SP MANWEB PLC
CORPORATE REPORT & REGULATORY ACCOUNTS
for the year ended 31 March 2015

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, 2014/15 performance, strategic objectives and plans.

STRATEGIC OUTLOOK

The principal activity of SP Manweb plc ("the company"), 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 ("SPL") is the United Kingdom ("UK") holding company of the Scottish Power Limited group ("ScottishPower") of which the company is a member.

The company is part of ScottishPower's 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 ("SPD") and SP Transmission plc ("SPT"), are "asset-owner companies" 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 a natural monopoly and is governed by The Office of Gas and Electricity Markets ("Ofgem") via regulatory price controls. The primary objective of the regulation of the electricity networks is the protection of customers interests while ensuring that demand can be met and companies are able to finance their activities. Price controls are the method by which the amount of allowed revenue is set for network companies over the period of the price control. Price control processes are designed to cover the company's efficient costs and allows it to earn a reasonable return, provided it behaves efficiently, delivers value for customers and meets Ofgem targets.

The company faces considerable challenges over the next decade to secure the significant investment required to maintain reliable and secure networks. To ensure that this investment is delivered at a fair price for customers, Ofgem have introduced a new RIIO framework (Revenue = Incentives + Innovation + Outputs). It is a performance based model, lasting eight years, that places 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 and the provision of incentives to reduce network costs for both current and future customers.

During the regulatory year to 31 March 2015 the company operated in accordance with Ofgem Electricity Distribution Price Control Review 5 ("DPCR5"), which applied from 1 April 2010 to 31 March 2015.

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

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

STRATEGIC OUTLOOK ***continued***

Under the first three schemes the company is rewarded or penalised depending upon its performance against pre-specified targets. Ofgem will determine the final position for these incentives; however the company believes it has outperformed and earned financial rewards in DPCR5. For customer satisfaction the incentive is dependent upon the relative performance against other DNOs.

RIIO-ED1 operates from 1 April 2015 to 31 March 2023. The company's Business Plan was submitted in March 2014 and Ofgem published their final determination in November 2014. Overall, the Electricity Distribution Licences ("licences") have received a challenging outcome compared with existing regulatory arrangements, with a reduction in shareholder allowed returns, whilst setting further efficiency challenges from benchmarking, smart metering and reduced allowances for commodities such as copper. On 3 February 2015 Ofgem published the statutory notice to enact the RIIO-ED1 price controls in the licences of the electricity distribution companies with effect from 1 April 2015. Energy Networks has accepted the modifications to the company's and SP Distribution plc's licences. On 3 March 2015, two appeals, the results of which may affect the company, were lodged with the Competitions and Markets Authority ("CMA") by third parties; the outcome of these appeals is unlikely to be known until late autumn 2015.

The main incentives operated by Ofgem in RIIO-ED1 focus on:

- Efficiency;
- Quality of service including:
  - number of interruptions to customer' supplies; and
  - duration of those interruptions;
- Network outputs (e.g. volumes of assets replaced/refurbished, network capacity delivered); and
- Broad measure of customer service.

The key strategies for the company until the end of RIIO-ED1 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.

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 2015	Total £m	Distribution (DUOS) £m	Excluded services £m	Metering £m	De minimus £m
Revenue*	442.0	433.1	-	8.9	-
Procurements*	(17.8)	(17.8)	-	-	-
	424.2	415.3	-	8.9	-
Staff costs*	(1.0)	(1.0)	-	-	-
Outside services*	(95.7)	(82.7)	(10.7)	(1.9)	(0.4)
Other operating income*	22.7	1.4	20.9	-	0.4
	(74.0)	(82.3)	10.2	(1.9)	-
Taxes other than income*	(14.6)	(14.6)	-	-	-
	335.6	318.4	10.2	7.0	-
Depreciation and amortisation charges, allowances and provisions*	(83.5)	(64.3)	(11.1)	(8.1)	-
PROFIT/(LOSS) FROM OPERATIONS*	252.1	254.1	(0.9)	(1.1)	-
Property, plant and equipment asset additions**	269.1	267.5	-	1.6	-

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 30.

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 £252.1 million, an increase of £31.2 million compared to the prior year, and net profit was £165.3 million, an increase of £3.1 million compared to the prior year.

Revenue increased on the prior year primarily as a result of higher base revenues driven by DPCR5 investment and revenue profiling.

Procurements are broadly in line with prior year.

Outside services have risen primarily as a result of increased wayleave costs of £4.8 million, greater DPCR5 related recharges from SPPS and other subcontractors of £3.2 million and increased rechargeable activity costs of £1.6 million.

Other operating income has increased from prior year primarily as a result of increased rechargeable activity income. This fully offsets the increase in rechargeable activity costs in outside services.

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

Depreciation and amortisation charge, allowances and provisions increased primarily as a result of ongoing capital additions being brought into use in the year, increasing the cost base for depreciation and the depreciation charge by £5.6 million, offset by a reduction in the amortisation charge of £0.8 million. In addition, asset write offs and additional provisions increased by £0.7 million compared to the prior year.

Net finance costs reduced slightly in the year primarily due to a reduction in net interest on the retirement benefit obligation. This was offset by an increase in interest owed to Iberdrola group companies as a result of recognising a full years interest on the £110 million loan due to expire in 2023, compared to only three months in the prior year.

The **income tax expense** has increased due to higher profits and the one off beneficial impact in 2013/14 on deferred tax of the change in 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 £229.1 million (2014 £199.6 million) consisting of fixed asset additions of £269.1 million (2014 £230.3 million) less capital contributions received of £40.0 million (2014 £30.7 million). Property, plant and equipment additions in relation to growth of the network amounted to £79.9 million (2014 £52.2 million) less capital contributions of £40.0 million (2014 £30.7 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 £189.2 million (2014 £178.1 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 2015:

Operational assets	Note	Year ended 31 March 2015	Year ended 31 March 2014
Franchise area (km^2)		**12,200**	12,200
System maximum demand (Megawatts ("MW"))	(a)	**3,127**	3,109
Distributed energy (Gigawatt hours ("GWh"))		**15,742**	15,997
Length of overhead lines (circuit km)		**22,055**	22,154
Length of underground cables (circuit km)		**26,548**	26,325

(a) System maximum demand value for the regulatory year to 31 March 2015 has been finalised at 3,127 MW. The value for the regulatory year to 31 March 2014 was finalised after the publication of the 2013/2014 regulatory accounts, at 3,109 MW to take account of the adjacent Network Operators.

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 2014/15 Electricity Distribution Quality of Service Report to be published online at www.ofgem.gov.uk from December 2015.

