

ScottishPower Segmental Generation and Supply Statements for the year ended 31 December 2012

Required under Standard Condition 16B of Electricity Generation Licences and Standard Condition 19A of Electricity and Gas Supply Licences



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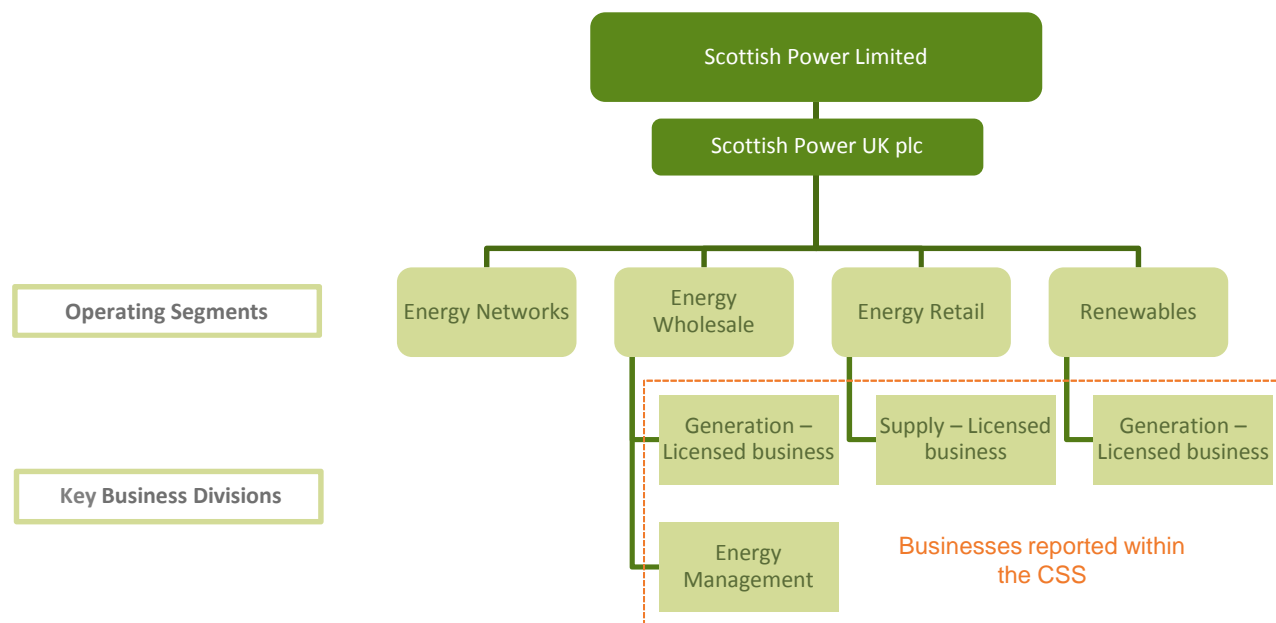
Introduction

This CSS is presented in accordance with Standard Licence Condition 16B of the Electricity Generation Licence and Standard Condition 19A of the Electricity and Gas Supply Licences.

Group Structure

ScottishPower is defined as Scottish Power Limited and its subsidiaries and is the ultimate United Kingdom (“UK”) parent company of the Great Britain and Ireland operations of Iberdrola S.A. (“GB&I operations”). The immediate UK parent company is Scottish Power UK plc which acts principally as the immediate holding company for all GB&I operations. For the purpose of the CSS, “the group” is defined as Scottish Power UK plc and its subsidiaries.

ScottishPower’s operational and management reporting structure is represented in the diagram below. Compliant with the disclosure requirements of International Financial Reporting Standards (“IFRS”), the Consolidated Report and Accounts of Scottish Power UK plc report the results of these operating segments and, in the interest of improved transparency, voluntarily report the results of the business divisions. This disclosure is provided on a voluntary basis to increase transparency and to improve the alignment of the operating segments and business divisions in the consolidated statutory financial statements with those reported in the CSS for the year ended 31 December 2012.



The group’s operating segments and key business divisions are defined as follows:

Energy Networks

The licensed transmission and distribution businesses within the group’s authorised area of Scotland and the distribution business of Manweb operating in Merseyside, Cheshire and North Wales.

