SCOTTISHPOWER ENERGY RETAIL LIMITED
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2013

Registered No. SC190287

SCOTTISHPOWER ENERGY RETAIL LIMITED
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CONTENTS

SCOTTISHPOWER ENERGY RETAIL LIMITED
STRATEGIC REPORT

The directors present an overview of ScottishPower Energy Retail Limited's business structure, 2013 performance, its strategic objectives and plans.

STRATEGIC OUTLOOK

The principal activity of ScottishPower Energy Retail Limited, registered company number SC190287, ("the company"), is the supply of electricity and gas to 5.7 million domestic and business customers throughout Great Britain as well as providing customer services, such as customer registration, billing and receipting processes and handling enquiries in respect of these services. The company is the holder of the Scottish Power Limited group ("ScottishPower") supply licences. The company will continue with this activity for the foreseeable future.

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 Scottish Power Generation Holdings Limited ("SPGH"). The ultimate parent company in the United Kingdom ("UK") is ScottishPower Limited ("SPL"). The company is part of ScottishPower's Energy Retail business. As well as the activities of the company, Energy Retail is also responsible for the associated metering activity and managing ScottishPower's Energy Services activities.

The company remains focussed on improving customer service, which will be enhanced by the embedding of a new customer relationship management ("CRM") system, which will tailor the approach to dealing with individual customers and deliver cost efficiencies. Customer service will be further enhanced by the roll-out of smart meters to retail customers, in line with UK Government policy; the aim being that smart meters will provide customers with greater visibility over their energy consumption. Smart metering represents the biggest investment programme undertaken by the company in recent times.

The delivery of energy efficiency measures continues to be an important part of the company's operations. 2013 was the first year of the Government's new Energy Company Obligation ("ECO") that replaced the previous Carbon Emissions Reduction Target ("CERT") and Community Energy Saving Programme ("CESP") obligations. The ECO scheme again focuses on reducing heating costs for the most vulnerable customers, but also aims to improve the energy efficiency of harder to heat properties. The Government is currently undertaking a review of the ECO programme to ensure it balances the need to deliver efficiencies with pressure on customer bills. The company also supports vulnerable customers through the Warm Home Discount scheme ("WHD") under which it provides an annual discount on electricity bills to specific groups of customers.

As well as delivering the WHD, a package of commitments was offered to customers to protect them through the winter period. These commitments included:

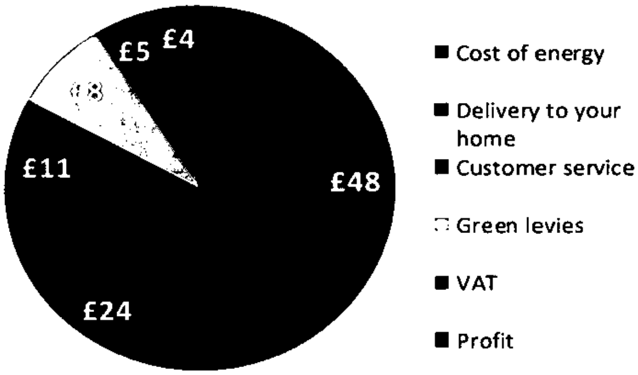
- extension of the WHD to other vulnerable customer groups;
- no winter disconnections;
- free insulation and heating measures for qualifying customers;
- a winter debt recovery break for the most vulnerable prepayment customers;
- availability of a fixed tariff through to 31 December 2016; and
- a written estimated saving quote sent to all quarterly credit customers (this has already helped around 30,000 customers reduce their bills over the last two years).

The company remains fully engaged in the proposals by the Office of the Gas and Electricity Markets ("Ofgem") for the Retail Market Review[1] ("RMR"). The main objectives of the RMR are simpler tariff choices, clearer information and fairer treatment for customers. In conjunction with these objectives the chart overleaf has been developed to help customers obtain a fuller understanding of how the different types of costs are reflected in their energy bill.

[1] Retail Market Review is a government initiative to make the UK energy market simpler, clearer and fairer for consumers.

SCOTTISHPOWER ENERGY RETAIL LIMITED
STRATEGIC REPORT *continued*

STRATEGIC OUTLOOK *continued*
Breakdown of costs for a typical £100 monthly energy bill in 2014*



*This breakdown is an estimate of typical costs for customers in 2014 based on an average of all domestic dual fuel customers across Great Britain covering all payment methods using Ofgem's current typical annual consumption values (gas usage of 13,500 kWh and standard rate electricity usage of 3,200 kWh). This excludes the new government funded universal rebate of £12.

OPERATIONAL PERFORMANCE
The tables below provide key financial and non-financial information relating to the company's performance during the year.

Financial key performance indicators	Revenue*		Profit from operations*		Capital investment**	
	2013	2012	**2013**	2012	**2013**	2012
	£m	£m	**£m**	£m	**£m**	£m
ScottishPower Energy Retail Limited	**4,133.3**	3,818.2	**160.2**	166.8	**48.6**	141.7

*Revenue and profit from operations is presented on page 9.
**Capital investment is presented within Notes 3 and 4 on pages 17 and 18.

Revenue increased by £315.1 million to £4,133.3 million in 2013. This was driven by higher customer gas consumption as a result of colder than normal weather in the first quarter of 2013, an 86,000 increase in customer numbers (mainly in gas) and, following upward cost pressures, customer price increases on 3 December 2012 (7.0%[2]) and on 7 December 2013 (8.6%[2]). It should be noted, however, that from 31 January 2014, standard tariffs were decreased by 3.3% for an average dual fuel customer.

Whilst revenue increased, profit from operations decreased by £6.6 million to £160.2 million in 2013 principally due to higher energy procurement costs, mainly gas, increased costs of delivering gas and electricity to customers' homes through the gas and electricity transmission and distribution networks, increases in the cost of government economic and social initiatives and the recognition of restructuring and associated pensions costs following a business reorganisation.

The majority of the programming work on the company's new CRM system was completed in 2012 resulting in capital investment decreasing by £93.1 million to £48.6 million in 2013.

Non-financial key performance indicators	Note	2013	2012
Volume supplied (GWh)		**58,477**	55,107
Complaints handling	(a)	**2nd**	3rd
Customers (millions)			
- Electricity		**3.4**	3.4
- Gas		**2.3**	2.2
		5.7	5.6

(a) Based on the Consumer Futures Complaints Handling Report. Ranking reflects Energy Retail's position relative to other 'Big 6' Energy Companies and is based on a balanced scorecard considering Citizen's Advice, Consumer Futures and Energy Ombudsman referrals and complaints.

The improvement in complaints handling is illustrative of ScottishPower Energy Retail's continual focus on customer service and commitment to treat customers fairly.