Operational performance	Notes	Actual Year ended 31 March 2015	Target Year ended 31 March 2015	Actual Year ended 31 March 2014	Target Year ended 31 March 2014
Quality of service					
Customer minutes lost ("CML")	(a)	**36.2**	**59.1**	44.8	59.6
Customer interruptions ("CI")	(b)	**32.9**	**44.9**	40.9	45.1
Average time off supply (minutes)		**110**	**132**	110	132
Electricity supply available		**99.99%**	**99.99%**	99.99%	99.99%
Customer performance					
Broader customer service measure	(c)	**8.4**	**8.5**	8.4	8.3
Energy ombudsman (customer complaints)	(d)	**1**	**-**	1	-

(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 survey, complaints metric and stakeholder engagement. The rating is out of ten. Attached to the measure are financial rewards and penalties related to the 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 2014/15 the supply of energy to customers was disrupted by one major storm event which met Ofgem's 'exceptional event' exclusion criterion; a lightning storm in October 2014. The underlying CML and CI are estimated at 36.2 and 32.9 respectively for the year to 31 March 2015. These values are still to be validated and confirmed by Ofgem in their final direction in relation to the 2014/15 storm event, due to be published in December 2015. During 2013/14 there were four exceptional storm events.

The 'broader customer service measure' combines the results of a detailed customer satisfaction survey, a complaints metric and stakeholder engagement. For the 2014/15 regulatory year, within the customer satisfaction survey element the company was ranked 8th out of 14 DNO's with an overall score of 8.4 out of 10. The penalty for the company's performance is £0.4 million.

OPERATIONAL PERFORMANCE *continued*

During the course of the year £13.9 million was invested to refurbish or rebuild the overhead line network. In addition £14.1 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 minimal number and duration of supply interruptions.

PROJECTS

During the year 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.

Network growth

The company continues to support local authority and private developers' enquiries through the provision of new electrical connections, network alterations and, in conjunction with key stakeholders, connection of new generation plant to the 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 600 MW of renewable generation capacity. In Mid Wales, the connection at Tir Gwynt wind farm is progressing with consents obtained and due for completion in the next calendar year and in North Wales, four wind farm developers have now accepted connection offers.

Distributed generation activity is continuing to expand. In Anglesey, North Wales, a 49 MW connection for Caergeiliog Solar Farm has been accepted and pre-engineering works have commenced with expected completion in 2017 and a 60 MW connection for Rhosgoch Socket has also been accepted with expected completion also in 2017. In Mid Wales, a 90 MW connection for the extension of Llandinam wind farm remains subject to planning consents and the development of the 132 kV and 33 kV site works for the new Seaforth container port (Liverpool2) is also in progress with energisation on target for July 2015. Near Chester, a 10 MW additional load 33 kV connection at the Airbus plant in Broughton was energised in the year.

Major reinforcement projects, to increase network capacity and improve security of supply to customers, have continued in the year. Lostock-Carrington has been completed which included the construction of a new 20 km overhead line circuit to address load issues in the Lostock 132 kV sub group and includes a 60 Mega Volt Amperes ("MVA") for Storengy UK Ltd a subsidiary of GDF SUEZ (a gas storage company). A number of 33 kV projects were completed during the year including Knutsford, Llanfyllin and Taco Plastics. Despite initial issues, including a public enquiry, the Legacy/Oswestry reinforcement works to install a new 132 kV circuit between Legacy and Oswestry is also nearing completion.

Asset modernisation

In addition to investment to extend or reinforce the network, a number of projects to improve asset condition and performance have been completed. These include grid transformer replacements at Holywell, Bromborough, Ellesmere Port and Oswestry.

Replacement of ageing 132 kV circuit breakers at Oswestry and Holywell have been completed and works at Bold and Kirkby are due for completion during 2015.

In the Merseyside area 20 km of 132 kV underground cable has also been replaced which includes the replacement of old oil and gas filled cable with modern plastic insulated cable. There have been twelve 33 kV transformer replacements at several sites as well as eight 33 kV circuit breakers. In terms of wider modernisation of the distribution substations, over 300 poor condition and obsolete ring main units and 100 11 kV circuit breakers were replaced with modern switchgear.

The extensive overhead line ("OHL") network continues to undergo modernisation to improve its condition and resilience to abnormal weather events. Major refurbishment works to 90 km of 132 kV OHL were completed during the year, including the refurbishment of around 200 towers. Refurbishment of over 750 km of 33/11 kV OHL network has been completed within the year. In addition, mainly in Wales and Cheshire, 34 km of 33/11 kV OHL has been rebuilt.

PROJECTS *continued*

Asset modernisation continued

Undergrounding of OHL within Areas of Outstanding Natural Beauty ("AONB") has continued. At Nant Peris (Snowdonia National Park) 3 km of 11 kV OHL and 1 km of 33 kV was replaced this year. In addition, in the AONB at North Stack (Anglesey), 1.5 km of 11 kV was undergrounded.

On the OHL network, the low ground clearance programme has continued, with the removal of over 4,000 clearance defects. This programme will continue throughout the foreseeable future.

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 £101.8 million to £153.1 million for the year principally as a result of the transfer of pensions obligations to Scottish Power UK plc ("SPUK"), as shown on page 23. As detailed in the table below, net debt increased by £203.2 million to £1,031.0 million. The increase in net debt is due to a new £200.0 million loan with SPUK due to mature in 2025 offset by a repayment of £55.0 million on the loan with SPUK due to mature in 2022.

Analysis of net debt	Notes	2015 £m	2014 £m
Loans due from Iberdrola group companies	(a)	**29.9**	87.9
Loans due to Iberdrola group companies	(b)	**(715.0)**	(570.0)
External loans payable	(c)	**(345.9)**	(345.7)
Net debt		**(1,031.0)**	**(827.8)**

(a) Loans due from Iberdrola group companies, as detailed in Note 9 on page 33.
(b) Loans with Iberdrola group companies, as detailed in Note 14 on page 39.
(c) External loans payable comprises external debt, as detailed in Note 14 on page 39.

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

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, should it be necessary, 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 28.

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 and standards 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 strives 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 has 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 2015	Target Year ended 31 March 2015
Total recordable incident rate	(a)	**0.22**	0.26
Lost time accidents		**4**	5
Occupational health monitoring	(b)	**98%**	90%
Audit and inspection programme completion	(c)	**112%**	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.
(b) Occupational health monitoring is a measure of how we meet our planned forecasts for those staff assessed as at risk.
(c) Audit and inspection programme completion is the measurement of the planned internal management system audits and Energy Networks compliance inspections, both against Energy Networks own staff and contracting partners.

During the year there has been a continued focus on employee involvement in health and safety with "Safety Stand-Downs" being held covering specific issues that are topical. The stand-downs provide a forum for raising awareness and 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 UNCERTAINTIES

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.

Further details of ScottishPower's governance structure and risk management are provided in Note 4 of the Annual Report and Accounts of SPL.

PRINCIPAL RISKS AND UNCERTAINTIES ***continued***

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
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.
Adverse findings from the CMA market investigation.	Proactive and positive engagement process with business, legal and regulatory experts and advisors aimed at seeking outcomes that are well founded and positive for competition.
A major health and safety incident in the course of operations could impact staff, contractors, communities or the environment.	ScottishPower's Health and Safety function provides specialist services and support for the businesses in relation to health and safety. A comprehensive framework of health and safety policy and procedures, alongside audit programmes, is established throughout ScottishPower, which aim to ensure not only continuing legal compliance but also drive towards best practice in all levels of its health and safety operations.

