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

Registered No. SC189126

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CONTENTS

CORPORATE REPORT

REGULATORY ACCOUNTS

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

SP TRANSMISSION PLC
STRATEGIC REPORT

The directors present an overview of SP Transmission plc's structure, 2014/15 performance, strategic objectives and plans.

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 ("SPL") is the United Kingdom ("UK") holding company of the Scottish Power Limited group ("ScottishPower") of which the company is a member.

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

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

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

The company faces considerable challenges over the next decade to secure the significant investment required to maintain reliable and secure networks. To ensure that this investment is delivered at a fair price for customers, Ofgem have introduced a new RIIO framework (Revenue = Incentives + Innovation + Outputs). It is a performance based model, lasting eight years, that places a much greater emphasis on network companies playing a full role in developing a sustainable energy sector and delivering services that provide value for money for customers. A key feature is agreement on the set of outputs that companies will be expected to deliver as part of the framework and the provision of incentives to reduce network costs for both current and future customers. The method for setting the controls has changed with a "fast-track" process designed to conclude the negotiation in advance for companies who submit business plans that are acceptable to Ofgem.

As part of the transmission price control ("RIIO-T1"), the company was fast-tracked and its price control was finalised in April 2012, a full year ahead of the price control coming into effect in April 2013. The company continues to make good progress on the delivery of the large RIIO-T1 investment programme. Highlights for the year include: continuing to invest ahead of plan on asset renewal, with nearly half of this spend on overhead lines; energisation of Denny North substation, a key milestone in the Beauly-Denny project; and commencing the Visualisation of Real Time System Dynamics with Enhanced Monitoring ("VISOR") trial project, which secured funding under the Network Innovation Competition ("NIC").

STRATEGIC OUTLOOK *continued*

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 31 March 2015 £m	Year ended 31 March 2014 £m
Revenue	(a)	**330.7**	286.3
Profit from operations	(a)	**239.3**	215.9
Profit before tax	(a)	**212.6**	195.2
Net assets	(b)	**562.6**	641.1
Net capital investment	(c)	**334.6**	281.5
Cash inflow from operating activities	(d)	**246.9**	275.1
Purchase of tangible fixed assets (cash flow)	(d)	**291.8**	287.1
Net debt	(e)	**(1,035.1)**	(731.8)

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

The company's profit from operations was £239.3 million, an increase of £23.4 million compared to the prior year, and profit before tax was £212.6 million, an increase of £17.4 million compared to the prior year.

Revenue increased as a result of higher base revenues to fund significant investment in the transmission network.

Outside services are broadly in line with prior year.

Taxes other than income tax have increased as a result of a rates refund recognised in the prior year.

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 £350.0 million, as discussed on page 6.

The **income tax expense** has increased due to higher profits and the one off beneficial impact in 2013/14 on deferred tax due to the change in corporation tax rates.

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

OPERATIONAL PERFORMANCE ***continued***

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 £334.6 million (2014 £281.5 million) consisting of fixed asset additions of £341.8 million (2014 £291.4 million) less capital contributions received of £7.2 million (2014 £9.9 million). Property, plant and equipment additions in relation to growth of the network amounted to £239.9 million (2014 £187.9 million) less capital contributions of £7.2 million (2014 £9.9 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 £101.9 million (2014 £103.5 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 2015:

Operational assets	Year ended 31 March 2015	Year ended 31 March 2014
Franchise area (km^2)	**22,950**	22,950
System maximum demand (Gigawatts ("GW"))	**3.5**	3.6
Length of overhead lines (circuit km)	**3,605**	3,703
Length of underground cables (circuit km)	**352**	350

Operational performance	Notes	Year ended 31 March 2015	Year ended 31 March 2014
Annual system availability	(a)	**93.88%**	94.14%
Winter peak system availability	(b)	**97.16%**	96.68%
Annual reliability of supply	(c)	**99.99%**	99.99%
Annual number of loss of supply incidents	(d)	**19**	17
1. Incentivised incidents		**3**	7
2. Non incentivised incidents		**16**	10

(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 annual system availability has marginally decreased due to a very small increase in outages as a result of planned (maintenance and construction) work and unplanned (faults). Note that unplanned (faults) outages can be influenced by many factors, such as weather and third parties.

(b) Winter peak system availability is the average system availability over the three months of December, January and February.

(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. Incentivised incidents are incidents where the loss of supply is longer than three minutes and non-incentivised incidents are those which do not cause a loss of supply to customers and those that cause a loss of supply to customers that lasts less than three minutes. Annual number of loss of supply incidents has increased as a result of an increase in 'non incentivised incidents'.

Although these metrics give a view on asset network performance, it must be pointed out that performance can be impacted by factors that are out with the control of the transmission licensee e.g. 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.

New 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 2 GW. Voluntary agreements were concluded with the various landowners around Hunterston in 2013/14 and civil works commenced. During 2014/15, construction of the HVDC convertor station started and production issues with the undersea power cable were resolved.

These production issues have caused project delays. The project is expected to be available for full commercial operation in 2017. The engineering and construction works undertaken on strategic reinforcement projects during 2014/15 underpins an ambitious investment plan which will increase capacity from Scotland to England from 3.3 GW to close to 7 GW by 2021. The under-sea link noted above 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 400 kilovolts ("kV") double-circuit overhead link[1] 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 400 kV overhead line, subject to appropriate visual mitigation measures. Since then extensive liaison has taken place with Stirling Council and the local community 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 the 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 275 kV substation was energised during 2014. In July 2014, the construction of the first overhead line on the Energy Networks 20 km section of the 400 kV Beauly to Denny overhead power line commenced. 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.

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 shunt compensation plant at Windyhill and Elvanfoot was completed during winter 2012/13. This enabled an increase in power transfer capacity to 3.15 GW on the Scotland-England interconnector. The work at Moffat was completed during 2014. The final elements at Longannet will be completed by summer 2015, which will realise the full increase in transfer capacity to 3.3 GW (from 2.8 GW).

During 2014/15, significant progress has been made on engineering and construction works for a further two strategic reinforcement projects – East-West upgrade and Series Compensation[2]. 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 transfer capability between Scotland and England up to 4.4 GW. These projects are described further below.