[2] Percentage increase for an average dual fuel customer.

LIQUIDITY AND CASH MANAGEMENT

Cash and net funds

Net cash flows from operating activities for the year increased by £100.4 million to £234.7 million (refer to cash flow statement on page 11). As detailed in the table below net funds increased to £240.2 million, principally due to movements in working capital, a decrease in capital expenditure offset by increased tax and dividends payments. The movement in net funds comprised a decrease in cash of £0.3 million and an increase in group loans receivable of £21.6 million.

Analysis of net funds		**2013**	2012
	Notes	**£m**	£m
Cash	(a)	**0.5**	0.8
Group loan receivable	(b)	**239.7**	218.1
		240.2	218.9

(a) As detailed on the balance sheet, refer to page 8.
(b) Loans due from Iberdrola group companies, refer to Note 8 on page 20.

Capital and debt structure

The company is entirely funded by equity. All equity is held by the company's immediate parent undertaking, SPGH. 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 of the most recent Annual Report and Accounts of SPL.

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 due. Further details of the going concern considerations made by the directors of the company are set out in Note 25.

HEALTH AND SAFETY

ScottishPower 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.

PRINCIPAL RISKS AND UNCERTAINTIES

ScottishPower's strategy is to conduct business in a manner benefiting customers through balancing cost and risk while delivering shareholder value and protecting ScottishPower's performance and reputation by prudently managing the risks inherent in the business. To maintain this strategic direction ScottishPower develops and implements risk management policies and procedures, and promotes a robust control environment at all levels of the organisation. Further details of the risk management practices can be found in Note 4 of the most recent Annual Report and Accounts of SPL.

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

The principal risks and uncertainties of ScottishPower, and so that of the company, that may impact current and future operational and financial performance and the management of these risks are described below:

RISK	RESPONSE
A major health and safety incident in the course of operations could impact staff, contractors, communities or the environment.	ScottishPower's Health and Safety function provides specialist services and support for the businesses in relation to health and safety. A comprehensive framework of health and safety policy and procedures, alongside audit programmes, is established throughout ScottishPower, which aim to ensure not only continuing legal compliance but also drive towards best practice in all levels of its health and safety operations.
Material deterioration in the relatively stable and predictable UK regulatory and political environment.	Positive and transparent engagement with all appropriate stakeholders to ensure that long-term regulatory stability and political consensus is maintained and necessary public backing is secured for much needed investment in the UK energy system.

The principal risks and uncertainties of Energy Retail, and so that of the company, that may impact current and future operational and financial performance are described below:

RISK	RESPONSE
Reduction in margins as a result of reduced market share, unfavourable wholesale energy costs and increasing non-energy costs.	Mitigating actions include a continued focus on creating innovative, competitive products that complement current offerings whilst continuing to enhance customer relationships.
If not properly implemented RMR could potentially impact pricing, market liquidity, customer engagement, regulatory compliance and behavioural standards and are likely to require substantial change to strategy.	Engage constructively with stakeholders to ensure that proposals arising from the review are practicable. Reporting and steering groups in place to improve visibility and monitor project progress.
The potential for non-completion of the ECO scheme which carries with it potential fines.	Reporting and steering groups in place to improve visibility and monitor project progress. Delivery split between contractors and strategic relationships to promote efficiency of delivery.
The potential for non-compliance with the UK Government's mandate to complete the roll-out of smart metering to customers in accordance with prescribed timescales.	Dedicated project team focussed on ensuring adequate business processes and systems are developed. The team is responsible for ensuring the roll-out capability is secured to enable deployment of meters. Energy Retail is an active participant in industry bodies responsible for developing smart metering technology and capability across the UK.

ON BEHALF OF THE BOARD

Marc Rossi

Marc Rossi
Director
9 April 2014

SCOTTISHPOWER ENERGY RETAIL LIMITED
DIRECTORS' REPORT

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

INFORMATION CONTAINED WITHIN THE STRATEGIC REPORT

The directors have chosen to disclose information on the following, required by the Companies Act 2006 to be included in the Directors' Report, within the Strategic Report, found on pages 1 to 4:

- information on financial risk management and policies; and
- information regarding future developments of the business.

RESULTS AND DIVIDENDS

The net profit for the year amounted to £134.5 million (2012 £128.8 million). The aggregate dividends paid during the year amounted to £170.0 million (2012 £40.0 million).

ENVIRONMENTAL 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.

EMPLOYEES

Employment regulation

ScottishPower has well-defined policies in place throughout its businesses to ensure compliance with applicable laws and related codes of practice. These policies cover a wide range of employment issues such as disciplinary, grievance, harassment, discrimination, stress, anti-bribery and 'whistleblowing' and have been brought together in the Code of Ethics of Iberdrola and its group of companies (which also outlines expectations for employees' conduct).

Employee consultation

Regular consultation takes place on key business initiatives or issues raised by employees using a variety of means, including monthly team meetings, team managers' conferences, business unit road shows, safety committees, presentations and employee magazines. In addition, work on employee engagement is paying dividends with another strong year in terms of "Loop Survey"[1] results. In 2013, ScottishPower's focus was taking action based on the outputs of this survey as well as embedding some elements of "The Deal"[1] ScottishPower believes that an important element of a positive working experience is stable employee and industrial relations; it recognises the legitimacy of trade union involvement and has formal agreements in place to foster open, two-way communication and consultation. Positive relationships and ongoing liaison with employees and their representatives are seen as contributing significantly to achieving the performance objectives of the businesses.

Equal opportunities

ScottishPower is committed to equal opportunities for all, irrespective of age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership, pregnancy and maternity or other considerations that do not affect a person's ability to perform their job. Further details of group workplace policy and performance can be found in the 'Corporate Governance' section at www.scottishpower.com.

Employment of disabled persons

In support of the Policy on Equal Opportunities (above), ScottishPower expects all employees to be treated with respect and has a Policy on People with Disabilities to help ensure equality of employment opportunity for people with disabilities. The aim of the policy is to establish working conditions that encourage the full participation of people with disabilities, which may be achieved through activities such as: making adjustments and/or adaptations to premises; enabling access to the full range of recruitment and career opportunities including the provision of specialist training; and the retention of existing staff who are affected by disability, through rehabilitation, training and reassignment. ScottishPower also works with support organisations, such as the Business Disability Forum, which provide support, guidance and sharing of best practice to enable companies to become disability confident.

[1] The "Loop Survey" and "The Deal" are internal employee relations initiatives.

EMPLOYEES *continued*

Positive about disabled people - Double tick accreditation

ScottishPower is a disability positive organisation and in April 2013 was re-accredited and retained the double tick symbol, which recognises the positive action and good practices the organisation has continuously adopted to ensure the required commitments to good employment practice specified by Jobcentre Plus are being met in areas such as recruitment and selection, career development, consultation, retention and redeployment of disabled people.