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 RIIO-ED1 distribution cash flows until the CMA makes a decision on two appeals in late Autumn 2015.	The final determination for RIIO-ED1 was published in November 2014. Energy Networks has accepted the licence modifications in respect of the company and SP Distribution plc. However two appeals have been lodged with the CMA, which may have an impact on the company. Business, legal and regulatory experts, with advisors, will work to ensure that a well-founded and fair outcome is achieved.
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 2015 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.

PRINCIPAL RISKS AND RISK MANAGEMENT ACTIVITIES *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. 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 2015, 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
24 June 2015

SP MANWEB PLC
DIRECTORS' REPORT

The directors present their report and audited Regulatory Accounts for the year ended 31 March 2015.

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 £165.3 million (2014 £162.2 million). The aggregate dividends paid during the year amounted to £50.0 million (2014 £92.0 million).

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 the ScottishPower group 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.spenergynetworks.co.uk/pages/other_reports.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, grievance, harassment, discrimination, stress, anti-bribery and 'whistleblowing' and have been brought together in the Code of Ethics of Iberdrola and its group of companies (which also outlines expectations for employees' conduct).

Training
ScottishPower has a continuing commitment to training and personal development for its employees with over 15,000 training events (over 191,000 hours) undertaken in the year to 31 December 2014. Much of the training is focused on health and safety and technical training ensuring field staff are safe and competent. In addition, ScottishPower recruits over 100 craft and engineering trainees annually who undertake a concentrated training period as part of their induction and development programme, leading toward a recognised apprenticeship or formal engineering qualification. Team leaders and managers also participate in core management skills training and there are management development programmes and modules aimed at increasing our leadership capability.

Employee feedback and consultation
ScottishPower believes that it is important that all employees have the opportunity to get involved and share their views. During 2014 around 60% of employees took part in the annual employee survey 'The LOOP'[1] and the overall engagement score remained high at 75%. In 2014 the key areas of action included the launch of an online development toolkit to improve the opportunities for employees to develop, a focus on internal communications to keep employees more informed about what is happening in the organisation, and a review of how to best recognise the efforts of employees.

Regular consultation takes place with employees using a variety of means, including monthly team meetings, team managers' conferences, business roadshows, safety committees, employee relations mechanisms and presentations.

Equality and diversity
ScottishPower recognises the importance of difference and respects individuality as part of its ongoing commitment to promoting equality and diversity. ScottishPower also understands that diversity goes beyond legally compliant policies and practices. It also includes a focus on creating an innovative, integrated organisation where people feel valued, inspiring them to perform at their best. During 2014 Employers Network for Equality & Inclusion ("ENEI") were appointed to conduct an external diversity and inclusion audit across ScottishPower and support development of a clear, specific and practical action plan. This action plan will be progressed throughout 2015.

[1] The 'LOOP' Survey is an internal employee relations initiative

EMPLOYEES ***continued***

Employment of disabled persons

In support of the policy on Equality and Diversity on the previous page, ScottishPower expects all employees to be treated with respect and has supporting policy guidance on People with Disabilities and Reasonable Adjustments to help ensure equality of employment opportunity for people with disabilities. The aim of these guidelines is to establish working conditions that encourage the full participation of people with disabilities, which may be achieved through activities such as: making adjustments and/or adaptations to premises; enabling access to the full range of recruitment and career opportunities including the provision of specialist training; and the retention of existing staff who are affected by disability, through rehabilitation, training and reassignment. ScottishPower also works with support organisations, such as Business Disability Forum, which provide support, guidance and sharing of best practice to enable companies to become disability confident.

Employee health and wellbeing

ScottishPower promotes and supports the physical and mental health and wellbeing of its employees through a programme of health promotion and information run by its occupational health department.

Employee volunteering

ScottishPower prides itself in being a good corporate neighbour, providing support to the communities it serves in each of its operating areas. Volunteering is central to community involvement and ScottishPower has an excellent track record in this area. During 2014 ScottishPower introduced a new company-wide Volunteering Policy. This policy gives all registered volunteers, on an annual basis, an opportunity to take an additional one day's paid leave, to be used as a volunteering day.

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 and 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.

ScottishPower 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. This is of particular importance to the business as a developer, owner and operator with longstanding relationships in many of the communities in which it works.

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 facilities 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 2015, ScottishPower paid a total of £21,000 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 £7,000

ScottishPower was represented at all the major UK political party conferences in 2014, and sponsored receptions at the conferences of the above parties. 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	(resigned 24 June 2014)
Professor Sir James McDonald	
Elizabeth Haywood	(appointed 1 January 2015)
Wendy Barnes	(appointed 1 January 2015)

Stephen Stewart was appointed as a director of SP Manweb plc on 30 April 2015.

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 2015.

ON BEHALF OF THE BOARD

Scott Mathieson
Director
24 June 2015

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 operation 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

During the Regulatory year, the company was governed by a Board ("the SP Manweb Board") consisting of two executive directors, bringing a broad range of skills and experience to the company. The SP Manweb Board has also been enhanced, over the course of the year, by the appointment of two independent non-executive directors to complement the existing board. The immediate parent of the company is Scottish Power Energy Networks Holdings Limited ("SPENH"). The SPENH Board of Directors ("the 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.

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

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

SPENH Board

The SPENH Board comprised the Chairman Javier Villalba Sánchez and eight other directors as at 31 March 2015. The directors of SPENH and their classification are shown below.

Javier Villalba Sanchez	Chairman
Frank Mitchell	Chief Executive Officer
Nicola Connelly	Executive director
Antonio Espinosa de los Monteros	Non-independent, non-executive director
José Izaguirre Nazar	Non-independent, non-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
Elizabeth Haywood	Independent non-executive director (appointed 1 January 2015)
Wendy Barnes	Independent non-executive director (appointed 1 January 2015)

Administrative, management and supervisory bodies *continued*

SPENH Board continued

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

Javier Villalba Sanchez	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 six meetings
Dame Denise Holt	Attended one meeting
Professor Sir James McDonald	Attended five meetings
Elizabeth Haywood	Attended two meetings
Wendy Barnes	Attended three meetings

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 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 ScottishPower's internal control, internal audit, compliance and risk management systems; and
- monitoring the statutory audit of the annual and consolidated Accounts of ScottishPower.

The ACC comprises three members, including two independents, as indicated in the table below. The ACC met six 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 (Chairman)	External independent, attended all meetings
Professor Susan Deacon	External independent, attended all meetings
Juan Carlos Rebollo Liceaga	Non-independent, attended all meetings

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 (Chairperson)	External independent
Iñigo 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. Furthermore ScottishPower has a 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 with the Energy Network specific policy also being adopted by the SPENH board. 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 Business Executive Team 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 management team of the company 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 auditors. This committee and the firm of external auditors have safeguards to avoid the possibility that the auditors' objectivity and independence could be compromised.

Where the work to be undertaken is of a nature that is generally considered reasonable to be completed by the external auditors for sound commercial and practical reasons, including confidentiality, the conduct of such work is permissible provided that all necessary internal governance has been met.

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 2015 (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 28.

These Regulatory Accounts have been prepared in accordance with the basis of preparation and accounting policies set out on pages 24 to 28.

