SCOTTISHPOWER ENERGY MANAGEMENT LIMITED
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2023

Registered No. SC215843

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CONTENTS

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED
STRATEGIC REPORT

The directors present their Strategic Report on ScottishPower Energy Management Limited ("the Company") for the year ended 31 December 2023.

INTRODUCTION

The principal activities of the Company, registered company number SC215843, are the purchase of external supplies of electricity and gas for onward sale to customers, and the management of electricity purchased via renewables Power Purchase Agreements ("PPAs") from the Scottish Power Limited Group's ("ScottishPower") Renewables production division ("Renewable production") and other external parties with wholesale market participants in the United Kingdom ("UK"). These activities are performed on behalf of ScottishPower's Customer business division (formerly known as the Energy Retail business). The Company also optimises its gas storage assets.

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 Retail Holdings Limited ("SPRH"). Scottish Power Limited ("SPL") is the United Kingdom ("UK") holding company of the Scottish Power Limited Group ("ScottishPower") of which the Company is a member.

The Company is part of ScottishPower's Energy Wholesale business ("Energy Wholesale") which in turn is part of ScottishPower's Customer Business. Energy Wholesale is responsible for managing ScottishPower's exposure to the UK wholesale electricity and gas markets for both the Customer and Renewable production businesses, and, the optimisation of gas storage.

STRATEGIC OUTLOOK

Operating review

The Company continues to focus on managing ScottishPower's exposure to the UK wholesale electricity and gas markets for both the Customer business and the Renewable production division. The Company has contributed to ScottishPower's navigation of the energy markets through its trading strategies, in addition to ensuring the continued security of gas supply through optimal utilisation of its gas storage facility.

The Company continues to purchase forward power and gas requirements for the ScottishPower Customer business and sell forward power generation for Renewable production in order to provide price certainty in an environment where commodity markets experience price volatility. Considering the current commodity market status, the Company continues to optimise its credit and collateral positions with market counterparties. The reduced prices and lower volatility in the commodity market resulted in significant year-on-year movements in the Statement of financial position. Refer to 'Statement of financial position' section on the following page for further details.

The Company also supports the Customer business in delivering a range of green retail domestic fixed-term products and supports Renewable production by advising on long-term commodity price trends which assists the construction of new wind farms, and provides a route to market for new technologies.

2023 performance

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

	Revenue Note (a)		Operating profit Note (a)		Capital investment Note (b)	
	2023	2022	**2023**	2022	**2023**	2022
Financial key performance indicators	**£m**	£m	**£m**	£m	**£m**	£m
	5,676.8	7,918.4	**7.6**	52.3	**3.6**	3.8

(a) Revenue and Operating profit presented within the Income statement on page 18.
(b) Additions to Intangible assets and reassessment of decommissioning assets within Property, plant and equipment (refer to Notes 3 and 4 on pages 27 and 28).

Revenue decreased by £2,241.6 million to £5,676.8 million in 2023. This was primarily driven by the reduction in commodity prices year on year following unprecedented high prices in 2022. The lower commodity derivative revenue is driven by the level of hedging activity required to effectively manage the procurement of gas and electricity on behalf of the Customer business.

Operating profit of £7.6 million was recorded in 2023, a decrease of £44.7 million from the previous year. This is primarily driven by the Company's gas storage facility which generated a £48.0 million lower gross margin in the current year due to lower market volatility.

Capital investment of £3.6 million was primarily driven by investment in computer software in the year within Intangible Assets.

STRATEGIC OUTLOOK *continued*

Statement of financial position

Net assets of the Company increased by £462.6 million in the year to a net asset position of £132.9 million. This reflects the impact of the statutory loss of £14.7 million offset by £477.3 million of hedge reserve movements.

Energy costs declined during 2023, following the unprecedented cost levels experienced in the latter part of 2021 and throughout 2022. The reduced energy costs and lower market volatility resulted in further significant movements in the Statement of financal position. The 2022 net derivative financial liability position of £798.3 million improved by £780.8 million, resulting in a net liability of £17.5 million as at 31 December 2023. This improvement reflects both the delivery of commodity derivatives during 2023 and movements in the value of derivatives for future delivery. The reduced market volatility is also reflected in the movement of the gross cash flow hedge reserve of £619.9 million.

Current trade and other receivables decreased by £1,274.8 million to £586.5 million. Receivables due from Iberdrola group companies decreased by £875.6 million due to reduced recharges as a result of a fall in market prices. Other receivables also decreased by £375.0 million to £172.2 million. This was primarily due to a decrease in collateral posted also as a result of falling market prices.

Current trade and other payables decreased by £418.4 million to £205.9 million reflecting the decline in market prices. Loans and other borrowings also decreased by £661.1 million as a result of amounts being repaid to Iberdrola Group companies during the year.

Outlook for 2024 and beyond

For 2024 and beyond, the Company will continue to assist with the management of new, flexible assets being commissioned by Renewable production and the delivery of greener energy for the Customer business. It will also continue to optimise the value of its gas storage facility.

Financial instruments

In the current year the Company's financial instruments include Trade and other receivables, Derivative financial instruments, Trade and other payables 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 is mitigated by limiting exposure to individual counterparties based upon the risk of counterparty default. Credit risk associated with commodity derivatives is considered to be with counterparties in related energy industries, financial institutions operating in energy markets, or fellow Iberdrola Group companies. At the counterparty level, the Company employs specific eligibility criteria in determining appropriate limits for each prospective counterparty, and supplements this with netting and collateral agreements including margining, guarantees and letters of credit where appropriate. 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 Standards & Poor's external credit 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). Both 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.

The Company also utilises derivative financial instruments to manage its energy market risk. Refer to Note 6 for further details.

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 3 to 5:

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

REGULATORY AND POLITICAL RISK	
RISK	**RESPONSE**
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.
Structural uncertainty resulting from regulatory market interventions.	As required, the Company provides wholesale market data and analysis to help ensure ScottishPower's regulatory responses result in fair regulations with outcomes that reflect the realities and practicalities of wholesale market operations.

GLOBAL FINANCIAL MARKET VOLATILITY	
RISK	**RESPONSE**
Impacts arising from market and regulatory reactions to events including global conflicts. As well as positive or negative changes in the UK economy, including: • increased volatility on the value of Sterling and foreign currencies; and • movement in the market price of electricity and gas and associated impact on collateral requirements on trading positions.	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 has specific procedures in place to manage these key market risks. • The Company adheres to a ScottishPower treasury risk management policy (comprising foreign currency, liquidity and interest rate risk) to hedge financial risks which is discussed further within the 'Financial instruments' section on page 2 and within Note 6. Consideration has also been given to appropriate levels of collateral due to current market conditions (refer to Note 9).

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

CLIMATE CHANGE	
RISK	**RESPONSE**
The risk that the Company's investments or operations have a significant impact on the environment and on national and international targets to tackle climate change.	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	
RISK	**RESPONSE**
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.

CYBER SECURITY	
RISK	**RESPONSE**
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 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.

