SP DISTRIBUTION LIMITED

CORPORATE REPORT & REGULATORY ACCOUNTS

for the year ended 31 March 2011

Registered No. SC189125

SP DISTRIBUTION LIMITED

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for the year ended 31 March 2011

CONTENTS

SP DISTRIBUTION LIMITED
DIRECTORS' REPORT

The directors present their report and audited Regulatory Accounts for the year ended 31 March 2011.

ACTIVITIES AND REVIEW

The principal activity of SP Distribution Limited ("the company"), registered company number SC189125, is the ownership of the electricity distribution network within the Scottish Power Limited ("ScottishPower") area. The network is used to distribute electricity, which has been transmitted to grid supply points, for electricity supply companies for onward sales to their customers.

The ultimate parent of the company is Iberdrola, S.A. ("Iberdrola") which is listed on the Madrid stock exchange. ScottishPower, the company's ultimate UK parent undertaking and the UK operations of Iberdrola, operates on divisional lines and the activities of the company fall within the Energy Networks business of Scottish Power which is regulated by Ofgem (the "Regulated Business").

SP Distribution Limited and fellow subsidiary companies, SP Manweb plc and SP Transmission Limited, are the "asset-owner companies" holding ScottishPower's regulated assets and distribution and transmission licences. SP Power Systems Limited ("PowerSystems") provides asset-management expertise and conducts the day-to-day operation of the networks.

SP Distribution Limited as an asset-owner company has clearly defined cost targets and performance incentives. PowerSystems, under a service level agreement with the company, operates the assets and delivers the capital programme on SP Distribution Limited's behalf. Strict commercial disciplines are applied at the asset-owner/service-provider interface. The service level agreement allows SP Distribution Limited to focus on its asset ownership strategy while mitigating a portion of the operational risk.

The company accepted The Office of Gas and Electricity Markets ("Ofgem") electricity Distribution Price Control 5 ("DPC5") which applies to the business over the five years beginning 1 April 2010. The outcome of the review is a slight decrease in regulated revenue over the five year period resulting from pre-privatisation assets becoming fully depreciated. This is offset by increased revenues as a result of increased allowances for higher capital investment to maintain the ageing network and allowances for pension costs. In addition, incentive mechanisms relating to efficiency, reliability and customer service will lead to additional revenue or penalties. During DPC5 the allowed capital expenditure for the company is almost £1 billion.

The company's Regulatory Accounts for the year ended 31 March 2011 have been prepared for the first time in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"), 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 change in accounting policy from UK Generally Accepted Accounting principles ("UK GAAP") to IFRS are set out in Note 28.

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

KEY FACTORS AFFECTING THE BUSINESS

The objectives of the company to manage the key drivers impacting the operational and financial performance of the company are as follows:

- Deliver returns at, or in excess of, allowed regulated returns.
- Deliver investment programme and operational improvements.
- Improve security of supply and network performance.

These objectives have to be achieved within the conditions of the Price Review set by Ofgem.

PRINCIPAL RISKS AND RISK MANAGEMENT ACTIVITIES
ScottishPower's strategy, which is adopted by the company, is to conduct business in a manner benefiting customers through balancing cost and risk while delivering shareholder value and protecting ScottishPower's performance and reputation by prudently managing the risks inherent in the business. To maintain this strategic direction ScottishPower develops and implements risk management policies and procedures, and promotes a robust control environment at all levels of the organisation.

Risks relating to the company's business
The company considers the following risks to be the principal ones that might affect the company's performance and results but cautions that the risks listed in this section do not address all the factors that could materially affect the results. There may be additional risks that the company does not currently know of, or that are deemed immaterial based on either information currently available or the company's current assessment of the risk. The principal identified risks are:

- The UK Government's energy policy could change, negatively affecting the context in which the Iberdrola group has established its UK business strategy.
- Changes in regulatory requirements and/or modification of the company's licence could negatively affect the company's business, results of operations or financial conditions.
- The company's licence may be terminated or revoked.
- The assets of the company and business processes of the Iberdrola group may not perform as expected, which could impact the company's business, results of operations or financial conditions.
- Breaches of environmental or health and safety laws or regulations could expose the company to claims for financial compensation and adverse regulatory consequences and could damage the company's reputation.
- The Iberdrola group's pension plan funding obligations are significant and are affected by factors beyond its direct control.
- The Iberdrola group's overall financial position may be adversely affected by a number of factors including restrictions in borrowing and debt arrangements and changes to credit ratings.

Other factors affecting financial performance include economic growth and downturns, and abnormal weather, both of which impact revenues, cash flows and investment.

During 2010/11 the ScottishPower governance structure was supported by a risk policy approved by the Iberdrola Board ("the Board"). Further information is provided in the Corporate Governance Statement, Identification and Evaluation of Risks and Control Objectives section on page 17 of this Corporate Report.

The company manages risk exposure in three main areas: revenue risk, treasury management and credit risk.

Revenue risk
The majority of the revenue generated by the company is subject to regulation by the Gas and Electricity Markets Authority (the "Authority"). Regulatory controls include price controls which restrict the average amount, or total amount, charged for a bundle of services.

Treasury management
The company faces various financial risks. The principal financial risks faced by the company are interest rate risk and liquidity risk. In addition the company faced foreign exchange rate risk from foreign currency denominated procurement contracts. Treasury services are provided by ScottishPower UK plc, an intermediate parent company. During the year the treasury focus continued to be to minimise interest costs and effectively manage both foreign exchange and interest rate risk.

SP DISTRIBUTION LIMITED
DIRECTORS' REPORT *continued*

Treasury management continued

Exposure to fluctuating interest rates is managed by issuing a proportion of debt at fixed rates. Interest rate risk is managed on a ScottishPower group-wide basis. The policies and procedures for managing the interest rate risk of the ScottishPower group have been included in the Directors' Report and Accounts of Scottish Power UK Holdings Limited ("SPUKH") for the year ended 31 December 2010. Liquidity risk is managed by spreading debt maturities over a wide range of dates thereby ensuring that the company is not subject to excessive refinancing risk in any one year.

Credit risk

The company has credit guidelines to mitigate against credit risk. The company employs specific eligibility criteria in determining appropriate limits for each prospective counterparty and supplements this with letters of credit and cash deposits where appropriate. Credit exposures are then monitored on a daily basis.

Insurance

For the year ended 31 March 2011, the company's main insurance strategy was to procure cover from external insurance markets.

The company conducts periodic reviews of the business' requirements and evaluates alternative risk mitigation strategies to ensure that the most effective and economic cover is secured.

OPERATIONAL ASSETS OF THE COMPANY

The table below provides key non-financial information relating to the company's operational assets:

	Year ended 31 March 2011	Year ended 31 March 2010
Franchise area (km²)	12,200	22,950
System maximum demand (MW)	3,320	3,952
Distributed energy (GWh)	16,195	20,321
Length of overhead lines (km)	20,971	21,245
Length of underground cables (km)	42,302	42,507

PROJECTS

During the year a number of projects were undertaken to facilitate demand and generation connections. In addition, significant projects to improve the overall condition, performance and resilience of the distribution network were delivered.

Scottish Power supported the re-development of the Southern General Hospital, Glasgow through the provision of new electrical supplies to the site. A number of other connections were provided in response to local authority and private developers' enquiries.

A major renewable generation connection was completed at Pateshill wind farm. Construction work is progressing on a number of renewable generation projects, including Burnfoot, Glenkerie and Kelburne wind farms and Rothes Biomass plant. These connections are expected to be completed during 2011/12.

The reinforcement of the electricity network to support under-lying load growth and address local issues is ongoing on an annual basis. Major reinforcement projects at Rottenrow, Prestonpans and Leven were completed in 2010/11, and work to establish a new primary substation at Stirling is due to complete in 2011. A number of new reinforcement projects commenced at Lanark, Netherton, Armadale and Tranent. In addition, reinforcement to address fault-level issues commenced at Kilmarnock, Port Dundas and Elderslie, which are scheduled for completion by 2012.

PROJECTS *continued*

In response to local authority and commercial developments, diversionary works continue to be progressed in accordance with customers' timescales. Extensive diversions of electrical infrastructure for the Bathgate to Airdrie Rail Link project were completed in the year. Diversionary works are in progress for the Waverley Railway Project and are scheduled to continue into 2011/12.

A major replacement of transmission infrastructure at Dewar Place near the financial centre of Edinburgh has necessitated extensive replacement of distribution switchgear, transformers and cables. This work is ongoing and is on schedule to complete during 2012. Work is also ongoing to replace 33kV switchgear at Coatbridge, Glenrothes, New Cummnock and Berwick. In terms of the wider modernisation of the distribution substation over 300 poor condition and obsolete ring main units and multi-panel boards were replaced in the year with modern switchgear. These substation sites can facilitate remote-control switching from the Operational Control Centre that will further improve system performance and customer service. In order to protect the long-term integrity of the electrical assets a major civil infrastructure programme commenced in the year and involves refurbishment of foundations, support structures and buildings.

During 2010/11 extensive modernisation of internal mains low-voltage service cables in local authority residential accommodation took place. This work will continue for the foreseeable future to modernise the main electrical infrastructure in all of the local authority housing stock.

Major overhead line projects involving rebuild of the 33kV overhead lines from Linn Mill to Corra Linn/Symington and Strathaven to Leonards Chapel were completed in 2010/11. A new project to replace the 33kV overhead lines between New Cumnock and Coylton commenced in the year.

Through detailed network analysis, network controllable points and automation have been positioned to minimise the duration of supply interruptions caused by unplanned outages. The Network Controllable Points project was substantively complete in 2010/11. At the end of the year over 2,500 secondary substation sites were remotely-controlled, thus facilitating a quicker return to service of electricity supplies to customers.

The company's inspection and maintenance policy is designed to achieve compliance with legal and licence obligations, including the Electricity Safety, Quality and Continuity Regulations ("ESQCR"). During the year condition-based maintenance techniques were utilised to ensure that asset condition and performance are sustained until future maintenance or replacement is undertaken. To improve network resilience and comply with ESQCR guidelines, the vegetation management programme frequency is a 3-year cycle. This programme continues to be undertaken in accordance with policy.

As part of Ofgem's Innovation Funding Initiative, the business has established industrial, manufacturing and academic partnerships aimed at improving the performance of the network and is currently developing new network designs to accommodate distributed generation.

OPERATIONAL FINANCIAL PERFORMANCE

Ofgem requires all licensees operating electricity distribution systems to report annually on their performance. Statistics remain provisional until they are audited and subsequently published by Ofgem. Consequently, the provisional statistics contained in the table below may differ to the statistics published by Ofgem. The company expects the 2010/11 Electricity Distribution Quality of Service Report to be published online at www.ofgem.gov.uk in December 2011.