This report is made, on terms that have been agreed, solely to the company and the Authority in order to meet the requirements of Standard Condition 44 of the Electricity Distribution Licence ("the Regulatory Licence"). Our audit work has been undertaken so that we might state to the company and the Authority those matters that we have agreed to state to them in our report, in order (a) to assist the company to meet its obligation under the Regulatory Licence to procure such a report and (b) to facilitate the carrying out by the Authority of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Authority, for our audit work, for this report or for the opinions we have formed.

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 28, the state of the company's affairs at 31 March 2015 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.

INDEPENDENT AUDITOR'S REPORT *continued*

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 2014 on which we reported on 30 March 2015, 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
Statutory Auditor
Glasgow
24 **June 2015**

SP MANWEB PLC
BALANCE SHEETS
as at 31 March 2015 and 31 March 2014

	Notes	2015 £m	2014 £m
ASSETS			
NON-CURRENT ASSETS			
Intangible assets		**0.1**	0.1
Other intangible assets	4	0.1	0.1
Property, plant and equipment		**2,508.5**	2,322.7
Property, plant and equipment in use	5	2,321.6	2,172.7
Property, plant and equipment in the course of construction	5	186.9	150.0
Investments	6	**0.1**	0.1
Trade and other receivables	9	**0.1**	-
NON-CURRENT ASSETS		**2,508.8**	2,322.9
CURRENT ASSETS			
Trade and other receivables	9	**100.7**	148.1
CURRENT ASSETS		**100.7**	148.1
TOTAL ASSETS		**2,609.5**	2,471.0
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		**855.1**	750.0
Share capital	10, 11	300.0	300.0
Share premium	11	3.3	3.3
Other reserves	11	6.0	6.0
Retained earnings	11	545.8	440.7
TOTAL EQUITY		**855.1**	750.0
NON-CURRENT LIABILITIES			
Deferred income	12	**365.3**	336.5
Provisions		**-**	188.3
Provisions for retirement benefit obligations	13	-	188.2
Other provisions	17	-	0.1
Bank borrowings and other financial liabilities		**1,039.1**	860.9
Loans and other borrowings	14	1,039.1	860.9
Trade and other payables	15	**12.6**	11.9
Deferred tax liabilities	16	**169.8**	123.4
NON-CURRENT LIABILITIES		**1,586.8**	1,521.0
CURRENT LIABILITIES			
Provisions	17	**0.3**	0.4
Bank borrowings and other financial liabilities		**21.8**	54.8
Loans and other borrowings	14	21.8	54.8
Trade and other payables	15	**122.9**	116.1
Current tax liabilities		**22.6**	28.7
CURRENT LIABILITIES		**167.6**	200.0
TOTAL LIABILITIES		**1,754.4**	1,721.0
TOTAL EQUITY AND LIABILITIES		**2,609.5**	2,471.0

Approved by the Board on 24 June 2015 and signed on its behalf by:

Scott Mathieson
Director

The accompanying notes 1 to 28 are an integral part of the balance sheets as at 31 March 2015 and 31 March 2014.

SP MANWEB PLC
INCOME STATEMENTS
for the years ended 31 March 2015 and 31 March 2014

	Notes	2015 £m	2014 £m
Revenue		442.0	393.9
Procurements		(17.8)	(17.7)
		424.2	376.2
Staff costs	18	(1.0)	(0.9)
Outside services		(95.7)	(82.2)
Other operating income		22.7	20.3
		(74.0)	(62.8)
Taxes other than income tax	19	(14.6)	(14.7)
		335.6	298.7
Depreciation and amortisation charge, allowances and provisions	20	(83.5)	(77.8)
PROFIT FROM OPERATIONS		**252.1**	220.9
Gains on disposal of non-current assets		-	0.1
Dividends received		-	0.1
Finance income	21	0.4	1.0
Finance costs	22	(44.1)	(45.6)
PROFIT BEFORE TAX		**208.4**	176.5
Income tax	23	(43.1)	(14.3)
NET PROFIT FOR THE YEAR		**165.3**	162.2

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 28 are an integral part of the income statements for the years ended 31 March 2015 and 31 March 2014.

SP MANWEB PLC
STATEMENTS OF COMPREHENSIVE INCOME
for the years ended 31 March 2015 and 31 March 2014

	Note	2015 £m	2014 £m
NET PROFIT FOR THE YEAR		**165.3**	162.2
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to the income statement:			
Actuarial (losses)/gains on retirement benefits	11	(13.1)	65.5
Tax relating to actuarial losses/(gains) on retirement benefits	11	2.9	(21.4)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**(10.2)**	44.1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**155.1**	206.3

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 2015 and 31 March 2014

	Ordinary share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
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 1 April 2014	300.0	3.3	6.0	440.7	750.0
Total comprehensive income for the year	-		-	155.1	155.1
Dividends	-	-	-	(50.0)	(50.0)
At 31 March 2015	**300.0**	**3.3**	**6.0**	**545.8**	**855.1**

The accompanying notes 1 to 28 are an integral part of the statements of comprehensive income and statements of changes in equity for the years ended 31 March 2015 and 31 March 2014.

SP MANWEB PLC
CASH FLOW STATEMENTS
for years ended 31 March 2015 and 31 March 2014

	2015 £m	2014 £m
Cash flows from operating activities		
Profit before tax	208.4	176.5
Adjustments for:		
Depreciation and amortisation	82.7	77.9
Change in provisions	0.2	(0.2)
Transfer of assets from customers	(11.2)	(10.7)
Finance income and costs	43.7	44.6
Shareholding income	-	(0.1)
Net gains on disposal/write-off of non-current assets	0.6	0.3
Movement in retirement benefits	(41.5)	(17.0)
Transfer of pension obligation to SPUK	(132.2)	-
Changes in working capital:		
Change in trade and other receivables	(11.2)	0.7
Change in trade and other payables	6.5	(20.1)
Provisions paid	(0.4)	(0.2)
Assets received from customers	39.8	30.6
Income taxes paid	(33.0)	(28.4)
Interest received	0.7	0.9
Dividends received	-	0.1
Net cash flows from operating activities (i)	**153.1**	254.9
Cash flows from investing activities		
Investments in property, plant and equipment	(267.8)	(220.4)
Proceeds from disposal of property, plant and equipment	-	0.2
Net cash flows from investing activities (ii)	**(267.8)**	(220.2)
Cash flows from financing activities		
Increase in amounts due to Iberdrola group companies	145.0	110.0
Dividends paid to company's equity holders	(50.0)	(92.0)
Interest paid	(38.3)	(34.2)
Net cash flows from financing activities (iii)	**56.7**	(16.2)
Net (decrease)/increase in cash and cash equivalents (i)+(ii)+(iii)	**(58.0)**	18.5
Cash and cash equivalents at beginning of year	**87.8**	69.3
Cash and cash equivalents at end of year	**29.8**	87.8

Cash and cash equivalents at end of year comprises:

	2015 £m	2014 £m
Bank overdraft	(0.1)	(0.1)
Receivables due from Iberdrola group companies - loans	29.9	87.9
Cash flow statement cash and cash equivalents	**29.8**	87.8

The accompanying notes 1 to 28 are an integral part of the cash flow statements for the years ended 31 March 2015 and 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 2015. 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 2014 to 31 March 2015. Consequently the Corporate Report & Regulatory Accounts for the year ended 31 March 2015 are separate from the Annual Report and Accounts of the company which have been prepared for the year ended 31 December 2014. The Accounts are prepared in accordance with the Accounting Policies set out in Note 2.

