SP MANWEB PLC
CORPORATE REPORT & REGULATORY ACCOUNTS
for the year ended 31 March 2014

Registered No. 2366937

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CORPORATE REPORT

REGULATORY ACCOUNTS

Some of the statements contained herein are forward looking statements about the company's strategic plans. Although the company 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.

SP MANWEB PLC
STRATEGIC REPORT

The directors present an overview of SP Manweb plc's structure, 2014 performance, strategic objectives and plans.

STRATEGIC OUTLOOK

The principal activity of SP Manweb plc ("the company" or "SPM"), registered company number 2366937, is the ownership and operation of the electricity distribution network within the Mersey and North Wales areas. The network is used to distribute electricity, which has been transmitted to grid supply points, for electricity supply companies for onward sale to their customers. The company will continue with this activity for the foreseeable future.

The ultimate parent of the company is Iberdrola S.A. ("Iberdrola") which is listed on the Madrid stock exchange and the immediate parent of the company is Scottish Power Energy Networks Holdings Limited ("SPENH"). Scottish Power Limited and its subsidiaries ("ScottishPower"), the United Kingdom ("UK") operations of Iberdrola, operates on divisional lines and the activities of the company fall within Energy Networks division ("Energy Networks").

Energy Networks owns three regulated electricity network businesses in the UK. The company and fellow subsidiary companies, SP Distribution plc and SP Transmission plc, are the "asset-owner companies" within Energy Networks holding the regulated assets and Electricity Distribution and Transmission licences of ScottishPower and are regulated monopolies. They own and operate the network of cables and power lines transporting electricity to around 3.5 million connected customers in the South of Scotland, Cheshire, Merseyside, North Shropshire and North Wales. In addition, a further unregulated business, SP Power Systems Limited ("SPPS"), provides asset management expertise and conducts the day-to-day operation of the networks.

The asset-owner companies act as an integrated business unit to concentrate expertise on regulatory and investment strategy and SPPS implements work programmes commissioned by and agreed with the asset-owner businesses. Strict commercial disciplines are applied at the asset-owner service provider interface with SPPS operating as a contractor to the distribution and transmission businesses.

The company is a Distribution Network Operator ("DNO"). The electricity distribution networks are regional grids that transport electricity at a lower voltage from the national grids to industrial, commercial and domestic users.

The company is governed by The Office of Gas and Electricity Markets ("Ofgem") via regulatory price controls. 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.

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. The company 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.

To date prices have been controlled according to a five-year formula known as RPI-X. The regulator assesses the costs of an efficient network operator and the likely capital programme in order to calculate the return needed to meet a target return on capital. Various incentives have been added to the formula that also takes account of the Retail Prices Index ("RPI") and any projected efficiency improvements (-X) in order to calculate the permissible revenues for the network.

The RPI-X framework is being replaced by the new RIIO framework (Revenue = Incentives + Innovation + Outputs). RIIO is similar to RPI-X, but there are several important changes. These changes are to be applied over the next price reviews which will introduce regulatory periods of eight years (with a limited revision after four years), using a market index for setting the debt cost, and the introduction for electricity of an asset depreciation period of 45 years, replacing the 20 year period used under RPI-X. Under the RIIO framework, there will be a much greater emphasis on network companies playing a full role in developing a sustainable energy sector and delivering services that provide value for money for customers. A key feature is agreement on the set of outputs that companies will be expected to deliver as part of the framework.

STRATEGIC OUTLOOK *continued*

The company currently operates in accordance with Ofgem Electricity Distribution Price Control Review 5 ("DPCR5"), which applies from 1 April 2010 to 31 March 2015.

The main incentive schemes operated by Ofgem in DPCR5 focus on:

- Efficiency
- 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 four schemes 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 DPCR5. For customer satisfaction the incentive is dependent upon the relative performance against other DNOs.

The key strategies for the company until the end of DPCR5 and beyond are therefore to:

- ensure 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.

A new price control, within the RIIO framework, will run from 1 April 2015 to 31 March 2023. The company submitted its business plan to Ofgem in March 2014 and the outcome is expected to be announced by Ofgem in November 2014.

OPERATIONAL PERFORMANCE

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 2014	Total £m	Distribution (DUOS) £m	Excluded services £m	Metering £m	De minimis £m
Revenue*	393.9	384.3	-	9.6	-
Procurements*	(17.7)	(17.7)	-	-	-
	376.2	**366.6**	**-**	**9.6**	**-**
Staff costs*	(0.9)	(0.9)	-	-	-
Outside services*	(82.2)	(68.4)	(9.0)	(4.3)	(0.5)
Other operating income*	20.3	0.6	19.2	-	0.5
	(62.8)	**(68.7)**	**10.2**	**(4.3)**	**-**
Taxes other than income tax*	(14.7)	(14.7)	-	-	-
	298.7	**283.2**	**10.2**	**5.3**	**-**
Depreciation and amortisation charges, allowances and provisions*	(77.8)	(57.4)	(10.7)	(9.7)	-
PROFIT/(LOSS) FROM OPERATIONS*	**220.9**	**225.8**	**(0.5)**	**(4.4)**	**-**
Property, plant and equipment asset additions**	**230.3**	**197.3**	**30.7**	**2.3**	**-**

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

* As presented within the income statement on page 21.

** As presented within Note 5 on page 29.

OPERATIONAL PERFORMANCE ***continued***
Business Activities continued
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 Gas and Electricity Markets Authority ("GEMA").

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 £220.9 million, an increase of £4.9 million compared to the prior year, and net profit was £162.2 million, an increase of £11.3 million compared to the prior year.

Revenue increased on the prior year primarily as a result of higher base revenues.

Procurements are broadly in line with prior year.

Outside services have increased primarily as a result of a revised methodology for allocating indirect costs which became effective from 1 January 2013, thus recognising a twelve month impact of £19.0 million in the current year compared to three months impact in the prior year of £3.9 million.

Other operating income is in line with prior year.

Taxes other than income tax are broadly in line with prior year.

Depreciation and amortisation charge, allowances and provisions has increased mainly due to two factors: Firstly, a revision to the estimated useful life of underground cables to 40 years which was effective from 1 January 2013. The impact of this has been a net increase of £4.1 million with a recognition of a twelve month depreciation charge of £8.9 million in the current year, compared to only a three month impact in the prior year of £4.8 million. Secondly, depreciation charges also increased, by £2.7 million, as a result of ongoing capital additions being brought into use in the year, increasing the cost base for depreciation.

Net finance costs increased as a result of the company entering into a new intercompany loan for £110.0 million during the year.

The **income tax expense** has decreased due to lower profits and the impact of reducing corporation tax rates.

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

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. The company earns allowed returns on this extensive capital investment programme.

Net capital investment for the year was £199.6 million (2013 £187.6 million) consisting of fixed asset additions of £230.3 million (2013 £221.4 million) less capital contributions received of £30.7 million (2013 £33.8 million). Property, plant and equipment additions in relation to growth of the network amounted to £52.2 million (2013 £61.7 million) less capital contributions of £30.7 million (2013 £33.8 million). This investment delivers new connections to the distribution network and increases in network capacity. Property, plant and equipment additions in relation to modernisation of the network to maintain safety, security and reliability of supplies, amounted to £178.1 million (2013 £159.7 million). The scale of investment is consistent with the five-year price review period allowed capital expenditure programme.

OPERATIONAL PERFORMANCE *continued*

The tables below provide key non-financial performance indicators relating to the company's operational assets and operational performance during the year ended 31 March 2014:

Operational assets	Note	Year ended 31 March 2014	Year ended 31 March 2013
Franchise area (km^2)		**12,200**	12,200
System maximum demand (MW)	(a)	**3,023**	3,327
Distributed energy (GWh)		**15,997**	16,065
Length of overhead lines (circuit km)		**22,154**	22,220
Length of underground cables (circuit km)		**26,325**	26,256

(a) System maximum demand values were finalised with National Grid after the publication of the 2012/2013 Regulatory accounts, at 3,327 megawatt ("MW") to take account of the adjacent Network Operators. The system maximum demand value of 3,245 MW published in the Regulatory accounts for year to 31 March 2013, was based on most accurate measurement available at that time. For the Regulatory year to 31 March 2014, system maximum demand is based on the information available at 23rd May 2014, and will finalised with National Grid later in the year.

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 2013/14 Electricity Distribution Quality of Service Report to be published online at www.ofgem.gov.uk from December 2014.

Operational performance	Notes	Actual Year ended 31 March 2014	Target Year ended 31 March 2014	Actual Year ended 31 March 2013	Target Year ended 31 March 2013
Quality of service					
Customer minutes lost ("CML")	(a)	**44.8**	**59.6**	42.8	60.1
Customer interruptions ("CI")	(b)	**40.9**	**45.1**	34.1	45.3
Average time off supply (minutes)		**110**	**132.0**	126	133.0
Electricity supply available		**99.99%**	**99.99%**	99.99%	99.99%
Customer performance					
Broader customer service measure	(c)	**8.4**	**8.3**	7.9	8.3
Energy ombudsman (customer complaints)	(d)	**1**	**-**	2	-

(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 or more.

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

(c) The broader customer service measure consists of three components: a customer satisfaction survery, complaints metric and stakeholder engagement. Attached to the measure are financial rewards and penalties related to the Distribution Network Operator ("DNO") performance.

(d) The energy ombudsman services, an independent body, monitors and adjudicates complaint cases.

Underlying CML and CI, quoted in the table above, are key statistics, which measure the reliability and security of supply typically provided to customers. The company is focused on minimising CML and CI to out-perform the System Performance (IIS) targets agreed with Ofgem.

During 2013/14 the supply of energy to customers was disrupted by four major storm events which met Ofgem's 'exceptional event' exclusion criterion; one in April 2013, two in December 2013, and a further storm in February 2014, all of which were wind and gale related. The underlying CML and CI are estimated at 44.8 and 40.9 respectively for the year to 31 March 2014. These values are still to be validated and confirmed by Ofgem in their final direction in relation to the 2013/14 storm events, due to be published in December 2014. During 2012/13 there were two exceptional storm events.

OPERATIONAL PERFORMANCE *continued*
The 'broader customer service measure' combines the results of a detailed customer satisfaction survey, complaints and stakeholder engagement. For the 2013/14 regulatory year we have seen an improvement on the previous year's performance; the company was ranked 6th out of 14 DNO's with an overall score of 8.37 out of 10. The mean score for the industry (8.34) sets the threshold for DNO penalty or reward. The reward for the company's performance is £0.2 million; however this excludes the complaints component, which will not be known until later in 2014.

During the course of the year £16.0 million was invested to refurbish or rebuild the overhead line network. In addition £10.0 million was invested in tree cutting activities. Both of these investments have contributed significantly to improving performance of distribution assets during storms.

The long-term safety and reliability of the company's electricity distribution networks and their impact on customers are key business priorities. Whilst working to improve reliability and restoration, the networks are designed and operated in a way that ensures the safety of the public and employees, with a minimal number and duration of supply interruptions.

PROJECTS
Network growth
During 2013/14 a number of projects were undertaken by the company to facilitate new demand and generation connections and to improve the overall condition, performance and resilience of the distribution network.

