# SP DATASERVE LIMITED
# ANNUAL REPORT AND ACCOUNTS
# for the year ended 31 December 2017

Registered No. SC215842

SP DATASERVE LIMITED
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2017

CONTENTS

## SP DATASERVE LIMITED
## STRATEGIC REPORT

The directors present an overview of SP Dataserve Limited's business structure, 2017 performance, strategic objectives and plans.

**STRATEGIC OUTLOOK**
The principal activity of SP Dataserve Limited ("the company"), registered company number SC215842, is the provision of metering services, including data collection, data aggregation, meter operations and meter installations. The company will continue to provide these meter services to both ScottishPower Energy Retail Limited ("SPERL") and other external parties for the foreseeable future.

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

The ultimate parent of the company is Iberdrola, S.A. ("Iberdrola") which is listed on the Madrid stock exchange and the immediate parent of the company is Scottish Power Generation Holdings Limited ("SPGH"). Scottish Power Limited ("SPL") is the United Kingdom ("UK") parent company of the ScottishPower group of which the company is a member. The company is part of ScottishPower's Energy Retail business function ("Retail").

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

| | Revenue* | | Operating loss* | | Capital investment** | |
|---|---|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| **Financial key performance indicators** | **£m** | £m | **£m** | £m | **£m** | £m |
| **SP Dataserve Limited** | **14.3** | 15.6 | **(4.6)** | (0.8) | **0.3** | 0.2 |

*Revenue and operating loss is presented on page 10.
**Capital investment is presented within Note 3 on pages 16 and 17.

Revenue decreased by £1.3 million to £14.3 million in 2017, with industry-wide legacy metering related activity reducing as the focus moves towards the roll out of smart meters.

Operating loss increased by £3.8 million to a loss of £4.6 million in 2017. This movement is due to an increase in staff costs of £1.2 million, principally due to the recognition of restructuring and pension costs of £2.0 million offset by a reduction in salary costs, an increase in external services of £1.1 million, mainly due to higher corporate recharges, and a decrease in revenue and other operating income of £1.5 million.

Capital investment increased by £0.1 million to £0.3 million.

**LIQUIDITY AND CASH MANAGEMENT**
*Net funds*
Net cash flows from operating activities for the year increased by £5.8 million to £0.7 million (refer to Cash Flow Statement on page 12). As detailed in the table below, net funds increased by £0.5 million to £24.6 million.

| | | **2017** | 2016 |
|---|---|---|---|
| **Analysis of funds** | Note | **£m** | £m |
| Group loans receivable | (a) | **24.6** | 24.1 |

(a) Loans due from Iberdrola group companies are presented within Note 6 on page 18.

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

**SP DATASERVE LIMITED**
**STRATEGIC REPORT *continued***

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

**PRINCIPAL RISKS AND UNCERTAINTIES**

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

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

| RISK | RESPONSE |
|---|---|
| Material deterioration in the relatively stable and predictable UK regulatory and political environment, including any sudden changes of policy, or 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. |
| Impacts arising from the UK decision to leave the European Union ("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 negative or positive changes in the UK economy and in the political and regulatory environment in which ScottishPower operates. | In addition to monitoring ongoing developments related to "Brexit", a 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 specific business units will be managed in line with developments. |
| A major health and safety incident in the course of operations could impact staff, contractors, communities or the environment. | ScottishPower's Health and Safety function provides specialist services and support for the businesses in relation to health and safety. A comprehensive framework of health and safety policy and procedures, alongside audit programmes, is established throughout ScottishPower, which aim to ensure not only continuing legal compliance but also drive towards best practice in all levels of its health and safety operations. |
| 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. |

**PRINCIPAL RISKS AND UNCERTAINTIES *continued***

The principal risks and uncertainties of the company that may impact current and future operational and financial performance and the management of these risks are 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 Sim

**Valerie Sim**
**Director**
3 September **2018**

**SP DATASERVE LIMITED**
**DIRECTORS' REPORT**

The directors present their report and audited Accounts for the year ended 31 December 2017.