DIRECTORS

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

Neil Clitheroe
Aitor Moso Raigoso
Marc Rossi

DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

The directors are responsible for preparing the Annual 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 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 Annual Report and Accounts confirms that:

- so far as he is aware, there is no relevant audit information of which the company's auditors are unaware; and
- he has taken all the steps 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 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.

AUDITORS

Ernst & Young LLP were re-appointed auditors of the company for the year ended 31 December 2013.

ON BEHALF OF THE BOARD

Marc Rossi

Marc Rossi
Director
9 April 2014

INDEPENDENT AUDITOR'S REPORT

to the member of ScottishPower Energy Retail Limited

We have audited the Accounts of ScottishPower Energy Retail Limited for the year ended 31 December 2013 which comprise the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement, and the related notes 1 to 25. 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 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 6, 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 Annual Report and Accounts to identify material inconsistencies with the audited Accounts, and to identify any information that is apparently 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 Strategic Report and 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 Nisbet (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
9 April 2014

SCOTTISHPOWER ENERGY RETAIL LIMITED
BALANCE SHEETS
as at 31 December 2013 and 31 December 2012

	Notes	2013 £m	2012 £m
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	3	**178.5**	138.5
Property, plant and equipment	4	**32.6**	28.6
Investments	5	**0.1**	0.1
Trade and other receivables	8	**28.9**	31.2
Deferred tax asset	15	**-**	5.1
NON-CURRENT ASSETS		**240.1**	203.5
CURRENT ASSETS			
Trade and other receivables	8	**626.3**	548.5
Cash	6	**0.5**	0.8
CURRENT ASSETS		**626.8**	549.3
TOTAL ASSETS		**866.9**	752.8
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		**132.6**	168.3
Share capital	9, 10	55.4	55.4
Hedge reserve	10	(0.2)	-
Retained earnings	10	77.4	112.9
TOTAL EQUITY		**132.6**	168.3
NON-CURRENT LIABILITIES			
Deferred income	11	**0.4**	0.5
Financial liabilities		**0.1**	-
Derivative financial instruments	6, 13	0.1	-
Trade and other payables	14	**0.3**	0.3
Deferred tax liabilities	15	**1.8**	-
NON-CURRENT LIABILITIES		**2.6**	0.8
CURRENT LIABILITIES			
Provisions	12	**7.7**	29.5
Financial liabilities		**0.2**	-
Derivative financial instruments	6, 13	0.2	-
Trade and other payables	14	**697.4**	503.5
Current tax liabilities		**26.4**	50.7
CURRENT LIABILITIES		**731.7**	583.7
TOTAL LIABILITIES		**734.3**	584.5
TOTAL EQUITY AND LIABILITIES		**866.9**	752.8

Approved by the Board on 9 April 2014 and signed on its behalf by:

Marc Rossi

Marc Rossi
Director

The accompanying notes 1 to 25 are an integral part of the balance sheets as at 31 December 2013 and 31 December 2012.

SCOTTISHPOWER ENERGY RETAIL LIMITED
INCOME STATEMENTS
for the years ended 31 December 2013 and 31 December 2012

	Notes	2013 £m	2012 £m
Revenue		4,133.3	3,818.2
Procurements		(3,391.7)	(3,095.5)
		741.6	722.7
Staff costs	16	(112.8)	(75.4)
Capitalised staff costs	16	6.9	1.2
Outside services		(289.8)	(313.5)
Other operating income		12.5	18.0
		(383.2)	(369.7)
Taxes other than income tax	17	(166.0)	(151.5)
		192.4	201.5
Depreciation and amortisation charge, allowances and provisions	18	(32.2)	(34.7)
PROFIT FROM OPERATIONS		**160.2**	166.8
Dividends received from subsidiaries		0.1	-
Finance income	19	7.4	7.7
Finance costs	20	(0.2)	-
PROFIT BEFORE TAX		**167.5**	174.5
Income tax	21	(33.0)	(45.7)
NET PROFIT FOR THE YEAR		**134.5**	128.8

Net profit for both years is wholly attributable to the equity holders of ScottishPower Energy Retail Limited.

All results relate to continuing operations.

The accompanying notes 1 to 25 are an integral part of the income statements for the years ended 31 December 2013 and 31 December 2012.

SCOTTISHPOWER ENERGY RETAIL LIMITED
STATEMENTS OF COMPREHENSIVE INCOME
for the years ended 31 December 2013 and 31 December 2012

	2013	2012
	£m	£m
NET PROFIT FOR THE YEAR	**134.5**	128.8
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to the income statement:		
Cash flow hedges:		
Changes in the value of cash flow hedges	(0.3)	-
Tax relating to cash flow hedges	0.1	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**(0.2)**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**134.3**	128.8

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

STATEMENTS OF CHANGES IN EQUITY
for the years ended 31 December 2013 and 31 December 2012

	Ordinary share capital	Hedge reserve	Retained earnings	Total equity
	£m	£m	£m	£m
At 1 January 2012	55.4	-	24.1	79.5
Total comprehensive income for the year	-	-	128.8	128.8
Dividends	-	-	(40.0)	(40.0)
At 1 January 2013	55.4	-	112.9	168.3
Total comprehensive income for the year	-	(0.2)	134.5	134.3
Dividends	-	-	(170.0)	(170.0)
At 31 December 2013	**55.4**	**(0.2)**	**77.4**	**132.6**

The accompanying notes 1 to 25 are an integral part of the statements of comprehensive income and the statements of changes in equity for the years ended 31 December 2013 and 31 December 2012.

SCOTTISHPOWER ENERGY RETAIL 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 before tax	167.5	174.5
Adjustments for:		
Depreciation and amortisation	4.6	2.8
Change in provisions	(11.6)	9.8
Capital grants	(0.1)	(0.1)
Finance income and costs	(7.2)	(7.7)
Dividends received	(0.1)	-
Changes in working capital:		
Change in trade and other receivables	(54.3)	17.1
Change in trade payables	188.5	(68.5)
Provisions paid	(10.2)	(3.6)
Income taxes (paid)/received	(50.3)	2.0
Interest received	7.8	8.0
Dividends received	0.1	-
Net cash flows from operating activities (i)	**234.7**	134.3
Cash flows from investing activities		
Investments in intangible assets	(38.4)	(138.5)
Investments in property, plant & equipment	(4.8)	(2.8)
Net cash flows from investing activities (ii)	**(43.2)**	(141.3)
Financing activities		
Dividends paid to company's equity holders	(170.0)	(40.0)
Interest paid	(0.2)	-
Net cash flows from financing activities (iii)	**(170.2)**	(40.0)
Net increase/(decrease) in cash and cash equivalents (i)+(ii)+(iii)	**21.3**	(47.0)
Cash and cash equivalents at beginning of year	**218.9**	265.9
Cash and cash equivalents at end of year	**240.2**	218.9

Cash and cash equivalents at end of year comprises:

	2013 £m	2012 £m
Balance sheet cash	0.5	0.8
Receivables due from Iberdrola group companies - loans	239.7	218.1
Cash flow statement cash and cash equivalents	**240.2**	218.9

The accompanying notes 1 to 25 are an integral part of the cash flow statements for the years ended 31 December 2013 and 31 December 2012.