In Mid Wales, SPM continues to work with National Grid and other key stakeholders to establish major new grid infrastructure to facilitate the connection of approximately 1GW of renewable generation capacity. Additionally in Mid Wales, SPM are working with another developer for a connection at Tir Gwynt wind farm. In North Wales, four wind farm developers have now accepted connection offers.

Distributed generation activity is continuing to expand with two major connections in Mid Wales at Bodelith Isaf Wind Farm (5MW) and Pant Y Maen Wind Farm (21MW) both progressing to pre-delivery and legal consent stages with an expected energisation during 2015. In Merseyside two large photovoltaic sites (each for 21MW) have been accepted. The company is working on these significant new developments with its independent connection providers ("ICPs") at Orrell Hill, Hightown and Gerard's Hall, and Melling. Near Chester a 10MW additional load 33kV connection is being progressed at the Airbus plant in Broughton, which is due to be energised this year. The development for the new Seaforth container port (Liverpool2) is also progressing with both the 132kV and 33kV site works, with an initial connection date planned for early 2015.

The company continues to reinforce the electricity network to support the underlying load growth and address local issues to increase network capacity and improve security of supply to customers. Fiddlers Ferry/Carrington 132kV reinforcement is in progress which will address excess current demand levels and facilitate continual load growth in the area. Following the successful outcome of the public enquiry at Legacy/Oswestry the reinforcement works are now in the construction phase and due to be complete early 2015. A number of 33kV projects were completed during the year including Greenfield-Holywell and Waunfawr. Several others are progressing and due to complete this year including Nantwich and Ellesmere Port. The Knutsford Grid project will address security of supply and operational issues and is due for completion later this year. A major project at Leighton Hospital will provide additional load for the hospital as well as addressing load issues at adjacent primary substations.

Asset modernisation
In addition to investment to extend or reinforce the network a number of projects are also ongoing to improve asset condition and performance. These include grid transformer replacements at Ravenhead, Wrexham and Ellesmere Port which have been completed within the period. A further three sites, Holywell, Bromborough and Oswestry are due to complete this year as are the replacement of ageing 132kV circuit breakers at Bold and Kirby. At several sites including Wavertree Grid and Little Sutton, replacement of 33kV transformers have been completed as well as 33kV circuit breakers. In terms of wider modernisation of distribution substations over 300 poor condition and obsolete ring main units and 133 11kV circuit breakers were replaced with modern switchgear.

PROJECTS *continued*

Asset modernisation continued

In addition to performance and reliability benefits from modern switchgear, there are environmental improvements through reduced use of oil as an insulating medium. 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 has continued and involves refurbishment of foundations, support structures and buildings.

The company's extensive modernisation of internal mains low-voltage service cables in local authority residential accommodation has continued throughout 2013/14. This work to modernise the main electrical infrastructure in all local authority housing stock will continue for the foreseeable future.

The company continues to modernise its overhead line network in order to improve condition and resilience in abnormal weather events. Major refurbishment works of 36km of 132kV overhead line ("OHL") were completed with a further 82km due to complete this year. Refurbishment of over 800km of 33/11 OHL network was completed in 2013/14. Approximately 52km of 33/11kV OHL has been rebuilt with further work in progress to replace 33kV OHL circuits from Lache to Herons, Way, Chowley to Tarporley and Colwyn Bay to Old Mill. This is expected to complete towards the end of 2014.

Undergrounding of OHL within areas of outstanding natural beauty has continued with 5.2km of 11kV OHL scheduled to be replaced in 2014 at Nant Peris to Llanberis and North Stack Lighthouse, Anglesey.

On the low voltage OHL network the low ground clearance programme has continued, with the removal of over 11000 clearance defects. This programme will continue throughout the foreseeable future and into RIIO-ED1.

The business continued its strategic deployment of wide ranging Innovation Funding Incentive ("IFI") projects including new and existing projects with academic, industrial and community partners to enhance the existing and future electrical networks.

LIQUIDITY AND CASH MANAGEMENT

Cash and net debt

Net cash flows from operating activities decreased by £43.5 million to £254.9 million for the year, as shown on page 23. As detailed in the table below, net debt increased by £91.9 million to £827.8 million. This was primarily as a result of the company entering into a new ten year fixed rate loan of £110.0 million with Scottish Power UK plc ("SPUK").

Analysis of net debt	Notes	2014 £m	2013 £m
Cash and short term deposits	(a)	-	0.1
Group loans receivable	(b)	**87.9**	69.2
Group loans payable	(c)	**(570.0)**	(460.0)
External loans payable	(d)	**(345.7)**	(345.2)
		(827.8)	(735.9)

(a) As detailed on the balance sheet, refer to page 20.
(b) Loans due from Iberdrola group companies, as detailed in Note 9 on page 32.
(c) Loans with Iberdrola group companies, as detailed in Note 14 on page 37.
(d) External loans payable comprises external debt, as detailed in Note 14 on page 37.

Capital and debt structure

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. All the equity is held by the company's immediate parent undertaking, SPENH. Treasury services are provided by Scottish Power Limited ("SPL"). ScottishPower has a risk policy within treasury and financing which is designed to ensure that the company's exposure to variability of cash flows and asset values due to fluctuations in market interest rates and exchange rates are minimised and managed at acceptable risk levels. Further details of the treasury and interest policy for the ScottishPower group and how it manages them is included in the most recent Annual Report and Accounts of SPL.

LIQUIDITY AND CASH MANAGEMENT *continued*

Capital and debt structure continued

As part of the exercise to achieve legal separation of the business of SPUK pursuant to the provisions of the Utilities Act 2000, the company and other subsidiary companies of SPUK were each required to jointly provide guarantees to external lenders of SPUK for debt existing in that company at 1 October 2001.

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 that it 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 29.

HEALTH AND SAFETY

Energy Networks is compliant with relevant health and safety legislation, such as The Health and Safety at Work Act 1974, The Electricity, Safety, Quality and Continuity Regulations ("ESQCR") 2002 and the Electricity at Work Regulations 1989. Further, Energy Networks' management systems are independently externally assessed and certificated to the latest international standards, notably Occupational Health and Safety Advisory Services standard 18001 ("OHSAS 18001").

Compliance with the above legislation is considered the minimum requirement, with the ultimate aim being zero harm to our employees, contractors and members of the public. Energy Networks is considered an industry leader in public safety through its behaviours, investments in operational integrity and comprehensive public safety education programmes.

Energy Networks strive for continuous improvement and this is illustrated again by both internal and external management system assessments returning positive findings. The commitment to promptly investigate incidents to identify root causes remains steadfast and is given the highest priority with a Panel of Inquiry established whenever there is a significant incident. In addition to a focus on safety, Energy Networks aims to put the "health" into health and safety, introducing robust risk based health surveillance programmes for employees together with more general well-being initiatives.

Energy Networks works closely with the industry trade body, the Energy Networks Association, to ensure that good practice is shared and innovation is promoted.

The table below provides key information relating to performance of Energy Networks with regard to health and safety:

	Notes	Actual Year ended 31 March 2014	Target Year ended 31 March 2014
Total recordable incident rate	(a)	**0.22**	0.50
Total incident rate	(b)	**17.4**	23.6
Lost time accidents		**5**	5
Occupational health monitoring	(c)	**94%**	90%
Audit and inspection programme completion	(d)	**102%**	95%

(a) Total recordable incident rate is the summation of any incidents, be they lost time, medical treatment or leading to some work restriction per 100,000 hours worked. There has been recognised continuous improvement year on year.

(b) Total incident rate is the summation of all injury related incidents (lost time, medical treatment, first aid and accident book reported incidents) per 1,000 employees. This has seen a year on year improvement over the past three years.

(c) Occupational health monitoring is a measure of how Energy Networks meets its planned forecasts for those staff assessed as at risk.

(d) Audit and inspection programme completion is the measurement of Energy Networks' planned internal management system audits and compliance inspections, both against Energy Networks' own staff and its contracting partners. The number of audits and inspections actually carried out in the year ended 31 March 2014 exceeded the planned number.

During the year there was a continued focus on employee involvement in health and safety with "Safety Stand-Downs" 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. Public safety information and education promotion has continued through a mixture of internet, community and school teaching programmes.

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 principal risks and uncertainties of ScottishPower, and so that of the company, which may impact the current and future operational and financial performance and the management of these risks are described below:

RISK	RESPONSE
A major health and safety incident in the course of operations could impact staff, contractors, communities or the environment.	ScottishPower's Health and Safety function provides specialist services and support for the businesses in relation to health and safety. A comprehensive framework of health and safety policy and procedures, alongside audit programmes, is established throughout ScottishPower, which aim to ensure not only continuing legal compliance but also drive towards best practice in all levels of its health and safety.
Material deterioration in the relatively stable and predictable UK regulatory and political environment.	Positive and transparent engagement with all appropriate stakeholders to ensure that long-term regulatory stability and political consensus is maintained and necessary public backing is secured for much needed investment in the UK energy system.

The principal risks and uncertainties of the Energy Networks business, and so that of the company, which may impact the current and future operational and financial performance and the management of these risks are described below:

RISK	RESPONSE
Regulatory uncertainty over future distribution cash flows until RIIO-ED1 price control is concluded in 2014/15.	Mitigating actions include engaging constructively with the regulator; participation in all working groups, use of a dedicated team of internal staff and external advisors working on the business plan; strong executive oversight; and a manager appointed to improve stakeholder engagement. The business plan was submitted in March 2014 with final proposals from Ofgem expected in November 2014.
Failure to deliver the Distribution outputs agreed with the regulator in the current price control.	Mitigating actions include formulating detailed investment, resource, outage and contingency plans supported by an extensive procurement strategy. Good communication and co-ordination of activities across the business is integral to success, complemented by a comprehensive monitoring regime that provides early warning of potential issues.

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

During the year to 31 March 2014 the ScottishPower governance structure was supported by risk policies approved by the Board of Directors of Iberdrola and adopted by the Board of Directors of Scottish Power Limited ("the ScottishPower Board"). Further information is provided in the 'Identification and evaluation of risks and control objectives' section of the Corporate Governance Statement on page 15.

SP MANWEB PLC
STRATEGIC REPORT *continued*

PRINCIPAL RISKS AND RISK MANAGEMENT ACTIVITIES *continued*

Risks relating to the company's business continued

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

(a) Revenue risk

The majority of the revenue generated by the company is subject to regulation by GEMA. Regulatory controls include price controls which restrict the average amount, or total amount, charged for a bundle of services.

(b) Treasury management

The company is exposed to various financial risks including liquidity risk, interest rate risk and foreign exchange risk. Treasury services are provided by SPL, a UK parent company. Liquidity risk is managed by Iberdrola Group Treasury, which is responsible for arranging banking facilities on behalf of ScottishPower. ScottishPower's financing structure is determined by its position in the wider Iberdrola group and interest rate risk managed on an Iberdrola group wide basis. Exposure to fluctuating interest rates is managed by issuing a proportion of debt at fixed rates, refinancing risk is managed by issuing debt with various maturity dates. Foreign exchange risk in relation to procurement contracts is managed through use of foreign exchange forward contracts

(c) 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 collateral where appropriate. Credit exposures are then monitored on a daily basis.

