

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2024

Registered No. SC215843

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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 2024.

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") Renewable production division ("Renewable production") and other external parties with wholesale market participants in the United Kingdom ("UK"). These activities are performed on behalf of both ScottishPower's Customer business division and Renewable production division. The Company also optimises its gas storage facility.

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 UK holding company of 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 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.

2024 performance

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

	Revenue*		Operating profit*		Capital investment**	
	2024	2023	2024	2023	2024	2023
Financial key performance indicators	£m	£m	£m	£m	£m	£m
	2,807.3	5,676.8	0.4	7.6	4.5	3.6

*Revenue and Operating profit presented within the Income statement on page 14.

**Additions to Intangible assets and Property, plant and equipment (refer to Notes 3 and 4 on pages 22 and 23).

Revenue decreased by £2,869.5 million to £2,807.3 million in 2024. This was primarily driven by the reduction in commodity prices year on year as well as lower volumes due to a decrease in customer numbers and the Customer business' withdrawal from the industrial and commercial (I&C) market.

Operating profit of £0.4 million was recorded in 2024, a decrease of £7.2 million from the previous year. This is primarily driven by the Company's gas storage facility which generated a £5.2 million lower gross margin in the current year due to lower market volatility.

Capital investment of £4.5 million was primarily driven by investment in computer software in the year within Intangible Assets.

Statement of financial position

Net assets of the Company increased by £90.6 million in the year to a net asset position of £223.5 million. This reflects the £99.0 million increase in the hedge reserve offset by the statutory loss of £8.4 million.

Outlook for 2025 and beyond

For 2025 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.

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED

STRATEGIC REPORT *continued*

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 there are no such obligations with Iberdrola Group companies with a credit rating lower than BBB+ (in line with the external credit ratings from S&P Global Ratings).

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

The Company produces short-term rolling cash flow requirements and, if necessary, any required funding is obtained via ScottishPower credit facilities already in place.

The Company also utilises derivative financial instruments to manage its energy market risk. Refer to Note 5 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 2 to 4:

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.

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED
STRATEGIC REPORT *continued*

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

GLOBAL FINANCIAL MARKET VOLATILITY	
RISK	RESPONSE
<p>Impacts arising from market and regulatory reactions to geopolitical events. As well as positive or negative changes in the UK economy, including:</p> <ul style="list-style-type: none"> • 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. 	<p>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.</p> <ul style="list-style-type: none"> • 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 5. Consideration has also been given to appropriate levels of collateral due to current market conditions (refer to Notes 8 and 11).

CLIMATE CHANGE	
RISK	RESPONSE
<p>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, or that climate change has a significant impact on the Company's assets.</p>	<p>The Company is committed to reducing its environmental footprint and responding to the risks and opportunities of climate change by:</p> <ul style="list-style-type: none"> • 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.

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED
STRATEGIC REPORT *continued*

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

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
<p>The Company operates within an environment where there is the presence of sophisticated and opportunistic cyber security threat actors motivated to identify and take advantage of flaws and weaknesses in the Company's cyber security defences. The Company, in alignment with UK Regulation, takes the protection of its Data very seriously. The Company, as part of ScottishPower, continues to invest significantly in its people, processes and technologies to enhance its capabilities to prevent, detect and respond to security threats.</p> <p>The main risks are:</p> <ul style="list-style-type: none"> 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. 	<p>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 appointment of a Business Information Security Officer for the division.</p> <p>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.</p> <p>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.</p>

FINANCIAL RISK	
RISK	RESPONSE
The credit deterioration 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 creditworthiness 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.

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED

STRATEGIC REPORT *continued*

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 Ongoing Shareholders Engagement Policy as published at www.iberdrola.com.

PEOPLE

As at 31 December 2024, the Company had 58 employees, working across a range of roles. These employees make a real difference in determining how successfully the Company operates. The creativity, innovation and individuality 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 a culture where individuality is celebrated.

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.

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:

- 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 therefore 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

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.

