

SP DATASERVE LIMITED

**DIRECTORS' REPORT AND ACCOUNTS
for the year ended 31 December 2010**

Registered No. SC215842

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SP DATASERVE LIMITED

DIRECTORS' REPORT AND ACCOUNTS for the year ended 31 December 2010

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SP DATASERVE LIMITED

DIRECTORS' REPORT

The directors present their report and audited Accounts for the year ended 31 December 2010.

ACTIVITIES AND REVIEW

The principal activity of SP Dataserve Limited, registered company number SC215842, "the company", is data collection, data aggregation and meter operations. The company will continue with this activity for the foreseeable future.

At 1 January 2010 there was a change in the operational structure of the company, when the provision of registration and settlement services was transferred to ScottishPower Energy Retail Limited. The impact on the 2009 income statement of this transfer would be to reduce revenue by £75.8 million, staff costs by £6.9 million, outside services by £69.2 million and other operating income by £0.3 million.

The company's Accounts for the year ended 31 December 2010 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, with prior year comparatives restated on a consistent basis. Details of the basis of preparation of the Accounts under IFRS are set out at Note 1 and the detailed disclosures concerning the transition from UK Generally Accepted Accounting principles ("UK GAAP") to IFRS are set out at Note 21.

On 1 July 2011 as part of a group restructuring exercise Scottish Power Generation Holdings Limited, a subsidiary of Scottish Power UK plc, acquired the entire share capital of SP Dataserve Limited.

KEY FACTORS AFFECTING THE BUSINESS

The company is an integral component of ScottishPower's Energy Retail & Wholesale business unit with its main activity being the provision of metering services to ScottishPower Energy Retail Limited. The business continues to experience increased competition in both non half-hourly and half-hourly field operations and data collection work. Upgrading metering technology to improve customer service has been a key focus for the business and will continue to be going forward.

OPERATIONAL FINANCIAL PERFORMANCE

The company's loss from operations was £1.1 million, compared to a profit of £8.3 million in the prior year.

Revenue decreased mainly due to a change in the operational structure where a number of departments transferred to other ScottishPower entities. For existing operations in both 2010 and 2009, revenue fell as a result of reduced activity.

Net staff costs decreased compared to the prior year due to decreased headcount following the transfer of staff to other ScottishPower entities.

Outside services decreased due to the decreased metering activity following the change in operational structure.

Other operating income decreased due to a reduction in internal recharge income as a result of the change in operational structure, and reduced metering activity.

Depreciation and amortisation charge, allowances and provisions increased due to movement in the bad debt provision. The depreciation charge was in line with the prior year.

Net finance income was lower compared to the prior year due to a reduction in group loan balances.

The **income tax** expense decreased during the year, as a direct result of decreased profits.

Overall, the directors are satisfied with the level of business and the year end financial position.

SP DATASERVE LIMITED

DIRECTORS' REPORT *continued*

RESULTS AND DIVIDENDS

The net loss for the year amounted to £0.6 million (2009 profit of £6.4 million). The aggregate dividends paid during the year amounted to £nil (2009 £10.0 million).

FINANCING REVIEW

Capital and debt structure

The company is entirely funded by equity. All equity is held by the company's immediate parent undertaking, ScottishPower UK plc ("SPUK").

On 1 July 2011 as part of a group restructuring exercise Scottish Power Generation Holdings Limited, a subsidiary of Scottish Power UK plc, acquired the entire share capital of SP Dataserve Limited.

Treasury and interest policy

Treasury services are provided by Scottish Power Limited ("ScottishPower"). ScottishPower and its subsidiary undertakings ("ScottishPower group") 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 inflation are minimised and managed at acceptable risk levels. Further details of the treasury and interest policy for the ScottishPower group and how it manages them is included in the Directors' Report and Accounts of ScottishPower UK Holdings Limited ("SPUKH") for the year ended 31 December 2010.

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 20.

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 action, grievance, harassment, discrimination, stress and 'whistle-blowing' and have been brought together in the Code of Ethics of Iberdrola S.A., the company's ultimate parent company, and its group of companies (which also outlines expectations for employees' conduct). This document was recently re-launched to employees in November 2010.

Employee consultation

The group's businesses use employee/staff surveys and other tools to understand the key issues for employees within each business unit. Regular consultation takes place using a variety of means, including monthly team meetings, team managers' conferences, business unit road shows, safety committees, presentations and employee magazines. The group 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 at www.scottishpower.com.

SP DATASERVE LIMITED

DIRECTORS' REPORT *continued*

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 which 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 Employers' Forum on Disability, which provide support, guidance and sharing of best practice to enable companies to become disability confident.

