SP POWER SYSTEMS LIMITED
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2023

Registered No. SC215841

SP POWER SYSTEMS LIMITED
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2023

CONTENTS

SP POWER SYSTEMS LIMITED
STRATEGIC REPORT

The director presents her Strategic Report on SP Power Systems Limited ("the Company") for the year ended 31 December 2023.

INTRODUCTION
The principal activity of the Company, registered company number SC215841, is the provision of asset management support services to Scottish Power Limited Group's ("ScottishPower") Energy Networks business. This activity will continue for the foreseeable future.

The ultimate parent of the Company is Iberdrola, S.A. ("Iberdrola") whose shares are listed on all four stock markets in Spain. The immediate parent of the Company is Scottish Power Energy Networks Holdings Limited ("SPENH"), the holding company of the Scottish Power Energy Networks Holdings Limited group ("SPENH Group" or "Energy Networks"). Scottish Power Limited ("SPL") is the United Kingdom ("UK") holding company of ScottishPower of which the Company is a member.

The Company is part of Energy Networks. Service level agreements exist whereby the Company acts as a service provider to three Energy Networks companies, SP Distribution plc, SP Manweb plc, and SP Transmission plc. These 'asset-owner' companies hold Energy Networks' regulated assets and the electricity distribution and transmission licences of ScottishPower whose activities are regulated by The Office of Gas and Electricity Markets ("Ofgem").

STRATEGIC OUTLOOK
2023 performance
The table below provides key information relating to the Company's financial performance during the year.

	Revenue*		Operating profit/(loss)*		Capital investment**	
	2023	2022	**2023**	2022	**2023**	2022
Financial key performance indicators	**£m**	£m	**£m**	£m	**£m**	£m
SP Power Systems Limited	**229.7**	186.6	**0.3**	(0.3)	**35.4**	7.2

* Revenue and operating profit/(loss) as presented on page 14.
** Capital investment for 2023 as presented in Notes 3 and 4 on pages 19 and 20.

Revenue increased by £43.1 million due to increased asset management support services recharged to the Energy Networks licensed businesses.

Operating profit was £0.3 million compared to an Operating loss of £0.3m in 2022. This is primarily due to the increase in revenue which offset increases in external services, staff costs, and amortisation charges totalling £33.2 million, £6.7 million and £3.3 million respectively.

Capital investment was £28.2 million higher than the prior year. This is primarily due to increased investment in intangible assets in the year.

Statement of financial position
Intangible assets increased by £27.2 million to £36.9 million due to additions of £35.1 million in the year which primarily comprised of software to support the regulatory work programmes of the Energy Networks licensed businesses offset by an amortisation charge of £7.9 million.

Current trade and other receivables increased by £23.2 million to £218.4 million primarily due to an increase in receivables due from Iberdrola Group companies.

Current and non-current software licence liabilities increased by £14.5 million arising from investment in cloud computing software capitalised within Intangible assets.

Current loans and other borrowings have risen by £22.8 million to £207.8 million primarily due to an increase in loans payable to Iberdrola Group companies.

Current trade and other payables increased by £12.2 million to £31.6 million due to increased trade payables at the year end driven by increased activity.

Outlook for 2024 and beyond
The Company will continue to support the Energy Networks licensed businesses with their targeted delivery of the increased activity associated with regulatory outputs.

FINANCIAL INSTRUMENTS

The Company's financial instruments include Trade and other receivables (principally with Iberdrola Group companies), Trade and other payables, Software licence liabilities, and Loans and other borrowings. The Company has exposure to credit risk and treasury risk (comprising both liquidity and market risk) arising from these financial instruments.

Credit risk is the risk that a counterparty will not meet its contractual obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk from Iberdrola Group companies is considered to be low as no Iberdrola Group company has a credit rating lower than BBB+ (in line with S&P Global Ratings).

Liquidity risk is the risk that the Company will have insufficient funds to meet its liabilities and market risk is the risk of loss that results from changes in market rates (e.g. interest rates). The Company's liquidity position and short-term financing activities are integrated and aligned with both ScottishPower's and Iberdrola's. ScottishPower operates and manages a centralised cash management model within the UK, with liquidity being managed at a ScottishPower level.

Both liquidity and market risk are managed by ScottishPower's Treasury department, who are responsible for arranging banking facilities on behalf of the Company. The Company produces short-term rolling cash flow requirements and, if necessary, any required funding is obtained via credit facilities already in place which comprise an on-demand facility with SPL.

PRINCIPAL RISKS AND UNCERTAINTIES

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

The principal risks and uncertainties of the Company, that may impact current and future operational and financial performance and the management of these risks are described on pages 2 to 4.

RISK	RESPONSE
Regulatory and political Compliance with regulatory obligations especially in the context of 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.
Specific areas: ***Change in UK Government*** A UK general election took on 4 July 2024 which resulted in a change of UK government. The new UK government is currently seeking to deliver manifesto commitments which may result in regulatory and policy changes.	Constructive and transparent engagement with all appropriate stakeholders to understand the nature and scope of any proposed changes, and to ensure that risks and opportunities arising from these are managed appropriately.
Global financial market volatility Impacts arising from market and regulatory reactions to events including global conflicts as well as positive or negative changes in the UK economy.	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. In addition to monitoring ongoing developments, the Company adheres to a ScottishPower treasury risk management policy to mitigate financial risks.