SP DISTRIBUTION LIMITED
DIRECTORS' REPORT *continued*

OPERATIONAL FINANCIAL PERFORMANCE *continued*

The table below provides key non-financial information relating to the company's performance during the year ended 31 March 2011:

	Notes	**Actual Year ended 31 March 2011**	Target Year ended 31 March 2011	Actual Year ended 31 March 2010	Target Year ended 31 March 2010
Quality of Service					
- Customer minutes lost ("CML")	(a)	**49.5**	65.5	51.5	50.4
- Customer interruptions ("CI")	(b)	**50.8**	60.1	51.7	60.8
Average time off supply (minutes)		**97**	109	100	82
Electricity supply availability		**99.99%**	99.99%	99.99%	99.99%
Quality of Response (mean score)	(c)	**4.4**	4.4	4.3	4.4
Customer performance					
Energy Ombudsman (customer complaints)	(d)	**3**	-	4	-

(a) CML are reported as the average number of minutes that a customer is without power during a year due to power cuts which last for three minutes of more.

(b) CI are reported as the number of customers, per 100 customers, that are affected by power cuts which last three minutes or more during the year.

(c) Quality of Telephone Response assesses the politeness, usefulness and speed of telephone response, measuring customer satisfaction on a scale of 1 to 5. This is then weighted by a factor of customers who are unsuccessful in contacting SPD on its emergency telephone line.

(d) The Energy Ombudsman, an independent body, monitors and adjudicates complaint cases.

CML and CI are key statistics, which measure the reliability and security of supply provided to customers. The company is focused on minimising CML and CI to out-perform the System Performance (IIS) targets.

During the winter of 2010/11 the supply of energy to customers was disrupted by two storm events; November and February. These events met the 'exceptional event' exclusion criterion that Ofgem have applied to events of this kind. The above CML and CI values have been adjusted accordingly to reflect the underlying performance of the network as measured and incentivised by Ofgem.

Quality of Telephone Response is a measure of customer service and is scored directly by the customer. Performance monitoring for the Quality of Telephone Response measure is undertaken by Ofgem. In DPRC 5 the performance metric was amended to weight a reduced range of Quality of Telephone Response measures by the number of customers who were unsuccessful in contacting the SPD Emergency Service. The company is focused on improving the overall level of customer service, and through the Quality of Telephone Response measure achieve reward under the Incentive mechanism.

SP DISTRIBUTION LIMITED
DIRECTORS' REPORT *continued*

OPERATIONAL FINANCIAL PERFORMANCE *continued*

Business Activities

In accordance with Distribution Licence Condition 44 (Regulatory Accounts) the following details are provided for the prescribed distribution business activities;

For the year ended 31 March 2011	Total £m	Distribution (DUOS) £m	Excluded services £m	Metering £m	De minimus £m
Revenue	402.7	388.5	-	14.2	-
Procurements	(11.7)	(11.7)	-	-	-
	391.0	**376.8**	**-**	**-**	**-**
Staff costs	(0.6)	(0.6)	-	-	-
Outside services	(46.9)	(27.8)	(13.3)	(5.8)	-
Other operating income	24.7	10.9	13.0	-	0.8
	(22.8)	**(17.5)**	**(0.3)**	**(5.8)**	**0.8**
Taxes (other than income tax)	(37.1)	(37.1)	-	-	-
	331.1	**322.2**	**(0.3)**	**8.4**	**0.8**
Depreciation and amortisation charge, allowances and provisions	(70.2)	(48.8)	-	(21.4)	-
PROFIT FROM OPERATIONS	**260.9**	**273.4**	**(0.3)**	**(13.0)**	**0.8**
As at 31 March 2011					
Property, Plant and Equipment Asset Additions	**172.1**	**162.7**	**-**	**9.4**	**-**

These activities are not considered by the company as segments as defined by IFRS 8 Operating Segments.

The financial position of the company at the Regulatory year end was satisfactory. The majority of revenue generated by the company is subject to regulation by the Authority.

The company continued to focus on cost control with efficiency improvements allowing increased operating activity to be managed within the existing cost base.

The company's profit from operations was £260.9 million, an increase of £30.8 million compared to the prior year, and net profit was £192.3 million, an increase of £45.8 million compared to the prior year.

Revenue increased on the prior year as a result of the price control review, the annual inflationary increase and increased revenue to recover higher rates.

Depreciation and amortisation charge has increased on the prior year due to a higher level of depreciation on property, plant and equipment held and higher amortisation of intangible assets.

Net Finance costs have decreased on the prior year due to the repayment of an external loan reducing the level of debt and lower interest rates.

In total, the **income tax expense** decreased. The increase in the tax charge attributable to a rise in profits is more than offset by a reduction due the impact lower UK Corporation tax rates on the provision for deferred tax.

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

OPERATIONAL FINANCIAL PERFORMANCE *continued*

Cash and net debt
In the year the company generated £303.7 million of cash from operating activities (2010 £277.2 million). This was used to fund net capital investment of £148.3 million (2010 £128.3 million), settle net interest charges amounting to £19.4 million (2010 £27.0 million) and pay corporation tax amounting to £40.0 million (2010 £41.2 million). There were no repayments of borrowings during the year (2010 £48.0 million). A dividend of £55.0 million was paid during the year (2010 £35.0 million).

Net capital investment
ScottishPower's investment strategy is to drive the growth and development of its regulated businesses through a balanced programme of capital investment.

Net capital investment for the year was £148.3 million consisting of fixed asset additions of £172.1 million less capital contributions received of £23.8 million. This compares to fixed asset additions of £154.9 million for the year ended 31 March 2010 less capital contributions received of £26.6 million.

The company earns allowed returns on this extensive capital programme. The net investment of £148.3 million (2010 £128.3 million) comprised £22.5 million (2010 £15.1 million) in relation to growth of the network, £125.8 million (2010 £112.5 million) in relation to refurbishment of the network and £nil (2010 £0.7 million) in relation to investment in non-operational assets.

Approximately 85% (2010 88%) of the company's net investment related to non-load investment, the majority of which relates to expenditure identified as being necessary for the ongoing integrity and safety of the network as its age increases.

The load-related investment is focused on network expansion and driving improved network performance. This investment will play a significant role in reducing response times and the average duration of customer interruptions.

The scale of investment is consistent with the five year Price Review period allowed capital expenditure programme.

RESULTS AND DIVIDENDS
The net profit for the year amounted to £192.3 million (2010 £146.5 million). The aggregate dividends paid during the year amounted to £55.0 million (2010 £35.0 million).

CAPITAL AND DEBT STRUCTURE
As part of the exercise to achieve legal separation of Scottish Power UK plc's businesses pursuant to the provisions of the Utilities Act 2000, SP Distribution Limited and other subsidiary companies of Scottish Power UK plc were each required to jointly provide guarantees to external lenders of Scottish Power UK plc for debt existing in that company at 1 October 2001.

The company is funded by a combination of debt and equity in accordance with the directors' objectives of establishing an appropriately funded business consistent with the requirements of the Utilities Act 2000 and the objectives of the Iberdrola group. At the year end all the equity was held by the company's immediate parent undertaking ScottishPower Investments Limited.

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

CAPITAL AND DEBT STRUCTURE *continued*

Funding

There was no movement in debt during the year. Loans receivable from Iberdrola group companies increased to £72.2m from £18.1m in the year.

The company has net current liabilities of £2.5 million at 31 March 2011 (2010 net liabilities £44.6 million).

Liquidity and maintenance of investment grade credit rating

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. It is anticipated that the company will continue to have a level of liquidity at least sufficient to maintain an investment grade credit rating. 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 26.

STRATEGIC PLAN

The ScottishPower group is part of one of the world's largest utility companies, Iberdrola, and has an important role to play in helping Iberdrola deliver its ambitious international plans for the coming years.

Iberdrola's 2010-12 Strategic Plan includes a focus on improving the quality of service in ScottishPower group's Regulated Business. Iberdrola's UK plans include continuation of the targeted investment programme in the Regulated Business designed to improve network resilience and system performance and investment to support renewable infrastructure. As a result of this level of investment and a focus on profitability, efficiency improvements and customer satisfaction, the Regulated Business, as part of the ScottishPower group, expects to contribute to Iberdrola's key financial targets – further details of which are given in the Consolidated Annual Accounts and Consolidated Management Report of Iberdrola, S.A. for the year ended 31 December 2010.

Some of the statements contained therein are forward-looking statements and statements about Iberdrola's strategic plans. Although the group believes that the expectations reflected in such statements are reasonable, the statements are not guarantees as to future performance and undue reliance should not be placed on them.

Key strategies for SP Distribution Limited until the end of DPC5 and beyond are:

- ensure the public safety and the safety of employees;
- deliver improved customer service through more efficient processes, systems and higher first-time resolution;
- deliver value for money to customers through improved security of supply and network performance;
- maximise the financial benefit to be obtained from the available incentives to deliver returns at, or in excess of, allowed regulated returns; and
- achieve investor objectives on sustainable returns on investment.

SP DISTRIBUTION LIMITED
DIRECTORS' REPORT *continued*

UK ELECTRICITY REGULATION

The Utilities Act 2000, which defines the regulatory framework within which the company's electricity distribution business must operate, transferred the functions of the previous electricity and gas regulators to the Authority. The administrative body supporting the Authority is Ofgem. Ofgem is responsible for monitoring compliance with the conditions of licences and, where necessary, enforcing them through procedures laid down in the Electricity Act 1989, as amended by the Utilities Act 2000, on behalf of the Authority. Relevant EU directives and regulations also form the legislative framework for the company's operations.

Distribution licence holders are required, amongst other duties, to develop and maintain an efficient, co-ordinated and economical system of electricity distribution and to offer terms for connection to, and use of, its distribution system on a non-discriminatory basis, in order to ensure competition in the supply and generation of electricity.

SP Distribution Limited is licensed to distribute electricity within its service area on behalf of all suppliers whose customers are within the area. Charges for distribution are made to various suppliers as appropriate.

The primary objective of regulation of the electricity industry is the promotion of competition, while ensuring that demand can be met and companies are able to finance their activities. However, it is recognised that the development of competitive markets is not appropriate in the distribution of electricity.

Regulatory controls are therefore deemed necessary to protect customers and the electricity distribution business is subject to price controls which restrict the average amount, or total amount, charged for a bundle of services. Ofgem undertakes periodic price reviews and sets price caps every five years. DPC5 covers the period from 1 April 2010 to 31 March 2015.

Price cap regulation, as operated in the UK, is performance-based; any benefits achieved through efficient management are partially retained by the company for a period of up to five years.

The main incentive schemes operated by Ofgem in the DPC5 focus on:

- quality of Supply including:
    - number of interruptions to customers' supplies;
    - length of those interruptions;
    - quality of telephone response to customers;
- network losses;
- network outputs (e.g. volumes of assets replaced/ refurbished, network capacity delivered); and
- broad measure of customer satisfaction.

Under the first three of these the company is rewarded or penalised depending upon its performance against pre-specified targets, which the company believes it will outperform and earn financial rewards in DPC5. For customer satisfaction the incentive is dependent upon the relative performance against other Distribution Network Operators.

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. and its group of companies (which also outlines expectations for employees' conduct). This document was recently re-launched to employees in November 2010.

