

**SCOTTISHPOWER RENEWABLES (WODS) LIMITED**  
**ANNUAL REPORT AND ACCOUNTS**  
**for the year ended 31 December 2016**

Registered No. SC374288



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SCT 28/04/2017 #74  
COMPANIES HOUSE

**SCOTTISHPOWER RENEWABLES (WODS) LIMITED**  
**ANNUAL REPORT AND ACCOUNTS**  
**for the year ended 31 December 2016**

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# SCOTTISHPOWER RENEWABLES (WODS) LIMITED

## STRATEGIC REPORT

The directors present an overview of ScottishPower Renewables (WODS) Limited's business structure, 2016 performance, strategic objectives and plans.

### STRATEGIC OUTLOOK

The principal activity of ScottishPower Renewables (WODS) Limited ("the company"), registered company number SC374288, is the operation of the West of Duddon Sands offshore wind farm located in the East Irish Sea. The company will continue with this activity for the foreseeable future.

On 11 March 2010 the company entered into a Joint Operations Agreement ("JOA") with DONG Energy West of Duddon Sands (UK) Limited ("DONG WODS"). Under the terms of the JOA the joint participants appointed DONG Energy Power (UK) Limited as the Operator with responsibility for the planning, construction, operation and decommissioning of the wind farm. The 389 megawatt ("MW") wind farm completed its second year of full operation with availability and production ahead of expectation – with a similar outlook for 2017.

The ultimate parent of the company is Iberdrola, S.A. ("Iberdrola") which is listed on the Madrid stock exchange and the immediate parent company is ScottishPower Renewables (UK) Limited ("SPRUKL"). 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 Renewables business ("Renewables"). Renewables is responsible for the origination, development, construction and operation of renewable energy generation plants, predominantly onshore wind, with a large and growing presence in offshore wind, and the exploration of emerging renewable technologies and innovations such as battery storage.

### OPERATIONAL PERFORMANCE

The tables below provide key information relating to the company's financial and non-financial performance during the year.

	Revenue*		Operating profit*		Capital investment**	
	2016	2015	2016	2015	2016	2015
Financial key performance indicators	£m	£m	£m	£m	£m	£m
<b>ScottishPower Renewables (WODS) Limited</b>	<b>98.3</b>	<b>237.8</b>	<b>43.9</b>	<b>57.5</b>	<b>4.9</b>	<b>4.7</b>

\* Revenue and operating profit as presented on page 9.

\*\* Capital investment (excluding the impact of the onerous lease contract) as presented in Note 3 on page 18.

Revenue decreased by £140 million, primarily due to the sale of the offshore transmission asset for £134 million in the prior year. Base revenue also reduced due to a decrease in output driven by weather conditions in 2016 and the removal of Levy Exemption Certificate ("LEC") income in August 2015.

Operating profit reduced by £14 million mainly as a result of reduced gross margin, offset by the sale of the offshore transmission asset noted above.

Capital investment is consistent with prior year.

Non-financial key performance indicators	Notes	2016	2015
<b>Plant output (GWh)</b>	(a)	<b>728</b>	<b>751</b>
<b>Installed capacity (MW)</b>	(b)	<b>194</b>	<b>194</b>
<b>Availability</b>	(c)	<b>97%</b>	<b>92%</b>

(a) Plant output is a measure of the electrical output generated in the year measured in gigawatt hours ("GWh"), which in turn drives the revenues of the business.

(b) Installed capacity represents the total number of MW fully installed within the wind farm site related to the company. This includes all turbines erected irrespective of whether they are generating or not.

(c) Availability is a measure of how effective the business is at ensuring wind generating plant is available and ready to generate.

# SCOTTISHPOWER RENEWABLES (WODS) LIMITED

## STRATEGIC REPORT *continued*

### LIQUIDITY AND CASH MANAGEMENT

#### *Cash and net debt*

Net cash flows from operating activities decreased by £130 million to £75 million for the year (refer to cash flow statement on page 11). As detailed in the table below, net debt decreased by £32 million to £520 million.

	Notes	2016 £m	2015 £m
<b>Analysis of net debt/ funds</b>			
Cash and short-term deposits	(a)	6.8	3.4
Group loans payable	(b)	(527.1)	(555.4)
<b>Net debt</b>		<b>(520.3)</b>	<b>(552.0)</b>

(a) As detailed on the balance sheet, refer to page 8.

(b) Refer to Note 12 on page 23.

#### *Capital and debt structure*

The company is funded primarily by debt. At the end of the year the company had net debt amounting to £520.3 million (2015 £552.0 million). The £1 of share capital is held by SPRUKL. SPL grants all of the loan facilities to the company. 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.

### HEALTH AND SAFETY

The company has a clear strategy to continue to improve health and safety performance using ScottishPower health and safety standards. A more extensive description of how ScottishPower addresses health and safety requirements can be found in the most recent Annual Report and Accounts of SPL.