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

RISK	RESPONSE
Climate change The risk that the Company's operations have a significant impact on the environment and on national and international targets to tackle climate change, or that climate change has a significant impact on the Company's assets.	The Company is committed to reducing its environmental footprint and responding to the risks and opportunities of climate change by: • reducing emissions to air, land and water and preventing environmental harm; • identifying and managing climate risks and opportunities, implementing adaptation measures where required; • minimising energy consumption and use of natural and human-made resources; • sourcing material resources responsibly, cutting waste and encouraging reuse and recycling; and • protecting natural habitats and restoring biodiversity.
Health and safety A major health and safety incident in the course of operations could impact staff, contractors, communities or the environment.	The Company has certified management systems in place to deliver activities as safely as possible. A ScottishPower Health and Safety function exists and provides specialist services and support for the Company in relation to health and safety. A comprehensive framework of health and safety policy and procedures, alongside audit programmes is established, which aims to ensure not only continuing legal compliance but also to drive towards best practice in all levels of health and safety operations.
Recruitment and retention of staff Increased and appropriate resources with the correct capabilities are required to provide appropriate support services to the Energy Networks' licensed entities. The increased retiral rate and challenging work programmes of Energy Networks' licensed entities means that substantial recruitment is required in the coming years.	Extensive focus on retention and strategic workforce planning in order to build key capabilities and future skills with targeted learning and development opportunities. Design and implementation of appropriate retention enhancement strategies. Increased size and skill set of the ScottishPower recruitment team.
Supply chain Interruption due to post-lockdown inabilities to restart efficient supply chains, made worse by global conflicts, higher costs due to commodity prices, increased risk of supplier failure due to the deterioration of industrialised economies and excess demand over supply.	Identifying potential shortages, delays and gaps in the supply of products, equipment and labour. The supply chain is advised by the ScottishPower Procurement department in conjunction with advice from the Scottish Power Compliance, Legal and Risk departments. The upward pressure on costs due to the macroeconomic environment is managed, and strategies, such as hedging and expanding the Company's supplier base, are developed and implemented. The risk is spread through supply chain engagement.

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

RISK	RESPONSE
Cyber security The Company operates within an environment where there is the presence of sophisticated and opportunistic cyber security threat actors motivated to identify and take advantage of flaws and weaknesses in the Company's cyber security defences. The Company, in alignment with UK Regulation, takes the protection of its Data very seriously. The Company, as part of ScottishPower, continues to invest significantly in its people, processes, and technologies to enhance its capabilities to prevent, detect and respond to security threats. The main risks are: • Operational technology used to manage the production, management and distribution of energy or physical safety systems (fire protection, CCTV, alarm reception centres). • IT that enables the Company to operate critical services. • The confidentiality, integrity, and availability of key information assets. • Other cyber security risks impacting reputation.	The Company, as part of ScottishPower, continues to focus on enterprise security risks through enhanced internal governance, complemented by the adoption of a 'three lines of defence' model with clear roles and responsibilities established. This has involved the appointment of a ScottishPower Chief Information Security Officer as well as the creation of a Business Information Security Officer for the division. These risks are managed in accordance with the basic principles defined in internal cyber security rules promoting the safe handling of data, use of IT and communications systems, use of operational technology systems and assets, and other cyber assets, reinforcing detection, prevention, defence, and response capabilities against possible attacks. The Iberdrola Group, of which the Company is a part, currently has specific insurance against cyber risks, under the terms allowed by the insurance market, which is revised and updated periodically in view of the rapid evolution and wide variety of cyber risks.

The Company continues to monitor and assess the impact of additional security risks as a result of terrorism, war and other world events and will put mitigating actions in place if and when appropriate.

ENGAGING WITH STAKEHOLDERS

The importance of engaging with stakeholders

The Company strongly believes that effective and meaningful engagement with stakeholders, especially its people, is key to promoting its success and values. 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 Company, engages with its stakeholders, and how these activities influence the Company's operations, are set out on pages 4 to 6.

Key stakeholders

The Company, has five key stakeholder categories: people, customers, government and regulators, suppliers and contractors, and community and environment.

Behind these stakeholders are many people, institutions, organisations and groups. All of them, with their decisions and opinions, influence the Company, and they are also affected by the Company's activities. In addition, these stakeholders interact with each other, creating a universe of relationships that the Company 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 important to the Company. The Company's relationship with its shareholders is governed by the Company's Articles of Association and provisions of the Governance and Sustainability System which apply to the Company and the Group, of which the Company is a member. As the Company is ultimately wholly-owned by Iberdrola, all ultimate shareholder management activities are carried out by Iberdrola in accordance with its own Shareholder Engagement Policy as published at www.iberdrola.com.

