THE CALLCENTRE SERVICE LIMITED

DIRECTORS' REPORT AND ACCOUNTS
for the year ended 31 December 2011

Registered No. 02086507

THE CALLCENTRE SERVICE LIMITED
DIRECTORS' REPORT AND ACCOUNTS
for the year ended 31 December 2011

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THE CALLCENTRE SERVICE LIMITED
DIRECTORS' REPORT

The directors present their report and audited Accounts for the year ended 31 December 2011

This directors' report has been prepared in accordance with the special provisions relating to small-sized companies under section 417(1) of the Companies Act 2006

ACTIVITIES AND REVIEW

The CallCentre Service Limited, registered company number 02086507, ("the company"), was involved in the provision of loans to Scottish Power Limited group ("ScottishPower") companies during the year

RESULTS AND DIVIDENDS

The net loss for the year amounted to £38,000 (2010 £38,000) No dividend was paid during either year

DIRECTORS

The directors who held office during the year were as follows

Marion Venman
David Wark

DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

The directors are responsible for preparing the Directors' Report and Accounts in accordance with applicable laws and International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU")

The directors are responsible for preparing Accounts for each financial period which give a true and fair view, in accordance with IFRSs, of the state of affairs of the company and of the profit or loss of the company for that period In preparing those Accounts, 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 the Accounts comply with IFRSs, subject to any material departures disclosed and explained in the Accounts, and
- prepare the Accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the Accounts comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Each of the directors in office as at the date of this Directors' Report and Accounts confirms that

- so far as he or she is aware, there is no relevant audit information of which the company's auditors are unaware, and
- he or she has taken all the steps he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are 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

THE CALLCENTRE SERVICE LIMITED
DIRECTORS' REPORT *continued*

AUDITORS
Ernst & Young LLP were re-appointed auditors of the company for the year ended 31 December 2011

ON BEHALF OF THE BOARD

David Wark
Director
13 July 2012

INDEPENDENT AUDITORS' REPORT

To the member of The CallCentre Service Limited

We have audited the Accounts of The CallCentre Service Limited for the year ended 31 December 2011 which comprise the Balance Sheet, Income Statement, Statement of Changes in Equity, Cash Flow Statement, and the related notes 1 to 13 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

This report is made solely to the company's member, 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 member those matters we are required to state to them in an auditors' 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement set out on page 1, the directors are responsible for the preparation of the Accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Accounts in accordance with the applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE ACCOUNTS

An audit involves obtaining evidence about the amounts and disclosures in the Accounts sufficient to give reasonable assurance that the Accounts are free from material misstatement, whether caused by fraud or error This includes an assessment of· whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the Accounts. In addition, we read all the financial and non-financial information in the Directors' Report and Accounts to identify material inconsistencies with the audited Accounts. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

OPINION ON ACCOUNTS

In our opinion the Accounts·

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the Accounts are prepared is consistent with the Accounts

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Accounts 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

Ernst Young LLP

James Douglas Nisbet (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
13 July 2012

THE CALLCENTRE SERVICE LIMITED
BALANCE SHEETS
at 31 December 2011 and 31 December 2010

	Notes	**2011 £'000**	2010 £'000
ASSETS			
CURRENT ASSETS			
Other receivables	3, 4	**2,918**	2,918
CURRENT ASSETS		**2,918**	2,918
TOTAL ASSETS		**2,918**	2,918
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the Parent		**1,918**	1,956
Share capital	5, 6	2,232	2,232
Share premium	6	305	305
Retained deficit	6	(619)	(581)
TOTAL EQUITY		**1,918**	1,956
CURRENT LIABILITIES			
Bank borrowings and other financial liabilities		**1,000**	962
Loans and other borrowings	7	1,000	962
CURRENT LIABILITIES		**1,000**	962
TOTAL LIABILITIES		**1,000**	962
TOTAL EQUITY AND LIABILITIES		**2,918**	2,918

Approved by the Board on 13 July 2012 and signed on its behalf by

David Wark
Director

The accompanying notes 1 to 13 are an integral part of the balance sheets as at 31 December 2011 and 31 December 2010

THE CALLCENTRE SERVICE LIMITED
INCOME STATEMENTS
for the years ended 31 December 2011 and 31 December 2010

	Notes	**2011** **£'000**	2010 £'000
Finance costs	8	(38)	(38)
LOSS BEFORE TAX		**(38)**	(38)
Income tax	9	-	-
NET LOSS FOR THE YEAR	6	**(38)**	(38)

Net loss for both years is wholly attributable to the equity holders of The CallCentre Service Limited

All results relate to continuing operations

The accompanying notes 1 to 13 are an integral part of the income statements for the years ended 31 December 2011 and 31 December 2010

THE CALLCENTRE SERVICE LIMITED
STATEMENTS OF CHANGES IN EQUITY
for the years ended 31 December 2011 and 31 December 2010