**INFORMATION CONTAINED WITHIN THE STRATEGIC REPORT**
The directors have chosen to disclose information on the following, required by the Companies Act 2006 to be included in the Directors' Report, within the Strategic Report, found on pages 1 to 3:

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

**RESULTS AND DIVIDEND**
The net loss for the year amounted to £3.5 million (2016 profit of £0.6 million). No dividend was paid during the year (2016 £nil).

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

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

*Training*
ScottishPower has a continuing commitment to training and personal development for its employees with over 2,900 (2016 2,700) training events and over 178,000 hours of training undertaken in 2017 (2016 139,000 hours). Much of the training is focused on health and safety and technical training ensuring field staff are safe and competent. In addition, ScottishPower recruits over 100 craft and engineering trainees annually who undertake a formal, structured training programme leading towards a recognised apprenticeship or formal engineering qualification. Team leaders and managers also participate in core management skills training and there are management development programmes and modules aimed at increasing our leadership capability.

*Employee feedback and consultation*
Employee feedback is recognised as key to driving engagement within ScottishPower and in 2017 ScottishPower again carried out its annual employee engagement survey, 'The LOOP'. The response rate in 2017 was in line with 2016 with 75% of employees across ScottishPower providing feedback. The overall engagement score increased to 79% in 2017 which is the highest ever level of engagement for ScottishPower and a positive reflection of how employees feel about working for the company. The results also show that ScottishPower's levels of engagement are in line with global utility peers.

All ScottishPower businesses recognise the importance of taking action in response to employee feedback and action plans are developed across ScottishPower. At a ScottishPower level, health and safety, image and reputation are areas of strength and employee feedback confirms that leadership, customer focus and personal development are the most important areas for employees.

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

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

**EMPLOYEES *continued***

*Equality and inclusion continued*

ScottishPower complies with The Equality Act 2010 and has published its gender pay gap information, based on data as at 5 April 2017, on its website.

ScottishPower has a Diversity and Inclusion Governance Group whose objective is to drive the Diversity and Inclusion action plan with key stakeholders across the organisation to ensure that diversity is embedded into ScottishPower's working policies and practices. Activities during 2017 included e-learning and training on diversity and unconscious bias to raise the awareness amongst management and employees.

ScottishPower is committed to driving gender diversity in the energy sector by encouraging women into leadership roles and engineering careers; not only seeking to develop its diverse and inclusive workforce but take active steps to address the deepening skills shortage in the sector. ScottishPower partners with external organisations such as the Women's Engineering Society and Powerful Women, and continues to sponsor and support industry initiatives such as the Top 50 Women in Engineering list and International Women in Engineering day.

*Employment of disabled persons*

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

*Employee health and wellbeing*

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

*Employee volunteering*

ScottishPower prides itself in being a good corporate neighbour, providing support to the communities it serves in each of its businesses. Volunteering is central to community involvement and ScottishPower has an excellent track record in this area. ScottishPower's company-wide Volunteering Policy has been actively utilised by employees during 2017. 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 and published its own Modern Slavery Statement which was approved by the Board of Directors of Scottish Power Limited.

ScottishPower's Modern Slavery Statement is published on 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 | |
| Marc Rossi | (Resigned 1 April 2017) |
| Valerie Sim | (Appointed 2 May 2017) |
| 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 (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.

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 appointed as auditor of the company for the year ended 31 December 2017 in place of the retiring auditor, Ernst & Young LLP.

**ON BEHALF OF THE BOARD**

Valerie Sim

**Valerie Sim**
**Director**
3 September **2018**

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SP DATASERVE LIMITED

**OPINION**

We have audited the financial statements of SP Dataserve Limited ("the company") for the year ended 31 December 2017 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 2017 and of its loss 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.

**GOING CONCERN**

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

**STRATEGIC REPORT AND DIRECTORS' REPORT**

The directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

**DIRECTORS' RESPONSIBILITIES**

As explained more fully in their statement set out on page 6, 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.