Insurance

For the year ended 31 March 2014, 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.

ON BEHALF OF THE BOARD

Scott Mathieson
Director
26 June 2014

SP MANWEB PLC
DIRECTORS' REPORT

The directors present their report and audited Regulatory Accounts for the year ended 31 March 2014.

INFORMATION CONTAINED WITHIN THE STRATEGIC REPORT

The directors have chosen to disclose information on the following, required by Companies Act 2006 to be included in the Directors' Report, within the Strategic Report, found on pages 1 to 9:

- information on financial risk management and policies; and
- information regarding future developments of the business.

RESULTS AND DIVIDENDS

The net profit for the year amounted to £162.2 million (2013 £150.9 million (as restated)). The aggregate dividends paid during the year amounted to £92.0 million (2013 £310.0 million). On 7 May 2014 an interim dividend of £50.0 million was approved by the SP Manweb Board and subsequently paid on 21 May 2014.

ENVIRONMENTAL MANAGEMENT AND REGULATION

Throughout its operations, ScottishPower strives to meet, or exceed, relevant legislative and regulatory environmental requirements and codes of practice. A more extensive description of how ScottishPower addresses environmental requirements can be found in the most recent Annual Report and Accounts of SPL.

Details of the environmental strategy specific to Energy Networks can be found in the business plan within the 'Serving Our Customers' section of www.spenergynetworks.co.uk. Further environmental information and documents specific to Energy Networks are available at www.scottishpower.com/pages/other_documents.asp.

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, anti-bribery and 'whistle-blowing' and have been brought together in the Code of Ethics of Iberdrola and its group of companies (which also outlines expectations for employees' conduct).

Employee consultation

Regular consultation takes place on key business initiatives or issues raised by employees using a variety of means, including monthly team meetings, team managers' conferences, business unit road shows, safety committees, presentations and employee magazines. In addition, work on employee engagement is paying dividends with another strong year in terms of "Loop Survey"[1] results. In 2013/14, ScottishPower's focus was taking action based on the outputs of this survey as well as embedding some elements of "The Deal"[1]. ScottishPower believes that an important element of a positive working experience is stable employee and industrial relations; it recognises the legitimacy of trade union involvement and has formal agreements in place to foster open, two-way communication and consultation. Positive relationships and ongoing liaison with employees and their representatives are seen as contributing significantly to achieving the performance objectives of the businesses.

Equal opportunities

ScottishPower is committed to equal opportunities for all, irrespective of age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership, pregnancy and maternity or other considerations that do not affect a person's ability to perform their job. Further details of group workplace policy and performance can be found in the 'Corporate Governance' section of 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 Business Disability Forum, which provide support, guidance and sharing of best practice to enable companies to become disability confident.

[1] The "Loop Survey" and "The Deal" are internal employee relations initiatives.

EMPLOYEES *continued*

Positive about disabled people - double tick accreditation

ScottishPower is a disability positive organisation and in April 2013 was re-accredited and retained the double tick symbol, which recognises the positive action and good practices the organisation has continuously adopted to ensure the required commitments to good employment practice specified by Jobcentre Plus are being met in areas such as recruitment and selection, career development, consultation, retention and redeployment of disabled people.

COMMUNITY RELATIONSHIPS

Community relationships

Building the trust of communities has been part of ScottishPower's core values for many years. ScottishPower has a significant presence in many communities – with power stations and substations, offices and overhead lines, along with meters in several million homes and businesses. It aims to conduct its activities responsibly, in a way that is considerate to local communities and makes a positive contribution to society.

Community consultation

ScottishPower engages with communities across its operations, where new and modernising developments are planned. 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. ScottishPower takes a proactive approach to providing good information from pre-planning through to construction. It maintains strong relationships with local communities by working with community groups, elected representatives, interest groups and individuals ensuring that those affected by the work are aware of what's happening in their area in advance, allowing communities to have their say.

A variety of methods of consultation are 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 situated on land not owned by ScottishPower, therefore it is important that effective policies are in place to ensure that the safety and integrity of the plant is maintained, while respecting the needs of the landowner, the local community and the general public. Energy Networks and those working on its behalf adhere to a Grantors Charter which sets out guidance of commitment to grantors and has been prepared in consultation with key stakeholders.

POLITICAL DONATIONS AND EXPENDITURE

ScottishPower 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 2014, ScottishPower paid a total of £20,000 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 Conservative Party £7,000
- The Labour Party £7,000
- The Scottish National Party £6,000

These occasions provide an important opportunity for ScottishPower 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.

DIRECTORS

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

Scott Mathieson	
Frank Mitchell	
Dame Denise Holt	(appointed 31 March 2014 and resigned 24 June 2014)
Professor Sir James McDonald	(appointed 31 March 2014)

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

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

AUDITOR

Ernst & Young LLP were re-appointed as auditor of the company for the year ended 31 March 2014.

ON BEHALF OF THE BOARD

Scott Mathieson
Director
26 June 2014

SP MANWEB PLC
CORPORATE GOVERNANCE STATEMENT

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

As a guiding principle, the company 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 operations of Iberdrola S.A., operates on divisional lines and the activities of the company fall within the Transmission and Distribution business within the Energy Networks Regulated Business ("Regulated Business").

Administrative, management and supervisory bodies

Board and management meetings

Throughout the regulatory year the company was governed by a Board consisting of two directors, bringing a broad range of skills and experience to the company, being full-time employees of ScottishPower. On 31 March 2014, the company appointed two independent non-executive directors to enhance and complement the existing Board. The immediate parent of the company is Scottish Power Energy Holding Limited ("SPENH"). The SPENH Board of Directors ("SPENH Board") are responsible for the effective day to day operation and management of the Regulated Business within ScottishPower, in accordance with the strategy set by the ScottishPower Board.

Non-executive oversight is provided at ScottishPower group level by the ScottishPower Board (which includes four independent non-executive directors), other than on those matters reserved for the SPENH Board (which includes two non-executive directors).

In addition to formal SP Manweb and SPENH Board meetings, which are convened as required, the directors and other senior managers within the Regulated Business (the three asset-owner companies) hold monthly management meetings which review strategy, operational performance and risk issues on behalf of both the company and other companies within the Regulated Business.

The executive 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.

SPENH Board

The SPENH Board comprises the Chairman Javier Villalba Sánchez and seven other directors. The directors of SPENH and their classification are shown below.

Javier Villalba Sánchez	Chairman
Frank Mitchell	Chief Executive Officer
Nicola Connelly	Executive director
Antonio Espinosa de los Monteros	Executive director
José Izaguirre Nazar	Executive director
Scott Mathieson	Executive director
Dame Denise Holt	Independent non-executive director (resigned 24 June 2014)
Professor Sir James McDonald	Independent non-executive director (appointed 21 March 2014)

SPENH Board meetings were held on six occasions during the year under review. Attendance by the directors was as follows:

Javier Villalba Sánchez	Attended all meetings
Frank Mitchell	Attended all meetings
Nicola Connelly	Attended all meetings
Antonio Espinosa de los Monteros	Attended all meetings
José Izaguirre Nazar	Attended all meetings
Scott Mathieson	Attended all meetings
Dame Denise Holt	Attended three meetings (resigned 24 June 2014)
Professor Sir James McDonald	Attended no meetings (appointed 21 March 2014)

Administrative, management and supervisory bodies *continued*
ScottishPower Board
The ScottishPower Board comprises the Chairman José Ignacio Sánchez Galán and eight 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
Lord Kerr of Kinlochard GCMG (Vice Chairman)	Independent non-executive director
José Miguel Alcolea Cantos	Non-independent, non-executive director
Keith Anderson	Non-independent, executive director
Professor Susan Deacon	Independent non-executive director
Sir Tom Farmer CVO CBE KCSG	Independent non-executive director
Rt Hon Lord Macdonald of Tradeston CBE	Independent non-executive director
Juan Carlos Rebollo Liceaga	Non-independent, non-executive director
José Sainz Armada	Non-independent, non-executive director

ScottishPower Board meetings were held on seven occasions during the year under review. Attendance by the directors is also shown below.

José Ignacio Sánchez Galán	Attended six meetings
Lord Kerr of Kinlochard GCMG	Attended all meetings
José Miguel Alcolea Cantos	Attended all meetings
Keith Anderson	Attended all meetings
Professor Susan Deacon	Attended all meetings
Sir Tom Farmer CVO CBE KCSG	Attended five meetings
Rt Hon Lord Macdonald of Tradeston CBE	Attended six meetings
Juan Carlos Rebollo Liceaga	Attended all meetings
José Sainz Armada	Attended all meetings

There is no designated Senior Independent Director on the ScottishPower Board.

ScottishPower Audit and Compliance Committee ("ACC")
The ACC, a permanent internal body, has an informative and consultative role, without executive functions, with powers of information, assessment and presentation of proposals to the ScottishPower Board 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 ACC. The ACC's responsibilities include:

- monitoring the financial reporting process for ScottishPower;
- monitoring the effectiveness of the ScottishPower's internal control, internal audit and risk management systems; and
- monitoring the statutory audit of the annual and consolidated accounts of ScottishPower.

The ACC comprises three members. The Chairman of the ACC has relevant accounting and financial experience. There are two independent members on the ACC as indicated in the table below.

The ACC met five times during the year under review. The members of the ACC and their attendance record are shown in the table below.

Rt Hon Lord Macdonald of Tradeston CBE (Chairman)	External independent, attended all meetings
Juan Carlos Rebollo Liceaga	Executive director, attended all meetings
Professor Susan Deacon	External independent, attended all meetings

Administrative, management and supervisory bodies *continued*

Iberdrola Appointments and Remuneration Committee ("IARC")

There is no separate Appointments or Remuneration Committee within ScottishPower. Instead appointments and remuneration matters relevant to ScottishPower and the company are dealt with by the IARC. The members of the IARC are:

Inés Macho Stadler (Chairman)	External independent
Inigo Victor De Oriol Ibarra	External independent
Santiago Martínez Lage	External independent

The IARC 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 ACC. The system of internal control is designed to manage rather than eliminate risk. In pursuing these objectives, internal control can only provide reasonable and not absolute assurance against material misstatement or loss.

A risk and control governance framework is in place across ScottishPower. The risk management framework and internal control system is subject to continuous review and development. The company is committed to ensuring that a proper control environment is maintained. There is a commitment to competence and integrity and to the communication of ethical values and control consciousness to managers and employees. HR 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 'ScottishPower 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 fraud and anti-bribery policies and procedures in place to ensure that all incidences of fraud and bribery are appropriately investigated and reported. Further, ScottishPower has adopted a revised Speaking Out and Whistleblower Protection Policy, incorporating a confidential external reporting service operated by an independent provider. This policy, which is applicable to employees of the company, covers the reporting and investigation of suspected fraud, bribery, and misappropriation, questionable accounting, financial reporting or auditing matters, breaches of internal financial control procedures, and serious breaches of behaviour and ethical principles. There is also a process in existence within ScottishPower whereby all members of staff may report any financial irregularities to the Audit, Risk and Supervision Committee of Iberdrola.