Introduction *continued*

Group Structure *continued*

Energy Wholesale

The generation of electricity from the group's own power stations, the purchase of external supplies of coal and gas for the generation of electricity, the purchase of external supplies of electricity and gas for onward sale to customers, gas storage and the sale of electricity to market participants in the UK.

Generation – Licensed business (“ScottishPower Generation”)

ScottishPower Generation comprises the licensed activity of the Energy Wholesale operating segment.

Energy Management (“ScottishPower Energy Management”)

The non-licensed activities of the Energy Wholesale segment responsible for wholesale market sales and purchases for the Generation and Supply businesses, and separately for the proprietary trading, gas storage and optimisation of the long term gas contract portfolio. ScottishPower Energy Management is a non-licensed business. However, information has been provided on a voluntary basis in order to increase transparency within the CSS. Further information on ScottishPower Energy Management can be found within the definitions on page 5.

Energy Retail

The sale of electricity and gas to industrial and domestic customers, together with related billing and collection activities and the group's energy services activity.

Supply – Licensed business (“Aggregate Supply”)

Aggregate Supply comprises the licensed activity of the Energy Retail operating segment.

Renewables

The construction and development of renewable energy generation assets and the generation and sale of electricity from these assets.

Generation – Licensed business (“ScottishPower Renewables”)

ScottishPower Renewables comprises the Great Britain licensed activity of the Renewables operating segment.

The segmental results of the operating segments for the year ended 31 December 2012 and those of the operational business divisions defined above are disclosed in the Consolidated Report and Accounts for Scottish Power UK plc for the year ended 31 December 2012 and can be found at http://www.scottishpower.com/pages/company_reporting.asp

For information purposes the segmental results for 2012 reported within the Consolidated Report and Accounts for Scottish Power UK plc for the year ended 31 December 2012 have been included within Appendix A of this document.

Consolidated Segmental Statement for the year ended 31 December 2012

		GENERATION			SUPPLY					ENERGY MANAGEMENT ²
		ScottishPower Generation	ScottishPower Renewables	Aggregate Generation	Electricity Domestic	Non-domestic	Gas Domestic	Non-domestic	Aggregate Supply	ScottishPower Energy Management
Total revenue	£m	1,183.8	197.3	1,381.1	1,617.7	947.2	1,232.3	18.4	3,815.6	5,919.1
Revenue from sales of electricity and gas	£m	1,183.8	197.3	1,381.1	1,617.7	947.2	1,232.3	18.4	3,815.6	5,919.1
Other revenue	£m	-	-	-	-	-	-	-	-	-
Total operating costs	£m	(1,054.9)	(58.5)	(1,113.4)	(1,575.0)	(906.9)	(1,143.8)	(11.6)	(3,637.3)	(5,913.5)
Direct fuel costs	£m	(825.4)	-	(825.4)	(764.0)	(556.0)	(674.3)	(10.4)	(2,004.7)	(5,891.7)
Other direct costs	£m	(143.2)	(52.3)	(195.5)	(600.6)	(312.6)	(306.8)	(3.5)	(1,223.5)	-
Indirect costs	£m	(86.3)	(6.2)	(92.5)	(210.4)	(38.3)	(162.7)	2.3	(409.1)	(21.8)
WACO F/E/G ¹	£/MWh, p/th	51.6	-	45.6	59.2	55.6	62.2	67.1	N/A	N/A
EBITDA	£m	128.9	138.8	267.7	42.7	40.3	88.5	6.8	178.3	5.6
DA	£m	(125.9)	(47.4)	(173.3)	(1.6)	(0.1)	(1.1)	-	(2.8)	(2.8)
EBIT	£m	3.0	91.4	94.4	41.1	40.2	87.4	6.8	175.5	2.8
Volume	TWh, Mtherms	16.0	2.1	18.1	12.9	10.0	1,084.8	15.5	N/A	N/A

1 WACO F/E/G is calculated by dividing *Direct fuel costs* by *Volume*

2 The results of ScottishPower Energy Management have been provided on a voluntary basis in order to improve transparency within the CSS. Further details of ScottishPower Energy Management can be found on page 5.

