

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)
CORPORATE REPORT & REGULATORY ACCOUNTS
for the year ended 31 March 2014

Registered No. SC189126

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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 TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED) STRATEGIC REPORT

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

On 31 October 2013 the company registered as a public company and consequently changed its name from SP Transmission Limited to SP Transmission plc.

STRATEGIC OUTLOOK

The principal activity of SP Transmission plc ("the company"), registered company number SC189126, is the ownership of the electricity transmission network within the Central and Southern Scotland area. In accordance with the British Electricity Trading and Transmission Arrangements ("BETTA"), National Grid operates the Great Britain ("GB") transmission system, including balancing of generation and demand in Scotland. The company retains network ownership and all associated responsibilities including development of the network. The company will continue with this activity for the foreseeable future.

The ultimate parent of the company is Iberdrola S.A. ("Iberdrola") which is listed on the Madrid stock exchange and the immediate parent of the company is Scottish Power Energy Networks Holdings Limited ("SPENH"). Scottish Power Limited and its subsidiaries ("ScottishPower"), the United Kingdom ("UK") operations of Iberdrola, operate on divisional lines and the activities of the company fall within the 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 Manweb plc ("SPM"), are the "asset-owner companies" within Energy Networks holding the regulated assets and Electricity Distribution and Transmission licences of ScottishPower and are regulated monopolies. They own and operate the network of cables and power lines transporting electricity to around 3.5 million connected customers in the South of Scotland, Cheshire, Merseyside, North Shropshire and North Wales. In addition, a further unregulated business, SP Power Systems Limited ("SPPS"), provides asset management expertise and conducts the day-to-day operation of the networks.

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

The company is a transmission network owner. The electricity transmission network consists of the high-voltage electricity wires that convey electricity from power stations to distribution system entry points or, in certain cases, direct to end-users' premises via a national network of high-voltage grids.

The company is governed by The Office of Gas and Electricity Markets ("Ofgem") via regulatory price controls. The primary objective of regulation of the electricity industry is the promotion of competition, while ensuring that demand can be met and companies are able to finance their activities. However, it is recognised that the development of competitive markets is not appropriate in the transmission of electricity. Regulatory controls are therefore deemed necessary to protect customers and the electricity transmission business is subject to price controls which restrict the average amount, or total amount, charged for a bundle of services. Ofgem undertakes periodic price reviews and sets price caps.

Transmission licence holders are required, amongst other duties, to develop and maintain an efficient, co-ordinated and economical system of electricity transmission and to offer the GB system operator terms for connection to, and use of, its transmission system on a non-discriminatory basis, in order to ensure competition in the supply and generation of electricity. The company is licensed to transmit electricity within its service area. Charges for transmission are made to the GB system operator.

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

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)

STRATEGIC REPORT *continued*

STRATEGIC OUTLOOK *continued*

The RPI-X framework has been replaced by the new RIIO framework (Revenue = Incentives + Innovation + Outputs). RIIO is similar to RPI-X, but there are several important changes. These changes are to be applied over the next price reviews which will introduce regulatory periods of eight years (with a limited revision after four years), using a market index for setting the debt cost, and the introduction for electricity of an asset depreciation period of 45 years, replacing the 20 year period used under RPI-X. Under the RIIO framework, there is 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. The process for setting the controls is designed to conclude the negotiation in advance for companies who submit business plans that are acceptable to Ofgem.

The company's RPI-X price control ended on 31 March 2013. The company was fast-tracked in the RIIO process and the new RIIO-T1 price control, which became effective from 1 April 2013, will operate until 31 March 2021.

The key strategies for the company until the end of the current transmission price review period and beyond are:

- 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;
- achieve investor objectives on sustainable returns on investment; and
- facilitate the UK's transition to a low carbon economy by connecting renewable generation and increasing transmission capacity.

OPERATIONAL PERFORMANCE

The table below provides key financial information relating to the company's performance during the year.

Financial key performance indicators	Notes	Year ended	Year ended
		31 March 2014	31 March 2013
Revenue	(a)	286.3	246.7
Profit from operations	(a)	215.9	168.4
Profit before tax	(a)	195.2	150.8
Net assets	(b)	641.1	646.2
Net capital investment	(c)	281.5	250.5
Cash inflow from operating activities	(d)	275.1	141.1
Purchase of tangible fixed assets (cash flow)	(d)	287.1	162.3
Net debt	(e)	(731.8)	(529.9)

(a) Revenue, Profit from operations and Profit before tax are presented on page 21.

(b) Net assets are presented in the balance sheet on page 20.

(c) Net capital investment is discussed on page 3.

(d) Cash inflow from operating activities and Purchase of tangible fixed assets are presented in the cash flow statement on page 23.

(e) Net debt is further analysed on page 6.

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's profit from operations was £215.9 million, an increase of £47.5 million compared to the prior year, and profit before tax was £195.2 million, an increase of £44.4 million compared to the prior year.

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)
STRATEGIC REPORT *continued*

OPERATIONAL PERFORMANCE *continued*

Revenue increased as a result of higher base revenues.

Outside services have increased primarily as a result of a revised methodology for allocating indirect costs which became effective from 1 January 2013, thus recognising a twelve month's impact of £6.0 million in the current year compared to three months impact in the prior year of £1.4 million.

Taxes other than income tax have decreased as a result of a rates refund in 2013, following a resolution of a negotiation with the Scottish Assessors Association on historical property taxes.

Depreciation and amortisation charge, allowances and provisions has increased mainly as a result of ongoing capital additions being brought into use in the year, increasing the cost base for depreciation.

Net finance costs were higher due to the company entering into a new loan agreement in the year of £220.0 million, as discussed on page 6.

The **income tax expense** was in line with the prior year.

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 £281.5 million (2013 £250.5 million) consisting of fixed asset additions of £291.4 million (2013 £254.5 million) less capital contributions received of £9.9 million (2013 £4.0 million). Property, plant and equipment additions in relation to growth of the network amounted to £187.9 million (2013 £162.4 million) less capital contributions of £9.9 million (2013 £4.0 million). This investment delivers new connections to the transmission 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 £103.5 million (2013 £92.1 million). The scale of investment is consistent with the eight-year price review period allowed capital expenditure programme.

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

	Year ended 31 March 2014	Year ended 31 March 2013
Operational assets		
Franchise area (km ²)	22,950	22,950
System maximum demand (GW)	3.6	3.8
Length of overhead lines (circuit km)	3,703	3,711
Length of underground cables (circuit km)	350	320

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)

STRATEGIC REPORT *continued*

OPERATIONAL PERFORMANCE *continued*

Operational performance	Notes	Year ended	
		31 March 2014	31 March 2013
Annual system availability	(a)	94.15%	95.72%
Winter peak system availability	(b)	96.85%	98.19%
Annual reliability of supply	(c)	99.99%	99.99%
Annual number of loss of supply incidents	(d)	17	11
1. Incentivised incidents	(e), (f)	7	n/a
2. Non Incentivised incidents	(e)	10	n/a

- (a) Annual system availability details the overall availability of the licensee's transmission circuits, with any reduction below 100% being due to planned outages and faults. The reduction in system availability year on year is due to an increase in outages as a result of planned work to facilitate investment.
- (b) Winter peak system availability is the average system availability over the three months of December, January and February. The reduction in winter peak system availability is due to an increase in outages as a result of planned work to facilitate investment.
- (c) Annual reliability of supply is calculated by deducting the total estimated unsupplied energy from all loss of supply incidents (i.e. faults that cause a loss of supply) from the total energy that would have been supplied by the transmission systems and dividing by the latter.
- (d) Any event on the licensee's transmission system that causes electricity not to be supplied.
- (e) Note that a new incentive mechanism was introduced in 2013/14 to report Energy Not Supplied, and Incidents associated with that. The definition of 'Incentivised Incidents' and 'non-incentivised Incidents' are inconsistent with historical reporting, therefore no comparison with 2013 reported figures will be made. Incentivised Incidents are incidents where the loss of supply is longer than 3 minutes, and Non-Incentivised Incidents are equal to or less than 3 minutes.
- (f) One Incentivised incident is the subject of a Severe Weather Exceptional Event claim. The Exceptional Event claim requires to be validated and confirmed by Ofgem in their final direction in relation to the 2013/14 storm events, due to be published in December 2014.