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED

STRATEGIC REPORT *continued*

ENGAGING WITH STAKEHOLDERS *continued*

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 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.

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

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED

STRATEGIC REPORT *continued*

SECTION 172 STATEMENT *continued*

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 page 5. During 2024, the Company's board of directors ("the Board") acknowledged that the commitment of the Company's employees to customer experience and innovation enables the Company to operate effectively in a competitive market.
- **Customers:** details of how the Company engages with its customers are explained in the 'Customers' section of the Strategic Report, on page 5. During 2024, the Board noted that engagement with the Company's customers is key to its success.
- **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 2024, the Board acknowledged its reporting and risk management requirements as a non-financial counterparty under the European Market Infrastructure Regulation.
- **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 2024, 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 6. During 2024, the Board affirmed the Company's commitment to reducing its environmental footprint and responding to the risks and opportunities of climate change.

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 2024 in discharging the function of the Board were in conformance with their duty under section 172 of the Companies Act 2006.

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

ON BEHALF OF THE BOARD



Valerie Sim
Director

25 September 2025

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED

DIRECTORS' REPORT

The directors present their report and audited Accounts for the year ended 31 December 2024.

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 7:

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

RESULTS AND DIVIDENDS

The net loss for the year amounted to £8.4 million (2023 £14.7 million). No dividend was paid during the current or prior year.

DIRECTORS

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

Julian Calvo Moya
Valerie Sim
Carlos Pombo Jimenez
Neil Stainton

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

DIRECTORS' INDEMNITY

In terms of the Company's Articles of Association, a qualifying 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.

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED
DIRECTORS' REPORT *continued*

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 2025.

ON BEHALF OF THE BOARD



Valerie Sim

Director

25 September 2025

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 2024 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 2024 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 at least a year 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.

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:

- 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.

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

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

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. 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.

Strategic report and directors' report

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

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

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

Auditor's responsibilities

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

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

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

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



Nikki Palfreman (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St. Vincent Street
Glasgow
G2 5AS
26 September 2025

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED
STATEMENT OF FINANCIAL POSITION
at 31 December 2024

		2024	2023
	Notes	£m	£m
NON-CURRENT ASSETS			
Intangible assets	3	11.3	11.0
Property, plant and equipment	4	14.7	14.8
Right-of-use assets		0.6	0.6
Derivative financial instruments	5	2.4	63.9
Deferred tax asset	6	-	6.6
		29.0	96.9
CURRENT ASSETS			
Inventories	7	25.0	34.1
Trade and other receivables	8	256.0	586.5
Current tax asset		3.3	5.0
Derivative financial instruments	5	145.4	210.0
		429.7	835.6
TOTAL ASSETS		458.7	932.5
EQUITY			
Share capital		50.0	50.0
Hedge reserve		94.1	(4.9)
Retained earnings		79.4	87.8
TOTAL EQUITY		223.5	132.9
NON-CURRENT LIABILITIES			
Provisions	9	0.7	0.8
Derivative financial instruments	5	9.7	9.1
Lease liabilities		0.6	0.7
Deferred tax liabilities	6	27.8	-
		38.8	10.6
CURRENT LIABILITIES			
Provisions	9	0.2	0.1
Loans and other borrowings	10	32.1	300.6
Derivative financial instruments	5	12.6	282.3
Lease liabilities		0.1	0.1
Trade and other payables	11	151.4	205.9
		196.4	789.0
TOTAL LIABILITIES		235.2	799.6
TOTAL EQUITY AND LIABILITIES		458.7	932.5

Approved by the Board and signed on its behalf on 25 September 2025.



Valerie Sim
Director

The accompanying Notes 1 to 20 are an integral part of the Statement of financial position at 31 December 2024.

