

**Report and  
Accounts for the Year Ended 31 December 2013  
for  
SPD Finance UK Plc**

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for the Year ended 31 December 2013**

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**SPD Finance UK Plc**  
**Company Information**  
**for the Year Ended 31 December 2013**

|                           |  |
|---------------------------|--|
| <b>DIRECTORS:</b>         | N M Connelly<br>J Martinez<br>R Orjales<br>D J Wright<br>D M R Jaffe |
| <b>SECRETARY:</b>         | Intertrust (UK) Limited  |
| <b>REGISTERED OFFICE:</b> | 11 Old Jewry<br>7th Floor<br>London<br>UK<br>EC2R 8DU                |
| <b>REGISTERED NUMBER:</b> | 07662877 (England and Wales)   |
| <b>AUDITORS</b>           | Ernst &Young LLP<br>G1, 5 George Square<br>Glasgow<br>G2 1DY         |

**Strategic Report (Registered number: 07662877)  
for the Year Ended 31 December 2013**

**The directors present an overview of SPD Finance UK Plc's structure, 2013 performance, its strategic objectives and plans.**

**STRATEGIC OUTLOOK**

The principal activity of the Company in the period under review was that of issuer of Guaranteed Notes that are due in 2026. The company will continue with this activity for the foreseeable future. Information relating to events since the end of the period is given in note 13.

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 Distribution Plc (formerly SP Distribution Limited). The company's ultimate UK holding company is Scottish Power Limited ("SPL") which heads the Scottish Power Limited group ("ScottishPower").

The Company made a profit of £nil (2012: £nil) for the current financial period.

During the period ended 31 December 2011 the Company issued Guaranteed Notes due in 2026 for £350,000,000 at an interest rate of 5.875 per cent, per annum. Subsequently, the Company entered into an intercompany loan agreement with SP Distribution Plc for a loan of £350,000,000 at an interest rate of 5.875 per cent, per annum.

**PRINCIPAL RISKS AND RISK MANAGEMENT ACTIVITIES**

ScottishPower's strategy, which is adopted by the company, 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.

The group manages risk exposure in three main areas: energy market risk, credit risk and treasury management. During 2013, the governance structure was supported by a risk policy approved by the Iberdrola Board, Business Risk Assessment Teams and the independent group Risk Management function supported the Iberdrola Board in the execution of due diligence and risk management. In addition ScottishPower is represented at the Iberdrola Risk Management Committee to ensure that the businesses' risks are adequately assessed, monitored, mitigated and managed.

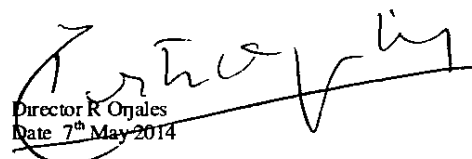
*Liquidity risk*

The company's liabilities relate to repayment of the principal and annual interest payments on the Guaranteed Notes. The external debt is 100% unconditionally guaranteed by SP Distribution Plc, the immediate parent company of SPD Finance UK Ltd. The funds of SP Distribution Plc are managed by Iberdrola group treasury who are responsible for arranging banking facilities on behalf of the group. Details of the outstanding liabilities as at 31 December 2013 based on contractual undiscounted payments are disclosed in note 10.

*Interest rate risk*

SPD Finance UK Plc issued Guaranteed Notes due in 2026 at a fixed interest rate. Therefore, the fair value of the debt is subject to change as a result of fluctuations in market interest rates. The external debt is matched with an intercompany fixed interest loan receivable from SP Distribution Plc. Therefore, any fluctuations in the fair value of the debt would be offset by an equal and opposite movement in the fair value of the intercompany receivable. Details of the fair value of the debt as at 31 December 2013 are disclosed in note 10.