Positive About Disabled People - Double Tick Accreditation

ScottishPower is a disability positive organisation and in February 2011 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.

ENVIRONMENTAL REGULATION

Throughout its operations, ScottishPower group strives to meet, or exceed, relevant legislative and regulatory environmental requirements and codes of practice. A more extensive description of how the ScottishPower group addresses environmental requirements can be found in the Directors' Report and Accounts of SPUKH for the year ended 31 December 2010.

HEALTH AND SAFETY

The company has a clear strategy to continue to improve health and safety performance using ScottishPower group health and safety standards. A more extensive description of how the ScottishPower group addresses health and safety requirements can be found in the Directors' Report and Accounts of SPUKH for the year ended 31 December 2010.

DIRECTORS

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

Raymond Jack

Donald Joyce (resigned 13 August 2010)

Marc Rossi (appointed 13 August 2010)

CREDITOR PAYMENT POLICY AND PRACTICE

The group's policy and practice is to settle terms of payment when agreeing the terms of the transaction, to include the terms in contracts and to pay in accordance with its contractual and legal obligations. The company's creditor days at 31 December 2010 was 7 days (2009 16 days).

DIRECTORS RESPONSIBILITIES FOR THE ACCOUNTS

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the Accounts comply with IFRSs, subject to any material departures disclosed and explained in the Accounts and;
- prepare the Accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

SP DATASERVE LIMITED

DIRECTORS' REPORT *continued*

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

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

- so far as he is aware, there is no relevant audit information of which the company's 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 2010.

ON BEHALF OF THE BOARD



Marc Rossi

Director

27 September 2011

INDEPENDENT AUDITORS' REPORT

to the member of SP Dataserve Limited

We have audited the Accounts of SP Dataserve Limited for the year ended 31 December 2010 which comprise the Balance Sheet, Income Statement, Statement of Changes in Equity, Cash Flow Statement, and the related notes 1 to 21. These Accounts have been prepared under the accounting policies set out therein. 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 and as applied in accordance with the provisions of the Companies Act 2006.

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 pages 3 and 4, the directors are responsible for the preparation of the Accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Accounts in accordance with the applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE ACCOUNTS

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

OPINION ON ACCOUNTS

In our opinion:

- the Accounts give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended;
- the Accounts have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- the Accounts have been prepared in accordance with the requirements of the Companies Act 2006.

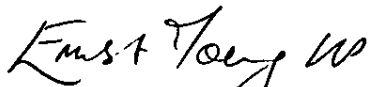
OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Accounts are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



James Douglas Nisbet (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
27 September 2011

SP DATASERVE LIMITED

BALANCE SHEETS

at 31 December 2010, 31 December 2009 and 1 January 2009

	Notes	31 December 2010 £m	31 December 2009 £m	1 January 2009 £m
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	3	3.4	2.6	2.1
Deferred tax asset	4	0.2	0.5	0.8
NON-CURRENT ASSETS		3.6	3.1	2.9
CURRENT ASSETS				
Current trade and other receivables	5	20.2	31.1	39.7
CURRENT ASSETS		20.2	31.1	39.7
TOTAL ASSETS		23.8	34.2	42.6
EQUITY AND LIABILITIES				
EQUITY				
Of shareholders of the Parent		17.3	17.9	21.5
Share capital	7,8	17.6	17.6	17.6
Retained earnings	8	(0.3)	0.3	3.9
TOTAL EQUITY		17.3	17.9	21.5
NON-CURRENT LIABILITIES				
Deferred income	9	-	1.2	1.0
Trade and other payables	10	1.0	-	-
NON-CURRENT LIABILITIES		1.0	1.2	1.0
CURRENT LIABILITIES				
Trade and other payables	10	3.8	9.3	14.9
Current tax liabilities		1.7	5.8	5.2
CURRENT LIABILITIES		5.5	15.1	20.1
TOTAL LIABILITIES		6.5	16.3	21.1
TOTAL EQUITY AND LIABILITIES		23.8	34.2	42.6

Approved by the Board on 27 September 2011 and signed on its behalf by:



Marc Rossi
Director

The accompanying notes 1 to 21 are an integral part of the balance sheets as at 31 December 2010, 31 December 2009 and 1 January 2009.

SP DATASERVE LIMITED**INCOME STATEMENTS**

for the years ended 31 December 2010 and 31 December 2009

	Notes	2010 £m	2009 £m
Revenue		31.8	116.5
		31.8	116.5
Staff costs	12	(21.0)	(27.5)
Outside services		(25.0)	(101.8)
Other operating income		13.6	21.0
		(32.4)	(108.3)
		(0.6)	8.2
Depreciation and amortisation charge, allowances and provisions	13	(0.5)	0.1
(LOSS)/PROFIT FROM OPERATIONS		(1.1)	8.3
Finance income	14	0.3	0.5
(LOSS)/PROFIT BEFORE TAX		(0.8)	8.8
Income tax	15	0.2	(2.4)
NET (LOSS)/PROFIT FOR THE YEAR	8	(0.6)	6.4

Net (loss)/profit for both years is wholly attributable to the equity holders of SP Dataserve Limited.