PRINCIPAL RISKS AND UNCERTAINTIES ***continued***

FINANCIAL RISK	
RISK	**RESPONSE**
The credit deterioriation of commodity trading counterparties.	ScottishPower's Corporate Risk Team support the Company in monitoring the creditworthiness of all commodity trading counterparties on a daily basis. Any deterioration in creditworthniness may lead to reductions in allocated credit limits, restrictions in trading activities or in some cases requests for collateral, either in the form of cash or a guarantee from a suitable entity.

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, is key to promoting its success and values. Meaningful engagement with 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 below.

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, and institutions, organisations and groups. All of them, with their decisions and opinions, influence the Company, and in turn, 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.

PEOPLE

As at 31 December 2023, the Company had 61 employees, working across a range of roles. These employees make a real difference in determining how successfully the Company operates. The commitment to customer experience and innovation of the Company's employees enables the Company to build on its future capability to operate effectively in a competitive market and continue to have aspirations which are challenging and rewarding. The Company respects and recognises the importance of individuality as part of its ongoing commitment to promoting an inclusive and diverse culture.

The Company also understands that being a diverse business goes beyond having legally compliant policies and practices; it includes a focus on creating an innovative, integrated organisation where people feel valued and inspiring them to perform at their best.

In November 2023, Workday became the Company's primary People IT system for managing key people processes across the entire employee journey. Workday supports a host of new processes which will change how the business attracts, manages and develops its people and thus enhance the employee experience.

ENGAGING WITH STAKEHOLDERS *continued*

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/'CorporateGovernance'/'GovernanceandSustainabilitySystem'/'SocialCommitment'/'ScottishPowerModernSlaveryPolicy'.

CUSTOMERS

The Company's success depends on its ability to understand and meet the needs of its customers, and engagement is key to its success in this rapidly changing environment. The Company performs all trading with external markets for electricity and gas on behalf of the Customer business with wholesale market participants in the UK as well as the management of electricity from renewable PPAs, including those from Renewable production.

GOVERNMENT AND REGULATORS

Governments and regulators play a central role in shaping the energy sector. ScottishPower, and so 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.

The Company is also subject to the requirements of the European Market Infrastructure Regulation ("EMIR"), as a non-financial counterparty. The regulation requires counterparties, who have entered into derivative contracts, to externally report these to an authorised Trade Repository, and to implement risk management standards for all bilateral Over-The-Counter ("OTC") derivatives.

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.

The Company's suppliers have a key role to play in the delivery of the Company's projects and services that will provide a low-carbon future for the UK. 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.

ENGAGING WITH STAKEHOLDERS *continued*

COMMUNITY AND ENVIRONMENT

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 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.

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; minimising energy consumption and use of natural and man made resources; sourcing material resources responsibly, cutting waste and encouraging re-use and recycling.

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

The Company assists with the management of new, flexible assets being commissioned by Renewable production and the delivery of greener energy products for the Customer business.

SECTION 172 STATEMENT

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

The Companies (Miscellaneous) Reporting Regulations 2018 requires the directors of ScottishPower Energy Management Limited to give a statement which describes how the directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 when discharging their duty under that section.

The directors acknowledge and understand their duties and responsibilities, including that, under section 172 of the Companies Act 2006, a director of a company must act in the way they consider, 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 Company’s strategy, requires it 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 directors strongly believe that effective and meaningful engagement with stakeholders and employees is key to promoting the success of the Company. Details of the Company’s key stakeholders of the Company, and how it engages with them are as follows:

- **People:** details of how the Company engages with its employees are set out in the ‘People’ section of the Strategic Report, on pages 5 and 6. During 2023, the Company’s board of directors (“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.
- **Customers:** details of how the Company engages with its customers are explained in the ‘Customers’ section of the Strategic Report, on page 6. During 2023, 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.
- **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 6. 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.

SECTION 172 STATEMENT *continued*

- **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 6. 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.
- **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 7. 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.

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 5.

The directors, both individually and together as a board, consider that the decisions taken during the year ended 31 December 2023 in discharging the function of the Board were in conformance with their duty under section 172 of the Companies Act 2006.

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

ON BEHALF OF THE BOARD

Valerie Sim
Director
12 September 2024

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED
DIRECTORS' REPORT

The directors present their report and audited Accounts for the year ended 31 December 2023.

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 8:

- 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 DIVIDENDS
The net loss for the year amounted to £14.7 million (2022 net profit of £43.5 million). No dividend was paid during the current or prior year.

CORPORATE GOVERNANCE
Statement regarding the corporate governance arrangements of the Company
As required by the Companies (Miscellaneous) Reporting Regulations 2018, the directors of the Company have set out as follows a statement of the corporate governance arrangements of the Company.

The ultimate parent of the Company is Iberdrola, S.A., whose shares are listed on all four stock markets in Spain. The Company, which is part of the Energy Wholesale division of the Customer Business (headed by SPRH), does not apply a corporate governance code on the basis that it adopts and adheres to the rules and principles of the SPRH Group as they have been set by the board of directors of SPRH ("the SPRH Board"), in accordance with the terms of reference of the SPRH Board and the Policy for the Definition and Coordination of the Iberdrola Group and Foundations of Corporate Organisation ("the Group Governance Framework"), all of which are based on widely recognised good governance recommendations ("the SPRH Group corporate governance system"). Those rules and principles of the SPRH Group corporate governance system that applied to the Company as part of the Energy Wholesale division of the Customer Business are set out in this statement.

The SPRH Board's terms of reference and the Group Governance Framework are published online at www.spretailholdings.com under 'Corporate Governance' / 'Governance and Sustainability System' / 'Corporate Governance' and further define the responsibilities and powers of the SPRH Board, such as they may affect the definition of the corporate governance arrangements described in this statement which apply to the Company as part of the SPRH Group.

Corporate governance system
The Company is governed by the Board, which consisted of four directors at 31 December 2023, who bring a broad range of skills and experience to the Company. The Board is regulated in accordance with the Company's Articles of Association.

In discharging its responsibilities and in the exercise of its decision-making powers, and in accordance with the Company's Articles of Association, the Board has, in accordance with the Group Governance Framework, adopted the SPRH Group corporate governance system (also known as the Customer Business Governance and Sustainability System) which is approved by the SPRH Board, and which consequently applies to the Company.

The SPRH Group corporate governance system includes the internal corporate rules (including the Purpose and Values of the Iberdrola Group, the Code of Ethics, corporate policies and other internal codes and procedures) that consistently apply within the corporate governance systems of ScottishPower and, ultimately, of the Iberdrola group. The SPRH Board, having reviewed the same, has expressly adopted these internal corporate rules as part of the SPRH Group corporate governance system, as well as the specific rules and regulations required to implement or supplement it.

The SPRH Group corporate governance system is published online at www.spretailholdings.com under 'Corporate Governance' / 'Governance and Sustainability System'.