SP POWER SYSTEMS LIMITED
STRATEGIC REPORT *continued*

ENGAGING WITH STAKEHOLDERS *continued*

PEOPLE

The Company employs 1,370 employees, working across a range of roles. The employees make a real difference in determining how successfully the Company operates. The creativity, innovation and individuality of the Company's employees enables it to build on its future capability to operate effectively in a competitive market, and continue to have aspirations which are challenging and rewarding. The Company respects and recognises the importance of individuality as part of its ongoing commitment to promoting a culture where individuality is celebrated. The Company also understands that being a diverse organisation goes beyond having legally compliant policies and practices; it includes a focus on creating an innovative, integrated organisation where people feel valued, inspiring them to perform at their best.

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

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

- employment regulation;
- training;
- employee feedback and consultation;
- inclusion and diversity;
- rewards and benefits;
- health and safety; and
- employee health and wellbeing.

Modern Slavery Statement

The term 'modern slavery' covers both slavery and human trafficking. ScottishPower, and so the Company, is committed to human and labour rights and to eliminating modern slavery that could in any way be connected to its business. In accordance with the Modern Slavery Act 2015, ScottishPower has produced its own Modern Slavery Statement, which is subject to annual approval by the board of directors of SPL. This statement is published on the ScottishPower website at: www.scottishpower.com / 'Corporate Governance' / 'Governance and Sustainability System' / 'Social Commitment'/ 'ScottishPower Modern Slavery Policy'.

CUSTOMERS

The Company performs asset management services for the Energy Networks licensed businesses who own and operate the network of cables and powerlines transporting electricity to connected customers in certain areas of the UK. The success of the Company depends on its ability to understand the needs of these businesses and continuous engagement is the key to successfully meeting customers' needs.

GOVERNMENT AND REGULATORS

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

SUPPLIERS AND CONTRACTORS

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

As part of ScottishPower, whose mission it is to create a better future, quicker, the Company is always looking for new suppliers and contractors, and for ways to improve its working relationships with existing suppliers and contractors. The Company aims to develop and maintain strong relationships across its supply base with a focus on health and safety, quality, cost and sustainability. The Company expects its suppliers to operate to a high standard including working in an ethical and sustainable manner, and the Company has a range of policies that all suppliers must adhere to, including the ScottishPower Code of Ethics. The Company has built in cyber security checks and monitoring as part of its tendering and supply chain relationships.

ENGAGING WITH STAKEHOLDERS *continued*
Engagement with the supply chain is always a critical activity for the Company but continues to become more important as the Company adapts to the current geopolitical and macroeconomic challenges in addition to the post-pandemic recovery and Brexit transition, which have also impacted the supply chain. Refer to the 'Principal risks and uncertainties' section for further details.

COMMUNITY AND ENVIRONMENT
Community
The Company continually strives to be a trusted, respected and integrated part of the community, by operating with integrity, transparency, and working closely within the community to build relationships. The Company is committed to being a good neighbour throughout all of its operations to ensure the benefits are realised in local areas by helping to create local employment and enabling improvements to local infrastructure and services.

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

SECTION 172 STATEMENT
Statement by the director in performance of her statutory duties in accordance with section 172 of the Companies Act 2006
The Companies (Miscellaneous) Reporting Regulations 2018 requires the director of SP Power Systems Limited to give a statement which describes how the director has had regard to the matters set out in section 172(1) of the Companies Act 2006 when discharging her duty under that section.

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

The director strongly believes that effective and meaningful engagement with stakeholders and employees is key to promoting the success of the Company. Details of the key stakeholders of the Company, and how it engages with them are as follows:
- **Customers:** details of how the Company engages with its customers is set out in the 'Customers' section of the Strategic Report, on page 5. During 2023, the Company's board of directors ("the Board") approved the express adoption by the Company of the ScottishPower Data Protection Policy which applies to the processing of any personal data, including customer data, by the Company.
- **People:** details of the how Company engages with its people are set out in in the 'People' section of the Strategic Report, on page 5. During 2023, the Board approved the express adoption by the Company of the Iberdrola People Management Policy, which makes provisions regarding the human resources framework applicable to the Company.
- **Communities and the environment:** details of how the Company engages with communities and considers the environment are set out in the 'Community and environment' section of the Strategic Report, on page 6. During 2023, the Board approved the express adoption by the Company of the Iberdrola Stakeholder Engagement Policy which makes provisions regarding the Company's relationship with its stakeholders, including communities.
- **Suppliers and contractors:** details of how the Company engages with its suppliers are set out in the 'Suppliers and contractors' section of the Strategic Report, on page 5. During 2023, the Board approved the express adoption by the Company of the ScottishPower Modern Slavery Policy which makes provisions regarding the Company's supply chain.

SECTION 172 STATEMENT *continued*

- **Government and regulators:** details of how the Company engages with governments and regulators are set out in the 'Government and regulators' section of the Strategic Report, on page 5. During 2023, the Board approved the express adoption by the Company of the ScottishPower Political Engagement Policy which makes provisions regarding compliance with political engagement rules.

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 director considers that the decisions taken during the year ended 31 December 2023 in discharging the function of the Board were in conformance with her 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 the director.

ON BEHALF OF THE BOARD

Nicola Connelly
Director
24 September 2024

SP POWER SYSTEMS LIMITED
DIRECTOR'S REPORT

The director presents her report and audited Accounts for the year ended 31 December 2023.