All results relate to continuing operations.

The accompanying notes 1 to 21 are an integral part of the income statements for the years ended 31 December 2010 and 31 December 2009.

SP DATASERVE LIMITED**STATEMENTS OF CHANGES IN EQUITY**

for the years ended 31 December 2010 and 31 December 2009

	Ordinary share capital £m	Retained earnings £m	Total equity £m
At 1 January 2009	17.6	3.9	21.5
Total comprehensive income for the year	-	6.4	6.4
Dividends	-	(10.0)	(10.0)
At 1 January 2010	17.6	0.3	17.9
Total comprehensive income for the year	-	(0.6)	(0.6)
At 31 December 2010	17.6	(0.3)	17.3

Total comprehensive income for the year comprises net (loss)/profit for the year.

The accompanying notes 1 to 21 are an integral part of the statements of changes in equity for the years ended 31 December 2010 and 31 December 2009.

SP DATASERVE LIMITED
CASH FLOW STATEMENTS

for the years ended 31 December 2010 and 31 December 2009

	2010 £m	2009 £m
Cash flows from operating activities		
(Loss)/profit before tax	(0.8)	8.8
Adjustments for:		
Depreciation and amortisation	0.4	0.4
Finance income	(0.3)	(0.5)
Changes in working capital:		
Change in trade and other receivables	(0.7)	12.4
Change in trade payables and deferred income	(6.1)	(5.4)
Income taxes paid	(3.6)	(1.5)
Interest received	-	0.5
Net cash flows from operating activities (i)	(11.1)	14.7
Cash flows from investing activities		
Investments in property, plant & equipment	(0.8)	(0.9)
Net cash flows from investing activities (ii)	(0.8)	(0.9)
Cash flows from financing activities		
Dividends paid to company's equity holders	-	(10.0)
Net cash flows from financing activities (iii)	-	(10.0)
Net (decrease)/increase in cash and cash equivalents (i)+(ii)+(iii)	(11.9)	3.8
Cash and cash equivalents at beginning of year	28.1	24.3
Cash and cash equivalents at end of year	16.2	28.1
Cash and cash equivalents at end of year comprises:		
Receivables due from Iberdrola group companies - loans	16.2	28.1
Cash flow statement cash and cash equivalents	16.2	28.1

The group loan arrangements of ScottishPower Limited and its subsidiaries (including SP Dataserve Limited) were restructured during the year ended 31 December 2009. As a consequence of this loan restructuring, the company has classified group loans payable within one year as cash equivalents for the purposes of the cash flow statement. This is consistent with the way in which the group manages its group loan current balances; that is, on a net basis.

The accompanying notes 1 to 21 are an integral part of the cash flow statements for the years ended 31 December 2010 and 31 December 2009.

SP DATASERVE LIMITED

NOTES TO THE ACCOUNTS

31 December 2010

1 BASIS OF PREPARATION OF THE ACCOUNTS

The company is required by law to prepare accounts and to deliver them to the Registrar of Companies. The Accounts have been prepared in accordance with International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRS") and International Finance Reporting Interpretations Committee ("IFRIC") Interpretations (collectively referred to as IFRS), as adopted by the EU as at the date of approval of these Accounts and which are mandatory for the financial year ended 31 December 2010. The Accounts are prepared in accordance with the Accounting Policies set out in Note 2 'Accounting Policies'.

The company's Accounts are prepared for the first time in accordance with IFRS. In previous years, the Accounts were prepared in accordance with UK Generally Accepted Accounting principles ("UK GAAP"). The disclosures concerning the transition from UK GAAP to IFRS required by IFRS 1 'First-time Adoption of International Financial Reporting Standards' (Revised 2007) are set out in Note 21 to the Accounts.

In addition, the format of the company's income statement has been changed to align with the format applied by Iberdrola S.A. The principal change from the company's previous format is that expenditure is now analysed by nature rather than by function.

The cash flow statement prepared in conformity with IFRS is set out on page 9. In prior years, the Accounts were prepared under UK GAAP and the company took advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 'Cash Flow Statements' (Revised 1996) as the company was included in the Accounts of Iberdrola S.A., which were publicly available.