Board composition
The directors who held office during the year were as follows:
Julián Calvo Moya
Valerie Sim
Carlos Pombo Jiménez
Neil Stainton

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

CORPORATE GOVERNANCE *continued*

There is no separate appointments committee within the SPRH Group. Instead, appointment matters relevant to the SPRH Group, and so the Company, are dealt with in accordance with an internal group procedure for approving proposed appointments or removals of directors at companies in which the Iberdrola Group holds an interest, and reviewed by the Iberdrola, S.A. Appointments Committee ("IAC"). The IAC has a function to report on the process of selection of directors and senior managers of the Iberdrola Group companies.

Purposes and values

The structure of the Company is set out in the Strategic Report. During 2023, the Board has taken into account the purpose and values of the Iberdrola Group and the Code of Ethics which are published on www.spretailholdings.com under 'Corporate Governance'. These documents define and promote the purpose, values and culture of the Company and the SPRH Group.

Director responsibilities

The directors are fully aware of their duties under the Companies Act 2006, including as set out in section 172 of the same. The primary responsibility of the Board is to supervise and make decisions as required in relation to the activities of the Company's business, as part of the Energy Wholesale division of the SPRH Group, in accordance at all times with the SPRH Group corporate governance system and the provisions of all applicable legislation and regulations.

The SPRH Board has the responsibility of, amongst other things, carrying out the day-to-day management and effective administration, and for the ordinary control, of the Energy Wholesale division of the SPRH Group overall.

Further relevant information on the administrative, management and supervisory bodies of the boards of the Company's parents, as they are pertinent to the Energy Wholesale division and the Company, are described in the sections below.

Opportunity and risk

The delivery of the SPRH Group's strategy requires the SPRH Group 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 risk inherent in the business.

The SPRH Group, as part of ScottishPower, operates systems of internal controls and a risk management framework, which is subject to continuous review and development. The Scottish Power Limited Audit and Compliance Committee ("SP ACC") reviews the internal control systems and risk management systems of ScottishPower, which includes the SPRH Group. Further information regarding the SP ACC's role is detailed on the following page within the 'Administrative, management and supervisory bodies' section.

To maintain this strategic direction, the Energy Wholesale business develops and implements risk management policies and procedures and promotes a robust control environment at all levels of the organisation. Details of the applicable risk policies are published online at www.spretailholdings.com under 'Corporate Governance'.

During 2023, the governance structure was supported by the internal control and risk management systems of the SPRH Group, as part of ScottishPower. The risk assessment risk management function supported the Board in the execution of due diligence and risk management, as described in the 'Principal risks and uncertainties' section of the Strategic Report. In pursuing these objectives, these systems only provide reasonable, and not absolute, assurance against material misstatement or loss.

Remuneration

The directors of the Company are subject to an annual evaluation of their performance in respect of their executive responsibilities as part of the performance management framework which is in place throughout the SPRH Group, as part of ScottishPower and the Iberdrola Group.

There is no separate remuneration committee within the SPRH Group. Instead, remuneration matters relevant to the SPRH Group, and so the Company, are dealt in accordance with the aforementioned performance management framework and reviewed by the Iberdrola, S.A. Remuneration Committee ("IRC"). The IRC has a function to report on the remuneration of directors and senior managers of the Iberdrola Group companies.

Stakeholders

The Board fully recognises that effective and meaningful engagement with stakeholders is key to promoting the success of the Company. The details of key stakeholders, why they are important to the Company, and how it engages with its stakeholders are an integral part of its strategic goals and are described in the Strategic Report. In particular, refer to the 'Engaging with stakeholders' section of the Strategic Report which sets out the Board's oversight of the consideration given to the Company's engagement with key stakeholders.

CORPORATE GOVERNANCE ***continued***

Administrative, management and supervisory bodies

Scottish Power Limited Board ("SPL Board")

The primary responsibilities of the SPL Board, which has its own management team, include disclosing, implementing, and ensuring compliance with the policies, strategies and general guidelines of ScottishPower overall, in accordance at all times with the provisions of all applicable legislation and regulations.

The SPL Board comprised the Chairman, the Vice-chairman, the chief executive officer ("CEO") and six other directors as at 31 December 2023. The directors of the SPL Board were:

José Ignacio Sánchez Galán	Chairman, internal, non-executive director
Professor Sir James McDonald	Vice-chairman, external, non-executive director
Keith Anderson	CEO
Wendy Barnes	External, non-executive director
Iñigo Fernández de Mesa Vargas	External, non-executive director
Professor Dame Anne Glover	External, non-executive director
Rt Hon. Claire O'Neill	External, non-executive director (resigned 17 January 2023)
Daniel Alcain López	Internal, non-executive director
Gerardo Codes Calatrava	Internal, non-executive director
José Sainz Armada	Internal, non-executive director

Meetings of the SPL Board were held on five occasions during the year under review. Attendance by the directors was as follows:

José Ignacio Sánchez Galán	Attended five meetings
Professor Sir James McDonald	Attended five meetings
Keith Anderson	Attended five meetings
Wendy Barnes	Attended four meetings
Iñigo Fernández de Mesa Vargas	Attended five meetings
Professor Dame Anne Glover	Attended four meetings
Rt Hon. Claire O'Neill	Attended no meetings
Daniel Alcain López	Attended five meetings
Gerardo Codes Calatrava	Attended five meetings
José Sainz Armada	Attended five meetings

The terms of reference of the SPL Board are published on the SPL Corporate website at www.scottishpower.com under 'Corporate Governance' /'Governance and Sustainability System'/'Corporate Governance'.

Scottish Power Limited Audit and Compliance Committee ("SP ACC")

The SP ACC, a permanent internal body, has an informative and consultative role, without executive functions, with powers of information, assessment and presentation of proposals to the SPL Board within its scope of action, which is governed by the Articles of Association of SPL and by the terms of reference of the SP ACC.

The SP ACC's responsibilities include:

- monitoring the financial and non-financial reporting processes for ScottishPower;
- overseeing the independence and efficiency of the Internal Audit and Risk department;
- overseeing and reviewing the activities of the SPL Compliance Unit;
- monitoring the statutory audit of the Annual Report and Accounts of ScottishPower; and
- monitoring the independence of the external auditor and recommending to the SPL Board, the appointment or re-appointment of the auditor and the associated terms of engagement.

The SP ACC's terms of reference are published on the SPL Corporate website at www.scottishpower.com under 'Corporate Governance'/'Governance and Sustainability System'/'Corporate Governance' and further define the responsibilities of the SP ACC.

CORPORATE GOVERNANCE *continued*

Membership and attendance

The SP ACC met six times during the year under review. The members of the SP ACC and their attendance record are shown below:

Iñigo Fernández de Mesa Vargas	Chairman, external, non-executive director	Attended six meetings
Wendy Barnes	External, non-executive director	Attended six meetings
Rt Hon. Claire O'Neill (resigned 17 January 2023)	External, non-executive director	Attended no meetings
Daniel Alcain López	Internal, non-executive director	Attended six meetings

In addition to the attendance set out above, the ScottishPower Control and Administration Director (from 1 July 2024, instead, the ScottishPower Chief Finance Officer), Director of Internal Audit (from 1 April 2024 now known as the Director of Internal Audit and Risk), the Compliance Director and the Risk Director normally attend, by invitation, all meetings of the SP ACC. Other members of senior management are also invited to attend as appropriate. During the year under review, the external auditor attended (in part) four meetings of the SP ACC.