Although these metrics give a view on asset network performance, it must be pointed out that performance can be impacted by factors that are outwith the control of the transmission licensee for example, faults due to bad weather.

PROJECTS

The company in accordance with its long-term plan agreed with stakeholders, continues to undertake a number of major projects that will enhance the capability and capacity of the transmission network. This includes key projects to facilitate the delivery of the Government's target for renewable generation in Scotland.

Major projects

In February 2012 National Grid and the company announced the award of a £1 billion contract to build the first ever sub-sea electricity link between Scotland and England/Wales. The link will be the longest high capacity High Voltage Direct Current ("HVDC") cable in the world and will increase the capacity of electricity flowing between Scotland and England/Wales by more than 2GW. During 2013/14, the project has continued on the detailed engineering design for the HVDC convertor stations, commencing civil works at these terminal locations, the undersea route and production of power cable and major electrical equipment. The project remains on course for full commercial operation in 2016, subject to planning approvals and landowner consents.

The major design and engineering works undertaken on strategic reinforcement projects during 2013/14 underpins an ambitious investment plan which will increase export capacity of electricity flowing from Scotland to England from its current level of approximately 3.15GW to close to 7GW by 2021. The under-sea link is one of several key projects designed to transport more power from Scotland to England and complements existing reinforcement projects like the construction of a new 400kV double-circuit overhead link between Beauly (near Inverness) and Denny (near Falkirk). This circuit is necessary to increase power transfers to Central Scotland, arising from new renewable generation in the North of Scotland.

In December 2009, the Scottish Government granted Section 37 ("S37") consent for the Beauly-Denny 400kV overhead line, subject to appropriate visual mitigation measures. Since then extensive liaison has taken place with the local communities to develop visual mitigation measures in an attempt to fully comply with planning conditions attached to the S37 consent. This took considerable time and a submission was made to the Scottish Government in August 2011. In December 2011 formal notice of consent for the Beauly-Denny project was provided to the company by Scottish Ministers. A full tender and contract award assessment process was largely completed during 2012 and work is well underway on all of the major contracts. The Denny North 275kV substation is expected to be energised in late 2014. The new circuits to Scottish Hydro Electric Transmission Limited will be completed by the end of 2015 with all remaining works, including the Stirling Visual Impact Mitigation scheme, completed by the end of 2016.

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED) STRATEGIC REPORT *continued*

PROJECTS *continued*

Major projects continued

The company has been making good progress with a project to increase reactive compensation in Central Scotland to secure the network for increased power flows. The installation and commissioning of a shunt compensation plant at Windyhill and Elvanfoot was completed during winter 2012/13. This enabled an increase in power export capacity to 3.15GW on the Scotland-England interconnector. The remaining works at Moffat and Longannet remain on schedule for completion during 2014 which will realise the full increase in transfer capacity from 2.8GW (prior to this project) to 3.3GW.

During 2013/14, significant progress has been made on pre-engineering works for a further two strategic reinforcement projects. Both projects are designed to strengthen the power links between the West and East of Scotland and significantly increase the transport of electricity from Scotland to England. Once operational they will take the power export capability from Scotland to England up to 4.4GW.

The East-West Upgrade project construction continues with substation works progressing at Strathaven, Wishaw, Kaimes and Smeaton. Overhead line re-insulation works from Wishaw to Strathaven is on course for completion during 2014/15. The works to re-insulate the next phase, Wishaw to Kaimes, is scheduled for completion in 2016.

The complementary project to East-West upgrade will be the first to use a series of compensation on overhead lines in the UK. The principal contract was awarded in summer 2013. Site works at all three locations - Eccles, Moffat and Gretna – remain on schedule to enable completion during 2015/16. A fifth shunt compensation plant will also be installed and commissioned at Cockenzie within the same timeframe. The company continues to work closely with stakeholders to connect wind farms in accordance with proposals set out in its Business Plan for RIIO-T1. It exceeded the original connection target for the previous Transmission Price Control ("TPCR4") and the rollover year, delivering the infrastructure to connect 1,890MW cumulative of renewable generation. The RIIO-T1 plan will increase the renewable generation portfolio by a further 2,500MW by 2020/21 in its franchise area.

In 2013/14 activity has continued to focus on development and construction works for the connection of numerous wind farm generation projects and associated network reinforcement requirements. A further large wind farm, Harestanes (164MW of new capacity), was connected to the Transmission System in September 2013. This wind farm, coupled with Fallago, brings the cumulative output delivered in the first year of RIIO-T1 to 344MW (14% of total target).

Development and construction works continue on new wind farm capacity, including more than nine projects in South-West Scotland, totalling over 800MW. The initial works comprising the extension of the existing 275kV network from Coylton to New Cumnock is on course for completion by the end of 2015. The next phases of the work are scheduled for completion by 2016/17. There continues to be significant interest in further renewable connections in this area.

Network reinforcement and modernisation

Whilst there has been significant construction activity associated with new renewable generation activity, a substantial amount of reinforcement works were undertaken to improve security of supply to existing customers. An increase in underlying electricity demand in and around the West of Glasgow has necessitated the establishment of a new Grid Supply Point ("GSP") near Glasgow city centre. Construction work continues and is on schedule for completion during 2014.

Reinforcement and refurbishment work

There is a forecast increase in electricity demand in the East of Glasgow due to the 2014 Commonwealth Games. As a result, reinforcement works are taking place around Dalmarnock GSP to increase capacity and improve security of supply as this area of Glasgow is undergoing extensive redevelopment. The Dalmarnock 132kV GSP was commissioned during summer 2012 and the associated transmission network reconfiguration works were completed during 2013/14 as planned. Significant progress was also made on the Glasgow City (Finnieston) project in 2013/14, involving new 132kV underground cables and a major new substation providing 90 Mega Volt Amperes ("MVA") of additional capacity into the centre of the city. This will further enhance security of supply and provide new capacity to support economic development.

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)

STRATEGIC REPORT *continued*

PROJECTS *continued*

Reinforcement and refurbishment work continued

The modernisation of the existing network continued with a range of projects across the main asset groups: switchgear, transformers, overhead lines and underground cables. In accordance with a key strategy agreed as part of TPCR4, the company is nearing completion of a programme to remove all poor condition and performance gas compression cables from service and replace them with modern polymer insulated cables. The final 132kV underground cable circuit in Glasgow was replaced during 2012/13 as part of the Glasgow East Reinforcement project in accordance with the plan agreed with Glasgow City Council in preparation for the Commonwealth Games.

During the year a number of modernisation projects were undertaken to address substation assets that were at or approaching the end of their useful life. The works to modernise the grid supply point at Dewar Place and improve the reliability of supply to customers in Edinburgh is substantively complete. The replacement of transformers at Ayr, Bainsford, Paisley and Drumchapel were completed during 2013/14. There is significant asset replacement activity at Cockenzie, Devol Moor, Killermont, and Bonnybridge with substantive completion expected during 2014. In addition, major engineering works associated with the replacement of end of life switchgear and transformers will commence at several sites including the Chapelcross, Dalmally, Sighthill and Windyhill substations. These works will contribute to the delivery of key asset health outputs to improve the quality and reliability of electricity supplies to customers.

In accordance with the company's asset strategy, asset replacement and refurbishment work was undertaken to improve the asset health of a number of 400kV, 275kV and 132kV overhead line routes. A major refurbishment, involving full reconductoring, of the Kilmarnock South to Strathaven and Drumchapel to Windyhill routes were completed in 2013/14. On three suburban routes 132kV overhead lines are being undergrounded as it is not feasible to modernise them due to proximity to domestic premises. One of these circuits was completed in 2013 and the remaining two are scheduled for completion during 2014/15. In addition, construction works are ongoing to modernise the Windyhill to Sloy 132kV route and the Neilston to Strathaven and Kaimes to Cockenzie routes in 2014.

