SP DATASERVE LIMITED
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2013

Registered No. SC215842

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CONTENTS

SP DATASERVE LIMITED
STRATEGIC REPORT

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

STRATEGIC OUTLOOK

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. The company is responsible for the provision of meters to ScottishPower Energy Retail Limited ("SPERL").

The company is an integral component of SPERL's business. 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, including supporting SPERL's mandated SMART meter roll out in the United Kingdom ("UK") by 2021.

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 company is part of the Scottish Power Limited group ("ScottishPower") which is headed by Scottish Power Limited ("SPL"). The company is part of ScottishPower's Energy Retail business.

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
SP Dataserve Limited	**21.1**	22.5	**4.2**	2.7	**0.7**	1.0

*Revenue and profit from operations is presented on page 8.
**Capital investment is presented within Note 3 on pages 14 and 15.

Revenue decreased by £1.4 million to £21.1 million in 2013. This was mainly driven by a lower volume of meter installation activity. Whilst revenue decreased, profit from operations increased by £1.5 million to £4.2 million in 2013 mainly due to lower meter installation costs, lower staff costs due to the outsourcing of staff directly engaged in delivery of the company's data collection activities on 1 June 2012 and a reduction in corporate recharges.

Capital investment decreased by £0.3 million to £0.7 million in 2013 due to a reduction in the purchase of metering and measuring devices.

LIQUIDITY AND CASH MANAGEMENT

Cash and net funds

Net cash flows from operating activities for the year decreased by £1.1 million to £4.5 million (refer to cash flow statement on page 10). As detailed in the table below net funds have increased by £3.8 million to £20.8 million. This principally relates to profit for the year offset by movements in working capital, taxes and capital expenditure payments.

Analysis of net funds	Notes	2013	2012
		£m	£m
Group loan receivable	(a)	**20.8**	17.0

(a) Loans due from Iberdrola group companies, refer to Note 5 on page 16.

Capital and debt structure

The company is entirely funded by equity. All equity is held by the company's immediate parent undertaking, SPGH.

SP DATASERVE LIMITED
STRATEGIC REPORT *continued*

LIQUIDITY AND CASH MANAGEMENT ***continued***

Treasury and interest policy

Treasury services are provided by SPL. ScottishPower has a risk policy within treasury and financing which is designed to ensure that the company's exposure to variability of cash flows and asset values due to fluctuations in market interest rates and exchange rates are minimised and managed at acceptable risk levels. Further details of the treasury and interest policy for ScottishPower and how it manages them is included in Note 4 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 17.

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.

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.

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

One of the principal key risks and uncertainties of the Energy Retail business which also relates to the company, that may impact current and future operational and financial performance is described below:

RISK	**RESPONSE**
The potential risk of delay of the smart metering roll out 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
8 September 2014

SP DATASERVE 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 3.

- 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 £3.4 million (2012 £2.3 million). No dividends were paid during the year (2012 £nil).

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:

José María Acha Echevarría
Marc Rossi
Andrew Ward

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 auditor is 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

AUDITOR

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

ON BEHALF OF THE BOARD

Marc Rossi

Marc Rossi
Director
8 September 2014

INDEPENDENT AUDITOR'S REPORT

to the member of SP Dataserve Limited

We have audited the Accounts of SP Dataserve Limited for the year ended 31 December 2013 which comprise the Balance Sheet, Income Statement, Statement of Changes in Equity, Cash Flow Statement, and the related notes 1 to 17. 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.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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
8 September 2014

SP DATASERVE LIMITED
BALANCE SHEETS
as at 31 December 2013 and 31 December 2012

	Notes	2013 £m	2012 £m
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	**4.1**	4.0
Deferred tax asset	4	**-**	0.1
NON-CURRENT ASSETS		**4.1**	4.1
CURRENT ASSETS			
Trade and other receivables	5	**23.5**	20.2
CURRENT ASSETS		**23.5**	20.2
TOTAL ASSETS		**27.6**	24.3
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the Parent		**23.6**	20.2
Share capital	7, 8	17.6	17.6
Retained earnings	8	6.0	2.6
TOTAL EQUITY		**23.6**	20.2
NON-CURRENT LIABILITIES			
Provisions	9	**0.2**	0.2
NON-CURRENT LIABILITIES		**0.2**	0.2
CURRENT LIABILITIES			
Provisions	9	**0.1**	0.3
Trade and other payables	10	**2.7**	3.0
Current tax liabilities		**1.0**	0.6
CURRENT LIABILITIES		**3.8**	3.9
TOTAL LIABILITIES		**4.0**	4.1
TOTAL EQUITY AND LIABILITIES		**27.6**	24.3

Approved by the Board on 8 September 2014 and signed on its behalf by:

Marc Rossi

Marc Rossi
Director

The accompanying notes 1 to 17 are an integral part of the balance sheets as at 31 December 2013 and 31 December 2012.