Identification and evaluation of risks and control objectives

During the year under review the ScottishPower governance structure was supported by risk policies adopted by the ScottishPower Board. These risk policies are adopted by the ScottishPower Board on an annual basis. ScottishPower business risk assessment teams and the independent group risk management function support the ScottishPower Board in the execution of due diligence and risk management. In addition, the SPENH Board is responsible for ensuring that business risks are adequately assessed, monitored, mitigated and managed.

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.

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

Monitoring and corrective action
The ENET 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, Risk and Supervision Committee of Iberdrola and the ACC.

Auditor independence
The Audit, Risk and Supervision Committee of Iberdrola, which comprises non-executive directors, is responsible for the nomination of the external auditor. This committee and the firm of external auditor have safeguards to avoid the possibility that the auditor's 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 auditor 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 Board.

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 ScottishPower's short-term and long-term values are considered.

Further information regarding the SEE matters can be found in the 'Corporate Responsibility' section of the ScottishPower website www.scottishpower.com.

SP MANWEB PLC
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 basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the 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.

INDEPENDENT AUDITOR'S REPORT

To the Gas and Electricity Markets Authority ("the Authority") and to SP Manweb plc ("the company")

We have audited the Regulatory Accounts of the Company for the year ended 31 March 2014 (the "Regulatory Accounts") which comprise the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement, and the related notes 1 to 29.

These Regulatory Accounts have been prepared in accordance with the basis of preparation and accounting policies set out on pages 24 to 27.

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.

RESPECTIVE RESPONSIBILITIES OF THE AUTHORITY DIRECTORS AND AUDITOR

As explained more fully in the Statement of Directors' Responsibilities set out on page 17, the directors are responsible for the preparation of the Regulatory Accounts and for their fair presentation in accordance with the basis of preparation and accounting policies. Our responsibility is to audit and express an opinion on the Regulatory Accounts in accordance with International Standards on Auditing (UK and Ireland), except as stated in the 'Scope of the audit of the Regulatory Accounts' below, and having regard to the guidance contained in Audit 05/03 'Reporting to Regulators of Regulated Entities' issued by the Institute of Chartered Accountants in England and Wales. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE REGULATORY ACCOUNTS

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

We have not assessed whether the accounting policies are appropriate to the circumstances of the Company where these are laid down by Standard Condition 44 of the company's Regulatory Licence. Where Standard Condition 44 does not give specific guidance on the accounting policies to be followed, our audit includes an assessment of whether the accounting policies adopted in respect of the transactions and balances required to be included in the Regulatory Accounts are consistent with those used in the preparation of the statutory financial statements of the company. Furthermore, as the nature, form and content of Regulatory Accounts 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 & Ireland).

OPINION ON THE REGULATORY ACCOUNTS

In our opinion the Regulatory Accounts:

- fairly present in accordance with Standard Condition 44 of the company's Regulatory Licence, basis of preparation and the accounting policies set out on pages 24 to 27, the state of the Company's affairs at 31 March 2014 and its profit and its cash flow for the year then ended; and
- have been properly prepared in accordance with Standard Condition 44 of the company's Regulatory Licence and the accounting policies.

BASIS OF PREPARATION

Without modifying our opinion, we draw attention to the fact that the Regulatory Accounts have been prepared in accordance with Standard Condition 44 of the company's Regulatory Licence and the accounting policies set out in the statement of accounting policies.

The Regulatory Accounts are separate from the statutory financial statements of the Company and have been prepared under the basis of International Financial Reporting Standards as adopted by the European Union ("IFRSs"). Financial information other than that prepared on the basis of IFRSs does not necessarily represent a true and fair view of the financial performance or financial position of a company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

OTHER MATTERS

The nature, form and content of Regulatory Accounts 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.

Our opinion on the Regulatory Accounts is separate from our opinion on the statutory financial statements of the Company for the year ended 31 December 2013 on which we reported on 27 March 2014, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, 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 them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Ernst & Young LLP

Ernst & Young LLP
Statutory Auditor
Glasgow
26 June 2014

SP MANWEB PLC
BALANCE SHEETS
as at 31 March 2014 and 31 March 2013

	Notes	2014 £m	2013 Restated* £m
ASSETS			
NON-CURRENT ASSETS			
Intangible assets		**0.1**	0.9
Other intangible assets	4	0.1	0.9
Property, plant and equipment		**2,322.7**	2,170.0
Property, plant and equipment in use	5	2,172.7	1,978.8
Property, plant and equipment in course of construction	5	150.0	191.2
Investments	6	**0.1**	0.1
NON-CURRENT ASSETS		**2,322.9**	2,171.0
CURRENT ASSETS			
Trade and other receivables	9	**148.1**	130.0
Cash and short term deposits	7	**-**	0.1
CURRENT ASSETS		**148.1**	130.1
TOTAL ASSETS		**2,471.0**	2,301.1
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		**750.0**	635.7
Share capital	10, 11	300.0	300.0
Share premium	11	3.3	3.3
Capital redemption reserve	11	6.0	6.0
Retained earnings	11	440.7	326.4
TOTAL EQUITY		**750.0**	635.7
NON-CURRENT LIABILITIES			
Deferred income	12	**336.5**	316.5
Provisions		**188.3**	261.3
Provision for retirement benefit obligations	13	188.2	260.8
Other provisions	17	0.1	0.5
Bank borrowings and other financial liabilities		**860.9**	805.2
Loans and other borrowings	14	860.9	805.2
Trade and other payables	15	**11.9**	9.9
Deferred tax liabilities	16	**123.4**	116.9
NON-CURRENT LIABILITIES		**1,521.0**	1,509.8
CURRENT LIABILITIES			
Provisions	17	**0.4**	0.4
Bank borrowings and other financial liabilities		**54.8**	-
Loans and other borrowings	14	54.8	-
Trade and other payables	15	**116.1**	127.3
Current tax liabilities		**28.7**	27.9
CURRENT LIABILITIES		**200.0**	155.6
TOTAL LIABILITIES		**1,721.0**	1,665.4
TOTAL EQUITY AND LIABILITIES		**2,471.0**	2,301.1

* Comparative figures have been restated (see Note 1).

Approved by the Board on 26 June 2014 and signed on its behalf by:

Scott Mathieson
Director

The accompanying notes 1 to 29 are an integral part of the balance sheets as at 31 March 2014 and 31 March 2013.

SP MANWEB PLC
INCOME STATEMENTS
for the years ended 31 March 2014 and 31 March 2013

	Notes	2014 £m	2013 Restated* £m
Revenue		393.9	361.1
Procurements		(17.7)	(17.0)
		376.2	344.1
Staff costs	18	(0.9)	(0.8)
Outside services		(82.2)	(62.7)
Other operating income		20.3	20.3
		(62.8)	(43.2)
Taxes other than income tax	19	(14.7)	(14.9)
		298.7	286.0
Depreciation and amortisation charge, allowances and provisions	20	(77.8)	(70.0)
PROFIT FROM OPERATIONS		**220.9**	216.0
Gains on disposal of non-current assets		0.1	-
Dividends received		0.1	-
Finance income	21	1.0	0.4
Finance costs	22	(45.6)	(30.9)
PROFIT BEFORE TAX		**176.5**	185.5
Income tax	23	(14.3)	(34.6)
NET PROFIT FOR THE YEAR		**162.2**	150.9

* Comparative figures have been restated (see Note 1).

Net profit for both years is wholly attributable to the equity holders of SP Manweb plc.

All results relate to continuing operations.

The accompanying notes 1 to 29 are an integral part of the income statements for the years ended 31 March 2014 and 31 March 2013.

SP MANWEB PLC
STATEMENTS OF COMPREHENSIVE INCOME
for the years ended 31 March 2014 and 31 March 2013

	2014 £m	2013 Restated* £m
NET PROFIT FOR THE YEAR	**162.2**	150.9
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to the income statement		
Actuarial gains/(losses) on retirement benefits:		
Actuarial gains/(losses) on retirement benefits	65.5	(116.0)
Tax relating to actuarial gains/(losses) on retirement benefits	(21.4)	25.9
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**44.1**	(90.1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**206.3**	60.8

* Comparative figures have been restated (see Note 1).

Total comprehensive income for both years is wholly attributable to the equity holders of SP Manweb plc.

STATEMENTS OF CHANGES IN EQUITY
for the years ended 31 March 2014 and 31 March 2013

	Ordinary share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings Restated* £m	Total equity Restated* £m
At 1 April 2012	300.0	3.3	6.0	575.6	884.9
Total comprehensive income for the year	-	-	-	60.8	60.8
Dividends	-	-	-	(310.0)	(310.0)
At 1 April 2013	300.0	3.3	6.0	326.4	635.7
Total comprehensive income for the year	-	-	-	206.3	206.3
Dividends	-	-	-	(92.0)	(92.0)
At 31 March 2014	**300.0**	**3.3**	**6.0**	**440.7**	**750.0**

* Comparative figures have been restated (see Note 1).

The accompanying notes 1 to 29 are an integral part of the statements of comprehensive income and statements of changes in equity for the years ended 31 March 2014 and 31 March 2013.

SP MANWEB PLC
CASH FLOW STATEMENTS
for years ended 31 March 2014 and 31 March 2013

	2014 £m	2013 Restated* £m
Cash flows from operating activities		
Profit before tax	176.5	185.5
Adjustments for:		
Depreciation and amortisation	77.9	69.5
Change in provisions	(0.2)	-
Transfer of assets from customers	(10.7)	(10.2)
Shareholding income	(0.1)	-
Finance income and costs	44.6	30.5
Net gains on disposal/write-off of non-current assets	0.3	0.5
Movement in retirement benefits	(17.0)	(25.0)
Changes in working capital:		
Change in trade and other receivables	0.7	(17.4)
Change in trade payables	(20.1)	54.9
Provisions paid	(0.2)	(0.1)
Assets received from customers	30.6	23.5
Income taxes paid	(28.4)	(13.5)
Interest received	0.9	0.2
Dividends received	0.1	-
Net cash flows from operating activities (i)	**254.9**	**298.4**
Cash flows from investing activities		
Investments in property, plant & equipment	(220.4)	(239.2)
Proceeds from disposal of property, plant & equipment	0.2	-
Net cash flows from investing activities (ii)	**(220.2)**	**(239.2)**
Cash flows from financing activities		
Net increase in amounts due to Iberdrola group companies	110.0	205.0
Cash inflows from borrowings	-	345.1
Dividends paid to company's equity holders	(92.0)	(310.0)
Interest paid	(34.2)	(13.6)
Net cash flows from financing activities (iii)	**(16.2)**	**226.5**
Net increase in cash and cash equivalents (i)+(ii)+(iii)	**18.5**	**285.7**
Cash and cash equivalents at beginning of year	**69.3**	**(216.4)**
Cash and cash equivalents at end of year	**87.8**	**69.3**
Cash and cash equivalents at end of year comprises:		
Balance sheet cash and cash equivalents and term deposits	-	0.1
Bank overdraft	(0.1)	-
Receivables due from Iberdrola group companies - loans	87.9	69.2
Cash flow statement cash and cash equivalents	**87.8**	**69.3**

* Comparative figures have been restated (see Note 1).

The accompanying notes 1 to 29 are an integral part of the cash flow statements for the years ended 31 March 2014 and 31 March 2013.