The major refurbishment works are supported by a programme of minor works to maintain the reliability, performance and economic life of other overhead lines on the network. This approach ensures that the network assets are modernised in an efficient manner without compromising long-term customer service.

LIQUIDITY AND CASH MANAGEMENT

Cash and net debt

As detailed in the table below, net debt increased by £201.9 million to £731.8 million. This was primarily as a result of the company entering into a new ten-year fixed rate loan agreement with Scottish Power UK plc ("SPUK") for £220.0 million.

		2014	2013
		£m	£m
Analysis of net debt			
Receivables due from Iberdrola group companies - loans	(a)	33.2	15.1
Loans payable to Iberdrola group companies	(b)	(765.0)	(545.0)
		(731.8)	(529.9)

(a) Loans due from Iberdrola group companies, refer to Note 8 on page 31.
(b) Loans due to Iberdrola group companies, refer to Note 13 on page 33.

Capital and debt structure

The company is funded by a combination of debt and equity in accordance with the directors' objectives of establishing an appropriately funded business consistent with the requirements of the Utilities Act 2000 and the objectives of the Iberdrola group. All the equity is held by the company's immediate parent undertaking, SPENH. Treasury services are provided by Scottish Power Limited ("SPL"). ScottishPower has a risk policy within treasury and financing which is designed to ensure that the company's exposure to variability of cash flows and asset values due to fluctuations in market interest rates and exchange rates are minimised and managed at acceptable risk levels. Further details of the treasury and interest policy for the ScottishPower group and how it manages them is included in the most recent Annual Report and Accounts of SPL.

As part of the exercise to achieve legal separation of SPUK's businesses 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.

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED) STRATEGIC REPORT *continued*

LIQUIDITY AND CASH MANAGEMENT *continued*

Liquidity and maintenance of investment grade credit rating

The directors confirm that the company remains a going concern on the basis of its future cash flow forecasts and that it has sufficient working capital for present requirements. It is anticipated that the company will continue to have a level of liquidity at least sufficient to maintain an investment grade credit rating. The directors consider that sufficient funding will be made available to the company to continue operations and to meet liabilities as they fall due. Further details of the going concern considerations made by the directors of the company are set out in Note 30.

HEALTH AND SAFETY

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

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

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

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

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

	Notes	Actual Year ended 31 March 2014	Target Year ended 31 March 2014
Total recordable incident rate	(a)	0.22	0.50
Total incident rate	(b)	17.4	23.6
Lost time accidents		5	5
Occupational health monitoring	(c)	94%	90%
Audit and inspection programme completion	(d)	102%	95%
(a) Total recordable incident rate is the summation of any incidents, be they lost time, medical treatment or leading to some work restriction per 100,000 hours worked. There has been recognised continuous improvement year on year.			
(b) Total incident rate is the summation of all injury related incidents (lost time, medical treatment, first aid and accident book reported incidents) per 1,000 employees. This has seen a year on year improvement over the past three years.			
(c) Occupational health monitoring is a measure of how Energy Networks meets its planned forecasts for those staff assessed as at risk.			
(d) Audit and inspection programme completion is the measurement of Energy Networks' planned internal management system audits and compliance inspections, both against Energy Networks' own staff and its contracting partners. The number of audits and inspections actually carried out in the year ended 31 March 2014 exceeded the planned number.			

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

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)

STRATEGIC REPORT *continued*

PRINCIPAL RISKS AND RISK MANAGEMENT ACTIVITIES

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

Risks relating to the company's business

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

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

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

RISK	RESPONSE
Failure to deliver the Transmission outputs agreed with the regulator in the current price control.	Mitigating actions include formulating detailed investment, resource, outage and contingency plans supported by an extensive procurement strategy. Good communication and co-ordination of activities across the business is integral to success, complemented by a comprehensive monitoring regime that provides early warning of potential issues.

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

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

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 the GEMA. Regulatory controls include price controls which restrict the average amount, or total amount, charged for a bundle of services.

(b) Treasury management

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

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)
STRATEGIC REPORT *continued*

PRINCIPAL RISKS AND RISK MANAGEMENT ACTIVITIES *continued*

(c) Credit risk

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

Insurance

For the year ended 31 March 2014, the company's main insurance strategy was to procure cover from external insurance markets. The company conducts periodic reviews of the business requirements and evaluates alternative risk mitigation strategies to ensure that the most effective and economic cover is secured.

ON BEHALF OF THE BOARD



Scott Mathieson
Director
26 June 2014

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)

DIRECTORS' REPORT

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

INFORMATION CONTAINED WITHIN THE STRATEGIC REPORT

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

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

RESULTS AND DIVIDENDS

The net profit for the year amounted to £167.0 million (2013 £120.8 million). The aggregate dividends paid during the year amounted to £169.0 million (2013 £43.0 million). On 7 May 2014 an interim dividend of £124.0 million was approved by the SP Transmission Board and subsequently paid on 21 May 2014.

ENVIRONMENTAL REGULATION

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

Details of the company's specific environmental strategy can be located in the 'Stakeholder Engagement: Transmission' section within the 'Serving Our Customers' section of www.spenergynetworks.co.uk. Further environmental information and documents specific to Energy Networks are available at www.scottishpower.com/pages/other_documents.asp.

EMPLOYEES

Employment regulation

ScottishPower has well-defined policies in place throughout its businesses to ensure compliance with applicable laws and related codes of practice. These policies cover a wide range of employment issues such as disciplinary action, grievance, harassment, discrimination, stress, anti-bribery and 'whistle-blowing' and have been brought together in the Code of Ethics of Iberdrola and its group of companies (which also outlines expectations for employees' conduct).

Employee consultation

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

Equal opportunities

ScottishPower is committed to equal opportunities for all, irrespective of age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership, pregnancy and maternity or other considerations that do not affect a person's ability to perform their job. Further details of group workplace policy and performance can be found in the 'Corporate Governance' section of www.scottishpower.com.

Employment of disabled persons

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

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

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)

DIRECTORS' REPORT *continued*

EMPLOYEES *continued*

Positive about disabled people - double tick accreditation

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

COMMUNITY RELATIONSHIPS

Community relationships

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

Community consultation

ScottishPower engages with communities across its operations, where new and modernising developments are planned. The key areas where ScottishPower's business impacts upon the community include the siting of new facilities, the presence of distribution and transmission lines and routine maintenance and upkeep work. ScottishPower takes a proactive approach to providing good information from pre-planning through to construction. It maintains strong relationships with local communities by working with community groups, elected representatives, interest groups and individuals ensuring that those affected by the work are aware of what's happening in their area in advance, allowing communities to have their say.

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

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

POLITICAL DONATIONS AND EXPENDITURE

ScottishPower is a politically neutral organisation. It is subject to the Political Parties, Elections and Referendums Act 2000, which defines political "donations" and "expenditure" in wider terms than would be commonly understood by these phrases. During the year ended 31 March 2014, ScottishPower paid a total of £20,000 for the sponsorship of conferences and events – activities which may be regarded as falling within the terms of the Act.