2 ACCOUNTING POLICIES

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

A. REVENUE

B. PROPERTY, PLANT AND EQUIPMENT

C. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

D. FINANCIAL ASSETS AND LIABILITIES

E. TAXATION

F. RETIREMENT BENEFITS

A. REVENUE

Revenue comprises the sales value of data collection, data aggregation and meter operation services supplied to customers and suppliers during the year and excludes Value Added Tax. Revenue from data collection and data aggregation is based on commercial market rate contracts. Revenue from meter operation represents an annual charge for refurbishment, maintenance and installation of meters held by SP Power Systems Limited, a fellow subsidiary undertaking. All revenue is earned wholly within the United Kingdom.

2 ACCOUNTING POLICIES *continued*

B. 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. 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	4-40

C. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

At each balance sheet date, the company reviews the carrying amount of its property, plant and equipment 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. 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.

D. FINANCIAL ASSETS AND LIABILITIES

- 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.
- Cash and cash equivalents and term deposits in the balance sheet comprise cash on hand and term deposits which are readily convertible into a known amount of cash without a significant risk of changes in value. In the cash flow statement, cash and cash equivalents exclude term deposits which have a maturity of more than 90 days at the date of acquisition and include bank overdrafts repayable on demand the next business day and the net of current loans receivable and payable from group companies.
- Trade payables are recognised and carried at original invoice amount.
- 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.

SP DATASERVE LIMITED

NOTES TO THE ACCOUNTS *continued*

31 December 2010

2 ACCOUNTING POLICIES *continued*

E. 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.

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.

F. RETIREMENT BENEFITS

ScottishPower group operates a number of defined benefit and defined contribution retirement benefit schemes in the UK. SP Dataserve 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 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.

SP DATASERVE LIMITED

NOTES TO THE ACCOUNTS *continued*

31 December 2010

3 PROPERTY, PLANT AND EQUIPMENT

(a) Movements in property, plant and equipment

	Property, plant and equipment in use £m
Year ended 31 December 2009	
Cost:	
At 1 January 2009	4.6
Additions	0.9
At 31 December 2009	5.5
Depreciation:	
At 1 January 2009	2.5
Charge for the year	0.4
At 31 December 2009	2.9
Net book value:	
At 31 December 2009	2.6
At 1 January 2009	2.1

	Property, plant and equipment in use £m
Year ended 31 December 2010	
Cost:	
At 1 January 2010	5.5
Additions	1.2
At 31 December 2010	6.7
Depreciation:	
At 1 January 2010	2.9
Charge for the year	0.4
At 31 December 2010	3.3
Net book value:	
At 31 December 2010	3.4
At 1 January 2010	2.6

(i) The category "Property, plant and equipment in use" principally comprises meters and measuring devices.

(ii) The cost of fully depreciated property, plant and equipment still in use at 31 December 2010 was £1.0 million (31 December 2009 £nil, 1 January 2009 £nil).

(iii) Included within the cost of property, plant and equipment are assets in use not subject to depreciation, being land, of £0.6 million (31 December 2009 £0.6 million, 1 January 2009 £0.6 million).

SP DATASERVE LIMITED

NOTES TO THE ACCOUNTS *continued*

31 December 2010

4 DEFERRED TAX

Deferred tax recognised in the Accounts is as follows:

	Property, plant and equipment	Other temporary differences	Total
	£m	£m	£m
Deferred tax recognised at 1 January 2009	0.6	0.2	0.8
Charge to income statement	(0.2)	(0.1)	(0.3)
Deferred tax asset recognised at 31 December 2009	0.4	0.1	0.5
Charge to income statement	(0.2)	(0.1)	(0.3)
Deferred tax asset recognised at 31 December 2010	0.2	-	0.2

In his budget speech of 22 June 2010, the Chancellor announced that the main rate of UK corporation tax would be reduced from the current rate of 28% to 24% on 1 April 2014 by a series of 1% annual reductions. In his budget speech in March 2011, he announced that there would be a 2% reduction on 1 April 2011 to 26% and this was enacted on 29 March 2011 by Budget Resolution under the Provisional Collection of Taxes Act. Further 1% annual reductions will continue to apply, now lowering the rate to 23% on 1 April 2014.

The reduction to 27% was included in the Finance Act that received Royal Assent on 27 July 2010. As this change was enacted before the balance sheet date and reduces the tax rate expected to apply when temporary differences reverse, it had the effect of reducing the deferred tax charge by £21,000. The reduction to 26%, however, was not enacted at the balance sheet date.

A rate of 25% for the year commencing 1 April 2012 was enacted on 19 July 2011. The decrease from 27% to 25% should have the effect of reducing the deferred tax balance by £16,000 in the year to 31 December 2011. The further 1% rate reductions may be substantively enacted in the future giving rise to two further reductions of approximately £8,000 each.