**ON BEHALF OF THE BOARD**

  
Director R. Orjales  
Date 7<sup>th</sup> May 2014

**Directors' Report (Registered number: 07662877)  
for the Year Ended 31 December 2013**

The directors present their report with the Accounts of the Company 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 Companies Act 2006 to be included in the Directors' Report, within the Strategic Report, found on page 2

- Information on financial risk management and policies
- Information regarding future developments of the business

**RESULTS AND DIVIDENDS**

The net profit for the year was £nil (2012 £nil) No dividends will be distributed for the period ended 31 December 2013 (2012 £nil)

**POLITICAL DONATIONS AND EXPENDITURE**

During the year, no payments were made by the company by way of political donations and expenditure as defined in the Political Parties, Elections and Referendums Act 2000

**CORPORATE GOVERNANCE**

As a general guiding principle, the company falls under the Scottish Power Group which adopts the principles and rules contained in the most widely recognised good governance recommendations and, in particular, has taken as a reference the Uniform Good Governance Code for Listed Companies approved by the National Securities Market Commission of Spain

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 (see note 14)

*Internal Control*

During the year under review, the directors of the company had overall responsibility for establishing and maintaining an adequate system of internal controls within the company and they participated in the review of internal controls over financial reporting and the certification process which took place on a ScottishPower group-wide basis. The effectiveness of the system at ScottishPower group level was kept under review through the work of the Scottish Power Audit & Compliance Committee. The system of internal control is designed to manage rather than eliminate risk. In pursuing these objectives, internal control can only provide reasonable and not absolute assurance against material misstatement or loss.

A risk and control governance framework is in place across ScottishPower. The risk management framework and internal control system is subject to continuous review and development. The company is committed to ensuring that a proper control environment is maintained. There is a commitment to competence and integrity and to the communication of ethical values and control consciousness to managers and employees. Human Resources policies underpin that commitment by a focus on enhancing job skills and promoting high standards of probity among staff. In addition, the appropriate organisational structure has been developed within which to control the businesses and to delegate authority and accountability, having regard to acceptable levels of risk. The company's expectations in this regard are set out in 'Compliance - Behaviour and the Law', a policy document which aims to summarise some of the main legal, regulatory, cultural and business standards applicable to all employees. This document has been distributed to all employees of the company.

ScottishPower has fraud and anti-bribery policies and procedures in place to ensure that all incidences of fraud and bribery are appropriately investigated and reported. Further, ScottishPower has adopted a revised Speaking Out and Whistleblower Protection Policy, incorporating a confidential external reporting service operated by an independent provider. This policy, which is applicable to employees of the company, covers the reporting and investigation of suspected fraud, bribery, and misappropriation, questionable accounting, financial reporting or auditing matters, breaches of internal financial control procedures, and serious breaches of behaviour and ethical principles. There is also a process in existence within ScottishPower whereby all members of staff may report any financial irregularities to the Audit and Compliance Committee of Iberdrola. Notwithstanding the foregoing the result of the Company's assessment of the risk of material misstatement in financial statements due to fraud is that such risk existence is not relevant.

Fraud as an intentional act that results in a material misstatement in financial statements can be considered in two types: (i) misstatement arising from fraudulent financial reporting (falsification of accounting records) and (ii) misstatements arising from misappropriation of assets (theft of assets or fraudulent expenditures). Fraud occurs when "fraud triangle" conditions are present: A) there is an incentive or pressure that provides a reason to commit fraud, B) there is an opportunity for fraud to be perpetrated, and C) a set of ethical values exists that allows management or employees to commit dishonest acts.

The Company's financial statements are made by Intertrust UK Limited ("Intertrust") a corporate service provider unrelated party. The fees the Company pays to Intertrust are not linked whatsoever to the results or performance of the Company whose results and/or performance is not under the duty or responsibility of Intertrust either. Therefore, it is lacking the most important conditions of the "fraud triangle" in respect of fraud under A) (incentive or pressure) the most important condition of the "fraud triangle" in respect of fraud under (i) above. Intertrust has no access to the bank accounts of the Company and must submit to the Company for approval all invoices in respect of services provided to the Company by third parties, including invoices corresponding to Intertrust services provided to the Company, and it is only the Company who may instruct the Bank to pay such invoices. Therefore, it is lacking condition B) (opportunity) above in respect of fraud under (ii) above. Each of Scottish Power, the Company and Intertrust has a commitment to competence and integrity and to the communication of ethical values and control consciousness to managers and employees. Therefore, it is lacking condition C.