	Ordinary share capital £'000	Share premium £'000	Retained deficit £'000	Total equity £'000
At 1 January 2010	2,232	305	(543)	1,994
Total comprehensive income for the year	-	-	(38)	(38)
At 1 January 2011	2,232	305	(581)	1,956
Total comprehensive income for the year	-	-	(38)	(38)
At 31 December 2011	**2,232**	**305**	**(619)**	**1,918**

Total comprehensive income for both years comprises the net loss for the year

The accompanying notes 1 to 13 are an integral part of the statements of changes in equity for the years ended 31 December 2011 and 31 December 2010

THE CALLCENTRE SERVICE LIMITED
CASH FLOW STATEMENTS
for the years ended 31 December 2011 and 31 December 2010

	2011	2010
	£'000	£'000
Cash flows from operating activities		
Loss before tax	(38)	(38)
Adjustments for		
Finance costs	38	38
Net cash flows from operating activities	-	-
Net movement in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	**2,918**	**2,918**
Cash and cash equivalents at end of year	**2,918**	**2,918**
Cash and cash equivalents at end of year comprises		
Receivables due from Iberdrola group companies - loans	2,918	2,918
Cash flow statement cash and cash equivalents	**2,918**	**2,918**

The accompanying notes 1 to 13 are an integral part of the cash flow statements for the years ended 31 December 2011 and 31 December 2010

THE CALLCENTRE SERVICE LIMITED
NOTES TO THE ACCOUNTS
31 December 2011

1 BASIS OF PREPARATION OF THE ACCOUNTS

The company is required by law to prepare accounts and to deliver them to the Registrar of Companies The Accounts have been prepared in accordance with International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRSs") and International Finance Reporting Interpretations Committee ("IFRIC") Interpretations (collectively referred to as IFRS), as adopted by the EU as at the date of approval of these Accounts and which are mandatory for the financial year ended 31 December 2011 The Accounts are prepared in accordance with the Accounting Policies set out in Note 2

2 ACCOUNTING POLICIES

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

A FINANCIAL INSTRUMENTS

B TAXATION

A FINANCIAL INSTRUMENTS

(a) Cash and cash equivalents in the cash flow statement comprises net current loans receivable from group companies

(b) All interest bearing loans and borrowings are initially recognised at fair value, net of directly attributable transaction costs Interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method

(c) The dividends payable on the preference shares are treated as finance costs and are charged to the income statement as they are incurred As the company did not have sufficient distributable reserves in order to pay the dividends in the current or prior years, the dividends payable have been recognised as a liability within loans and other borrowings (see Note 7)

B TAXATION

The company's liability for current tax is calculated using the tax rates that have been enacted or substantively enacted by the balance sheet date

3 OTHER RECEIVABLES

	Note	2011 £'000	2010 £'000
Receivables due from Iberdrola group companies - loans	(a)	**2,918**	2,918
		2,918	2,918

(a) No interest is receivable on loans due from Iberdrola group companies as the counterparties for the loans do not trade The loans are repayable on demand

4 MEASUREMENT OF FINANCIAL INSTRUMENTS

The table below sets out the carrying amount and fair value of the company's financial instruments

		2011		2010	
	Note	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Financial assets					
Loans with Iberdrola group companies		**2,918**	**2,918**	2,918	2,918
Financial liabilities					
Preference shares	(i)	**381**	**381**	381	381
Dividends on preference shares	(i)	**619**	**619**	581	581

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

(i) The undiscounted contractual cash flows associated with the above financial liabilities are equivalent in value and are payable in less than one year

5 SHARE CAPITAL

	2011 £'000	2010 £'000
Authorised.		
4,464,036 ordinary shares of 50p each (2010 4,464,036)	**2,232**	2,232
380,987 Preference shares of £1 each (2010 380,987)	**381**	381
	2,613	2,613
Allotted, called up and fully paid shares·		
4,464,036 ordinary shares of 50p each (2010 4,464,036)	**2,232**	2,232
	2,232	2,232

6 ANALYSIS OF MOVEMENTS IN EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE CALLCENTRE SERVICE LIMITED

	Ordinary share capital £'000	Share premium (note (a)) £'000	Retained deficit (note (b)) £'000	Total £'000
At 1 January 2010	2,232	305	(543)	1,994
Loss for the year attributable to equity holders of The CallCentre Service Limited	-	-	(38)	(38)
At 1 January 2011	2,232	305	(581)	1,956
Loss for the year attributable to equity holders of The CallCentre Service Limited	-	-	(38)	(38)
At 31 December 2011	**2,232**	**305**	**(619)**	**1,918**

(a) The share premium account represents consideration received for shares issued in excess of their nominal amount

(b) The retained deficit comprises the cumulative balance of profits and losses recognised in the financial statements as adjusted for transactions with shareholders, principally dividends