### PRINCIPAL RISKS AND UNCERTAINTIES

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 robust control environment at all levels of the organisation. Further details of ScottishPower's governance structure and risk management are provided in Note 4 to the Annual Report and Accounts of SPL.

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

SCOTTISHPOWER	
RISK	RESPONSE
Material deterioration in the relatively stable and predictable UK regulatory and political environment, including any sudden changes of policy, or new initiatives in the retail market outside the framework of the CMA investigation outcome.	Positive and transparent engagement with all appropriate stakeholders to ensure that long-term regulatory stability and political consensus is maintained and public backing is secured for the necessary investment in the UK energy system. Providing stakeholders with evidence of the risks of ad hoc intervention in markets.
Impacts arising from the UK decision to leave the EU or market reactions to events during the negotiation. These impacts could include further depreciation in the value of Sterling and other financial instruments. In the longer term there could be negative or positive changes in the UK economy and in the political and regulatory environment in which the company operates.	In addition to monitoring ongoing developments related to "Brexit" the treasury risk management policy is in place to hedge financial risks which are the most prevalent in the short term. Any longer term impact on the UK economy and its impact on the group and specific business units will be managed in line with developments.

**SCOTTISHPOWER RENEWABLES (WODS) LIMITED**  
**STRATEGIC REPORT** *continued*

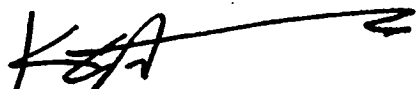
**PRINCIPAL RISKS AND UNCERTAINTIES** *continued*

<b>SCOTTISHPOWER</b> <i>continued</i>	
<b>RISK</b>	<b>RESPONSE</b>
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.
Breach in cyber security and unwanted infiltration of the ScottishPower IT infrastructure by external parties.	Implementation of a cyber-risk policy which provides the framework for mitigation. Proactive approach to identifying where ScottishPower is vulnerable and addressing these points through technical solutions. Educating company employees as to how behaviour can reduce this risk. Embedding cyber security in IT related projects where appropriate.

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

<b>RENEWABLES</b>	
<b>RISK</b>	<b>RESPONSE</b>
Changing energy policy in the UK with regard to renewable generation, particularly, long term decarbonisation objectives, coupled with affordability concerns presenting competition and allocation risk.	<p>Actions to reduce allocation risk, including engagement with the UK Government regarding access and parameters of an enduring Contracts for Difference ("CfD") mechanism and overarching Levy Control Framework ("LCF") or alternative mechanism.</p> <p>Working to optimise Renewables' portfolio of assets and approach to development to ensure high performing and competitive assets will be able to participate in future auctions.</p>
The potential for plant performance issues reducing availability.	Technical assessments of key trade risk areas of operational performance, an optimised approach to repairs and maintenance and plans specific to each wind farm. Co-ordination with procurement team in negotiating terms and conditions with turbine suppliers and independent operations and maintenance service providers to ensure plant performance is optimised.

ON BEHALF OF THE BOARD



Keith Anderson  
 Director

## **SCOTTISHPOWER RENEWABLES (WODS) LIMITED**

### **DIRECTORS' REPORT**

The directors present their report and audited Accounts for the year ended 31 December 2016.

#### **INFORMATION CONTAINED WITHIN THE STRATEGIC REPORT**

The directors have chosen to disclose information on the following, required by the Companies Act 2006 to be included in the Directors' Report, within the Strategic Report, found on pages 1 to 3:

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

#### **RESULTS AND DIVIDENDS**

The net profit for the year was £29.8 million (2015 £41.5 million). A dividend of £35.0 million was paid during the year (2015 £25.0 million).

#### **RESEARCH AND DEVELOPMENT**

ScottishPower is aware of the importance of innovation to develop an industrial project at the vanguard of the sector. ScottishPower's research and development ("R&D") efforts are aimed at the optimisation of operational performance, improving security and reducing the environmental impact of its activities. All R&D is developed as part of Iberdrola's global open and decentralised R&D model. A more extensive description of ScottishPower's R&D activities can be found in the most recent Annual report and Accounts of SPL.

#### **ENVIRONMENTAL MANAGEMENT AND REGULATION**

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

#### **DIRECTORS**

The directors who held office during the year and up to the date of this report were as follows:

Keith Anderson  
Jonathan Cole  
Roy Scott

#### **DIRECTORS INDEMNITY**

In terms of the Company's Articles of Association, a qualifying indemnity provision is in force for the benefit of all the directors of the Company and of Associated Companies and has been in force during the financial year.

#### **DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS**

The directors are responsible for preparing the Directors' Report and Accounts in accordance with applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU").

