SP NETWORK CONNECTIONS LIMITED
DIRECTORS' REPORT AND ACCOUNTS
for the year ended 31 December 2013

Registered No. 4290066

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SP NETWORK CONNECTIONS LIMITED
DIRECTORS' REPORT AND ACCOUNTS

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SP NETWORK CONNECTIONS LIMITED
DIRECTORS' REPORT

The directors present their report and audited Accounts for the year ended 31 December 2013.

The directors' report has been prepared in accordance with the special provisions relating to small sized companies under section 415A of the Companies Act 2006.

ACTIVITIES AND REVIEW
The principal activity of SP Network Connections Limited ("the company"), registered company number 4290066, is the design and construction of utility connections for housing, commercial and industrial developments in both a single and multi-utility capacity.

The ultimate parent of the company is Iberdrola S.A. ("Iberdrola") which is listed on the Madrid stock exchange. The immediate parent of the company is SP Power Systems ("SPPS"). The company is part of the Scottish Power group which is headed by ScottishPower Limited ("SPL").

Following a reorganisation of ScottishPower's connection networks business during 2011, all new business in the design and construction of utility connections within ScottishPower has been conducted by SPPS. Some of these activities were previously carried out by the company.

Notwithstanding the above the directors still consider it appropriate to prepare the accounts on a going concern basis. Further details of this are set out in Note 14.

KEY FACTORS AFFECTING THE BUSINESS
Notwithstanding the reorganisation of the network connections business, the activities of the company remain an integral part of ScottishPower's Energy Networks ("Energy Networks") business and a key focus is ensuring that the Energy Networks business fulfils its regulatory obligations in respect of networks connections activities.

Key factors affecting business performance are regulatory developments in the area of the market subject to The Office of the Gas and Electricity Markets ("Ofgem") regulation.

MANAGEMENT OF RISKS
The business identifies and assesses the key business risks associated with the achievement of its strategic objectives. Any key actions needed to enhance the control environment are identified, along with the person responsible for the management of the specific risk. Further details of the risk management practices can be found in the most recent Annual Report and Accounts of SPL.

OPERATIONAL FINANCIAL PERFORMANCE
Revenue decreased by £5.7 million on the prior year due to a reduced volume of connection activity and was offset by a £5.7 million decrease in costs recharged by SPPS due to the reduction in connection activity noted above. Allowances and provisions have decreased by £0.5 million due to the collection and cancellation of aged debt during the year. Overall, the directors are satisfied with the level of business and the year end financial position.

RESULTS AND DIVIDENDS
The net profit for the year amounted to £0.2 million (2012 net loss £0.2 million). No dividends were paid during the year (2012 £nil).

FINANCING REVIEW
Capital and debt structure
The company is funded by a combination of debt and equity. All equity is held by SPPS, the immediate parent undertaking.

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

FINANCING REVIEW ***continued***

Liquidity

The directors confirm that the company remains a going concern on the basis of its future cash flow forecasts and has sufficient working capital for present requirements. The directors consider that sufficient funding will be made available to the company to continue operations and to meet liabilities as they fall d ue. Further details of the going concern considerations made by the directors of the company are set out in Note 14.

HEALTH AND SAFETY

The company has a clear strategy to continue to improve health and safety performance using ScottishPower health and safety standards. A more extensive description of how ScottishPower addresses health and safety requirements can be found in the most recent Annual Report and Accounts of SPL.

ENVIRONMENTAL MANAGEMENT AND REGULATION

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

DIRECTORS

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

Paul Brown
Frank Mitchell

DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

The directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law 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 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 is aware, there is no relevant audit information of which the company's auditor is unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself 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
Ernst & Young LLP were re-appointed as auditor of the company for the year ended 31 December 2013.

ON BEHALF OF THE BOARD

Frank Mitchell
Director
5 September 2014

INDEPENDENT AUDITOR'S REPORT

to the member of SP Network Connections Limited

We have audited the Accounts of SP Network Connections Limited for the year ended 31 December 2013 which comprise the Balance Sheet, Income Statement, Statement of Changes in Equity, Cash Flow Statement, and the related notes 1 to 14. 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 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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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, and to identify any information that is materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. 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 2013 and of its profit 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 and Accounts 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 Nisbet (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
5 September 2014

SP NETWORK CONNECTIONS LIMITED
BALANCE SHEETS
as at 31 December 2013 and 31 December 2012