5 TRADE AND OTHER RECEIVABLES

	31 December 2010 £m	31 December 2009 £m	1 January 2009 £m
Current receivables:			
Receivables due from Iberdrola group companies - trade and other receivables	2.2	0.1	13.2
Receivables due from Iberdrola group companies - loans	16.2	28.1	24.3
Receivables due from Iberdrola group companies - interest	0.3	-	-
Trade receivables and accrued income	1.5	2.9	2.2
	20.2	31.1	39.7

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

(b) Trade receivables are stated net of allowance for impairment of doubtful debts of £0.2 million (31 December 2009 £0.2 million, 1 January 2009 £0.7 million). Trade receivables are assumed to approximate their fair values due to the short term nature of trade receivables. 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.

SP DATASERVE LIMITED

NOTES TO THE ACCOUNTS *continued*

31 December 2010

6 FINANCIAL ASSETS

		31 December 2010 £m	31 December 2009 £m	1 January 2009 £m
Categories of financial assets	Notes			
Loans and other borrowings (current):				
- Loans with Iberdrola group companies	(a)	16.5	28.1	24.3
		16.5	28.1	24.3
Other financial assets:				
- Receivables	(b)	3.7	3.0	15.4
Total		20.2	31.1	39.7

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

(b) The fair values of the financial assets are not materially different from their book values.

7 SHARE CAPITAL

	31 December 2010 £m	31 December 2009 £m	1 January 2009 £m
Authorised:			
100,000,000 ordinary shares of £1 each (31 December 2009 and 1 January 2009 100,000,000)	100.0	100.0	100.0
	100.0	100.0	100.0
Allotted, called up and fully paid shares:			
17,608,000 ordinary shares of £1 each (31 December 2009 and 1 January 2009 17,608,000)	17.6	17.6	17.6
	17.6	17.6	17.6

8 ANALYSIS OF MOVEMENTS IN EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF SP DATASERVE LIMITED

	Ordinary share capital £m	Retained earnings (note (a)) £m	Total £m
At 1 January 2009	17.6	3.9	21.5
Profit for the year attributable to equity holders of SP Dataserve Limited	-	6.4	6.4
Dividends	-	(10.0)	(10.0)
At 1 January 2010	17.6	0.3	17.9
Loss for the year attributable to equity holders of SP Dataserve Limited	-	(0.6)	(0.6)
At 31 December 2010	17.6	(0.3)	17.3

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

SP DATASERVE LIMITED

NOTES TO THE ACCOUNTS *continued*

31 December 2010

9 DEFERRED INCOME

	At 1 January 2009 £m	Receivable during year £m	Transfer to creditors £m	Utilised during year £m	At 31 December 2009 £m
Year ended 31 December 2009					
Prepaid meter maintenance charges	1.0	2.4	-	(2.2)	1.2
	1.0	2.4	-	(2.2)	1.2
	At 1 January 2010 £m	Receivable during year £m	Transfer to creditors £m	Utilised during year £m	At 31 December 2010 £m
Year ended 31 December 2010					
Prepaid meter maintenance charges	1.2	-	(1.2)	-	-
	1.2	-	(1.2)	-	-

(i) Certain deferred income balances have been reclassified as trade and other payables to align the presentation of these balances with those of the Iberdrola group.

10 TRADE AND OTHER PAYABLES

	31 December 2010 £m	31 December 2009 £m	1 January 2009 £m
Current trade and other payables:			
Payables due to Iberdrola group companies - trade and other payables	2.1	0.5	7.7
Trade payables and accrued expenses	0.6	8.8	7.2
Other taxes and social security	0.3	-	-
Capital payables and accruals	0.4	-	-
Other payables	0.4	-	-
	3.8	9.3	14.9
Non-current other payables:			
Other payables	1.0	-	-
	1.0	-	-

11 FINANCIAL LIABILITIES

(a) Categories of financial liabilities

	31 December 2010 £m	31 December 2009 £m	1 January 2009 £m
Other financial liabilities:			
- Payables	4.5	9.3	14.9
Total	4.5	9.3	14.9

(i) Balances outwith the scope of IFRS 7, principally other taxes and social security and other amounts not contractually committed, have been excluded. The fair value of payables disclosed above is not materially different from their book values.

(b) Borrowing facilities

The company had no undrawn committed borrowing facilities at 31 December 2010, 31 December 2009 or 1 January 2009.

