SP NETWORK CONNECTIONS LIMITED
DIRECTORS' REPORT AND ACCOUNTS
for the year ended 31 December 2017

Registered No. 4290066

SP NETWORK CONNECTIONS LIMITED
DIRECTORS' REPORT AND ACCOUNTS
for the year ended 31 December 2017

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SP NETWORK CONNECTIONS LIMITED
DIRECTORS' REPORT

The directors present their report and audited Accounts for the year ended 31 December 2017 in accordance with the special provisions relating to small sized companies under section 415A of the Companies Act 2006. The directors have taken advantage of the small companies' exemption provided by section 414B of the Companies act 2006 not to provide a Strategic Report.

ACTIVITIES AND REVIEW

The principal activity of SP Network Connections Limited ("the company"), registered company number 4290066, is the construction of utility connections for housing, commercial and industrial developments in both a single and multi-utility capacity. The key focus of the company is ensuring that ScottishPower's Energy Networks business fulfils its regulatory obligations in respect of networks connections activities.

The ultimate parent of the company is Iberdrola, S.A. ("Iberdrola") which is listed on the Madrid stock exchange and the immediate parent of the company is SP Power Systems Limited ("Power Systems"). Scottish Power Limited ("SPL") is the United Kingdom ("UK") parent company of the Scottish Power Limited group ("ScottishPower") of which the company is a member.

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. Details of the risk management practices of ScottishPower, under which the company operates, are provided in Note 4 of the most recent Annual Report and Accounts of SPL.

OPERATIONAL FINANCIAL PERFORMANCE

Revenue decreased by £615,000 from prior year due to a fall in rechargeable amounts in relation to connection activity. Overall, the directors are satisfied with the level of business and the year end financial position.

RESULTS AND DIVIDEND

The net profit for the year amounted to £48,000 (2016 £54,000). No dividend was paid during the year (2016 £nil).

LIQUIDITY AND CASH MANAGEMENT

Cash and net funds

Net cash flows from operating activities increased by £738,000 from the prior year (refer to Cash Flow Statement on page 8). Net funds increased by £160,000 to £3,007,000, comprising an increase in current group loans receivable.

Capital structure

The company is funded wholly by equity. All equity is held by Power Systems, the immediate parent undertaking. 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.

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.

MODERN SLAVERY STATEMENT

ScottishPower is committed to human and labour rights and to eliminating modern slavery that could in any way be connected to its business. ScottishPower welcomed the introduction of the Modern Slavery Act 2015 and published its own Modern Slavery Statement which was approved by the Board of Directors of Scottish Power Limited.

ScottishPower's Modern Slavery Statement is published on the ScottishPower website at:
www.scottishpower.com/pages/scottishpowers_modern_slavery_statement.aspx.

SP NETWORK CONNECTIONS LIMITED
DIRECTORS' REPORT *continued*

DIRECTORS

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

Frank Mitchell
Nicola Connelly (resigned 1 February 2017)
Marc Rossi (appointed 2 May 2017)

DIRECTORS' INDEMNITY

In terms of the company's Articles of Association, a qualifying third party indemnity provision is in force for the benefit of all the directors of the company and has been in force during the financial year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND ACCOUNTS

The directors are responsible for preparing the Directors' 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 International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the European Union ("EU")) and applicable law.

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, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- 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 the 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.

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 auditor is unaware; and
- he or she has taken all the steps that 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 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 were appointed as the auditor of the company for the year ended 31 December 2017 in place of the retiring auditor, Ernst & Young LLP.

ON BEHALF OF THE BOARD

Marc Rossi

Marc Rossi
Director
4 September **2018**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SP NETWORK CONNECTIONS LIMITED

OPINION

We have audited the financial statements of SP Network Connections Limited ("the company") for the year ended 31 December 2017 which comprise the Balance Sheet, Income Statement and Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement, 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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; 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 Financial Reporting Council ("FRC") Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

GOING CONCERN

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

DIRECTORS' REPORT

The directors are responsible for 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 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 Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a Strategic Report.

We have nothing to report in these respects.

DIRECTORS' RESPONSIBILITIES

As explained more fully in their statement set out on page 2, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SP NETWORK CONNECTIONS LIMITED *continued*

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 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 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 member, as a body, for our audit work, for this report, or for the opinions we have formed.