EMPLOYEES *continued*

Employee consultation

ScottishPower'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. 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 ScottishPower 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 ScottishPower's workplace policy and performance can be found 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 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.

HEALTH AND SAFETY

The prevention of harm to employees, contractors and members of the public, and the protection of business assets and operational capability is a top priority for ScottishPower. The organisation has continued to strive for improved performance and internal assessments have again shown incremental improvements in compliance with group health and safety standards. The number of lost time accidents reported to the Health and Safety Executive ("HSE") under The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995 ("RIDDOR") has increased from 3 to 6. In response to a Health and Safety objective set by Iberdrola, all ScottishPower businesses have maintained certification to the Health and Safety Management Standard OHSAS 18001:2007.

The Regulated Business' key focus on health and safety includes a continued emphasis on promoting safe working behaviours and progress improvements in the physical identification and control of workplace risk and the need for prevention. One of the Regulated Business goals for operational excellence is to achieve zero injuries.

SP DISTRIBUTION LIMITED
DIRECTORS' REPORT *continued*

HEALTH AND SAFETY *continued*

SP Distribution Limited works closely with both PowerSystems, the service-provider, and the electricity industry through the Energy Networks Association Health and Safety groups, to ensure focus and priority is maintained in this vital area. Key performance indicators are in place within the Regulated Business, through the service level agreements with PowerSystems, and progress is monitored regularly at all levels throughout the business.

The table below provides key information relating to the Regulated Business' performance with regard to health and safety:

	Notes	**Actual Year ended 31 March 2011**	Target Year ended 31 March 2011
Behavioural Safety Audits	(a)	5,781	6,200
Number of near miss reports	(b)	189	n/a
Accident free days	(c)	8	n/a
Lost time accidents		7	8
Non-lost time accidents		76	91

(a) Behavioural Safety Audits are conducted through structured safety observations to compare how current conditions and work practices match standard conditions and work practices. Results of these audits are used by the business to address safety issues effectively.
(b) Near miss reports centre on preventing unsafe acts or situations occurring by initiating immediate investigation and remedial action.
(c) Accident free days represent the number of days since the last lost time accident.

During the year there has been a continued focus on employee involvement in health and safety with Safety Stand-Downs being held covering specific issues that are topical. The Stand-Downs provide a forum for raising awareness and to allow employees to openly debate and improve areas by focusing on changing behaviours. Employee wellbeing is encouraged through a variety of health and fitness education activities. Public safety information and education promotion have continued through a mixture of internet, community and schools teaching programmes.

COMMUNITY RELATIONSHIPS

Community relationships

Building the trust of communities has been part of ScottishPower's core values for many years. The organisation has a long track record of supporting communities not only financially, but also by sharing its resources and the skills of its employees. ScottishPower promotes payroll giving and encourages employee development through community based programmes.

The Fundación Iberdrola is responsible for coordinating, driving and promoting the social and environmental activities of the Iberdrola Group.

ScottishPower's community investment activity is aligned to the Fundación's three key themes: Energy Sustainability, Art & Culture and Development, Cooperation and Solidarity. ScottishPower engages with communities across its operations, particularly where new developments are planned, to ensure community groups can have a say in the planning process.

Community Consultation

The key areas where ScottishPower's business impacts upon the community include the siting of new facilities, the presence of distribution and transmission lines and routine maintenance and upkeep work.

Community Consultation continued
A variety of methods of consultation is used to keep in touch with the needs and concerns of the communities potentially affected. ScottishPower’s community consultation processes include representation at community meetings, presentations and forums. ScottishPower’s power stations host visits from community groups, maintain a number of visitor centres and run Local Liaison Committees which provide a forum for discussion between local management teams and community representatives.

Many of ScottishPower’s assets, such as pylons, are on land owned by other people, so it is important that effective policies are in place to ensure the safety and integrity of the plant is maintained, while respecting the needs of the landowner and local community.

Investing in the Community
ScottishPower uses the London Benchmarking Group (“LBG”) model to evaluate its community investment activity. The model is used by hundreds of leading businesses around the world and provides a comprehensive and consistent set of measures for companies to determine their contributions to the community, including cash, time and in-kind donations, as well as management costs.

During the year ended 31 December 2010, ScottishPower’s businesses contributed £3.4 million in community support activity of which £2.4 million was contributed to registered charitable organisations. The total incorporated £64,000 categorised as charitable gifts, £3.25 million categorised as community investment and £90,000 categorised as commercial initiatives, given in cash, through staff time and in-kind donations.

These figures are compiled from Scottish Power’s Community Database, which provides an analysis of community investment activity, which is submitted annually in a return to the LBG. The figures provided above will form part of the company’s 2011 return and have not yet been audited by LBG.

Further details of ScottishPower’s community investment activity and performance can be found at www.scottishpower.com. Information on ScottishPower’s Corporate Social Responsibility activity during 2010 is available online.

ENVIRONMENTAL REGULATION
Throughout its operations, the 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.

CREDITOR PAYMENT POLICY AND PRACTICE
The company’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. At the year end there were no trade creditors outstanding. Therefore, the company's creditor days were nil (2010 nil).

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

Scott Mathieson
Frank Mitchell

SP DISTRIBUTION LIMITED
DIRECTORS' REPORT *continued*

DISCLOSURE OF INFORMATION TO AUDITORS

Each person who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that 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 March 2012.

On behalf of the board

Director
6 September 2011

SP DISTRIBUTION LIMITED
CORPORATE GOVERNANCE STATEMENT

The ultimate parent company is Iberdrola S.A. which is listed on the Madrid stock exchange.

As a guiding principle, the group adopts the principles and rules contained in the most widely recognised good governance recommendations and, in particular, has taken as reference the Uniform Good Governance Code for Listed Companies approved by the National Securities Market Commission of Spain.

ScottishPower, the UK operation of Iberdrola S.A., operates on divisional lines and the activities of the company fall within the Transmission and Distribution business within the Regulated Business.

BOARD AND MANAGEMENT MEETINGS

The company is governed by a Board (the "SP Distribution Limited Board") consisting of two directors who bring a broad range of skills and experience to the company. Both are full-time employees of ScottishPower or its subsidiaries. On 1 July 2011 as part of a group restructuring exercise Scottish Power Energy Networks Holdings Limited, a subsidiary of Scottish Power UK plc, acquired the entire issued share capital of SP Distribution Limited. The Scottish Power Energy Networks Holdings Limited board ("Energy Networks Board") is responsible for the effective day to day operation and management of the Regulated Business within the Scottish Power, in accordance with the strategy set by the Scottish Power Board.

Non-executive oversight is provided at ScottishPower group level by the ScottishPower Board (which includes three independent non-executive directors) other than those matters reserved for the Energy Networks Board.

In addition to formal SP Distribution Limited and Scottish Power Energy Networks Holdings Limited Board meetings, which are convened as required, the directors and other senior managers within the Regulatory Business hold monthly management meetings which review strategy, operational performance and risk issues on behalf of both the company and other companies within the Transmission and Distribution business.

The directors of the company are subject to annual evaluation of their performance in respect of their executive responsibilities as part of the performance management system which is in place throughout ScottishPower.

SCOTTISHPOWER BOARD

The ScottishPower Board comprises the Chairman José Ignacio Sánchez Galán and nine other directors. José Ignacio Sánchez Galán is also the Chairman and Chief Executive of Iberdrola S.A.

The directors of Scottish Power Limited and their classifications are shown below.

DIRECTORS

José Ignacio Sánchez Galán (Chairman)	Non-independent, non-executive director
Amparo Moraleda Martinez	Non-independent, non-executive director
Nicholas Horler (Chief Executive)	Executive Director (resigned 12 October 2010)
Fernando Becker Zuazua	Non-independent, non-executive director
José Luis San Pedro Gerenabarrena	Non-independent, non-executive director
José Miguel Alcolea Cantos	Non-independent, non-executive director
José Sainz Armada	Non-independent, non-executive director
John Campbell	Executive director (resigned 9 February 2011)
Juan Carlos Rebollo Liceaga	Non-independent, non-executive director (appointed 9 February 2011)
Rt Hon Lord Macdonald of Tradeston	Independent non-executive director
Lord Kerr of Kinlochard	Independent non-executive director
Sir Tom Farmer	Independent non-executive director

SP DISTRIBUTION LIMITED
CORPORATE GOVERNANCE STATEMENT *continued*

SCOTTISHPOWER BOARD *continued*
ScottishPower Board meetings were held on five occasions during the year under review. Attendance by the directors is also shown below.

José Ignacio Sánchez Galán	Attended all meetings
Amparo Moraleda Martinez	Attended all meetings
Nicholas Horler (Chief Executive)	Attended two out of five meetings
Fernando Becker Zuazua	Attended three out of five meetings
José Luis San Pedro Gerenabarrena	Attended three out of five meetings
José Miguel Alcolea Cantos	Attended all meetings
José Sainz Armada	Attended all meetings
John Campbell	Attended all meetings
Rt Hon Lord Macdonald of Tradeston	Attended all meetings
Lord Kerr of Kinlochard	Attended four out of five meetings
Sir Tom Farmer	Attended all meetings

There is no Senior Independent Director on the board of ScottishPower. All of the independent non-executive directors fulfil that role.

ENERGY NETWORKS BOARD
The Energy Networks Board comprises the Chairman Javier Villalba Sánchez and five other directors. The directors of Scottish Power Energy Networks Holdings Limited are shown below.

Javier Villalba Sánchez (Chairman)
Frank Mitchell
Antonio Espinosa de los Monteros Herrera
José Izaguirre Nazar
Scott Mathieson
Nicola Connelly

SCOTTISHPOWER AUDIT AND COMPLIANCE COMMITTEE (THE "COMMITTEE")
The Committee is a permanent internal body, having an informative and consultative role, without executive functions, with powers of information, assessment and presentation of proposals to the Board of ScottishPower within its scope of action, which is governed by the Memorandum and Articles of Association of Scottish Power Limited and by the Terms of Reference of the Committee.

The Committee met three times during the year under review – in July and October 2010 and in February 2011.

The members of the Committee and their attendance record are shown in the table below:

José Luis San Pedro Gerenabarrena (Chairman)	Attended all meetings
José Miguel Alcolea Cantos	Attended all meetings
Rt Hon Lord Macdonald of Tradeston	Attended all meetings

The Annual Corporate Governance Report and Activities Report of the Audit and Risk Supervision Committee of Iberdrola are available from the Iberdrola website www.iberdrola.es.

SP DISTRIBUTION LIMITED
CORPORATE GOVERNANCE STATEMENT *continued*

IBERDROLA NOMINATING AND COMPENSATION COMMITTEE
There is no separate Nomination or Remuneration Committee within ScottishPower. Instead nomination and remuneration matters relevant to ScottishPower and the company are dealt with by the Iberdrola Nominating and Compensation Committee ("the Committee"). The members of the Committee are:

Chairman: Mr José Ignacio Berroeta Echevarria	External Independent
Mr Inés Macho Stadler	External Independent
Mr Inigo Victor De Oriol Ibarra	External Independent

The Committee has the power to supervise the process of selection of Directors and senior managers of the Iberdrola Group companies, and to assist the Board of Directors in the determination and supervision of the compensation policy for the above-mentioned persons.