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED
INCOME STATEMENT
for the year ended 31 December 2024

		2024	2023
	Notes	£m	£m
Revenue	12	2,807.3	5,676.8
Procurements		(2,802.8)	(5,667.1)
GROSS MARGIN		4.5	9.7
Staff costs	13	(5.7)	(5.7)
External services		(20.4)	(21.5)
Other operating results		26.4	27.1
Net operating costs		0.3	(0.1)
Taxes other than income tax		(0.2)	(0.2)
GROSS OPERATING PROFIT		4.6	9.4
Net expected credit losses on trade and other receivables		0.1	2.0
Depreciation and amortisation charge, allowances and provisions	14	(4.3)	(3.8)
OPERATING PROFIT		0.4	7.6
Finance income	15	1.9	7.0
Finance costs	16	(13.2)	(34.2)
LOSS BEFORE TAX		(10.9)	(19.6)
Income tax	17	2.5	4.9
NET LOSS FOR THE YEAR		(8.4)	(14.7)

Net loss 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 20 are an integral part of the Income statement for the year ended 31 December 2024.

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2024

	2024	2023
	£m	£m
NET LOSS FOR THE YEAR	(8.4)	(14.7)
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to the Income statement:		
Cash flow hedges:		
Change in the value of cash flow hedges	132.0	619.9
Tax relating to cash flow hedges	(33.0)	(142.6)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	99.0	477.3
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	90.6	462.6

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 2024

	Share capital (Note (a)) £m	Hedge reserve (Note (b)) £m	Retained earnings (Note (c)) £m	Total £m
At 1 January 2023	50.0	(482.2)	102.5	(329.7)
Loss for the year attributable to the equity holder 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 and 1 January 2024	50.0	(4.9)	87.8	132.9
Loss for the year attributable to the equity holder of the Company	-	-	(8.4)	(8.4)
Changes in the value of cash flow hedges	-	132.0	-	132.0
Tax relating to cash flow hedges	-	(33.0)	-	(33.0)
At 31 December 2024	50.0	94.1	79.4	223.5

- (a) At 31 December 2024, the Company had 50,000,000 allotted, called up and fully paid ordinary shares of £1 each (2023 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 20 are an integral part of the Statement of comprehensive income and the Statement of changes in equity for the year ended 31 December 2024.

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS

31 December 2024

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

The Accounts have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). 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 and plant and equipment;
- 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 Scottish Power UK plc include the equivalent disclosures, the Company has also taken the following available exemptions under FRS 101:

- certain disclosures required by IFRS 13 'Fair Value Measurement';
- disclosures required by IAS 12 'Income Taxes' relating to Pillar Two model rules in respect of deferred tax assets and liabilities; and
- 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 facility. 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.

Cash and liquidity are managed centrally by the ScottishPower Treasury function, with working capital requirements of the Company funded by SPL, the parent company of SPUK, who also operate a cash pooling arrangement, which the Company is party to. Centralised funding and cash management aligns with the Iberdrola Group model.

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 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.

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2024

1 BASIS OF PREPARATION *continued*

C IMPACT OF NEW 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 2024.

For the year ended 31 December 2024, the following amendments to standards have been issued and are applicable for the Company for the first time. Where relevant, their application has not had a material impact on the Company's accounting policies, financial position or performance:

- Amendments to IFRS 16 'Leases: Lease Liability in a Sale and Leaseback'
- Amendments to IAS 1 'Presentation of Financial Statements: Classification of Liabilities as Current or Non-current' and 'Deferral of Effective Date' and 'Non-current Liabilities with Covenants'
- Amendments to IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments: Disclosures': 'Supplier Finance Arrangements'

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND PRINCIPAL ACCOUNTING POLICIES

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

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

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

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 eight 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.

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2024

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

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

	Years		
Gas storage facility	10	-	35
Other facilities and other items of property, plant and equipment	4	-	5

C IMPAIRMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

At each reporting date, the Company reviews the carrying amount of its intangible assets and property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset (the greater of its value-in-use and its fair value less costs to sell) is estimated in order to determine the extent of the impairment loss (if any). In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

D 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.

E FINANCIAL INSTRUMENTS

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

E1 FINANCIAL ASSETS

E1.1 CLASSIFICATION

Financial assets, excluding derivative financial assets, are classified as being measured at amortised cost. The classification of financial assets depends on the Company's business model for managing them to generate cash flows.