Philip Charles (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St. Vincent Street
Glasgow
G2 5AS
10 September 2018

SP NETWORK CONNECTIONS LIMITED
BALANCE SHEETS
as at 31 December 2017 and 31 December 2016

	Notes	2017 £000	2016 £000
ASSETS			
NON-CURRENT ASSETS			
Deferred tax asset	3	**28**	35
NON-CURRENT ASSETS		**28**	35
CURRENT ASSETS			
Trade and other receivables	4	**3,056**	3,015
CURRENT ASSETS		**3,056**	3,015
TOTAL ASSETS		**3,084**	3,050
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		**2,951**	2,903
Share capital	6, 7	2,000	2,000
Retained earnings	7	951	903
TOTAL EQUITY		**2,951**	2,903
CURRENT LIABILITIES			
Trade and other payables	8	**128**	141
Current tax liabilities		**5**	6
CURRENT LIABILITIES		**133**	147
TOTAL LIABILITIES		**133**	147
TOTAL EQUITY AND LIABILITIES		**3,084**	3,050

Approved by the Board on 4 September 2018 and signed on its behalf by:

Marc Rossi

Marc Rossi
Director

The accompanying Notes 1 to 15 are an integral part of the balance sheets as at 31 December 2017 and 31 December 2016.

SP NETWORK CONNECTIONS LIMITED
INCOME STATEMENTS AND STATEMENTS OF OTHER COMPREHENSIVE INCOME
for the years ended 31 December 2017 and 31 December 2016

	Notes	**2017** **£000**	2016 £000
Revenue		11	626
External services		(11)	(577)
GROSS OPERATING RESULT/PROFIT		-	49
Depreciation and amortisation charge, allowances and provisions	10	22	(20)
OPERATING PROFIT		**22**	29
Finance income	11	38	46
PROFIT BEFORE TAX		**60**	75
Income tax	12	(12)	(21)
NET PROFIT FOR THE YEAR		**48**	54

Net profit for both years is wholly attributable to the equity holder of SP Network Connections Limited.

Net profit for both years comprises total comprehensive income.

All results relate to continuing operations.

The accompanying Notes 1 to 15 are an integral part of the income statements and statements of other comprehensive income for the years ended 31 December 2017 and 31 December 2016.

SP NETWORK CONNECTIONS LIMITED
STATEMENT OF CHANGES IN EQUITY
for the years ended 31 December 2017 and 31 December 2016

	Share capital £000	Retained earnings £000	Total £000
At 1 January 2016	2,000	849	2,849
Total comprehensive income for the year	-	54	54
At 1 January 2017	2,000	903	2,903
Total comprehensive income for the year	-	48	48
At 31 December 2017	**2,000**	**951**	**2,951**

The accompanying Notes 1 to 15 are an integral part of the statements of changes in equity for the years ended 31 December 2017 and 31 December 2016.

SP NETWORK CONNECTIONS LIMITED
CASH FLOW STATEMENTS
for the years ended 31 December 2017 and 31 December 2016

	2017	2016 Restated*
	£000	£000
Cash flows from operating activities		
Profit before tax	**60**	75
Adjustments for:		
Finance income	**(38)**	(46)
Changes in working capital:		
Change in trade and other receivables	**111**	91
Change in trade and other payables	**(13)**	(745)
Income taxes paid	**(6)**	(6)
Interest received	**46**	53
Net cash flows from operating activities (i)	**160**	(578)
Cash flows from investing activities		
(Increase)/decrease in amounts due from Iberdrola group companies - current loans receivable	**(160)**	578
Net cash flows from investing activities (ii)	**(160)**	578
Net cash and cash equivalents (i)+(ii)	**-**	-
Cash and cash equivalents at beginning of year	**-**	-
Cash and cash equivalents at end of year	**-**	-

* Comparative figures have been restated (refer to Note 1).

The accompanying Notes 1 to 15 are an integral part of the cashflow statements for the years ended 31 December 2017 and 31 December 2016.

SP NETWORK CONNECTIONS LIMITED
NOTES TO ACCOUNTS
31 December 2017

1 BASIS OF PREPARATION
A. COMPANY INFORMATION
SP Network Connections Limited, registered company number 4290066, is a private company limited by shares, incorporated in England and Wales and its registered address is 3 Prenton Way, Prenton, Chester, CH43 3ET.

B. 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 2017. The Accounts are prepared in accordance with the Accounting Policies set out in Note 2.