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

	Notes	2013 £m	2012 £m
Revenue		21.1	22.5
		21.1	22.5
Staff costs	11	(14.4)	(17.4)
Outside services		(12.8)	(14.1)
Other operating income		10.9	12.3
		(16.3)	(19.2)
Depreciation charges, provisions and allowances	12	(0.6)	(0.6)
PROFIT FROM OPERATIONS		**4.2**	2.7
Finance income	13	0.3	0.3
PROFIT BEFORE TAX		**4.5**	3.0
Income tax	14	(1.1)	(0.7)
NET PROFIT FOR THE YEAR		**3.4**	2.3

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

All results relate to continuing operations.

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

	Ordinary share capital £m	Retained earnings £m	Total equity £m
At 1 January 2012	17.6	0.3	17.9
Total comprehensive income for the year	-	2.3	2.3
At 1 January 2013	17.6	2.6	20.2
Total comprehensive income for the year	-	3.4	3.4
At 31 December 2013	**17.6**	**6.0**	**23.6**

Total comprehensive income for the year comprises the net profit for year and is wholly attributable to the equity holders of SP Dataserve Limited.

The accompanying notes 1 to 17 are an integral part of the statements of changes in equity for the years ended 31 December 2013 and 31 December 2012.

SP DATASERVE 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	4.5	3.0
Adjustments for:		
Depreciation	0.6	0.6
Change in provisions	-	0.6
Finance income	(0.3)	(0.3)
Changes in working capital:		
Change in trade and other receivables	0.5	1.9
Change in trade and other payables	(0.3)	0.1
Provisions paid	(0.2)	(0.5)
Income taxes paid	(0.6)	(0.1)
Interest received	0.3	0.3
Net cash flows from operating activities (i)	**4.5**	5.6
Cash flows from investing activities		
Investments in property, plant and equipment	(0.7)	(1.1)
Proceeds from disposal of property, plant and equipment	-	0.2
Net cash flows from investing activities (ii)	**(0.7)**	(0.9)
Net increase in cash and cash equivalents (i)+(ii)	**3.8**	4.7
Cash and cash equivalents at beginning of year	**17.0**	12.3
Cash and cash equivalents at end of year	**20.8**	17.0
Cash and cash equivalents at end of year comprises:		
Receivables due from Iberdrola group companies - loans	20.8	17.0
Cash flow statement cash and cash equivalents	**20.8**	17.0

The accompanying notes 1 to 17 are an integral part of the cash flow statements for the years ended 31 December 2013 and 31 December 2012.

SP DATASERVE LIMITED
NOTES TO ACCOUNTS
31 December 2013

1 BASIS OF PREPARATION

A. BASIS OF PREPARATION OF THE ACCOUNTS

The company is required by law to prepare Accounts and to deliver them to the Registrar of Companies. The Accounts have been prepared in accordance with International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRSs") and International Financial Reporting Interpretations Committee ("IFRIC") Interpretations (collectively referred to as IFRS), as adopted by the EU as at the date of approval of these Accounts and which are mandatory for the financial year ended 31 December 2013. The Accounts are prepared in accordance with the Accounting Policies set out in Note 2.

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

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

SP DATASERVE LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2013

1 BASIS OF PREPARATION *continued*

B. ACCOUNTING STANDARDS *continued*

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

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

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

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

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

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

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

2 ACCOUNTING POLICIES

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 ("SPPS"), a fellow subsidiary undertaking. All revenue is earned wholly within the United Kingdom.

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. 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	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 (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.

D FINANCIAL INSTRUMENTS

D1 ACCOUNTING POLICIES UNDER IAS 39 'FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT'

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

D2 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 the 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 the 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*

D FINANCIAL INSTRUMENTS *continued*

D3 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The company offsets a financial asset and a financial liability and reports the net amount only when the company has a legally enforceable right to set off the amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

E TAXATION

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

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

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

F RETIREMENT BENEFITS

ScottishPower 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, 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 year.