The directors are responsible for preparing Accounts for each financial period which give a true and fair view, in accordance with IFRSs, of the state of affairs of the company and of the profit or loss for that period. In preparing those 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 Accounts; and
- prepare the 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 to enable them to ensure that the Accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**SCOTTISHPOWER RENEWABLES (WODS) LIMITED**  
**DIRECTORS' REPORT** *continued*

**DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS** *continued*

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

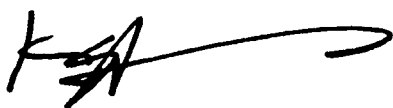
- so far as he is aware, there is no relevant audit information of which the company's auditor is unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of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

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

**AUDITOR**

Ernst & Young LLP were re-appointed as auditor of the company for the year ended 31 December 2016.

**ON BEHALF OF THE BOARD**

A handwritten signature in black ink, appearing to be 'K Anderson', with a long horizontal flourish extending to the right.

Keith Anderson  
Director

## **INDEPENDENT AUDITOR'S REPORT**

to the member of ScottishPower Renewables (WODS) Limited

We have audited the Accounts of ScottishPower Renewables (WODS) Limited for the year ended 31 December 2016 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 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

This report is made solely to the company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to them in an auditor's report 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 company's member, as a body, for our audit work, for this report, or for the opinions we have formed.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR**

As explained more fully in the Directors' Responsibilities Statement set out on pages 4 and 5, the directors are responsible for the preparation of the Accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Accounts in accordance with the applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **SCOPE OF THE AUDIT OF THE ACCOUNTS**

An audit involves obtaining evidence about the amounts and disclosures in the Accounts sufficient to give reasonable assurance that the 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 Accounts. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited Accounts, and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **OPINION ON ACCOUNTS**

In our opinion the Accounts:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial accounts are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report has been prepared in accordance with applicable legal requirements.



## INDEPENDENT AUDITOR'S REPORT

to the member of ScottishPower Renewables (WODS) Limited *continued*

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Accounts are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Ernst & Young LLP*

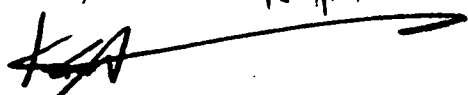
Annie Graham (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Glasgow

*21 April 2017*

**SCOTTISHPOWER RENEWABLES (WODS) LIMITED**
**BALANCE SHEETS**
**as at 31 December 2016 and 31 December 2015**

	Notes	2016 £m	2015 £m
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>571.3</b>	600.2
Property, plant and equipment in use	3	571.3	600.2
<b>NON-CURRENT ASSETS</b>		<b>571.3</b>	600.2
<b>CURRENT ASSETS</b>			
Trade and other receivables	5	<b>61.5</b>	62.3
Current tax asset		<b>0.4</b>	7.1
Financial assets		-	0.1
Derivative financial instruments	6, 13	-	0.1
Cash and short-term deposits	6	<b>6.8</b>	3.4
<b>CURRENT ASSETS</b>		<b>68.7</b>	72.9
<b>TOTAL ASSETS</b>		<b>640.0</b>	673.1
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Of shareholders of the parent		<b>22.8</b>	27.0
Share capital	8, 9	-	-
Hedge reserve	9	(0.3)	(1.3)
Retained earnings	9	23.1	28.3
<b>TOTAL EQUITY</b>		<b>22.8</b>	27.0
<b>NON-CURRENT LIABILITIES</b>			
Provisions	10	<b>40.8</b>	37.9
Deferred tax liabilities	11	<b>33.5</b>	27.6
<b>NON-CURRENT LIABILITIES</b>		<b>74.3</b>	65.5
<b>CURRENT LIABILITIES</b>			
Provisions	10	-	4.3
Bank borrowings and other financial liabilities		<b>527.1</b>	555.4
Loans and other borrowings	12	527.1	555.4
Trade and other payables	15	<b>15.8</b>	20.9
<b>CURRENT LIABILITIES</b>		<b>542.9</b>	580.6
<b>TOTAL LIABILITIES</b>		<b>617.2</b>	646.1
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>640.0</b>	673.1

Approved by the Board on 18 April 2017 and signed on its behalf by:



Keith Anderson  
Director

The accompanying Notes 1 to 25 are an integral part of the balance sheets as at 31 December 2016 and 31 December 2015.

**SCOTTISHPOWER RENEWABLES (WODS) LIMITED**  
**INCOME STATEMENTS**  
for the years ended 31 December 2016 and 31 December 2015

	Notes	2016 £m	2015 £m
Revenue		98.3	237.8
Procurements		(13.2)	(140.7)
<b>GROSS MARGIN</b>		<b>85.1</b>	97.1
<b>Net external expenses</b>		<b>(15.0)</b>	(13.2)
External services		(18.5)	(13.2)
Other operating income		3.5	-
<b>Taxes other than income tax</b>	17	<b>(0.1)</b>	(0.1)
<b>EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION</b>		<b>70.0</b>	83.8
Depreciation and amortisation charge, allowances and provisions	18	(26.1)	(26.3)
<b>OPERATING PROFIT</b>		<b>43.9</b>	57.5
Finance income	19	-	0.3
Finance costs	20	(8.5)	(11.4)
<b>PROFIT BEFORE TAX</b>		<b>35.4</b>	46.4
Income tax	21	(5.6)	(4.9)
<b>NET PROFIT FOR THE YEAR</b>		<b>29.8</b>	41.5

The profit for both years is wholly attributable to the equity holders of ScottishPower Renewables (WODS) Limited.