	Notes	2013 £m	2012 £m
ASSETS			
NON-CURRENT ASSETS			
Deferred tax asset	3	**0.1**	0.1
NON-CURRENT ASSETS		**0.1**	0.1
CURRENT ASSETS			
Trade and other receivables	4	**7.8**	11.8
Current tax receivables		**-**	0.1
CURRENT ASSETS		**7.8**	11.9
TOTAL ASSETS		**7.9**	12.0
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		**2.7**	2.5
Share capital	6, 7	2.0	2.0
Retained earnings	7	0.7	0.5
TOTAL EQUITY		**2.7**	2.5
CURRENT LIABILITIES			
Trade and other payables	9	**5.2**	9.5
CURRENT LIABILITIES		**5.2**	9.5
TOTAL LIABILITIES		**5.2**	9.5
TOTAL EQUITY AND LIABILITIES		**7.9**	12.0

Approved by the Board on 5 September 2014 and signed on its behalf by:

Frank Mitchell
Director

The accompanying notes 1 to 14 are an integral part of the balance sheets as at 31 December 2013 and 31 December 2012.

SP NETWORK CONNECTIONS LIMITED
INCOME STATEMENTS
for the years ended 31 December 2013 and 31 December 2012

	Notes	2013 £m	2012 £m
Revenue		2.6	8.3
		2.6	8.3
Outside services		(2.5)	(8.2)
		(2.5)	(8.2)
		0.1	0.1
Allowances and provisions	10	0.2	(0.3)
PROFIT/(LOSS) FROM OPERATIONS		**0.3**	(0.2)
PROFIT/(LOSS) BEFORE TAX		**0.3**	(0.2)
Income tax	11	(0.1)	-
NET PROFIT/(LOSS) FOR THE YEAR		**0.2**	(0.2)

The net profit for the current year and the net loss for the prior year are wholly attributable to the equity holders of SP Network Connections Limited.

All results relate to continuing operations.

The accompanying notes 1 to 14 are an integral part of the income statements for the years ended 31 December 2013 and 31 December 2012.

SP NETWORK CONNECTIONS LIMITED
STATEMENT OF CHANGES IN EQUITY
for the years ended 31 December 2013 and 31 December 2012

	Ordinary share capital £m	Retained earnings £m	Total equity £m
At 1 January 2012	2.0	0.7	2.7
Total comprehensive income for the year	-	(0.2)	(0.2)
At 1 January 2013	2.0	0.5	2.5
Total comprehensive income for the year	-	0.2	0.2
At 31 December 2013	**2.0**	**0.7**	**2.7**

Total comprehensive income comprises the net profit for the current year and the net loss for the prior year.

The accompanying notes 1 to 14 are an integral part of the statements of changes in equity for the years ended 31 December 2013 and 31 December 2012.

SP NETWORK CONNECTIONS LIMITED
CASH FLOW STATEMENTS
for the years ended 31 December 2013 and 31 December 2012

	2013 £m	2012 £m
Cash flows from operating activities		
Profit/(loss) before tax	0.3	(0.2)
Adjustments for:		
Change in provisions	-	(0.1)
Changes in working capital:		
Change in trade and other receivables	0.5	4.9
Change in trade payables	(4.3)	-
Provisions paid	-	(0.1)
Income taxes paid	-	(0.1)
Interest received	-	0.1
Net cash flows from operating activities	**(3.5)**	4.5
Net (decrease)/increase in cash and cash equivalents	**(3.5)**	4.5
Cash and cash equivalents at beginning of year	**6.1**	1.6
Cash and cash equivalents at end of year	**2.6**	6.1

Cash and cash equivalents at end of year comprises:

Receivables due from Iberdrola group companies - loans	**2.6**	6.1
Cash flow statement cash and cash equivalents	**2.6**	6.1

The accompanying notes 1 to 14 are an integral part of the cashflow statements for the years ended 31 December 2013 and 31 December 2012.

SP NETWORK CONNECTIONS LIMITED
NOTES TO ACCOUNTS
31 December 2013

1 BASIS OF PREPARATION
A. 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 Financial Reporting Interpretations Committee ("IFRIC") Interpretations (collectively referred to as IFRS), as adopted by the EU as at the date of approval of these Accounts and which are mandatory for the financial year ended 31 December 2013. The Accounts are prepared in accordance with the Accounting Policies set out in Note 2.

B. ACCOUNTING STANDARDS

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 2013.

For the year ended 31 December 2013, the company has applied the following standards and amendments for the first time:

Standard	Note
• Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income'	(a)
• IAS 19 (Revised) 'Employee Benefits'	(a)
• Amendments to IAS 12 'Income Taxes: Deferred Tax - Recovery of Underlying Assets'	(a)
• IFRS 13 'Fair Value Measurement'	(a)
• Amendments to IFRS 7 'Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities'	(a)
• Annual Improvements to IFRSs (2009-2011)	(a)

(a) The application of these pronouncements did not have a material impact on the company's accounting policies, financial position or performance.