3 PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment

	Property, plant and equipment in use
Year ended 31 December 2012	£m
Cost:	
At 1 January 2012	7.6
Additions	1.0
Disposals	(0.2)
At 31 December 2012	8.4
Depreciation:	
At 1 January 2012	3.8
Charge for the year	0.6
At 31 December 2012	4.4
Net book value:	
At 31 December 2012	4.0
At 1 January 2012	3.8

3 PROPERTY, PLANT AND EQUIPMENT *continued*
Movements in property, plant and equipment *continued*

Year ended 31 December 2013	Property, plant and equipment in use £m
Cost:	
At 1 January 2013	8.4
Additions	0.7
At 31 December 2013	**9.1**
Depreciation:	
At 1 January 2013	4.4
Charge for the year	0.6
At 31 December 2013	**5.0**
Net book value:	
At 31 December 2013	**4.1**
At 1 January 2013	4.0

(a) The category "Property, plant and equipment in use" principally comprises meters and measuring devices.
(b) The cost of fully depreciated property, plant and equipment still in use at 31 December 2013 was £2.8 million (2012 £2.1 million).

4 DEFERRED TAX
Deferred tax recognised in the Accounts is as follows:

	Property, plant and equipment £m	Other temporary differences £m	Total £m
Deferred tax asset recognised at 1 January 2012	0.1	0.1	0.2
Charge to income statement	-	(0.1)	(0.1)
Deferred tax asset recognised at 1 January 2013	0.1	-	0.1
Charge to income statement	(0.1)	-	(0.1)
Deferred tax asset recognised at 31 December 2013	-	-	-

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.

SP DATASERVE LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2013

5 TRADE AND OTHER RECEIVABLES

	Notes	2013 £m	2012 £m
Current receivables:			
Receivables due from Iberdrola group companies - loans	(a)	**20.8**	17.0
Receivables due from Iberdrola group companies - interest		**0.3**	0.3
Trade receivables	(b), (c)	**2.4**	2.9
		23.5	20.2

(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) Trade receivables are stated net of allowance for impairment of doubtful debts of £0.1 million (2012 £nil). 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. There is no income statement impact arising from the change in bad debt for the year to 31 December 2013 (2012 £nil).

(c) At 31 December 2013 trade receivables of £0.7 million (2012 £2.1 million) were past due but not impaired.

	2013 £m	2012 £m
Past due but not impaired:		
Less than 3 months	**0.4**	1.9
Between 3 and 6 months	**0.2**	0.2
Between 6 and 12 months	**0.1**	-
	0.7	2.1

6 MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Categories of financial assets and liabilities

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					
Receivables	(i), (ii)	**23.5**	**23.5**	20.2	20.2
Financial liabilities					
Payables	(i)	**1.0**	**1.0**	1.1	1.1

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

(i) Balances out with the scope of IFRS 7 'Financial Instruments: Disclosures' have been excluded, principally payments on account and other tax payables.

(ii) The undiscounted contractual cash flows associated with the above financial assets are equivalent in value and receivable in less than one year.

(b) Borrowing facilities

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

7 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:		
17,608,000 ordinary shares of £1 each (2012 17,608,000)	**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 2012	17.6	0.3	17.9
Profit for the year attributable to equity holders of SP Dataserve Limited	-	2.3	2.3
At 1 January 2013	17.6	2.6	20.2
Profit for the year attributable to equity holders of SP Dataserve Limited	-	3.4	3.4
At 31 December 2013	**17.6**	**6.0**	**23.6**

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

9 PROVISIONS

Year ended 31 December 2012	Notes	At 1 January 2012 £m	New provisions £m	Transfer £m	Utilised in the year £m	At 31 December 2012 £m
Reorganisation and restructuring	(a)	0.2	0.6	-	(0.5)	0.3
Insurance	(b)	-	-	0.2	-	0.2
		0.2	0.6	0.2	(0.5)	0.5

Year ended 31 December 2013	Notes	At 1 January 2013 £m	Utilised in the year £m	**At 31 December 2013 £m**
Reorganisation and restructuring	(a)	0.3	(0.2)	**0.1**
Insurance	(b)	0.2	-	**0.2**
		0.5	(0.2)	**0.3**

Analysis of total provisions	**2013 £m**	2012 £m
Current	**0.1**	0.3
Non-current	**0.2**	0.2
	0.3	0.5

(a) The provision for reorganisation and restructuring principally relates to restructuring within the company. This provision is expected to be utilised during 2014.
(b) The provision for insurance, transferred from trade and other payables, principally represents the value of claims reserves.