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

A risk and control governance framework is in place across ScottishPower. The risk management framework and internal control system is subject to continuous review and development.

CONTROL ENVIRONMENT
The company is committed to ensuring that a proper control environment is maintained. There is commitment to competence, integrity, the communication of ethical values and control consciousness to managers and employees. Human Resources policies underpin that commitment by a focus on enhancing job skills and promoting high standards of probity among staff. In addition, the appropriate organisational structure has been developed within which to control the businesses and to delegate authority and accountability, having regard to acceptable levels of risk.

The company's expectations in this regard are set out in 'Scottish Power Code of Ethics' – a policy document which aims to summarise some of the main legal, regulatory, cultural and business standards applicable to all employees. This document has been distributed to all employees of the company.

ScottishPower has a fraud policy and procedures in place to ensure that all incidences of fraud are appropriately investigated and reported. Further, ScottishPower has adopted a revised Speaking Out and Whistleblower Protection Policy, incorporating a confidential external reporting service operated by an independent provider. This policy, which is applicable to all employees of the company, covers the reporting and investigation of suspected fraud and misappropriation, questionable accounting, financial reporting or auditing matters, breaches of internal financial control procedures, and serious breaches of behaviour and ethical principles. There is also a process in existence within ScottishPower whereby all members of staff may report any financial irregularities to the Audit and Compliance Committee of Iberdrola.

IDENTIFICATION AND EVALUATION OF RISKS AND CONTROL OBJECTIVES

During the year under review the ScottishPower governance structure was supported by a risk policy approved by the ScottishPower Board. The risk policy is approved by the ScottishPower Board on an annual basis. The Executive Team, and Investment Committee for each ScottishPower business, Business Risk Assessment Teams and the Independent Group Risk Management Function support the Board in the execution of due diligence and risk management. In addition, the Executive Team is responsible for ensuring that the businesses' risks are adequately assessed, monitored, mitigated and managed. To this end the Executive Team regularly reviews and changes risk reports submitted to it by the Independent Group Risk Management Director.

ScottishPower's strategy, which is adopted by the company, is to conduct business in a manner benefiting customers through balancing cost and risk while delivering shareholder value and protecting ScottishPower's performance and reputation by prudently managing the risks inherent in the business. ScottishPower develops and implements risk management policies and procedures, and promotes a robust control environment at all levels of the organisation.

The company identifies and assesses the key business risks associated with the achievement of its strategic objectives. Any key actions needed to further enhance the control environment are identified, along with the person responsible for the management of the specific risk.

It is the responsibility of the Group Internal Controls Manager to help ensure that the internal controls system is consistently adopted, update and embedded into the business processes.

A key element and requirement of the internal control and corporate governance process is that a written certificate is submitted to the Group disclosure committee on a six monthly basis by the Director of the Regulated Business, confirming that he has reviewed the effectiveness, during the period, of the system of internal control throughout the business, including within the company.

CAPITAL INVESTMENT

Capital investment proposals are considered by the Regulated Business' Investment Review Group ("IRG"). Membership of the IRG includes the Business Executive Team members including representation from the Corporate finance and legal functions. In addition, significant capital investment proposals are referred to the Energy Networks Board and an operating committee which comprises senior executives from the Iberdrola group.

MONITORING AND CORRECTIVE ACTION

The management team of the Regulated Business reviews, on a monthly basis, the key risks facing the business, the controls, action plans and monitoring procedures for these. A risk report is produced for review and challenge at the monthly management meetings.

This is a key tool in ensuring the active management of risks. The operation of the control and monitoring procedures are reviewed and tested by ScottishPower's internal audit function with a direct reporting line to the Audit and Compliance Committee of Iberdrola and the ScottishPower Audit and Compliance Committee.

AUDITOR INDEPENDENCE

The Audit and Compliance Committee of Iberdrola, which comprises non-executive directors, is responsible for the nomination of the external auditors. The committee and the firm of external auditors have safeguards to avoid the possibility that the auditors' objectivity and independence could be compromised.

Where the work to be undertaken is of a nature that is generally considered reasonable to be completed by the external auditors for sound commercial and practical reasons, including confidentiality, the conduct of such work is permissible provided that it has been pre-approved by the ScottishPower Audit and Compliance Committee.

SOCIAL, ENVIRONMENTAL AND ETHICAL MATTERS
Social, environmental, and ethical ("SEE") matters are included in the overall risk and control framework and in the Risk Report which is reviewed at the monthly management meetings. As such, regular account is taken of the strategic significance of SEE matters to the company, and the risks and opportunities arising from these issues that may have an impact on the group's short-term and long-term values are considered.

Further information regarding the SEE matters can be found in the Corporate Responsibility report on the ScottishPower website www.scottishpower.com.

POLITICAL DONATIONS AND EXPENDITURE
The group is a politically neutral organisation. It is subject to the Political Parties, Elections and Referendums Act 2000, which defines political "donations" and "expenditure" in wider terms than would be commonly understood by these phrases. During the year ended 31 March 2011, the group paid a total of £27,500 for the sponsorship of conferences and events – activities which may be regarded as falling within the terms of the Act.

The recipients of these payments were:

• The Labour Party £9,500
• The Conservative Party £7,000
• The Scottish National Party £6,500
• The Liberal Democrats £2,500*
• Plaid Cymru – Party of Wales £2,000

*Payments via Renewable UK (Sponsorship of dinner at the Liberal Democrats 2010 UK Annual Conference).

These occasions provide an important opportunity for the group to represent its views on a non-partisan basis to politicians from across the political spectrum. The payments do not indicate support for any particular party.

SP DISTRIBUTION LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
in respect of the Regulatory Accounts and compliance with Standard Licence Condition 44

Standard Condition 44 of the Electricity Distribution Licence requires the directors to prepare Regulatory Accounts, for each regulatory year, which presents fairly the assets, liabilities, reserves and provisions of, or reasonably attributable to, the company and of the revenues, costs and cash flows of, or reasonably attributable to, the company for the year. In preparing the Regulatory 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 financial statements; and
- prepare the Regulatory Accounts on the going concern business unless it is in appropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Standard Condition 44 as applicable. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SP DISTRIBUTION LIMITED
INDEPENDENT AUDITORS' REPORT

To the Gas and Electricity Markets Authority ("the Authority") and to SP Distribution Limited ("the company")

We have audited the regulatory financial statements of the company for the year ended 31 March 2011 which comprise the Balance Sheets, Income Statements, Statements of Changes in Equity, Cash Flow Statements, and the related notes 1 to 28.

This report is made, on terms that have been agreed, solely to the company and the Authority in order to meet the requirements of Standard Condition 44 of the Electricity Distribution Licence, ("the Regulatory Licence"). Our audit work has been undertaken so that we might state to the company and the Authority those matters that we have agreed to state to them in our report, in order (a) to assist the company to meet its obligation under the Regulatory Licence to procure such a report and (b) to facilitate the carrying out by the Authority of its regulatory functions, 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 Authority for our audit work, for this report or for the opinions we have formed.

BASIS OF PREPARATION

The regulatory financial statements have been prepared under the historical cost convention and in accordance with Standard Condition 44 of the company's Regulatory Licence and the accounting policies set out in the Regulatory Accounts.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The nature, form and content of the regulatory financial statements are determined by the Authority. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the Authority's purposes. Accordingly we make no such assessment.

The directors' responsibilities for preparing the regulatory financial statements in accordance with Standard Condition 44 of the Regulatory Licence are set out in the Statement of Directors' Responsibilities in respect of the Regulatory Accounts and compliance with Standard Licence Condition 44 on page 19.

Our responsibility is to audit the regulatory financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, except as stated in the 'Basis of audit opinion' below, and having regard to the guidance contained in Audit 05/03 'Reporting to Regulators of Regulated Entities'.

We report to you our opinion as to whether the regulatory financial statements present fairly, in accordance with Standard Condition 44 of the company's Regulatory Licence and the accounting policies set out on pages 26 and 27, the results and financial position of the company. We also report to you if, in our opinion, the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained within the Corporate Report and Regulatory Accounts, including any supplementary schedules on which we do not express an audit opinion, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the regulatory financial statements.

BASIS OF OPINION

We conducted our audit in accordance with the International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board except as noted below. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the regulatory financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the regulatory financial statements, and of whether the accounting policies are consistently applied and adequately disclosed.

INDEPENDENT AUDITORS' REPORT *continued*

BASIS OF OPINION ***continued***

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the regulatory financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. However, as the nature, form and content of regulatory financial statements are determined by the Authority, we did not evaluate the overall adequacy of the presentation of the information, which would have been required if we were to express an audit opinion under International Standards on Auditing (UK and Ireland).

Our opinion on the regulatory financial statements is separate from our opinion on the statutory accounts of the company for the year ended 31 December 2010 on which we reported on 18 May 2011, which are prepared for a different purpose. Our audit report in relation to the statutory accounts of the company (our "statutory" audit) was made solely to the company's members, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our statutory audit work was undertaken so that we might state to the company's members those matters we are required to state to the members in a statutory auditor's report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than the company and the company's members, for our statutory audit work, for our statutory audit report, or for the opinions we have formed in respect of that statutory audit.

OPINION

In our opinion, the regulatory financial statements fairly present, in accordance with Standard Condition 44 of the company's Regulatory Licence and the accounting policies set out on pages 26 and 27, the state of the company's affairs at 31 March 2011 and of its profit and cash flows for the year then ended, and have been properly prepared in accordance with that condition and those accounting policies.