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

**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.

**Philip Charles (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
*Chartered Accountants*
319 St. Vincent Street
Glasgow
G2 5AS
10 September 2018

**SP DATASERVE LIMITED**
**BALANCE SHEETS**
## as at 31 December 2017 and 31 December 2016

| | Notes | 2017 £m | 2016 £m |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| **Property, plant and equipment** | | **2.7** | 3.0 |
| Property, plant and equipment in use | 3 | 2.7 | 3.0 |
| **Deferred tax asset** | 4 | **0.2** | - |
| **NON-CURRENT ASSETS** | | **2.9** | 3.0 |
| **CURRENT ASSETS** | | | |
| **Trade and other receivables** | 6 | **27.6** | 31.6 |
| **Current tax asset** | | **0.7** | 0.1 |
| **CURRENT ASSETS** | | **28.3** | 31.7 |
| **TOTAL ASSETS** | | **31.2** | 34.7 |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| **Of shareholders of the parent** | | **27.2** | 30.7 |
| Share capital | 7, 8 | 17.6 | 17.6 |
| Retained earnings | 8 | 9.6 | 13.1 |
| **TOTAL EQUITY** | | **27.2** | 30.7 |
| | | | |
| **NON-CURRENT LIABILITIES** | | | |
| **Provisions** | 9 | **0.2** | 0.3 |
| **NON-CURRENT LIABILITIES** | | **0.2** | 0.3 |
| **CURRENT LIABILITIES** | | | |
| **Provisions** | 9 | **0.9** | 1.0 |
| **Trade and other payables** | 10 | **2.9** | 2.7 |
| **CURRENT LIABILITIES** | | **3.8** | 3.7 |
| **TOTAL LIABILITIES** | | **4.0** | 4.0 |
| **TOTAL EQUITY AND LIABILITIES** | | **31.2** | 34.7 |

Approved by the Board on 3 September 2018 and signed on its behalf by:

Valerie L.

**Valerie Sim**
***Director***

The accompanying Notes 1 to 17 are an integral part of the balance sheets as at 31 December 2017 and 31 December 2016.

**SP DATASERVE LIMITED**
**INCOME STATEMENTS AND STATEMENTS OF OTHER COMPREHENSIVE INCOME**
**for the years ended 31 December 2017 and 31 December 2016**

| | Notes | **2017 £m** | 2016 £m |
|---|---|---|---|
| Revenue | | 14.3 | 15.6 |
| **GROSS MARGIN** | | **14.3** | 15.6 |
| **NET OPERATING EXPENSES** | | **(18.3)** | (15.8) |
| **Net personnel expenses** | | **(17.2)** | (16.0) |
| Staff costs | 11 | (17.2) | (16.0) |
| **Net external expenses** | | **(1.1)** | 0.2 |
| External services | | (9.0) | (7.9) |
| Other operating income | | 7.9 | 8.1 |
| **GROSS OPERATING LOSS** | | **(4.0)** | (0.2) |
| Depreciation and amortisation charge, allowances and provisions | 12 | (0.6) | (0.6) |
| **OPERATING LOSS** | | **(4.6)** | (0.8) |
| Gains on disposal of non-current assets | | - | 0.9 |
| Finance income | 13 | 0.4 | 0.4 |
| **(LOSS)/PROFIT BEFORE TAX** | | **(4.2)** | 0.5 |
| Income tax | 14 | 0.7 | 0.1 |
| **NET (LOSS)/PROFIT FOR THE YEAR** | | **(3.5)** | 0.6 |

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

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

All results relate to continuing operations.

The accompanying Notes 1 to 17 are an integral part of the income statements and statements of other comprehensive income for the years ended 31 December 2017 and 31 December 2016.