Definitions

Energy Management

The Energy Management business is a non-licensed business. However, information has been provided on a voluntary basis in order to improve transparency within the CSS.

The Energy Management business performs all trading with external markets for electricity, gas, coal and emissions allowances on behalf of the Generation and Supply businesses. All trading for Generation and Supply is undertaken to hedge their physical requirements and is ring-fenced in separate trading books for each business. In addition, Energy Management performs limited proprietary activities on its own behalf. These are held separate from Generation and Supply. The EBIT of £2.8m, as shown on page 4, is the result of all proprietary activities performed by Energy Management on its own behalf, the pricing for the long term gas contracts as described on pages 6 and 7, and the costs of running the Energy Management operations.

Pricing methodology

In 2011 the pricing methodology was further enhanced in order to move the pricing relationship between the Energy Management, Generation and Supply businesses from a transfer price basis to market prices. No transfer pricing is now required between the Energy Management, Generation and Supply businesses as all prices are the actual market prices traded for the relevant period. Further detail is provided below.

Internal transactions are performed by Energy Management between the businesses, with the majority of these internal transactions being sales of electricity from the Generation business to the Supply business. Where there is a corresponding equal and opposite position in the Generation and Supply businesses then an automated internal transaction takes place overnight, and is priced at the prior day's closing market price for the relevant period. This allows internal demand and supply to be met, at market prices for the relevant period, before trading in the market. All other internal transactions are priced at the prevailing market price for the relevant period at the point the transaction is made.

All external transactions traded with the market for each business are at the prevailing market price for that period as incurred.

The net value of trading performed on behalf of the Generation and Supply businesses is allocated based on the total trading performed in the separate trading book for each business for the relevant period.

No internal service charges are levied on the Generation or Supply businesses in respect of the trading services provided by the Energy Management business.

Revenues

ScottishPower Generation

'Revenue from sales of electricity and gas' comprises the sales value of electricity and other related services supplied to Iberdrola group companies and external customers during the year and excludes Value Added Tax. Revenue from the sale of electricity is the value of units supplied during the year. Units are based on energy volumes that can actually be sold on the wholesale market and are recorded on industry-wide trading and settlement systems. All revenue is earned wholly within Great Britain.

Pricing methodology

Generation revenue comprises four key components, which are priced as follows:

- the sale of energy, both to the market and to other Iberdrola group companies as described within the 'Energy Management' definition above;
- revenue in respect of balancing activities, ancillary services and constraint management, which are allocated in full directly to Generation, and are priced at the agreed contract price;
- sales of energy, heat and steam from Combined Heat and Power ("CHP") plant to external customers, which are priced at the agreed contract price; and
- sales of Renewable Obligation Certificates ("ROCs") and Levy Exemption Certificates ("LECs") made from the Generation business to the Supply business. ROCs are priced at the buy-out price plus the associated recycle payment. LECs are priced at the relevant price for each period.

Definitions *continued*

Revenues *continued*

ScottishPower Renewables

'Revenue from sales of electricity and gas' comprises the sales value of electricity, ROCs and LECs to the Aggregate Supply business and external customers during the year and excludes Value Added Tax. Revenue from the sale of electricity is the value of units supplied during the year. Units are based on energy volumes that can actually be sold on the wholesale market and are recorded on industry-wide trading and settlement systems. The revenues in the segmental accounts exclude revenues arising from a 15MW wind farm in the Republic of Ireland and 41.9MW capacity in Northern Ireland, thus all revenue included in the CSS is earned within Great Britain and the majority of these revenues arise from transactions with ScottishPower companies.

Pricing methodology

The majority of renewable revenues arise from internal transactions with the Aggregate Supply business. These transactions are charged under internal Renewable Power Purchase Agreements, which are annually indexed to open market-based prices.

Aggregate Supply Business

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

All revenue is earned wholly within Great Britain and is stated after deducting the credits and discounts made under the Legacy Spend element of the Warm Home Discount programme; the costs of other elements of this programme are included within indirect costs.