The recipients of these payments were:

- The Conservative Party £7,000
- The Labour Party £7,000
- The Scottish National Party £6,000

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

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)

DIRECTORS' REPORT *continued*

DIRECTORS

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

Scott Mathieson

Frank Mitchell

Dame Denise Holt

(appointed 31 March 2014 and resigned 24 June 2014)

Professor Sir James McDonald

(appointed 31 March 2014)

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

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

AUDITOR

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

ON BEHALF OF THE BOARD



Scott Mathieson

Director

26 June 2014

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED) CORPORATE GOVERNANCE STATEMENT

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

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

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

Administrative, management and supervisory bodies

Board and management meetings

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

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

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

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

SPENH Board

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

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

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

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

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)
CORPORATE GOVERNANCE STATEMENT *continued*

Administrative, management and supervisory bodies *continued*

ScottishPower Board

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

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

Directors

José Ignacio Sánchez Galán (Chairman)	Non-independent, non-executive director
Lord Kerr of Kinlochard GCMG (Vice Chairman)	Independent non-executive director
José Miguel Alcolea Cantos	Non-independent, non-executive director
Keith Anderson	Non-independent, executive director
Professor Susan Deacon	Independent non-executive director
Sir Tom Farmer CVO CBE KCSG	Independent non-executive director
Rt Hon Lord Macdonald of Tradeston CBE	Independent non-executive director
Juan Carlos Rebollo Liceaga	Non-independent, non-executive director
José Sainz Armada	Non-independent, non-executive director

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

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

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

ScottishPower Audit and Compliance Committee ("ACC")

The ACC, a permanent internal body, has an informative and consultative role, without executive functions, with powers of information, assessment and presentation of proposals to the ScottishPower Board within its scope of action, which is governed by the Memorandum and Articles of Association of Scottish Power Limited and by the Terms of Reference of the ACC. The ACC's responsibilities include:

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

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

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

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

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)
CORPORATE GOVERNANCE STATEMENT *continued*

Administrative, management and supervisory bodies *continued*

Iberdrola Appointments and Remuneration Committee ("IARC")

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

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

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

Internal control

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

A risk and control governance framework is in place across ScottishPower. The risk management framework and internal control system is subject to continuous review and development. The company is committed to ensuring that a proper control environment is maintained. There is a commitment to competence and integrity and to the communication of ethical values and control consciousness to managers and employees. HR policies underpin that commitment by a focus on enhancing job skills and promoting high standards of probity among staff. In addition, the appropriate organisational structure has been developed within which to control the businesses and to delegate authority and accountability, having regard to acceptable levels of risk. The company's expectations in this regard are set out in 'ScottishPower Code of Ethics', a policy document which aims to summarise some of the main legal, regulatory, cultural and business standards applicable to all employees of the company. This document has been distributed to all employees of the company.

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

Identification and evaluation of risks and control objectives

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

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

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

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)
CORPORATE GOVERNANCE STATEMENT *continued*

Capital investment

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

Monitoring and corrective action

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

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

Auditor independence

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

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

Social, environmental and ethical matters

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

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

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)
STATEMENT OF DIRECTORS' RESPONSIBILITIES
in respect of the Regulatory Accounts and compliance with Standard Licence Condition B1

Standard Condition B1 of the Electricity Transmission 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 B1 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 Transmission plc (formerly SP Transmission Limited) ("the company")

We have audited the Regulatory Accounts of the Company for the year ended 31 March 2014 (the "Regulatory Accounts") which comprise the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement, and the related notes 1 to 30.

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 B1 of the Electricity Transmission 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 B1 of the company's Regulatory Licence. Where Standard Condition B1 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 B1 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 2014 and its profit and its cash flow for the year then ended; and
- have been properly prepared in accordance with Standard Condition B1 of the company's Regulatory Licence and the accounting policies.

INDEPENDENT AUDITOR'S REPORT *continued*

BASIS OF PREPARATION

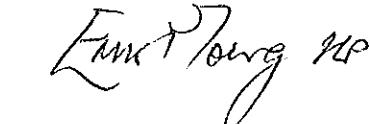
Without modifying our opinion, we draw attention to the fact that the Regulatory Accounts have been prepared in accordance with Standard Condition B1 of the company's Regulatory Licence and the accounting policies set out in the statement of accounting policies.

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

OTHER MATTERS

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

Our opinion on the Regulatory Accounts is separate from our opinion on the statutory financial statements of the Company for the year ended 31 December 2013 on which we reported on 27 March 2014, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

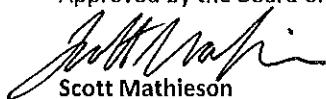


Ernst & Young LLP
Statutory Auditor
Glasgow
26 June 2014

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)
BALANCE SHEETS
as at 31 March 2014 and 31 March 2013

	Notes	2014 £m	2013 £m
ASSETS			
NON-CURRENT ASSETS			
Intangible assets		-	0.7
Other Intangible assets	4	-	0.7
Property, plant and equipment		1,709.4	1,454.6
Property, plant and equipment in use	5	1,135.4	978.2
Property, plant and equipment in course of construction	5	574.0	476.4
Investments	6	-	-
Financial assets		1.8	2.3
Finance lease receivables	7	1.8	2.0
Derivative financial instruments	14,16	-	0.3
NON-CURRENT ASSETS		1,711.2	1,457.6
CURRENT ASSETS			
Trade and other receivables	8	39.0	20.5
Financial assets		0.4	0.5
Finance lease receivables	7	0.3	0.2
Derivative financial instruments	14,16	0.1	0.3
CURRENT ASSETS		39.4	21.0
TOTAL ASSETS		1,750.6	1,478.6
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		641.1	646.2
Share capital	9,10	200.0	200.0
Hedge reserve	10	(2.7)	0.4
Retained earnings	10	443.8	445.8
TOTAL EQUITY		641.1	646.2
NON-CURRENT LIABILITIES			
Deferred income	11	55.6	47.1
Provisions	12	0.7	-
Bank borrowings and other financial liabilities		713.3	545.1
Loans and other borrowings	13	713.0	545.0
Derivative financial instruments	14,16	0.3	0.1
Trade and other payables	17	0.2	0.1
Deferred tax liabilities	18	115.5	119.1
NON-CURRENT LIABILITIES		885.3	711.4
CURRENT LIABILITIES			
Bank borrowings and other financial liabilities		54.6	-
Loans and other borrowings	13	52.0	-
Derivative financial instruments	14,16	2.6	-
Trade and other payables	17	146.8	101.2
Current tax liabilities		22.8	19.8
CURRENT LIABILITIES		224.2	121.0
TOTAL LIABILITIES		1,109.5	832.4
TOTAL EQUITY AND LIABILITIES		1,750.6	1,478.6

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



Scott Mathieson
Director

The accompanying notes 1 to 30 are an integral part of the balance sheets as at 31 March 2014 and 31 March 2013.

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)
INCOME STATEMENTS
for the years ended 31 March 2014 and 31 March 2013

	Notes	2014 £m	2013 £m
Revenue		286.3	246.7
Staff costs	19	(1.0)	(0.8)
Outside services		(25.9)	(19.4)
Other operating income		4.5	3.5
		(22.4)	(16.7)
Taxes other than income tax	20	(10.6)	(27.1)
		253.3	202.9
Depreciation and amortisation charge, allowances and provisions	21	(37.4)	(34.5)
PROFIT FROM OPERATIONS		215.9	168.4
Finance income	22	0.4	0.2
Finance costs	23	(21.1)	(17.8)
PROFIT BEFORE TAX		195.2	150.8
Income tax	24	(28.2)	(30.0)
NET PROFIT FOR THE YEAR		167.0	120.8

Net profit for both years is wholly attributable to the equity holders of SP Transmission plc (formerly SP Transmission Limited).

All results relate to continuing operations.

The accompanying notes 1 to 30 are an integral part of the income statements for the years ended 31 March 2014 and 31 March 2013.

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)
STATEMENTS OF COMPREHENSIVE INCOME
for the years ended 31 March 2014 and 31 March 2013

	2014 £m	2013 £m
NET PROFIT FOR THE YEAR	167.0	120.8
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to the income statement		
Cash flow hedges:		
Change in the value of cash flow hedges	(3.9)	2.4
Tax on items relating to cash flow hedges	0.8	(0.6)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	(3.1)	1.8
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	163.9	122.6

Total comprehensive income for both years is wholly attributable to the equity holders of SP Transmission plc (formerly SP Transmission Limited).