INFORMATION CONTAINED WITHIN THE STRATEGIC REPORT

The director has chosen to disclose information on the following, required by the Companies Act 2006 to be included in the Director's Report, within the Strategic Report, found on pages 1 to 7:

- information on financial risk management and policies;
- information regarding future developments of the Company's business; and
- information on employee regulations and policies.

RESULTS AND DIVIDEND

The net loss for the year amounted to £0.3 million (2022 £1.9 million). No dividend was paid during the year (2022 £nil).

DIRECTORS

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

Marc Rossi
Vicky Kelsall

On 1 July 2024, Nicola Connelly was appointed as a director of the Company. Vicky Kelsall and Marc Rossi resigned as directors of the Company on 30 June 2024 and 31 July 2024 respectively. At the date of this report, there have been no other changes to the composition of the Board since year end.

DIRECTOR'S INDEMNITY

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

STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

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

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

Under company law, the director must not approve the financial statements unless she is 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 the financial statements, the director is 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 director is 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 its financial statements comply with the Companies Act 2006. She is responsible for such internal control as she determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to her to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the director is also responsible for preparing a Strategic Report and Director's Report that complies with that law and those regulations.

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

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

Disclosure of information to auditor

The director who is in office as at the date of this Annual Report and Accounts confirms that:

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

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

AUDITOR

KPMG LLP was re-appointed as the auditor of the Company for the year ending 31 December 2024.

ON BEHALF OF THE BOARD

Nicola M. Connelly

Nicola Connelly
Director
24 September 2024

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SP POWER SYSTEMS LIMITED

Opinion

We have audited the financial statements of SP Power Systems Limited ("the Company") for the year ended 31 December 2023 which comprise the Statement of Financial Position, Income statement and statement of comprehensive income, Statement of Changes in Equity and related notes, including the principal 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 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

In our evaluation of the director's conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

We considered whether the going concern disclosure in Note 1B2 to the financial statements gives a full and accurate description of the director's assessment of going concern, including the identified risks and dependencies.

Our conclusions based on this work:

- we consider that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the director's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the director, the internal audit function, the Company's legal function and the compliance function and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

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

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

Fraud and breaches of laws and regulations – ability to detect *continued*
As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we performed procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries.

On this audit we do not believe there is a fraud risk related to revenue recognition because, the Company's revenues consist entirely of routine, non-complex transactions which are subject to systematic processing and do not require significant judgements.

We did not identify any additional fraud risks.

We performed procedures including identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and those posted to unusual accounts.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including form and content) including related companies legislation, distributable profits legislation, pensions legislation in respect of multi-employer defined benefit pension schemes, tax legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: GDPR compliance, health and safety legislation, fraud, corruption and bribery legislation, employment and social security legislation including minimum wage and pension auto-enrolment. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

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

Strategic report and director's report
The director is responsible for the strategic report and the director's 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 director's 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:

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

Strategic report and director's report *continued*

- we have not identified material misstatements in the strategic report and the director's 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.

Director's responsibilities

As explained more fully in their statement set out on pages 8 and 9, the director is 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.

Gordon Herbertson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St. Vincent Street
Glasgow
G2 5AS
25 September 2024

SP POWER SYSTEMS LIMITED
STATEMENT OF FINANCIAL POSITION
at 31 December 2023

	Notes	2023 £m	2022 £m
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	3	**36.9**	9.7
Property, plant and equipment	4	**28.1**	31.2
Investments in subsidiaries	5	**-**	-
Non-current trade and other receivables		**-**	0.1
TOTAL NON-CURRENT ASSETS		**65.0**	41.0
CURRENT ASSETS			
Current trade and other receivables	6	**218.4**	195.2
Current tax asset		**1.0**	-
TOTAL CURRENT ASSETS		**219.4**	195.2
TOTAL ASSETS		**284.4**	236.2
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		**21.5**	21.8
Share capital		12.2	12.2
Retained earnings		9.3	9.6
TOTAL EQUITY		**21.5**	21.8
NON-CURRENT LIABILITIES			
Non-current deferred income	7	**3.0**	3.3
Non-current provisions		**0.1**	0.2
Non-current software licence liabilities		**11.2**	-
Non-current trade and other payables		**1.5**	2.1
Deferred tax liabilities	8	**4.0**	3.8
TOTAL NON-CURRENT LIABILITIES		**19.8**	9.4
CURRENT LIABILITIES			
Current deferred income	7	**0.3**	0.5
Current provisions		**0.1**	0.1
Current software licence liabilities		**3.3**	-
Current loans and other borrowings	9	**207.8**	185.0
Current trade and other payables	10	**31.6**	19.4
TOTAL CURRENT LIABILITIES		**243.1**	205.0
TOTAL LIABILITIES		**262.9**	214.4
TOTAL EQUITY AND LIABILITIES		**284.4**	236.2

Approved by the Board and signed on its behalf on 24 September 2024.

Nicola M. Connelly

Nicola Connelly
Director

The accompanying Notes 1 to 17 are an integral part of the Statement of financial position at 31 December 2023.