SP MANWEB PLC
NOTES TO ACCOUNTS
31 March 2014

1 BASIS OF PREPARATION

A 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 Financial Reporting Interpretations Committee ("IFRIC") Interpretations (collectively referred to as IFRS), as adopted by the European Union ("EU") as at the date of approval of these Accounts and which are mandatory for the financial year ended 31 March 2014. 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 2013 to 31 March 2014. Consequently the Corporate Report & Regulatory Accounts for the year ended 31 March 2014 are separate from the Annual Report and Accounts of the company which have been prepared for the year ended 31 December 2013. The Accounts are prepared in accordance with the Accounting Policies set out in Note 2.

B ACCOUNTING STANDARDS

In preparing these Accounts, the company has applied all relevant IAS, IFRS and IFRIC Interpretations which have been adopted by the EU as of the date of approval of these Accounts and which are mandatory for the regulatory year ended 31 March 2014.

For the year ended 31 March 2014, the company has applied the following standards and amendments for the first time:

Standard	Notes
• Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income'	(a)
• IAS 19 (Revised) 'Employee Benefits'	(b)
• Amendments to IAS 12 'Income Taxes: Deferred tax - Recovery of Underlying Assets'	(c)
• IFRS 10 'Consolidated Financial Statements'	(c)
• IFRS 11 'Joint Arrangements'	(c)
• IFRS 12 'Disclosure of Interests in Other Entities'	(c)
• IFRS 13 'Fair Value Measurement'	(c)
• IAS 27 (Revised) 'Separate Financial Statements'	(c)
• IAS 28 (Revised) 'Investments in Associates and Joint Ventures'	(c)
• Amendments to IFRS 7 'Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities'	(c)
• Annual Improvements to IFRSs (2009-2011)	(c)
• Amendments to IFRS 10, IFRS 11 and IFRS 12 'Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance'	(c)

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

Standard	Notes	IASB effective date (for periods commencing on or after)	Planned date of application by the company
• IFRS 9 'Financial Instruments' and subsequent amendments	(d), (e), (f)	Not yet assigned	Not yet assigned
• Amendments to IAS 32 'Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities'	(g)	1 January 2014	1 April 2014
• Amendments to IFRS 10, IFRS 12 and IAS 27 'Investment Entities'	(g)	1 January 2014	1 April 2014
• Amendments to IAS 36 'Impairment of Asset – Recoverable Amount Disclosures for Non-Financial Assets'	(g)	1 January 2014	1 April 2014
• IFRIC 21 'Levies'	(g)	1 January 2014	1 April 2014
• Amendments to IAS 39 'Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting'	(g)	1 January 2014	1 April 2014
• Amendments to IAS 19 'Employee Benefits: Defined Benefit Plans Employee Contributions'	(e), (g)	1 July 2014	1 April 2015
• Annual Improvements to IFRSs (2010-2012)	(e), (g)	1 July 2014	1 April 2015
• Annual Improvements to IFRSs (2011-2013)	(e), (g)	1 July 2014	1 April 2015
• IFRS 14 'Regulatory Deferral Accounts'	(e), (g)	1 January 2016	1 April 2016
• Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' - 'Clarification of Acceptable Methods of Depreciation and Amortisation'	(e), (g)	1 January 2016	1 April 2016
• Amendments to IFRS 11 'Joint Arrangements: Acquisitions of Interests in Joint Operations'	(e), (g)	1 January 2016	1 April 2016
• IFRS 15 'Revenue from Contracts with Customers'	(d), (e)	1 January 2017	1 April 2017

1 BASIS OF PREPARATION *continued*

B ACCOUNTING STANDARDS *continued*

(a) The application of the amendments to IAS 1 as from 1 January 2013 has not had a material impact on the company's accounting policies, financial position or performance. However the Statement of Other Comprehensive Income now groups items of other operating income on the basis of whether they may be reclassifiable to the income statement subsequently or not.

(b) The revisions to IAS 19 have had a significant impact on the results of the company from 1 April 2013. The discount rate (determined by market yields of similar high quality corporate bonds) has been applied to the net benefit liability (or asset) (previously expected return on assets). The impact of this was a £10.3 million increase to net finance costs and a £0.8 million increase to external services in relation to pension administration costs which were subsequently recharged to fellow subsidiaries. This was offset by a £1.7 million reduction to deferred tax in the company's income statement for the year ended 31 March 2013 with a consequential other comprehensive income gain of £11.1 million. There was a £0.8 million impact on the overall equity of the company. IAS 19 (Revised) also requires more extensive disclosures and these have been provided in Note 13.

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

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

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

(f) The IASB decided that the original mandatory date of 1 January 2015 would not allow sufficient time for the entities to apply the new standard as all phases of the IFRS 9 project have not been completed. Accordingly, the IASB removed the mandatory effective date from IFRS 9. In February 2014, the IASB tentatively decided to require an entity to apply IFRS 9 for annual periods beginning on or after 1 January 2018. Entities may still choose to apply the issued sections of IFRS 9 immediately; ScottishPower has decided not to do so.

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

(h) The group has chosen not to early adopt any of these standards/amendments for year ended 31 March 2014.

2 ACCOUNTING POLICIES

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

A REVENUE
B INTANGIBLE ASSETS (COMPUTER SOFTWARE COSTS)
C PROPERTY, PLANT AND EQUIPMENT
D IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS
E LEASED ASSETS
F FINANCIAL ASSETS AND LIABILITIES
G TRANSFER OF ASSETS FROM CUSTOMERS
H RETIREMENT BENEFITS
I 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 four years.

2 ACCOUNTING POLICIES ***continued***

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
Meters and measuring devices	2 - 10
Other facilities and other items of property, plant and equipment	3 - 25

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 company estimates the recoverable amount of the cash generating unit to which the asset belongs.

E LEASED ASSETS

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in the arrangement. For arrangements entered into prior to 1 April 2004, the date of inception is deemed to be 1 April 2004 in accordance with the transitional requirements of IFRIC 4 'Determining Whether an Arrangement Contains a Lease'.

The company classifies leases as finance leases whenever the lessor transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

F FINANCIAL ASSETS AND LIABILITIES

(a) Financial assets categorised as trade and other receivables are recognised and carried at original invoice amount less an allowance for impairment of doubtful debts. Allowance for doubtful debts has been estimated by management, taking into account future cash flows, based on past experience and assessment of the current economic environment within which the company operates.
(b) Cash and cash equivalents in the balance sheet comprise cash on hand which is readily convertible into a known amount of cash without a significant risk of change 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 Iberdrola group companies.
(c) Financial liabilities categorised as trade payables are recognised and carried at original invoice amount.
(d) All interest bearing loans and borrowings are initially recognised at fair value, net of directly attributable transaction costs. Interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

2 ACCOUNTING POLICIES *continued*

G TRANSFER 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.

H RETIREMENT BENEFITS

The company provides pensions through a defined benefit scheme. The retirement benefits liability recognised in the balance sheet represents the net surpluses and deficits respectively in the company's defined benefit pension scheme for which the entity is the sponsoring employer.

The cost of providing benefits under the defined benefit schemes is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Remeasurements of the net defined benefit liability are recognised, directly in retained earnings, in the period in which they occur and are shown in the statement of comprehensive income. The current service cost element of the pension charge is recognised within 'Staff costs' in the consolidated income statement. Interest on the net defined benefit liability is defined by changes in the net defined benefit liability or asset during the reporting period that arises from the passage of the time and is determined by multiplying the net defined benefit liability or asset by the discount rate (market yields on high quality corporate bonds). Net interest on the net defined benefit liability or asset is included within 'Finance costs' and 'Finance income', respectively, in the consolidated income statement. The retirement benefits asset and liability recognised in the balance sheet represent the net surpluses and deficits respectively in the company's defined benefit pension scheme.

Payments to the defined contribution scheme are charged as an expense as they fall due.

I 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 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing the Accounts in conformity with IFRSs, the company is required to make estimates and assumptions that impact on the reported amounts of revenues, expenses, assets and liabilities of the company. Actual results may differ from these estimates. These are discussed below. These critical accounting judgements and key sources of estimation uncertainty should be read in conjunction with the full statement of Accounting Policies at Note 2.

(a) IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

In certain circumstances, property, plant and equipment are required to be reviewed for impairment. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of the expected future cash flows of the relevant Cash Generating Unit ("CGU"), or disposal value if higher. The discount rate applied is based on ScottishPower's weighted average cost of capital with appropriate adjustments for the risks associated with the CGU. Estimates of cash flows involve a significant degree of judgement and are consistent with management's plans and forecasts.

At 31 March 2014, the carrying value of property, plant and equipment amounted to £2,322.7 million (2013 £2,170.0 million).

(b) RETIREMENT BENEFITS

The company operates a defined benefit scheme for ScottishPower employees which is accounted for in accordance with IAS 19 (Revised) 'Employee Benefits' ("IAS 19(R)") using the immediate recognition approach.

The expense and balance sheet items relating to the company's accounting for pension schemes under IAS 19 are based on actuarial valuations. Inherent in these valuations are key assumptions, including discount rates, earnings increases, mortality and increases in pensions in payment. These actuarial assumptions are reviewed annually in line with the requirements of IAS 19(R). The assumptions adopted are based on prior experience, market conditions and the advice of plan actuaries.

At 31 March 2014, the liability in the balance sheet for retirement benefit obligations in relation to the Manweb Group of Electricity Supply Pension Scheme, of which the company is the sponsoring employer, amounted to £188.2 million (2013 £260.8 million). Sensitivity disclosures relating to the company's retirement benefit obligations are set out in Note 13.

4 INTANGIBLE ASSETS

		Computer software
Year ended 31 March 2013	Note	£m
Cost:		
At 31 March 2013	(a)	4.5
Amortisation:		
At 1 April 2012		2.6
Amortisation for the year		1.0
At 31 March 2013		3.6
Net book value:		
At 31 March 2013		0.9
At 1 April 2012		1.9

		Computer software
Year ended 31 March 2014	Note	£m
Cost:		
At 1 April 2013 and 31 March 2014	(a)	**4.5**
Amortisation:		
At 1 April 2013		3.6
Amortisation for the year		0.8
At 31 March 2014		**4.4**
Net book value:		
At 31 March 2014		**0.1**
At 1 April 2013		0.9

(a) The cost of fully amortised computer software still in use at 31 March 2014 was £4.2 million (2013 £0.2 million).