SCOTTISHPOWER ENERGY RETAIL LIMITED
NOTES TO THE 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.

The Accounts contain information about ScottishPower Energy Retail Limited as an individual company and do not contain consolidated information as the parent of subsidiary companies. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated Accounts as it and its subsidiary undertakings are included by full consolidation in the consolidated Accounts of Iberdrola S.A., a company incorporated in Spain.

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

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 9 'Financial Instruments' and subsequent amendments	(c), (d), (e)	Not yet assigned	Not yet assigned
• IFRS 10 'Consolidated Financial Statements'	(f), (g)	1 January 2013	1 January 2014
• IFRS 11 'Joint Arrangements'	(f), (g)	1 January 2013	1 January 2014
• IFRS 12 'Disclosure of Interests in Other Entities'	(f), (g)	1 January 2013	1 January 2014
• IAS 27 (Revised) 'Separate Financial Statements'	(f), (g)	1 January 2013	1 January 2014
• IAS 28 (Revised) 'Investments in Associates and Joint Ventures'	(f), (g)	1 January 2013	1 January 2014
• Amendments to IAS 32 'Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities'	(g)	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'	(f), (g)	1 January 2013	1 January 2014
• Amendments to IFRS 10, IFRS 12 and IAS 27 'Investment Entities'	(f)	1 January 2014	1 January 2014
• Amendments to IAS 36 'Impairment of Asset - Recoverable Amount Disclosures for Non-Financial Assets'	(f)	1 January 2014	1 January 2014
• IFRIC 21 'Levies'	(d), (f)	1 January 2014	1 January 2014
• Amendment to IAS 39 'Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting'	(f)	1 January 2014	1 January 2014
• Amendments to IAS 19 'Employee Benefits: Defined Benefit Plans Employee Contributions'	(d), (f)	1 July 2014	1 January 2015
• Annual Improvements to IFRSs (2010-2012)	(d), (f)	1 July 2014	1 January 2015
• Annual Improvements to IFRSs (2011-2013)	(d), (f)	1 July 2014	1 January 2015
• IFRS 14 'Regulatory Deferral Accounts'	(d), (f)	1 January 2016	1 January 2016

1 BASIS OF PREPARATION *continued*

B. ACCOUNTING STANDARDS *continued*

(a) The application of the amendments to IAS 1 as from 1 January 2013 has not had a material impact on the company's accounting policies, financial position or performance. However the Statement of Other Comprehensive Income now groups items of other operating income on the basis of whether they are potentially reclassifiable to the income statement subsequently or not.
(b) The application of these pronouncements did not have a material impact the company's accounting policies, financial position or performance.
(c) The directors are currently in the process of assessing the impact of this standard in relation to the company's accounting policies, financial position and performance.
(d) These pronouncements have not yet been adopted by the EU.
(e) The IASB decided that the original mandatory date of 1 January 2015 would not allow sufficient time for the entities to apply the new standard as all phases of the IFRS 9 project has not been completed. Accordingly, the IASB removed the mandatory effective date from IFRS 9 and will assign a new date when the project is closer to completion. Entities may still choose to apply the issued sections of IFRS 9 immediately; the company has decided not to do.
(f) The future application of these pronouncements is not expected to have a material impact on the company's accounting policies, financial position or performance.
(g) 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.
(h) The company has chosen not to early adopt any of these standards/amendments for year ended 31 December 2013.

The Energy Companies Obligation ("ECO") was established on 4 December 2012 by The Electricity and Gas (Energy Company Obligation) Order 2012 ("the Order"). It imposes a legal obligation on larger energy suppliers to deliver energy efficiency measures to domestic energy users.

Once a supplier has been considered eligible for the ECO obligation, based on their domestic customer numbers, the amount of the obligation is established based on the amount of energy supplied to such domestic customers. The overall obligation period is multiannual and commenced on 1 January 2013. The overall obligation period is broken down into different phases. For each phase, Ofgem determines the amount of each supplier's obligation based on the domestic energy supplied by each energy supplier as a proportion of the total domestic energy supplied by all qualifying suppliers during the relevant notification period.

ScottishPower, and so the company, considers that the appropriate accounting treatment is prescribed by IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', as this obligation complies with the three features to be considered for a provision (present obligation, probable out-flow of resources and a reliable estimate can be made). In accordance with a legal opinion obtained by ScottishPower, it is considered that an obligation arises for each phase of the overall obligation period. For this reason, it is appropriate to consider this obligation as an additional cost of supply to domestic customers, as this activity constitutes the obligating event, as defined under IAS 37.

In his Autumn Statement on 5 December 2013, with the goal of reducing the energy tariffs of domestic customers, the Chancellor of the Exchequer announced an extension of the end of the overall obligation period from 31 March 2015 to 31 March 2017. Under the described accounting treatment, as a result of this extension, there would be an immediate and corresponding impact of decreasing the cost of supply to the affected customers in the financial statements in the relevant accounting periods.

The Financial Reporting Council ("FRC") staff paper 'Accounting for the Energy Company Obligation', dated 27 September 2013, indicates that the expenditure should be recognised as the assigned measures are being implemented, regardless of the rate at which energy is supplied to the domestic customers. The external auditor has determined that this is the only accounting treatment which is acceptable.

Based on the FRC staff paper and the opinion of the external auditor, ScottishPower, and so the company, has recorded the expense in its financial statements as the measures were actually implemented during the year. This accounting treatment involves recording £40 million in addition to the amount that would have resulted from following a recognition rate of the obligation consistent with the rate of energy supplied to domestic customers during the accounting period.

2 ACCOUNTING POLICIES

A REVENUE
B INTANGIBLE ASSETS (COMPUTER SOFTWARE COSTS)
C PROPERTY, PLANT AND EQUIPMENT
D IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS
E LEASED ASSETS
F INVESTMENTS
G FINANCIAL ASSETS AND LIABILITIES
H TAXATION
I CAPITAL GRANTS
J RETIREMENT BENEFITS

A REVENUE

Revenue comprises the sales value of energy supplied to customers during the year and excludes Value Added Tax. Revenue from the sale of energy is the value of units supplied during the year, and includes an estimate of the value of units supplied to customers between the date of their last meter reading and the year end, based on external data supplied by the electricity and gas market settlement processes. All revenue is earned wholly within the United Kingdom.