SP POWER SYSTEMS LIMITED
INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2023

	Notes	2023 £m	2022 £m
Revenue		229.7	186.6
GROSS MARGIN		**229.7**	186.6
Staff costs	11	(84.8)	(78.1)
External services		(135.8)	(102.6)
Other operating results		2.0	1.8
Net operating costs		**(218.6)**	(178.9)
GROSS OPERATING PROFIT		**11.1**	7.7
Net expected credit losses on trade and other receivables		0.3	(0.2)
Depreciation and amortisation charge, allowances and provisions	12	(11.1)	(7.8)
OPERATING PROFIT/(LOSS)		**0.3**	(0.3)
Dividends received		3.2	-
Finance income		0.1	0.3
Finance costs	13	(4.7)	(2.1)
LOSS BEFORE TAX		**(1.1)**	(2.1)
Income tax	14	0.8	0.2
NET LOSS FOR THE YEAR		**(0.3)**	(1.9)

Net loss for both years is wholly attributable to the equity holder of SP Power Systems Limited.

Net loss for both years comprises total comprehensive income.

All results relate to continuing operations.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2023

	Share capital (Note (a)) £m	Retained earnings (Note (b)) £m	Total £m
At 1 January 2022	12.2	11.5	23.7
Loss for the year attributable to the equity holder of the company	-	(1.9)	(1.9)
At 1 January 2023	12.2	9.6	21.8
Loss for the year attributable to the equity holder of the company	-	(0.3)	(0.3)
At 31 December 2023	**12.2**	**9.3**	**21.5**

(a) At 31 December 2023, the Company had 12,247,000 allotted, called up and fully paid ordinary shares of £1 each (2022 12,247,000). The holder of these ordinary shares is 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 the member entitled to one vote on a show of hands and on a poll one vote for every share held.

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

The accompanying Notes 1 to 17 are an integral part of the Income statement and statement of comprehensive income, and Statement of changes in equity for the year ended 31 December 2023.

1 BASIS OF PREPARATION

A COMPANY INFORMATION

SP Power Systems Limited ("the Company"), registered company number SC215841, is a private company limited by shares, incorporated in Scotland and its registered address is 320 St. Vincent Street, Glasgow, Scotland, G2 5AD.

B BASIS OF PREPARATION

B1 BASIS OF PREPARATION OF THE ACCOUNTS

The Company is required by law to prepare accounts and to deliver them to the Registrar of Companies. The Accounts are prepared in accordance with the accounting policies set out in Note 2. Monetary amounts are presented in pounds Sterling and are rounded to the nearest hundred thousand unless otherwise indicated. The Accounts are prepared on the historical cost basis.

The Accounts contain information about SP Power Systems Limited as an individual company and do not contain consolidated financial information as the parent of subsidiary companies. The Company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated accounts as it and its subsidiary undertakings are included by full consolidation in the consolidated accounts of Scottish Power UK plc ("SPUK").

The Accounts have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). In preparing these financial statements, the Company has applied the recognition, measurement and disclosure requirements of international accounting standards ("IAS") as adopted by the UK ("UK-adopted IAS") in conformity with the requirements of the Companies Act 2006 including newly effective IAS for the year ended 31 December 2023 (refer to Note 1C). In applying FRS 101, the Company has made amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken:

- certain disclosures regarding revenue;
- disclosures in respect of deferred tax assets and liabilities related to Pillar Two model rules income taxes;
- comparative period reconciliations for intangible assets and property, plant 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 IAS pronouncements;
- disclosures in respect of the compensation of key management personnel; and
- the preparation of Statement of cash flows and the related notes.

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

B2 GOING CONCERN

The financial statements have been prepared on a going concern basis which the director considers to be appropriate for the following reasons.

The principal activity of the Company is to provide asset management support services to the Energy Networks licensed businesses within the group headed by SPUK ("the SPUK Group"), the Company's intermediate parent company. The Company's cash flows are therefore dependent on the continuation, volume, and pricing of those operations and have been considered as part of the SPUK Group's cash flow forecasts, on which the directors of the SPUK Group have performed an assessment of reasonably possible downsides.

To meet its working capital requirements, the Company participates in a UK centralised treasury function operated by the Company's intermediate parent company, SPL, the parent company of SPUK. ScottishPower's treasury function works closely with Iberdrola to manage the Company's funding requirements. There has been no indication that these arrangements may change.

The director has performed a going concern assessment which indicates that the Company will require additional funds, through funding from SPUK, to meet its liabilities as they fall due for at least twelve months from the date of approval of these financial statements, the going concern assessment period.

1 BASIS OF PREPARATION *continued*

SPUK has indicated its intention to continue to make available such funds as are needed by the Company during the going concern assessment period. As with any company placing reliance on other group entities for financial support, the director acknowledges that there can be no certainty that this support will continue although, at the date of approval of these financial statements, she have no reason to believe that it will not do so.

