measured using the index or rate as at the commencement date; lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless that company is reasonably certain not to terminate early.

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

The company presents lease liabilities separately in the balance sheet; the discount on the liabilities unwinds over the term of the lease and is charged to Finance costs in the income statement.

The company has elected not to recognise right-of-use assets and lease liabilities for certain short-term leases that have a lease term of twelve months or less and leases of intangible assets. The company recognises any lease payments associated with such leases as an expense on a straight-line basis over the lease term.

C2 POLICY APPLICABLE BEFORE 1 JANUARY 2019

For contracts entered into before 1 January 2019, the company determined whether the arrangement was, or contained a lease, based on an assessment of the substance of the arrangement at inception date and whether:

- fulfilment of the arrangement was dependent on the use of a specific asset(s); and
- the arrangement conveyed a right to use the asset(s) even if that right was not explicitly specified in the arrangement.

For arrangements entered into prior to 1 April 2004, the date of inception was deemed to be 1 April 2004 in accordance with the transitional requirements of IFRIC 4.

Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

D 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 (the greater of its value-in-use and its fair value less costs to sell) is estimated in order to determine the extent of the impairment loss (if any). 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.

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.

SP DATASERVE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2019

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

E FINANCIAL INSTRUMENTS *continued*

E1 FINANCIAL ASSETS

E1.1 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. A trade receivable without a significant financing component is initially measured at the transaction price determined under IFRS 15 'Revenue from Contracts with Customers' ("IFRS 15").

E1.2 CLASSIFICATION AND SUBSEQUENT MEASUREMENT

(a) Classification

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing 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.

Trade receivables that do not contain a significant financing component and for which the company has applied the simplified Expected Credit Loss ("ECL") model are measured at the transaction price determined under IFRS 15 (refer to Note 2A).

(b) Subsequent measurement and gains and losses

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by 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.

(i) Derecognition

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

(c) Impairment of financial assets

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).

SP DATASERVE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2019

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

E FINANCIAL INSTRUMENTS *continued*

E1 FINANCIAL ASSETS *continued*

E1.2 CLASSIFICATION AND SUBSEQUENT MEASUREMENT *continued*

(c) 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 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 & 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.

(i) 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.

(ii) 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.

(iii) Write-offs

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

E2 FINANCIAL LIABILITIES

E2.1 RECOGNITION AND INITIAL MEASUREMENT

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

E2.2 CLASSIFICATION AND SUBSEQUENT MEASUREMENT

All financial liabilities are classified as measured at amortised cost and subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the income statement.

(a) Derecognition

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.

SP DATASERVE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2019

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

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 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.

H 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.

3 PROPERTY, PLANT AND EQUIPMENT

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

	Meters and measuring devices	Other items of property, plant and equipment (Note (i))	Total
Year ended 31 December 2019	£m	£m	£m
Cost:			
At 1 January 2019	9.3	0.9	10.2
Additions	0.2	-	0.2
At 31 December 2019	9.5	0.9	10.4
Depreciation:			
At 1 January 2019	7.3	0.4	7.7
Depreciation for the year	0.5	0.1	0.6
At 31 December 2019	7.8	0.5	8.3
Net book value:			
At 31 December 2019	1.7	0.4	2.1
At 1 January 2019	2.0	0.5	2.5

(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 2019 was £4.8 million (2018 £4.3 million).

(b) Capital commitments

The company had £0.1 million of capital commitments at 31 December 2019 expected to be settled within one year (2018 nil).

SP DATASERVE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2019

4 LEASES

(a) Lessee

The company leases vehicles. Information about leases for which the company is a lessee is presented below.

(i) Nature of leases

The company lease vehicles with lease terms of between three and five years, primarily being pool vehicles to mobilise its operational staff. Agreements can be terminated without notice.

The company has not committed to any leases that have not yet commenced. The company has no contracts containing residual value guarantee, no leases subject to significant restrictions or covenants and no sale and leaseback transactions.

(ii) Right-of-use assets

	Vehicles £m
On transition to IFRS 16 at 1 January 2019	1.1
Additions	0.5
Depreciation charge for the year	(0.4)
At 31 December 2019	1.2

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

(iii) Lease liabilities

The following table sets out a maturity analysis of non-derivative lease liabilities, showing the undiscounted payments to be made after the reporting date.

	2019 £m
Less than one year	0.4
One to five years	0.8
Total undiscounted lease liabilities at 31 December	1.2
Finance cost	(0.1)
Total discounted lease liabilities	1.1

Analysis of total lease liabilities

Non-current	0.8
Current	0.3
Total	1.1

The interest charge on lease liabilities was £40,000 in the year.