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

	Ordinary share capital £m	Hedge reserve £m	Retained earnings £m	Total equity £m
At 1 April 2012	200.0	(1.4)	368.0	566.6
Total comprehensive income for the year	-	1.8	120.8	122.6
Dividends	-	-	(43.0)	(43.0)
At 1 April 2013	200.0	0.4	445.8	646.2
Total comprehensive income for the year	-	(3.1)	167.0	163.9
Dividends	-	-	(169.0)	(169.0)
At 31 March 2014	200.0	(2.7)	443.8	641.1

The accompanying notes 1 to 30 are an integral part of the statements of comprehensive income and the statements of changes in equity for the years ended 31 March 2014 and 31 March 2013.

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)
CASH FLOW STATEMENTS
for the years ended 31 March 2014 and 31 March 2013

	2014 £m	2013 £m
Cash flows from operating activities		
Profit before tax	195.2	150.8
Adjustments for:		
Depreciation and amortisation	36.8	33.6
Change in provisions	0.7	-
Transfer of assets from customers	(1.4)	(1.3)
Finance income and costs	20.7	17.6
Net losses on write-off/disposal of non-current assets	0.5	1.5
Changes in working capital:		
Change in trade and other receivables	(0.3)	2.0
Change in trade and other payables	40.6	(43.4)
Assets received from customers	9.9	4.0
Income taxes paid	(28.0)	(23.9)
Interest received	0.4	0.2
Net cash flows from operating activities (i)	275.1	141.1
Cash flows from investing activities		
Investments in property, plant and equipment	(287.1)	(162.3)
Net cash flows from investing activities (ii)	(287.1)	(162.3)
Cash flows from financing activities		
Increase in amounts due to Iberdrola group companies	220.0	260.0
Dividends paid to company's equity holders	(169.0)	(43.0)
Interest paid	(20.9)	(16.4)
Net cash flows from financing activities (iii)	30.1	200.6
Net increase in cash and cash equivalents (i)+(ii)+(iii)	18.1	179.4
Cash and cash equivalents at beginning of year	15.1	(164.3)
Cash and cash equivalents at end of year	33.2	15.1
Cash and cash equivalents at end of year comprises:		
Receivables due from Iberdrola group companies - loans	33.2	15.1
Cash flow statement cash and cash equivalents	33.2	15.1

The accompanying notes 1 to 30 are an integral part of the cash flow statements for the years ended 31 March 2014 and 31 March 2013.

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)

NOTES TO ACCOUNTS

31 March 2014

1 BASIS OF PREPARATION

A BASIS OF PREPARATION OF THE ACCOUNTS

The Accounts have been prepared in accordance with Standard Condition B1 of the company's Regulatory Licence and International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRSs") and International Financial Reporting Interpretations Committee ("IFRIC") Interpretations (collectively referred to as IFRS), as adopted by the European Union ("EU") as at the date of approval of these Accounts and which are mandatory for the financial year ended 31 March 2014. The company's accounting reference date is 31 December to match that of its ultimate parent undertaking, Iberdrola, S.A.. Standard Condition B1 of the Electricity Transmission Licence requires the directors to prepare regulatory accounts, for each regulatory year, with the same content and format as the most recent statutory accounts of the company. The references made to the financial year within these Regulatory Accounts refer to the year from 1 April 2013 to 31 March 2014. Consequently the Corporate Report & Regulatory Accounts for the year ended 31 March 2014 are separate from the Annual Report and Accounts of the company which have been prepared for the year ended 31 December 2013. The Accounts are prepared in accordance with the Accounting Policies set out in Note 2.

B ACCOUNTING STANDARDS

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

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

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

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 statement thus have not been implemented by the company:

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

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)

NOTES TO ACCOUNTS *continued*

31 March 2014

1 BASIS OF PREPARATION *continued*

B ACCOUNTING STANDARDS *continued*

- (a) The application of the amendments to IAS 1 as from 1 April 2014 has not had a material impact on the company's accounting policies, financial position or performance. However the Statement of Other Comprehensive Income now groups items of other operating income on the basis of whether they may be reclassifiable to the income statement subsequently or not.
- (b) The application of these pronouncements did not have a material impact the company's accounting policies, financial position or performance.
- (c) The directors are currently in the process of assessing the impact of these standards in relation to the company's accounting policies, financial position and performance.
- (d) These pronouncements have not yet been adopted by the EU.
- (e) The IASB decided that the original mandatory date of 1 January 2015 would not allow sufficient time for the entities to apply the new standard as all phases of the IFRS 9 project has not been completed. Accordingly, the IASB removed the mandatory effective date from IFRS 9. In February 2014, the IASB tentatively decided to require an entity to apply IFRS 9 for annual periods beginning on or after 1 January 2018. Entities may still choose to apply IFRS 9 immediately; the company has decided not to do.
- (f) The future application of these pronouncements is not expected to have a material impact on the company's accounting policies, financial position or performance.
- (g) The company has chosen not to early adopt any of these standards/amendments for year ended 31 March 2014.

2 ACCOUNTING POLICIES

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

- A REVENUE
- B INTANGIBLE ASSETS (COMPUTER SOFTWARE COSTS)
- C PROPERTY, PLANT AND EQUIPMENT
- D IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS
- E LEASED ASSETS
- F FINANCIAL ASSETS AND LIABILITIES
- G TRANSFER OF ASSETS FROM CUSTOMERS
- H TAXATION

A REVENUE

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

B INTANGIBLE ASSETS (COMPUTER SOFTWARE COSTS)

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

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
Transmission facilities	40
Meters and measuring devices	2 - 10
Other facilities and other items of property, plant and equipment	3 - 25

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)

NOTES TO ACCOUNTS *continued*

31 March 2014

2 ACCOUNTING POLICIES *continued*

D IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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

E LEASED ASSETS

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

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

Finance lease receivables are initially recognised at the lower of fair value of the leased asset and the present value of future payments. Finance income is subsequently recognised over the useful life of the leased asset using the effective interest method.

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

F1. ACCOUNTING POLICIES UNDER IAS 39 'FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT' ("IAS 39")

- (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 group or company operates.
- (b) The carrying amount of finance lease receivables is calculated as set out in Note 2E.
- (c) Cash and cash equivalents and term deposits in the balance sheet comprises cash on hand. In the cash flow statement, cash and cash equivalents include bank overdrafts repayable on demand and the net of current loans receivable and payable to Iberdrola group companies.
- (d) Financial liabilities categorised as trade payables are recognised and carried at original invoice amount.
- (e) 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.

IAS 39 requires all derivatives to be recognised on the balance sheet at fair value. Embedded derivatives in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value through the income statement.

Unrealised gains or losses on remeasurement of derivatives and embedded derivatives used in the group's treasury activities are recognised within finance income or finance costs in the income statement, except where hedge accounting is applied (see F3).

F2. RISK CONTROL ENVIRONMENT

ScottishPower's strategy is to conduct business in a manner benefiting customers through balancing cost and risk while delivering shareholder value and protecting ScottishPower's performance and reputation by prudently managing the risks inherent in the business. To maintain this strategic direction ScottishPower develops and implements risk management policies and procedures, and promotes a rigid control environment at all levels of the organisation. Further details of ScottishPower's strategy and management of risks are discussed in detail in the most recent Annual Report and Accounts of SPL.

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)

NOTES TO ACCOUNTS *continued*

31 March 2014

2 ACCOUNTING POLICIES *continued*

F FINANCIAL ASSETS AND LIABILITIES *continued*

F3. HEDGE ACCOUNTING

Hedge accounting is applied when certain conditions required by IAS 39 are met. Hedge accounting falls into the following category:

F3.1 CASH FLOW HEDGES

The portion of gain or loss of the hedging instrument that was determined to be an effective hedge is recognised directly in equity and forms part of the hedge reserve. The ineffective portion of the change in fair value of the hedging instruments is recognised in the income statement within finance income or finance costs. If the cash flow hedge relates to an underlying transaction which results in the recognition of a non-financial asset, the associated gains or losses on the derivative that had previously been recognised in equity are recognised in the initial measurement of the asset arising from the hedged transaction. For hedges that relate to an underlying transaction which results in recognition of a financial asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects the income statement.