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

1 The overhead line will be built with two circuits, one on each side of the tower. Initial operation will have one side operating at 400kV and the other side at 275 kV.
2 Series compensation enables more power to be transmitted through existing overhead lines at a fraction of the cost and time expenditure of a new overhead line.

PROJECTS *continued*

New Projects continued

Series Compensation is the complementary project to the East-West upgrade and will be the first use of series 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 is working closely with Scottish Hydro Electric Transmission plc ("SHE Transmission") to reinforce the transmission system in Kintyre by establishing a twin 220 kV AC subsea link between Crossaig in Kintyre and Hunterston in Ayrshire. The need for this reinforcement is driven by the growth of renewable generation in Kintyre and the growing stress on the existing transmission network in the area. The company mobilised on site at Hunterston during 2014 and is on track to energise the circuits to Kintyre by late 2015.

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 has exceeded the original connection target for Transmission Price Control ("TPCR4") (the previous transmission price control framework), and the rollover year, delivering the infrastructure to connect 1,890 MW cumulative of renewable generation. The current projection for renewable generation, based on contracted generation schemes, is expected to exceed the original RIIO-T1 plan with an increase in the portfolio of approximately 3.6 GW by 2020/21 in its franchise area.

In 2014/15 activity has continued to focus on development and construction works on new wind farm capacity, including ten projects in South-West Scotland, totalling over 800 MW. The initial works comprising the extension of the existing 275 kV network from Coylton to New Cumnock remains 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 and other areas within Central Scotland.

Network reinforcement and modernisation

Whilst there has been significant construction activity associated with new renewable generation activity, a substantial amount of reinforcement work was undertaken to improve security and quality 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, which was completed in 2015.

In 2014/15, development and engineering work commenced on behalf of Network Rail. Network Rail plan to electrify the Edinburgh to Glasgow (Queen Street) line via Falkirk, as well as the line from Stirling to Falkirk, and through Cumbernauld and Stepps to Springburn. In addition, it is proposed to electrify the rail network in the Bonnybridge area and the company will establish a new railtrack feeder station at Greenhill with a capacity of approximately 48 Mega Volt Amperes ("MVA"), with an anticipated connection date of 2016.

Reinforcement and refurbishment work

A number of projects to reinforce GSPs were developed during the year for delivery in future years of RIIO-T1. These projects, originally identified in the RIIO-T1 Business Plan, are required to address predicted technical issues on the network. These schemes will further enhance security of supply and provide new capacity for the distribution network to support economic development.

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 has removed from service all poor condition and performance gas compression cables and replaced with modern polymer insulated cables. As a result, it is not expected that there will be significant investment in underground cable modernisation during RIIO-T1.

PROJECTS *continued*

Reinforcement and refurbishment work continued

During the year a number of modernisation projects were undertaken to address substation assets that were at or approaching the end of their life. The replacement of transformers at Killermont, Bainsford and Cockenzie were completed during 2014/15. There has been significant switchgear asset replacement activity at Bonnybridge, Devol Moor and Inverkip completed during 2014/15. Inverkip 400 kV substation and a number of connecting overhead lines in the local vicinity were removed from the network avoiding expensive replacement costs and reducing inspections and maintenance expenditure. In addition, major engineering works associated with the replacement of worn-out switchgear and transformers commenced at Carntyne, Chapelcross, Sighthill and Windyhill substations. These works will contribute to the delivery of key asset health outputs in future years 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 400 kV, 275 kV and 132 kV overhead line routes. Further to a busy year in 2013/14 there were several major refurbishment projects, involving full reconductoring, either commenced or completed during 2014/15. This included completion of the Windyhill to Sloy 132kV route, and commencement of Windyhill to Lambhill, Neilstion/ Busby/ East Kilbride and Kaimes to Cockenzie routes. These routes had sections modernised during 2014/15 with full project completion expected in 2015/16.

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

Network Innovation

The company has embedded innovation within its RIIO-T1 projects and several have been referred to above; ranging from the HVDC link undersea cable, where a research project is underway to develop HVDC cable condition monitoring technology, to a novel deployment of series compensation in a complex network environment. The company continues to explore further opportunities to better utilise the existing network e.g. using composite core conductor to increase power capacity to smaller substation footprints through wider adoption of digital technology.

The company, supported by other transmission licensees and academics, were successful in securing funding from Ofgem for VISOR under the NIC mechanism in late 2013. The trial project commenced in 2014 and is scheduled to complete during 2016/17. The Wide Area Monitoring ("WAM") system proposed for development and trial of VISOR will provide a new insight to the capability and dynamic performance of the transmission system in both planning and operational time-scales.

The VISOR trial will provide the system operator with the ability and confidence to utilise the full capacity of the network where increasing volumes of wind generation lead to more volatile system flows, resulting in greater operating margins to maintain and manage network security. The WAM system will also provide transmission network owners with a risk-mitigating measure in a period of uncertainty to help safeguard the network against high impact low probability events that may result in partial or widespread system failure.

LIQUIDITY AND CASH MANAGEMENT

Cash and net debt

Net cash flows from operating activities decreased by £28.2 million to £246.9 million for the year, as detailed on page 23. As detailed in the table below, net debt increased by £303.3 million to £1,035.1 million. This was as a result of a new loan with Scottish Power UK plc ("SPUK") for £350.0 million which is due to mature in 2025. This was offset by a capital repayment of £52.0 million on the long term loan with SPUK due to mature in 2022.

Analysis of net debt	Notes	2015 £m	2014 £m
Cash	(a)	6.8	-
Loans receivable from Iberdrola group companies	(b)	21.1	33.2
Loans payable to Iberdrola group companies	(c)	(1,063.0)	(765.0)
Net debt		**(1,035.1)**	**(731.8)**

(a) As detailed on the balance sheet, refer to page 20.
(b) Loans due from Iberdrola group companies, refer to Note 8 on page 32.
(c) Loans with Iberdrola group companies, refer to Note 15 on page 35.