Ernst & Young LLP

Ernst & Young LLP
Glasgow 7-9-11

1. The maintenance and integrity of the ScottishPower website is the responsibility of the directors and the maintenance and integrity of the Ofgem website is the responsibility of the Authority; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the regulatory financial statements since they were initially presented on the websites.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

SP DISTRIBUTION LIMITED
BALANCE SHEETS
at 31 March 2011, 31 March 2010 and 1 April 2009

	Notes	31 March 2011 £m	31 March 2010* £m	31 March 2009* £m
ASSETS				
NON-CURRENT ASSETS				
Intangible assets		**3.9**	5.4	6.2
Other intangible assets	3	3.9	5.4	6.2
Property, plant and equipment		**2,079.9**	1,972.6	1,882.6
Property, plant and equipment in use	4	1,806.5	1,760.3	1,587.1
Property, plant and equipment in course of construction	4	273.4	212.3	295.5
NON-CURRENT ASSETS		**2,083.8**	1,978.0	1,888.8
CURRENT ASSETS				
Current trade and other receivables	6	**143.3**	86.9	62.6
Current financial assets		**0.5**	0.2	-
Cash and cash equivalents	7	0.5	0.2	-
CURRENT ASSETS		**143.8**	87.1	62.6
TOTAL ASSETS		**2,227.6**	2,065.1	1,951.4
EQUITY AND LIABILITIES				
EQUITY				
Of shareholders of the Parent		**1,019.8**	882.5	771.0
Share capital	8,9	300.0	300.0	300.0
Retained earnings	9	719.8	582.5	471.0
TOTAL EQUITY		**1,019.8**	882.5	771.0
NON-CURRENT LIABILITIES				
Deferred income	10	**354.8**	342.0	325.9
Bank borrowings and other non-current financial liabilities		**500.0**	500.0	500.0
Loans and other borrowings	11	500.0	500.0	500.0
Deferred tax liabilities	12	**206.7**	208.9	195.1
NON-CURRENT LIABILITIES		**1,061.5**	1,050.9	1,021.0
CURRENT LIABILITIES				
Provisions	13	**3.0**	1.6	0.5
Bank borrowings and other current financial liabilities		**-**	-	48.0
Loans and other borrowings	11	-	-	48.0
Trade and other payables	14	**95.2**	96.3	79.7
Current tax liabilities		**48.1**	33.8	31.2
CURRENT LIABILITIES		**146.3**	131.7	159.4
TOTAL LIABILITIES		**1,207.8**	1,182.6	1,180.4
TOTAL EQUITY AND LIABILITIES		**2,227.6**	2,065.1	1,951.4

* Comparative numbers have been restated due to a voluntary change in accounting policy. Refer to note 1.

Approved by the Board on 6 September 2011 and signed on its behalf by:

Scott Mathieson
Director

The accompanying notes 1 to 28 are an integral part of the balance sheets as at 31 March 2011, 31 March 2010 and 1 April 2009.

SP DISTRIBUTION LIMITED
INCOME STATEMENTS
for the years ended 31 March 2011 and 31 March 2010

	Notes	2011 £m	2010* £m
Revenue		402.7	357.6
Procurements		(11.7)	(11.5)
		391.0	346.1
Staff costs	15	(0.6)	(0.5)
Outside services		(46.9)	(46.3)
Other operating income		24.7	25.8
		(22.8)	(21.0)
Taxes (other than income tax)		(37.1)	(29.7)
		331.1	295.4
Depreciation and amortisation charge, allowances and provisions	16	(70.2)	(65.3)
PROFIT FROM OPERATIONS		**260.9**	230.1
Gains on disposal of non-current assets		0.3	-
Losses on disposal of non-current assets		-	(0.9)
Finance income	17	1.4	0.2
Finance costs	18	(18.2)	(25.3)
PROFIT BEFORE TAX		**244.4**	204.1
Income tax	19	(52.1)	(57.6)
NET PROFIT FOR THE YEAR	9	**192.3**	146.5

* Comparative numbers have been restated due to a voluntary change in accounting policy. Refer to note 1.

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

All results relate to continuing operations.

The accompanying notes 1 to 28 are an integral part of the income statements for the years ended 31 March 2011 and 31 March 2010.

SP DISTRIBUTION LIMITED
STATEMENTS OF CHANGES IN EQUITY
for the years ended 31 March 2011 and 31 March 2010

	Ordinary share capital £m	Retained earnings £m	Total equity £m
At 1 April 2009*	300.0	471.0	771.0
Total comprehensive income for the year*	-	146.5	146.5
Dividends	-	(35.0)	(35.0)
At 31 March 2010*	300.0	582.5	882.5
Total comprehensive income for the year	-	192.3	192.3
Dividends	-	(55.0)	(55.0)
At 31 March 2011	**300.0**	**719.8**	**1,019.8**

* Comparative numbers have been restated due to a voluntary change in accounting policy. Refer to note 1.

Total comprehensive income for the year comprises net profit for the year.

The accompanying notes 1 to 28 are an integral part of the statement of changes in equity for the years ended 31 March 2011 and 31 March 2010.

SP DISTRIBUTION LIMITED
CASH FLOW STATEMENTS
for the years ended 31 March 2011 and 31 March 2010.

	2011 £m	2010* £m
Cash flows from operating activities		
Profit before tax	244.4	204.1
Adjustments for:		
Depreciation and amortisation	66.3	64.6
Change in provisions	1.4	1.1
Transfer of assets from customers	(11.0)	(10.5)
Finance income and costs	16.8	25.1
(Gains)/losses from disposal of non-current assets	(0.3)	0.9
Changes in working capital:		
Change in trade and other receivables	(2.5)	(8.4)
Change in trade payables	3.4	14.9
Assets received from customers	23.8	26.6
Income taxes paid	(40.0)	(41.2)
Interest received	1.4	-
Net cash flows from operating activities (i)	**303.7**	**277.2**
Cash flows from investing activities		
Investments in property, plant & equipment	(175.2)	(151.5)
Proceeds from disposal of property, plant & equipment	0.3	0.2
Net cash flows from investing activities (ii)	**(174.9)**	**(151.3)**
Financing activities		
Dividends paid to company's equity holders	(55.0)	(35.0)
Interest paid	(19.4)	(27.0)
Repayments of borrowing	-	(48.0)
Net cash flows from financing activities (iii)	**(74.4)**	**(110.0)**
Net increase in cash and cash equivalents (i)+(ii)+(iii)	**54.4**	**15.9**
Cash and cash equivalents at beginning of year	**18.3**	**2.4**
Cash and cash equivalents at end of year	**72.7**	**18.3**

Cash and cash equivalents at end of year comprises:

	2011 £m	2010* £m
Cash and cash equivalents	0.5	0.2
Receivables due from Iberdrola group companies - loans	72.2	18.1
Cash flow statement cash and cash equivalents	**72.7**	**18.3**

* Comparative numbers have been restated due to a voluntary change in accounting policy. Refer to note 1.

The group loan arrangements of ScottishPower Limited and its subsidiaries (including SP Distribution Limited) were restructured during the year ended 31 March 2010. 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 28 are an integral part of the cash flow statement for the years ended 31 March 2011 and 31 March 2010.

1 BASIS OF PREPARATION OF THE ACCOUNTS

The Accounts have been prepared in accordance with Standard Condition 44 of the company's Regulatory Licence and 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 March 2011. The company's accounting reference date is 31 December to match that of its ultimate parent undertaking, Iberdrola, S.A. Standard Condition 44 of the Electricity Distribution Licence requires the directors to prepare regulatory accounts, for each regulatory year, with the same content and format as the most recent statutory accounts of the company. The references made to the financial year within these Regulatory Accounts refer to the year from 1 April 2010 to 31 March 2011. Consequently the Corporate Report & Regulatory Accounts for the year ended 31 March 2011 are separate from the Directors' Report and Accounts of the company which have been prepared for the year ended 31 December 2010.

The company's Regulatory Accounts are prepared for the first time in accordance with IFRS as adopted by the EU. In previous years, the Accounts were prepared in accordance with UK Generally Accepted Accounting principles ("UK GAAP"). This resulted in certain changes to previously applied accounting policies. The new policies have been applied retrospectively and prior year comparatives have been restated on a consistent basis. The disclosures concerning the effect of the change in accounting policies from UK GAAP to IFRS are set out in Note 28 to the Accounts.

Management believe that the new accounting policies are preferable as the company's accounting policies are now aligned with those adopted for statutory reporting purposes and that of the Iberdrola group.

The cash flow statement prepared in conformity with IFRS is set out on page 25.

In addition, 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.

2 ACCOUNTING POLICIES

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

A. REVENUE
B. INTANGIBLE ASSETS
C. PROPERTY, PLANT AND EQUIPMENT
D. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS
E. FINANCIAL ASSETS AND LIABILITIES
F. TRANSFER OF ASSETS FROM CUSTOMERS
G. TAXATION

A. REVENUE

Revenue comprises charges made to customers for use of the distribution network. Revenue includes accruals in respect of unbilled income relating to units transferred over the network established from industry data flows and for other rechargeable work completed but not yet billed. Revenue excludes value added tax. Revenue consists entirely of sales made in the UK.

B. INTANGIBLE ASSETS (COMPUTER SOFTWARE COSTS)

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

C. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost and is generally depreciated on the straight-line method over the estimated operational lives of the assets. Property, plant and equipment includes capitalised employee and other directly attributable costs. Borrowing costs directly attributable to the acquisition, construction or production of major qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. 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
Distribution facilities	40-60
Meters and measuring devices	2-10
Other facilities and other items of property, plant and equipment	1-40

2 ACCOUNTING POLICIES *continued*

D. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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

E. FINANCIAL ASSETS AND LIABILITIES

(a) Trade receivables are recognised and carried at original invoice amount less an allowance for impairment of doubtful debts. Allowance for doubtful debts has been estimated by management, taking into account future cash flows, based on past experience and assessment of the current economic environment within which the company operates.

(b) Cash 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.

(c) 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.

F. TRANSFERS OF ASSETS FROM CUSTOMERS

Transfers of assets from customers are credited to deferred income within non-current liabilities.

Pursuant to the applicable industry regulations, the company receives contributions from its customers for the construction of grid connection facilities, or is assigned such assets that must be used to connect those customers to a network and provide them with ongoing access to a supply of goods or services, or both.

As the installation received is considered to be payment for ongoing access to the supply of the goods and services, it is credited to deferred income and released to the income statement over the estimated operational lives of the related assets.

G. 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.

3 INTANGIBLE ASSETS

Year Ended 31 March 2010	Other intangible assets - Computer software £m
Cost:	
At 1 April 2009 and 31 March 2010	15.7
Amortisation:	
At 1 April 2009	9.5
Amortisation for the year	0.8
At 31 March 2010	10.3
Net book value:	
At 31 March 2010	5.4
At 1 April 2009	6.2

Year ended 31 March 2011	Other intangible assets - Computer software £m
Cost:	
At 1 April 2010 and 31 March 2011	**15.7**
Amortisation:	
At 1 April 2010 and 31 March 2011	10.3
Amortisation for the year	1.5
At 31 March 2011	**11.8**
Net book value:	
At 31 March 2011	**3.9**
At 1 April 2010	5.4

4 PROPERTY, PLANT AND EQUIPMENT

(a) Movements in property, plant and equipment

Year ended 31 March 2010	Operating plant - Distribution facilities £m	Operating plant - Other (note (i)) £m	Other items of property, plant and equipment in use £m	Operating plant in progress (note (ii)) £m	Other items of property, plant and equipment in progress £m	Total £m
Cost:						
At 1 April 2009	2,127.7	230.5	22.4	285.0	10.5	2,676.1
Additions	-	-	0.2	154.7	-	154.9
Transfers to operating plant from in progress	227.6	10.1	0.2	(237.7)	(0.2)	-
Disposals	(4.5)	(3.7)	-	-	-	(8.2)
At 31 March 2010	2,350.8	236.9	22.8	202.0	10.3	2,822.8
Depreciation:						
At 1 April 2009	651.4	119.7	22.4	-	-	793.5
Charge for the year	46.5	17.0	0.3	-	-	63.8
Disposals	(4.1)	(3.0)	-	-	-	(7.1)
At 31 March 2010	693.8	133.7	22.7	-	-	850.2
Net book value:						
At 31 March 2010	1,657.0	103.2	0.1	202.0	10.3	1,972.6
At 1 April 2009	1,476.3	110.8	-	285.0	10.5	1,882.6
The net book value of property, plant and equipment at 31 March 2010 is analysed as follows:						
Property, plant and equipment in use	1,657.0	103.2	0.1	-	-	1,760.3
Property, plant and equipment in the course of construction	-	-	-	202.0	10.3	212.3
	1,657.0	103.2	0.1	202.0	10.3	1,972.6