F3.2 HEDGE EFFECTIVENESS

Hedge effectiveness is measured and respective entries recorded in the balance sheet, reserves and income statement on a half-yearly basis. Hedge effectiveness is achieved where the correlation between the changes in value of the hedging instrument and the hedged item is between 80% and 125%.

F3.3 DISCONTINUING HEDGE ACCOUNTING

The company discontinues prospectively hedge accounting when the hedge instrument expires or is sold, terminated or exercised, when the hedge relationship no longer qualifies for hedge accounting or when the designation is revoked. In the case of cash flow hedging, any gain or loss that has been recognised in equity until that time remains separately recognised in equity until the forecast transaction occurs. If the transaction is no longer expected to occur, related cumulative gains and losses which have been previously deferred in equity are recognised in the income statement.

F4. VALUATION OF FINANCIAL INSTRUMENTS

In those circumstances where IAS 39 requires financial instruments to be recognised in the balance sheet at fair value, the company's valuation strategies for derivative and other financial instruments utilise as far as possible quoted prices in an active trading market.

In the absence of quoted prices for identical or similar assets or liabilities, it is sometimes necessary to apply valuation techniques where contracts are marked using approved models. Models are used for developing both the forward curves and the valuation metrics of the instruments themselves where the instruments are complex combinations of standard or non-standard products. All models are subject to rigorous testing prior to being approved for valuation and subsequent continuous testing and approval procedures designed to ensure the validity and accuracy of the model assumptions and inputs.

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.

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)

NOTES TO ACCOUNTS *continued*

31 March 2014

2 ACCOUNTING POLICIES *continued*

H TAXATION

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

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

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

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

At 31 March 2014, the carrying value of property, plant and equipment amounted to £1,709.4 million (2013 £1,454.6 million).

4 INTANGIBLE ASSETS

		Computer software	
Year ended 31 March 2013	Note		£m
Cost:			
At 1 April 2012 and 31 March 2013	(a)		5.0
Amortisation:			
At 1 April 2012			3.6
Amortisation for the year			0.7
At 31 March 2013			4.3
Net book value:			
At 31 March 2013			0.7
At 1 April 2012			1.4
Year ended 31 March 2014	Note	Computer software	£m
Cost:			
At 1 April 2013 and 31 March 2014	(a)		5.0
Amortisation:			
At 1 April 2013			4.3
Amortisation for the year			0.7
At 31 March 2014			5.0
Net book value:			
At 31 March 2014			0.7
At 1 April 2013			0.7

(a) The cost of fully amortised computer software still in use at 31 March 2014 was £0.4 million (2013 £nil).

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)

NOTES TO ACCOUNTS *continued*

31 March 2014

5 PROPERTY, PLANT AND EQUIPMENT

(a) Movements in property, plant and equipment

	Operating plant - transmission facilities	Operating plant - other (Note (i))	Other items of property, plant and equipment in use	Operating plant in progress (Note (ii))	Total
Year ended 31 March 2013					
Cost:					
At 1 April 2012	1,052.8	68.1	20.9	451.8	1,593.6
Additions	-	-	0.1	254.4	254.5
Transfers from in progress to plant in use	224.3	5.5	-	(229.8)	-
Disposals	(8.6)	-	(0.5)	-	(9.1)
At 31 March 2013	1,268.5	73.6	20.5	476.4	1,839.0
Depreciation:					
At 1 April 2012	322.1	36.0	1.0	-	359.1
Charge for the year	30.2	2.6	0.1	-	32.9
Disposals	(7.6)	-	-	-	(7.6)
At 31 March 2013	344.7	38.6	1.1	-	384.4
Net book value:					
At 31 March 2013	923.8	35.0	19.4	476.4	1,454.6
At 1 April 2012	730.7	32.1	19.9	451.8	1,234.5

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

Property, plant and equipment in use	923.8	35.0	19.4	-	978.2
Property, plant and equipment in the course of construction	-	-	-	476.4	476.4
At 31 March 2013	923.8	35.0	19.4	476.4	1,454.6

	Operating plant - transmission facilities	Operating plant - other (Note (i))	Other items of property, plant and equipment in use	Operating plant in progress (Note (ii))	Total
Year ended 31 March 2014					
Cost:					
At 1 April 2013	1,268.5	73.6	20.5	476.4	1,839.0
Additions	-	-	3.9	287.5	291.4
Transfers from in progress to plant in use	189.1	0.8	-	(189.9)	-
Disposals	(6.6)	-	-	-	(6.6)
At 31 March 2014	1,451.0	74.4	24.4	574.0	2,123.8
Depreciation:					
At 1 April 2013	344.7	38.6	1.1	-	384.4
Charge for the year	33.5	2.6	-	-	36.1
Disposals	(6.1)	-	-	-	(6.1)
At 31 March 2014	372.1	41.2	1.1	-	414.4
Net book value:					
At 31 March 2014	1,078.9	33.2	23.3	574.0	1,709.4
At 1 April 2013	923.8	35.0	19.4	476.4	1,454.6

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

Property, plant and equipment in use	1,078.9	33.2	23.3	-	1,135.4
Property, plant and equipment in the course of construction	-	-	-	574.0	574.0
At 31 March 2014	1,078.9	33.2	23.3	574.0	1,709.4

- (i) The category "Operating plant - other" principally comprises telecommunication assets.
- (ii) The category "Operating plant in progress" principally comprises transmission facilities in the course of construction.
- (iii) Additions of £228.0 million (2013 £180.0 million) were purchased internally from the asset management entity SPPS and £58.4 million (2013 £74.5 million) through a jointly controlled entity NGET/SPT Upgrades Limited, as noted within Note 28.
- (iv) Interest on the funding attributable to major capital projects was capitalised during the year at a rate of 3.64%.
- (v) The cost of fully depreciated property, plant and equipment still in use at 31 March 2014 was £56.6 million (2013 £52.0 million).
- (vi) Included within the cost of property, plant and equipment are assets in use not subject to depreciation, being land of £13.7 million (2013 £9.9 million).

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)

NOTES TO ACCOUNTS *continued*

31 March 2014

5 PROPERTY, PLANT AND EQUIPMENT *continued*

(b) Operating lease arrangements

	2014 £m	2013 £m
Operating lease receivables		
The future minimum lease payments receivable under non-cancellable operating leases are as follows:		
Within one year	0.1	0.2
Between one and five years	-	0.1
	0.1	0.3

The company leases buildings as a lessor under operating leases. The leases have varying lease terms, escalation clauses and renewal rights.

(c) Capital commitments

	2014 £m	2013 £m
Contracted but not provided	436.3	285.8

6 INVESTMENTS

	Shares in jointly controlled entity £
At 1 April 2012, 1 April 2013 and 31 March 2014	50

Jointly controlled entity	Place of incorporation or registration	Class of share capital	Proportion of shares held (Note (a))	Activity
NGET/SPT Upgrades Limited	England	Ordinary B shares £1	100%	Engineering services

(a) This investment represents 50% of the total issued share capital.