The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The business model of the Company does not depend on the intentions of management for an individual instrument. Therefore, it is not an instrument-by-instrument classification approach but determined from a higher level of aggregation.

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

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

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.

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2024

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

E1.2 RECOGNITION AND MEASUREMENT

(a) Initial recognition and measurement

Trade receivables are initially recognised when they originate. All other financial assets 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. Financial assets classified as FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the Income statement unless the financial asset is a derivative which is part of a hedging relationship (refer to Note 2E3.2).

(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.

E2 FINANCIAL LIABILITIES

E2.1 CLASSIFICATION

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

E2.2 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 classified as FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the Income statement. Unless the financial liability is a derivative which is part of a hedging relationship (refer to Note 2E3.2).

Other 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 has expired. 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.

E2.3 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.

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2024

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

E3 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

E3.1 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 2E3.2).

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 the analysis 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.

In circumstances where the Company seeks to hedge a risk which is a component part of an underlying transaction, the risk component of that transaction is considered to be the hedged item where it is separately identifiable and can be reliably measured.

E3.2 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.

E3.3 FAIR 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. Where derivatives are not collateralised, their valuation reflects the Company's credit risk in the case of liabilities, and the counterparty's credit risk in the case of assets.

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2024

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

E4 COLLATERAL

Collateral agreements are utilised to facilitate derivative trading and generally to mitigate credit risk and manage credit exposures on both external contracts and contracts with counterparties within the Iberdrola Group.

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 described in Notes 2E1 and 2E2.

Collateral posted is included within Trade and other receivables.

Collateral held is included within Trade and other payables.

F INVENTORIES

Inventories, comprising gas in store, 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. When sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised.

G 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 2E3.2.

(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.

H 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.

I 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.

J 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 Finance income and costs.

K TAXATION

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

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2024

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

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 other comprehensive income, in which case it is recognised directly in equity or shown in the Statement of comprehensive income.

3 INTANGIBLE ASSETS

	Computer software (Note (a)) £m	Licences £m	Total £m
Year ended 31 December 2024			
Cost:			
At 1 January 2024	19.6	9.5	29.1
Additions	3.9	-	3.9
At 31 December 2024	23.5	9.5	33.0
Amortisation:			
At 1 January 2024	12.5	5.6	18.1
Amortisation for the year	3.2	0.4	3.6
At 31 December 2024	15.7	6.0	21.7
Net book value:			
At 31 December 2024	7.8	3.5	11.3
At 1 January 2024	7.1	3.9	11.0

(a) The cost of fully amortised computer software still in use at 31 December 2024 was £9.5 million (2023 £7.3 million).

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2024

4 PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment

	Gas storage facility (Note (a)) £m	Other items of property, plant and equipment in use (Note (a) and (b)) £m	Plant in the course of construction £m	Total £m
Year ended 31 December 2024				
Cost:				
At 1 January 2024	35.9	1.1	-	37.0
Additions	-	0.1	0.5	0.6
Transfers from plant in the course of construction to plant in use	0.1	-	(0.1)	-
At 31 December 2024	36.0	1.2	0.4	37.6
Depreciation:				
At 1 January 2024	22.1	0.1	-	22.2
Depreciation for the year	0.7	-	-	0.7
At 31 December 2024	22.8	0.1	-	22.9
Net book value:				
At 31 December 2024	13.2	1.1	0.4	14.7
At 1 January 2024	13.8	1.0	-	14.8

(a) Included within the cost of property, plant and equipment at 31 December 2024 are assets in use not subject to depreciation, being cushion gas of £6.3 million (2023 £6.3 million) and land of £0.7 million (2023 £0.7 million).

(b) Other items of property, plant and equipment in use principally comprises computer equipment and land.

(c) The cost of fully depreciated property, plant and equipment still in use is £0.7 million (2023 £0.7).