All results relate to continuing operations.

The accompanying Notes 1 to 25 are an integral part of the income statements for the years ended 31 December 2016 and 31 December 2015.

**SCOTTISHPOWER RENEWABLES (WODS) LIMITED**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**for the years ended 31 December 2016 and 31 December 2015**

	Note	2016 £m	2015 £m
<b>NET PROFIT FOR THE YEAR</b>		<b>29.8</b>	<b>41.5</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Items that will not be reclassified to the income statement:			
Change in the value of cash flow hedges recognised	9	1.2	0.4
Tax relating to cash flow hedges	9	(0.2)	(0.1)
		<b>1.0</b>	<b>0.3</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>1.0</b>	<b>0.3</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>30.8</b>	<b>41.8</b>

**STATEMENTS OF CHANGES IN EQUITY**  
**for the years ended 31 December 2016 and 31 December 2015**

	Ordinary share capital £m	Hedge reserve £m	Retained earnings £m	Total £m
At 1 January 2015	-	(1.6)	11.8	10.2
Total comprehensive income for the year	-	0.3	41.5	41.8
Dividends	-	-	(25.0)	(25.0)
At 1 January 2016	-	(1.3)	28.3	27.0
Total comprehensive income for the year	-	1.0	29.8	30.8
Dividends	-	-	(35.0)	(35.0)
<b>At 31 December 2016</b>	<b>-</b>	<b>(0.3)</b>	<b>23.1</b>	<b>22.8</b>

The accompanying Notes 1 to 25 are an integral part of the statements of comprehensive income and the statements of changes in equity for the years ended 31 December 2016 and 31 December 2015.

**SCOTTISHPOWER RENEWABLES (WODS) LIMITED**  
**CASH FLOW STATEMENTS**  
for the years ended 31 December 2016 and 31 December 2015

	2016 £m	2015 £m
<b>Cash flows from operating activities</b>		
Profit before tax	35.4	46.4
Adjustments for:		
Depreciation	26.1	26.3
Finance income and costs	8.5	11.1
Changes in working capital:		
Change in trade and other receivables	0.8	(2.6)
Change in inventories	-	120.5
Change in trade and other payables (includes derivative movements)	(1.2)	(6.2)
Provisions paid	(1.1)	(4.2)
Income taxes received	6.8	13.7
<b>Net cash flows from operating activities (i)</b>	<b>75.3</b>	<b>205.0</b>
<b>Cash flows from investing activities</b>		
Net investment in respect of in property plant and equipment	1.4	(11.2)
<b>Net cash flows from investing activities (ii)</b>	<b>1.4</b>	<b>(11.2)</b>
<b>Cash flows from financing activities</b>		
Dividends paid to company's equity holders	(35.0)	(25.0)
Interest paid	(10.0)	(9.9)
<b>Net cash flows from financing activities (iii)</b>	<b>(45.0)</b>	<b>(34.9)</b>
<b>Net increase in cash and cash equivalents (i)+(ii)+(iii)</b>	<b>31.7</b>	<b>158.9</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>(552.0)</b>	<b>(710.9)</b>
<b>Cash and cash equivalents at end of year</b>	<b>(520.3)</b>	<b>(552.0)</b>
 Cash and cash equivalents at end of year comprises:		
Balance sheet cash and short-term deposits	6.8	3.4
Payables due to Iberdrola group companies - loans	(527.1)	(555.4)
<b>Cash flow statement cash and cash equivalents</b>	<b>(520.3)</b>	<b>(552.0)</b>

The accompanying Notes 1 to 25 are an integral part of the cash flow statements for the years ended 31 December 2016 and 31 December 2015.

**SCOTTISHPOWER RENEWABLES (WODS) LIMITED**  
**NOTES TO ACCOUNTS**  
**31 December 2016**

**1 BASIS OF PREPARATION**

**A. COMPANY INFORMATION**

ScottishPower Renewables (WODS) Limited, registered company number SC374288, is a private company limited by shares, incorporated in Scotland and its registered address is 320 St. Vincent Street, Glasgow, G2 5AD.

**B. BASIS OF PREPARATION OF THE ACCOUNTS**

The company is required by law to prepare accounts and to deliver them to the Registrar of Companies. The Accounts have been prepared in accordance with International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") Interpretations (collectively referred to as IFRS), as adopted by the EU as at the date of approval of these Accounts and which are mandatory for the financial year ended 31 December 2016. The Accounts are prepared in accordance with the Accounting Policies set out in Note 2.