The Accounts contain information about SP Manweb plc as an individual company and do not contain consolidated financial information as the parent of subsidiary companies. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated Accounts as it and its subsidiary undertakings are included by full consolidation in the consolidated Accounts of its ultimate parent, Iberdrola S.A., a company incorporated in Spain.

The company has one operating segment for management reporting purposes.

B ACCOUNTING STANDARDS

In preparing these Accounts, the company has applied all relevant IAS, IFRS and IFRIC Interpretations which have been adopted by the EU as of the date of approval of these Accounts and which are mandatory for the financial year ended 31 March 2015.

For the year ended 31 March 2015, the company has applied the following standards and amendments for the first time:

Standard	Note
• Amendments to IAS 32 'Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities'	(a)
• Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Enitles' and IAS 27 'Separate Financial Statements' - 'Investment Entities'	(a)
• Amendments to IAS 36 'Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets'	(a)
• Amendments to IAS 39 'Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting'	(a)

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

1 BASIS OF PREPARATION *continued*

B ACCOUNTING STANDARDS *continued*

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

	Notes	IASB effective date (for periods commencing on or after)	Planned date of application by the company
• IFRIC 21 'Levies'	(b), (c)	1 January 2014	1 April 2015
• Amendments to IAS 19 'Employee Benefits: Defined Benefit Plans: Employee Contributions'	(b)	1 July 2014	1 April 2015
• Annual Improvements to IFRSs (2010-2012)	(b)	1 July 2014	1 April 2015
• Annual Improvements to IFRSs (2011-2013)	(b)	1 July 2014	1 April 2015
• IFRS 14 'Regulatory Deferral Accounts'	(b), (d)	1 January 2016	1 April 2016
• Amendments to IFRS 11 'Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations'	(b), (d)	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'	(b), (d)	1 January 2016	1 April 2016
• Amendments to IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture' – 'Agriculture: Bearer Plants'	(b), (d)	1 January 2016	1 April 2016
• Annual Improvements to IFRSs (2012-2014)	(b), (d)	1 January 2016	1 April 2016
• Amendments to IAS 27 'Separate Financial Statements: Equity Method in Separate Financial Statements'	(b), (d)	1 January 2016	1 April 2016
• Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - 'Investment Entities: Applying the Consolidated Exception'	(b), (d)	1 January 2016	1 April 2016
• Amendments to IAS 1 'Presentation of Financial Statements: 'Disclosure Initiative'	(b), (d)	1 January 2016	1 April 2016
• IFRS 15 'Revenue from Contracts with Customers'	(d), (e)	1 January 2017	1 April 2017
• IFRS 9 'Financial Instruments'	(d), (e)	1 January 2018	1 April 2018
• Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	(b), (d), (f)	To be decided	To be decided

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

(c) Although the effective date of this interpretation is 1 January 2014, it was not endorsed by the EU until 13 June 2014, therefore it will not be applied by the company until 1 April 2015.

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

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

(f) The effective date of this amendment was for periods commencing on or after 1 January 2016. However, the EU endorsement process for this amendment has been postponed, awaiting a revised exposure draft from the IASB. The effective date will be amended in due course.

(g) The company has chosen not to early adopt any of these standards/amendments for the regulatory year ended 31 March 2015.

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 seven years.

C PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost and is generally depreciated on the straight-line method over the estimated operational lives of the assets. Property, plant and equipment includes capitalised employee and other directly attributable costs. Borrowing costs directly attributable to the acquisition, construction or production of major qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Reviews are undertaken annually of the estimated remaining lives and residual values of property, plant and equipment. Residual values are assessed based on prices prevailing at each balance sheet date.

Land is not depreciated. The main depreciation periods used by the company are as set out below.

	Years
Distribution facilities	40
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.

2 ACCOUNTING POLICIES ***continued***

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.

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.

2 ACCOUNTING POLICIES *continued*

H RETIREMENT BENEFITS

During the year, the company provided pensions through a defined benefit scheme. On the 31 December 2014 the company's pension liability was transferred to SPUK (refer to Note 3(b)). The retirement benefit liability recognised in the prior year balance sheet represented the net surpluses and deficits respectively in the company's defined benefit pension scheme for which the company was the sponsoring employer.

The cost of providing benefits under the defined benefit scheme was 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 were recognised, directly in retained earnings, in the period in which they occurred 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 income statement. Interest on the net defined benefit liability was defined by changes in the net defined benefit liability or asset during the reporting period that arises from the passage of the time and 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 income statement.

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 at the balance sheet date.

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

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

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. The critical accounting judgements and key sources of estimation uncertainty is discussed below and 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 2015, the carrying value of property, plant and equipment amounted to £2,508.5 million (2014 £2,322.7 million).

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *continued*

(b) RETIREMENT BENEFITS

During the year, the company operated a defined benefit scheme for ScottishPower employees which was accounted for in accordance with IAS 19 (Revised) 'Employee Benefits' ("IAS 19") 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. The assumptions adopted are based on prior experience, market conditions and the advice of plan actuaries.

On the 31 December 2014, the Manweb Group of Electricity Supply Pension scheme was transferred to SPUK in order to align the sponsoring employer of the two defined benefit pension schemes within the group. This resulted in the balance sheet liability for retirement benefit obligations being nil (2014 £188.2 million). Sensitivity disclosures relating to the company's retirement benefit obligations are set out in Note 13.

4 INTANGIBLE ASSETS

Year ended 31 March 2014	Note	Computer software £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

Year ended 31 March 2015	Note	Computer software £m
Cost:		
At 1 April 2014 and 31 March 2015	(a)	**4.5**
Amortisation:		
At 1 April 2014 and 31 March 2015		**4.4**
Net book value:		
At 1 April 2014 and 31 March 2015		**0.1**

(a) The cost of fully amortised computer software still in use at 31 March 2015 was £4.2 million (2014 £4.2 million).