SP DISTRIBUTION LIMITED
NOTES TO THE ACCOUNTS *continued*
31 March 2011

4 PROPERTY, PLANT AND EQUIPMENT ***continued***

Year ended 31 March 2011	Operating plant - Distribution facilities £m	Operating plant - Other (note (i)) £m	Other items of property, plant and equipment in use £m	Operating plant in progress (note (ii)) £m	Other items of property, plant and equipment in progress £m	Total £m
Cost:						
At 1 April 2010	2,350.8	236.9	22.8	202.0	10.3	2,822.8
Additions	-	7.8	0.1	164.2	-	172.1
Transfers to operating plant from in progress	91.0	1.8	10.3	(92.8)	(10.3)	-
Disposals	(6.4)	(3.5)	-	-	-	(9.9)
At 31 March 2011	**2,435.4**	**243.0**	**33.2**	**273.4**	**-**	**2,985.0**
Depreciation:						
At 1 April 2010	693.8	133.7	22.7	-	-	850.2
Charge for the year	48.4	15.1	1.3	-	-	64.8
Disposals	(6.4)	(3.5)	-	-	-	(9.9)
At 31 March 2011	**735.8**	**145.3**	**24.0**	**-**	**-**	**905.1**
Net book value:						
At 31 March 2011	**1,699.6**	**97.7**	**9.2**	**273.4**	**-**	**2,079.9**
At 1 April 2010	1,657.0	103.2	0.1	202.0	10.3	1,972.6
The net book value of property, plant and equipment at 31 March 2011 is analysed as follows:						
Property, plant and equipment in use	1,699.6	97.7	9.2	-	-	1,806.5
Property, plant and equipment in the course of construction	-	-	-	273.4	-	273.4
	1,699.6	**97.7**	**9.2**	**273.4**	**-**	**2,079.9**

(i) The category "Operating plant - Other" principally comprises meters and measuring devices.

(ii) The category "Plant in progress" principally comprises distribution facilities in the course of construction.

(iii) The cost of fully depreciated property, plant and equipment still in use at 31 March 2011 was £129.3 million (31 March 2010 £129.0 million, 1 April 2009 £138.9 million).

(iv) Included within the cost of property, plant and equipment are assets in use not subject to depreciation, being land, of £9.1 million (31 March 2010 £10.0 million, 1 April 2009 2009 £9.6 million).

(b) Operating lease arrangements

Operating lease payments	**2011 £m**	2010 £m
Contingent based operating lease rents recognised as an expense in the year	**0.1**	0.1
Sublease payments recognised as an expense in the year	**0.1**	0.1
	0.2	0.2
The future minimum lease payments under non-cancellable operating leases are as follows:		
Within one year	**0.2**	0.2
Between one and five years	**0.6**	0.6
More than five years	**0.6**	0.6
	1.4	1.4

Operating lease receivables	**2011 £m**	2010 £m
The future minimum lease payments receivable under non-cancellable operating leases are as follows:		
Within one year	**0.6**	0.6
Between one and five years	**1.0**	1.6
More than five years	**0.1**	0.1
	1.7	2.3

4 PROPERTY, PLANT AND EQUIPMENT ***continued***

(c) Capital commitments

	31 March 2011 £m	31 March 2010 £m	1 April 2009 £m
Contracted but not provided	**195.5**	157.1	133.0

5 FIXED ASSET INVESTMENTS

	Other unlisted investments £
Cost:	
At 1 April 2009, 31 March 2010 and 31 March 2011	**6,474**

6 TRADE AND OTHER RECEIVABLES

	Notes	31 March 2011 £m	31 March 2010 £m	1 April 2009 £m
Current receivables:				
Receivables due from Iberdrola group companies - trade		**24.5**	27.1	25.0
Receivables due from Iberdrola group companies - loans	(a)	**72.2**	18.1	2.4
Trade receivables and accrued income	(b)	**36.0**	36.2	30.2
Other receivables		**10.6**	5.5	5.0
		143.3	86.9	62.6

(a) The loans receivable from Iberdrola group companies comprise loans that are repayable on demand and have an interest rate payable of 1% above the Royal Bank of Scotland base rate.

(b) Trade receivables are stated net of allowance for impairment of doubtful debts of £3.3 million (31 March 2010 £1.7 million, 1 April 2009 £2.1 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.

(c) At 31 March 2011 trade receivables of £29.7 million (31 March 2010 £38.4 million, 1 April 2009 £33.4 million) were past due but not impaired.

	31 March 2011 £m	31 March 2010 £m	1 April 2009 £m
Past due but not impaired:			
Less than 3 months	**23.5**	31.1	29.9
Between 3 and 6 months	**0.7**	2.1	0.7
Between 6 and 12 months	**0.3**	0.4	0.7
After more than 12 months	**5.2**	4.8	2.1
	29.7	38.4	33.4

7 FINANCIAL ASSETS

Categories of financial assets	Note	31 March 2011 £m	31 March 2010 £m	1 April 2009 £m
Cash	(a)	**0.5**	0.2	-
Receivables		**143.3**	86.9	62.6
Total		**143.8**	87.1	62.6

(a) As a general rule, cash deposited with banks earns interest at rates similar to market rates on daily deposits.

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

SP DISTRIBUTION LIMITED
NOTES TO THE ACCOUNTS *continued*
31 March 2011

8 SHARE CAPITAL

	31 March 2011 £m	31 March 2010 £m	1 April 2009 £m
Authorised:			
300,000,000 ordinary shares of £1 each			
(31 March 2010 300,000,000, 1 April 2009 300,000,000)	**300.0**	300.0	300.0
	300.0	300.0	300.0
Allotted, called up and fully paid shares:			
300,000,000 ordinary shares of £1 each			
(31 March 2010 300,000,000, 1 April 2009 300,000,000)	**300.0**	300.0	300.0
	300.0	300.0	300.0

9 ANALYSIS OF MOVEMENTS IN EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF SP DISTRIBUTION LIMITED

	Ordinary share capital £m	Retained earnings (note (a)) £m	Total £m
At 1 April 2009	300.0	471.0	771.0
Profit for the year attributable to equity holders of SP Distribution Limited	-	146.5	146.5
Dividends	-	(35.0)	(35.0)
At 31 March 2010	300.0	582.5	882.5
Profit for the year attributable to equity holders of SP Distribution Limited	-	192.3	192.3
Dividends	-	(55.0)	(55.0)
At 31 March 2011	**300.0**	**719.8**	**1,019.8**

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

10 DEFERRED INCOME

Year ended 31 March 2010	At 1 April 2009 £m	Receivable during year £m	Released to income statement £m	At 31 March 2010 £m
Transfers of assets from customers	325.9	26.6	(10.5)	342.0
Total deferred income	325.9	26.6	(10.5)	342.0

Year ended 31 March 2011	At 1 April 2010 £m	Receivable during year £m	Released to income statement £m	**At 31 March 2011 £m**
Transfers of assets from customers	342.0	23.8	(11.0)	354.8
Total deferred income	**342.0**	**23.8**	**(11.0)**	**354.8**

11 FINANCIAL LIABILITIES

(a) Categories of financial liabilities

	Notes	31 March 2011 £m	31 March 2010 £m	1 April 2009 £m
Loans and other borrowings (current and non-current):				
External borrowings	(i)	**-**	-	48.0
Loans with Iberdrola group companies	(i), (ii)	**500.0**	500.0	500.0
		500.0	500.0	548.0
Other financial liabilities:				
Payables	(iii)	**34.5**	47.9	35.5
Total		**534.5**	547.9	583.5

SP DISTRIBUTION LIMITED

NOTES TO THE ACCOUNTS *continued*

31 March 2011

11 FINANCIAL LIABILITIES *continued*

(i) Loans and other borrowings are accounted for at amortised cost. Refer to Note 11(c) for further analysis of external borrowings.

(ii) The loans with Iberdrola group companies comprise loans with Scottish Power Limited and Scottish Power UK plc. The loan from Scottish Power Limited carries a variable rate of 6 months GBP LIBOR plus 34 basis points. The loan from Scottish Power UK plc carries a variable rate of 12 months GBP LIBOR plus 336.5 basis points. Under the conditions of the long term loan agreement between SP Distribution Limited and Scottish Power UK plc, SP Distribution Limited has an option, without fee or penalty, to make a repayment, in whole or in part, of the then outstanding loan principal, plus accrued interest thereon, by providing Scottish Power UK plc with written notice at least 5 business days before the intended repayment date.

(iii) Balances outwith the scope of IFRS 7, principally payments received on account, and other amounts not contractually committed, have been excluded. The fair values of payables disclosed are not materially different from their book values.

(b) The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	31 March 2011								
	Carrying value £m	**Contractual cash flows £m**	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 3 years £m	Between 3 and 4 years £m	Between 4 and 5 years £m	Between 5 and 10 years £m	10 years and thereafter £m
Loans and other borrowings (current and non-current):									
Loans with Iberdrola group companies	500.0	1,041.5	19.7	24.2	28.7	31.7	34.0	319.9	583.3
	500.0	**1,041.5**	19.7	24.2	28.7	31.7	34.0	319.9	583.3
Other financial liabilities:									
Payables*	**34.5**	**31.3**	31.3	-	-	-	-	-	-
	534.5	**1,072.8**	**51.0**	**24.2**	**28.7**	**31.7**	**34.0**	**319.9**	**583.3**

	31 March 2010								
	Carrying value £m	Contractual cash flows £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 3 years £m	Between 3 and 4 years £m	Between 4 and 5 years £m	Between 5 and 10 years £m	10 years and thereafter £m
Loans and other borrowings (current and non-current):									
Loans with Iberdrola group companies	500.0	1,077.4	18.3	22.3	27.9	31.7	33.8	329.7	613.7
	500.0	1,077.4	18.3	22.3	27.9	31.7	33.8	329.7	613.7
Other financial liabilities:									
Payables*	47.9	43.5	43.5	-	-	-	-	-	-
	547.9	1,120.9	61.8	22.3	27.9	31.7	33.8	329.7	613.7

11 FINANCIAL LIABILITIES *continued*

	1 April 2009								
	Carrying value £m	Contractual cash flows £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 3 years £m	Between 3 and 4 years £m	Between 4 and 5 years £m	Between 5 and 10 years £m	10 years and thereafter £m
Loans and other borrowings (current and non-current):									
External borrowings	48.0	48.1	48.1	-	-	-	-	-	-
Loans with Iberdrola group companies	500.0	1,049.9	20.5	23.5	28.8	31.5	32.7	322.1	590.8
	548.0	1,098.0	68.6	23.5	28.8	31.5	32.7	322.1	590.8
Other financial liabilities:									
Payables*	35.5	29.4	29.4	-	-	-	-	-	-
	583.5	1,127.4	98.0	23.5	28.8	31.5	32.7	322.1	590.8

*Contractual cash flows exclude accrued interest as these cash flows are included within loans and other borrowings.