Matters considered by the SP ACC during 2023

The issues that the SP ACC specifically addressed are detailed in its report which is published on the SPL Corporate website at www.scottishpower.com under 'Corporate Governance'/'Board of Directors'.

ScottishPower Management Committee ("SPMC")

The SPMC is a permanent internal body, which was established by the SPL Board to provide an informative and coordinating role regarding the activities of the SPL Group to which the Customer Business, and thus the Company, belongs. In accordance with the corporate governance arrangements of the Group and the separation of regulated activities, the SPMC does not exercise any executive function as a decision-making body. The SPMC meets weekly and receives regular information on the activities of the Group, including those of the Customer Business, and thus the Company, in order to support the corporate functions and lines of business in understanding the local, legal, regulatory and market specifics in the UK and in order to assist the ScottishPower CEO in the performance of his duties. The CEO defines the composition of the SPMC, having regard to the duties assigned thereto. Those persons that the CEO deems appropriate may also attend its meetings as invitees, either regularly or at a specific meeting.

SPRH Board

The SPRH Board is responsible for the effective management of the Customer Business, in accordance with the strategy of the Customer business. The SPRH Board meets regularly and reviews strategy, operational performance and risk issues on behalf of the Customer Business.

The SPRH Board comprised the Chairman, Aitor Moso Raigoso, and four other directors as at 31 December 2023. The directors and their attendance at SPRH board meetings held during the period under review (five meetings) are shown below:

Aitor Moso Raigoso	Chairman, internal, non- executive director	Attended five meetings
Andrew Ward	CEO	Attended five meetings
Nicola Connelly	Internal, non-executive director	Attended four meetings
David Gracia Fabre	Internal, non-executive director	Attended five meetings
Marion Shepherd Venman	Internal, non-executive director	Attended five meetings

David Gracia Fabre and Nicola Connelly resigned on 30 April 2024 and 18 June 2024 respectively. Iñigo Alonso Santiago and Charles Langan were appointed as internal, non-executive directors on 7 May 2024 and 26 June 2024 respectively.

The terms of reference of the SPRH Board, together with the rest of the Customer Business Governance and Sustainability System approved by the SPRH Board, are published online at www.spretailholdings.com under 'Corporate Governance' and further define the responsibilities and powers of the SPRH Board as regards the Customer Business and its stakeholders.

DIRECTORS' INDEMNITY

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

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 accounting standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101").

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

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

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

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

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

Disclosure of information to auditor

Each of the directors in office as at the date of this Annual Report and Accounts confirms that:

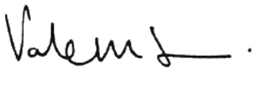
- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor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



Valerie Sim
Director
12 September 2024

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SCOTTISHPOWER ENERGY MANAGEMENT LIMITED

Opinion

We have audited the financial statements of ScottishPower Energy Management Limited ("the company") for the year ended 31 December 2023 which comprise the Statement of financial position, Income statement, Statement of comprehensive income, Statement of changes in equity, 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 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 as applied to other entities of the public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

In our evaluation of the directors' 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.

Since the entity may need financial support from other group entities, we assessed the risk that this support would not be available. We inspected letters received by the directors indicating the group's intention to provide this support, examined financial statements and internally provided projections to assess its ability to provide this support over the period of the audited entity's going concern assessment, and assessed the business reasons why the group may or may not choose to provide this support.

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

We assessed the completeness of going concern disclosure.

Our conclusions based on this work:

- we consider that the directors' 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 directors' 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:

Fraud and breaches of laws and regulations – ability to detect *continued*

- Enquiring with directors, 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, including the internal audit function, and the company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting 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.

As required by auditing standards, 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 due to non-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 and 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 related companies legislation), distributable profits legislation and taxation 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, Ofgem regulations, employment law, fraud, corruption and bribery legislation, social security legislation including minimum wage and pension auto enrolment and environmental protection legislation. 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 these 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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SCOTTISHPOWER ENERGY MANAGEMENT LIMITED *continued*

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

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

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

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

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

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED
STATEMENT OF FINANCIAL POSITION
at 31 December 2023

	Notes	**2023** £m	2022 £m
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	3	**11.0**	10.2
Property, plant and equipment	4	**14.8**	15.7
Right-of-use assets	5	**0.6**	0.6
Derivative financial instruments	6	**63.9**	243.7
Deferred tax asset	7	**6.6**	149.3
TOTAL NON-CURRENT ASSETS		**96.9**	**419.5**
CURRENT ASSETS			
Inventories	8	**34.1**	31.4
Current trade and other receivables	9	**586.5**	1,861.3
Current tax asset		**5.0**	-
Derivative financial instruments	6	**210.0**	1,177.0
TOTAL CURRENT ASSETS		**835.6**	3,069.7
TOTAL ASSETS		**932.5**	3,489.2
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		**132.9**	(329.7)
Share capital		50.0	50.0
Hedge reserve		(4.9)	(482.2)
Retained earnings		87.8	102.5
TOTAL EQUITY		**132.9**	(329.7)
NON-CURRENT LIABILITIES			
Non-current provisions	10	**0.8**	0.9
Derivative financial instruments	6	**9.1**	54.3
Non-current lease liabilities	5	**0.7**	0.6
TOTAL NON-CURRENT LIABILITIES		**10.6**	55.8
CURRENT LIABILITIES			
Current provisions	10	**0.1**	0.2
Current bank borrowings and other financial liabilities		**582.9**	3,126.4
Loans and other borrowings	11	300.6	961.7
Derivative financial instruments	6	282.3	2,164.7
Current lease liabilities	5	**0.1**	0.1
Current trade and other payables	12	**205.9**	624.3
Current tax liabilities		**-**	12.1
TOTAL CURRENT LIABILITIES		**789.0**	3,763.1
TOTAL LIABILITIES		**799.6**	3,818.9
TOTAL EQUITY AND LIABILITIES		**932.5**	3,489.2

Approved by the Board and signed on its behalf on 12 September 2024.

Valerie Sim

Valerie Sim
Director

The accompanying Notes 1 to 21 are an integral part of the Statement of financial position at 31 December 2023.

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED
INCOME STATEMENT
for the year ended 31 December 2023

	Notes	**2023** **£m**	2022 £m
Revenue	13	5,676.8	7,918.4
Procurements		(5,667.1)	(7,860.7)
GROSS MARGIN		**9.7**	57.7
Staff costs	14	(5.7)	(6.1)
External services		(21.5)	(21.6)
Other operating results		27.1	26.5
Net operating costs		**(0.1)**	(1.2)
Taxes other than income tax		**(0.2)**	(0.4)
GROSS OPERATING PROFIT		**9.4**	56.1
Net expected credit losses on trade and other receivables		2.0	(0.8)
Depreciation and amortisation charge, allowances and provisions	15	(3.8)	(3.0)
OPERATING PROFIT		**7.6**	52.3
Finance income	16	7.0	3.6
Finance costs	17	(34.2)	(3.6)
(LOSS)/PROFIT BEFORE TAX		**(19.6)**	52.3
Income tax	18	4.9	(8.8)
NET (LOSS)/PROFIT FOR THE YEAR		**(14.7)**	43.5

Net (loss)/profit for both years is wholly attributable to the equity holder of ScottishPower Energy Management Limited.