**Directors' Report - continued (Registered number: 07662877)  
for the Year Ended 31 December 2013**

**Identification and Evaluation of Risks and Control Objectives**

During the year under review the Scottish Power governance structure was supported by risk policies approved by the ScottishPower Board. These risk policies are approved by the ScottishPower Board on an annual basis. An Investment Committee ("IC") for each ScottishPower business, Business Risk Assessment Teams and the independent Group Risk Management function support the Board in the execution of due diligence and risk management. The company identifies and assesses the key business risks associated with the achievement of its strategic objectives. Any key actions needed to further enhance the control environment are identified, along with the person responsible for the management of the specific risk.

**DIRECTORS**

The directors who have held office during the period from 1 January 2013 to the date of this report are as follows:

N M Connelly  
J Martínez  
R Orjales  
D J Wright  
D M R Jaffe

In accordance with Article 21 (2) (b), N M Connelly, J Martínez, R Orjales and D J Wright will retire from office and offer themselves for re-election at the third Annual General Meeting.

**THE DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS**

The directors are responsible for preparing the Strategic Report, Directors' Report and the Accounts in accordance with applicable law and International Financial Reporting (IFRSs) as adopted by the European Union.

The directors are responsible for preparing Accounts for each financial period which give a true and fair view, in accordance with IFRS, the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable,
- state that the Accounts comply with IFRS, 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 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 are in office as at the date of this Director's Report and Accounts confirms that:

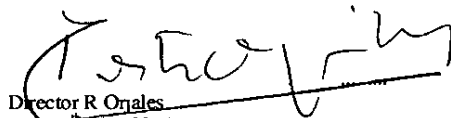
- so far as he or she is aware, there is no relevant audit information of which the company's auditors are unaware, and
- he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that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

The 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 appointed auditors of the company for the year ended 31 December 2013.

**ON BEHALF OF THE BOARD:**

  
Director R Orjales  
Date 7 May 2014

**Independent Auditor's Report  
to the members of SPD Finance UK Plc**

We have audited the financial statements of SPD Finance UK Plc for the year ended 31 December 2013 which comprise the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with 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 financial statements sufficient to give reasonable assurance that the financial statements 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 financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements 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 financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its result for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

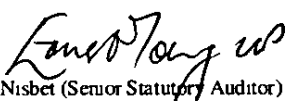
**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**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, 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.

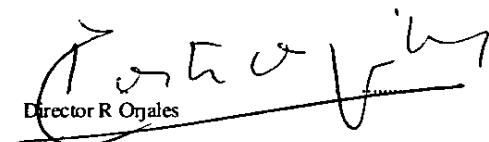
  
James Nisbet (Senior Statutory Auditor)  
for and on behalf of Ernst and Young LLP, Statutory Auditor  
Glasgow

Date 8 May 2014

**Balance Sheet**  
**31 December 2013**

|                                     | Notes | 2013<br>£000's        | 2012<br>£000's        |
|-------------------------------------|-------|-----------------------|-----------------------|
| <b>ASSETS</b>                       |       |                       |                       |
| <b>NON-CURRENT ASSETS</b>           |       |                       |                       |
| Loans and other financial assets    | 5     | <u>346,657</u>        | <u>346,369</u>        |
| <b>CURRENT ASSETS</b>               |       |                       |                       |
| Trade and other receivables         | 6     | 9,084                 | 9,153                 |
| Cash and cash equivalents           | 7     | <u>50</u>             | <u>50</u>             |
|                                     |       | <u>9,134</u>          | <u>9,203</u>          |
| <b>TOTAL ASSETS</b>                 |       | <u><b>355,791</b></u> | <u><b>355,572</b></u> |
| <b>EQUITY</b>                       |       |                       |                       |
| <b>SHAREHOLDERS' EQUITY</b>         |       |                       |                       |
| Called up share capital             | 8     | 50                    | 50                    |
| Retained earnings                   | 9     | <u>-</u>              | <u>-</u>              |
| <b>TOTAL EQUITY</b>                 |       | <u><b>50</b></u>      | <u><b>50</b></u>      |
| <b>LIABILITIES</b>                  |       |                       |                       |
| <b>NON-CURRENT LIABILITIES</b>      |       |                       |                       |
| Trade and other payables            | 10    | <u>346,657</u>        | <u>346,369</u>        |
| <b>CURRENT LIABILITIES</b>          |       |                       |                       |
| Trade and other payables            | 10    | <u>9,084</u>          | <u>9,153</u>          |
| <b>TOTAL LIABILITIES</b>            |       | <u><b>355,741</b></u> | <u><b>355,522</b></u> |
| <b>TOTAL EQUITY AND LIABILITIES</b> |       | <u><b>355,791</b></u> | <u><b>355,572</b></u> |