LIQUIDITY AND CASH MANAGEMENT *continued*

Capital and debt structure

The company is funded by a combination of debt and equity in accordance with the directors' objectives of establishing an appropriately funded business consistent with the requirements of the Utilities Act 2000 and the objectives of the Iberdrola group. All the equity is held by the company's immediate parent undertaking, SPENH. Treasury services are provided by SPL. ScottishPower has a risk policy within treasury and financing which is designed to ensure that the company's exposure to variability of cash flows and asset values due to fluctuations in market interest rates and exchange rates are minimised and managed at acceptable risk levels. Further details of the treasury and interest policy for ScottishPower and how it manages them is included in Note 4 of the most recent Annual Report and Accounts of SPL.

As part of the exercise to achieve legal separation of 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.

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

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

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

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

	Notes	**Actual Year ended 31 March 2015**	Target Year ended 31 March 2015
Total recordable incident rate	(a)	**0.22**	0.26
Lost time accidents		**4**	5
Occupational health monitoring	(b)	**98%**	90%
Audit and inspection programme completion	(c)	**112%**	95%

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

(b) Occupational health monitoring is a measure of how Energy Networks meet our planned forecasts for those staff assessed as at risk.

(c) Audit and inspection programme completion is the measurement of the planned internal management system audits and Energy Network compliance inspections, both against Energy Networks own staff and contracting partners.

HEALTH AND SAFETY ***continued***

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

RISK	RESPONSE
Material deterioration in the relatively stable and predictable UK regulatory and political environment.	Positive and transparent engagement with all appropriate stakeholders to ensure that long-term regulatory stability and political consensus is maintained and necessary public backing is secured for much needed investment in the UK energy system.
Adverse findings from the Competition and Markets Authority ("CMA") market investigation.	Proactive and positive engagement process with business, legal and regulatory experts and advisors aimed at seeking outcomes that are well founded and positive for competition.
A major health and safety incident in the course of operations could impact staff, contractors, communities or the environment.	ScottishPower's Health and Safety function provides specialist services and support for the businesses in relation to health and safety. A comprehensive framework of health and safety policy and procedures, alongside audit programmes, is established throughout ScottishPower, which aim to ensure not only continuing legal compliance but also drive towards best practice in all levels of its health and safety operations.

The principal risk and uncertainty of the company which may impact the current and future operational and financial performance and the management of this risk is 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.

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

During the year to 31 March 2015 the ScottishPower governance structure was supported by risk policies approved by the Board of Directors of Iberdrola and adopted by the Board of Directors of Scottish Power Limited ("the ScottishPower Board"). Further information is provided in the 'Identification and evaluation of risks and control objectives' section of the Corporate Governance Statement on page 15.

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

(c) Credit risk

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

Insurance

For the year ended 31 March 2015, the company's main insurance strategy was to procure cover from external insurance markets. The company conducts periodic reviews of the business requirements and evaluates alternative risk mitigation strategies to ensure that the most effective and economic cover is secured.

ON BEHALF OF THE BOARD

Scott Mathieson
Director
24 June 2015

SP TRANSMISSION PLC
DIRECTORS' REPORT

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

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

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

RESULTS AND DIVIDENDS
The net profit for the year amounted to £167.8 million (2014 £167.0 million). The aggregate dividends paid during the year amounted to £229.0 million (2014 £169.0 million).

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

Details of the 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.spenergynetworks.co.uk/pages/other_reports.asp.

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

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

Employee feedback and consultation
ScottishPower believes that it is important that all employees have the opportunity to get involved and share their views. During 2014 around 60% of employees took part in the annual employee survey 'The LOOP'[3] and the overall engagement score remained high at 75%. In 2014 the key areas of action included the launch of an online development toolkit to improve the opportunities for employees to develop, a focus on internal communications to keep employees more informed about what is happening in the organisation, and a review of how to best recognise the efforts of employees.

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

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

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

EMPLOYEES ***continued***

Employment of disabled persons

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

Employee health and wellbeing

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

Employee volunteering

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

COMMUNITY RELATIONSHIPS

Community relationships

Building the trust of communities has been part of ScottishPower's core values for many years. ScottishPower has a significant presence in many communities and aims to conduct its activities responsibly, in a way that is considerate to local communities and makes a positive contribution to society.

Community consultation

ScottishPower engages with communities across its operations, where new and modernising developments are planned. The key areas where ScottishPower's business interacts with the community include the siting of new facilities, the presence of distribution and transmission lines and routine maintenance and upkeep work. ScottishPower takes a proactive approach to providing good information from pre-planning through to construction.

ScottishPower maintains strong relationships with local communities by working with community groups, elected representatives, interest groups and individuals ensuring that those affected by the work are aware of what's happening in their area in advance, allowing communities to have their say. This is of particular importance to the business as a developer, owner and operator with longstanding relationships in many of the communities in which it works.

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

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

POLITICAL DONATIONS AND EXPENDITURE

ScottishPower is a politically neutral organisation. It is subject to the Political Parties, Elections and Referendums Act 2000, which defines political "donations" and "expenditure" in wider terms than would be commonly understood by these phrases. During the year ended 31 March 2015, ScottishPower paid a total of £21,000 for the sponsorship of conferences and events – activities which may be regarded as falling within the terms of the Act.

The recipients of these payments were:

• The Conservative Party	£7,000
• The Labour Party	£7,000
• The Scottish National Party	£7,000

ScottishPower was represented at all the major UK political party conferences in 2014, and sponsored receptions at the conferences of the above parties. These occasions provide an important opportunity for ScottishPower to represent its views on a non-partisan basis to politicians from across the political spectrum. The payments do not indicate support for any particular party.

DIRECTORS

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

Scott Mathieson	
Frank Mitchell	
Dame Denise Holt	(resigned 24 June 2014)
Professor Sir James McDonald	
Elizabeth Haywood	(appointed 1 January 2015)
Wendy Barnes	(appointed 1 January 2015)

Pearse Murray was appointed as director of SP Transmission plc on 30 April 2015.

DISCLOSURE OF INFORMATION TO AUDITORS

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

- so far as he or she is aware, there is no relevant audit information of which the company's auditor is unaware; and
- he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditor 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 2015.