All results relate to continuing operations.

The accompanying Notes 1 to 21 are an integral part of the Income statement for the year ended 31 December 2023.

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2023

	2023	2022
	£m	£m
NET (LOSS)/PROFIT FOR THE YEAR	**(14.7)**	43.5
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to the Income statement:		
Cash flow hedges:		
Changes in the value of cash flow hedges	**619.9**	(1,783.2)
Tax relating to cash flow hedges	**(142.6)**	371.0
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**477.3**	(1,412.2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**462.6**	(1,368.7)

Total comprehensive income for both years is wholly attributable to the equity holder of ScottishPower Energy Management Limited.

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

	Share capital (Note (a))	Hedge reserve (Note (b))	Retained earnings (Note (c))	Total
	£m	£m	£m	£m
At 1 January 2022	50.0	930.0	59.0	1,039.0
Profit for the year attributable to the equity holders of the Company	-	-	43.5	43.5
Changes in the value of cash flow hedges	-	(1,783.2)	-	(1,783.2)
Tax relating to cash flow hedges	-	371.0	-	371.0
At 1 January 2023	50.0	(482.2)	102.5	(329.7)
Loss for the year attributable to the equity holders of the Company	-	-	(14.7)	(14.7)
Changes in the value of cash flow hedges	-	619.9	-	619.9
Tax relating to cash flow hedges	-	(142.6)	-	(142.6)
At 31 December 2023	**50.0**	**(4.9)**	**87.8**	**132.9**

(a) At 31 December 2023, the Company had 50,000,000 allotted, called up and fully paid ordinary shares of £1 each (2022 50,000,000). Holders of these ordinary shares are entitled to dividends as declared from time to time; amounts on the capitalisation of profits and reserves; and notice and attendance at general meetings of the Company, with every member entitled to one vote on a show of hands and on a poll one vote for every share held.

(b) The hedge reserve represents the balances of gains and losses on cash flow hedges (net of taxation) not yet transferred to income or the carrying amount of a non-financial asset.

(c) Retained earnings comprises the cumulative balance of profits and losses recognised in the accounts as adjusted for transactions with shareholders, principally dividends.

The accompanying Notes 1 to 21 are an integral part of the Statement of comprehensive income and the Statement of changes in equity for the year ended 31 December 2023.

1 BASIS OF PREPARATION

A COMPANY INFORMATION

ScottishPower Energy Management Limited, registered company number SC215843, is a private company limited by shares. It is incorporated in Scotland and its registered office 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 apart from certain financial instruments which are measured at fair value.

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:

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

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

B2 GOING CONCERN

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

The principal activities of the Company are the purchase of external supplies of electricity and gas for onward sale to customers, and the management of electricity purchased via renewables PPAs from Renewable production and other external parties with wholesale market participants in the UK. These activities are performed on behalf of the Customer business. The Company also optimises its gas storage assets. These activities take place within the group headed by Scottish Power UK plc ("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, Scottish Power Limited, 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 directors have performed a going concern assessment which indicates that, in reasonably possible downsides, 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. Nevertheless, as the group operates a centralised treasury function and in order to take account of reasonably possible downsides, SPUK has indicated its intention to continue to make available such funds as are needed by the Company during the going concern period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Consequently, the directors are confident that

1 BASIS OF PREPARATION *continued*

the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and, therefore, have prepared the financial statements on a going concern basis.

C IMPACT OF NEW IAS

As noted above, 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 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	(a)
• Amendments to IAS 12 'Income Taxes: International Tax Reform - Pillar Two Model Rules'	(a)

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

2 JUDGEMENTS, ESTIMATION UNCERTAININITIES 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
B PROPERTY, PLANT AND EQUIPMENT
C LEASED ASSETS
D IMPAIRMENT OF INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND LEASED ASSETS
E RETIREMENT BENEFITS
F FINANCIAL INSTRUMENTS
G INVENTORIES
H REVENUE
I PROCUREMENTS
J OTHER OPERATING RESULTS
K FOREIGN CURRENCY
L TAXATION

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

A INTANGIBLE ASSETS

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. Amortisation of acquired computer software is on a straight-line basis over their operational lives, which is generally up to seven years.

Costs directly attributable to the development of computer software programmes, that are expected to generate economic benefits over a period in excess of one year, are capitalised and amortised on a straight-line basis over their estimated operational lives. Costs include employee costs relating to software development and an appropriate proportion of relevant overheads directly attributable to bringing the software into use. Amortisation of developed computer software costs is over periods of up to seven years.

The Company holds a license for the operation of its plant. this license is stated at cost and depreciated on a straight-line basis over the estimated useful life of 28 years.

In all cases, maintenance costs are expensed as incurred.

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 once commissioned. Property, plant and equipment includes capitalised employee costs 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
Gas storage facilities	10 - 35
Other facilities and other items of property, plant and equipment	4 - 5

C LEASED ASSETS

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

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

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

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

C1 LESSEE

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

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

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

The lease liability recognised at the commencement date is measured initially at the present value of the lease payments that are not paid at that date. Where the rates implicit in the leases cannot be readily determined, the liabilities are discounted using the Company's incremental borrowing rate, being the currency-specific interest rate that would be incurred on a loan, with similar terms, to purchase a similar asset. The incremental borrowing rates will be updated annually and applied to leases commencing in the subsequent year. Therefore, the lease liability is measured at amortised cost using the effective interest rate method. Lease payments included in the measurement of the lease liability comprise fixed payments (including in substance fixed payments); variable lease payments that depend on an index or a rate initially measured using the index or rate at the commencement date; lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Company is reasonably certain not to do so.

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

The Company presents lease liabilities separately in the Statement of financial position; the discount on the liabilities unwinds over the term of the lease and is charged to Finance costs in the Income statement.

D IMPAIRMENT OF INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND LEASED ASSETS

At each reporting date, the Company reviews the carrying amount of its intangible assets, property, plant and equipment and leased assets 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 and lease liabilities under IFRS 16.

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 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.

E RETIREMENT BENEFITS

ScottishPower provides pensions through two defined benefit schemes and one defined contribution retirement benefit scheme in the UK. ScottishPower Energy Management 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.

F 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.

F1 FINANCIAL ASSETS

F1.1 CLASSIFICATION

Financial assets, excluding derivative financial assets, are classified as 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.

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

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.

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.

F1.2 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 two exceptions, financial assets are initially measured at fair value. The two exceptions are 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"), and financial assets not classified as FVTPL which are measured at fair value plus transaction costs that are directly attributable to its acquisition or issue.