5 PROPERTY, PLANT AND EQUIPMENT

(a) Movements in property, plant and equipment

Year ended 31 March 2013	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	Total £m
Cost:					
At 1 April 2012	2,366.2	129.6	6.1	250.7	2,752.6
Additions	10.3	3.0	-	208.1	221.4
Transfers from in progress to plant in use	266.7	0.9	-	(267.6)	-
Disposals	(10.8)	(0.8)	-	-	(11.6)
At 31 March 2013	2,632.4	132.7	6.1	191.2	2,962.4
Depreciation:					
At 1 April 2012	663.7	71.2	0.1	-	735.0
Charge for the year	57.6	10.9	-	-	68.5
Disposals	(10.3)	(0.8)	-	-	(11.1)
At 31 March 2013	711.0	81.3	0.1	-	792.4
Net book value:					
At 31 March 2013	1,921.4	51.4	6.0	191.2	2,170.0
At 1 April 2012	1,702.5	58.4	6.0	250.7	2,017.6

The net book value of property, plant and equipment at 31 March 2013 is analysed as follows:

Property, plant and equipment in use	1,921.4	51.4	6.0	-	1,978.8
Property, plant and equipment in the course of construction	-	-	-	191.2	191.2
At 31 March 2013	1,921.4	51.4	6.0	191.2	2,170.0

Year ended 31 March 2014	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	Total £m
Cost:					
At 1 April 2013	2,632.4	132.7	6.1	191.2	2,962.4
Additions	0.1	2.3	-	227.9	230.3
Transfers from in progress to plant in use	268.6	0.5	-	(269.1)	-
Disposals	(8.3)	(0.7)	-	-	(9.0)
At 31 March 2014	**2,892.8**	**134.8**	**6.1**	**150.0**	**3,183.7**
Depreciation:					
At 1 April 2013	711.0	81.3	0.1	-	792.4
Charge for the year	67.1	10.0	-	-	77.1
Disposals	(8.0)	(0.5)	-	-	(8.5)
At 31 March 2014	**770.1**	**90.8**	**0.1**	**-**	**861.0**
Net book value:					
At 31 March 2014	**2,122.7**	**44.0**	**6.0**	**150.0**	**2,322.7**
At 1 April 2013	1,921.4	51.4	6.0	191.2	2,170.0

The net book value of property, plant and equipment at 31 March 2014 is analysed as follows:

Property, plant and equipment in use	2,122.7	44.0	6.0	-	2,172.7
Property, plant and equipment in the course of construction	-	-	-	150.0	150.0
At 31 March 2014	**2,122.7**	**44.0**	**6.0**	**150.0**	**2,322.7**

5 PROPERTY, PLANT AND EQUIPMENT *continued*

(a) Movements in property, plant and equipment *continued*

(i) The category "Operating plant - other" principally comprises meters and measuring devices.
(ii) The category "Operating plant in progress" principally comprises distribution facilities in the course of construction.
(iii) Additions of £230.2 million (2013 £211.1 million) were purchased internally from asset management entity SPPS, as noted within Note 27.
(iv) The cost of fully depreciated property, plant and equipment still in use at 31 March 2014 was £148.9 million (2013 £144.9 million).
(v) Included within the cost of property, plant and equipment are assets in use not subject to depreciation, being land of £6.0 million (2013 £6.0 million).

(b) Operating lease arrangements

(i) Operating lease commitments	2014 £m	2013 £m
The future minimum lease payments under non-cancellable operating leases are as follows:		
Within one year	-	0.1
Between one and five years	-	0.1
After more than five years	-	-
	-	0.2

(ii) Operating lease receivables	2014 £m	2013 £m
The future minimum lease receivables under non-cancellable operating leases are as follows:		
Within one year	**0.1**	-
Between one and five years	**0.2**	-
More than five years	**0.1**	-
	0.4	-

(c) Capital commitments

	2014 £m	2013 £m
Contracted but not provided	**276.2**	234.4

6 INVESTMENTS

	Shares in subsidiary undertakings £000	Other unlisted investments £000	Total £000
As at 31 March 2013 and 31 March 2014	75	26	**101**

Subsidiaries	Place of incorporation or registration	Class of share capital	Proportion of shares held	Activity
Manweb Services Limited	England	Ordinary shares £1	100%	Ancillary services
Manweb Nominees Limited	England	Ordinary shares £1	99%	Dormant company
Manweb Share Scheme Trustees Limited	England	Ordinary shares £1	50%	Dormant company

7 MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

The table below sets out the carrying amount and fair value of the company's financial instruments.

	Notes	2014 Carrying amount £m	2014 Fair value £m	2013 Restated* Carrying amount £m	2013 Restated* Fair value £m
Financial assets					
Current receivables	(a)	**146.9**	**146.9**	128.5	128.5
Cash	(b)	**-**	**-**	0.1	0.1
Financial liabilities					
Loans and borrowings - external	(c)	**(345.7)**	**(365.9)**	(345.2)	(383.7)
Loans payable to Iberdrola group companies	(c)	**(570.0)**	**(650.4)**	(460.0)	(560.1)
Payables	(a)	**(67.9)**	**(67.9)**	(77.9)	(77.9)

* Comparative figures have been restated (see Note 1).

The carrying amount of these financial instruments is calculated as set out in Note 2F. With the exception of loans and borrowings, the carrying value of financial assets and liabilities is a reasonable approximation of fair value. The fair value of loans and borrowings is calculated as set out in Note (c).

(a) Balances outwith the scope of IFRS 7 'Financial Instruments: Disclosure' ("IFRS 7") have been excluded, namely, other tax receivables, payments on account and other tax payables.
(b) As a general rule, cash deposited with banks earns interest at rates similar to market rates on daily deposits.
(c) The carrying value of loans and other borrowings are accounted for at amortised cost. The carrying value of short term debt is a reasonable approximation of fair value. The fair value of long-term debt is calculated using the most recently traded price to the year end date where available, or alternatively a discounted cash flow.

8 LIQUIDITY ANALYSIS

Maturity profile of financial liabilities

The table below summarises the maturity profile of the company's financial liabilities based on contractual undiscounted payments.

2014							
Cash outflows	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 and thereafter £m	**Total £m**
External borrowings	17.1	17.1	17.1	17.1	17.1	503.6	**589.1**
Loans with Iberdrola group companies	76.1	41.8	75.0	40.7	148.3	385.7	**767.6**
Payables*	41.9	-	-	-	-	11.9	**53.8**
	135.1	**58.9**	**92.1**	**57.8**	**165.4**	**901.2**	**1,410.5**

2013							
Cash outflows	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 and thereafter £m	Total £m
External borrowings	17.1	17.1	17.1	17.1	17.1	520.6	606.1
Loans with Iberdrola group companies	17.3	72.2	15.3	70.8	14.3	455.1	645.0
Payables*	55.0	-	-	-	-	9.9	64.9
	89.4	89.3	32.4	87.9	31.4	985.6	1,316.0

*Contractual cash flows exclude accrued interest as these cash flows are included in external borrowings and loans with Iberdrola group companies.

9 TRADE AND OTHER RECEIVABLES

	Notes	2014 £m	2013 Restated* £m
Current receivables:			
Receivables due from Iberdrola group companies - trade		**15.4**	18.7
Receivables due from Iberdrola group companies - loan	(a)	**87.9**	69.2
Receivables due from Iberdrola group companies - interest		**0.3**	0.2
Trade receivables and accrued income	(b)	**38.9**	37.0
Other tax receivables		**1.2**	1.5
Other receivables		**4.4**	3.4
		148.1	130.0

* Comparative figures have been restated (see Note 1).

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

(b) Trade receivables are stated net of allowance for impairment of doubtful debts of £0.2 million (2013 £0.6 million). 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. The income statement impact on change in bad debt for the year to 31 March 2014 is £(0.3) million (2013 (£0.1) million).

(c) At 31 March 2014 trade receivables of £0.6 million (2013 £4.2 million) were past due but not impaired.

	2014 £m	2013 £m
Past due but not impaired:		
Less than 3 months	**0.3**	3.6
Between 3 and 6 months	**0.1**	0.2
Between 6 and 12 months	**0.1**	0.2
After more than 12 months	**0.1**	0.2
	0.6	4.2

10 SHARE CAPITAL

	2014 £m	2013 £m
Authorised:		
600,000,000 ordinary shares of 50p each (2013 600,000,000)	**300.0**	300.0
Allotted, called up and fully paid shares:		
600,000,000 ordinary shares of 50p each (2013 600,000,000)	**300.0**	300.0

11 ANALYSIS OF MOVEMENTS IN EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF SP MANWEB PLC

	Ordinary share capital £m	Share premium (Note (a)) £m	Capital redemption reserve (Note (b)) £m	Retained earnings Restated* (Note (c)) £m	Total Restated* £m
At 1 April 2012	300.0	3.3	6.0	575.6	884.9
Profit for the year attributable to equity holders of SP Manweb plc	-	-	-	150.9	150.9
Actuarial losses on retirement benefits	-	-	-	(116.0)	(116.0)
Tax on items relating to actuarial losses on retirement benefits	-	-	-	25.9	25.9
Dividends	-	-	-	(310.0)	(310.0)
At 1 April 2013	300.0	3.3	6.0	326.4	635.7
Profit for the year attributable to equity holders of SP Manweb plc	-	-	-	162.2	162.2
Actuarial gain on retirement benefits	-	-	-	65.5	65.5
Tax on items relating to actuarial gain on retirement benefits	-	-	-	(21.4)	(21.4)
Dividends	-	-	-	(92.0)	(92.0)
At 31 March 2014	**300.0**	**3.3**	**6.0**	**440.7**	**750.0**

* Comparative figures have been restated (see Note 1).

(a) The share premium account represents consideration received for shares issued in excess of their nominal amount.

(b) The capital redemption reserve comprises the nominal value of the company's ordinary share capital purchased by the company in previous years.

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

12 DEFERRED INCOME

Year ended 31 March 2013	At 1 April 2012 £m	Receivable during year £m	Released to income statement £m	At 31 March 2013 £m
Transfer of assets from customers	292.9	33.8	(10.2)	316.5

Year ended 31 March 2014	At 1 April 2013 £m	Receivable during year £m	Released to income statement £m	**At 31 March 2014 £m**
Transfer of assets from customers	316.5	30.7	(10.7)	**336.5**

13 RETIREMENT BENEFIT OBLIGATIONS

(a) Analysis of balance

The amounts recognised in the balance sheet in respect of retirement benefit obligations are detailed below:

	2014 £m	2013 £m
Non-current liabilities	**188.2**	260.8

(b) Pension arrangements

Details of the Manweb Group of Electricity Supply Pension Scheme are as follows:

SP Manweb Group of Electricity Supply Pension Scheme ('Manweb')	
Type of Benefit	Final salary
New Entrants	No
Funded separately from group assets	Yes
Administration method	Trustee board
Member contributions	5.5% of salary
Group contribution - how determined	Agreement of trustees and group following actuarial valuation (last valuation: 31 March 2012)
Current actual group contributions	30.1% of salary
Special contributions during the year ended 31 March 2014	£34.8 million
Special contributions planned for the year ending 31 March 2015	£30.0 million
Pension charge	Based on advice of independent qualified actuary

The age profile of the scheme is expected to rise over time, due to there being no new entrants. This will in turn result in increasing service costs for the scheme due to the actuarial valuation method used (the projected unit method). The company believes that the projected unit method continues to be appropriate at present, and provides a reasonable basis for assessing the company's final salary pension costs.

Pension scheme governance

As described above, the company operates a defined benefit pension scheme. Active members continue to accrue benefits in the scheme which are based on final pensionable salary. The scheme is closed to new entrants. Active members continue to accrue benefits in the scheme. The scheme provides benefits which are based on final pensionable salary.

The scheme is approved by HMRC and subject to standard UK pensions and tax law. The defined benefit scheme is subject to the scheme funding requirements as set out in section 224 of the Pensions Act 2004. In accordance with the scheme funding requirements, an actuarial funding valuation is carried out at least triennially to determine the appropriate level of ongoing contributions for both future service and a recovery plan in respect of any deficit at the valuation date. The actuarial valuation will be based on assumptions agreed between the Trustees and the Company. The most recent actuarial valuation was as at the effective date of 31 March 2012.