(c) Analysis of debt and treasury instruments by category of instrument and maturity

	31 March 2011								
	Debt £m	Derivative £m	Total £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 and there-after £m
Loans in Sterling									
- Other financial operations	500.0	-	500.0	-	-	-	-	-	500.0
- Unpaid accrued interest	3.2	-	3.2	3.2	-	-	-	-	-
Total debt	**503.2**	**-**	**503.2**	**3.2**	**-**	**-**	**-**	**-**	**500.0**

	31 March 2010		
	Debt £m	Derivative £m	Total £m
Loans in Sterling			
- Other financial operations	500.0	-	500.0
- Unpaid accrued interest	4.4	-	4.4
Total debt	504.4	-	504.4

	1 April 2009		
	Debt £m	Derivative £m	Total £m
Loans in Sterling			
- Other financial operations	548.0	-	548.0
- Unpaid accrued interest	6.1	-	6.1
Total debt	554.1	-	554.1

(i) The average weighted interest rate on the above debt at 31 March 2011 is 3.8% (31 March 2010 3.6%, 1 April 2009 4.9%).

(ii) Other financial operations are comprised of loans with Iberdrola group companies and European Investment Bank loans.

Interest rate analysis of debt

	31 March 2010	31 March 2010 £m	1 April 2009 £m
Variable rate	**503.2**	504.4	506.0
Fixed rate	**-**	-	48.1
	503.2	504.4	554.1

The reference interest rates for the floating rate borrowings are LIBOR (London Inter Bank Offer Rate) and Base Rate (The Royal Bank of Scotland Base Rate).

Based on the floating rate debt of £503.2 million at 31 March 2011 (31 March 2010 £504.4 million, 1 April 2009 £506.0 million) a 10 basis point change in interest rates would result in an annual change in profit before tax of £0.5 million (31 March 2010 £0.5 million, 1 April 2009 £0.5 million). There would be no impact on equity.

SP DISTRIBUTION LIMITED
NOTES TO THE ACCOUNTS *continued*
31 March 2011

(d) Fair value of external borrowings

	31 March 2011 £m	31 March 2010 £m	1 April 2009 £m
Fair value of external borrowings	-	-	48.1
Fair value of external borrowings with fixed	-	-	48.1

(e) Borrowing facilities

The company has undrawn committed borrowing facilities at 31 March 2011 of £nil (31 March 2010 £nil, 1 April 2009 £nil).

12 DEFERRED TAX

Deferred tax provided in the Accounts is as follows:

	Property, plant and equipment £m
Deferred tax provided at 1 April 2009	195.1
Charge to income statement	13.8
Deferred tax provided at 31 March 2010	208.9
Credit to income statement	(2.2)
Deferred tax provided at 31 March 2011	**206.7**

In his budget speech in March 2011, the Chancellor stated his intention to reduce the rate of corporation tax each year to reach a rate of 23% for the year commencing 1 April 2014. On 1 April 2011, the rate of UK Corporation tax changed from 28% to 26%. This change was substantively enacted on 29 March 2011 and hence, at the balance sheet date, 26% is the applicable rate at which the temporary differences are expected to reverse. The move from 28% to 26% had the effect of reducing the deferred tax charge by £16 million.

A rate of 25% for the year commencing 1 April 2012 was enacted on 19 July 2011 and proposed further reductions should be substantively enacted in the future. Each further reduction of 1% would have the effect of reducing the deferred tax provision by approximately £8 million, a total of £24 million.

13 PROVISIONS

Year ended 31 March 2010	Note	At 1 April 2009 £m	New provisions £m	Released during the year £m	At 31 March 2010 £m
Contract termination costs		0.5	-	-	0.5
Environmental costs		-	1.1	-	1.1
	(a)	0.5	1.1	-	1.6

Year ended 31 March 2011	Notes	At 1 April 2010 £m	New provisions £m	Released during the year £m	**At 31 March 2011 £m**
Contract termination costs	(b)	0.5	2.2	-	**2.7**
Environmental costs	(c)	1.1	-	(0.8)	**0.3**
	(a)	1.6	2.2	(0.8)	**3.0**

(a) All provisions are classified in the balance sheet as current liabilities.

(b) The provision for contract termination costs relates to likely contractor payments following the termination of contracts. Costs are expected to be incurred in the next financial year.

(c) The provision for environmental costs relates to obligations under the Control of Asbestos at Work Regulations. Costs are expected to be incurred in the next financial year.

14 TRADE AND OTHER PAYABLES

	31 March 2011 £m	31 March 2010 £m	31 March 2009 £m
Current trade and other payables:			
Payables due to Iberdrola group companies - trade and other	**27.3**	34.7	27.5
Payables due to Iberdrola group companies - interest	**3.2**	4.1	6.0
Other taxes and social security	**10.7**	16.9	5.9
Payments received on account	**50.0**	31.5	38.3
Other payables	**4.0**	9.1	2.0
	95.2	96.3	79.7

15 EMPLOYEE INFORMATION

(a) Staff costs

	2011 £'000	2010 £'000
Wages and salaries	**440**	434
Social security costs	**39**	36
Pension and other costs	**93**	64
Total employee costs	**572**	534

The employee costs do not included the directors of the company as they do not have a contract of service with the company. The emoluments of all the directors are included within the employee costs of other ScottishPower group companies. Details of directors' emoluments are set out in Note 23.

(b) Employee numbers

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

	Year end 2011	Average 2011	Year end 2010	Average 2010
Administrative	**9**	**8**	7	8
Total	**9**	**8**	7	8

(c) Pensions

The company's contributions payable in the year were £93,000 (2010 £64,000). 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 Scottish Power group's defined benefit schemes in the UK amounted to £160.8 million (31 December 2009 £119.3 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.

16 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

	2011 £m	2010 £m
Property, plant and equipment depreciation charge	**64.8**	63.8
Intangible asset amortisation	**1.5**	0.8
Charges and provisions	**3.9**	0.7
	70.2	65.3

17 FINANCE INCOME

	2011 £m	2010 £m
Interest receivable from Iberdrola group companies	**1.4**	0.2
	1.4	0.2

18 FINANCE COSTS

	2011 £m	2010 £m
Interest on bank loans and overdrafts	**-**	3.0
Interest on amounts due to Iberdrola group companies	**18.2**	22.3
	18.2	25.3

19 INCOME TAX

	2011 £m	2010 £m
Current tax:		
UK Corporation tax	**54.1**	43.6
Adjustments in respect of prior years	**0.2**	0.2
Current tax for the year	**54.3**	43.8
Deferred tax:		
Origination and reversal of temporary differences	**14.6**	13.8
Impact of tax rate change	**(16.0)**	-
Adjustments in respect of prior years	**(0.8)**	-
Deferred tax for the year	**(2.2)**	13.8
Income tax expense for the year	**52.1**	57.6

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

	2011 £m	2010 £m
Corporation tax at 28%	**68.4**	57.2
Adjustments in respect of prior years	**(0.6)**	0.2
Impact of tax rate change	**(16.0)**	-
Other permanent differences	**0.3**	0.2
Income tax expense for the year	**52.1**	57.6

20 DIVIDENDS

	2011 pence per ordinary share	2010 pence per ordinary share	2011 £m	2010 £m
Interim dividend paid	**18.3**	11.7	**55.0**	35.0

21 CONTINGENT LIABILITIES

As part of the exercise to achieve legal separation of Scottish Power UK plc's businesses pursuant to the provision of the Utilities Act 2000, SP Distribution Limited and other subsidiary companies of Scottish Power UK plc were each required to jointly provide guarantees to external lenders to Scottish Power UK plc for debt existing in that company at 1 October 2001. The value of debt guaranteed by these companies, which was still outstanding at 31 March 2011 was £1,364.2 million (31 March 2010 £1,364.2 million, 1 April 2009 £1,639.2 million).

22 FINANCIAL COMMITMENTS

Other contractual commitments

	31 March 2011 £m	31 March 2010 £m	1 April 2009 £m
Provision of asset management services from SP Power Systems Limited	**31.2**	19.9	16.3

The contract in place for the provision of asset management services provided by SP Power Systems Limited expires on 31 March 2012

23 RELATED PARTY TRANSACTIONS

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

	Sales/(purchases) to/(from) related parties		Amounts due from/(to) related parties		
			31 March	31 March	1 April
	2011	2010	**2011**	2010	2009
Type of related party	**£m**	£m	**£m**	£m	£m
Sales					
Fellow ScottishPower subsidiary companies	**158.8**	153.4	**24.3**	26.9	25.0
Purchases					
Fellow ScottishPower subsidiary companies	**(42.5)**	(39.2)	**(27.3)**	(34.0)	(26.8)
Fellow Iberdrola subsidiary companies	**-**	-	**-**	(0.7)	(0.7)

(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 purchases from related parties which is included within "Procurements" in the income statement and management charge and other costs which is included within "Outside Services".

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

	Interest receivable from related parties		Amounts due from related parties		
			31 March	31 March	1 April
	2011	2010	**2011**	2010	2009
Type of related party	**£m**	£m	**£m**	£m	£m
Fellow ScottishPower subsidiary companies	**1.4**	0.2	**72.4**	18.3	2.4

	Interest payable to related parties		Amounts due to related parties		
			31 March	31 March	1 April
	2011	2010	**2011**	2010	2009
Type of related party	**£m**	£m	**£m**	£m	£m
Ultimate UK parent company	**2.0**	3.0	**150.6**	150.6	150.0
Fellow ScottishPower subsidiary companies	**16.2**	19.3	**352.6**	353.5	356.0

(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 March 2011, dividends paid to the immediate parent company amounted to £55.0 million (31 March 2010 £35.0 million).

(iii) During the year ended 31 March 2011, the company's immediate parent company, Scottish Power UK plc made pension contributions of £93,000 on behalf of the company (31 March 2010 £64,000).

(iv) During the year ended 31 March 2011 SP Transmission Limited purchased property, plant and equipment from SP Power Systems Limited amounting to £172.1 million (31 March 2010 £154.9 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.

	2011	2010
Type of related party	**£'000**	£'000
Short-term employee benefits	**476**	551
Post-employment benefits	**187**	104
	663	655

(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.

	2011	2010
Executive directors	**£'000**	£'000
Basic salary	**292**	287
Bonuses	**177**	257
Benefits in kind	**7**	7
Total	**476**	551

(i) Two directors (2010 two) had retirement benefits accruing under defined benefit pension schemes.