(b) Subsequent measurement and gains and losses

Financial assets classified as amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by expected credit losses ("ECLs"). Interest income, foreign exchange gains and losses, and net ECLs are recognised in the Income statement. Any gain or loss on derecognition is also recognised in the Income statement.

(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.

F2 FINANCIAL LIABILITIES

F2.1 CLASSIFICIATION

Financial liabilities, excluding derivative financial liabilities, are classified as amortised cost.

F2.2 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. Any gain or loss on derecognition is also recognised in the Income statement.

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.

(c) Derecognition

The Company derecognises a financial liability when the obligation under that 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.

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

F2.3 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Company offsets a financial asset and a financial liability, and reports the net amount, only when the Company has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

F3 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

F3.1 DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments, primarily forward commodity contracts (fixed price/fixed volume) to hedge its commodity price risk. Derivatives are carried as financial assets and financial liabilities when their fair values are positive and negative respectively.

The gain or loss on remeasurement to fair value is recognised immediately in the Income statement unless the derivative is subject to hedge accounting. Where the derivative is subject to hedge accounting, the recognition of any gain or loss depends on the nature of hedge accounting applied (refer to Note 2F3.2).

At the inception of a hedge relationship, the Company formally designates and documents the relationship to which it wishes to apply hedge accounting, the risk management objective, and the strategy for undertaking the hedge.

The hedge documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged, and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including details of sources of hedge ineffectiveness and how the hedge ratio is determined). A relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- there is economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the relationship is the same as that resulting from the quantity of the hedged item and the quantity of the hedging instrument that the Company uses to hedge that quantity of hedged item.

F3.2 CASH FLOW HEDGES

Cash flow hedging strategies are developed for both the electricity and natural gas portfolios to hedge the variability in cash flows associated with changes in the market price of each commodity. The portion of gain or loss of the hedging instrument determined to be an effective hedge is recognised directly in equity and forms part of the hedge reserve. For hedges that relate to an underlying transaction which results in recognition of a financial asset or a liability, amounts deferred in equity are recognised in the Income statement in gross margin in the same period in which the hedged item affects it. The ineffective portion of the change in fair value of the hedging instruments is recognised in the Income statement within Procurements for hedges of underlying operations.

The Company discontinues hedge accounting when the hedge instrument expires or is sold, terminated or exercised, or when the hedge relationship no longer qualifies for hedge accounting. In the case of cash flow hedging, any gain or loss that has been recognised in equity remains there until the forecast transaction occurs. If the transaction is no longer expected to occur, the gain or loss previously deferred in equity is recognised in the Income statement.

F3.3 VALUATION OF FINANCIAL INSTRUMENTS

In those circumstances where IFRS 9 'Financial Instruments' ("IFRS 9") requires financial instruments to be recognised in the Statement of financial position at fair value, the Company's valuation strategies for derivatives and other financial instruments utilise, as far as possible, quoted prices in an active trading market.

In the absence of quoted prices for identical or similar assets or liabilities, it is sometimes necessary to apply valuation techniques where contracts are marked using approved models. Models are used for developing both the forward curves and the valuation metrics of the instruments themselves where they are complex combinations of standard and non-standard products. All models are subject to rigorous testing prior to being approved for valuation, and subsequent continuous testing and approval procedures are designed to ensure the validity and accuracy of the model assumptions and inputs.

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

F4 COLLATERAL

Collateral is generally posted to facilitate derivative trading and generally held to manage credit risk. The terms and conditions of these agreements vary according to the counterparty and the associated transactions. Collateral posted and collateral held are recognised as financial assets and financial liabilities respectively and are accounted for in accordance with the policies.

Collateral posted is included within Trade and other receivables.

G INVENTORIES

Inventories, comprising gas, are valued at the lower of cost and net realisable value. Costs include all directly attributable costs incurred in bringing the inventories to their present location and condition.

H 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.

(a) Commodity derivative income

The accounting for Commodity derivative income is set out at Note 2F3.2.

(b) Supply of wholesale electricity and gas

The Company's performance obligations are the supply of electricity and/or gas to both customers who are internal and external to ScottishPower. Both these performance obligations are satisfied over time as the customer simultaneously receives and consumes the benefits of the Company's performance as it supplies electricity and gas. The customers benefit from the Company's service as the service is provided and therefore cost (an input method) is used to measure progress towards complete satisfaction of the performance obligation. This is appropriate as all costs are recharged to the customers. Therefore, in line with IFRS 15, revenue is recognised in the amount to which the Company has a right to invoice based on the volume of units supplied during the year and at the contracted rate.

(c) Supply of Renewable Obligation Certificates ("ROCs")

The supply of ROCs to customers (who are internal to ScottishPower) is a performance obligation satisfied at a point in time. Revenue is recognised at the point the customer obtains control of the ROC, which is when legal title has passed to the customer, at the unit rate specified in the contract.

I PROCUREMENTS

Procurement costs primarily comprise of the value of units of wholesale energy purchased from the external market on behalf of Iberdrola Group companies during the year and excludes Value Added Tax. Costs are recorded on an accruals basis.

J OTHER OPERATING RESULTS

Other operating results is principally comprised of recharges to other Iberdrola Group companies for the operating costs of purchasing electricity and gas on their behalf.

K FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the spot rate at the date of the transaction. At the year end, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date, with exchange gains and losses recognised in the Income statement.

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

L 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. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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, 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 recognised in equity and is shown in the 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 except to the extent that it relates to items recognised directly in equity or shown in the Statement of comprehensive income, in which case it is recognised directly in equity or shown in the Statement of comprehensive income.

3 INTANGIBLE ASSETS

Year ended 31 December 2023	Computer software £m	Licences £m	Total £m
Cost:			
At 1 January 2023	15.8	9.5	25.3
Additions	3.8	-	3.8
At 31 December 2023	**19.6**	**9.5**	**29.1**
Amortisation:			
At 1 January 2023	9.8	5.3	15.1
Amortisation for the year	2.7	0.3	3.0
At 31 December 2023	**12.5**	**5.6**	**18.1**
Net book value:			
At 31 December 2023	**7.1**	**3.9**	**11.0**
At 1 January 2023	6.0	4.2	10.2

(a) The cost of fully amortised computer software still in use at 31 December 2023 was £7.3 million (2022 £5.8 million).

4 PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment

Year ended 31 December 2023	Note	Gas storage facilities (Note (a)) £m	Other items of property, plant and equipment in use (Notes (a) and (b)) £m	Plant in the course of construction £m	Total £m
Cost:					
At 1 January 2023		36.1	1.0	0.1	37.2
Reassessment of decommissioning asset	(c)	(0.2)	-	-	(0.2)
Transfers from plant in the course of construction to plant in use		-	0.1	(0.1)	-
At 31 December 2023		**35.9**	**1.1**	**-**	**37.0**
Depreciation:					
At 1 January 2023		21.4	0.1	-	21.5
Depreciation for the year		0.7	-	-	0.7
At 31 December 2023		**22.1**	**0.1**	**-**	**22.2**
Net book value:					
At 31 December 2023		**13.8**	**1.0**	**-**	**14.8**
At 1 January 2023		14.7	0.9	0.1	15.7

(a) Included within the cost of property, plant and equipment at 31 December 2023 are assets in use not subject to depreciation, being cushion gas of £6.3 million (2022 £6.3 million) and land of £0.7 million (2022 £0.7 million).
(b) Other items of property, plant and equipment in use principally comprises computer equipment and land.
(c) Reassessment of decommissioning asset represents a downward revision to the capitalised provision within the year (refer to Note 10).
(d) The cost of fully depreciated property, plant and equipment still in use is £0.7 million (2022 £nil).