ON BEHALF OF THE BOARD

Scott Mathieson
Director
24 June 2015

SP TRANSMISSION PLC
CORPORATE GOVERNANCE STATEMENT

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

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

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

Administrative, management and supervisory bodies

Board and management meetings

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

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

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

SPENH Board

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

Javier Villalba Sánchez	Chairman
Frank Mitchell	Chief Executive Officer
Nicola Connelly	Executive director
Antonio Espinosa de los Monteros	Non-independent, non-executive director
José Izaguirre Nazar	Non-independent, non-executive director
Scott Mathieson	Executive director
Dame Denise Holt	Independent non-executive director (resigned 24 June 2014)
Professor Sir James McDonald	Independent non-executive director
Elizabeth Haywood	Independent non-executive director (appointed 1 January 2015)
Wendy Barnes	Independent non-executive director (appointed 1 January 2015)

Administrative, management and supervisory bodies *continued*

SPENH Board continued

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

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

ScottishPower Audit and Compliance Committee ("ACC")

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

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

The ACC comprises three members, including two independents, as indicated in the table below. The ACC met six times during the year under review. The members of the ACC and their attendance record are shown in the table below.

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

Iberdrola Appointments and Remuneration Committee ("IARC")

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

Inés Macho Stadler (Chairperson)	External independent
Iñigo Victor De Oriol Ibarra	External independent
Santiago Martínez Lage	External independent

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

Internal control

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

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

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

Identification and evaluation of risks and control objectives

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

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

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

Capital investment

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

Monitoring and corrective action

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

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

Auditor independence

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

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

Social, environmental and ethical matters

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

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

SP TRANSMISSION PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

in respect of the Regulatory Accounts and the 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 ("the company")

We have audited the Regulatory Accounts of the company for the year ended 31 March 2015 (the "Regulatory Accounts") which comprise the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement, and the related notes 1 to 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 2015 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 2014 on which we reported on 30 March 2015, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the company (our "statutory audit") was made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our statutory audit work was undertaken so that we might state to the company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Ernst & Young LLP
Statutory Auditor
Glasgow
24 **June 2015**

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

	Notes	2015 £m	2014 £m
ASSETS			
NON-CURRENT ASSETS			
Intangible assets		**-**	**-**
Other intangible assets	4	-	-
Property, plant and equipment		**2,007.2**	**1,709.4**
Property, plant and equipment in use	5	1,440.5	1,135.4
Property, plant and equipment in the course of construction	5	566.7	574.0
Financial assets		**1.3**	**1.8**
Investment in joint venture	6	-	-
Finance lease receivables	7	1.3	1.8
NON-CURRENT ASSETS		**2,008.5**	**1,711.2**
CURRENT ASSETS			
Trade and other receivables	8	**43.4**	**39.0**
Financial assets		**2.4**	**0.4**
Finance lease receivables	7	0.3	0.3
Derivative financial instruments	9, 16	2.1	0.1
Cash	9	**6.8**	**-**
CURRENT ASSETS		**52.6**	**39.4**
TOTAL ASSETS		**2,061.1**	**1,750.6**
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the Parent		**562.6**	**641.1**
Share capital	11, 12	200.0	200.0
Hedge reserve	12	(20.0)	(2.7)
Retained earnings	12	382.6	443.8
TOTAL EQUITY		**562.6**	**641.1**
NON-CURRENT LIABILITIES			
Deferred income	13	**61.1**	**55.6**
Provisions		**0.7**	**0.7**
Other provisions	14	0.7	0.7
Bank borrowings and other financial liabilities		**1,021.2**	**713.3**
Loans and other borrowings	15	1,019.0	713.0
Derivative financial instruments	9, 16	2.2	0.3
Trade and other payables	17	**0.1**	**0.2**
Deferred tax liabilities	18	**122.9**	**115.5**
NON-CURRENT LIABILITIES		**1,206.0**	**885.3**
CURRENT LIABILITIES			
Bank borrowings and other financial liabilities		**57.0**	**54.6**
Loans and other borrowings	15	44.0	52.0
Derivative financial instruments	9, 16	13.0	2.6
Trade and other payables	17	**210.9**	**146.8**
Current tax liabilities		**24.6**	**22.8**
CURRENT LIABILITIES		**292.5**	**224.2**
TOTAL LIABILITIES		**1,498.5**	**1,109.5**
TOTAL EQUITY AND LIABILITIES		**2,061.1**	**1,750.6**

Approved by the Board on 24 June 2015 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 2015 and 31 March 2014.

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

	Notes	2015 £m	2014 £m
Revenue		330.7	286.3
		330.7	286.3
Staff costs	19	(1.0)	(1.0)
Outside services		(27.0)	(25.9)
Other operating income		5.3	4.5
		(22.7)	(22.4)
Taxes other than income tax	20	(24.7)	(10.6)
		283.3	253.3
Depreciation and amortisation charge, allowances and provisions	21	(44.0)	(37.4)
PROFIT FROM OPERATIONS		**239.3**	215.9
Finance income	22	0.2	0.4
Finance costs	23	(26.9)	(21.1)
PROFIT BEFORE TAX		**212.6**	195.2
Income tax	24	(44.8)	(28.2)
NET PROFIT FOR THE YEAR		**167.8**	167.0

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

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 2015 and 31 March 2014.

SP TRANSMISSION PLC

STATEMENTS OF COMPREHENSIVE INCOME

for the years ended 31 March 2015 and 31 March 2014

	Note	2015 £m	2014 £m
NET PROFIT FOR THE YEAR		**167.8**	167.0
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to the income statement:			
Cash flow hedges:			
Change in the value of cash flow hedges recognised	12	(21.6)	(3.9)
Tax relating to cash flow hedges	12	4.3	0.8
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**(17.3)**	(3.1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**150.5**	163.9

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

STATEMENTS OF CHANGES IN EQUITY

for the years ended 31 March 2015 and 31 March 2014

	Ordinary share capital £m	Hedge reserve £m	Retained earnings £m	Total equity £m
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 1 April 2014	200.0	(2.7)	443.8	641.1
Total comprehensive income for the year	-	(17.3)	167.8	150.5
Dividends	-	-	(229.0)	(229.0)
At 31 March 2015	**200.0**	**(20.0)**	**382.6**	**562.6**

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 2015 and 31 March 2014.