Energy Management

'Revenue from sales of electricity and gas' comprises the sales value of energy supplied to both the Generation and Supply businesses and the external market during the year, and excludes Value Added Tax. All revenue is earned within Great Britain.

Direct fuel costs

ScottishPower Generation

'Direct fuel costs' comprise the delivered cost of fuel (coal, gas and electricity), which includes imbalance charges from external parties charged at the cost incurred, and the cost of emissions for oxides of nitrogen, sulphur dioxide and the purchased allowances required to be surrendered under the EU Emission Trading Scheme for carbon dioxide (CO₂). During 2012, ScottishPower Generation was allocated 10,184,934 tonnes of free CO₂ emissions allowances.

Pricing methodology

The pricing methodologies for electricity and gas are outlined within the 'Energy Management' definition on page 5.

In addition, a proportion of gas procured for Generation is delivered from a long term gas contract, which is priced at the contract price with the counterparty, plus a premium (retained by Energy Management) to reflect the price paid by Iberdrola in acquiring the right to the contract as part of the acquisition of ScottishPower.

Definitions *continued*

Direct fuel costs *continued*

ScottishPower Generation *continued*

Pricing methodology continued

Additionally, for electricity, Generation purchases renewable output from both internal and external parties via the Supply business at the actual contract price incurred. Further, a small volume of electricity imports in relation to CHP plants are procured from the Supply business at the market price.

Coal is required only by Generation. It is procured for Generation by Energy Management, and is charged to Generation when consumed. The price charged is the weighted average cost of the coal stock which reflects the actual cost incurred. This therefore comprises physical coal purchases, the value of coal swaps procured to hedge the price of coal deliveries, foreign exchange ("FX") hedging, and all transportation costs to bring the coal to the station.

CO₂ emissions allowances are also only required by Generation; these are procured for Generation by Energy Management and are charged to Generation at the actual cost incurred including the impact of FX hedging.

Aggregate Supply Business

'*Direct fuel costs*' comprise the aggregate cost of wholesale electricity and gas procured for the Supply business, all losses relating to the Supply business, the energy component of Reconciliation-by-Difference (RBD) costs and imbalance costs.

Pricing methodology

The pricing methodologies for electricity and gas are outlined within the 'Energy Management' definition on page 5.

In the case of gas, there is also a significant volume purchased from long term contracts. These volumes are used by Supply gas customers, and are priced at the contract price with the counterparty, plus a premium (retained by Energy Management) to reflect the price paid by Iberdrola in acquiring the right to the contracts as part of the acquisition of ScottishPower.

The Supply business purchases electricity under internal and external Renewable Power Purchase Agreements. This electricity is subsequently sold to the Generation business at the price paid, resulting in a neutral financial impact for the Supply business.

All other costs are directly allocated to Supply as incurred by ScottishPower. Balancing costs and the energy element of RBD costs are incurred by Energy Management and recharged to the Supply business at the actual cost incurred.

Energy Management

'*Direct fuel costs*' comprise the value of energy purchased for the Generation and Retail businesses from the external market and trading in respect of limited proprietary activity, and excludes Value Added Tax.

Definitions *continued*

Other direct costs

ScottishPower Generation

The *'other direct costs'* are: balancing charges from National Grid ("BSUOS"), gas transportation charges, transmission charges, distribution network charges, operational costs, maintenance costs and the costs of participating in the Community Energy Savings Programme ("CESP").

ScottishPower Renewables

The *'other direct costs'* are: BSUOS, transmission and distribution network charges, operational costs and maintenance costs and the costs of participating in CESP.

Aggregate Supply Business

The *'other direct costs'* of the Aggregate Supply business are:

- (a) the costs associated with transmitting units of energy through the electricity transmission and distribution networks and the gas transportation network and other costs directly related to customer energy consumption. BSUOS costs are incurred by Energy Management and recharged to Supply at the actual cost incurred;
- (b) the costs of participating in environmental programmes such as CESP and the Carbon Emissions Reduction Target ("CERT");
- (c) the cost of acquiring ROCs (where costs are allocated to the segments based on sales volumes) and LECs where costs are allocated to the non-domestic segment;
- (d) the costs associated with Feed-In Tariffs ("FITs"), which are allocated to the domestic segment;
- (e) the transport element of RBD costs.