5 PROPERTY, PLANT AND EQUIPMENT

(a) Movements in property, plant and equipment

Year ended 31 March 2014	Distribution facilities £m	Meters and measuring devices £m	Other facilities (Note (i)) £m	Other items of property, plant and equipment in use £m	Plant in progress (Note (ii)) £m	Total £m
Cost:						
At 1 April 2013	2,632.4	126.1	6.6	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	127.7	7.1	6.1	150.0	3,183.7
Amortisation:						
At 1 April 2013	711.0	79.9	1.4	0.1	-	792.4
Depreciation for the year	67.1	9.6	0.4	-	-	77.1
Disposals	(8.0)	(0.5)	-	-	-	(8.5)
At 31 March 2014	770.1	89.0	1.8	0.1	-	861.0
Net book value:						
At 31 March 2014	2,122.7	38.7	5.3	6.0	150.0	2,322.7
At 1 April 2013	1,921.4	46.2	5.2	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	38.7	5.3	6.0	-	2,172.7
Property, plant and equipment in the course of construction	-	-	-	-	150.0	150.0
	2,122.7	38.7	5.3	6.0	150.0	2,322.7

Year ended 31 March 2015	Distribution facilities £m	Meters and measuring devices £m	Other facilities (Note (i)) £m	Other items of property, plant and equipment in use £m	Plant in progress (Note (ii)) £m	Total £m
Cost:						
At 1 April 2014	2,892.8	127.7	7.1	6.1	150.0	3,183.7
Additions	0.3	1.6	-	-	267.2	269.1
Transfers from in progress to plant in use	229.7	-	0.4	0.2	(230.3)	-
Disposals	(10.8)	(1.1)	-	-	-	(11.9)
At 31 March 2015	**3,112.0**	**128.2**	**7.5**	**6.3**	**186.9**	**3,440.9**
Amortisation:						
At 1 April 2014	770.1	89.0	1.8	0.1	-	861.0
Depreciation for the year	74.2	8.1	0.4	-	-	82.7
Disposals	(10.4)	(0.9)	-	-	-	(11.3)
At 31 March 2015	**833.9**	**96.2**	**2.2**	**0.1**	**-**	**932.4**
Net book value:						
At 31 March 2015	**2,278.1**	**32.0**	**5.3**	**6.2**	**186.9**	**2,508.5**
At 1 April 2014	2,122.7	38.7	5.3	6.0	150.0	2,322.7
The net book value of property, plant and equipment at 31 March 2015 is analysed as follows:						
Property, plant and equipment in use	2,278.1	32.0	5.3	6.2	-	2,321.6
Property, plant and equipment in the course of construction	-	-	-	-	186.9	186.9
	2,278.1	**32.0**	**5.3**	**6.2**	**186.9**	**2,508.5**

(i) The category "Other facilities" principally comprises land and machinery.
(ii) The category "Plant in progress" principally comprises distribution facilities in the course of construction.
(iii) Additions of £268.8 million (2014 £230.2 million) were purchased internally from asset management entity SPPS, as noted within Note 26.
(iv) The cost of fully depreciated property, plant and equipment still in use at 31 March 2015 was £156.8 million (2014 £148.9 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 (2014 £6.0 million).

5 PROPERTY, PLANT AND EQUIPMENT *continued*

(b) Operating lease arrangements

(i) Operating lease commitments	2015 £m	2014 £m
Between one and five years	**0.1**	0.1

(ii) Operating lease receivables	2015 £m	2014 £m
The future minimum lease payments receivable under non-cancellable operating leases are as follows:		
Within one year	**0.1**	0.1
Between one and five years	**0.2**	0.2
More than five years	**-**	0.1
	0.3	0.4

(c) Capital commitments

	2015 £m	2014 £m
Contracted but not provided	**279.7**	276.2

6 INVESTMENTS

	Subsidiary undertakings shares £000	Other investments £000	Total £000
At 1 April 2013, 1 April 2014 and 31 March 2015	75	26	**101**

Subsidiaries	Country of incorporation	Proportion of shares held %	Activity
Manweb Services Limited	England and Wales	100%	Ancillary services
Manweb Nominees Limited	England and Wales	99%	Dormant company
Manweb Share Scheme Trustees Limited	England and Wales	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.

		2015		2014	
	Notes	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial assets					
Receivables	(a)	**100.5**	**100.5**	146.9	146.9
Financial liabilities					
Loans and other borrowings	(b)	**(1,060.9)**	**(1,230.0)**	(915.7)	(1,016.3)
Payables	(a)	**(70.8)**	**(70.8)**	(67.9)	(67.9)

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 (b).

(a) Balances out with the scope of IFRS7 'Financial Instruments: Disclosure' ("IFRS 7") have been excluded, namely, other tax receivables, payments on account and other tax payables.
(b) 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.

	2015						
Cash outflows	**2016 £m**	**2017 £m**	**2018 £m**	**2019 £m**	**2020 £m**	**2021 and thereafter £m**	**Total £m**
Loans and other borrowings	63.9	136.4	60.6	208.1	54.4	948.1	**1,471.5**
Payables*	44.0	-	-	-	-	12.6	**56.6**
	107.9	136.4	60.6	208.1	54.4	960.7	**1,528.1**

	2014						
Cash outflows	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 and thereafter £m	Total £m
Loans and other borrowings	93.2	58.9	92.1	57.8	165.4	889.3	1,356.7
Payables*	41.9	-	-	-	-	11.9	53.8
	135.1	58.9	92.1	57.8	165.4	901.2	1,410.5

*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	2015 £m	2014 £m
Current receivables:			
Receivables due from Iberdrola group companies - trade		**13.4**	15.4
Receivables due from Iberdrola group companies - loans	(a)	**29.9**	87.9
Receivables due from Iberdrola group companies - interest		**-**	0.3
Trade receivables and accrued income	(b)	**57.1**	43.3
Other tax receivables		**0.3**	1.2
		100.7	148.1
Non-current receivables:			
Receivables due from Iberdrola group companies - trade		**0.1**	-

(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 £0.1 million (2014 £0.2 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 of change in bad debt for the year to 31 March 2015 is nil (2014 £(0.3) million).

(c) At 31 March 2015 trade receivables of £1.6 million (2014 £0.6 million) were past due but not impaired.

Past due but not impaired	2015 £m	2014 £m
Less than 3 months	**0.9**	0.3
Between 3 and 6 months	**0.3**	0.1
Between 6 and 12 months	**-**	0.1
After more than 12 months	**0.4**	0.1
	1.6	0.6

10 SHARE CAPITAL

	2015 £m	2014 £m
Authorised:		
600,000,000 ordinary shares of 50p each (2014 600,000,000)	**300.0**	300.0
Allotted, called up and fully paid shares:		
600,000,000 ordinary shares of 50p each (2014 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	Other reserves (Note (b)) £m	Retained earnings (Note (c)) £m	Total £m
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 gains on retirement benefits	-	-	-	65.5	65.5
Tax on items relating to actuarial gains on retirement benefits	-	-	-	(21.4)	(21.4)
Dividends	-	-	-	(92.0)	(92.0)
At 1 April 2014	300.0	3.3	6.0	440.7	750.0
Profit for the year attributable to equity holders of SP Manweb plc	-	-	-	165.3	165.3
Actuarial losses on retirement benefits	-	-	-	(13.1)	(13.1)
Tax on items relating to actuarial losses on retirement benefits	-	-	-	2.9	2.9
Dividends	-	-	-	(50.0)	(50.0)
At 31 March 2015	**300.0**	**3.3**	**6.0**	**545.8**	**855.1**

(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 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

Year ended 31 March 2015	At 1 April 2014 £m	Receivable during year £m	Released to income statement £m	**At 31 March 2015 £m**
Transfer of assets from customers	336.5	40.0	(11.2)	**365.3**

13 RETIREMENT BENEFIT OBLIGATIONS

(a) Analysis of balance

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

	2015 £m	2014 £m
Non-current liabilities	-	188.2

(b) Pension arrangements

On the 31 December 2014, the Manweb Group of Electricity Supply Pension scheme was transferred to SPUK in order to align the sponsoring employers of the two defined benefit pension schemes within the ScottishPower group.