**SP DATASERVE LIMITED**
**STATEMENTS OF CHANGES IN EQUITY**
**for the years ended 31 December 2017 and 31 December 2016**

| | Share capital £m | Retained earnings £m | Total equity £m |
|---|---|---|---|
| At 1 January 2016 | 17.6 | 12.5 | 30.1 |
| Total comprehensive income for the year | - | 0.6 | 0.6 |
| At 1 January 2017 | 17.6 | 13.1 | 30.7 |
| Total comprehensive income for the year | - | (3.5) | (3.5) |
| **At 31 December 2017** | **17.6** | **9.6** | **27.2** |

The accompanying Notes 1 to 17 are an integral part of the statements of changes in equity for the years ended 31 December 2017 and 31 December 2016.

**SP DATASERVE LIMITED**
**CASH FLOW STATEMENTS**
**for the years ended 31 December 2017 and 31 December 2016**

| | 2017 | 2016 Restated* |
|---|---|---|
| | £m | £m |
| **Cash flows from operating activities** | | |
| (Loss)/profit before tax | (4.2) | 0.5 |
| Adjustments for: | | |
| Depreciation | 0.6 | 0.6 |
| Change in provisions | 0.5 | 1.0 |
| Finance income | (0.4) | (0.4) |
| Net gains on disposal of non-current assets | - | (0.9) |
| Changes in working capital: | | |
| Change in trade and other receivables | 4.5 | (4.9) |
| Change in trade payables | 0.1 | (0.6) |
| Provisions paid | (0.7) | - |
| Income taxes paid | (0.1) | (0.8) |
| Interest received | 0.4 | 0.4 |
| **Net cash flows from operating activities (i)** | 0.7 | (5.1) |
| **Cash flows from investing activities** | | |
| Investments in property, plant and equipment | (0.2) | (0.2) |
| Proceeds from disposal of property, plant & equipment | - | 1.1 |
| (Increase)/decrease in amounts due from Iberdrola group companies - current loans receivable | (0.5) | 4.2 |
| **Net cash flows from investing activities (ii)** | (0.7) | 5.1 |
| **Net cash and cash equivalents (i)+(ii)** | - | - |
| **Cash and cash equivalents at beginning of year** | - | - |
| **Cash and cash equivalents at end of year** | - | - |

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

The accompanying Notes 1 to 17 are an integral part of the cash flow statements for the years ended 31 December 2017 and 31 December 2016.

SP DATASERVE LIMITED
NOTES TO THE ACCOUNTS
31 December 2017

## 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 and to deliver them to the Registrar of Companies. The Accounts have been prepared in accordance with International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") Interpretations (collectively referred to as IFRS), as adopted by the EU as at the date of approval of these Accounts and which are mandatory for the financial year ended 31 December 2017. The Accounts are prepared in accordance with the Accounting Policies set out in Note 2.

### B1. CHANGE IN PRESENTATION

### B1.1 CASH FLOW PRESENTATION

The company participates in a group arrangement whereby it lends surplus cash to fellow group undertakings for the purposes of their cash management, in the form of short term loans which are repayable on demand. On the balance sheet, these funds are recorded within current trade and other receivables. In prior years, the company reported these funds within cash and cash equivalents for the purposes of the cash flow statement. During the year, the directors have reviewed the treatment of these funds and concluded they should be recorded within investing cash flows for the purposes of the cash flow statement. The 2016 cash flow statement has, therefore, been adjusted. The effect on the prior year is to increase the net cash flows from investing activities by £4.2 million and decrease the cash and cash equivalents reported for the purposes of the cash flow statement by £24.1 million.

The restatement had no impact on net assets, equity, the Statement of Comprehensive Income or the Balance Sheet.

### C ACCOUNTING STANDARDS

In preparing these Accounts, the company has applied all relevant IAS, IFRS and IFRIC Interpretations 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 2017.

For the year ended 31 December 2017, the company has applied the following amendments for the first time:

| Standard | Notes |
|---|---|
| • Amendments to IAS 12 'Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses' | (a) |
| • Amendments to IAS 7 'Statement of Cash Flows: Disclosure Initiative' | (a) |
| • Annual improvements to IFRS Standards 2014-2016 Cycle | (a), (b) |

(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 12 'Disclosure of Interests in Other Entities' have been applied by the company effective 1 January 2017. Refer to footnote (d) below for details of other amendments in the pronouncement.