(ii) During the year ended 31 March 2011 the directors were awarded 17,973 Iberdrola shares as part of the Scottish Power Long Term Incentive Plan ("LTIP"). The total value of the shares awarded to the directors was £193,699 (2010 £nil).

23 RELATED PARTY TRANSACTIONS *continued*

Highest paid director	2011 £'000	2010 £'000
Basic salary	**192**	103
Bonuses	**130**	135
Benefits in kind	**1**	-
Total	**323**	238

(i) The amount of pension benefit accrued for the highest paid director at 31 March 2011 was £72,270 (2010 £94,050).

(ii) During the year ended 31 March 2011, the highest paid director was awarded 14,732 Iberdrola shares worth £158,770 as part of the ScottishPower Long Term Incentive Plan ("LTIP") during the year ended 31 March 2011.

(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.

24 AUDITORS' REMUNERATION

Type of related party	2011 £m	2010 £m
Audit of the company's annual and regulatory accounts	**0.1**	0.1

For the year ended 31 March 2011, the total audit fees paid to the auditors of £0.1 million (31 March 2010 £0.1 million) were charged to profit from operations.

25 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 March 2011.

In particular, the company has adopted IFRIC 18 ‘Transfers of Assets from Customers’ for year end 31 March 2011. IFRIC 18 applies to agreements in which an entity receives from its customers items of property, plant and equipment that must be used to connect those customers to a network and provide them with ongoing access to a supply of goods or services, or both, and those in which the entity receives cash from customer for the construction of such items of property, plant and equipment.

If the items of property, plant and equipment transferred meet the definition of an asset set out in the Framework of IFRSs, they are measured at fair value.

As the company considers the installation received as payment for ongoing access to the supply of the goods and services, the fair value is credited to the income statement over the period of the agreement with the customer.

There has been no change to the company's policy as a result of adopting IFRIC 18. The company's policy in relation to transfers of assets from customers is set out in Note 2.

In addition, the EU has adopted certain revised IAS standards which are not mandatory for the year ended 31 March 2011:

- Annual Improvements to IFRSs 2008-2010
- IAS 24 ‘Related Party Disclosures’

The company has considered the impact of these but none of the relevant standards have been adopted early for the year ended 31 March 2011.

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.

26 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 13.

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 liabilities of £2.5 million and net assets of £1,019.8 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.

27 POST BALANCE SHEET EVENT

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

28 RECONCILIATION OF PREVIOUSLY REPORTED ACCOUNTS UNDER UK GAAP TO IFRS

The company previously prepared the Regulatory Accounts under UK GAAP but has applied various changes to the accounting policies in preparing the Accounts for the year ended 31 March 2011. The new policies adopted are consistent with IFRS as adopted by the EU.

The following disclosures are provided:

(a) Reconciliation of the Profit and Loss Account under UK GAAP to the Income Statement under IFRS for the year ended 31 March 2010;

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

(c) Reconciliation of the Balance Sheet under UK GAAP to IFRS as at 31 March 2010;

(d) Notes to the balance sheet reclassifications; and

(e) Notes to the IFRS remeasurements.

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.

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 function. Therefore, staff costs, depreciation and amortisation charges and taxes (other than income taxes), previously included within cost of sales, transmission and distribution costs and administrative expenses, are now shown separately. Costs relating directly to revenue have now been included within procurements, other costs are included in outside services. Certain non-energy related 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 March 2010 has been presented reflecting these format changes.

28 RECONCILIATION OF PREVIOUSLY REPORTED ACCOUNTS UNDER UK GAAP TO IFRS *continued*

(a) Reconciliation of the Profit and Loss Account under UK GAAP to the Income Statement under IFRS for the year ended 31 March 2010

	UK GAAP	IFRS Reclassifications and remeasurements	IFRS
	£m	£m	£m
Revenue	357.6	-	357.6
Procurements	(11.5)	-	(11.5)
	346.1	**-**	**346.1**
Staff costs	(0.5)	-	(0.5)
Outside services	(46.3)	-	(46.3)
Other operating income	25.8	-	25.8
	(21.0)	**-**	**(21.0)**
Taxes (other than income tax)	(29.7)	-	(29.7)
	295.4	**-**	**295.4**
Depreciation and amortisation charge, allowances and provisions	(65.3)	-	(65.3)
PROFIT FROM OPERATIONS	**230.1**	**-**	**230.1**
Losses on disposal of non-current assets	(0.9)	-	(0.9)
Finance income	0.2	-	0.2
Finance costs	(25.3)	-	(25.3)
PROFIT BEFORE TAX	**204.1**	**-**	**204.1**
Income tax	(57.6)	-	(57.6)
NET PROFIT FOR THE YEAR	**146.5**	**-**	**146.5**

28 RECONCILIATION OF PREVIOUSLY REPORTED ACCOUNTS UNDER UK GAAP TO IFRS *continued*

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

	UK GAAP £m	IFRS Reclassific-ations £m	IFRS Remeasure-ments £m	IFRS £m
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	**-**	**6.2**	**-**	**6.2**
Other intangible assets	-	6.2	-	6.2
Property, plant and equipment	**1,888.8**	**(6.2)**	**-**	**1,882.6**
Property, plant and equipment in use	1,593.3	(6.2)	-	1,587.1
Property, plant and equipment in the course of construction	295.5	-	-	295.5
NON-CURRENT ASSETS	**1,888.8**	**-**	**-**	**1,888.8**
CURRENT ASSETS				
Current trade and other receivables	**62.6**	**-**	**-**	**62.6**
CURRENT ASSETS	**62.6**	**-**	**-**	**62.6**
TOTAL ASSETS	**1,951.4**	**-**	**-**	**1,951.4**
EQUITY AND LIABILITIES				
EQUITY				
Of shareholders of the parent	**778.5**	**-**	**(7.5)**	**771.0**
Share capital	300.0	-	-	300.0
Retained earnings	478.5	-	(7.5)	471.0
TOTAL EQUITY	**778.5**	**-**	**(7.5)**	**771.0**
NON-CURRENT LIABILITIES				
Deferred income	**325.9**	**-**	**-**	**325.9**
Provisions	**0.5**	**(0.5)**	**-**	**-**
Bank borrowings and other non-current financial liabilities	**500.0**	**-**	**-**	**500.0**
Loans and other borrowings	500.0	-	-	500.0
Deferred tax liabilities	**187.6**	**-**	**7.5**	**195.1**
NON-CURRENT LIABILITIES	**1,014.0**	**(0.5)**	**7.5**	**1,021.0**
CURRENT LIABILITIES				
Provisions	**-**	**0.5**	**-**	**0.5**
Bank borrowings and other current financial liabilities	**48.0**	**-**	**-**	**48.0**
Loans and other borrowings	48.0	-	-	48.0
Trade and other payables	**110.9**	**(31.2)**	**-**	**79.7**
Current tax liabilities	**-**	**31.2**	**-**	**31.2**
CURRENT LIABILITIES	**158.9**	**0.5**	**-**	**159.4**
TOTAL LIABILITIES	**1,172.9**	**-**	**7.5**	**1,180.4**
TOTAL EQUITY AND LIABILITIES	**1,951.4**	**-**	**-**	**1,951.4**

28 RECONCILIATION OF PREVIOUSLY REPORTED ACCOUNTS UNDER UK GAAP TO IFRS *continued*

(c) Reconciliation of the Balance Sheet under UK GAAP to IFRS as at 31 March 2010

	UK GAAP £m	IFRS Reclassific-ations £m	IFRS Remeasure-ments £m	IFRS £m
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	**-**	**5.4**	**-**	**5.4**
Other intangible assets	-	5.4	-	5.4
Property, plant and equipment	**1,978.0**	**(5.4)**	**-**	**1,972.6**
Property, plant and equipment in use	1,765.7	(5.4)	-	1,760.3
Property, plant and equipment in the course of construction	212.3	-	-	212.3
NON-CURRENT ASSETS	**1,978.0**	**-**	**-**	**1,978.0**
CURRENT ASSETS				
Current trade and other receivables	**86.9**	**-**	**-**	**86.9**
Current financial assets	**0.2**	**-**	**-**	**0.2**
Cash and cash equivalents	0.2	-	-	0.2
CURRENT ASSETS	**87.1**	**-**	**-**	**87.1**
TOTAL ASSETS	**2,065.1**	**-**	**-**	**2,065.1**
EQUITY AND LIABILITIES				
EQUITY				
Of shareholders of the parent	**890.0**	**-**	**(7.5)**	**882.5**
Share capital	300.0	-	-	300.0
Retained earnings	590.0	-	(7.5)	582.5
TOTAL EQUITY	**890.0**	**-**	**(7.5)**	**882.5**
NON-CURRENT LIABILITIES				
Deferred income	**342.0**	**-**	**-**	**342.0**
Provisions	**1.6**	**(1.6)**	**-**	**-**
Bank borrowings and other non-current financial liabilities	**500.0**	**-**	**-**	**500.0**
Loans and other borrowings	500.0	-	-	500.0
Deferred tax liabilities	**201.4**	**-**	**7.5**	**208.9**
NON-CURRENT LIABILITIES	**1,045.0**	**(1.6)**	**7.5**	**1,050.9**
CURRENT LIABILITIES				
Provisions	**-**	**1.6**	**-**	**1.6**
Trade and other payables	**130.1**	**(33.8)**	**-**	**96.3**
Current tax liabilities	**-**	**33.8**	**-**	**33.8**
CURRENT LIABILITIES	**130.1**	**1.6**	**-**	**131.7**
TOTAL LIABILITIES	**1,175.1**	**-**	**7.5**	**1,182.6**
TOTAL EQUITY AND LIABILITIES	**2,065.1**	**-**	**-**	**2,065.1**

28 RECONCILIATION OF PREVIOUSLY REPORTED ACCOUNTS UNDER UK GAAP TO IFRS *continued*

(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 Accounts as presented under IFRS. None of these reclassifications have any impact on the Company's previously reported net assets or shareholders funds.

(i) IAS 1 - Presentation of Financial Statements
Provision for liabilities and charges due within one year of £1.6 million at 31 March 2010 (1 April 2009 £0.5 million), previously presented within non-current liabilities, have been reclassified and shown within current liabilities.

(ii) IAS 12 - Income Taxes
Current corporate tax balances of £33.8 million at 31 March 2010 (1 April 2009 £31.2 million), previously included within current trade and other payables, have been shown separately on the face of the balance sheet.

(iii) IAS 38 - Intangible Assets
Certain non-current assets at 31 March 2010, being capitalised software of £5.4 million (1 April 2009 £6.2 million) previously included within tangible assets (property, plant and equipment) have been reclassified as intangible assets as required by IAS 38.

(e) Notes to the IFRS remeasurements

(i) IAS 12 - Income Taxes
Under UK GAAP, deferred tax is provided based on timing differences, whilst IFRS has a wider scope and requires deferred tax to be provided on temporary differences.

In accordance with the requirements of IFRS, deferred tax has been provided on the temporary difference relating to assets that qualify for Industrial Buildings Allowances.