Details of ScottishPower's, and so the company's, risk management strategy for liquidity risks inherent in the company's lease liabilities are described in the most recent Annual Report and Accounts of SPL.

(iv) Amounts recognised in the cash flow statement

	2019 £m
Total cash outflow for leases	(0.5)

This amount relates to payments of lease liabilities.

(b) Operating lease disclosures under IAS 17

	2018 £m
Operating lease commitments	
The future minimum discounted lease payments under non-cancellable operating leases were as follows:	
Within one year	0.3
Between one and five years	0.8
	1.1

The operating lease charge for the 2018 year was £24,000.

SP DATASERVE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2019

5 DEFERRED TAX

	Other temporary differences £m
At 1 January 2018	0.2
Charge to the income statement	(0.1)
At 1 January 2019 and 31 December 2019	0.1

Legislation was previously enacted to reduce the rate of UK Corporation Tax to 17% on 1 April 2020. Accordingly, deferred tax balances have been measured at the 17% rate, this being the tax rate enacted at the balance sheet date and the rate temporary differences are expected to reverse. After 31 December 2019, further legislation has been substantively enacted on 17 March 2020 under the Provisional Collection of Taxes Act 1968 that maintains the 19% UK Corporation tax rate. The 19% rate will apply from 1 April 2020. This rate change would increase the 31 December 2019 deferred tax asset by £12,000.

6 TRADE AND OTHER RECEIVABLES

	Notes	2019 £m	2018 £m
Current receivables:			
Receivables due from Iberdrola group companies - loans	(a)	30.5	27.6
Receivables due from Iberdrola group companies - interest		0.5	0.4
Trade receivables and accrued income	(b)	1.9	2.9
	(c)	32.9	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) The gross carrying amount of trade receivables and accrued income is £2.2 million. The ECL is £0.3 million giving a weighted average loss rate of 13.6%. The actual level of trade receivables and accrued income collected may differ from the estimated levels of recovery, which could impact operating profit positively or negatively. Based on the weighted average loss rate of 13.6%, a 5% increase in the overall expected loss rate would result in an increase to the loss allowance of £0.1 million. A 5% decrease would result in a decrease to the loss allowance of £0.1 million.

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

	Note	2019 £m	2018 £m
Receivables	(i)	1.6	2.9

(i) £0.1 million (2018 £0.3 million) of impairment losses were recognised during the year on receivables arising from the company's contracts with customers.

7 SHARE CAPITAL

	2019 £m	2018 £m
Allotted, called up and fully paid shares:		
17,608,000 ordinary shares of £1 each (2018 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.

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

	Share capital £m	Retained earnings (Note (a)) £m	Total £m
At 1 January 2018	17.6	9.6	27.2
Profit for the year attributable to equity holder of the company	-	2.4	2.4
At 1 January 2019	17.6	12.0	29.6
Profit for the year attributable to equity holder of the company	-	0.7	0.7
At 31 December 2019	17.6	12.7	30.3

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

SP DATASERVE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2019

9 PROVISIONS

		At 1 January 2018	New provisions	Utilised during year	At 31 December 2018
Year ended 31 December 2018	Notes	£m	£m	£m	£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

		At 1 January 2019	New provisions	Utilised during year	Released during year	At 31 December 2019
Year ended 31 December 2019	Notes	£m	£m	£m	£m	£m
Reorganisation and restructuring	(a)	0.4	0.8	(0.3)	-	0.9
Insurance	(b)	0.2	0.1	-	(0.2)	0.1
		0.6	0.9	(0.3)	(0.2)	1.0

(a) The 2018 provision relates to group wide restructuring programmes launched during 2017 and 2018. The new provision for reorganisation and restructuring in the year ended 31 December 2019 relates to an Energy Retail restructuring programme launched during the year. The remaining provision at 31 December 2019 is expected to be utilised in 2020.

(b) The provision for insurance principally represents the value of claims reserves and is expected to be utilised in 2020.

10 TRADE AND OTHER PAYABLES

	Note	2019 £m	2018 £m
Current trade and other payables:			
Payables due to Iberdrola group companies - trade		1.4	-
Trade payables		0.6	1.2
Other taxes and social security		0.3	0.4
Payments received on account		1.1	0.8
Other payables		0.2	0.2
	(a)	3.6	2.6

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

	Note	2019 £m	2018 £m
Contract liabilities	(i)	1.1	0.8

(i) The amount of contract liabilities recognised as income in the year is £0.8 million (2018 £1.2 million). The remaining movement is due to an increase in new contract liabilities in the year.