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

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
Current actual group contributions	30.1% of salary
Special contributions during the year ended 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, until 31 December 2014, the company operated 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 sponsoring entity. The most recent actuarial valuation was as at the effective date of 31 March 2012.

13 RETIREMENT BENEFIT OBLIGATIONS ***continued***

(b) Pension arrangements ***continued***

Pension scheme governance ***continued***

In accordance with UK trust and pensions law, the defined benefit pension scheme is governed by a board of trustees. Although the sponsoring entity 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.

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 sponsoring entity, the Trustees have set out a target investment strategy for the scheme of 55% matching and 45% 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 sponsoring entity 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 55% 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 sponsoring entity.

Mortality risk: the assumptions adopted by the sponsoring entity 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 sponsoring entity 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 55% 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 55% 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.

13 RETIREMENT BENEFIT OBLIGATIONS *continued*

(b) Pension arrangements *continued*

Risk management *continued*

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.

	2015	2014
Equities	20%	25%
Infrastructure	5%	5%
Liability driven investment	55%	50%
Diversified growth fund	20%	20%
Total	**100%**	100%

As at 31 March 2015 the scheme held no ScottishPower or Iberdrola shares (2014 none).

(c) Pension analysis

A formal actuarial valuation was carried out on this scheme as described earlier and updated to 31 March 2015 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

	2015 £m	2014 £m
Present value of funded obligations	-	(1,216.6)
Fair value of scheme assets	-	1,028.4
Net liability of funded plans	**-**	(188.2)
Amounts in the balance sheet:		
Non-current liabilities	-	(188.2)
Net liability	**-**	(188.2)

(ii) The amounts recognised are as follows:

	2015 £m	2014 £m
Current service cost*	**9.0**	14.4
Past service cost*	**(9.8)**	15.2
Administration costs*	**0.6**	0.9
Net interest cost on defined benefit obligation/scheme assets	**5.5**	9.9
Total income statement charge	**5.3**	40.4
Actual return on scheme assets	**67.1**	44.8
Net actuarial (losses)/gains recognised in the Consolidated Statement of Comprehensive Income	**(13.1)**	65.5

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

13 RETIREMENT BENEFIT OBLIGATIONS *continued*

(c) Pension analysis *continued*

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

	2015 £m	2014 £m
Defined benefit obligation at beginning of year	**(1,216.6)**	(1,239.9)
Current service cost	**(9.0)**	(14.4)
Interest on obligation	**(38.8)**	(51.1)
Scheme members' contributions	**(1.8)**	(2.4)
Past service costs	**9.8**	(15.2)
Actuarial gains/(losses):		
Actuarial losses arising from changes in demographic assumptions	**(10.6)**	(9.3)
Actuarial (losses)/gains arising from changes in financial assumptions	**(56.0)**	87.2
Actuarial gains/(losses) arising from changes of the scheme experience different to that assumed	**19.7**	(16.0)
Benefits paid	**37.6**	44.5
Transfer to SPUK	**1,265.7**	-
Defined benefit obligation at end of year	**-**	(1,216.6)

The defined benefit obligations as at 31 March 2015 were 35% in respect of active scheme participants, 8% in respect of deferred scheme participants and 57% in respect of retirees. The weighted average duration of the defined benefit obligation as at 31 March 2015 is 18 years.

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

	2015 £m	2014 £m
Fair value of scheme assets at beginning of year	**1,028.4**	979.1
Interest income on scheme assets	**33.3**	41.2
Return on assets in excess of interest income	**33.8**	3.6
Employer contributions	**41.3**	47.5
Scheme members' contributions	**1.8**	2.4
Administration costs	**(0.6)**	(0.9)
Benefits paid	**(37.6)**	(44.5)
Transfer to SPUK	**(1,100.4)**	-
Fair value of scheme assets at end of year	**-**	1,028.4

(d) Actuarial assumptions

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

	At 31 December 2014	At 31 March 2014
Rate of increase in salaries	**3.7% p.a.**	3.9% p.a.
Rate of increase in deferred pensions	**3.2% p.a.**	3.4% p.a.
Rate of increase in pensions payment	**3.1% p.a.**	3.3% p.a.
Discount rate	**3.85% p.a.**	4.3% p.a.
Inflation assumption	**3.2% p.a.**	3.4% p.a.

13 RETIREMENT BENEFIT OBLIGATIONS ***continued***

(d) Actuarial assumptions ***continued***

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

Member age 63 (current life expectancy)	At 31 December 2014	At 31 March 2014
Male	**25.7**	25.2
Female	**27.0**	26.9
Member age 45 (life expectancy at age 63)		
Male	**27.3**	26.8
Female	**28.6**	28.5

(iii) 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.

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

No sensitivity has been provided for 31 March 2015 as no liability exists following the transfer of the Manweb Group of Electricity Supply Pension Scheme to SPUK.

(iv) Allowance for cash commutation

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

(v) The following table provides information on the composition and fair value of plan assets of the pension scheme as at 31 March 2014.

	2014			
	Quoted in an active market £m	Other £m	Total £m	Plan asset allocation %
Equities	282.1	-	282.1	27.4%
Infrastructure	-	48.4	48.4	4.7%
Liability driven investment	440.9	70.5	511.4	49.8%
Cash	1.5	-	1.5	0.1%
Diversified growth fund	185.0	-	185.0	18.0%
Fair value of scheme assets			1,028.4	

No details have been provided for 31 March 2015 as no liability exists following the transfer of the Manweb Group of Electricity Supply Pension Scheme to SPUK.

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	2015 £m	2014 £m
Bank overdraft	(i)	Base + 1%	On demand	**0.1**	0.1
Intercompany loan with SPL		3.858%	29 January 2019	**75.0**	75.0
Intercompany loan with SPUK	(ii),(iii)	3.416%	21 December 2022	**220.0**	275.0
Intercompany loan with SPUK	(ii),(iv)	3.570%	20 December 2023	**110.0**	110.0
Intercompany loan with SPUK	(ii),(v)	2.821%	31 March 2025	**200.0**	-
£350m euro-sterling bond	(vi),(vii)	4.875%	20 September 2027	**345.8**	345.6
Intercompany loan with SPUK	(i),(ii)	LIBOR+3.365%	28 January 2029	**110.0**	110.0
				1,060.9	915.7

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

Analysis of total loans and other borrowings	2015 £m	2014 £m
Current	**21.8**	54.8
Non-current	**1,039.1**	860.9
	1,060.9	915.7

(i) A 1% increase in LIBOR rate and Base rate would result in £1.1 million increase in the full year interest charge.

(ii) 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.

(iii) The intercompany loan with SPUK that is repayable in December 2022, is repayable in equal instalments every two years. The repayment of £55.0 million that was due in 2014 was classified as current in the 2014 analysis above.

(iv) The intercompany loan with SPUK that is repayable in December 2023, is repayable in equal instalments every two years. The repayment of £22.0 million that is due in 2015 has been classified as current in the 2015 analysis above.