B INTANGIBLE ASSETS (COMPUTER SOFTWARE COSTS)

The costs of acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software and are amortised on a straight-line basis over their operational lives. Costs directly associated with the development of computer software programmes that will probably generate economic benefits over a period in excess of one year are capitalised and amortised, on a straight-line basis, over their estimated operational lives. Costs include employee costs relating to software development and an appropriate proportion of relevant overheads directly attributable to bringing the software into use. Amortisation of computer software is over periods of up to five years.

C PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost and is generally depreciated on the straight-line method over the estimated operational lives of the assets. Property, plant and equipment includes capitalised employee and other directly attributable costs. Reviews are undertaken annually of the estimated remaining lives and residual values of property, plant and equipment. Residual values are assessed based on prices prevailing at each balance sheet date.

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

	Years
Property, plant and equipment in use	2-50

D IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

At each balance sheet date, the company reviews the carrying amount of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

2 ACCOUNTING POLICIES *continued*

E LEASED ASSETS

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in the arrangement. For arrangements entered into prior to 1 April 2004, the date of inception is deemed to be 1 April 2004 in accordance with the transitional requirements of IFRIC 4 'Determining Whether an Arrangement Contains a Lease'.

The company classifies leases as finance leases whenever the lessor transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

F INVESTMENTS

The company's investments are stated in the balance sheet at cost, or fair value of shares issued as consideration where applicable. Dividends are recognised when the rights to receive the dividend is established.

G FINANCIAL ASSETS AND LIABILITIES

G1 ACCOUNTING POLICIES UNDER IAS 39 'FINANCIAL INSTRUMENTS RECOGNITION AND MEASUREMENT' ("IAS 39")

(a) Financial assets categorised as trade 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) Cash in the balance sheet comprises cash on hand. In the cash flow statement, cash and cash equivalents includes the net of current loans receivable and payable from group companies.
(c) Financial liabilities categorised as trade payables are recognised and carried at original invoice amount.
(d) 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, except where the loan or borrowing is a hedged item in an effective fair value hedging relationship (see G3 Hedge Accounting).

IAS 39 requires all derivatives to be recognised on the balance sheet at fair value. Embedded derivatives in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value through the income statement.

Unrealised gains or losses on remeasurement of derivatives and embedded derivatives used in the group's treasury activities are recognised within finance income or finance costs in the income statement, except where hedge accounting is applied (see G3).

G2 RISK CONTROL ENVIRONMENT

ScottishPower's strategy is to conduct business in a manner benefiting customers through balancing cost and risk while delivering shareholder value and protecting ScottishPower's performance and reputation by prudently managing the risks inherent in the business. To maintain this strategic direction ScottishPower develops and implements risk management policies and procedures, and promotes a rigid control environment at all levels of the organisation. Further details of ScottishPower's strategy and management of risks are discussed in detail in the most recent Annual Report and Accounts of SPL.

2 ACCOUNTING POLICIES *continued*

G FINANCIAL ASSETS AND LIABILITIES *continued*

G3 HEDGE ACCOUNTING

Hedge accounting is applied when certain conditions required by IAS 39 are met. Hedge accounting for the company falls into the following category:

G3.1 CASH FLOW HEDGES

The portion of gain or loss of the hedging instrument that was determined to be an effective hedge is recognised directly in equity and forms part of the hedge reserve. The ineffective portion of the change in fair value of the hedging instruments is recognised in the income statement within finance income or finance costs. If the cash flow hedge relates to an underlying transaction which results in the recognition of a non-financial asset, the associated gains or losses on the derivative that had previously been recognised in equity are recognised in the initial measurement of the asset arising from the hedged transaction. For hedges that relate to an underlying transaction which results in recognition of a financial asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects the income statement.

G3.2 HEDGE EFFECTIVENESS

Hedge effectiveness is measured and respective entries recorded in the balance sheet, reserves and income statement on a half-yearly basis. Hedge effectiveness is achieved where the correlation between the changes in value of the hedging instrument and the hedged item is between 80% and 125%.

G3.3 DISCONTINUING HEDGE ACCOUNTING

The company discontinues prospectively hedge accounting when the hedge instrument expires or is sold, terminated or exercised, when the hedge relationship no longer qualifies for hedge accounting or when the designation is revoked. In the case of cash flow hedging, any gain or loss that has been recognised in equity until that time remains separately recognised in equity until the forecast transaction occurs. If the transaction is no longer expected to occur, related cumulative gains and losses which have been previously deferred in equity are recognised in the income statement.

G4 VALUATION OF FINANCIAL INSTRUMENTS

In those circumstances where IAS 39 requires financial instruments to be recognised in the balance sheet at fair value, the company's valuation strategies for derivative and other financial instruments utilise as far as possible quoted prices in an active trading market.

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

H 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.

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*

H 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.

I CAPITAL GRANTS

Capital grants in respect of additions to property, plant and equipment are credited to deferred income within non-current liabilities and are released to the income statement on a straight-line basis over the estimated operational lives of the related assets.

J RETIREMENT BENEFITS

ScottishPower operates a number of defined benefit and defined contribution retirement benefit schemes in the UK. ScottishPower Energy Retail Limited is a participating company in these arrangements, and the contributions for the defined benefit schemes are based on pension costs across all the participating companies. The company is unable to identify its share of the underlying assets and liabilities in the defined benefit schemes, as the scheme administrators do not calculate these separately for each of the various companies participating in the schemes and therefore treats these schemes as if they were defined contribution schemes. The amount charged to the income statement in respect of pension costs is the contributions payable in the period.

3 INTANGIBLE ASSETS

Year ended 31 December 2012	Note	Computer software in progress £m
Cost:		
At 1 January 2012		-
Additions	(i)	138.5
At 31 December 2012		138.5
Net book value:		
At 31 December 2012		138.5
At 1 January 2012		-

Year ended 31 December 2013	Note	Computer software in progress £m
Cost:		
At 1 January 2013		138.5
Additions	(i)	40.0
At 31 December 2013		**178.5**
Net book value:		
At 31 December 2013		**178.5**
At 1 January 2013		138.5

(i) On 31 December 2012, the ultimate parent company, Iberdrola S.A. transferred computer software costs of £138.5 million relating to the development and implementation of a new CRM system with subsequent expenditure of £40.0 million during 2013. This remains in the development stage and depreciation will not be charged until it becomes fully operational.