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 |
|---|---|---|---|
| • Annual Improvements to IFRS Standards 2014 –2016 Cycle | (c), (d) | 1 January 2018 | 1 January 2018 |
| • IFRS 9 'Financial Instruments' | (e) | 1 January 2018 | 1 January 2018 |
| • 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') | (f) | 1 January 2018 | 1 January 2018 |

**1 BASIS OF PREPARATION *continued***

**C ACCOUNTING STANDARDS *continued***

| **Standard *continued*** | **Notes** | **IASB effective date (for periods commencing on or after)** | **Planned date of application by the company** |
|---|---|---|---|
| • Amendments to IAS 40 'Investment Property: Transfers of Investment | (c) | 1 January 2018 | 1 January 2018 |
| • Amendments to IFRS 2 'Share-based Payments: Clarification and Measurement of Share-based Payment Transactions' | (c) | 1 January 2018 | 1 January 2018 |
| • Amendments to IFRS 4 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts' | (c) | 1 January 2018 | 1 January 2018 |
| • IFRIC 22 'Foreign Currency Transactions and Advance Consideration' | (c) | 1 January 2018 | 1 January 2018 |
| • IFRS 16 'Leases' | (c) | 1 January 2018 | 1 January 2018 |
| • IFRIC 23 'Uncertainty over Income Tax Treatments' | (c), (g) | 1 January 2018 | 1 January 2018 |
| • Amendments to IFRS 9 'Financial Instruments: Prepayment Features with Negative Compensation' | (c) | 1 January 2018 | 1 January 2018 |
| • Amendments to IAS 28 'Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures' | (c), (g) | 1 January 2019 | 1 January 2019 |
| • Annual Improvements to IFRS Standards 2015-2017 Cycle | (c), (g) | 1 January 2019 | 1 January 2019 |
| • Amendments to IAS 19 'Employee Benefits: Plan Amendment, Curtailment or Settlement' | (c), (g) | 1 January 2021 | 1 January 2021 |
| • Amendments to References to the Conceptual Framework in IFRS Standards | (c), (g) | 1 January 2020 | 1 January 2020 |
| • IFRS 17 'Insurance Contracts' | (c), (g) | 1 January 2016 | To be decided |
| • IFRS 14 'Regulatory Deferral Accounts' | (c), (g), (h) | Deferred | 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 ' | (c), (g), (i) | Deferred indefinitely | To be decided |

(c) The future application of this pronouncement is not expected to have a material impact on the company's accounting policies, financial position or performance.

(d) This pronouncement includes amendments to three standards. The amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards' and IAS 28 'Investments in Associates and Joint Ventures' have an effective date of 1 January 2018. The amendments to IFRS 12 'Disclosure of Interests in Other Entities' have an effective date of 1 January 2017 (refer to footnote (b) above).

(e) IFRS 9 'Financial Instruments' is effective for the company as from 1 January 2018. The company considers that the new classification and measurement criteria will not have a material impact on the company's equity as at 1 January 2018. Most financial assets will continue to be valued at amortised cost.

The company will apply the general model for the recognition of expected credit losses to all financial assets, except for trade receivables, to which the simplified model will be applied. Given the high credit quality of the financial assets, the expected credit loss adjustment is only £51,000.

In the current and previous years' accounts, the company has applied the criteria set out in Note 2D for those cases where there are no material changes to financial liabilities.

(f) IFRS 15 'Revenue from Contracts with Customers' and the associated amendments and clarifications are effective for the company as from 1 January 2018. The company considers that the application of IFRS 15 will not have a material impact on the company's financial position or performance but will continue to refine its accounting policies and monitor emerging industry practice in relation to this standard. The company will transition to IFRS 15 using the modified retrospective approach; which will require any cumulative impact of applying this standard to be recognised on implementation on 1 January 2018. No modifications are required to the company's IT systems or processes as a result of this standard.