SP DATASERVE LIMITED

NOTES TO THE ACCOUNTS *continued*

31 December 2010

12 EMPLOYEE INFORMATION

(a) Staff costs

	2010	2009
	£m	£m
Wages and salaries	17.3	23.4
Social security costs	1.2	1.6
Pension and other costs	2.5	2.5
Total employee costs	21.0	27.5

(b) Employee numbers

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

	Note	Year end 2010	Average 2010	Year end 2009	Average 2009
Registrations and settlements	(a)	-	-	199	236
Operations and asset management		815	861	906	933
Other		39	43	30	28
Total		854	904	1,135	1,197

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

	Year end 2010	Average 2010	Year end 2009	Average 2009
Total	798	842	1,061	1,116

(a) Registration and settlements staff transferred to ScottishPower Energy Retail Limited at 1 January 2010.

(c) Retirement benefits

The company's contributions payable in the year were £2.5 million (31 December 2009 £2.5 million).

The company contributes to the ScottishPower group's defined benefit and defined contribution schemes in the UK. Full details of these schemes are provided in the Scottish Power UK Holdings Limited Directors' Report & Accounts.

As at 31 December 2010, the deficit in the ScottishPower group's defined benefit schemes in the UK amounted to £160.8 million (31 December 2009 £119.3 million, 1 January 2009 surplus of £163.9 million).

The employer contribution rate for these schemes in the year ended 31 December 2010 was 21.8%-23.3%. The employer contribution rate for the year ending 31 December 2011 is expected to be consistent with the year ended 31 December 2010.

13 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

	2010	2009
	£m	£m
Property, plant and equipment depreciation charge	0.4	0.4
Charges, provisions and allowances	0.1	(0.5)
	0.5	(0.1)

SP DATASERVE LIMITED

NOTES TO THE ACCOUNTS *continued*

31 December 2010

14 FINANCE INCOME

	2010	2009
	£m	£m
Interest receivable from Iberdrola group companies	0.3	0.5
	0.3	0.5

15 INCOME TAX

	2010	2009
	£m	£m
Current tax:		
UK Corporation tax	(0.3)	2.2
Adjustments in respect of prior years	(0.2)	(0.1)
Total current tax (credit)/charge for the year	(0.5)	2.1
Deferred tax:		
Origination and reversal of timing differences	0.1	0.3
Adjustments in respect of prior years	0.2	-
Total deferred tax charge	0.3	0.3
Total income tax (credit)/expense for the year	(0.2)	2.4

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

	2010	2009
	£m	£m
Corporation tax at 28%	(0.2)	2.5
Adjustments in respect of prior periods	-	(0.1)
Income tax (credit)/expense for the year	(0.2)	2.4

16 DIVIDENDS

	2010	2009	2010	2009
	pence per ordinary share	pence per ordinary share	£m	£m
Interim dividend paid	-	56.8	-	10.0

SP DATASERVE LIMITED

NOTES TO THE ACCOUNTS *continued*

31 December 2010

17 RELATED PARTY TRANSACTIONS

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

Type of related party	Sales/(purchases) to/(from) related parties		Amounts due from/(to) related parties		
	2010	2009	31 December 2010	31 December 2009	1 January 2009
	£m	£m	£m	£m	£m
Sales					
Fellow subsidiary companies	1.6	129.9	2.2	0.1	13.2
Purchases					
Fellow subsidiary companies	(15.8)	(12.9)	(2.1)	(0.5)	(7.7)

(i) Sales comprises revenue from related parties which is included within "Revenue" in the income statement and management charge and other income which is included within "Other operating income".

(ii) Purchases comprise management charge and other costs which are included within "Outside Services".

(b) Funding transactions and balances arising in the normal course of business

Type of related party	Interest receivable from related parties		Amounts due from related parties		
	2010	2009	31 December 2010	31 December 2009	1 January 2009
	£m	£m	£m	£m	£m
Ultimate UK parent company	0.3	0.1	16.5	28.1	-
Immediate UK parent company	-	0.4	-	-	24.3

(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 2010, dividends paid to the immediate parent company amounted to £nil million (2009 £10.0 million).

(iii) During the year ended 31 December 2010, the company's immediate parent company, Scottish Power UK plc made pension contributions of £2.5 million on behalf of the company (2009 £2.5 million).

(c) Remuneration of key management personnel

The remuneration of the key management personnel of the company (which comprises the Board of Directors) is set out below.

	2010	2009
	£'000	£'000
Short-term employee benefits	395	693
Post-retirement benefits	138	70
	533	763

(d) 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 ScottishPower group as a whole, it has not been possible to apportion the emoluments specifically in respect of services to this company.

	2010	2009
	£000	£000
Executive directors		
Basic salary	287	482
Bonuses	105	191
Benefits in kind	3	20
Total	395	693

(i) Two directors (2009 three) had retirement benefits accruing under defined benefit pension schemes.