In accordance with UK trust and pensions law, the defined benefit pension scheme is governed by a board of trustees. Although the company meets the financial cost of running the scheme, the Trustees are responsible for the management and governance of the scheme and have a duty to act in the best interests of the members.

13 RETIREMENT BENEFIT OBLIGATIONS *continued*

(b) Pension arrangements *continued*

Pension scheme governance *continued*

The strategic management of the assets is the responsibility of the Trustees acting on expert advice. The Trustees take advice from the scheme's actuaries and investment advisers with a view to investing the scheme's assets in a manner that is appropriate to the nature and duration of the expected future retirement and death benefits payable from the scheme. In consultation with the Company, the Trustees have set out a target investment strategy for the scheme of 50% matching and 50% growth assets. In terms of the matching portfolio, the scheme utilises a Liability Driven Investment (LDI) strategy. The aim of the LDI portfolio is to invest in a range of assets (mostly bonds) which broadly match the expected future benefit payments from the scheme.

Risk management

The defined benefit scheme exposes the company to actuarial risks and details of the specific risks and how they are managed are described below:

Investment (market) risk: there is a risk relating to changes in the value of the portfolio due to movements in the market value of the assets. To the extent that there is a mismatch between the investment strategy and the overall level and profile of the liabilities this can lead to volatility in the funding level and as the portfolio matures there is a risk of not being able to reinvest assets at the assumed rates. The Trustees utilise an LDI strategy which aims to invest 50% of the assets in matching LDI's such as bonds, which broadly match the nature and profile of the future expected benefit payments from the scheme. The Trustees have further diversified the market risk in the growth portfolio across multiple asset types, such as equities, diversified growth funds and infrastructure. Through diversification, the specific risk associated with individual investments is mostly mitigated and expected volatility of returns is reduced. In addition, the Trustees review the investment strategy on a regular basis to ensure that it remains appropriate and in particular in response to legislative changes, a material change in the schemes' funding levels or changes in the attitude to risk of the Trustees or company.

Mortality risk: the assumptions adopted by the company make allowance for future improvements in life expectancy. There is a risk that life expectancy improves faster than assumed and that benefits are paid for longer than expected, thereby increasing the cost of the scheme. The company and the Trustees regularly review the actual scheme mortality experience to minimise the risk of using an inappropriate assumption. In general, the Trustees will also use prudent assumptions when deriving the triennial actuarial valuation basis used for funding requirements and this will help to manage the risk.

Interest rate risk: a fall in the yield on government bonds increases both the liabilities and assets of the scheme. To the extent that the assets do not fully match the nature and duration of the liabilities, this could lead to a worsening in the funding position of the scheme. The Trustees currently target 50% of the scheme's investments in LDI which include matching assets such as fixed interest bonds. The interest rate hedging strategy adopted within the LDI portfolio provides protection against the impact of changes in yields.

Inflation rate risk: the majority of the scheme's liabilities increase in line with inflation, subject to relevant caps and collars. To the extent that inflation is higher than expected, this will increase the liabilities of the scheme. The scheme's target investment strategy is to invest 50% of the portfolio in LDI investments which will include bonds which are also linked to inflation. The inflation hedging strategy adopted within the LDI portfolio provides protection against the impact of changes in inflation.

The pension scheme invests in an appropriately diversified range of assets. The broad proportion of each asset class in which the scheme aims to be invested are as follows, however it is important to note that this may vary from time to time as markets change and as cash may be held for strategic reasons.

	2014	2013
Equities	25%	26%
Infrastructure	5%	4%
Liability driven investment	50%	53%
Diversified growth fund	20%	17%
Total	**100%**	100%

As at 31 March 2014 the scheme held no ScottishPower or Iberdrola shares (2013 none).

13 RETIREMENT BENEFIT OBLIGATIONS *continued*

(c) Pension analysis

A formal actuarial valuation was carried out on this scheme as described earlier and updated to 31 March 2014 by a qualified independent actuary. The major assumptions applied by the actuary are given in footnote (d).

(i) Analysis of net liability relating to pensions

	2014 £m	2013 £m
Present value of funded obligations	**(1,216.6)**	(1,239.9)
Fair value of scheme assets	**1,028.4**	979.1
Net liability	**(188.2)**	(260.8)
Amounts in the balance sheet:		
Non-current liabilities	**(188.2)**	(260.8)
Net liability	**(188.2)**	(260.8)

(ii) The amounts recognised are as follows:

	2014 £m	2013 Restated* £m
Current service cost**	14.4	11.6
Administration cost**	0.9	0.8
Past service cost**	15.2	0.3
Net interest cost on defined benefit obligation/scheme assets	9.9	7.2
Total income statement charge	**40.4**	19.9
Actual return on scheme assets	**44.8**	118.1
Net actuarial gains/(losses) recognised in the Statement of Comprehensive Income	**65.5**	(116.0)

* Comparative figures have been restated (see Note 1).

** The pension costs relating to the employees of fellow subsidiary entities are recharged to the appropriate legal entity.

(iii) Changes in the present value of the defined benefit obligations are as follows:

	2014 £m	2013 £m
Defined benefit obligation at beginning of year	(1,239.9)	(1,026.3)
Current service cost	(14.4)	(11.6)
Interest on obligation	(51.1)	(48.6)
Scheme members' contributions	(2.4)	(2.5)
Past service costs	(15.2)	(0.3)
Actuarial losses:		
Actuarial losses arising from changes in demographic assumptions	(9.3)	(50.9)
Actuarial gains/(losses) arising from changes in financial assumptions	87.2	(137.5)
Actuarial losses arising from changes of the scheme experience different to that assumed	(16.0)	(4.3)
Benefits paid	44.5	42.1
Defined benefit obligation at end of year	**(1,216.6)**	(1,239.9)

The defined benefit obligations are 35% (2013 36%) in respect of active scheme participants, 8% (2013 9%) in respect of deferred scheme participants and 57% (2013 55%) in respect of retirees. The weighted average duration of the defined benefit obligation as at 31 March 2014 is 18 years.

13 RETIREMENT BENEFIT OBLIGATIONS *continued*

(c) Pension analysis *continued*

(iv) Changes in the fair value of scheme assets are as follows:

	2014 £m	2013 Restated* £m
Fair value of scheme assets at beginning of year	979.1	863.7
Interest income on scheme assets	41.2	41.4
Return on assets in excess of interest income	3.6	76.7
Employer contributions	47.5	37.7
Scheme members' contributions	2.4	2.5
Administration cost	(0.9)	(0.8)
Benefits paid	(44.5)	(42.1)
Fair value of scheme assets at end of year	**1,028.4**	979.1

* Comparative figures have been restated (see Note 1).

(d) Actuarial assumptions

(i) The major assumptions used by the actuary for the pension arrangements were as follows and are expressed as weighted averages:

	2014	2013
Rate of increase in salaries	3.9% p.a.	4.9% p.a.
Rate of increase in deferred pensions	3.4% p.a.	3.4% p.a.
Rate of increase in pensions payment	3.3% p.a.	3.3% p.a.
Discount rate	4.3% p.a.	4.2% p.a.
Inflation assumption	3.4% p.a.	3.4% p.a.

(ii) The weighted average life expectancy for mortality used to determine the benefit obligation was as follows:

Member age 63 (current life expectancy)	**2014**	2013
Male	**25.2**	24.8
Female	**26.9**	26.9
Member age 45 (life expectancy at age 63)		
Male	**26.8**	26.3
Female	**28.5**	28.5

(ii) The following table presents a sensitivity analysis for each critical actuarial assumption showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at the balance sheet date. This sensitivity applies to the defined benefit obligation only and not to the net defined benefit pension liability in its entirety, the measurement of which is driven by a number of factors including, in addition to the assumptions below, the fair value of scheme assets.

	Increase/(decrease) in defined benefit obligation	
	2014	2013
Sensitivity analysis of critical actuarial assumptions	**£m**	£m
Rate of inflation and salary growth		
Increase by 0.1%	22.1	19.7
Decrease by 0.1%	(21.5)	(20.3)
Discount rate		
Increase by 0.25%	(52.2)	(53.1)
Decrease by 0.25%	55.8	56.9
Assumed life expectancy		
Increase mortality by one additional year	41.5	40.3

(iii) Allowance for cash commutation

No allowance has been made for members to commute pension at retirement.

13 RETIREMENT BENEFIT OBLIGATIONS *continued*

(d) Actuarial assumptions *continued*

(iv) The following table provides information on the composition and fair value of plan assets of the pension scheme.

	2014				2013			
	Quoted in an active market £m	Other £m	Total £m	Plan asset allocation %	Quoted in an active market £m	Other £m	Total £m	Plan asset allocation %
Equities	282.1	-	282.1	27.4%	253.7	-	253.7	25.9%
Infrastructure	-	48.4	48.4	4.7%	5.4	37.2	42.6	4.4%
Liability driven investment	440.9	70.5	511.4	49.8%	438.2	81.7	519.9	53.1%
Cash	1.5	-	1.5	0.1%	1.9	-	1.9	0.1%
Diversified growth fund	185.0	-	185.0	18.0%	161.0	-	161.0	16.5%
Fair value of scheme assets			**1,028.4**				979.1	

(e) Future contributions

The company intends to contribute £43.8 million to the pension scheme in the year ending 31 March 2015 based on the agreement with scheme trustees following the valuation at March 2012.

14 LOANS AND OTHER BORROWINGS

(a) Analysis of loans and other borrowings by instrument and maturity

Analysis by instrument and maturity	Notes	Interest rate*	Maturity	**2014 £m**	2013 £m
Bank overdraft		Base + 1%	On demand	**0.1**	-
Intercompany loan with SPL		3.858%	29 January 2019	**75.0**	75.0
Intercompany loan with SPUK	(i),(ii)	3.416%	21 December 2022	**275.0**	275.0
Intercompany loan with SPUK	(i)	3.570%	20 December 2023	**110.0**	-
£350 million euro-sterling bond	(iii),(iv)	4.875%	20 September 2027	**345.6**	345.2
Intercompany loan with SPUK	(i),(v)	LIBOR + 3.365%	28 January 2029	**110.0**	110.0
Total debt				**915.7**	805.2

*Base - Bank of England Base Rate; LIBOR - London Inter Bank Offer Rate

Analysis of total loans and other borrowings	**2014 £m**	2013 £m
Non-current	**860.9**	805.2
Current	**54.8**	-
	915.7	805.2

(i) Under the conditions of the long term loan agreements between the company and SPUK, the company 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 SPUK with written notice at least five business days before the intended repayment date.

(ii) The intercompany loan with SPUK that is due to mature in December 2022 has a schedule of repayments commencing in 2014 of £55.0 million. The first repayment of £55.0 million is classified as current in the above analysis.

(iii) This bond contains a 'Loss of licences' covenant that will require repayment of the outstanding amount should ScottishPower lose all of their electricity licences (distribution, transmission and supply licences).