(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.

## 2 ACCOUNTING POLICIES

In preparing the Accounts in conformity with IFRS, the company is required to make estimates and assumptions that impact on the reported amounts of revenues, expenses, assets and liabilities of the company. Actual results may differ from these estimates. However, no critical accounting judgements or key sources of estimation uncertainty have been identified in relation to these Accounts.

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 FINANCIAL INSTRUMENTS
E TAXATION
F RETIREMENT BENEFITS

### A REVENUE

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

### B PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost and is generally depreciated on a straight-line basis over the estimated operational lives of the assets. Property, plant and equipment includes capitalised employee costs and other directly attributable costs. Reviews are 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 FINANCIAL INSTRUMENTS

(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.

## 2 ACCOUNTING POLICIES *continued*

### E 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.

### F 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

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

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NOTES TO THE ACCOUNTS *continued*
31 December 2017

## 3 PROPERTY, PLANT AND EQUIPMENT *continued*

### (a) Movements in property, plant and equipment *continued*

| Year ended 31 December 2017 | Meters and measuring devices £m | Other items of property, plant and equipment in use (Note (i)) £m | Total property, plant and equipment in use £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 |

(i) The category 'Other items of property, plant and equipment in use' principally comprises buildings and fixtures and fittings.
(ii) The cost of fully depreciated property, plant and equipment still in use at 31 December 2017 was £3.6 million (2016 £3.6 million).

### (b) Capital commitments

| | **2017 £m** | 2016 £m |
|---|---|---|
| Contracted but not provided | **0.1** | 0.1 |

## 4 DEFERRED TAX

| | Other temporary differences £m |
|---|---|
| At 1 January 2016 and at 1 January 2017 | - |
| Credit to the income statement | 0.2 |
| **At 31 December 2017** | **0.2** |

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 FINANCIAL INSTRUMENTS

### (a) Carrying value of financial instruments

| | | **2017** | | 2016 | |
|---|---|---|---|---|---|
| | Notes | **Carrying amount £m** | **Fair value £m** | Carrying amount £m | Fair value £m |
| **Financial assets** | | | | | |
| Receivables | (i) | **27.6** | **27.6** | 31.6 | 31.6 |
| **Financial liabilities** | | | | | |
| Payables | (i), (ii) | **(1.4)** | **(1.4)** | (1.2) | (1.2) |

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

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

## 5 FINANCIAL INSTRUMENTS *continued*

### (b) Borrowing facilities

The company had no undrawn committed borrowing facilities at 31 December 2017 (2016 £nil).

## 6 TRADE AND OTHER RECEIVABLES

| | Notes | 2017 £m | 2016 £m |
|---|---|---|---|
| **Current receivables:** | | | |
| Receivables due from Iberdrola group companies - trade | | - | 5.0 |
| Receivables due from Iberdrola group companies - loans | (a) | **24.6** | 24.1 |
| Receivables due from Iberdrola group companies - interest | | **0.4** | 0.4 |
| Trade receivables and accrued income | (b), (c) | **2.6** | 2.1 |
| | | **27.6** | 31.6 |

(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 receivables are stated net of a provision for impairment of doubtful debts of £0.2 million (2016 £0.1 million). Provisions for doubtful debts have been estimated by management, taking into account future cash flows, based on prior experience, ageing analysis and an assessment of the current economic environment within which the company operates. The income statement impact of the change in bad debt for the year to 31 December 2017 is £0.1 million (2016 £nil million).