B1. CHANGES IN PRESENTATION
B1.1 CASH FLOW PRESENTATION
The company participates in a group arrangement whereby it lends surplus cash to fellow group undertakings for the purposes of their cash management, in the form of short-term loans which are repayable on demand. On the balance sheet, these funds are recorded within current trade and other receivables. In prior years, the company reported this loan within cash and cash equivalents for the purposes of the cash flow statement. During the year, the directors have reviewed the treatment of this loan and concluded it should be recorded within investing cash flows for the purposes of the cash flow statement. The 2016 cash flow statement has, therefore, been adjusted. The effect is to increase the net cash flows from investing activities by £578,000 and decrease the cash and cash equivalents reported for the purpose of the cash flow statement by £2,847,000.

This restatement had no impact on net assets, equity, the Statements of Comprehensive Income or the Balance Sheets.

C. 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 that are mandatory for the financial year ended 31 December 2017.

For the year ended 31 December 2017, the company has applied the following standards and amendments for the first time:

Standard	Notes
• Amendments to IAS 12 'Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses'	(a)
• Amendments to IAS 7 'Statement of Cash Flows: Disclosure Initiative'	(a)
• Annual improvements to IFRS Standards 2014-2016 Cycle	(a), (b)

(a) The application of these pronouncements has not had a material impact on the company's accounting policies, financial position or performance.
(b) This pronouncement includes amendments to three standards. The amendments to IFRS 12 'Disclosure of Interests in Other Entities' have been applied by the company effective 1 January 2017. Refer to footnote (d) on the following page for details of other amendments in the pronouncement.

The following new standards and 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 statements, or have not been endorsed by the EU, 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
• Annual Improvements to IFRS Standards 2014 –2016 Cycle	(c), (d)	1 January 2018	1 January 2018
• IFRS 9 'Financial Instruments'	(e)	1 January 2018	1 January 2018
• IFRS 15 'Revenue from Contracts with Customers' (including Amendments to IFRS 15: Effective date of IFRS 15' and Clarifications to IFRS 15 Revenue from Contracts with Customers')	(f)	1 January 2018	1 January 2018

1 BASIS OF PREPARATION *continued*

C. ACCOUNTING STANDARDS *continued*

Standard *continued*	Notes	IASB effective date (for periods commencing on or after)	Planned date of application by the company
• Amendments to IAS 40 'Investment Property: Transfers of Investment Property'	(c)	1 January 2018	1 January 2018
• Amendments to IFRS 2 'Share-based Payments: Clarification and Measurement of Share-based Payment Transactions'	(c)	1 January 2018	1 January 2018
• Amendments to IFRS 4 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts'	(c)	1 January 2018	1 January 2018
• IFRIC 22 'Foreign Currency Transactions and Advance Consideration'	(c)	1 January 2018	1 January 2018
• IFRS 16 'Leases'	(c)	1 January 2019	1 January 2019
• IFRIC 23 'Uncertainty over Income Tax Treatments'	(c), (g)	1 January 2019	1 January 2019
• Amendments to IFRS 9 'Financial Instruments: Prepayment Features with Negative Compensation'	(c)	1 January 2019	1 January 2019
• Amendments to IAS 28 'Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures'	(c), (g)	1 January 2019	1 January 2019
• Annual Improvements to IFRS Standards 2015-2017 Cycle	(c), (g)	1 January 2019	1 January 2019
• Amendments to IAS 19 'Employee Benefits: Plan Amendment, Curtailment or Settlement'	(c), (g)	1 January 2019	1 January 2019
• Amendments to References to the Conceptual Framework in IFRS Standards	(c), (g)	1 January 2020	1 January 2020
• IFRS 17 'Insurance Contracts'	(c), (g)	1 January 2021	1 January 2021
• IFRS 14 'Regulatory Deferral Accounts'	(c), (g), (h)	1 January 2016	To be decided
• Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures': 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	(c), (g), (i)	Deferred indefinitely	To be decided

(c) *The future application of this pronouncement is not expected to have a material impact on the company's accounting policies, financial position or performance.*

(d) This pronouncement includes amendments to three standards. The amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards' and IAS 28 'Investments in Associates and Joint Ventures' have an effective date of 1 January 2018. The amendments to IFRS 12 'Disclosure of Interests in Other Entities' have an effective date of 1 January 2017 (refer to footnote (b) on the previous page).