4 PROPERTY, PLANT AND EQUIPMENT

(a) Movements in property, plant and equipment

	Property, plant and equipment in use
Year ended 31 December 2012	£m
Cost:	
At 1 January 2012	69.4
Additions	3.2
At 31 December 2012	72.6
Depreciation:	
At 1 January 2012	41.2
Charge for the year	2.8
At 31 December 2012	44.0
Net book value:	
At 31 December 2012	28.6
At 1 January 2012	28.2

	Property, plant and equipment in use
Year ended 31 December 2013	£m
Cost:	
At 1 January 2013	72.6
Additions	8.6
Disposals	(2.8)
At 31 December 2013	**78.4**
Depreciation:	
At 1 January 2013	44.0
Charge for the year	4.6
Disposals	(2.8)
At 31 December 2013	**45.8**
Net book value:	
At 31 December 2013	**32.6**
At 1 January 2013	28.6

(i) The category "Property, plant and equipment in use" principally comprises land and buildings, meters and measuring devices.
(ii) The cost of fully depreciated property, plant and equipment still in use at 31 December 2013 was £18.7 million (2012 £20.3 million).
(iii) Included within the cost of property, plant and equipment are assets in use not subject to depreciation, being land, of £5.2 million (2012 £5.2 million).

(b) Operating lease arrangements

	2013	2012
(i) Operating lease payments	**£m**	£m
Minimum lease payments under operating leases recognised as an expense in the year	**1.1**	1.6
Contingent based operating lease rents recognised as an expense in the year	**308.6**	239.2
	309.7	240.8

The contingent based operating lease rents primarily relate to contracts under which the company purchases electricity. The expense recognised represents the invoiced amounts under these contracts.

	2013	2012
(ii) Operating lease commitments	**£m**	£m
The future minimum lease payments under non-cancellable operating leases are as follows:		
Within one year	**1.7**	1.5
Between one and five years	**4.7**	4.5
More than five years	**4.2**	6.8
	10.6	12.8

The company leases various property, plant and equipment under non-cancellable operating lease agreements. The leases have varying terms escalation clauses and renewal rights.

4 PROPERTY, PLANT AND EQUIPMENT *continued*

(b) Operating lease arrangements *continued*

(iii) Operating lease receivables	2013 £m	2012 £m
The future minimum lease payments receivable under non-cancellable operating leases are as follows:		
Within one year	**0.9**	0.9

The company leases buildings as a lessor under operating leases. The lease arrangements are renewed on a rolling one year basis.

(c) Capital commitments

	2013 £m	2012 £m
Contracted but not provided	**2.4**	-

5 INVESTMENTS

(a) Cost and net book value

	Subsidiary undertaking shares £m	Joint venture shares £m	Total £m
At 31 December 2013 and 31 December 2012	0.1	-	**0.1**

(b) Shares in subsidiary undertaking and joint venture

The principal holdings of the company are as set out below:

Subsidiary undertaking	Class of share capital	Place of incorporation or registration	Proportion of shares held	Activity
Manweb Energy Consultants Limited	Ordinary shares of £1 each	England and Wales	100%	Provision of energy services
Joint venture				
N.E.S.T.Makers Limited	Ordinary shares of £1 each	England and Wales	50%	In liquidation

6 FINANCIAL INSTRUMENTS

(a) Carrying value of financial instruments

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

	Notes	2013 Carrying amount £m	2013 Fair value £m	2012 Carrying amount £m	2012 Fair value £m
Financial assets					
Current receivables		**626.3**	**626.3**	548.5	548.5
Non-current receivables		**28.9**	**28.9**	31.2	31.2
Cash	(i)	**0.5**	**0.5**	0.8	0.8
Financial liabilities					
Derivative financial instruments	(ii)	**(0.3)**	**(0.3)**	-	-
Payables	(iii)	**(672.1)**	**(672.1)**	(470.4)	(470.4)

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

(i) As a general rule, cash deposited with banks earns interest at rates similar to market rates on daily deposits.
(ii) Further details on derivative financial instruments is disclosed in Note 13.
(iii) Balances outwith the scope of IFRS 7 'Financial Instruments: Disclosures' have been excluded, namely other taxes and social security.

6 FINANCIAL INSTRUMENTS *continued*

(b) Measurement of financial instruments

The company holds certain financial instruments which are measured in the balance sheet at fair value. The company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.
All derivatives held by the company are Level 2.

(c) Borrowing facilities

The company had no undrawn committed borrowing facilities at 31 December 2013 (2012 £nil).

7 LIQUIDITY ANALYSIS

Maturity profile of financial liabilities

The table below summarises the maturity profile of the company's financial liabilities based on contractual undiscounted payments.

	2013						
	2014	2015	2016	2017	2018	2019 and thereafter	Total
Cash outflows	£m	£m	£m	£m	£m	£m	**£m**
Derivative financial instruments	4.2	3.4	-	-	-	-	**7.6**
Payables	671.8	0.2	0.1	-	-	-	**672.1**
	676.0	**3.6**	**0.1**	-	-	-	**679.7**

	2012						
	2013	2014	2015	2016	2017	2018 and thereafter	Total
Cash outflows	£m	£m	£m	£m	£m	£m	£m
Payables	470.1	0.1	0.1	0.1	-	-	470.4

8 TRADE AND OTHER RECEIVABLES

	Notes	2013 £m	2012 £m
Current receivables:			
Receivables due from Iberdrola group companies - trade		**45.1**	28.6
Receivables due from Iberdrola group companies - loans	(a)	**239.7**	218.1
Receivables due from Iberdrola group companies - interest		**6.9**	7.5
Trade receivables and accrued income	(b), (c)	**334.6**	294.3
		626.3	548.5
Non-current receivables:			
Receivables due from Iberdrola group companies - trade		**26.7**	31.2
Other receivables		**2.2**	-
		28.9	31.2

(a) Interest on loans due from Iberdrola group companies is payable at 1% above the Bank of England base rate and the loans are repayable on demand.

(b) The company utilises forms of collateral, externally and internally with ScottishPower group companies, to manage its credit exposure in respect of the provision of network services. All collateral posted is settled in cash. At 31 December 2013, the company posted cash collateral of £30.3 million (2012 £33.3 million) and posted letters of credit of £9.2 million (2012 £7.8 million).

(c) Trade receivables are stated net of allowance for impairment of doubtful debts of £46.4 million (2012 £40.7 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.

8 TRADE AND OTHER RECEIVABLES *continued*

(d) At 31 December 2013 trade receivables of £67.6 million (2012 £65.3 million) were past due but not impaired. These relate to retail customers who have not paid the outstanding balance within agreed payment terms.