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

	2015 £m	2014 £m
Cash flows from operating activities		
Profit before tax	212.6	195.2
Adjustments for:		
Depreciation and amortisation	43.3	36.8
Change in provisions	-	0.7
Transfer of assets from customers	(1.7)	(1.4)
Finance income and costs	26.7	20.7
Net losses on disposal/write-off of non-current assets	0.7	0.5
Changes in working capital:		
Change in trade and other receivables	(16.1)	(0.3)
Change in trade and other payables	5.4	40.6
Assets received from customers	7.2	9.9
Income taxes paid	(31.3)	(28.0)
Interest received	0.1	0.4
Net cash flows from operating activities (i)	**246.9**	**275.1**
Cash flows from investing activities		
Investments in property, plant and equipment	(291.8)	(287.1)
Net cash flows from investing activities (ii)	**(291.8)**	**(287.1)**
Cash flows from financing activities		
Increase in amounts due to Iberdrola group companies	298.0	220.0
Dividends paid to company's equity holders	(229.0)	(169.0)
Interest paid	(29.4)	(20.9)
Net cash flows from financing activities (iii)	**39.6**	**30.1**
Net (decrease)/increase in cash and cash equivalents (i)+(ii)+(iii)	**(5.3)**	**18.1**
Cash and cash equivalents at beginning of year	**33.2**	**15.1**
Cash and cash equivalents at end of year	**27.9**	**33.2**

Cash and cash equivalents at end of year comprises:

	2015 £m	2014 £m
Balance sheet cash	6.8	-
Receivables due from Iberdrola group companies - loans	21.1	33.2
Cash flow statement cash and cash equivalents	**27.9**	**33.2**

The accompanying notes 1 to 30 are an integral part of the cash flow statements for the years ended 31 March 2015 and 31 March 2014.

1 BASIS OF PREPARATION

A BASIS OF PREPARATION OF THE ACCOUNTS

The Accounts have been prepared in accordance with Standard Condition 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 2015. 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 2014 to 31 March 2015. Consequently the Corporate Report & Regulatory Accounts for the year ended 31 March 2015 are separate from the Annual Report and Accounts of the company which have been prepared for the year ended 31 December 2014. The Accounts are prepared in accordance with the Accounting Policies set out in Note 2.

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

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 2015.

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

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

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

SP TRANSMISSION PLC
NOTES TO ACCOUNTS *continued*
31 March 2015

1 BASIS OF PREPARATION *continued*

B ACCOUNTING STANDARDS *continued*

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

	Notes	IASB effective date (for periods commencing on or after)	Planned date of application by the company
• IFRIC 21 'Levies'	(b), (c)	1 January 2014	1 April 2015
• Amendments to IAS 19 'Employee Benefits: Defined Benefit Plans: Employee Contributions'	(b)	1 July 2014	1 April 2015
• Annual Improvements to IFRSs (2010-2012)	(b)	1 July 2014	1 April 2015
• Annual Improvements to IFRSs (2011-2013)	(b)	1 July 2014	1 April 2015
• IFRS 14 'Regulatory Deferral Accounts'	(b), (d)	1 January 2016	1 April 2016
• Amendments to IFRS 11 'Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations'	(b), (d)	1 January 2016	1 April 2016
• Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' – 'Clarification of Acceptable Methods of Depreciation and Amortisation'	(b), (d)	1 January 2016	1 April 2016
• Amendments to IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture' – 'Agriculture: Bearer Plants'	(b), (d)	1 January 2016	1 April 2016
• Annual Improvements to IFRSs (2012-2014)	(b), (d)	1 January 2016	1 April 2016
• Amendments to IAS 27 'Separate Financial Statements: Equity Method in Separate Financial Statements'	(b), (d)	1 January 2016	1 April 2016
• Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - 'Investment Entities: Applying the Consolidated Exception'	(b), (d)	1 January 2016	1 April 2016
• Amendments to IAS 1 'Presentation of Financial Statements: Disclosure Initiative'	(b), (d)	1 January 2016	1 April 2016
• IFRS 15 'Revenue from Contracts with Customers'	(d), (e)	1 January 2017	1 April 2017
• IFRS 9 'Financial Instruments'	(d), (e)	1 January 2018	1 April 2018
• Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	(b), (d), (f)	To be decided	To be decided

(b) The future application of these pronouncements is not expected to have a material impact on the company's accounting policies, financial position or performance.
(c) Although the effective date of this interpretation is 1 January 2014, it was not endorsed by the EU until 13 June 2014, therefore it will not be applied by the company until 1 April 2015.
(d) These pronouncements have not yet been adopted by the EU.
(e) The directors are currently in the process of assessing the impact of this standard in relation to the company's accounting policies, financial position and performance.
(f) The effective date of this amendment was for periods commencing on or after 1 January 2016. However, the EU endorsement process for this amendment has been postponed, awaiting a revised exposure draft from the IASB. The effective date will be amended in due course.
(g) The company has chosen not to early adopt any of these standards/amendments for the regulatory year ended 31 March 2015.

2 ACCOUNTING POLICIES

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

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

2 ACCOUNTING POLICIES ***continued***

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 seven years.

C PROPERTY, PLANT AND EQUIPMENT

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

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

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

D IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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

E LEASED ASSETS

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

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

Finance lease receivables are initially recognised at the lower of the 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.

2 ACCOUNTING POLICIES ***continued***

F FINANCIAL INSTRUMENTS

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, except where the loan or borrowing is a hedged item in an effective fair value hedging relationship (see F3 below).

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 below).

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.

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%.

2 ACCOUNTING POLICIES ***continued***

F FINANCIAL INSTRUMENTS ***continued***

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.

H TAXATION

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

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

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

I RETIREMENT BENEFITS

ScottishPower operates a number of defined benefit and defined contribution retirement benefit schemes in the UK. SP Transmission plc is a participating company in these arrangements, and the contributions for the defined benefit schemes are based on pension costs across all the participating companies. The company is unable to identify its share of the underlying assets and liabilities in the defined benefit schemes, as the scheme administrators do not calculate these separately for each of the various companies participating in the schemes and therefore treats these schemes as if they were defined contribution schemes. The amount charged to the income statement in respect of pension costs is the contributions payable in the period.

SP TRANSMISSION PLC
NOTES TO ACCOUNTS *continued*
31 March 2015

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 2015, the carrying value of property, plant and equipment amounted to £2,007.2 million (2014 £1,709.4 million).