11 REVENUE

	2019 £m	2018 £m
Meter maintenance and communication services	10.2	9.2
Meter revenue protection services	4.4	4.3
Meter installation	0.2	2.0
Meter provision	0.5	0.8
	15.3	16.3

SP DATASERVE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2019

12 EMPLOYEE INFORMATION

(a) Staff costs

	Notes	2019 £m	2018 £m
Wages and salaries		5.1	6.4
Social security costs		0.4	0.6
Pension and other costs	(i)	3.7	(1.1)
Total staff costs	(ii)	9.2	5.9

(i) Pension and other costs includes a cost of £1.9 million (2018 credit of £3.3 million) in relation to pension-related restructuring costs.

(ii) 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 companies. Details of directors' emoluments are set out in Note 17(a).

(b) Employee numbers

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

	Average 2019	Average 2018
Operations	172	215

(c) Retirement benefits

The company's pension contributions payable in the year were £1.7 million (2018 £2.1 million). The company contributes to ScottishPower's defined benefit and defined contribution schemes in the UK and the contributions payable in the year reflect the contributions payable in respect of active participants in the group schemes who are employed by the company. Full details of these schemes are provided in the most recently available Annual Report and Accounts of SPL. As at 31 December 2019, the deficit in ScottishPower's defined benefit schemes in the UK amounted to £651.7 million (2018 £512.7 million). The employer contribution rate for these schemes in the year ended 31 December 2019 was 47.9%-51.0%.

13 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

	2019 £m	2018 £m
Property, plant and equipment depreciation charge	0.6	0.6
Right-of-use assets depreciation charge	0.4	-
Charges and provisions, allowances and impairment of assets	(0.1)	-
	0.9	0.6

14 FINANCE INCOME

	2019 £m	2018 £m
Interest receivable from Iberdrola group companies	0.5	0.4

15 INCOME TAX

	2019 £m	2018 £m
Current tax:		
UK Corporation tax	0.3	0.7
Adjustments in respect of prior years	(0.1)	(0.2)
Current tax for the year	0.2	0.5
Deferred tax:		
Origination and reversal of temporary differences	(0.1)	(0.1)
Adjustments in respect of prior years	0.1	0.2
Deferred tax for the year	-	0.1
Income tax charge for the year	0.2	0.6

SP DATASERVE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2019

15 INCOME TAX *continued*

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

	2019 £m	2018 £m
Corporation tax at 19% (2018 19%)	0.2	0.6
Income tax charge for the year	0.2	0.6

Legislation was previously enacted to reduce the rate of UK Corporation Tax to 17% on 1 April 2020. Accordingly, deferred tax balances have been measured at the 17% rate, this being the tax rate enacted at the balance sheet date and the rate temporary differences are expected to reverse. After 31 December 2019, further legislation has been substantively enacted on 17 March 2020 under the Provisional Collection of Taxes Act 1968 that maintains the 19% UK Corporation tax rate. The 19% rate will apply from 1 April 2020.

16 FINANCIAL COMMITMENTS

The company had no contractual commitments at 31 December 2019 (2018 £0.1 million expected to be settled within one year).

17 RELATED PARTY TRANSACTIONS

(a) 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 (2018 three) of the directors were remunerated by other companies within ScottishPower.

	2019 £000	2018 £000
Aggregate remuneration in respect of qualifying services	595	391
Number of directors who exercised share options	2	2
Number of directors who received shares under a long-term incentive scheme	1	1
Number of directors accruing retirement benefits under a defined benefit scheme	2	2
Highest paid director	£000	£000
Aggregate remuneration	413	228
Accrued pension benefits	57	52

- (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.

(b) Ultimate and immediate parent company

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

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

Copies of the consolidated Accounts of Iberdrola, S.A. may be obtained from Iberdrola, S.A., at its registered office, Torre Iberdrola, Plaza Euskadi 5, 48009, Bilbao, Spain. Copies of the consolidated Accounts of SPUK may be obtained from 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

	2019 £000	2018 £000
Audit of the company's annual Accounts	10	7

SP DATASERVE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2019

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 6.

The company has recorded a profit after tax in the current financial year and the company's balance sheet shows that it has net current assets of £27.7 million as at 31 December 2019. As at 31 December 2019, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The company is a significant component of ScottishPower which in turn is part of Iberdrola, one of the world's largest integrated utilities. The company participates in a UK treasury function operated by the company's intermediate parent company, SPL. The UK treasury function works closely with Iberdrola to manage the company's funding requirements which are reviewed and adjusted on a regular basis using funding provided via Iberdrola, through the global treasury function. SPL has indicated its intention to provide the company with any funding it may require, or repay amounts owed to the company if required, ("financial support") for a period of at least twelve months from the date of these financial statements. SPL will provide this financial support through the UK treasury function utilising its committed facilities with Iberdrola group treasury. The directors of SPL have completed an assessment of their ability to provide this financial support across ScottishPower and are satisfied that this can be provided utilising its committed facilities with Iberdrola group treasury.