	2013 £m	2012 £m
Past due but not impaired:		
Less than 3 months	**39.4**	39.2
Between 3 and 6 months	**11.1**	10.6
Between 6 and 12 months	**13.0**	12.1
After more than 12 months	**4.1**	3.4
	67.6	65.3

(e) Movements on the provision for impairment of trade receivables are as follows:

	2013 £m	2012 £m
At beginning of year	**40.7**	50.3
Receivables written off during the year as uncollectible	**(37.8)**	(58.1)
Provision for receivables impairment	**43.5**	48.5
At end of year	**46.4**	40.7

(i) The creation and release of provision for impaired receivables have been included in "Depreciation and amortisation charge, allowances and provisions" in the income statement (Note 18).
(ii) The provision for impaired receivables principally relates to retail customers where a low likelihood of collection has been assessed.
(iii) At 31 December 2013, trade receivables of £58.3 million (2012 £57.8 million) were renegotiated that would otherwise be past due or impaired. These relate to retail customers who, subsequent to defaulting on original payment terms, have made new arrangements to pay amounts owed.

9 SHARE CAPITAL

	2013 £m	2012 £m
Authorised:		
100,000,000 ordinary shares of £1 each (2012 100,000,000)	**100.0**	100.0
Allotted, called up and fully paid shares:		
55,407,000 ordinary shares of £1 each (2012 55,407,000)	**55.4**	55.4

10 ANALYSIS OF MOVEMENTS IN EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF SCOTTISHPOWER ENERGY RETAIL LIMITED

	Ordinary share capital £m	Hedge reserve (Note (a)) £m	Retained earnings (Note (b)) £m	Total £m
At 1 January 2012	55.4	-	24.1	79.5
Profit for the year attributable to equity holders of ScottishPower Energy Retail Limited	-	-	128.8	128.8
Dividends	-	-	(40.0)	(40.0)
At 1 January 2013	55.4	-	112.9	168.3
Profit for the year attributable to equity holders of ScottishPower Energy Retail Limited	-	-	134.5	134.5
Changes in the value of cash flow hedges	-	(0.3)	-	(0.3)
Tax on items relating to cash flow hedges	-	0.1	-	0.1
Dividends	-	-	(170.0)	(170.0)
At 31 December 2013	**55.4**	**(0.2)**	**77.4**	**132.6**

(a) The hedge reserve represents the balance of gains and losses on cash flow hedges (net of taxation) not yet transferred to income or the carrying amount of a non-financial asset.
(b) Retained earnings comprise the cumulative balance of profits and losses recognised in the financial statements as adjusted for transactions with shareholders, principally dividends.

10 ANALYSIS OF MOVEMENTS IN EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF SCOTTISHPOWER ENERGY RETAIL LIMITED *continued*

(c) The changes in the hedge reserve arising from valuation adjustments to hedging derivatives is set out below:

	Foreign exchange rate hedges £m	Tax effect £m	Total £m
At 1 January 2013	-	-	-
Effective cash flow hedges recognised	(0.3)	0.1	(0.2)
At 31 December 2013	**(0.3)**	**0.1**	**(0.2)**

(d) The maturity analysis of amounts included in the hedge reserve is as follows:

	2013 £m	2012 £m
Less than 1 year	(0.1)	-
1-2 years	(0.1)	-
	(0.2)	-

11 DEFERRED INCOME

Year ended 31 December 2012	At 1 January 2012 £m	Released to income statement £m	At 31 December 2012 £m
Capital grants	0.6	(0.1)	0.5

Year ended 31 December 2013	At 1 January 2013 £m	Released to income statement £m	**At 31 December 2013 £m**
Capital grants	0.5	(0.1)	**0.4**

12 PROVISIONS

Year ended 31 December 2012	Notes	At 1 January 2012 £m	New provisions £m	Utilised during the year £m	At 31 December 2012 £m
Restructuring	(b)	1.8	1.1	(2.6)	0.3
Regulatory	(c)	21.5	8.7	(1.0)	29.2
		23.3	9.8	(3.6)	29.5

Year ended 31 December 2013	Notes	At 1 January 2013 £m	New provisions £m	Utilised during the year £m	Released to income statement £m	**At 31 December 2013 £m**
Restructuring	(b)	0.3	6.2	(0.2)	-	**6.3**
Regulatory	(c)	29.2	-	(10.0)	(17.8)	**1.4**
		29.5	6.2	(10.2)	(17.8)	**7.7**

(a) All provisions are classified as current in both the current and prior year.
(b) The provision for restructuring is expected to be utilised during 2014.
(c) The provision for regulatory costs relates to various contractual obligations and the estimated future costs associated with regulatory reviews. These reviews are expected to be concluded in 2014.

13 DERIVATIVE FINANCIAL INSTRUMENTS

Analysis of carrying value of derivative financial instruments – carrying value

	2013				2012			
	Assets		Liabilities		Assets		Liabilities	
	Current	Non-Current	Current	Non-Current	Current	Non-Current	Current	Non-Current
	£m	£m	£m	£m	£m	£m	£m	£m
Hedging derivatives								
Foreign exchange rate	-	-	(0.2)	(0.1)	-	-	-	-

14 TRADE AND OTHER PAYABLES

	2013 £m	2012 £m
Current trade and other payables:		
Payables due to Iberdrola group companies - trade	**368.1**	290.2
Trade payables and accrued expenses	**162.6**	171.1
Capital payables and accruals	**6.1**	0.7
Other taxes and social security	**25.6**	33.4
Other payables	**135.0**	8.1
	697.4	503.5
Non-current payables:		
Other payables	**0.3**	0.3

15 DEFERRED TAX

Deferred tax recognised in the Accounts is as follows:

	Property, plant and equipment £m	Derivative financial instruments £m	Other temporary differences £m	Total £m
At 1 January 2012	2.4	-	(2.9)	(0.5)
Charge/(credit) to income statement	0.1	-	(4.7)	(4.6)
At 1 January 2013	2.5	-	(7.6)	(5.1)
(Credit)/charge to income statement	(0.5)	-	7.5	7.0
Recorded in the statement of comprehensive income	-	(0.1)	-	(0.1)
At 31 December 2013	**2.0**	**(0.1)**	**(0.1)**	**1.8**

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.