**C. ACCOUNTING STANDARDS**

In preparing these Accounts, the company has applied all relevant IAS, IFRS and IFRIC Interpretations which have been adopted by the EU as of the date of approval of these Accounts and which are mandatory for the financial year ended 31 December 2016.

For the year ended 31 December 2016, the company has applied the following amendments for the first time:

<b>Standard</b>	<b>Note</b>
• Amendments to IAS 1 'Presentation of Financial Statements: Disclosure Initiative'	(a)
• Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' – 'Clarification of Acceptable Methods of Depreciation and Amortisation'	(a)
• Amendments to IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture' – 'Bearer Plants'	(a)
• Amendments to IAS 27 'Separate Financial Statements: Equity Method in Separate Financial Statements'	(a)
• Amendments to IFRS 11 'Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations'	(a)
• Annual Improvements to IFRS Standards 2012-2014 Cycle	(a)
• 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'	(a)

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

**SCOTTISHPOWER RENEWABLES (WODS) LIMITED**  
**NOTES TO ACCOUNTS** *continued*  
**31 December 2016**

**1 BASIS OF PREPARATION** *continued*

**C. ACCOUNTING STANDARDS** *continued*

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

Standard	Notes	IASB effective date (for periods commencing on or after)	Planned date of application by the company
• Amendments to IAS 12 'Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses'	(b), (c), (d)	1 January 2017	1 January 2018
• Amendments to IAS 7 'Statement of Cash Flows: Disclosure Initiative'	(b), (c), (d)	1 January 2017	1 January 2018
• Annual Improvements to IFRS Standards 2014 – 2016 Cycle	(b), (c), (e)	1 January 2017 & 1 January 2018	1 January 2018
• IFRS 9 'Financial Instruments'	(f)	1 January 2018	1 January 2018
• IFRS 15 'Revenue from Contracts with Customers' (including Amendments to IFRS 15 'Effective date of IFRS 15')	(g)	1 January 2018	1 January 2018
• Clarifications to IFRS 15 'Revenue from Contracts with Customers'	(c), (g)	1 January 2018	1 January 2018
• Amendments to IAS 40 'Investment Property: Transfers of Investment Property'	(b), (c)	1 January 2018	1 January 2018
• Amendments to IFRS 2 'Share-based Payments: Clarification and Measurement of Share-based Payment Transactions'	(b), (c)	1 January 2018	1 January 2018
• Amendments to IFRS 4 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts'	(b), (c)	1 January 2018	1 January 2018
• IFRIC 22 'Foreign Currency Transactions and Advance Consideration'	(b), (c)	1 January 2018	1 January 2018
• IFRS 16 'Leases'	(c), (h)	1 January 2019	1 January 2019
• IFRS 14 'Regulatory Deferral Accounts'	(b), (c), (i)	1 January 2016	To be decided
• 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), (c), (j)	Deferred indefinitely	To be decided

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

(c) This pronouncement has not yet been endorsed by the EU.

(d) Despite the IASB effective date of 1 January 2017, this pronouncement has yet to be endorsed by the EU (expected 2017). The endorsement notice will be reviewed for specific guidance but in the absence of further information it is anticipated that the company will apply this pronouncement from the accounting period following endorsement i.e. 1 January 2018.

(e) This pronouncement includes amendments to three standards. The amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards' and IAS 28 'Investments in Associates and Joint Ventures' have an effective date of 1 January 2018. The amendments to IFRS 12 'Disclosure of Interests in Other Entities' have an effective date of 1 January 2017. Despite this, the pronouncement has yet to be endorsed by the EU (expected 2017). The endorsement notice will be reviewed for specific guidance but in the absence of further information it is anticipated that the company will apply this pronouncement from the accounting period following endorsement i.e. 1 January 2018.

(f) The company is currently analysing the impact of implementing IFRS 9 'Financial Instruments' which is effective for the company as from 1 January 2018. Following a preliminary analysis, the company provisionally expects that financial assets will be measured at amortised cost, except for equity instruments and derivative financial instruments that will be measured at fair value. The company intends to apply the general approach to the recognition of expected credit losses to all financial assets; except for trade receivables and leases to which the simplified approach will be taken regardless of whether they contain a significant financing component. The probability of default is not expected to be significant given the high credit quality of the financial assets. It is anticipated that more hedging instruments and hedged items will qualify for hedge accounting under IFRS 9. This analysis will continue in 2017.

(g) The company is currently analysing the impact of implementing IFRS 15 'Revenue from Contracts with Customers' and the associated amendments and clarifications, all of which are effective for the company as from 1 January 2018. Following a preliminary analysis of income earning arrangements, the only significant impact expected on the Accounts is the recognition point of revenue arising from the sale of Renewable Obligation Certificates ("ROCs"). Currently this revenue is recognised on the generation of electricity from an accredited wind farm as the significant risks of ownership have transferred to the customer. Under IFRS 15 the revenue recognition point is expected to be on transfer of the ROCs to the customer being the point at which the customer obtains control of the ROCs. This is approximately three months after the associated electricity has been generated. The analysis will continue in 2017.