5 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 2023	(798.3)
Recorded in Income statement	0.2
Recorded in Cash flow hedge reserve	619.9
Early settlement of derivatives	160.7
At 31 December 2023 and 1 January 2024	(17.5)
Recorded in Income statement	0.4
Recorded in Cash flow hedge reserve	132.0
Early settlement of derivatives	10.6
At 31 December 2024	125.5

The £132.0 million recorded as an increase in the Cash flow hedge reserve during 2024 (2023 £619.9 million) reflects both the delivery of commodity derivatives during 2024 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 than 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

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2024

5 FINANCIAL INSTRUMENTS *continued*

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.

At 31 December 2024	1 year	2 years	3 years	Total
Commodity derivatives	1,880.0	234.5	29.2	2,143.7

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.

6 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 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 and 1 January 2024	1.5	(8.1)	-	(6.6)
Charge to the Income statement	1.3	-	0.1	1.4
Recorded in the statement of comprehensive income	-	33.0	-	33.0
At 31 December 2024	2.8	24.9	0.1	27.8

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 were provided at 25%, to reflect the rate that the temporary differences were expected to reverse at.

7 INVENTORIES

	2024 £m	2023 £m
Fuel stocks	25.0	34.1

Inventories with a value of £22.6 million (2023 £15.4 million) were recognised as an expense during the year.

8 CURRENT TRADE AND OTHER RECEIVABLES

	Notes	2024 £m	2023 £m
Receivables due from related parties		164.6	328.2
Trade receivables (including accrued income)		71.4	71.2
Prepayments		-	0.1
Other tax receivables		12.2	14.8
Other receivables	(a)	7.8	172.2
	(b)	256.0	586.5

(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 £nil (2023 £153.7.0 million) with the Company's principal commodity derivatives clearer and £7.8 million (2023 £18.5 million) in other operational collateral. The movement from prior year is due to changes in the market price of commodities. At 31 December 2024, letters of credit posted amounted to £187.0 million (2023 £232.0 million), £120.0 million (2023 £145.0 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:

	2024 £m	2023 £m
IFRS 15 Receivables	235.8	399.0

(i) A credit of £0.1 million (2023 credit of £2.0 million) of net ECLs were recognised during the year on receivables and contract assets arising from the Company's contracts with customers.

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2024

9 PROVISIONS

	Decommissioning costs £m	
At 31 December 2023, 1 January and 31 December 2024	0.9	
	2024	2023
Analysis of total provisions	£m	£m
Non-current	0.7	0.8
Current	0.2	0.1
	0.9	0.9

(a) The provision for decommissioning costs is the discounted future estimated costs of decommissioning the Company's gas storage facility. It is expected to be utilised between 2025 and 2036.

10 LOANS AND OTHER BORROWINGS

Analysis of loans and other borrowings by instrument and maturity

			2024	2023
Instrument	Interest rate	Maturity	£m	£m
Loans payable to related parties	Base + 1%	On demand	20.4	266.7
Accrued interest due to related parties			11.7	33.9
			32.1	300.6

*Base – Bank of England base rate

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

11 CURRENT TRADE AND OTHER PAYABLES

		2024	2023
	Note	£m	£m
Payables due to related parties		0.4	7.4
Trade payables	(a)	96.6	196.8
Other taxes and social security		0.1	0.1
Capital payables and accruals		1.1	0.9
Collateral held		52.5	-
Other payables		0.7	0.7
		151.4	205.9

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

12 REVENUE

Disaggregation of revenue

	2024	2023
	£m	£m
Commodity derivative income	1,434.4	1,805.5
Supply of wholesale electricity	392.6	1,979.0
Supply of wholesale gas	959.0	1,775.0
Supply of ROCs	21.3	117.3
	2,807.3	5,676.8

Revenue recognition accounting policies for the above disclosed revenue streams are disclosed at Note 2E3 and 2G. All revenue arises from operations within the UK.