4 INTANGIBLE ASSETS

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		-
At 1 April 2013		0.7

Year ended 31 March 2015	Note	Computer software £m
Cost:		
At 1 April 2014 and 31 March 2015	(a)	**5.0**
Amortisation:		
At 1 April 2014 and 31 March 2015		**5.0**
Net book value:		
At 1 April 2014 and 31 March 2015		**-**

(a) The cost of fully amortised computer software still in use at 31 March 2015 was £5.0 million (2014 £0.4 million).

SP TRANSMISSION PLC
NOTES TO ACCOUNTS *continued*
31 March 2015

5 PROPERTY, PLANT AND EQUIPMENT
(a) Movements in property, plant and equipment

Year ended 31 March 2014	Transmission facilities £m	Other facilities (Note (i)) £m	Other items of property, plant and equipment in use £m	Plant in progress (Note (ii)) £m	Total £m
Cost:					
At 1 April 2013	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
Amortisation:					
At 1 April 2013	344.7	38.6	1.1	-	384.4
Depreciation 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 31March 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
	1,078.9	33.2	23.3	574.0	1,709.4

Year ended 31 March 2015	Transmission facilities £m	Other facilities (Note (i)) £m	Other items of property, plant and equipment in use £m	Plant in progress (Note (ii)) £m	Total £m
Cost:					
At 1 April 2014	1,451.0	74.4	24.4	574.0	2,123.8
Additions	-	-	0.4	341.4	341.8
Transfers from in progress to plant in use	344.6	4.1	-	(348.7)	-
Disposals	(10.7)	-	-	-	(10.7)
At 31 March 2015	**1,784.9**	**78.5**	**24.8**	**566.7**	**2,454.9**
Amortisation:					
At 1 April 2014	372.1	41.2	1.1	-	414.4
Depreciation for the year	40.6	2.7	-	-	43.3
Disposals	(10.0)	-	-	-	(10.0)
At 31 March 2015	**402.7**	**43.9**	**1.1**	**-**	**447.7**
Net book value:					
At 31 March 2015	**1,382.2**	**34.6**	**23.7**	**566.7**	**2,007.2**
At 1 April 2014	1,078.9	33.2	23.3	574.0	1,709.4
The net book value of property, plant and equipment at 31 March 2015 is analysed as follows:					
Property, plant and equipment in use	1,382.2	34.6	23.7	-	1,440.5
Property, plant and equipment in the course of construction	-	-	-	566.7	566.7
	1,382.2	**34.6**	**23.7**	**566.7**	**2,007.2**

(i) The category "Other facilities" principally comprises telecommunication assets.
(ii) The category "Plant in progress" principally comprises transmission facilities in the course of construction.
(iii) Additions of £279.3 million (2014 £228.0 million) were purchased internally from the asset management entity SPPS and £59.5 million from a jointly controlled entity NGET/SPT Upgrades Limited ("NGET") (2014 £58.4 million), as noted within Note 28. Capitalised interest accounts for the remainder of additions.
(iv) Interest on the funding attributable to major capital projects was capitalised during the year at a rate of 3.62%.
(v) The cost of fully depreciated property, plant and equipment still in use at 31 March 2015 was £54.4 million (2014 £56.6 million).
(vi) Included within the cost of property, plant and equipment are assets in use not subject to depreciation, being land of £23.1 million (2014 £22.8 million).

5 PROPERTY, PLANT AND EQUIPMENT *continued*

(b) Operating lease arrangements

Operating lease receivables	2015 £m	2014 £m
The future minimum lease payments receivable under non-cancellable operating leases are as follows:		
Within one year	**0.2**	0.1

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

(c) Capital commitments

	2015 £m	2014 £m
Contracted but not provided	**733.2**	436.3

6 INVESTMENT IN JOINT VENTURE

	Shares in joint venture £
At 1 April 2013, 1 April 2014 and 31 March 2015	**50**

Joint venture	Country of incorporation	Proportion of shares held %	Activity
NGET/SPT Upgrades Limited	England & Wales	100%	Development of offshore HVDC West Coast transmission link

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

7 FINANCE LEASE RECEIVABLES

	2015 £m	2014 £m
Amounts receivable under finance leases:		
Current receivables	**0.3**	0.3
Non-current receivables	**1.3**	1.8
	1.6	2.1
Gross receivables from finance leases:		
Within one year	**0.4**	0.4
Between one and five years	**1.4**	2.1
	1.8	2.5
Unearned future finance income on finance leases	**(0.2)**	(0.4)
Net investment in finance leases	**1.6**	2.1

	2015 £m	2014 £m
The net investment in finance leases is analysed as follows:		
Within one year	**0.3**	0.3
Between one and five years	**1.3**	1.8
	1.6	2.1

8 TRADE AND OTHER RECEIVABLES

	Note	2015 £m	2014 £m
Current receivables:			
Receivables due from Iberdrola group companies - trade		0.1	-
Receivables due from Iberdrola group companies - loans	(a)	21.1	33.2
Receivables due from Iberdrola group companies - interest		-	0.1
Receivables due from joint arrangements - trade		0.1	0.5
Trade receivables and accrued income		18.5	-
Prepayments with joint arrangements		3.6	4.9
Other receivables		-	0.3
		43.4	39.0

(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.