# SCOTTISHPOWER RENEWABLES (WODS) LIMITED

## NOTES TO ACCOUNTS *continued*

31 December 2016

### 1 BASIS OF PREPARATION *continued*

#### C. ACCOUNTING STANDARDS *continued*

- (h) The company is currently analysing the impact of implementing IFRS 16 'Leases' which is effective for the company as from 1 January 2019. The company expects to recognise 'right-of-use' assets and corresponding lease liabilities in relation to leases currently classified as operating leases. The value of these is expected to be greater than the future minimum lease payments disclosed in Note 3(c). The company expects to take the exemptions in relation to short-term leases and leases of low-value assets. The company does not intend to bring leases of intangible assets within scope of IFRS 16. On transition, the modified retrospective method is expected to be applied and the new lease definition applied to all existing contracts at this point. The IT systems are currently being modified in order to adapt to the new requirements. This analysis will continue in 2017.
- (i) The endorsement process of this interim standard has not been launched as the EU has decided to wait for the final standard to be issued.
- (j) The IASB set the effective date of this pronouncement as for periods commencing on or after 1 January 2016. However, in December 2015, the IASB postponed the effective date indefinitely pending the outcome of its research project on the equity method of accounting. The EU endorsement process for this pronouncement has been postponed, awaiting a revised exposure draft from the IASB. The effective date will be amended in due course.

### 2 ACCOUNTING POLICIES

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

- A REVENUE
- B PROPERTY, PLANT AND EQUIPMENT
- C IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT
- D LEASED ASSETS
- E FINANCIAL INSTRUMENTS
- F FOREIGN CURRENCIES
- G TAXATION
- H DECOMMISSIONING COSTS

#### A REVENUE

Revenue from the sales of electricity comprises the value of electricity, ROCs sold during the year and LECs until their cessation effective 1 August 2015 and other related services supplied to internal and external customers during the year and excludes Value Added Tax. Revenue from the sale of electricity is the value of units supplied during the year. Units are based on energy volumes that can be sold on the wholesale market and are recorded on industry-wide trading and settlement systems. The majority of these revenues arise from transactions with ScottishPower companies.

Revenue from the sale of goods is recognised when the significant risk and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

#### B PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost and is generally depreciated on a straight-line basis over the estimated operational lives of the assets. Property, plant and equipment includes capitalised employee costs and interest 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
Wind farms	24
Distribution facilities	35 - 40



## **SCOTTISHPOWER RENEWABLES (WODS) LIMITED**

### **NOTES TO ACCOUNTS** *continued*

**31 December 2016**

#### **2 ACCOUNTING POLICIES** *continued*

##### **C IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT**

At each balance sheet date, the company reviews the carrying amount of its property, plant and equipment 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.

##### **D 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(s) or the arrangement conveys a right to use the asset(s), even if that right is not explicitly specified in the arrangement.

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

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

##### **E FINANCIAL INSTRUMENTS**

###### **E1. ACCOUNTING POLICIES UNDER 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 company operates.
- (b) Cash and cash equivalents in the balance sheet comprise cash on hand which is readily convertible into a known amount of cash without a significant risk of change in value. In the cash flow statement, cash and cash equivalents exclude term deposits which have a maturity of more than 90 days at the date of acquisition and include bank overdrafts repayable on demand the next business day and the net of current loans receivable and payable from Iberdrola, as appropriate.
- (c) Financial liabilities categorised as trade payables are recognised and carried at original invoice amount.
- (d) All interest bearing loans and borrowings are initially recognised at fair value, net of directly attributable transaction costs. Interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

The company enters into treasury-related derivatives to manage its financial risk. IAS 39 'Financial Instruments: Recognition and Measurement' ("IAS 39") requires all derivatives to be recognised on the balance sheet at fair value. Unrealised gains or losses on remeasurement of derivatives are reported in the income statement except when hedge accounting is applied (see E3 Hedge Accounting).

###### **E2. 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.

###### **E3. HEDGE ACCOUNTING**

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

## **SCOTTISHPOWER RENEWABLES (WODS) LIMITED**

### **NOTES TO ACCOUNTS** *continued*

**31 December 2016**

#### **2 ACCOUNTING POLICIES** *continued*

#### **E FINANCIAL INSTRUMENTS** *continued*

#### **E3. HEDGE ACCOUNTING** *continued*

##### **E3.1 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 'Procurements' for hedges of underlying operations. For hedges of financing activities, any finance costs, as appropriate, are recognised in the income statement. 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.

##### **E3.2 HEDGE EFFECTIVENESS**

Hedge effectiveness is measured and respective entries recorded in the balance sheet, reserves and income statement on a half-yearly basis in respect of treasury hedging relationships. 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%.