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2024

13 EMPLOYEE INFORMATION

(a) Staff costs

	2024	2023
	£m	£m
Wages and salaries	4.5	4.4
Social security costs	0.5	0.5
Pension and other costs	0.7	0.8
	5.7	5.7

(b) Employee numbers

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

	Average	Average
	2024	2023
Administrative staff	38	39
Operations	21	19
Total	59	58

(c) Retirement benefits

The Company's contributions payable in the year were £0.6 million (2023 £0.6 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 2024, the surplus in ScottishPower's defined benefit schemes in the UK amounted to £125 million (2023 £124 million). The employer contribution rate for these schemes in the year ended 31 December 2024 was 52.9%-53.4%.

14 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

	2024	2023
	£m	£m
Property, plant and equipment depreciation charge	0.7	0.7
Right-of-use asset depreciation charge	0.1	0.1
Intangible asset amortisation charge	3.6	3.0
Charges and provisions, allowances and impairment of assets	(0.1)	-
	4.3	3.8

15 FINANCE INCOME

	2024	2023
	£m	£m
Interest on bank and other deposits	1.7	6.6
Foreign exchange gains	-	0.1
Fair value and other gains on non-hedging derivatives	0.2	0.3
	1.9	7.0

16 FINANCE COSTS

	2024	2023
	£m	£m
Interest on amounts due to related parties	12.9	33.9
Interest on other borrowings	0.2	0.2
Net impairment of financing and investment instruments	-	(0.2)
Foreign exchange losses	0.1	0.1
Fair value and other losses on non-hedging derivatives	-	0.2
	13.2	34.2

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2024

17 INCOME TAX

	2024	2023
	£m	£m
Current tax:		
UK Corporation Tax for the year	(3.3)	(5.0)
Adjustments in respect of prior years	(0.6)	-
Current tax for the year	(3.9)	(5.0)
Deferred tax:		
Origination and reversal of temporary differences	0.7	0.5
Adjustments in respect of prior years	0.7	-
Impact of tax rate change	-	(0.4)
Deferred tax for the year	1.4	0.1
Income tax for the year	(2.5)	(4.9)

The tax (credit) on the loss before tax for the year varied from the standard rate of UK Corporation Tax as follows:

	2024	2023
	£m	£m
Corporation Tax at 25% (2023 23.5%)	(2.7)	(4.6)
Adjustments in respect of prior years	0.1	-
Impact of tax rate change on current year tax	-	(0.4)
Non-deductible expenses and other permanent differences	0.1	0.1
Income tax for the year	(2.5)	(4.9)

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 were provided at 25%, to reflect the rate that the temporary differences were expected to reverse at.

18 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 below.

	2024			2023	
	Capital	Long-term energy purchase contracts	Other contractual commitments	Long-term energy purchase contracts	Other contractual commitments
	£m	£m	£m	£m	£m
Less than one year	0.2	1,237.4	9.3	1,804.8	4.7
One to two years	0.1	56.2	5.0	105.2	4.3
Two to three years	-	2.1	4.9	5.1	4.4
Three to four years	-	-	4.6	-	4.5
Four to five years	-	-	-	-	4.6
	0.3	1,295.7	23.8	1,915.1	22.5

SCOTTISHPOWER ENERGY MANAGEMENT LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2024

19 RELATED PARTY TRANSACTIONS

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

	2024	2023
	Other Iberdrola Group companies £m	Other Iberdrola Group companies £m
Types of transaction		
Sales and rendering of services	0.3	0.3

(b) Directors' remuneration

The remuneration of the directors who provided qualifying services is set out below. As all of the 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 the Company. Of the four directors (2023 four), one (2023 one) was remunerated directly by the Company. The remaining directors were remunerated by other Iberdrola Group companies in both years.

	2024 £000	2023 £000
Aggregate remuneration in respect of qualifying services	399	374

	2024	2023
Number of directors who exercised share options	2	2
Number of directors who received shares under a long-term incentive scheme	1	1
Number of directors accruing retirement benefits under a defined contribution scheme	2	2

	2024 £000	2023 £000
Highest paid director		
Aggregate remuneration	201	187
Accrued pension benefit	59	53

(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 both years.

(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.

20 AUDITOR'S REMUNERATION

	2024 £m	2023 £m
Audit of the Annual accounts	0.6	0.5