7 FINANCE LEASE RECEIVABLES

	2014 £m	2013 £m
Amounts receivable under finance leases:		
Current receivables	0.3	0.2
Non-current receivables	1.8	2.0
	2.1	2.2
Gross receivables from finance leases:		
Within one year	0.4	0.4
Between one and five years	2.1	1.9
More than five years	-	0.5
	2.5	2.8
Unearned future finance income on finance leases	(0.4)	(0.6)
Net investment in finance leases	2.1	2.2
The net investment in finance leases is analysed as follows:		
Within one year	0.3	0.2
Between one and five years	1.8	1.5
More than five years	-	0.5
	2.1	2.2

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)

NOTES TO ACCOUNTS *continued*

31 March 2014

8 TRADE AND OTHER RECEIVABLES

	Note	2014 £m	2013 £m
Current receivables:			
Receivables due from jointly controlled entity - trade		0.5	-
Receivables due from Iberdrola group companies - loans	(a)	33.2	15.1
Receivables due from Iberdrola group companies - interest		0.1	-
Trade receivables		-	0.1
Prepayments with jointly controlled entity		4.9	4.9
Other receivables		0.3	0.4
		39.0	20.5

(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) At 31 March 2014 trade and other receivables of nil (2013 £0.1 million) were past due but not impaired.

	Note	2014 £m	2013 £m
Past due but not impaired:			
Less than 3 months		-	0.1

9 SHARE CAPITAL

		2014 £m	2013 £m
Authorised:			
200,000,000 ordinary shares of £1 each (2013 200,000,000)		200.0	200.0
Allotted, called up and fully paid shares:			
200,000,000 ordinary shares of £1 each (2013 200,000,000)		200.0	200.0

10 ANALYSIS OF MOVEMENTS IN EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF SP TRANSMISSION PLC (FORMERLY SP TRANSMISSION LIMITED)

	Ordinary share capital £m	Hedge reserve (Note (a)) £m	Retained earnings (Note (b)) £m	Total £m
At 1 April 2012	200.0	(1.4)	368.0	566.6
Profit for the year attributable to equity holders of SP Transmission plc (formerly SP Transmission Limited)	-	-	120.8	120.8
Change in the value of cash flow hedges	-	2.4	-	2.4
Tax on items relating to cash flow hedges	-	(0.6)	-	(0.6)
Dividends	-	-	(43.0)	(43.0)
At 1 April 2013	200.0	0.4	445.8	646.2
Profit for the year attributable to equity holders of SP Transmission plc (formerly SP Transmission Limited)	-	-	167.0	167.0
Change in the value of cash flow hedges	-	(3.9)	-	(3.9)
Tax on items relating to cash flow hedges	-	0.8	-	0.8
Dividends	-	-	(169.0)	(169.0)
At 31 March 2014	200.0	(2.7)	443.8	641.1

(a) The hedge reserve represents the balance of gains and losses on cash flow hedges (net of taxation) not yet transferred to income or the carrying amount of a non-financial asset.
 (b) Retained earnings comprise the cumulative balance of profits and losses recognised in the financial statements as adjusted for transactions with shareholders, principally dividends.

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)

NOTES TO ACCOUNTS *continued*

31 March 2014

11 ANALYSIS OF MOVEMENTS IN EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF SP TRANSMISSION PLC (FORMERLY SP TRANSMISSION LIMITED) *continued*

(c) The changes in the hedge reserve arising from valuation adjustments to hedging derivatives is set out below:

	Foreign exchange rate hedges £m	Tax effect £m	Total £m
At 1 April 2012	(1.9)	0.5	(1.4)
Effective cash flow hedges recognised	1.8	(0.5)	1.3
Removed from equity and recognised in carrying amount of hedged items	0.6	(0.1)	0.5
At 1 April 2013	0.5	(0.1)	0.4
Effective cash flow hedges recognised	(4.4)	0.9	(3.5)
Removed from equity and recognised in carrying amount of hedged items	0.5	(0.1)	0.4
At 31 March 2014	(3.4)	0.7	(2.7)

The maturity analysis of amounts included in the hedge reserve is as follows:

	2014 £m	2013 £m
Less than 1 year	(2.5)	0.3
1-2 years	(0.2)	0.2
2-3 years	-	(0.1)
	(2.7)	0.4

11 DEFERRED INCOME

	At 1 April 2012 £m	Receivable during year £m	Released to income statement £m	At 31 March 2013 £m
Year ended 31 March 2013				
Transfer of assets from customers	44.4	4.0	(1.3)	47.1
	At 1 April 2013 £m	Receivable during year £m	Released to income statement £m	At 31 March 2014 £m
Year ended 31 March 2014				
Transfer of assets from customers	47.1	9.9	(1.4)	55.6

12 OTHER PROVISIONS

	Note	At 1 April 2013 £m	New provisions £m	At 31 March 2014 £m
Year ended 31 March 2014				
Onerous contracts	(a)	-	0.7	0.7

(a) The provision for onerous contracts relates to unavoidable project costs which may be refunded dependant on the project outcome. This is expected to be concluded in 2017.

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)

NOTES TO ACCOUNTS *continued*

31 March 2014

13 LOANS AND OTHER BORROWINGS

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

Analysis by instrument and maturity	Notes	Interest rate*	Maturity	2014 £m	2013 £m
Intercompany loan with SPL		3.858%	29 January 2019	75.0	75.0
Intercompany loan with SPUK	(i),(ii)	3.416%	21 December 2022	260.0	260.0
Intercompany loan with SPUK	(i)	3.57%	20 December 2023	220.0	-
Intercompany loan with SPUK	(i),(iii)	LIBOR + 3.365%	28 January 2029	210.0	210.0
Total debt				765.0	545.0

*LIBOR - London Inter-Bank Offer Rate

Analysis of total loans and other borrowings		2014 £m	2013 £m
Non-current		713.0	545.0
Current		52.0	-
Total		765.0	545.0

- (i) Under the conditions of the long term loan agreements between the company and SPUK, the company has an option, without fee or penalty, to make a repayment in whole or in part, of the then outstanding loan principal, plus accrued interest thereon, by providing SPUK with written notice at least five business days before the intended repayment date.
- (ii) The intercompany loan with SPUK that is due to mature in December 2022 has a schedule of repayments commencing in 2014 of £52.0 million. This repayment is classified as current in the above analysis.
- (iii) For LIBOR linked debt, a 1% increase in the LIBOR rate would result in a £2.1 million increase in the full year interest charge.

(b) Borrowing facilities

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

14 MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

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

	Notes	2014 Carrying amount £m	2014 Fair value £m	2013 Carrying amount £m	2013 Fair value £m
Financial assets					
Derivative financial instruments	(b)	0.1	0.1	0.6	0.6
Current receivables	(a)	34.1	34.1	15.6	15.6
Finance lease receivables		2.1	2.1	2.2	2.2
Financial liabilities					
Derivative financial instruments	(b)	(2.9)	(2.9)	(0.1)	(0.1)
Loans payable to Iberdrola group companies	(c)	(765.0)	(896.3)	(545.0)	(692.4)
Payables	(a)	(127.0)	(127.0)	(86.1)	(86.1)

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

- (a) Balances outwith the scope of IFRS 7 'Financial Instruments: Disclosure' ("IFRS 7") have been excluded, namely prepayments, payments on account and other tax payables.
- (b) Further details on derivative financial instruments are disclosed within Note 16.
- (c) The carrying value of loans is 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 a discounted cash flow.

The company holds certain financial instruments which are measured in the balance sheet at fair value. The company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

All derivatives held by the company are Level 2.