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

C IMPACT OF NEW IAS

As noted on the previous page, these Accounts have been prepared in accordance with UK-adopted IAS. In preparing these Accounts, the Company has applied all relevant standards and interpretations that have been adopted by the UK as of the date of approval of these Accounts and that are mandatory for the financial year ended 31 December 2023. For the year ended 31 December 2023, the Company has applied the following standard and amendments for the first time:

Standard	Note
• IFRS 17 'Insurance Contracts' including 'Amendments to IFRS 17' and 'Initial Application of IFRS 17 and IFRS 9 - Comparative Information'	(a)
• Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgements' : 'Disclosure of Accounting Policies'	(a)
• Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates'	(a)
• Amendments to IAS 12 'Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction'	(a)
• Amendments to IAS 12 'Income Taxes: International Tax Reform - Pillar Two Model Rules'	(a)

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

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND PRINCIPAL ACCOUNTING POLICIES

Management may be required to make a number of judgements and assumptions regarding the future and about other sources of estimation uncertainty at the end of the reporting period that may have a significant risk of resulting in a material adjustment to the reported amounts of assets and liabilities within the next financial year. The Company has no such significant judgements or estimation uncertainties.

Management has also considered a non-significant judgement relating to climate change. No material impact on the judgements and estimates made in the preparation of the financial statements has been identified. This consideration focussed on the Company's going concern position.

Additionally, consideration has been given to any estimates over the longer-term which should be disclosed to allow for an understanding of the financial statements. The Company has no estimates of this nature to disclose.

PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in preparing the financial statements are set out below. In the process of determining and applying these accounting policies, judgement, apart from those involving estimations (as noted above), is often required that can significantly affect the amounts recognised in the financial statements. Management has made no such judgements.

A INTANGIBLE ASSETS (COMPUTER SOFTWARE)
B PROPERTY, PLANT AND EQUIPMENT
C IMPAIRMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT
D FINANCIAL INSTRUMENTS
E REVENUE
F RETIREMENT BENEFITS
G TAXATION

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

A INTANGIBLE ASSETS (COMPUTER SOFTWARE)

The costs of acquired computer software, such as licences, that are expected to generate economic benefits over a period in excess of one year, are capitalised on the basis of the costs incurred to acquire, and bring to use, the specific software. The costs of software as a service ("SaaS") cloud agreements are capitalised when the Company controls the software. Costs relating to infrastructure or platform as a service cloud agreements are not capitalised. The related liabilities for capitalised SaaS contracts are measured based on the discounted sum of the future payments for each contract and presented within Software licence liabilities. Amortisation of acquired computer software is on a straight-line basis over their operational lives, which is between four and seven years.

B PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost and depreciated on a straight-line basis over the estimated operational lives of the assets. Property, plant and equipment includes capitalised employee and other directly attributable costs. Reviews of the estimated remaining lives and residual values of property, plant and equipment are undertaken annually. Residual values are assessed based on prices prevailing at each reporting date.

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

	Years
Buildings	2 - 50
Other items of property, plant and equipment	4 - 25

C IMPAIRMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

At each reporting date, the Company reviews the carrying amount of its intangible assets and 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). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Any impairment is recognised in the Income statement and statement of comprehensive income in the period in which it is identified. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been recognised, net of depreciation or amortisation, if no impairment loss had been recognised.

D 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.

D1 FINANCIAL ASSETS

D1.1 CLASSIFICATION

Financial assets are classified as measured at amortised cost. The classification of financial assets depends on the Company's business model for managing them to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The business model of the Company does not depend on the intentions of management for an individual instrument. Therefore, it is not an instrument-by-instrument classification approach but determined from a higher level of aggregation.

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

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

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

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

D1.2 RECOGNITION AND MEASUREMENT

(a) Initial recognition and measurement

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

Subject to one exception, financial assets are initially measured at fair value. The one exception is trade receivables without a significant financing component which are measured at the transaction price determined under IFRS 15 'Revenue from Contracts with Customers' ("IFRS 15").

(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 net credit losses. Interest income, foreign exchange gains and losses and net credit losses are recognised in the Income statement and statement of comprehensive income. Any gain or loss on derecognition is recognised in the Income statement and statement of comprehensive income.

(c) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when either the rights to receive cash flows from the asset have expired, or there is no reasonable expectation of recovering all, or a portion of, the contractual cash flows.

D2 FINANCIAL LIABILITIES

D2.1 CLASSIFICATION

Financial liabilities are classified as measured at amortised cost.

D2.2 RECOGNITION AND MEASUREMENT

(a) Initial recognition and measurement

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

(b) Subsequent measurement and gains and losses

Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the Income statement and statement of comprehensive income. Any gain or loss on derecognition is also recognised in the Income statement and statement of comprehensive income. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees, or costs that are an integral part of the effective interest rate. The effective interest charge is included as Finance costs in the Income statement and statement of comprehensive income.

(c) Derecognition

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

E REVENUE

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

The provision of asset management support services is a performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits of the Company's performance as it is provided. Cost is used to measure progress towards complete satisfaction of the performance obligation as this represents the transfer of the service to the customer. Revenue is therefore recognised as the costs are incurred at the agreed contractual rate.

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

F RETIREMENT BENEFITS

ScottishPower operates two defined benefit schemes and one defined contribution retirement benefit scheme in the UK. SP Power Systems 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 and statement of comprehensive income in respect of pension costs is the contributions payable in the period.

G TAXATION

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

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

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

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Income statement and statement of comprehensive income.