##### **E3.3 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.

##### **E3.4 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.

##### **E3.5 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

The company offsets a financial asset and a financial liability and reports the net amount only when the company has a legally enforceable right to set off the amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### **F FOREIGN CURRENCIES**

Transactions in foreign currencies are translated at the spot rate at the date of the transaction. At the year end, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date, with exchange gains and losses recognised in the income statement.

# **SCOTTISHPOWER RENEWABLES (WODS) LIMITED**

## **NOTES TO ACCOUNTS** *continued*

**31 December 2016**

### **2 ACCOUNTING POLICIES** *continued*

#### **G 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 would be shown in a statement of comprehensive income.

#### **H DECOMMISSIONING COSTS**

Provision is made, on a discounted basis, for the estimated decommissioning costs at the end of the producing lives of the company's wind farm. Capitalised decommissioning costs are depreciated over the useful lives of the related assets. The unwinding of the discount is included within 'Finance costs'.

**SCOTTISHPOWER RENEWABLES (WODS) LIMITED**  
**NOTES TO ACCOUNTS** *continued*  
**31 December 2016**

**3 PROPERTY, PLANT AND EQUIPMENT**

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

	Wind power plants £m	Distribution facilities £m	Total £m
<b>Year ended 31 December 2015</b>			
<b>Cost:</b>			
At 1 January 2015	637.6	0.5	638.1
Additions	4.7	-	4.7
Reassessment of decommissioning provision	(2.0)	-	(2.0)
<b>At 31 December 2015</b>	<b>640.3</b>	<b>0.5</b>	<b>640.8</b>
<b>Depreciation:</b>			
At 1 January 2015	14.3	-	14.3
Depreciation for the year	26.3	-	26.3
<b>At 31 December 2015</b>	<b>40.6</b>	<b>-</b>	<b>40.6</b>
<b>Net book value:</b>			
At 31 December 2015	599.7	0.5	600.2
At 1 January 2015	623.3	0.5	623.8

	Wind power plants £m	Distribution facilities £m	Total £m
<b>Year ended 31 December 2016</b>			
<b>Cost:</b>			
At 1 January 2016	640.3	0.5	640.8
Additions (Note (i))	(2.8)	-	(2.8)
<b>At 31 December 2016</b>	<b>637.5</b>	<b>0.5</b>	<b>638.0</b>
<b>Depreciation:</b>			
At 1 January 2016	40.6	-	40.6
Depreciation for the year	26.1	-	26.1
<b>At 31 December 2016</b>	<b>66.7</b>	<b>-</b>	<b>66.7</b>
<b>Net book value:</b>			
<b>At 31 December 2016</b>	<b>570.8</b>	<b>0.5</b>	<b>571.3</b>
At 1 January 2016	599.7	0.5	600.2

(i) The negative addition in the year is principally as a result of a reversal of an onerous lease contract of £7.7 million which was capitalised in prior years. Refer to Note 10.

(ii) Interest on the funding attributable to major capital projects was capitalised during the prior year at a rate of 1.5%.

**SCOTTISHPOWER RENEWABLES (WODS) LIMITED**  
**NOTES TO ACCOUNTS** *continued*  
**31 December 2016**

**3 PROPERTY, PLANT AND EQUIPMENT** *continued*

**(b) Capital commitments**

	2016	2015
	£m	£m
Contracted but not provided	7.0	6.2

**(c) Operating lease arrangements**

	2016	2015
	£m	£m
<b>(i) Operating lease payments</b>		
Minimum lease payments under operating leases recognised as an expense in the year	0.4	5.0
Contingent based operating lease rents recognised as an expense in the year	0.6	1.2
	1.0	6.2

	2016	2015
	£m	£m
<b>(ii) Operating lease commitments</b>		
Within one year	0.4	5.0
Between one and five years	1.6	6.4
More than five years	5.7	7.6
	7.7	19.0

**4 INVESTMENTS**

The holdings of the company are set out below:

Jointly controlled entities	Principal activity	Country of incorporation	Equity interest	
			2016	2015
Morecambe Wind Limited	Provision of operational services	England and Wales	50%	50%

The value of investment in Morecambe Wind Limited is £3 (2015 £3). The registered office of the joint venture is at DONG Energy, 5 Howick Place, London, SW1P 1WG, England.

**5 TRADE AND OTHER RECEIVABLES**

	2016	2015
	£m	£m
<b>Current receivables:</b>		
Receivables due from Iberdrola group companies - trade	49.7	51.3
Trade receivables and accrued income	1.8	1.0
Prepayments	8.9	8.4
Prepayments due from jointly controlled entities	0.4	-
Other tax receivables	0.7	1.6
	61.5	62.3

**SCOTTISHPOWER RENEWABLES (WODS) LIMITED**  
**NOTES TO ACCOUNTS** *continued*  
**31 December 2016**

**6 FINANCIAL INSTRUMENTS**

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

		2016		2015	
		Carrying amount	Fair value	Carrying amount	Fair value
	Notes	£m	£m	£m	£m
Financial assets					
Derivative financial instruments	(a)	-	-	0.1	0.1
Receivables	(b)	51.5	51.5	52.3	52.3
Cash	(c)	6.8	6.8	3.4	3.4
Financial liabilities					
Loans and other borrowings		(527.1)	(527.1)	(555.4)	(555.4)
Payables	(b)	(14.8)	(14.8)	(15.7)	(15.7)

The carrying amount of these financial instruments is calculated as set out in Note 2E. The carrying value of financial instruments is a reasonable approximation of fair value.