(c) At 31 December 2017 trade receivables of £1.9 million (2016 £0.7 million) were past due but not impaired.

| Past due but not impaired | 2017 £m | 2016 £m |
|---|---|---|
| Less than 3 months | **1.7** | 0.6 |
| Between 3 and 6 months | **0.2** | 0.1 |
| | **1.9** | 0.7 |

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

| | 2017 £m | 2016 £m |
|---|---|---|
| At beginning of year | **0.1** | 0.1 |
| Provisions for receivables impairment | **0.1** | - |
| **At end of year** | **0.2** | 0.1 |

## 7 SHARE CAPITAL

| | 2017 £m | 2016 £m |
|---|---|---|
| **Allotted, called up and fully paid shares:** | | |
| 17,608,000 ordinary shares of £1 each (2016 17,608,000) | **17.6** | 17.6 |

## 8 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 2016 | 17.6 | 12.5 | 30.1 |
| Profit for the year attributable to equity holder of SP Dataserve Limited Limited | - | 0.6 | 0.6 |
| At 1 January 2017 | 17.6 | 13.1 | 30.7 |
| Loss for the year attributable to equity holder of SP Dataserve Limited Limited | - | (3.5) | (3.5) |
| **At 31 December 2017** | **17.6** | **9.6** | **27.2** |

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

## 9 PROVISIONS

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

| **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** |

| **Analysis of total provisions** | **2017 £m** | 2016 £m |
|---|---|---|
| Non-current | **0.2** | 0.3 |
| Current | **0.9** | 1.0 |
| | **1.1** | 1.3 |

(a) The 2016 provision for reorganisation and restructuring (which excludes pension related costs) was largely utilised in 2017. The remainder is expected to be utilised in 2018. During the year ended 31 December 2017 a new provision of £0.7 million (which excludes pension costs) was recognised which relates to a group wide restructuring programme. This is expected to be fully utilised during 2018.

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

## 10 TRADE AND OTHER PAYABLES

| | **2017 £m** | 2016 £m |
|---|---|---|
| **Current trade and other payables:** | | |
| Trade payables | **1.0** | 0.8 |
| Other taxes and social security | **0.3** | 0.3 |
| Payments received on account | **1.2** | 1.2 |
| Capital payables and accruals | **0.1** | - |
| Other payables | **0.3** | 0.4 |
| | **2.9** | 2.7 |

## 11 EMPLOYEE INFORMATION

### (a) Staff costs

| | Note | **2017 £m** | 2016 £m |
|---|---|---|---|
| Wages and salaries | | **8.2** | 9.4 |
| Social security costs | | **0.8** | 0.8 |
| Pension and other costs | (a) | **8.2** | 5.8 |
| **Total staff costs** | | **17.2** | 16.0 |

(a) Pension and other costs in 2017 includes £5.5 million (2016 £3.5 million) of costs for a group wide restructuring programme.

**11 EMPLOYEE INFORMATION *continued***

**(b) Employee numbers**

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

| | **Year end 2017** | **Average 2017** | Year end 2016 | Average 2016 |
|---|---|---|---|---|
| Operations | **239** | **289** | 323 | 341 |

The year end and average numbers of full time equivalent staff employed by the company, including UK based directors where appropriate were:

| | **Year end 2017** | **Average 2017** | Year end 2016 | Average 2016 |
|---|---|---|---|---|
| **Total** | **232** | **281** | 314 | 332 |

**(c) Retirement benefits**

The company's pension contributions payable in the year were £2.5 million (2016 £2.3 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 2017, the deficit in the ScottishPower group's defined benefit schemes in the UK amounted to £564.8 million (2016 £442.5 million). The employer contribution rate for these schemes in the year ended 31 December 2017 was 45.0-48.0%.

**12 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS**

| | **2017 £m** | 2016 £m |
|---|---|---|
| Property, plant and equipment depreciation charge | **0.6** | 0.6 |

**13 FINANCE INCOME**

| | **2017 £m** | 2016 £m |
|---|---|---|
| Interest receivable from Iberdrola group companies | **0.4** | 0.4 |

**14 INCOME TAX**

| | **2017 £m** | 2016 £m |
|---|---|---|
| Current tax: | | |
| UK Corporation Tax | **(0.7)** | (0.1) |
| Adjustments in respect of prior years | **0.2** | - |
| **Current tax credit for the year** | **(0.5)** | (0.1) |
| Deferred tax: | | |
| Origination and reversal of temporary differences | **(0.1)** | - |
| Adjustments in respect of prior years | **(0.1)** | - |
| **Deferred tax for the year** | **(0.2)** | - |
| **Income tax credit for the year** | **(0.7)** | (0.1) |