16 EMPLOYEE INFORMATION

(a) Staff costs

	2013 £m	2012 £m
Wages and salaries	**58.6**	60.1
Social security costs	**4.5**	4.7
Pension and other costs	**49.7**	10.6
Total employee costs	**112.8**	75.4
Less: capitalised staff costs	**(6.9)**	(1.2)
Charged to the income statement	**105.9**	74.2

SCOTTISHPOWER ENERGY RETAIL LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2013

16 EMPLOYEE INFORMATION *continued*

(b) Employee numbers

The year end and average numbers of employees (full and part-time) employed by the company, including executive directors where appropriate, were:

	Year end 2013	Average 2013	Year end 2012	Average 2012
Customer services	**1,343**	**1,382**	1,432	1,572
Administration	**772**	**790**	796	796
Total	**2,115**	**2,172**	2,228	2,368

The year end and average numbers of employees full time equivalent staff employed by the company, including executive directors where appropriate were:

	Year end 2013	Average 2013	Year end 2012	Average 2012
Total	**1,909**	**1,959**	2,012	2,144

(c) Retirement benefits

The company's contributions payable in the year were £11.2 million (2012 £9.5 million). The company contributes to ScottishPower's defined benefit and defined contribution schemes in the UK. Full details of these schemes are provided in the most recent Annual Report and Accounts of SPL. As at 31 December 2013, the deficit in the ScottishPower's defined benefit schemes in the UK amounted to £332.7 million (2012 £498.7 million). The employer contribution rate for these schemes in the year ended 31 December 2013 was 30.1%-31.0%.

17 TAXES OTHER THAN INCOME TAX

	Note	2013 £m	2012 £m
Other taxes	(a)	**166.0**	151.5

(a) Other taxes mainly comprise obligations specific to the energy industry, which in 2013 principally comprised ECO and WHD and in 2012 principally comprised WHD, CERT and CESP.

18 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

	2013 £m	2012 £m
Property, plant and equipment depreciation charge	**4.6**	2.8
Grants and contributions related to assets transferred to income for the year	**(0.1)**	(0.1)
Charges, provisions and allowances	**27.7**	32.0
	32.2	34.7

19 FINANCE INCOME

	2013 £m	2012 £m
Interest receivable from Iberdrola group companies	**7.2**	7.7
Interest on bank and other deposits	**0.2**	-
	7.4	7.7

20 FINANCE COSTS

	2013 £m	2012 £m
Other interest payable	**0.2**	-

21 INCOME TAX

	2013 £m	2012 £m
Current tax:		
UK Corporation tax	**26.4**	51.1
Adjustments in respect of prior years	**(0.4)**	(0.8)
Current tax for the year	**26.0**	50.3
Deferred tax:		
Origination and reversal of temporary differences	**7.0**	(6.0)
Adjustments in respect of prior years	**0.4**	1.0
Impact of tax rate change	**(0.4)**	0.4
Deferred tax for the year	**7.0**	(4.6)
Income tax expense for the year	**33.0**	45.7

The tax expense on profit 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%)	**38.9**	42.7
Adjustments in respect of prior periods	**-**	0.2
Impact of tax rate change	**(0.4)**	0.4
Other permanent differences	**(5.5)**	2.4
Income tax expense for the year	**33.0**	45.7

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. These further reductions impact the deferred tax charge as they reduce the tax rate expected to apply when temporary differences reverse.

22 DIVIDENDS

	2013 £ per ordinary share	2012 £ per ordinary share	2013 £m	2012 £m
Interim dividend paid	**3.07**	0.72	**170.0**	40.0

23 RELATED PARTY TRANSACTIONS

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

	2013			2012		
	Ultimate UK parent (SPL) £m	Immediate parent (SPGH) £m	Other Iberdrola group companies £m	Ultimate UK parent (SPL) £m	Immediate parent (SPGH)	Other Iberdrola group companies £m
Types of transaction						
Sales and rendering of services	**-**	**-**	**22.2**	-	-	27.2
Purchases and receipt of services	**-**	**-**	**(2,905.2)**	-	-	(2,730.7)
Finance income	**6.8**	**-**	**0.4**	7.4	-	0.3
Transfers of intangible assets	**-**	**-**	**-**	-	-	(138.5)
Dividends paid	**-**	**(170.0)**	**-**	-	(40.0)	-
Balances outstanding						
Loans receivable	**239.7**	**-**	**-**	218.1	-	-
Trade receivables	**-**	**-**	**71.8**	-	-	59.8
Interest receivable	**6.8**	**-**	**0.1**	7.4	-	0.1
Trade payables	**-**	**-**	**(368.1)**	-	-	(290.2)
Derivative financial liabilities	**(0.3)**	**-**	**-**	-	-	-

(i) The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.
(ii) During the year ended 31 December 2013, Scottish Power UK plc made pension contributions of £11.2 million (2012 £9.5 million) on behalf of the company.

SCOTTISHPOWER ENERGY RETAIL LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2013

23 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 Iberdrola group, it has not been possible to apportion the remuneration specifically in respect of services to this company. Of the seven key management personnel, three were paid by other companies within the Iberdrola group.

	2013	2012
	£'000	£'000
Short-term employee benefits	**1,828**	1,488
Post-employment benefits	**549**	355
Termination benefits	**-**	170
Share-based payments	**290**	123
	2,667	2,136

(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 the Iberdrola group, it has not been possible to apportion the emoluments specifically in respect of services to this company. None of the directors were remunerated by the company during the year.

	2013	2012
	£000	£000
Aggregate remuneration in respect of qualifying services	**927**	853
Aggregate contributions payable to a defined contribution pension scheme	**8**	8
Number of directors who exercised share options	**2**	2
Number of directors who received shares under a long-term incentive scheme	**2**	2
Number of directors accruing retirement benefits under a defined benefit scheme	**2**	2
Number of directors accruing retirement benefits under a defined contribution scheme	**1**	1

	2013	2012
Highest paid director	£000	£000
Aggregate remuneration in respect of qualifying services	**412**	388
Accrued pension benefit	**64**	61

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

(d) 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 are consolidated is Scottish Power UK plc.

Copies of the Consolidated Accounts of Iberdrola S.A. may be obtained from Iberdrola S.A., Plaza Euskadi 5, 48009, Bilbao, Spain. Copies of the Consolidated Accounts of Scottish Power UK plc are available from The Secretary, Scottish Power UK plc, 1 Atlantic Quay, Glasgow, G2 8SP.

24 AUDITORS' REMUNERATION

	2013	2012
	£m	£m
Audit of the company's annual accounts	**0.2**	0.2
Other assurance sevices	**-**	0.3
Total	**0.2**	0.5

25 GOING CONCERN

The company's business activities together with the factors likely to affect its future performance are set out in the Strategic Report on pages 1 to 4. The company has recorded a profit after tax in the current year and in the previous financial year and the company's balance sheet shows that it has net current liabilities of £104.9 million and net assets of £132.6 million at its most recent balance sheet date.

The company is ultimately owned by Iberdrola S.A. ("Iberdrola") 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.