Where it is not possible to allocate these costs directly to a particular customer segment (domestic/non-domestic) or fuel category (gas/electricity), they are allocated using a costing model based on customer numbers and customer consumption.

Indirect costs

ScottishPower Generation, ScottishPower Renewables and Energy Management

The *'indirect costs'* of the business for Generation, Renewables and Energy Management are head office costs, staff costs, non-operational plant costs and the costs of centralised services³ provided by Iberdrola group companies. Other operating income, such as insurance claim proceeds, has been netted within indirect costs.

Aggregate Supply Business

The *'indirect costs'* of the business are the costs of billing, metering, customer service, bad debt and debt collection, support services, sales and marketing, staff costs and the costs of centralised services³ provided by Iberdrola group companies. The cost of social initiatives, other than the credits and discounts made under the Legacy Spend element of the Warm Home Discount programme, are also included in indirect costs. Where it is not possible to allocate these costs directly to a particular customer segment (domestic/non-domestic) or fuel category (gas/electricity), they are allocated using a costing model based on customer numbers and transactional volumes. Other operating income, such as customer fees and meter operator income has been netted within indirect costs.

³ Central service costs are HR, IT, finance and legal costs and other head office costs. Where these costs can be identified as being directly attributable to Generation, Renewables, Supply or Energy Management, those costs are recharged directly to that business. Non-directly attributable costs are allocated across ScottishPower's businesses using costing models based on employee numbers, revenue, operating profits and net assets.

Reconciliation of CSS Revenue to the Consolidated Accounts of Scottish Power UK plc for the year ended 31 December 2012

		GENERATION			SUPPLY	ENERGY MANAGEMENT
		ScottishPower Generation ⁴	ScottishPower Renewables ⁴	Aggregate Generation	Aggregate Supply ⁴	ScottishPower Energy Management ⁴
Revenue as per the Consolidated Segmental Statement	£m	1,183.8	197.3	1,381.1	3,815.6	5,919.1
Revenue as per the Consolidated Accounts of Scottish Power UK plc	£m	1,183.8	197.3	1,381.1	3,815.6	5,919.1

Appendix A (page 13) provides an extract from the Consolidated Accounts of ScottishPower UK plc, which includes an analysis of revenue for each business division above.

4 As defined on pages 3 and 4

Reconciliation of CSS EBIT to the Consolidated Accounts of Scottish Power UK plc for the year ended 31 December 2012

		GENERATION			SUPPLY	ENERGY MANAGEMENT
		ScottishPower Generation ⁵	ScottishPower Renewables ⁵	Aggregate Generation	Aggregate Supply ⁵	ScottishPower Energy Management ⁵
EBIT as per the Consolidated Segmental Statement	£m	3.0	91.4	94.4	175.5	2.8
EBIT ⁶ as per the Consolidated Accounts of Scottish Power UK plc	£m	3.0	91.4	94.4	175.5	2.8

Appendix A (page 14) provides an extract from the Consolidated Accounts of ScottishPower UK plc, which includes an analysis of EBIT for each business division above.

5 As defined on pages 3 and 4

6 Presented as profit from operations in the Consolidated Accounts of Scottish Power UK plc.

Questionnaire on business functions

Business function	Generation	Aggregate Supply Business	Energy Management
Operates and maintains generation assets	✓		
Responsible for scheduling decisions	P/L		F
Responsible for interactions with the Balancing Market	P/L		F
Responsible for determining hedging policy ⁷	P/L	P/L	F
Responsible for implementing hedging policy / makes decisions to buy/sell energy ⁷	P/L	P/L	F
Interacts with wider market participants to buy/sell energy ⁷	P/L	P/L	F
Holds unhedged positions (either short or long) ⁷	P/L	P/L	F
Procures fuel for generation	P/L		F
Procures allowances for generation	P/L		F
Holds volume risk on positions sold (either internal or external) ⁷	P/L	P/L	F
Matches own generation with own supply ⁷	P/L	P/L	F
Forecasts total system demand			F
Forecasts wholesale price			F
Forecasts customer demand			F
Determines retail pricing and marketing strategies		✓	
Bears shape risk after initial hedge until market allows full hedge ⁷	P/L	P/L	F
Bears short term risk for variance between demand and forecast		P/L	F

Key: ✓ Function resides and profits/losses are recorded
F Function resides
P/L Profits/losses are recorded

⁷ For each of these business functions, Energy Management undertakes actions for both the Generation and Aggregate Supply segments. The profit/loss consequences of each action accrue to the relevant segment or segments for which the action was performed.