10 TRADE AND OTHER PAYABLES

	2013 £m	2012 £m
Current trade and other payables:		
Payables due to Iberdrola group companies - trade	-	0.1
Trade payables	**0.7**	0.8
Other taxes and social security	**0.5**	0.4
Payments received on account	**1.2**	1.5
Capital payables and accruals	**0.1**	0.1
Other payables	**0.2**	0.1
	2.7	3.0

11 EMPLOYEE INFORMATION

(a) Staff costs

	2013	2012
	£m	£m
Wages and salaries	**11.2**	12.8
Social security costs	**0.8**	0.9
Pension and other costs	**2.4**	3.7
Charged to the income statement	**14.4**	17.4

(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
Operations and asset management	**424**	**434**	427	552
Other	**13**	**13**	30	31
Total	**437**	**447**	457	583

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

	Year end 2013	Average 2013	Year end 2012	Average 2012
Total	**431**	**441**	451	561

(c) Pensions

The company's pension contributions payable in the year were £2.4 million (2012 £2.3 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 most recently available Annual Report and Accounts of SPL. As at 31 December 2013, the deficit in the ScottishPower group'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%.

12 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

	2013	2012
	£m	£m
Property, plant and equipment depreciation charge	**0.6**	0.6

13 FINANCE INCOME

	2013	2012
	£m	£m
Interest receivable from Iberdrola group companies	**0.3**	0.3

14 INCOME TAX

	2013	2012
	£m	£m
Current tax:		
UK Corporation tax	**1.0**	0.6
Total current tax for the year	**1.0**	0.6
Deferred tax:		
Origination and reversal of temporary differences	**0.1**	0.1
Total deferred tax for the year	**0.1**	0.1
Total income tax expense for the year	**1.1**	0.7

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

	2013	2012
	£m	£m
Corporation tax at 23.25% (2012 24.5%)	**1.0**	0.7
Other permanent differences	**0.1**	-
Income tax expense for the year	**1.1**	0.7

The rate of UK Corporation tax reduced from 24% to 23% on 1 April 2013 and from 26% to 24% on 1 April 2012.

15 RELATED PARTY TRANSACTIONS

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

	Related Party			
	2013		2012	
	Ultimate UK parent (SPL)	**Other Iberdrola group companies**	Ultimate UK parent (SPL)	Other Iberdrola group companies
	£m	**£m**	£m	£m
Types of transaction				
Sales and rendering of services	**-**	**24.3**	-	29.0
Purchases and receipt of services	**-**	**(9.0)**	-	(9.6)
Finance income	**0.3**	**-**	0.3	-
Balances outstanding				
Loans receivable	**20.8**	**-**	17.0	-
Interest receivable	**0.3**	**-**	0.3	-
Trade payables	**-**	**-**	-	(0.1)

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

(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
Type of related party	**£000**	£000
Short-term employee benefits	**1,281**	905
Post-employment benefits	**279**	275
Share based payments	**172**	67
Total	**1,732**	1,247

15 RELATED PARTY TRANSACTIONS *continued*

(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	**579**	518
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	**1**	1
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	**212**	205
Accrued pension benefit	**34**	-
Aggregate contributions payable to a defined contribtion pension scheme	**-**	8

(i) The highest paid director received a benefit under a long-term share incentive scheme during the prior year only.
(ii) The highest paid director exercised share options during 2013 only.

(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 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., Torre Iberdrola, Plaza Euskadi 5, 48009, 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.

16 AUDITOR'S REMUNERATION

	2013	2012
	£000	£000
Audit of the company's annual accounts	**15**	15

17 GOING CONCERN
The company's business activities are set out in the Strategic Report on pages 1 to 3.

The company has recorded a profit after tax in both the current and previous financial years and the company's balance sheet shows that it has net current assets of £19.7 million and net assets of £23.6 million at its most recent balance sheet date.

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

The directors have considered the company's funding relationship with Iberdrola to date and have considered available relevant information relating to Iberdrola's ability to continue as a going concern. In addition, the directors have no reason to believe that the Iberdrola group will not continue to fund the company, should it become necessary, to enable it to continue in operational existence.

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