9 MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

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

		2015		2014	
	Notes	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial assets					
Finance lease receivables		1.6	1.6	2.1	2.1
Derivative financial instruments	(a)	2.1	2.1	0.1	0.1
Receivables	(b)	39.8	39.8	34.1	34.1
Cash	(c)	6.8	6.8	-	-
Financial liabilities					
Derivative financial instruments	(a)	(15.2)	(15.2)	(2.9)	(2.9)
Loans and other borrowings	(d)	(1,063.0)	(1,233.4)	(765.0)	(896.3)
Payables	(b)	(172.2)	(172.2)	(127.0)	(127.0)

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

(a) Further details on derivative financial instruments are disclosed within Note 16.
(b) Balances outwith the scope of IFRS 7 'Financial Instruments: Disclosure' ("IFRS 7") have been excluded, namely prepayments, payments on account and other tax payables.
(c) As a general rule, cash deposited with banks earns interest at rates similar to market rates on daily deposits.
(d) The carrying value of loans and other borrowings are accounted for at amortised cost. The carrying value of short term debt is a reasonable approximation of fair value. The fair value of long-term debt is calculated using 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
NOTES TO ACCOUNTS *continued*
31 March 2015

10 LIQUIDITY ANALYSIS

Maturity profile of financial liabilities

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

	2015						
Cash outflows	**2016 £m**	**2017 £m**	**2018 £m**	**2019 £m**	**2020 £m**	**2021 and thereafter £m**	**Total £m**
Derivative financial instruments (excluding commodity derivatives)	148.5	27.4	-	-	-	-	**175.9**
Loans and other borrowings	80.7	157.9	76.7	228.7	69.3	751.7	**1,365.0**
Payables*	164.7	-	0.1	-	-	-	**164.8**
	393.9	185.3	76.8	228.7	69.3	751.7	**1,705.7**

	2014						
Cash outflows	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 and thereafter £m	Total £m
Derivative financial instruments (excluding commodity derivatives)	136.8	20.4	-	-	-	-	157.2
Loans and other borrowings	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

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

11 SHARE CAPITAL

	2015 £m	2014 £m
Authorised:		
200,000,000 ordinary shares of £1 each (2014 200,000,000)	**200.0**	200.0
Allotted, called up and fully paid shares:		
200,000,000 ordinary shares of £1 each (2014 200,000,000)	**200.0**	200.0

12 ANALYSIS OF MOVEMENTS IN EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF SP TRANSMISSION PLC

	Ordinary share capital £m	Hedge reserve (Note (a)) £m	Retained earnings (Note (b)) £m	Total £m
At 1 April 2013	200.0	0.4	445.8	646.2
Profit for the year attributable to equity holders of SP Transmission plc	-	-	167.0	167.0
Changes in the value of cash flow hedges	-	(3.9)	-	(3.9)
Tax relating to cash flow hedges	-	0.8	-	0.8
Dividends	-	-	(169.0)	(169.0)
At 1 April 2014	200.0	(2.7)	443.8	641.1
Profit for the year attributable to equity holders of SP Transmission plc	-	-	167.8	167.8
Changes in the value of cash flow hedges	-	(21.6)	-	(21.6)
Tax relating to cash flow hedges	-	4.3	-	4.3
Dividends	-	-	(229.0)	(229.0)
At 31 March 2015	**200.0**	**(20.0)**	**382.6**	**562.6**

(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.

12 ANALYSIS OF MOVEMENTS IN EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF SP TRANSMISSION PLC *continued*

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

Cash flow hedges	Foreign exchange rate hedges £m	Tax effect £m	Total £m
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 1 April 2014	(3.4)	0.7	(2.7)
Effective cash flow hedges recognised	(21.9)	4.4	(17.5)
Removed from equity and recognised in carrying amount of hedged items	0.3	(0.1)	0.2
At 31 March 2015	**(25.0)**	**5.0**	**(20.0)**

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

	2015 £m	2014 £m
Less than 1 year	**(18.2)**	(2.5)
1-2 years	**(1.8)**	(0.2)
	(20.0)	(2.7)

13 DEFERRED INCOME

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

Year ended 31 March 2015	At 1 April 2014 £m	Receivable during year £m	Released to income statement £m	**At 31 March 2015 £m**
Transfer of assets from customers	55.6	7.2	(1.7)	**61.1**

14 PROVISIONS

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

Year ended 31 March 2015	Note	At 1 April 2014 £m	New provisions £m	**At 31 March 2015 £m**
Onerous contracts	(a)	0.7	-	**0.7**

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

15 LOANS AND OTHER BORROWINGS

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

Instrument	Notes	Interest rate*	Maturity	2015 £m	2014 £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	**208.0**	260.0
Intercompany loan with SPUK	(i),(iii)	3.57%	20 December 2023	**220.0**	220.0
Intercompany loan with SPUK	(i),(iv)	2.821%	31 March 2025	**350.0**	-
Intercompany loan with SPUK	(i),(v)	LIBOR + 3.365%	28 January 2029	**210.0**	210.0
				1,063.0	765.0

*LIBOR – London Inter-Bank Offer Rate

Analysis of total loans and borrowings	2015 £m	2014 £m
Current	**44.0**	52.0
Non-curent	**1,019.0**	713.0
	1,063.0	765.0

(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 is repayable in equal instalments every two years. The repayment of £52.0 million that was due in 2014 was classified as current in the 2014 analysis above.

(iii) The intercompany loan with SPUK that is due to mature in December 2023 is repayable in equal instalments every two years. The repayment of £44.0 million that is due in 2015 has been classified as current in the 2015 analysis above.

(iv) The intercompany loan with SPUK that is due to mature in March 2025 is repayable in equal instalments every two years with the first repayment due in March 2017.

(v) A 1% increase in the LIBOR rate and Base 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 2015 (2014 £nil).

16 DERIVATIVE FINANCIAL INSTRUMENTS

Analysis of carrying value of derivative financial instruments – carrying value

	2015				2014			
	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	**2.1**	**-**	**(13.0)**	**(2.2)**	0.1	-	(2.6)	(0.3)

17 TRADE AND OTHER PAYABLES

	2015 £m	2014 £m
Current trade and other payables:		
Payables due to Iberdrola group companies- trade	**27.0**	25.7
Payables due to Iberdrola group companies- interest	**7.4**	6.7
Payables due to joint arrangements- trade	**-**	1.3
Other taxes and social security	**14.3**	9.7
Payments received on account	**24.5**	10.3
Other payables	**137.7**	93.1
	210.9	146.8
Non-current other payables:		
Other payables	**0.1**	0.2

18 DEFERRED TAX

Deferred tax provided in the Accounts is as follows:

	Property, plant and equipment £m	Derivative financial instruments £m	Total £m
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)
At 1 April 2014	116.2	(0.7)	115.5
Charge to income statement	11.7	-	11.7
Recorded in the statement of comprehensive income	-	(4.3)	(4.3)
At 31 March 2015	**127.9**	**(5.0)**	**122.9**

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

19 EMPLOYEE INFORMATION

(a) Staff costs

	Note	2015 £'000	2014 £'000
Wages and salaries		**736**	741
Social security costs		**78**	80
Pension and other costs		**171**	169
Total staff costs	(i)	**985**	990

(i) The employee costs for the years ended 31 March 2015 and 31 March 2014 include those in respect of one director, Scott Mathieson. The emoluments of the other directors of the company for the years ended 31 March 2015 and 31 March 2014 are included within the employee costs of another ScottishPower group company, as they do not have a contract of service with the company. Details of directors' emoluments are set out in Note 28.