	2010	2009
	£000	£000
Highest paid director		
Basic salary	169	138
Bonuses	70	68
Benefits in kind	1	1
Total	240	207

(ii) The accrued pension entitlement of the highest paid director was £46,820 (2009 £35,327).

SP DATASERVE LIMITED

NOTES TO THE ACCOUNTS *continued*

31 December 2010

17 RELATED PARTY TRANSACTIONS *continued*

(e) Ultimate parent company

The directors regard Iberdrola S.A. as the ultimate parent company, which is also the parent company of the largest group in which the results of the company are consolidated. The parent company of the smallest group in which the results of the company are consolidated is Scottish Power UK plc.

Copies of the Consolidated Accounts of Iberdrola S.A. may be obtained from Iberdrola S.A., Calle Gardoqui 8, Bilbao, Spain. Copies of the Consolidated Accounts of Scottish Power UK plc may be obtained from The Secretary, Scottish Power UK plc, 1 Atlantic Quay, Glasgow, G2 8SP.

18 AUDITORS' REMUNERATION

	2010	2009
	£'000	£'000
Audit of the company's annual accounts	15	15
Total	15	15

Auditors remuneration for both years was borne by another company in the ScottishPower group.

19 ACCOUNTING DEVELOPMENTS

In preparing these Accounts, the company has applied all relevant IAS, IFRS and IFRIC Interpretations which have been adopted by the EU as of the date of approval of these Accounts and which are mandatory for the financial year ended 31 December 2010.

The EU has adopted certain revised IAS and IFRIC interpretations which are not mandatory for the year ended 31 December 2010.

- IAS 32 'Amendment Classification of Rights Issues'
- IAS 24 'Related Party Disclosure'

The company has considered the impact of these but none of the relevant standards have been adopted early for the year ended 31 December 2010.

In addition, the International Accounting Standards Board has also issued a number of pronouncements which have not yet been adopted by the EU and a number of exposure drafts. The company is currently considering the impact of these pronouncements.

20 GOING CONCERN

The company's business activities together with the factors likely to affect its future development and position are set out in the Directors' Report on pages 1 to 4.

The company has recorded a loss after tax in the current year and a profit after tax in the previous financial year and the company's balance sheet shows that it has net current assets of £14.7 million and net assets of £17.3 million at its most recent balance sheet date.

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

The directors have considered the company's funding relationship with Iberdrola to date and have considered available relevant information relating to Iberdrola's ability to continue as a going concern. In addition, the directors have no reason to believe that 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.

SP DATASERVE LIMITED

NOTES TO THE ACCOUNTS *continued*

31 December 2010

21 RECONCILIATION OF PREVIOUSLY REPORTED FINANCIAL STATEMENTS UNDER UK GAAP TO IFRS

The company's Accounts for the year ended 31 December 2010 are its first annual Accounts prepared under accounting policies that comply with IFRS.

SP Dataserve Limited company's transition date to IFRS is 1 January 2009. The company prepared its opening IFRS balance sheet as at that date.

The following disclosures are provided below:

(a) Reconciliation of the Profit and Loss account under UK GAAP to the Income Statement under IFRS for the year ended 31 December 2009;

(b) Reconciliation of the Balance Sheet under UK GAAP to IFRS as at 1 January 2009;

(c) Reconciliation of the Balance Sheet under UK GAAP to IFRS as at 31 December 2009; and

(d) Notes to the balance sheet reclassifications.

As stated in the accounting policies the format of the Company's income statement has been changed to align with the format applied by Iberdrola S.A., the ultimate parent company. The principal change from the Company's previous format is that expenditure is now analysed by nature rather than by function. Therefore, staff costs and depreciation and amortisation, previously included within cost of sales and administrative expenses, are now shown separately. Other costs are now included in outside services. Certain income previously accounted for within revenue has now been reclassified to other operating income. The above changes have no impact on profit before operations.

The UK GAAP column of the reconciliation of the Profit and Loss Account under UK GAAP to the Income Statement under IFRS for the year ended 31 December 2009 has been prepared reflecting these format changes.

The format of the income statement and balance sheet has been prepared in accordance with the requirements of IAS 1 and reflects the impact of adopting IFRS compliant Accounts. This is also the first year that the company Accounts has presented a cash flow statement. In prior years due to the company Accounts being prepared under UK GAAP, the company had taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 'Cash Flow Statements (revised 1996)' as the company was included in the Accounts at Iberdrola S.A., which were publicly available.