The financial statements were approved by the Board of Directors on 7<sup>th</sup> May 2014 and were signed on its behalf by

  
Director R Orjales

The accompanying notes 1 - 15 are an integral part of the Accounts for the period ended 31 December 2013



**Income Statement  
for the Year Ended 31 December 2013**

|  | Notes | 2013<br>£000's  | 2012<br>£000's  |
|--|-------|-----------------|-----------------|
| <b>CONTINUING OPERATIONS</b>           |       |                 |                 |
| Revenue                                |       | -               | -               |
| Other operating income                 |       | 5               | 75              |
| Administrative expenses                |       | <u>(5)</u>      | <u>(75)</u>     |
| <b>OPERATING PROFIT</b>                |       | -               | -               |
| Finance costs                          | 3     | (20,850)        | (20,853)        |
| Finance income                         | 3     | <u>20,850</u>   | <u>20,853</u>   |
| <b>PROFIT/(LOSS) BEFORE INCOME TAX</b> |       | -               | -               |
| Income tax                             | 4     | <u>-</u>        | <u>-</u>        |
| <b>PROFIT/(LOSS) FOR THE YEAR</b>      |       | <u><u>-</u></u> | <u><u>-</u></u> |

The accompanying notes 1 -15 are an integral part of the Accounts for the period ended 31 December 2013

**Statement of Comprehensive Income  
for the Year Ended 31 December 2013**

|  | 2013<br>£000's  | 2012<br>£000's  |
|--|-----------------|-----------------|
| <b>PROFIT/(LOSS) FOR THE YEAR</b>              | -               | -               |
| <b>OTHER COMPREHENSIVE INCOME</b>              | <u>-</u>        | <u>-</u>        |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b> | <u><u>-</u></u> | <u><u>-</u></u> |

**Statement of Changes in Equity  
for the Year Ended 31 December 2013**

|                                    | Called up<br>share<br>capital<br>£000's | Profit<br>and loss<br>account<br>£000's | Total<br>equity<br>£000's |
|------------------------------------|---|---|---------------------------|
| <b>Changes in equity</b>           |   |   |                           |
| Issue of share capital             | 50                                      | -                                       | 50                        |
| Total comprehensive income         | <u>-</u>                                | <u>-</u>                                | <u>-</u>                  |
| <b>Balance at 31 December 2012</b> | <u>50</u>                               | <u>-</u>                                | <u>50</u>                 |
| <b>Changes in equity</b>           |   |   |                           |
| Total comprehensive income         | <u>-</u>                                | <u>-</u>                                | <u>-</u>                  |
| <b>Balance at 31 December 2013</b> | <u><u>50</u></u>                        | <u><u>-</u></u>                         | <u><u>50</u></u>          |

The accompanying notes 1 -15 are an integral part of the Accounts for the period ended 31 December 2013

**Statement of Cash Flows  
for the Year Ended 31 December 2013**

|   | 2013<br>£000's | 2012<br>£000's |
|---|----------------|----------------|
| <b>Cash flows from operating activities</b>                     |                |                |
| Profit before tax   | -              | -              |
| Adjustments for   |                |                |
| Finance income and costs  | -              | -              |
| Net cash from operating activities (i)                          | -              | -              |
| <b>Cash flows from investing activities</b>                     |                |                |
| Loan to SP Distribution Plc                                     | -              | -              |
| Net cash from investing activities (ii)                         | -              | -              |
| <b>Cash flows from financing activities</b>                     |                |                |
| Proceeds from bond issue  | -              | -              |
| Interest received   | 20,563         | 20,507         |
| Interest paid   | (20,563)       | (20,507)       |
| Proceeds from Share issue                                       | -              | -              |
| Net cash from financing activities (iii)                        | -              | -              |
| <b>Increase in cash and cash equivalents (i) + (ii) + (iii)</b> | -              | -              |
| <b>Cash and cash equivalents at beginning of year</b>           | 50             | 50             |
| <b>Cash and cash equivalents at end of year (Note 7)</b>        | 50             | 50             |