(b) Capital Commitments

The Company had £0.2 million of capital commitments at 31 December 2023 (2022 £nil) expected to be settled within one year.

5 LEASING

The Company leases land. Information about leases for which the Company is a lessee is presented below.

(a) Nature of leases

Land

The Company holds agreements to lease land, primarily for operational assets, with typical lease terms running up to 35 years. Certain agreements can be terminated with appropriate notice, generally up to twelve months.

Extension options

Certain leases contain extension options exercisable by the Company at the end of the non-cancellable contract period or an agreed point before that date; the terms can be extended by up to 25 years. Where practicable, the Company seeks to include extension options in leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. At lease commencement, the Company will assess whether it is reasonably certain to exercise the extension options and reassesses this if there is a significant event or change in circumstances within its control.

Other information

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

5 LEASING *continued*

(b) Right-of-use assets

Year ended 31 December 2022	Land £m
Cost:	
At 1 January 2022 and 31 December 2022	0.8
Depreciation:	
At 1 January 2022 and 31 December 2022	0.2
Net book value:	
At 1 January 2022 and 31 December 2022	0.6

Year ended 31 December 2023	Land £m
Cost:	
At 1 January 2023	0.8
Adjustments for changes in liabilities	0.1
At 31 December 2023	**0.9**
Depreciation:	
At 1 January 2023	0.2
Charge for the year	0.1
At 31 December 2023	**0.3**
Net book value:	
At 31 December 2023	**0.6**
At 1 January 2023	0.6

(i) There are no right-of-use assets measured at revalued amounts.
(ii) The depreciation charge for the year ended 31 December 2022 was less than £0.1 million.

(c) Lease liabilities

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

	2023 £m	2022 £m
Less than one year	0.1	0.1
One to five years	0.4	0.3
More than five years	0.5	0.5
Total undiscounted lease liabilities at 31 December	**1.0**	0.9
Finance cost	(0.2)	(0.2)
Total discounted lease liabilities	**0.8**	0.7
Analysis of total lease liabilities		
Non-current	0.7	0.6
Current	0.1	0.1
Total	**0.8**	0.7

During both 2023 and 2022, interest on lease liabilities of less than £0.1 million was charged to the Income statement.

Details of ScottishPower's, and therefore the Company's, management strategy for liquidity risks inherent in the Company's lease liability can be found in the most recent Annual Report and Accounts of SPL.

(d) Total cash outflow for leases

	2023 £m	2022 £m
Total cash outflow for leases	**(0.1)**	(0.1)

6 FINANCIAL INSTRUMENTS

The Company holds certain financial instruments which are measured in the Statement of financial position at fair value as detailed below.

	Derivative financial instruments £m
At 1 January 2022	950.4
Recorded in Income statement	(9.9)
Early settlement of derivatives	44.4
Recorded in Cash flow hedge reserve	(1,783.2)
At 1 January 2023	(798.3)
Recorded in Income statement	0.2
Early settlement of derivatives	160.7
Recorded in Cash flow hedge reserve	619.9
At 31 December 2023	**(17.5)**

The £619.9 million recorded as an increase in the Cash flow hedge reserve during 2023 (2022 - £1,783.2 million decrease) reflects both the delivery of commodity derivatives during 2023 and movements in the value of derivatives for future delivery. The significant movement from prior year is driven by reduced energy costs and lower market volatility in 2023.

The Company's derivatives primarily comprise commodity derivatives. The Company uses commodity forward (fixed-price/fixed-volume) contracts to hedge its exposure to commodity price risk (the variability in cash flows associated with changes in the market price of electricity and natural gas).

The critical terms of the commodity derivatives must align with the hedged items to qualify for hedge accounting. For such items the Company designates the entire value of the commodity forward in the hedge relationship. When cash flow hedge accounting is applied, the Company defers in equity the fair value changes of open derivative positions until the period in which the forecast transactions occur. Some commodity forward contracts do not satisfy the strict requirements for hedge accounting and are accounted for as non-hedging derivatives. Changes in the fair value of any commodity derivative instrument that does not qualify for hedge accounting is recognised immediately in the Income statement and is included in Gross margin.

The table below illustrates the timing of the notional amount of commodity derivatives which qualify for hedge accounting.

	Notional amount of hedging instrument (maturity profile) £m			
At 31 December 2023	**1 year**	**2 years**	**3 years**	**Total**
Commodity derivatives	**2,056.4**	**382.6**	**38.0**	**2,477.0**

The future cash flows on derivative instruments may be different from the amounts in the table above as commodity prices or the relevant conditions underlying the calculation change.

7 DEFERRED TAX

Deferred tax is recognised in the Accounts as follows:

	Property, plant and equipment £m	Derivative financial instruments £m	Other temporary differences £m	Total £m
At 1 January 2022	(1.5)	(223.7)	0.2	(225.0)
Credit to the Income statement	-	3.0	0.3	3.3
Recorded in the Statement of comprehensive income	-	371.0	-	371.0
At 1 January 2023	(1.5)	150.3	0.5	149.3
Credit/(charge) to the Income statement	-	0.4	(0.5)	(0.1)
Recorded in the Statement of comprehensive income	-	(142.6)	-	(142.6)
At 31 December 2023	**(1.5)**	**8.1**	**-**	**6.6**

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.

8 INVENTORIES

	2023	2022
	£m	£m
Fuel stocks	**34.1**	31.4

Inventories with a value of £15.4 million (2022 £30.0 million) were recognised as an expense during the year.

9 TRADE AND OTHER RECEIVABLES

	Notes	**2023 £m**	2022 £m
Current trade and other receivables			
Receivables due from Iberdrola group companies - trade		**328.2**	1,203.8
Trade receivables (including accrued income)		**71.2**	92.6
Prepayments		**0.1**	0.2
Other tax receivables		**14.8**	17.5
Other receivables	(a)	**172.2**	547.2
	(b)	**586.5**	1,861.3

(a) Collateral support agreements are used to manage credit exposure to commodity price changes and include margining for trading with exchanges. Current other receivables comprises collateral of £153.7 million (2022 £529.0 million) with the Company's principal commodity derivatives clearer, £18.5 million (£18.4 million) in other operational collateral offset by £nil (2022 £0.2 million) of ECLs. The movement from prior year is due to changes in the market price of commodities. At 31 December 2023, letters of credit posted amounted to £232.0 million (2022 £1,032.0 million), £145.0 million (2022 £870.0 million) of which related to a letter of credit posted with the Company's commodity derivative clearer.