Appendix A – Extract from the Consolidated Report and Accounts for Scottish Power UK plc for the year ended 31 December 2012

Note 6 Segmental reporting for the year ended 31 December 2012

(a) Operating segments and business divisions

The classification of the group's operating segments for management reporting purposes are based on a combination of factors, principally differences in products and services and the regulatory environment within which each business operates.

For management reporting purposes the group is currently organised into four operating segments, Energy Networks, Energy Wholesale, Energy Retail and Renewables, as detailed in Note 1 of the Accounts. In order to comply with the requirements of IFRS 8 'Operating Segments', the group therefore reports its operating segments on this basis and the measure of profit used for the purpose of reporting to the Chief Operating Decision Maker ("CODM") is profit from operations as per the consolidated income statement. All revenue and profit from operations arise from operations within Great Britain and Ireland.

In order to provide the key stakeholders of the Accounts with further relevant and transparent information, the group has voluntarily disclosed revenue and profit from operations for the Generation, Supply and Energy Management divisions within the Energy Wholesale, Energy Retail and Renewables operating segments, whilst also providing detail in relation to non-recurring items and certain measurements arising from IAS 39, consistent with the Supply and Generation regulatory licence conditions. This information has been calculated, where appropriate, in accordance with Standard Licence Condition 16B of the Electricity Generation Licence and Standard Condition 19A of the Electricity and Gas Supply Licences.

The group's operating segments and business divisions are as follows:

Operating Segment	Business Division	Business Division Descriptions
Energy Networks	<i>Energy Networks</i>	The transmission and distribution businesses within the ScottishPower group.
Energy Wholesale	<i>Generation - Licensed business¹</i>	The licensed activity of the Energy Wholesale operating segment.
	<i>Energy Management¹</i>	The non-licensed activities of the Energy Wholesale operating segment, responsible for wholesale market sales and purchases for the Generation and Supply licensed business divisions.
	<i>Other businesses</i>	The other non-licensed activity of the Energy Wholesale operating segment division which includes the results of the group's waste water treatment facility.
Energy Retail	<i>Supply - Licensed business¹</i>	The licensed activity of the Energy Retail operating segment.
	<i>Other businesses</i>	The non-licensed activity of the Energy Retail operating segment which includes the group's energy services activity.
Renewables	<i>Generation - Licensed business¹</i>	The Great Britain licensed activity of the Renewables operating segment.
	<i>Other businesses</i>	The non-licensed activity of the Renewables operating segment, which includes generation activity outwith Great Britain and the impact of the amortisation of the fair value attributed to the Renewables segment when purchased by Iberdrola during 2007. Refer to Note 34 for further information.

¹ The Generation - Licensed business, Supply - Licensed business and the Energy Management businesses are consistent with those disclosed in the Consolidated Segmental Statements for the Supply and Generation licensed businesses presented in accordance with Standard Licence Condition 16B of the Electricity Generation Licence and Standard Condition 19A of the Electricity and Gas Supply Licences. These statements can be found at www.scottishpower.com/pages/company_reporting.asp

During the year the group also reviewed the classification of business support costs for segmental purposes (previously shown separately within the unallocated business). These are now allocated across each of the operating segments and business divisions in the segmental analysis below.

Comparative numbers have been restated accordingly.