(e) IFRS 9 'Financial Instruments' is effective for the company as from 1 January 2018. The company considers that the new classification and measurement criteria will not have a material impact on the company's equity as at 1 January 2018. Most financial assets will continue to be valued at amortised cost. The company will apply the general model for the recognition of expected credit losses to all financial assets except for trade receivables to which the simplified model will be applied. Given the high credit quality of the financial assets the expected credit loss adjustment is £nil. In the current and previous years' accounts, the company has applied the criteria set out in Note 2B for those cases where there are no material changes to financial liabilities.

(f) IFRS 15 'Revenue from Contracts with Customers' and the associated amendments and clarifications are effective for the company as from 1 January 2018. The company considers that the application of IFRS 15 will not have a material impact on the company's financial position or performance but will continue to refine its accounting policies and monitor emerging industry practice in relation to this standard. The company will transition to IFRS 15 using the modified retrospective approach which will require any cumulative impact of applying this standard to be recognised on implementation at 1 January 2018. No modifications are required to the company's IT systems or processes as a result of this standard.

(g) This pronouncement has not yet been endorsed by the EU.

(h) The endorsement process of this interim standard has not been launched as the EU has decided to wait for the final standard to be issued.

(i) The IASB set the effective date of this pronouncement as periods commencing on or after 1 January 2016. However, in December 2015, the IASB postponed the effective date indefinitely pending the outcome of its research project on the equity method of accounting. The EU endorsement process for this pronouncement has been postponed, awaiting a revised exposure draft from the IASB. The effective date will be amended in due course.

2 ACCOUNTING POLICIES

In preparing the Accounts in conformity with IFRS the company is required to make estimates and assumptions that impact on the reported amounts of revenues, expenses, assets and liabilities of the company. Actual results may differ from these estimates. However, no critical accounting judgements or key sources of estimation uncertainty have been identified in relation to these Accounts.

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 'External 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 a provision 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) Financial liabilities categorised as trade payables are recognised and carried at original invoice amount.
(c) 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 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 'Trade and other payables' as payments on account.

2 ACCOUNTING POLICIES *continued*

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.

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 £000
At 1 January 2016	50
Charge to the income statement	(15)
At 1 January 2017	35
Charge to the income statement	(7)
At 31 December 2017	**28**

Legislation has been enacted to reduce the rate of UK Corporation Tax to 17% on 1 April 2020. This reduces the tax rates expected to apply when temporary differences reverse and impacts the deferred tax charge.

4 TRADE AND OTHER RECEIVABLES

	Notes	**2017 £000**	2016 £000
Current receivables:			
Receivables due from Iberdrola group companies - trade		-	24
Receivables due from Iberdrola group companies - loans	(a)	**3,007**	2,847
Receivables due from Iberdrola group companies - interest		**38**	46
Trade receivables and accrued income	(b),(c)	**11**	94
Other tax receivables		-	4
		3,056	3,015

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

(b) Trade receivables are stated net of a provision for impairment of doubtful debts of £11,000 (2016 £33,000). 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 of the change in bad debt for the year to 31 December 2017 was a credit of £22,000 (2016 charge of £20,000).

(c) At 31 December 2017 trade receivables of £7,000 (2016 £88,000) were past due but not impaired.

Past due but not impaired	**2017 £000**	2016 £000
Less than 3 months	-	28
Between 3 and 6 months	-	55
After more than 12 months	**7**	5
	7	88

5 MEASUREMENT OF FINANCIAL INSTRUMENTS

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

		2017		2016	
		Carrying amount	**Fair value**	Carrying amount	Fair value
	Notes	**£000**	**£000**	£000	£000
Financial assets					
Receivables	(a)	**3,056**	**3,056**	3,011	3,011
Financial liabilities					
Payables	(a), (b)	**(128)**	**(128)**	(24)	(24)

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 outwith the scope of IFRS 7 'Financial Instruments: Disclosure' ("IFRS 7") have been excluded, namely other tax receivables and payments received on account.

(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

	2017	2016
	£000	£000
Allotted, called up and fully paid shares:		
2,000,000 ordinary shares of £1 each (2016 2,000,000)	**2,000**	2,000

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

	Share capital	Retained earnings (Note (a))	Total
	£000	£000	£000
At 1 January 2016	2,000	849	2,849
Profit for the year attributable to equity holder of SP Network Connections Limited	-	54	54
At 1 January 2017	2,000	903	2,903
Profit for the year attributable to equity holder of SP Network Connections Limited	-	48	48
At 31 December 2017	**2,000**	**951**	**2,951**

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

8 TRADE AND OTHER PAYABLES

	2017	2016
	£000	£000
Current trade and other payables:		
Payables due to Iberdrola group companies - trade	**124**	-
Trade payables	**4**	24
Payments received on account	**-**	117
	128	141

9 EMPLOYEE INFORMATION

The company had no employees during the year (2016 nil). Details of directors' remuneration are set out in Note 13(c).