(b) Employee numbers

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

	Year end 2015	Average 2015	Year end 2014	Average 2014
Administrative staff	**9**	**11**	12	10

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

(c) Pensions

The company's contributions payable in the year were £142,200 (2014 £148,000). The company contributes to the ScottishPower group's defined benefit and defined contribution schemes in the UK. Full details of these schemes are provided in the most recent Annual Report and Accounts of SPL. As at 31 December 2014, the deficit in the Scottish Power group's defined benefit schemes in the UK amounted to £308.4 million (2013 £332.7 million). The employer contribution rate for these schemes in the year ended 31 December 2014 was 30.1%-31%.

20 TAXES OTHER THAN INCOME TAX

	2015 £m	2014 £m
Property taxes	**24.7**	10.6

SP TRANSMISSION PLC
NOTES TO ACCOUNTS *continued*
31 March 2015

21 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

	2015 £m	2014 £m
Property, plant and equipment depreciation charge	**43.3**	36.1
Intangible asset amortisation	**-**	0.7
Charges and provisions, allowances and impairment of assets	**0.7**	0.6
	44.0	37.4

22 FINANCE INCOME

	2015 £m	2014 £m
Interest receivable on finance leases	**0.2**	0.2
Interest receivable from Iberdrola group companies	**-**	0.2
	0.2	0.4

23 FINANCE COSTS

	2015 £m	2014 £m
Interest on amounts due to Iberdrola group companies	**30.1**	23.1
	30.1	23.1
Capitalised interest	**(3.2)**	(2.0)
	26.9	21.1

24 INCOME TAX

	2015 £m	2014 £m
Current tax:		
UK Corporation tax	**32.0**	31.0
Adjustments in respect of prior years	**1.1**	-
Current tax for the year	**33.1**	31.0
Deferred tax:		
Origination and reversal of temporary differences	**13.4**	13.9
Adjustments in respect of prior years	**(0.9)**	0.6
Impact of tax rate change	**(0.8)**	(17.3)
Deferred tax for the year	**11.7**	(2.8)
Income tax charge for the year	**44.8**	28.2

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

	2015 £m	2014 £m
Corporation tax at 21% (2013 23%)	**44.6**	44.9
Adjustments in respect of prior periods	**0.2**	0.6
Impact of tax rate change	**(0.8)**	(17.3)
Impact of rate change from headline corporation tax rate	**0.3**	-
Permanent differences	**0.5**	-
Income tax charge for the year	**44.8**	28.2

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

25 FINANCIAL COMMITMENTS

Other contractual commitments

	2015 £m	2014 £m
Provision of asset management services from SPPS	24.1	-

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

26 DIVIDENDS

	2015 pence per ordinary share	2014 pence per ordinary share	2015 £m	2014 £m
Aggregate dividends paid	114.5	84.5	229.0	169.0

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 of 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 2015 was £1,219.7 million (2014 £1,213.4 million).

28 RELATED PARTY TRANSACTIONS

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

	2015				2014			
	UK parent (SPL) £m	Immediate parent (SPENH) £m	Other Iberdrola group companies £m	Joint arrangements £m	UK parent (SPL) £m	Immediate parent (SPENH) £m	Other Iberdrola group companies £m	Joint arrangements £m
Types of transaction								
Sales and rendering of services	-	-	-	2.0	-	-	-	2.2
Purchases and receipt of services	-	-	(25.3)	-	-	-	(23.8)	-
Purchases of property, plant and equipment	-	-	(279.3)	(59.5)	-	-	(228.0)	(58.4)
Interest income	-	-	-	-	-	-	0.2	-
Interest costs	(2.9)	-	(27.2)	-	(2.9)	-	(20.2)	-
Net gains/(losses) on foreign exchange	-	-	-	-	-	-	-	(0.1)
Changes in the value of cash flow hedge reserve	(21.6)	-	-	-	(3.9)	-	-	-
Dividends paid	-	(229.0)	-	-	-	(169.0)	-	-
Balances outstanding								
Loans receivable	-	-	21.1	-	-	-	33.2	-
Trade and other receivables	-	-	0.1	3.7	-	-	-	5.4
Interest receivable	-	-	-	-	-	-	0.1	-
Derivative financial assets	2.1	-	-	-	0.1	-	-	-
Loans payable	(75.0)	-	(988.0)	-	(75.0)	-	(690.0)	-
Trade and other payables	-	-	(27.0)	-	-	-	(25.7)	(1.3)
Interest payable	(0.5)	-	(6.9)	-	(0.5)	-	(6.2)	-
Derivative financial liabilities	(15.2)	-	-	-	(2.9)	-	-	-

(i) During the year ended 31 March 2015, SPUK made pension contributions of £142,200 on behalf of the company (2014 £148,000).
(ii) The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

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 eight key management personnel, only one is paid by this company.

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

(c) Directors' remuneration

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

Executive directors	2015 £000	2014 £000
Aggregate remuneration in respect of qualifying services	**751**	646
Number of directors who exercised share options	**1**	1
Number of directors who received shares under a long-term incentive scheme	**2**	2
Number of directors accruing retirement benefits under a defined benefit scheme	**2**	2

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

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

(d) Ultimate parent company and immediate parent company

The directors regard Iberdrola S.A. (incorporated in Spain) as the ultimate parent company, which is also the parent company of the largest group in which the results of the company are consolidated. The parent company of the smallest group in which the results of the company are consolidated is SPENH.

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

29 AUDITOR'S REMUNERATION

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

30 GOING CONCERN

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on pages 1 to 9.

The company has recorded a profit after tax in both the current year and previous financial year and the company's balance sheet shows that it has net current liabilities of £239.9 million and net assets of £562.6 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.