SP NETWORK CONNECTIONS LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2013

1 BASIS OF PREPARATION *continued*

B. ACCOUNTING STANDARDS *continued*

The following new standards, amendments to standards and interpretations have been issued by the International Accounting Standards Board ("IASB") but have an effective date after the date of these financial statement thus have not been implemented by the company:

Standard	Notes	IASB effective date (for periods commencing on or after)	Planned date of application by the company
• IFRS 10 'Consolidated Financial Statements'	(b), (c)	1 January 2013	1 January 2014
• IFRS 11 'Joint Arrangements'	(b), (c)	1 January 2013	1 January 2014
• IFRS 12 'Disclosure of Interests in Other Entities'	(b), (c)	1 January 2013	1 January 2014
• IAS 27 (Revised) 'Separate Financial Statements'	(b), (c)	1 January 2013	1 January 2014
• IAS 28 (Revised) 'Investments in Associates and Joint Ventures'	(b), (c)	1 January 2013	1 January 2014
• Amendments to IAS 32 'Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities'	(b)	1 January 2014	1 January 2014
• Amendments to IFRS 10, IFRS 11 and IFRS 12 'Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance'	(b), (c)	1 January 2013	1 January 2014
• Amendments to IFRS 10, IFRS 12 and IAS 27 'Investment Entities'	(b)	1 January 2014	1 January 2014
• Amendments to IAS 36 'Impairment of Asset - Recoverable Amount Disclosures for Non-Financial Assets'	(b)	1 January 2014	1 January 2014
• IFRIC 21 'Levies'	(b)	1 January 2014	1 January 2014
• Amendments to IAS 39 'Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting'	(b)	1 January 2014	1 January 2014
• Amendments to IAS 19 'Employee Benefits: Defined Benefit Plans Employee Contributions'	(b), (d)	1 July 2014	1 January 2015
• Annual Improvements to IFRSs (2010-2012)	(b), (d)	1 July 2014	1 January 2015
• Annual Improvements to IFRSs (2011-2013)	(b), (d)	1 July 2014	1 January 2015
• IFRS 14 'Regulatory Deferral Accounts'	(b), (d)	1 January 2016	1 January 2016
• Amendments to IFRS 11 'Joint Arrangements: Acquisitions of Interests in Joint Operations'	(b), (d)	1 January 2016	1 January 2016
• Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' – 'Clarification of Acceptable Methods of Depreciation and Amortisation'	(b), (d)	1 January 2016	1 January 2016
• IFRS 15 'Revenue from Contracts with Customers'	(d), (e)	1 January 2017	1 January 2017
• Amendments to IAS 16 'Property Plant and Equipment' and IAS 41 'Agriculture' – 'Agriculture: Bearer Plants'	(b), (d)	1 January 2016	1 January 2016
• Amendments to IAS 27 'Separate Financial Statements: Equity Method in Separate Financial Statements'	(b), (d)	1 January 2016	1 January 2016
• IFRS 9 'Financial Instruments'	(d), (e)	1 January 2018	1 January 2018

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

(c) The IASB effective date of these pronouncements is for periods commencing on or after 1 January 2013. However the EU permits adoption of these pronouncements for periods commencing on or after no later than 1 January 2014.

(d) These pronouncements have not yet been adopted by the EU.

(e) The directors are currently in the process of assessing the impact of these standards in relation to the company's accounting policies, financial position and performance.

(f) The company has chosen not to early adopt any of these standards/amendments for year ended 31 December 2013.

2 ACCOUNTING POLICIES

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

A REVENUE
B FINANCIAL INSTRUMENTS
C AMOUNTS RECOVERABLE ON CONTRACTS
D TAXATION

A REVENUE

Revenue is recognised based on the estimated value of work carried out to date against the agreed contract price and excludes Value Added Tax. Profit includes the results attributable to contracts completed and long-term contracts in progress where a profitable outcome can reasonably be foreseen, after deducting amounts recognised in previous years and after making provision for foreseeable losses.

Credit for contract claims and variations are only taken at such time when agreement is reached with the customer.

Sales invoices are raised against contracts under the agreed payment terms with each customer. Where the value of invoices issued is in excess of the value of work carried out to date, this excess is regarded as a payment on account until such time that additional work is carried out and the associated value is released to revenue.