THE CALLCENTRE SERVICE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2011

7 LOANS AND OTHER BORROWINGS

	Notes	2011 £'000	2010 £'000
Loans and other borrowings			
- Preference shares	(a), (b), (c)	**381**	381
- Accrued dividends on preference shares	(d)	**619**	581
Total		**1,000**	962

(a) The preference shareholders are entitled to a fixed cumulative dividend of 10 pence per share per annum
(b) On a return of capital on liquidation or otherwise, the surplus assets of the company remaining after the payment of its liabilities shall be applied as follows -
  (i) First in paying the holders of the ordinary shares the amounts paid up or credited as paid up
  (ii) Next paying the preference shareholders the amounts paid up or credited as paid up
  (iii) The balance of such assets shall belong to and be distributed amongst the holders of the ordinary shares
(c) The company shall be entitled to redeem all or any of the preference shares, at any time, at par
(d) As the company did not have sufficient distributable reserves in order to pay preference share dividends, these dividends have been recognised as a liability
(e) The company had undrawn committed borrowing facilities at 31 December 2011 of £nil (2010 £nil)

8 FINANCE COSTS

	2011 £'000	2010 £'000
Preference shares dividends (see Note 7)	**38**	38
	38	38

9 INCOME TAX

	2011 £'000	2010 £'000
Current tax		
UK Corporation tax	-	-
Income tax for the year	-	-

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

	2011 £'000	2010 £'000
Corporation tax at 26 5% (2010 28%)	**10**	11
Preference shares dividends	**(10)**	(11)
Income tax for the year	-	-

10 RELATED PARTY TRANSACTIONS

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

	2011 Other Iberdrola Group Companies £'000	2010 Other Iberdrola Group Companies £'000
Types of transaction		
Finance costs	**(38)**	(38)
Balances outstanding		
Loans receivable	**2,918**	2,918
Loans payable	**(1,000)**	(962)

(i) The amounts outstanding are unsecured and will be settled in cash No guarantees have been given or received

THE CALLCENTRE SERVICE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2011

10 RELATED PARTY TRANSACTIONS *continued*

(b) Remuneration of key management personnel and directors

None of the key management personnel or directors received any remuneration from the company or from related companies, in respect of their services to the company The company has no employees

(c) Ultimate parent company

The directors regard Iberdrola S A as the ultimate parent company, which is also the parent company of the largest group in which the results of the company are consolidated The parent company of the smallest group in which the results of the company are consolidated is Scottish Power UK plc Copies of the Consolidated Accounts of Iberdrola S A may be obtained from Iberdrola S A , Torre Iberdrola, Plaza Euskadi 5, 48009, Bilbao, Spain Copies of the Consolidated Accounts of Scottish Power UK plc may be obtained from the Secretary, Scottish Power UK plc, 1 Atlantic Quay, Glasgow G2 8SP

11 AUDITORS' REMUNERATION

	2011	2010
	£'000	£'000
Audit of the company's annual accounts	1	1
Total	**1**	1

No charge for auditors' remuneration is included in the loss for the year The audit fee was borne by a fellow subsidiary company

12 ACCOUNTING DEVELOPMENTS

In preparing these Accounts, the company has applied all relevant IAS, IFRS and IFRIC Interpretations which have been adopted by the EU as of the date of approval of these Accounts and which are mandatory for the financial year ended 31 December 2011

In addition, the EU has adopted certain IFRS standards which are not mandatory for the year ended 31 December 2011 including

- Amendments to IFRS 7 'Financial Instruments Disclosures - Transfer of Financial Assets'
- Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income'

The company has considered the impact of these but the standards have not been adopted early for year ended 31 December 2011

In addition, the International Accounting Standards Board has also issued a number of pronouncements which have not yet been adopted by the EU and a number of exposure drafts

- IFRS 9 'Financial Instruments' and subsequent amendments
- IFRS 13 'Fair Value Measurement'
- Amendments to IFRS 7 'Disclosures - Offsetting Financial Assets and Financial Liabilities'
- Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities'

The company is currently considering the impact of these pronouncements

13 GOING CONCERN

The company's business activities are set out in the Directors' Report on pages 1 to 2

The company has recorded a loss after tax in both the current and previous financial years and the company's balance sheet shows that it has net current assets of £1,918,000 and net assets of £1,918,000 at its most recent balance sheet date

The company is ultimately owned by Iberdrola S A and it participates in the Iberdrola group's centralised treasury arrangements and so shares banking facilities with its parent companies and fellow subsidiaries As a consequence, the company depends, in part, on the ability of the Iberdrola group to continue as a going concern

The directors have considered the company's funding relationship with Iberdrola to date and have considered available relevant information relating to Iberdrola's ability to continue as a going concern In addition, the directors have no reason to believe that Iberdrola group will not continue to fund the company, should it become necessary, to enable it to continue in operational existence

On the basis of these considerations, the directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future Therefore, they continue to adopt the going concern basis of accounting in preparing the Accounts