Appendix A – Extract from the Consolidated Report and Accounts for Scottish Power UK plc for the year ended 31 December 2012

(b) Revenue by operating segment and business division

(i) Revenue by operating segment

Revenue by operating segment for the year ended 31 December 2012

Operating Segment	External Revenue £m	Inter-segment Revenue £m	Total Revenue £m
Energy Networks	738.6	230.6*	969.2
Energy Wholesale	3,252.6	2,274.2	5,526.8
Energy Retail	3,799.4	18.8	3,818.2
Renewables	12.5	201.2	213.7
Elimination of inter-segment revenue			(2,724.8)
Total			7,803.1

* Inter-segment revenue relating to Energy Networks is predominantly subject to regulation and is based on published tariffs set by the regulator.

(ii) Additional Information - Revenue by business division

Revenue by business division for the year ended 31 December 2012

Operating Segment	Business Division	External Revenue £m	Inter-segment Revenue £m	Total Revenue £m
Energy Networks		738.6	230.6	969.2
	Generation - Licensed business	104.6	1,079.2	1,183.8
	Energy Management	3,148.0	2,771.1	5,919.1
	Elimination of internal operating segmental revenue	-	(1,576.1)	(1,576.1)
Energy Wholesale		3,252.6	2,274.2	5,526.8
	Supply - Licensed business	3,796.8	18.8	3,815.6
	Other businesses	2.6	-	2.6
Energy Retail		3,799.4	18.8	3,818.2
	Generation - Licensed business	0.6	196.7	197.3
	Other businesses	11.9	4.5	16.4
Renewables		12.5	201.2	213.7
Elimination of inter-segment revenue				(2,724.8)
Total				7,803.1

Appendix A – Extract from the Consolidated Report and Accounts for Scottish Power UK plc for the year ended 31 December 2012

(c) Profit from operations by operating segment and business division

(i) Profit from operations by operating segment

Profit from operations by operating segment for the year ended 31 December 2012

Operating Segment	Profit/(loss) from operations reported to the CODM £m
Energy Networks	601.9
Energy Wholesale	(1.6)
Energy Retail	169.5
Renewables	63.8
Unallocated	(8.4)
Total	853.1

(ii) Additional information - Profit from operations by business division

Profit from operations by business division for the year ended 31 December 2012

Operating Segment	Business Division	Profit/(loss) from operations reported to the CODM £m	Non-recurring items (Note (iii)) £m	Certain remeasurements (Note (iv)) £m	Adjusted profit/(loss) from operations as per regulatory licence requirements* £m
Energy Networks		601.9	-	-	601.9
	Generation - Licensed business	(51.6)	3.9	50.7	3.0
	Energy Management	48.0	0.8	(46.0)	2.8
	Other businesses	2.0	0.5	-	2.5
Energy Wholesale		(1.6)	5.2	4.7	8.3
	Supply - Licensed business	165.8	9.7	-	175.5
	Other businesses	3.7	1.3	-	5.0
Energy Retail		169.5	11.0	-	180.5
	Generation - Licensed business	90.4	1.0	-	91.4
	Other businesses	(26.6)	-	-	(26.6)
Renewables		63.8	1.0	-	64.8
Unallocated		19.5	(17.0)	-	2.5
Total		853.1	0.2	4.7	858.0

* Standard Licence Condition 16B of the Electricity Generation Licence and Standard Condition 19A of the Electricity and Gas Supply Licences

(iii) Non-recurring items

In the year ended 31 December 2012 the following non-recurring items were recorded:

Provisions for restructuring and other liabilities: On review of the group's provisions as at 31 December 2012, restructuring provisions and associated pension costs of £13.6 million were recognised. In addition, the group recognised £8.9 million for future costs associated with various regulatory reviews and contractual obligations.

Operating income: During the year ended 31 December 2012, non-recurring operating income of £13.5 million was recognised on settlement of outstanding insurance claims and following a review of the business combinations transactions which took place in 2011 non-recurring income of £15.8 million was recognised.

Impairment and non-current asset write-offs: During the year ended 31 December 2012, following the cancellation of certain capitalised development projects, £4.0 million of impairment charges were recognised in the year and £3.0 million of assets no longer in use were written-off to the income statement.

(iv) Certain remeasurements

Certain re-measurements arising from IAS 39 have been disclosed separately to aid the understanding of the underlying performance of the group.