**Notes to the Accounts  
for the Year Ended 31 December 2013**

**1 ACCOUNTING POLICIES**

**Basis of preparation**

The Accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations (collectively referred to as IFRS) as adopted by the EU as at the dated approval of these accounts and which are mandatory for the period ended 31 December 2013

The accounting policies are consistent with the previous financial period. There are no new and amended standards and interpretations that impact either the financial position, financial results, disclosures or stated accounting policies of the Company.

There are no standards and interpretations that have been issued but are not yet effective up to the date of issuance of the financial statements that the Company reasonably expects will have an impact on the disclosures, financial position or performance when applied at the future date.

**Financial instruments**

Financial assets categorised as trade and other receivables are recognised and carried at original invoice amount less an allowance for impairment of doubtful debts. Allowance for doubtful debts has been estimated by management, taking into account future cash flows, based on past experience and assessment of the current economic environment within which the Company operates.

All interest bearing loans and borrowings are initially recognised at fair value, net of directly attributable transactions 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.

**Taxation**

Current taxes are based on the results shown in the Accounts and are calculated according to local tax rules, using tax rates enacted or substantially 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.

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.

**2 EMPLOYEES AND DIRECTORS**

There were no staff costs for the year ended 31 December 2013 (2012 Nil).

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

**3 NET FINANCE INCOME AND COSTS**

|   | 2013<br>£000's | 2012<br>£000's |
|---|----------------|----------------|
| Finance income  |                |                |
| Interest income from loans with Iberdrola group companies | 20,850         | 20,853         |

**Notes to the Accounts - continued**  
**for the Year Ended 31 December 2013**

**3 NET FINANCE INCOME AND COSTS - continued**

|                              | 2013<br>£000's | 2012<br>£000's |
|------------------------------|----------------|----------------|
| Finance costs                |                |                |
| Interest on other borrowings | <u>20,850</u>  | <u>20,853</u>  |
| Net finance costs            | <u>-</u>       | <u>-</u>       |

Income relates to interest due from the intercompany loan with SP Distribution Plc. The interest rate is 5.875 per cent, per annum.

Costs relate to the issue of Guaranteed Notes due in 2026. The interest rate is 5.875 per cent, per annum.

**4 INCOME TAX**

**Analysis of the tax charge**

No liability to UK corporation tax arose on ordinary activities for the period.

**5 LOANS AND OTHER RECEIVABLES**

|                    | Loans to<br>group<br>undertakings | Loans to<br>group<br>undertakings |
|--------------------|-----------------------------------|-----------------------------------|
|                    | 2013<br>£000's                    | 2012<br>£000's                    |
| Net amount of Loan | <u>346,657</u>                    | <u>346,369</u>                    |

No receivables are outstanding or considered to be impaired.

The fair value of the loan receivable is equivalent to the fair value of the loan payable of £389,490,500 (note 10) on the basis that the loan is 100% unconditionally guaranteed by SP Distribution Plc.

**6 TRADE AND OTHER RECEIVABLES**

|   | 2013<br>£000's | 2012<br>£000's |
|---|----------------|----------------|
| Current   |                |                |
| Amounts owed by SP Distribution Plc- interest     | 9,367          | 9,367          |
| Amounts owed by SP Distribution Plc- trade        | 5              | 74             |
| Short-term element of issue costs to be amortised | (288)          | (288)          |
|   | <u>9,084</u>   | <u>9,153</u>   |

Interest is charged at 5.875 per cent, per annum and is due to be paid annually.

No receivables are outstanding or considered to be impaired.