(b) The table below provides information about IFRS 15 contract balances included within Trade and other receivables:

	2023	2022
	£m	£m
IFRS 15 Receivables	**399.0**	1,296.4

(i) A credit of £2.0 million (2022 charge of £0.8 million) of net ECLs were recognised during the year on receivables and contract assets arising from the Company's contracts with customers.

10 PROVISIONS

Year ended 31 December 2022	Note	At 1 January 2022 £m	Reassessment of decommissioning costs £m	At 31 December 2022 £m
Decommissioning costs	(a)	1.3	(0.2)	1.1

Year ended 31 December 2023	Note	At 1 January 2023 £m	Reassessment of decommissioning costs £m	**At 31 December 2023 £m**
Decommissioning costs	(a)	1.1	(0.2)	**0.9**

Analysis of total provisions	**2023 £m**	2022 £m
Non-current	**0.8**	0.9
Current	**0.1**	0.2
	0.9	1.1

(a) The provision for decommissioning costs is the discounted future estimated costs of decommissioning the Company's gas storage facilities. It is expected to be utilised between 2024 and 2036. The reduction of £0.2 million (2022 £0.2 million) resulted from a downward reassessment of future estimated decommissioning costs (refer to Note 4). The discount rates applied are based on UK treasury bonds with maturities which are similar to the expected decommissioning date.

11 LOANS AND OTHER BORROWINGS

Analysis of loans and other borrowings by instrument and maturity

Instrument	**Interest rate**	**Maturity**	**2023 £m**	2022 £m
Loans with Iberdrola Group companies	Base +1%	On demand	**266.7**	958.5
Accrued interest due to Iberdrola Group companies			**33.9**	3.2
			300.6	961.7

(a) All loans are repayable in full on maturity.

12 TRADE AND OTHER PAYABLES

	Note	**2023 £m**	2022 £m
Current trade and other payables			
Payables due to Iberdrola group companies		**7.4**	1.7
Trade payables	(a)	**196.8**	620.0
Other taxes and social security		**0.1**	0.1
Capital payables and accruals		**0.9**	1.7
Other payables		**0.7**	0.8
		205.9	624.3

(a) Trade payables include amounts due on commodity activities.

13 REVENUE

Disaggregation of revenue

	2023	2022
	£m	£m
Commodity derivative income	**1,805.5**	4,020.2
Supply of wholesale electricity	**1,979.0**	2,103.9
Supply of wholesale gas	**1,775.0**	1,581.9
Supply of ROCs	**117.3**	212.4
	5,676.8	7,918.4

Revenue recognition accounting policies for the above disclosed revenue streams are disclosed at Note 2F3 and 2H. All revenue arises from operations within the UK.

14 EMPLOYEE INFORMATION

(a) Staff costs

	2023	2022
	£m	£m
Wages and salaries	**4.4**	4.3
Social security costs	**0.5**	0.5
Pension and other costs	**0.8**	1.3
	5.7	6.1

(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	**39**	43
Operations	**19**	19
Total	**58**	62

(c) Retirement benefits

The Company's contributions payable in the year were £0.6 million (2022 £1.2 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. As 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 2022 was 52.9%-53.4%.

15 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

	2023	2022
	£m	£m
Property, plant and equipment depreciation charge	**0.7**	0.8
Right-of-use asset depreciation charge	**0.1**	-
Intangible asset amortisation charge	**3.0**	2.2
	3.8	3.0

16 FINANCE INCOME

	2023	2022
	£m	£m
Interest on bank and other deposits	**6.6**	3.3
Foreign exchange gains	**0.1**	0.2
Fair value and other gains on non-hedging derivatives	**0.3**	0.1
	7.0	3.6

17 FINANCE COSTS

	2023	2022
	£m	£m
Interest on amounts due to Iberdrola Group companies	**33.9**	3.1
Interest on other borrowings	**0.2**	-
Expected credit losses (reversal)/charge on financial assets	**(0.2)**	0.2
Foreign exchange losses	**0.1**	-
Fair value and other losses on non-hedging derivatives	**0.2**	0.3
	34.2	3.6

18 INCOME TAX

	2023	2022
	£m	£m
Current tax:		
UK Corporation Tax for the year	**(5.0)**	12.1
Current tax for the year	**(5.0)**	12.1
Deferred tax:		
Origination and reversal of temporary differences	**0.5**	(2.0)
Impact of tax rate change	**(0.4)**	(1.3)
Deferred tax for the year	**0.1**	(3.3)
Income tax for the year	**(4.9)**	8.8

	2023	2022
	£m	£m
Corporation Tax at 23.5% (2022 19%)	**(4.6)**	9.9
Impact of tax rate change on current year tax	**(0.4)**	(1.3)
Non-deductible expenses and other permanent differences	**0.1**	0.2
Income tax for the year	**(4.9)**	8.8

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.

19 FINANCIAL COMMITMENTS

Contractual commitments

ScottishPower manages its energy resource requirements by integrating long-term firm, short-term and spot market purchases with its own generating resources to manage volume and price volatility and maximise value across the energy value chain. As part of its energy resource portfolio, the Company is committed under long-term purchase contracts summarised in the table on the following page.

19 FINANCIAL COMMITMENTS *continued*

	2023					
	2024	**2025**	**2026**	**2027**	**2028**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Long-term energy purchase contract commitments	1,804.8	105.2	5.1	-	-	**1,915.1**
Other contractual commitments	4.7	4.3	4.4	4.5	4.6	**22.5**

	2022						
	2023	2024	2025	2026	2027	2028 and thereafter	Total
	£m	£m	£m	£m	£m	£m	£m
Long-term energy purchase contract commitments	4,482.4	402.6	61.1	4.1	-	-	4,950.2
Other contractual commitments	45.4	3.4	3.4	3.5	3.6	3.7	63.0

20 RELATED PARTY TRANSACTIONS

(a) Transactions and balances arising in the normal course of business (excluding wholly owned subsidiaries of Iberdrola, S.A.)

	2023	2022
	Other Iberdrola Group companies	Other Iberdrola Group companies
	£m	£m
Sales and rendering of services	**0.3**	0.3

(b) Directors' remuneration

The total remuneration of the directors who provided qualifying services to the Company are shown below. As these directors are remunerated for their work for the group headed by SPRH, it has not been possible to apportion the remuneration specifically in respect of services to this Company. Of the four directors (2022 five), one (2022 two) was remunerated directly by the Company. The remaining directors were remunerated by other Iberdrola Group companies in both years.

	2023	**2022**
	£000	£000
Aggregate remuneration in respect of qualifying services	**374**	307
Number of directors who exercised share options	**2**	3
Number of directors who received shares under a long-term incentive scheme	**1**	1
Number of directors accruing retirement benefits under a defined benefit scheme	**2**	3

	2023	2022
Highest paid director	**£000**	£000
Aggregate remuneration	**187**	148
Accrued pension benefit	**53**	29

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

(c) Immediate and ultimate parent company

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

The directors regard 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 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.

21 AUDITOR'S REMUNERATION

	2023	2022
	£m	£m
Audit of the annual accounts	**0.5**	0.5