3 INTANGIBLE ASSETS

Year ended 31 December 2023	Computer software in use £m
Cost:	
At 1 January 2023	63.6
Additions	35.1
Disposals	(0.4)
At 31 December 2023	**98.3**
Amortisation:	
At 1 January 2023	53.9
Amortisation for the year	7.9
Disposals	(0.4)
At 31 December 2023	**61.4**
Net book value:	
At 31 December 2023	**36.9**
At 1 January 2023	9.7

(a) Included within additions is £0.8 million (2022 £0.4 million) from internal development.

(b) The cost of fully amortised computer software still in use at 31 December 2023 was £48.2 million (2022 £45.5 million).

(c) Computer software includes SaaS cloud arrangements with a carrying value of £14.1 million (2022 £nil).

(d) Included within the carrying value of Intangible assets is a software licence asset with a carrying value of £8.6 million (2022 £nil), the remaining amortisation period is approximately 6 years. Also included is a customer relationship management system asset with a carrying value of £6.5 million (2022 £nil), the remaining amortisation period is approximately 5 years.

4 PROPERTY, PLANT AND EQUIPMENT

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

Year ended 31 December 2023	Land and Buildings £m	Other items of property, plant and equipment (Note(i)) £m	Total £m
Cost:			
At 1 January 2023	64.4	23.6	88.0
Additions	0.1	0.2	0.3
Disposals	(1.8)	(0.1)	(1.9)
At 31 December 2023	**62.7**	**23.7**	**86.4**
Depreciation:			
At 1 January 2023	40.6	16.2	56.8
Depreciation for the year	1.8	1.6	3.4
Disposals	(1.8)	(0.1)	(1.9)
At 31 December 2023	**40.6**	**17.7**	**58.3**
Net book value:			
At 31 December 2023	**22.1**	**6.0**	**28.1**
At 1 January 2023	23.8	7.4	31.2

(i) The category 'Other items of property, plant and equipment' principally comprises machinery, IT equipment and tooling.
(ii) The cost of fully depreciated property, plant and equipment in use at 31 December 2023 was £25.4 million (2022 £26.5 million).
(iii) Included within the cost of property, plant and equipment at 31 December 2023 are assets in use not subject to depreciation, being land, of £1.0 million (2022 £1.0 million).

(b) Capital commitments

	2023 £m	2022 £m
Less than one year	**1.6**	0.3
One to two years	-	0.1
	1.6	0.4

(c) Research and development expenditure

The amount of research and development expenditure recognised as an expense during the year ended 31 December 2023 was £3.5 million (2022 £3.2 million).

5 INVESTMENT IN SUBSIDIARY

	Investment in subsidiary £m
At 1 January 2022,1 January 2023 and 31 December 2023	-

The Company's investment in the share capital of SP Network Connections Limited has been fully written down and as a consequence the carrying value at 31 December 2023 is £nil (2022 £nil).

Subsidiary	Principal activity	Notes	Country of incorporation	Equity interest in ordinary shares 2023	2022
SP Network Connections Limited	In liquidation	(a), (b), (c)	England and Wales	100%	100%

(a) The investment is a direct holding of the Company.
(b) SP Network Connections Limited was placed into member's voluntary liquidation on 26 July 2023 and dissolved on 12 August 2024.
(c) On 7 August 2023, the registered office was changed to Johnston Carmichael, Birchin Court, 20 Birchin Lane, London, EC3V 9DU. Prior to this, the registered office was 3 Prenton Way, Prenton, CH43 4ET.

6 CURRENT TRADE AND OTHER RECEIVABLES

	Note	**2023** **£m**	2022 £m
Receivables due from Iberdrola group companies		**208.3**	186.1
Trade receivables (including unbilled revenue)		**5.7**	6.3
Prepayments		**0.5**	1.1
Other tax receivables		**3.9**	1.7
	(a)	**218.4**	195.2

(a) Trade and other receivables includes £213.5 million (2022 £191.7 million) of IFRS 15 receivables.

7 DEFERRED INCOME

Year ended 31 December 2022	At 1 January 2022 £m	Released to Income statement £m	At 31 December 2022 £m
Deferred income	4.3	(0.5)	3.8

Year ended 31 December 2023	At 1 January 2023 £m	Released to Income statement £m	**At 31 December 2023 £m**
Deferred income	3.8	(0.5)	**3.3**

Analysis of total deferred income	Note	**2023** **£m**	2022 £m
Non-current		**3.0**	3.3
Current		**0.3**	0.5
	(a)	**3.3**	3.8

(a) Deferred income is an IFRS 15 contract liability.

8 DEFERRED TAX

Deferred tax provided in the Accounts is as follows:

	Property, plant and equipment £m	Other temporary differences £m	Total £m
At 1 January 2022	4.2	(0.3)	3.9
Credit to the Income statement and statement of comprehensive income	(0.1)	-	(0.1)
At 1 January 2023	4.1	(0.3)	3.8
Charge to the Income statement and statement of comprehensive income	0.1	0.1	0.2
At 31 December 2023	**4.2**	**(0.2)**	**4.0**

(a) Legislation was enacted on 10 June 2021 under the Finance Act 2021 that increased the UK Corporation tax rate to 25% from 1 April 2023. Accordingly, the deferred tax balances at 31 December 2023 have been provided at 25%, to reflect the rate that the temporary differences are expected to reverse at.