(a) Reconciliation of the Profit and Loss Account under UK GAAP to the Income Statement under IFRS for the year ended 31 December 2009

	UK GAAP	IFRS Reclassifications	IFRS Remeasurements	IFRS
	£m	£m	£m	£m
Revenue	116.5	-	-	116.5
	116.5	-	-	116.5
Staff costs	(27.5)	-	-	(27.5)
Outside services	(101.8)	-	-	(101.8)
Other operating income	21.0	-	-	21.0
	(108.3)	-	-	(108.3)
	8.2	-	-	8.2
Depreciation and amortisation charge, allowances and provisions	0.1	-	-	0.1
PROFIT FROM OPERATIONS	8.3	-	-	8.3
Finance income	0.5	-	-	0.5
PROFIT BEFORE TAX	8.8	-	-	8.8
Income tax	(2.4)	-	-	(2.4)
NET PROFIT FOR THE YEAR	6.4	-	-	6.4

SP DATASERVE LIMITED

NOTES TO THE ACCOUNTS *continued*

31 December 2010

21 RECONCILIATION OF PREVIOUSLY REPORTED FINANCIAL STATEMENTS UNDER UK GAAP TO IFRS *continued*

(b) Reconciliation of the Balance Sheet under UK GAAP to IFRS as at 1 January 2009

	UK GAAP £m	IFRS Reclassifications £m	IFRS Remeasurements £m	IFRS £m
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	2.1	-	-	2.1
Deferred tax asset	-	0.8	-	0.8
NON-CURRENT ASSETS	2.1	0.8	-	2.9
CURRENT ASSETS				
Current trade and other receivables	40.5	(0.8)	-	39.7
CURRENT ASSETS	40.5	(0.8)	-	39.7
TOTAL ASSETS	42.6	-	-	42.6
EQUITY AND LIABILITIES				
EQUITY				
Of shareholders of the Parent	21.5	-	-	21.5
Share capital	17.6	-	-	17.6
Retained earnings	3.9	-	-	3.9
TOTAL EQUITY	21.5	-	-	21.5
NON-CURRENT LIABILITIES				
Deferred income	1.0	-	-	1.0
NON-CURRENT LIABILITIES	1.0	-	-	1.0
CURRENT LIABILITIES				
Trade and other payables	20.1	(5.2)	-	14.9
Current tax liabilities	-	5.2	-	5.2
CURRENT LIABILITIES	20.1	-	-	20.1
TOTAL LIABILITIES	21.1	-	-	21.1
TOTAL EQUITY AND LIABILITIES	42.6	-	-	42.6

SP DATASERVE LIMITED

NOTES TO THE ACCOUNTS *continued*

31 December 2010

21 RECONCILIATION OF PREVIOUSLY REPORTED FINANCIAL STATEMENTS UNDER UK GAAP TO IFRS *continued*

(c) Reconciliation of the Balance Sheet under UK GAAP to IFRS as at 31 December 2009

	UK GAAP £m	IFRS Reclassifications £m	IFRS Remeasurements £m	IFRS £m
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	2.6	-	-	2.6
Deferred tax asset	-	0.5	-	0.5
NON-CURRENT ASSETS	2.6	0.5	-	3.1
CURRENT ASSETS				
Current trade and other receivables	31.6	(0.5)	-	31.1
CURRENT ASSETS	31.6	(0.5)	-	31.1
TOTAL ASSETS	34.2	-	-	34.2
EQUITY AND LIABILITIES				
EQUITY				
Of shareholders of the Parent	17.9	-	-	17.9
Share capital	17.6	-	-	17.6
Retained earnings	0.3	-	-	0.3
TOTAL EQUITY	17.9	-	-	17.9
NON-CURRENT LIABILITIES				
Deferred income	1.2	-	-	1.2
NON-CURRENT LIABILITIES	1.2	-	-	1.2
CURRENT LIABILITIES				
Trade and other payables	15.1	(5.8)	-	9.3
Current tax liabilities	-	5.8	-	5.8
CURRENT LIABILITIES	15.1	-	-	15.1
TOTAL LIABILITIES	16.3	-	-	16.3
TOTAL EQUITY AND LIABILITIES	34.2	-	-	34.2

(d) Notes to the balance sheet reclassifications

Certain balances, previously reported under UK GAAP, have been reclassified to comply with the format of the company's Accounts as presented under IFRS. None of these reclassifications have any effect on the company's previously reported net assets or shareholders' funds.

IAS 12 - Deferred and Income taxes

Deferred tax asset balances of £0.5 million (1 January 2009 £0.8 million) previously included within current trade and other receivables have been reclassified to non-current assets and shown separately on the face of the balance sheet.

Current corporate tax balances of £5.8 million (1 January 2009 £5.2 million) previously included within current trade and other payables have been shown separately on the face of the balance sheet.