Revenue includes only the gross inflows of economic benefits receivable by the company on its own account. Under certain circumstances the company incurs pass-through costs on behalf of the customer which are recharged at the same amount. This work is not completed or supervised by the company nor adds any direct added value. Any such invoices raised in relation to pass-through costs are therefore excluded from revenue and accounted for within outside services.

Revenue consists entirely of sales made in the UK.

B FINANCIAL INSTRUMENTS

(a) Financial assets categorised as trade and other receivables are recognised and carried at original invoice amount less an allowance for impairment of doubtful debts. Allowance for doubtful debts has been estimated by management, taking into account future cash flows, based on past experience and assessment of the current economic environment within which the company operates.
(b) In the cash flow statement, cash and cash equivalents includes the net of current loans receivable and payable from Iberdrola group companies.
(c) Financial liabilities categorised as trade payables are recognised and carried at original invoice amount.

C AMOUNTS RECOVERABLE ON CONTRACTS

Amounts recoverable on long-term contracts which are included in trade and other receivables, are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

D TAXATION

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

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

2 ACCOUNTING POLICIES *continued.*

D TAXATION continued

Deferred tax is calculated on a non-discounted basis at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax is charged in the income statement, except where it relates to items charged or credited to equity (via the statement of comprehensive income), in which case the deferred tax is also dealt with in equity and is shown in the statement of comprehensive income.

3 DEFERRED TAX

Deferred tax recognised in the Accounts is as follows:

	Property, plant and equipment £m
At 1 January 2012	0.2
Charge to income statement	(0.1)
At 1 January 2013 and 31 December 2013	**0.1**

Finance Act 2012 contained legislation to set the rate of UK Corporation tax at 23% from 1 April 2013. In the year to 31 December 2012, the rate of tax expected to apply when temporary differences reverse reduced from 25% to 23%. Finance Act 2013 contained legislation to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. These changes have reduced the tax rates expected to apply when temporary differences reverse.

4 TRADE AND OTHER RECEIVABLES

	Notes	2013 £m	2012 £m
Current receivables:			
Receivables due from Iberdrola group companies - trade		-	0.1
Receivables due from Iberdrola group companies - loan	(a)	**2.6**	6.1
Trade and other receivables	(b),(c)	**1.8**	2.4
Amounts recoverable on contracts		**3.4**	3.2
		7.8	11.8

(a) Loans receivable from Iberdrola group companies are receivable on demand and earn interest at 1% above the Bank of England Base Rate.

(b) Trade receivables are stated net of allowance for impairment of doubtful debts of £0.2 million (2012 £0.5 million). Provisions for doubtful debts have been estimated by management, taking into account future cash flows, based on prior experience, ageing analysis and an assessment of the current economic environment within which the company operates. The income statement impact on the change in bad debt for the year to 31 December 2013 is £(0.2) million (2012 £0.4 million).

(c) At 31 December 2013 trade receivables of £1.0 million (2012 £2.2 million) were past due but not impaired.

	2013 £m	2012 £m
Past due but not impaired:		
Less than 3 months	**0.7**	2.1
Between 3 and 6 months	**0.2**	0.1
Between 6 and 12 months	**0.1**	-
	1.0	2.2

SP NETWORK CONNECTIONS LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2013

5 MEASUREMENT OF FINANCIAL INSTRUMENTS

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

		2013		2012	
		Carrying amount	Fair value	Carrying amount	Fair value
	Notes	£m	£m	£m	£m
Financial assets					
Receivables		**7.8**	**7.8**	11.8	11.8
Financial liabilities					
Payables	(a),(b)	**(0.8)**	**(0.8)**	(5.4)	(5.4)

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

(a) Balances out with the scope of IFRS 7 'Financial instruments: Disclosures' ('IFRS 7') have been excluded, principally payments received on account and other tax payables.
(b) The undiscounted contractual cash flows associated with the above financial liabilities are equivalent in value and payable in less than one year.

6 SHARE CAPITAL

	2013	2012
	£m	£m
Authorised:		
2,000,000 ordinary shares of £1 each (2012 2,000,000)	**2.0**	2.0
Allotted, called up and fully paid shares:		
2,000,000 ordinary shares of £1 each (2012 2,000,000)	**2.0**	2.0

7 ANALYSIS OF MOVEMENTS IN EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF SP NETWORK CONNECTIONS LIMITED

	Ordinary share capital	Retained earnings (note (a))	Total
	£m	£m	£m
At 1 January 2012	2.0	0.7	2.7
Loss for the year attributable to equity holders of SP Network Connections Limited	-	(0.2)	(0.2)
At 1 January 2013	2.0	0.5	2.5
Profit for the year attributable to equity holders of SP Network Connections Limited	-	0.2	0.2
At 31 December 2013	**2.0**	**0.7**	**2.7**

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

8 PROVISIONS

		At 1 January 2012	Utilised during the year	Released during the year	At 31 December 2012
Year ended 31 December 2012	Note	£m	£m	£m	£m
Dilapidation costs	(a)	0.2	(0.1)	(0.1)	-

(a) The provision, in respect of estimated dilapidation costs, was utilised or released to the income statement during the year ended 31 December 2012 and was classified in the balance sheet as a current liability.