9 LOANS AND BORROWINGS

Instrument	Interest rate*	Maturity	**2023** **£m**	2022 £m
Loans with Iberdrola Group companies	Base + 1%	On Demand	**203.6**	183.3
Accrued interest due to Iberdrola Group companies			**4.2**	1.7
			207.8	185.0

* Base – Bank of England Base Rate

10 CURRENT TRADE AND OTHER PAYABLES

	2023 £m	2022 £m
Payables due to Iberdrola group companies	-	0.1
Trade payables	16.8	9.4
Other taxes and social security	1.9	1.5
Capital payables and accruals	6.8	3.0
Other payables	6.1	5.4
	31.6	19.4

11 EMPLOYEE INFORMATION

(a) Staff costs

	2023 £m	2022 £m
Wages and salaries	68.2	57.6
Social security costs	6.7	6.0
Pension and other costs	10.7	14.9
	85.6	78.5
Capitalised staff costs	(0.8)	(0.4)
	84.8	78.1

(b) Employee numbers

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

	Average 2023	Average 2022
Administrative staff	514	448
Operations	856	746
Total	1,370	1,194

(c) Pensions

The Company's pension contributions payable in the year were £9.5 million (2022 £13.0 million). The Company contributes to ScottishPower's defined benefit and defined contribution schemes in the UK and the contributions payable in the year reflect the contributions payable in respect of active participants in the group schemes who are employed by the Company. Full details of these schemes are provided in the most recent Annual Report and Accounts of SPUK, the intermediate holding company and the sponsoring company of the retirement benefit schemes. At 31 December 2023, the surplus in ScottishPower's defined benefit schemes in the UK amounted to £123.2 million (2022 £240.0 million). The employer contribution rate for these schemes in the year ended 31 December 2023 was 52.9% - 53.4%.

12 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

	2023 £m	2022 £m
Property, plant and equipment depreciation charge	3.4	3.2
Intangible asset amortisation charge	7.9	4.6
Charges and provisions, allowances and impairment of assets	(0.2)	-
	11.1	7.8

13 FINANCE COSTS

	2023 £m	2022 £m
Interest on amounts due to Iberdrola Group companies	4.2	1.7
Interest on software licence liabilities	0.4	-
Foreign exchange losses	0.1	0.4
	4.7	2.1

14 INCOME TAX

	2023	2022
	£m	£m
Current tax:		
UK Corporation Tax for the year	(0.6)	0.1
Adjustments in respect of prior years	(0.4)	(0.2)
Current tax for the year	(1.0)	(0.1)
Deferred tax:		
Origination and reversal of temporary differences	(0.3)	(0.4)
Adjustments in respect of prior years	0.5	0.2
Impact of tax rate change on current year tax	-	0.1
Deferred tax for the year	0.2	(0.1)
Income tax for the year	(0.8)	(0.2)

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

	2023	2022
	£m	£m
Corporation Tax at 23.5% (2022 19%)	(0.3)	(0.4)
Adjustments in respect of prior years	0.1	-
Impact of tax rate change on current year tax	-	0.1
Other permanent differences	(0.6)	0.1
Income tax for the year	(0.8)	(0.2)

Legislation was enacted on 10 June 2021 under the Finance Act 2021 that increased the UK Corporation tax rate to 25% from 1 April 2023. Accordingly, the deferred tax balances at 31 December 2023 have been provided at 25%, to reflect the rate that the temporary differences are expected to reverse at.

15 FINANCIAL COMMITMENTS

	2023	2022
	£m	£m
Less than one year	7.8	1.8
One to two years	-	8.7
Two to three years	-	0.2
	7.8	10.7

16 RELATED PARTY TRANSACTIONS

(a) Directors' remuneration

The total remuneration of the directors that provided qualifying services to the Company are shown below. As these directors are remunerated for their work for Energy Networks, it has not been possible to apportion the remuneration specifically in respect of services to this Company. Both (2022 All three) directors who served during the year were remunerated directly by the Company.

	2023	2022
	£000	£000
Aggregate remuneration in respect of qualifying services	816	858
Number of directors who exercised share options	1	2
Number of directors who received shares under a long-term incentive scheme	1	2
Number of directors accruing retirement benefits under a defined benefit scheme	1	1

	2023	2022
Highest paid director	£000	£000
Aggregate remuneration	607	557
Accrued pension benefit	-	110

(i) The highest paid director received shares under a long-term incentive scheme during the prior year only.
(ii) The highest paid director exercised share options during the prior year only.

16 RELATED PARTY TRANSACTIONS *continued*

(b) Immediate and ultimate parent company

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

The director regards Iberdrola, S.A. (incorporated in Spain) as the ultimate parent company, which is also the parent company of the largest group in which the results of the Company are consolidated. The parent company of the smallest group in which the results of the Company are consolidated is 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 its registered office, 320 St. Vincent Street, Glasgow, G2 5AD.

In addition to the parent undertakings disclosed above, the Company's other related undertaking is disclosed in Note 5.

17 AUDITOR REMUNERATION

	2023	2022
	£000	£000
Audit of the Company's Annual Accounts	**151**	145