The directors of the company are aware of the assessment performed by the directors of SPL and they are satisfied that SPL has the ability to provide the company with the financial support it requires to meet its liabilities as they fall due for a period of at least twelve months from the date of these financial statements. However, as with any company placing reliance on other group entities for financial support, the company directors acknowledge that there can be no certainty that this financial support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Since the year end, the economic environment has been affected by the global COVID-19 pandemic. However, due to the nature of the company's core activities, the direct effects on cash flows as a result of COVID-19 are expected to be limited.

For the purposes of the directors' assessment of the company's going concern position and to satisfy them of the company's ability to pay its liabilities as they fall due, the directors have prepared a company cash flow statement for a period of 18 months from the date of approval of these financial statements. The cash flow forecasts indicate that, after taking account of severe but plausible downsides including the impact of the COVID-19 pandemic, the company's existing resources and the financial support noted above from SPL are sufficient to enable it to trade and pay its liabilities as they fall due for the forecast period.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 18 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

20 EVENTS AFTER THE BALANCE SHEET DATE

Emergence and spread of Coronavirus (COVID-19)

On 11 March 2020, the World Health Organization declared the outbreak of Coronavirus COVID-19 a pandemic, due to its rapid spread throughout the world, having affected more than 110 countries at that time. Most global governments are taking restrictive measures to contain the spread of the virus, including: isolation, quarantine, restricting the free movement of people, closure of public and private premises (except those of basic necessity and health), closure of borders and a significant reduction in air, sea, rail and land transport.

In the UK, the UK and the devolved Governments have put in place various measures, culminating on 23 March 2020 when a 'lockdown' was announced, requiring all citizens to stay at home (with a few specific exceptions) for a number of weeks. Following the slow release of the full lockdown, some level of restriction is expected to be in place for a significant part of 2020. Also, temporary emergency legislation, the Coronavirus Act 2020 ("The Act") received Royal Assent on 25 March 2020. This Act (and other similar acts approved by the devolved governments) provide powers needed to respond to the current coronavirus pandemic, including containing and slowing the virus and enhancing capacity and the flexible deployment of staff.

This situation is significantly affecting the global economy, due to the interruption or slow-down of supply chains, and the significant increase in economic uncertainty; evidenced by increased volatility of asset prices and exchange rates, and a reduction in long-term interest rates. The Chancellor of the Exchequer has launched a number of unprecedented measures in a bid to support the UK economy and to mitigate the economic and social impacts of this crisis.

SP DATASERVE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2019

20 EVENTS AFTER THE BALANCE SHEET DATE *continued*

As the significant impacts of COVID-19 arose after 31 December 2019, this is considered a non-adjusting post balance sheet event for the company for the year ended 31 December 2019, without prejudice to the fact that the impacts will be recognised as part of the 31 December 2020 year end.

It is difficult to estimate the present and future impacts resulting from this crisis. However, at the date of signing these Accounts, the effects that the current crisis could have on the company in 2020 are considered to be as follows:

- The company is already seeing some disruption in providing certain services, including revenue protection services, although the main revenue streams in relation to meter maintenance and communication services have remained relatively unaffected. Measures are in place to continue supporting critical work in the areas impacted. The company is ready to work through any backlog of work when the restrictions in place have been eased.
- There is an increased risk of customer defaults and the level of overdue debt. The company has increased customer interaction in order to mitigate overdue debt increases. Analysis of large high risk customers continues in an attempt to proactively target those areas where increased debt is likely to have more of an impact.

Notwithstanding the above, as at the date of signing these Accounts, it is the directors' opinion that most of the principal activities of the company are expected to operate throughout this crisis period without significant disruption and therefore will not have a significant impact on the company's business operations, assets and liabilities.

Restructuring costs

Certain employees chose to withdraw from the Energy Retail restructuring programme subsequent to the year end (refer to Notes 9 and 12(a)). This is considered a non-adjusting post balance sheet event for the company for the year ended 31 December 2019, without prejudice to the fact that the impact will be recognised as part of the 31 December 2020 year end. The estimated impact on the company's balance sheet is a £0.1 million reduction to the reorganisation and restructuring provision and a £0.3 million reduction in Trade payables due to Iberdrola group companies (for pension-related restructuring costs).