## 14 INCOME TAX *continued*

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

| | 2017 £m | 2016 £m |
|---|---|---|
| Corporation Tax at 19.25% (2016 20%) | **(0.8)** | 0.1 |
| Adjustments in respect of prior years | **0.1** | - |
| Other permanent differences | **-** | (0.2) |
| **Income tax credit for the year** | **(0.7)** | (0.1) |

The rate of UK Corporation Tax reduced from 20% to 19% on 1 April 2017. 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.

## 15 RELATED PARTY TRANSACTIONS

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

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | **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 | **-** | **15.6** | - | 16.7 |
| Purchases and receipt of services | **-** | **(4.5)** | - | (4.0) |
| Interest income | **0.4** | **-** | 0.4 | - |
| **Balances outstanding** | | | | |
| Loans receivable | **24.6** | **-** | 24.1 | - |
| Trade and other receivables | **-** | **-** | - | 5.0 |
| 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 2017, Scottish Power UK plc made pension contributions of £2.5 million (2016 £2.3 million) on behalf of the company.

### (b) Remuneration of key management personnel

The remuneration of the key management personnel that provided qualifying services to the company is set out below. As these key management personnel are remunerated for their work for the SPGH group, it has not been possible to apportion the remuneration specifically in respect of services to this company. All twelve (2016 eleven) of the key management personnel were remunerated by other companies within the ScottishPower group.

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Short-term employee benefits | **1,600** | 1,425 |
| Post-employment benefits | **269** | 344 |
| Share-based payments | **896** | 496 |
| | **2,765** | 2,265 |

### 15 RELATED PARTY TRANSACTIONS *continued*

#### (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 SPGH group, it has not been possible to apportion the remuneration specifically in respect of services to this company. All four (2016 three) of the directors were remunerated by other companies within the ScottishPower group.

| Executive directors | 2017<br>£000 | 2016<br>£000 |
|---|---|---|
| Aggregate remuneration in respect of qualifying services | **367** | 379 |
| Number of directors who exercised share options | **3** | 2 |
| Number of directors who received shares under a long-term incentive scheme | **2** | 2 |
| Number of directors accruing retirement benefits under a defined benefit scheme | **3** | 2 |

| Highest paid director | 2017<br>£000 | 2016<br>£000 |
|---|---|---|
| Aggregate remuneration | **215** | 211 |
| Accrued pension benefit | **48** | 44 |

(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 parent and immediate parent company

The immediate parent company is SPGH. The registered office 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.

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

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

### 16 AUDITOR REMUNERATION

| | 2017<br>£000 | 2016<br>£000 |
|---|---|---|
| Audit of the company's annual Accounts | **7** | 7 |

KPMG LLP were appointed auditor of the company during 2017, replacing Ernst & Young LLP. Auditor remuneration for 2017 is payable to KPMG LLP and payable to Ernst & Young LLP for 2016.

**17 GOING CONCERN**

The company's business activities together with the factors likely to affect its future performance are set out in the Strategic Report on pages 1 to 3. The company has recorded a loss after tax in the current year and profit after tax in the previous financial year and the company's balance sheet shows that it has net current assets of £24.5 million and net assets of £27.2 million at its most recent balance sheet date.

The company is ultimately owned by Iberdrola, S.A. and it participates in the Iberdrola group's centralised treasury arrangements and so shares banking facilities with its parent companies and fellow subsidiaries. As a consequence, the company depends, in part, on the ability of the Iberdrola group to continue as a going concern. The directors have considered the company's funding relationship with Iberdrola to date and have considered available relevant information relating to Iberdrola's ability to continue as a going concern. In addition, the directors have no reason to believe that the Iberdrola group 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.