10 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

	Note	**2017 £000**	2016 £000
Charges and provisions, allowances and impairment of assets	(a)	**(22)**	20

(a) Charges and provisions, allowances and impairment of assets in both years comprises the movement in the provision for impairment of doubtful debts.

11 FINANCE INCOME

	2017 £000	2016 £000
Interest receivable from Iberdrola group companies	**38**	46

12 INCOME TAX

	2017 £000	2016 £000
Current tax:		
UK Corporation tax	**5**	6
Current tax charge for the year	**5**	6
Deferred tax:		
Origination and reversal of temporary differences	**7**	9
Impact of tax rate change	**-**	6
Deferred tax charge for the year	**7**	15
Income tax charge for the year	**12**	21

The tax charge on profit on ordinary activities for the year varied from the standard rate of UK Corporation Tax applicable to the company as follows:

	2017 £000	2016 £000
Corporation Tax at 19.25% (2016 20%)	**12**	15
Impact of tax rate change	**-**	6
Income tax charge for the year	**12**	21

The rate of UK Corporation Tax reduced from 20% to 19% on 1 April 2017. Legislation has been enacted to reduce the rate of UK Corporation Tax to 17% on 1 April 2020. This reduces the tax rates expected to apply when temporary differences reverse and impacts the deferred tax charge.

13 RELATED PARTY TRANSACTIONS

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

	2017		2016	
	UK parent (SPL) £000	**Immediate parent (Power Systems) £000**	UK parent (SPL) £000	Immediate parent (Power Systems) £000
Types of transaction				
Purchases and receipt of services	**-**	**(11)**	-	(577)
Interest income	**38**	**-**	46	-
Balances outstanding				
Loans receivable	**3,007**	**-**	2,847	-
Trade and other receivables	**-**	**-**	-	24
Interest receivable	**38**	**-**	46	-
Trade and other payables	**-**	**(124)**	-	-

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

13 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 the ScottishPower group, it has not been possible to apportion the remuneration specifically in respect of services to this company. All three (2016 two) of the key management personnel are remunerated by other companies within ScottishPower.

	2017 £000	2016 £000
Short-term employee benefits	**726**	770
Post-employment benefits	**29**	20
Share-based payments	**551**	360
	1,306	1,150

(c) Directors' remuneration

The total remuneration of the directors that provided qualifying services to the company is shown below. As these directors are remunerated for their work for the ScottishPower group, it has not been possible to apportion the remuneration specifically in respect of services to this company. All three (2016 two) of the directors are remunerated by other companies within ScottishPower.

Executive directors	2017 £000	2016 £000
Aggregate remuneration in respect of qualifying services	**789**	832
Number of directors who exercised share options	**3**	2
Number of directors who received shares under a long-term incentive scheme	**3**	2
Number of directors accruing retirement benefits under a defined benefit scheme	**1**	-

Highest paid director	2017 £000	2016 £000
Aggregate remuneration	**632**	613
Accrued pension benefit	**92**	90

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

(d) Ultimate parent company and immediate parent company

The immediate parent company is Power Systems. The registered office of Power Systems is Ochil House, Hamilton International Technology Park, Blantyre, G72 0HT.

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 ("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 ScottishPower UK plc, at its registered office, 320 St. Vincent Street, Glasgow, G2 5AD.

The company has no other related undertakings in addition to the parent undertakings disclosed above.

14 AUDITOR REMUNERATION

	2017 £000	2016 £000
Audit of the company's annual Accounts	**10**	10

(a) No charge for auditor's remuneration is included in the income statement for this or the prior year. The audit fee was borne by a fellow subsidiary company.

(b) KPMG LLP was appointed auditor of the company during 2017, replacing Ernst & Young LLP. Auditor remuneration for 2017 is payable to KPMG LLP and payable to Ernst & Young LLP for 2016.

15 GOING CONCERN

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

The company recorded a profit after tax in both the current and previous financial year. The company's balance sheet shows that it has net current assets of £2,923,000 and net assets of £2,951,000 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 the Iberdrola group does not have the ability to and 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 adopt the going concern basis of accounting in preparing the Accounts.