**7 CASH AND CASH EQUIVALENTS**

|               | 2013<br>£000's | 2012<br>£000's |
|---------------|----------------|----------------|
| Bank accounts | <u>50</u>      | <u>50</u>      |

**Notes to the Accounts - continued  
for the Year Ended 31 December 2013**

**8 CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid  
Number Class

|        |          | Nominal<br>value<br>£1 00 | 2013<br>£000's | 2012<br>£000's |
|--------|----------|---------------------------|----------------|----------------|
| 50,000 | Ordinary |                           | <u>50</u>      | <u>50</u>      |

**9 RESERVES**

|                     | Retained<br>earnings<br>£000's |
|---------------------|--------------------------------|
| At 1 January 2013   | -                              |
| Profit for the year | <u>-</u>                       |
| At 31 December 2013 | <u>-</u>                       |

**10 LOANS AND OTHER PAYABLES**

|   | 2013<br>£000's | 2012<br>£000's |
|---|----------------|----------------|
| Current   |                |                |
| Interest payable                                | 9,367          | 9,367          |
| Short-term costs of borrowing                   | (288)          | (288)          |
| Amounts owed to other Iberdrola group companies | <u>5</u>       | <u>74</u>      |
|   | <u>9,084</u>   | <u>9,153</u>   |
| Non-current                                     |                |                |
| Loans and other borrowings                      | <u>346,657</u> | <u>346,369</u> |

As at the 31<sup>st</sup> December 2013 the fair value of the loan was £389,490,500 based on a trading price of 111 283p

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments (i.e. cash outflows)

**Loans and other borrowings**

|                            | Less than 1<br>Year<br>£m | 1-2 years<br>£m | 2-3 years<br>£m | 3-4 years<br>£m | 4-5 years<br>£m | Over 5 years<br>£m | Total<br>£m  |
|----------------------------|---------------------------|-----------------|-----------------|-----------------|-----------------|--------------------|--------------|
| Loans and other borrowings |                           |                 |                 |                 |                 |                    |              |
| External                   | 20.6                      | 20.6            | 20.6            | 20.6            | 20.6            | 515.8              | 617.8        |
| <b>Cash outflows</b>       | <b>20.6</b>               | <b>20.6</b>     | <b>20.6</b>     | <b>20.6</b>     | <b>20.6</b>     | <b>515.8</b>       | <b>617.8</b> |

**11 ULTIMATE PARENT COMPANY**

The directors regard Iberdrola S.A. as the ultimate parent company, which is also the parent company of the largest group in which the results of the company are consolidated. The parent company of the smallest group in which the results of the company are consolidated is Scottish Power Energy Networks Holdings Limited ("SPENH"). 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 SPENH may be obtained from The Secretary, SPENH, 1 Atlantic Quay, Glasgow, G2 8SP.

**Notes to the Accounts - continued  
for the Year ended 31 December 2013**

**12 RELATED PARTY DISCLOSURES**

SP Distribution Plc owns 100% of the shares in the Company

Transactions and balances arising in the normal course of business are

|                          | <b>2013</b>   | <b>2012</b>   |
|--------------------------|---------------|---------------|
|                          | <b>£000's</b> | <b>£000's</b> |
| <b>Balance Sheet</b>     |               |               |
| Loan receivable          | 346,657       | 346,369       |
| Interest receivable      | 9,079         | 9,079         |
| Other receivable         | 5             | 74            |
| Other payable            | (5)           | (74)          |
| <b>Profit &amp; Loss</b> |               |               |
| Interest Receivable      | 20,850        | 20,853        |
| Operating income         | 5             | 74            |
| Administrative expense   | (5)           | (74)          |

The loan is repayable on 17 July 2026

**13 POST BALANCE SHEET EVENTS**

There are no circumstances or events subsequent to 31 December 2013 which require adjustment or disclosure in the Accounts or in the notes thereto

**14 GOING CONCERN**

The Company's business activities are set out in the Directors' Report

The Company is ultimately owned by Iberdrola S A and it participates in the Iberdrola group's centralised treasury arrangements and so shares banking facilities with its parent companies and fellow subsidiaries. As a consequence, the Company depends, in part, on the ability of the Iberdrola group to continue as a going concern. The directors have considered the Company's funding relationship with Iberdrola to date and have considered available relevant information relating to Iberdrola's ability to continue as a going concern. In addition, the directors have no reason to believe that Iberdrola group will not continue to fund the Company to enable it to continue in operational existence.

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

**15 AUDITORS' REMUNERATION**

Audit of the company's annual accounts - £5,000

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