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)

NOTES TO ACCOUNTS *continued*

31 March 2014

15 LIQUIDITY ANALYSIS

Maturity profile of financial liabilities

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

	2014					2020 and therefore		Total £m
	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m			
Cash outflows								
Derivative financial instruments	136.8	20.4	-	-	-	-	-	157.2
Loans with Iberdrola group companies	80.8	72.2	80.5	71.9	154.0	626.0	1,085.4	
Payables*	120.1	0.2	-	-	-	-	-	120.3
	337.7	92.8	80.5	71.9	154.0	626.0	1,362.9	
2013								
Cash outflows	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 and therefore £m	Total £m	
Derivative financial instruments	0.8	-	20.4	-	-	-	-	21.2
Loans with Iberdrola group companies	21.1	73.1	19.2	72.1	19.2	622.5	827.2	
Payables*	81.5	0.1	-	-	-	-	-	81.6
	103.4	73.2	39.6	72.1	19.2	622.5	930.0	

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

16 DERIVATIVE FINANCIAL INSTRUMENTS

Analysis of carrying value of derivative financial instruments – carrying value

	2014				2013			
	Assets		Liabilities		Assets		Liabilities	
	Current £m	Non-Current £m	Current £m	Non-Current £m	Current £m	Non-Current £m	Current £m	Non-Current £m
Hedging derivatives								
Foreign exchange rate	0.1	-	(2.6)	(0.3)	0.3	0.3	-	(0.1)

17 TRADE AND OTHER PAYABLES

	2014 £m	2013 £m
Current trade and other payables:		
Payables due to jointly controlled entity - trade	1.3	0.1
Payables due to Iberdrola group companies - trade	25.7	39.0
Payables due to Iberdrola group companies - interest	6.7	4.5
Other taxes and social security	9.7	5.3
Payments received on account	10.3	9.9
Other payables	93.1	42.4
	146.8	101.2
Non-current trade and other payables:		
Other payables	0.2	0.1

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)

NOTES TO ACCOUNTS *continued*

31 March 2014

18 DEFERRED TAX

Deferred tax provided in the Accounts is as follows:

	Property, plant and equipment £m	Derivative financial instruments £m	Total £m
Deferred tax provided at 1 April 2012	114.3	(0.5)	113.8
Charge to income statement	4.7	-	4.7
Recorded in the statement of comprehensive income	-	0.6	0.6
Deferred tax provided at 1 April 2013	119.0	0.1	119.1
Credit to income statement	(2.8)	-	(2.8)
Recorded in the statement of comprehensive income	-	(0.8)	(0.8)
Deferred tax provided at 31 March 2014	116.2	(0.7)	115.5

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

19 EMPLOYEE INFORMATION

(a) Staff costs

	Note	2014 £'000	2013 £'000
Wages and salaries		741	585
Social security costs		80	59
Pension and other costs		169	152
Total employee costs	(i)	990	796

(i) The employee costs for the years ended 31 March 2014 and 31 March 2013 include those in respect of one director, Scott Mathieson. The emoluments of the other director of the company for the years ended 31 March 2014 and 31 March 2013 are included within the employee costs of other ScottishPower group companies, as he does not have a contract of service with the company. Details of directors' emoluments are set out in Note 28.

(a) Employee numbers

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

	Year end 2014	Average 2014	Year end 2013	Average 2013
Administrative	12	10	9	8

(b) Pensions

The company's contributions payable in the year were £148,000 (2013 £116,400). The company contributes to the ScottishPower group's defined benefit and defined contribution schemes in the UK. Full details of these schemes are provided in the most recent Annual Report & Accounts of SPL. As at 31 December 2013, the deficit in the Scottish Power group's defined benefit schemes in the UK amounted to £332.7 million (2012 £498.7 million). The employer contribution rate for these schemes in the year ended 31 December 2013 was 30.1%-31%.

20 TAXES OTHER THAN INCOME TAX

	2014 £m	2013 £m
Property tax	10.6	27.1

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)

NOTES TO ACCOUNTS *continued*

31 March 2014

21 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

	2014 £m	2013 £m
Property, plant and equipment depreciation charge	36.1	32.9
Intangible asset amortisation	0.7	0.7
Charges and provisions and allowances	0.6	0.9
	37.4	34.5

22 FINANCE INCOME

	2014 £m	2013 £m
Interest receivable on finance leases	0.2	0.2
Interest receivable from Iberdrola group companies	0.2	-
	0.4	0.2

23 FINANCE COSTS

	2014 £m	2013 £m
Interest payable to Iberdrola group companies	23.1	17.8
Capitalised interest	(2.0)	-
	21.1	17.8

24 INCOME TAX

	2014 £m	2013 £m
Current tax:		
UK Corporation tax	31.0	25.6
Adjustments in respect of prior years	-	(0.3)
Current tax for the year	31.0	25.3
Deferred tax:		
Origination and reversal of temporary differences	13.9	11.1
Adjustments in respect of prior years	0.6	(1.1)
Impact of rate change on deferred tax	(17.3)	(5.3)
Deferred tax for the year	(2.8)	4.7
Income tax expense for the year	28.2	30.0

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

	2014 £m	2013 £m
Corporation tax at 23% (2013 24%)	44.9	36.2
Adjustments in respect of prior years	0.6	(1.4)
Impact of tax rate change	(17.3)	(5.3)
Impact of change of rate for headline corporation tax rate	-	0.3
Other permanent difference	-	0.2
Income tax expense for the year	28.2	30.0

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

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

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NOTES TO ACCOUNTS *continued*

31 March 2014

25 FINANCIAL COMMITMENTS

Other contractual commitments

	2014 £m	2013 £m
Provision of asset management services from SPPS	-	24.0

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

26 DIVIDENDS

	2014 pence per ordinary share	2013 pence per ordinary share	2014 £m	2013 £m
Interim dividend paid	84.5	21.5	169.0	43.0

An interim dividend of 124.0 million was approved on 7 May 2014 by the SP Transmission Board and subsequently paid on 21 May 2014.

27 CONTINGENT LIABILITIES

As part of the exercise to achieve legal separation of SPUK's businesses pursuant to the provision of the Utilities Act 2000, the company and other subsidiary companies of SPUK were each required to jointly provide guarantees to external lenders to SPUK for debt existing in that company at 1 October 2001. The value of debt guaranteed by these companies, which was still outstanding at 31 March 2014, was £1,213.4 million (2013 £1,205.1 million).

28 RELATED PARTY TRANSACTIONS

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

	2014				2013			
	UK parent (SPL)	Immediate parent (SPENH)	Other Iberdrola group companies	Jointly controlled entity	UK parent (SPL)	Immediate parent (SPENH)	Other Iberdrola group companies	Jointly controlled entity
	£m	£m	£m	£m	£m	£m	£m	£m
Types of transaction								
Sales and rendering of services	-	-	-	2.2	-	-	-	1.5
Purchases and receipt of services	-	-	(23.8)	-	-	-	(18.3)	-
Finance income	-	-	0.2	-	-	-	-	-
Finance costs	(2.9)	-	(20.2)	-	(2.9)	-	(14.9)	-
Purchases of property, plant and equipment	-	-	(228.0)	(58.4)	-	-	(180.0)	(74.5)
Dividends paid	-	(169.0)	-	-	-	(43.0)	-	-
Balances outstanding								
Loans receivable	-	-	33.2	-	-	-	15.1	-
Trade and other receivables	-	-	-	5.4	-	-	-	4.9
Interest receivable	-	-	0.1	-	-	-	-	-
Derivative financial assets	0.1	-	-	-	0.6	-	-	-
Loans payable	(75.0)	-	(690.0)	-	(75.0)	-	(470.0)	-
Trade payables	-	-	(25.7)	(1.3)	-	-	(39.0)	(0.1)
Interest payable	(0.5)	-	(6.2)	-	(0.5)	-	(4.0)	-
Derivative financial liabilities	(2.9)	-	-	-	(0.1)	-	-	-

(ii) During the year ended 31 March 2014, SPUK made pension contributions of £148,000 on behalf of the company (2013 £116,400).

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

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)

NOTES TO ACCOUNTS *continued*

31 March 2014

28 RELATED PARTY TRANSACTIONS *continued*

(b) Remuneration of key management personnel

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

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

(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. One of the directors is paid by another company within the ScottishPower group.

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

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

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

(d) Ultimate parent company and immediate parent company

The directors regard Iberdrola S.A. (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.

29 AUDITORS' REMUNERATION

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

SP TRANSMISSION PLC (formerly SP TRANSMISSION LIMITED)

NOTES TO ACCOUNTS *continued*

31 March 2014

30 GOING CONCERN

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

The company has recorded a profit after tax in both the current year and previous financial year and the company's balance sheet shows that it has net current liabilities of £184.8 million and net assets of £641.1 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.