9 TRADE AND OTHER PAYABLES

	2013 £m	2012 £m
Current trade and other payables:		
Payables due to Iberdrola group companies - trade	**0.8**	5.4
Other taxes	**0.2**	0.1
Payments received on account	**4.2**	4.0
	5.2	9.5

10 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

	Note	2013 £m	2012 £m
Charges and provisions, allowances and impairment of assets	(a)	**(0.2)**	0.3

(a) The above balance relates to recognition of a bad debt credit for the year to 31 December 2013 (see Note 4).

11 INCOME TAX

	2013 £m	2012 £m
Current tax:		
UK Corporation Tax	**0.1**	(0.1)
Total current tax expense/(credit) for the year	**0.1**	(0.1)
Deferred tax:		
Origination and reversal of temporary differences	**-**	0.1
Total deferred tax for the year	**-**	0.1
Total income tax amount for the year	**0.1**	-

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

	2013 £m	2012 £m
Corporation Tax at 23.25% (2012 24.5%)	**0.1**	-

The rate of UK Corporation tax reduced from 24% to 23% on 1 April 2013 and from 26% to 24% on 1 April 2012. The 2013 Finance Act includes legislation which will reduce the rate of UK Corporation Tax to 21% on 1 April 2014 and to 20% on 1 April 2015.

12 RELATED PARTY TRANSACTIONS

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

	Related Party					
	2013			2012		
	UK parent (SPL) £m	**Immediate parent (SPPS) £m**	**Other Iberdrola group companies £m**	UK parent (SPL) £m	Immediate parent (SPPS) £m	Other Iberdrola group companies £m
Types of transaction						
Sales and rendering of services	**-**	**0.1**	**-**	-	2.2	-
Purchases and receipt of services	**-**	**(2.4)**	**(0.1)**	-	(5.9)	(2.3)
Balances outstanding						
Loans receivable	**2.6**	**-**	**-**	6.1	-	-
Trade receivables	**-**	**-**	**-**	-	-	0.1
Trade payables	**-**	**(0.8)**	**-**	-	(5.3)	(0.1)

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

12 RELATED PARTY TRANSACTIONS *continued*

(b) Remuneration of key management personnel

The remuneration of the key management personnel of the company is set out below. As all of the key management personnel are remunerated for their work for ScottishPower, it has not been possible to apportion the remuneration specifically in respect of services to this company. All of the key management personnel are paid by other companies within ScottishPower.

	2013 £000	2012 £000
Short-term employee benefits	**804**	643
Post-employment benefits	**100**	46
Share-based payments	**192**	125
	1,096	814

(c) Directors' remuneration

The total emoluments of the directors that provided qualifying services to the company are shown below. As these directors are remunerated for their work for ScottishPower, it has not been possible to apportion the emoluments specifically in respect of services to this company. All of the directors are paid by other companies within ScottishPower

	2013 £000	2012 £000
Aggregate remuneration in respect of qualifying services	**702**	643

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 benefit scheme	**2**	2

Highest paid director	2013 £000	2012 £000
Aggregate remuneration in respect of qualifying services	**502**	462
Accrued pension benefit	**85**	82

(i) The highest paid director exercised share options in both the current and prior year.
(ii) The highest paid director received a benefit under a long-term share incentive scheme in both the current and prior year.

(c) Ultimate parent company and immediate 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 ScottishPower Energy Networks Limited ("SPENH").

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 SPENH may be obtained from The Secretary, Scottish Power UK plc, 1 Atlantic Quay, Glasgow, G2 8SP.

13 AUDITOR'S REMUNERATION

	2013 £000	2012 £000
Audit of the company's annual accounts	**10**	30

14 GOING CONCERN

The company's business activities are set out in the Directors' Report on pages 1 to 3.

The company has recorded a profit after tax in the current financial year and a loss after tax in the previous financial year and the company's balance sheet shows that it has net current assets of £2.6 million and net assets of £2.7 million at its most recent balance sheet date.

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