(v) The intercompany loan with SPUK that is repayable in March 2025 is repayable in equal instalments every two years.

(vi) 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).

(vii) 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 (2014 £0.3 million) being classified as current in the analysis above.

(b) Borrowing facilities

The company has no undrawn committed borrowing facilities at 31 March 2015 (2014 £nil).

15 TRADE AND OTHER PAYABLES

	Note	2015 £m	2014 £m
Current trade and other payables:			
Payables due to Iberdrola group companies- trade		**37.6**	35.8
Payables due to Iberdrola group companies- interest		**5.2**	5.1
Other taxes and social security		**13.3**	11.9
Payments received on account		**51.4**	48.2
Other payables		**15.4**	15.1
		122.9	116.1
Non-current other payables:			
Payables due to Iberdrola group companies- trade	(a)	**12.6**	11.9

(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 2015, the company held cash collateral of £14.4 million (2014 £12.4 million).

16 DEFERRED TAX

Deferred tax provided in the Accounts is as follows:

	Property, plant and equipment £m	Retirement benefit obligations £m	Total £m
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
At 1 April 2014	161.2	(37.8)	123.4
Charge to income statement	8.6	7.6	16.2
Recorded in the statement of comprehensive income	-	(2.9)	(2.9)
Transfer of pension obligation to SPUK	-	33.1	33.1
At 31 March 2015	**169.8**	**-**	**169.8**

Finance Act 2013 contained legislation that reduced the rate of UK Corporation Tax from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015. These changes reduced the tax rates expected to apply when temporary differences reverse.

17 OTHER PROVISIONS

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

Year ended 31 March 2015	Note	At 1 April 2014 £m	New provisions £m	Utilised during year £m	**At 31 March 2015 £m**
Environmental costs	(a)	0.5	0.2	(0.4)	**0.3**

Analysis of total provisions	**2015 £m**	2014 £m
Non-current	-	0.1
Current	**0.3**	0.4
	0.3	0.5

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

18 EMPLOYEE INFORMATION

(a) Staff costs

	Note	2015 £000s	2014 £000s
Wages and salaries		**755**	668
Social security costs		**73**	64
Pension and other costs		**187**	164
Total staff costs	(i)	**1,015**	896

(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 26.

(b) Employee numbers

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

	Year end 2015	Average 2015	Year end 2014	Average 2014
Administrative staff	**13**	**13**	13	10

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

	2015 £m	2014 £m
Property taxes	**14.6**	14.7

20 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

	2015 £m	2014 £m
Property, plant and equipment depreciation charge	**82.7**	77.1
Intangible asset amortisation	**-**	0.8
Charges and provisions, allowances and impairment of assets	**0.8**	(0.1)
	83.5	77.8

21 FINANCE INCOME

	2015 £m	2014 £m
Interest receivable from Iberdrola group companies	**0.4**	1.0

22 FINANCE COSTS

	2015 £m	2014 £m
Interest on amounts due to Iberdrola group companies	**21.2**	18.3
Interest on other borrowings	**17.4**	17.4
Net interest on retirement benefit obligations	**5.5**	9.9
	44.1	45.6

23 INCOME TAX

	2015 £m	2014 £m
Current tax:		
UK Corporation tax	**29.9**	31.3
Adjustments in respect of prior years	**(3.0)**	(2.1)
Current tax for the year	**26.9**	29.2
Deferred tax:		
Origination and reversal of temporary differences	**14.4**	9.0
Adjustments in respect of prior years	**2.7**	1.9
Impact of tax rate change	**(0.9)**	(25.8)
Deferred tax for the year	**16.2**	(14.9)
Income tax charge for the year	**43.1**	14.3

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

	2015 £m	2014 £m
Corporation tax at 21% (2014 23%)	**43.8**	40.6
Adjustments in respect of prior periods	**(0.3)**	(0.2)
Impact of changes of rate for headline corporation tax rate	**0.1**	(0.4)
Impact of tax rate change	**(0.9)**	(25.8)
Other permanent difference	**0.4**	0.1
Income tax charge for the year	**43.1**	14.3

The rate of UK Corporation Tax reduced from 23% to 21% on 1 April 2014 and from 24% to 23% on 1 April 2013. The 2013 Finance Act included legislation which reduced the rate of UK Corporation Tax to 20% on 1 April 2015. These changes reduce the tax rate expected to apply when temporary differences reverse and impact the deferred tax charge.

24 DIVIDENDS

	2015 pence per ordinary share	2014 pence per ordinary share	2015 £m	2014 £m
Interim dividend paid	**8.3**	15.3	**50.0**	92.0

25 FINANCIAL COMMITMENTS

Other contractual commitments

	2015 £m	2014 £m
Provision of asset management services from SPPS	**72.0**	-

The contract in place for the provision for asset management services provided by SPPS expires on 31 March 2016. In the prior year, negotiations regarding the extension of the contract were underway as at the signing date of the Regulatory Accounts.

26 RELATED PARTY TRANSACTIONS

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

	2015			2014		
	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 £m
Types of transaction						
Sales and rendering of services	-	-	**97.8**	-	-	91.4
Purchases and receipt of services	-	-	**(86.4)**	-	-	(78.8)
Purchases of property, plant and equipment	-	-	**(268.8)**	-	-	(230.2)
Interest income	-	-	**0.4**	-	-	1.0
Interest costs	**(2.9)**	-	**(18.3)**	(2.9)	-	(15.4)
Transfer of pension scheme liability	-	-	**165.3**	-	-	-
Dividends paid	-	**(50.0)**	-	-	(92.0)	-
Balances outstanding						
Loans receivable	-	-	**29.9**	-	-	87.9
Trade and other receivables	-	-	**13.4**	-	-	15.4
Interest receivable	-	-	-	-	-	0.3
Loans payable	**(75.0)**	-	**(640.0)**	(75.0)	-	(495.0)
Trade and other payables	-	-	**(50.2)**	-	-	(47.7)
Interest payable	**(0.5)**	-	**(4.7)**	(0.5)	-	(4.6)

(i) During the year the company received pension contributions of £12.0 million (2014 £12.5 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. All of the key management personnel are paid by other companies within the ScottishPower group.

	2015 £000	2014 £000
Short-term employee benefits	**1,675**	1,627
Post-employment benefits	**415**	415
Termination benefits	**214**	-
Share-based payments	**781**	564
	3,085	2,606

(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 are paid by another company within the ScottishPower group.

Executive directors	2015 £000	2014 £000
Aggregate remuneration in respect of qualifying services	**751**	646
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

26 RELATED PARTY TRANSACTIONS *continued*

Highest paid director	2015 £000	2014 £000
Aggregate remuneration	518	472
Accrued pension benefits	89	88

(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. (incorporated in Spain) 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.

27 AUDITOR'S REMUNERATION

	2015 £m	2014 £m
Audit of the company's Annual Accounts and Regulatory Accounts	0.1	0.1

28 GOING CONCERN
The company's business activities, together with the factors likely to affect its future development and position, 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 £66.9 million and net assets of £855.1 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.