(iv) The £350 million euro-sterling bond will be redeemed as its principal amount on 20 September 2027 unless previously redeemed or purchased and cancelled. The bond can be redeemed at any time by ScottishPower at a higher redemption price (as determined by a financial advisor appointed by ScottishPower and Guarantor) giving 30 to 60 days' notice. The bond is shown net of finance costs, with £0.3 million being classified as current in the analysis above.

(v) For LIBOR linked debt, a 1% increase in the LIBOR rate would result in a £1.1 million increase in the full year interest charge. Base is not expected to change in the short term.

(b) Borrowing facilities

The company has no undrawn committed borrowing facilities at 31 March 2014 (2013 £nil).

15 TRADE AND OTHER PAYABLES

	Note	2014 £m	2013 £m
Current trade and other payables:			
Payables due to Iberdrola group companies - trade		**35.8**	49.6
Payables due to Iberdrola group companies - interest		**5.1**	4.0
Other taxes and social security		**11.9**	10.8
Payments received on account		**48.2**	48.5
Other payables	(a)	**15.1**	14.4
		116.1	127.3
Non-current trade and other payables:			
Payables due to Iberdrola group companies - trade	(a)	**11.9**	9.9

(a) The company utilises forms of collateral to manage its credit exposure in respect of the provision of network services. All collateral held is settled in cash. At 31 March 2014, the company held cash collateral of £12.4 million (2013 £10.1 million).

16 DEFERRED TAX

Deferred tax provided in the Accounts is as follows:

	Property, plant and equipment £m	Retirement benefits Restated* £m	Total Restated* £m
Deferred tax provided at 1 April 2012	178.2	(42.2)	136.0
(Credit)/charge to income statement	(0.1)	6.9	6.8
Recorded in the Statement of Comprehensive Income	-	(25.9)	(25.9)
Deferred tax provided at 1 April 2013	178.1	(61.2)	116.9
(Credit)/charge to income statement	(16.9)	2.0	(14.9)
Recorded in the Statement of Comprehensive Income	-	21.4	21.4
Deferred tax provided at 31 March 2014	**161.2**	**(37.8)**	**123.4**

* Comparative figures have been restated (see Note 1).

Finance Act 2012 contained legislation to set the rate of UK Corporation tax at 23% from 1 April 2013. In the year to 31 March 2013, the rate of tax expected to apply when temporary differences reverse reduced from 24% to 23%. Finance Act 2013 contained legislation to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. These changes have reduced the tax rates expected to apply when temporary differences reverse.

17 OTHER PROVISIONS

Year ended 31 March 2013	Note	At 1 April 2012 £m	Released during the year £m	Utilised during the year £m	At 31 March 2013 £m
Environmental costs	(a)	1.0	-	(0.1)	0.9
		1.0	-	(0.1)	0.9

Year ended 31 March 2014	Note	At 1 April 2013 £m	Released during the year £m	Utilised during the year £m	**At 31 March 2014 £m**
Environmental costs	(a)	0.9	(0.2)	(0.2)	**0.5**
		0.9	(0.2)	(0.2)	**0.5**

Analysis of total provisions	**2014 £m**	2013 £m
Non-current	**0.1**	0.5
Current	**0.4**	0.4
	0.5	0.9

(a) The provision for environmental costs relates to obligations under the Control of Asbestos at Work Regulations. The timeframe for the surveys to be completed at each substation was reassessed in the year, with £0.1 million being considered to be non-current. The remainder of the costs are expected to be incurred in the next financial year.

18 EMPLOYEE INFORMATION

(a) Staff costs

	Note	2014 £000	2013 £000
Wages and salaries		**668**	566
Social security costs		**64**	54
Pension and other costs		**164**	133
Total employee costs	(i)	**896**	753

(i) The employee costs do not include the directors of the company as they do not have a contract of service with the company. The emoluments of all directors are included within the employee costs of other ScottishPower group companies. Details of directors' emoluments are set out in Note 27.

(b) Employee numbers

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

	Year end 2014	Average 2014	Year end 2013	Average 2013
Administrative	**13**	**10**	10	9

The year end and average numbers of full time equivalent staff employed by the company match those stated above.

19 TAXES OTHER THAN INCOME TAX

	2014 £m	2013 £m
Property tax	**14.7**	14.9

20 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

	2014 £m	2013 £m
Property, plant and equipment depreciation charge	**77.1**	68.5
Intangible asset amortisation	**0.8**	1.0
Charges and provisions and allowances	**(0.1)**	0.5
	77.8	70.0

21 FINANCE INCOME

	2014 £m	2013 Restated* £m
Interest receivable from Iberdrola group companies	**1.0**	0.4

* Comparative figures have been restated (see Note 1).

22 FINANCE COSTS

	2014 £m	2013 Restated* £m
Interest payable to Iberdrola group companies	**18.3**	14.5
Interest on other borrowings	**17.4**	9.2
Interest on retirement benefit obligations	**9.9**	7.2
	45.6	30.9

* Comparative figures have been restated (see Note 1).

23 INCOME TAX

	2014 £m	2013 Restated* £m
Current tax:		
UK Corporation tax	31.3	32.1
Adjustments in respect of prior years	(2.1)	(4.3)
Current tax for the year	**29.2**	27.8
Deferred tax:		
Origination and reversal of temporary differences	9.0	13.3
Adjustments in respect of prior years	1.9	1.1
Impact of rate change on deferred tax	(25.8)	(7.6)
Deferred tax for the year	**(14.9)**	6.8
Income tax expense for the year	**14.3**	34.6

* Comparative figures have been restated (see Note 1).

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

	2014 £m	2013 Restated* £m
Corporation tax at 23% (2013 24%)	40.6	44.5
Adjustments in respect of prior years	(0.2)	(3.2)
Impact of changes of rate for headline corporation tax rate	(0.4)	0.4
Impact of tax rate change	(25.8)	(7.6)
Other permanent difference	0.1	0.5
Income tax expense for the year	**14.3**	34.6

* Comparative figures have been restated (see Note 1).

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

The 2013 Finance Act includes legislation which will reduce the rate of UK Corporation tax to 21% on 1 April 2014 and to 20% on 1 April 2015. These further reductions impact the deferred tax charge as they reduce the tax rate expected to apply when the temporary differences reverse.

24 DIVIDENDS

	2014 pence per ordinary share	2013 pence per ordinary share	2014 £m	2013 £m
Interim dividend paid	**15.3**	51.7	**92.0**	310.0

An interim dividend of £50.0 million was approved on 7 May 2014 at an SP Manweb plc Board meeting and subsequently paid on 21 May 2014.

25 CONTINGENT LIABILITIES

SP Manweb plc's businesses were the subject of legal separation during the year ended 31 March 2002. This resulted in operational staff of the Distribution business and employees of the Energy Supply business being transferred to other ScottishPower group companies on 1 October 2001. Any liabilities in respect of the Electricity Supply Pension Scheme existing at this time were also transferred to these companies subject to certain contingent liabilities. Under the terms of the transfers, the company would however be required to fund any liabilities in respect of the Electricity Supply Pension Scheme should the other ScottishPower group companies become unable to fulfil their obligations in respect of the scheme.

Also, as the successor company to the Mersey and North Wales Electricity Board, the company will remain potentially liable for any breach of duty to provide pension benefits or secure accrued pension benefits for former protected employees in the event of the contracts of employment being transferred from the company to new employers, if their new employers fail to meet their obligations under the Electricity (Protected Persons) (England and Wales) Pension Regulations 1990.

26 FINANCIAL COMMITMENTS

Other contractual commitments

	2014 £m	2013 £m
Provision of asset management services from SPPS	-	77.1

The contract for the provision for asset management services provided by SP Power Systems Limited expired on 31 March 2014. Negotiations concerning the extension of the contract are currently underway.

27 RELATED PARTY TRANSACTIONS

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

	2014			2013		
	UK parent (SPL) £m	Immediate parent (SPENH) £m	Other Iberdrola group companies £m	UK parent (SPL) £m	Immediate parent (SPENH) £m	Other Iberdrola group companies Restated* £m
Types of transaction						
Sales and rendering of services	-	-	91.4	-	-	89.8
Purchases and receipt of services	-	-	(78.8)	-	-	(56.7)
Finance income	-	-	1.0	-	-	0.4
Finance costs	(2.9)	-	(15.4)	(2.9)	-	(11.6)
Purchases of property, plant and equipment	-	-	(230.2)	-	-	(211.1)
Dividends paid	-	(92.0)	-	-	(310.0)	-
Balances outstanding						
Loans receivable	-	-	87.9	-	-	69.2
Trade receivables	-	-	15.4	-	-	18.7
Interest receivable	-	-	0.3	-	-	0.2
Loans payable	(75.0)	-	(495.0)	(75.0)	-	(385.0)
Trade payables	-	-	(47.7)	-	-	(59.5)
Interest payable	(0.5)	-	(4.6)	(0.5)	-	(3.5)

* Comparative figures have been restated (see Note 1).

(i) During the year the company received pensions contributions of £12.5 million (2013 £12.3 million) from fellow subsidiary companies.
(ii) The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

(b) Remuneration of key management personnel

The remuneration of the key management personnel of the company is set out below. As all of the key management personnel are remunerated for their work for the Iberdrola group, it has not been possible to apportion the remuneration specifically in respect of services to this company. Of the seven key management personnel, only one is paid by this company, the others being paid by other Iberdrola group companies.

Type of related party	2014 £000	2013 £000
Short-term employee benefits	1,627	1,512
Post-employment benefits	415	246
Share-based payments	564	219
Total	2,606	1,977

27 RELATED PARTY TRANSACTIONS *continued*

(c) Directors' remuneration

The total emoluments of the directors that provided qualifying services to the company are shown below. As these directors are remunerated for their work for the Iberdrola group, it has not been possible to apportion the emoluments specifically in respect of services to this company. All the directors were paid by other companies within the ScottishPower group.

	2014 £000	2013 £000
Aggregate remuneration in respect of qualifying services	646	633
Number of directors who exercised share options	1	1
Number of directors who received shares under a long-term incentive scheme	2	2
Number of directors accruing retirement benefits under a defined benefit scheme	2	2

Highest paid director	2014 £000	2013 £000
Aggregate remuneration in respect of qualifying services	472	464
Accrued pension benefit	88	85

(i) The highest paid director received shares under a long-term incentive scheme during both years.
(ii) The highest paid director exercised share options during both years.

(d) Ultimate parent company and immediate 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 SPENH.

Copies of the Consolidated Accounts of Iberdrola S.A. may be obtained from Iberdrola S.A., Torre Iberdrola, Plaza Euskadi 5, 48009, Bilbao, Spain. Copies of the Consolidated Accounts of SPENH may be obtained from The Secretary, Scottish Power UK plc, 1 Atlantic Quay, Glasgow, G2 8SP.

28 AUDITORS' REMUNERATION

	2014 £m	2013 £m
Audit of the company's annual accounts and regulatory accounts	0.1	0.1

29 GOING CONCERN

The company's business activities are set out in the Strategic Report on pages 1 to 9.

The company has recorded a profit after tax in both the current year and previous financial year and the company's balance sheet shows that it has net current liabilities of £51.9 million and net assets of £750.0 million at its most recent balance sheet date.

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

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