- (a) Further details on derivative financial instruments are disclosed in Note 13.
- (b) Balances out with the scope of IFRS 7 'Financial Instruments: Disclosures' have been excluded namely prepayments, other tax receivables and payments received on account.
- (c) As a general rule, cash deposited with banks earns interest at rates similar to market rates on daily deposits. Cash as at 31 December 2016 includes deposits with banks of £6.8 million (2015 £3.4 million) which are held for use in the joint operation only.

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.

The company is eligible to present financial assets and financial liabilities net on the balance sheet as described in Note 2 section E3.5. No items were offset in the current or prior years.

**7 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.

	2016						Total £m
	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 and thereafter £m	
<b>Cash outflows</b>							
Derivative financial instruments	8.6	-	-	-	-	-	8.6
Loans and other borrowings	534.7	-	-	-	-	-	534.7
Payables*	7.2	-	-	-	-	-	7.2
	550.5	-	-	-	-	-	550.5

	2015						Total £m
	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 and thereafter £m	
<b>Cash outflows</b>							
Loans and other borrowings	565.4	-	-	-	-	-	565.4
Payables*	5.7	-	-	-	-	-	5.7
	571.1	-	-	-	-	-	571.1

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

**SCOTTISHPOWER RENEWABLES (WODS) LIMITED**  
**NOTES TO ACCOUNTS** *continued*  
**31 December 2016**

**8 SHARE CAPITAL**

	2016	2015
	£	£
<b>Allotted, called up and fully paid shares:</b>		
One ordinary share of £1 each (2015 One)	1	1

**9 ANALYSIS OF MOVEMENTS IN EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF SCOTTISHPOWER RENEWABLES (WODS) LIMITED**

	Ordinary share capital £m	Hedge reserve (Note (a)) £m	Retained earnings (Note (b)) £m	Total £m
At 1 January 2015	-	(1.6)	11.8	10.2
Profit for the year attributable to equity holders of ScottishPower Renewables (WODS) Limited	-	-	41.5	41.5
Changes in the value of cash flow hedges	-	0.4	-	0.4
Tax relating to cash flow hedges	-	(0.1)	-	(0.1)
Dividends	-	-	(25.0)	(25.0)
At 1 January 2016	-	(1.3)	28.3	27.0
Profit for the year attributable to equity holders of ScottishPower Renewables (WODS) Limited	-	-	29.8	29.8
Changes in the value of cash flow hedges	-	1.2	-	1.2
Tax relating to cash flow hedges	-	(0.2)	-	(0.2)
Dividends	-	-	(35.0)	(35.0)
<b>At 31 December 2016</b>	<b>-</b>	<b>(0.3)</b>	<b>23.1</b>	<b>22.8</b>

- (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 comprises the cumulative balance of profits and losses recognised in the financial statements as adjusted for transactions with shareholders.
- (c) The changes in the hedge reserve arising from valuation adjustments to hedging derivatives is set out below:

	Foreign exchange rate hedges £m	Tax effect £m	Total £m
<b>Cash flow hedges</b>			
At 1 January 2015	(2.0)	0.4	(1.6)
Effective cash flow hedges recognised	0.1	-	0.1
Removed from equity and recognised in income statement	0.4	(0.1)	0.3
Removed from equity and recognised in carrying amount of hedged items	(0.1)	-	(0.1)
At 1 January 2016	(1.6)	0.3	(1.3)
Effective cash flow hedges recognised	(0.4)	0.1	(0.3)
Removed from equity and recognised in carrying amount of hedged items	1.6	(0.3)	1.3
<b>At 31 December 2016</b>	<b>(0.4)</b>	<b>0.1</b>	<b>(0.3)</b>

- (d) All amounts included in the hedge reserve as at 31 December 2016 are due to mature within one year (2015 due within one year).

# SCOTTISHPOWER RENEWABLES (WODS) LIMITED

## NOTES TO ACCOUNTS *continued*

31 December 2016

### 10 PROVISIONS

		At 1 January 2015 £m	New provisions £m	Unwinding of discount £m	Utilised during year £m	At 31 December 2015 £m
Year ended 31 December 2015	Notes					
Decommissioning	(a)	34.6	(2.0)	0.8	-	33.4
Onerous contracts	(b)	13.0	-	-	(4.2)	8.8
		47.6	(2.0)	0.8	(4.2)	42.2

		At 1 January 2016 £m	New provisions £m	Unwinding of discount £m	Utilised during year £m	At 31 December 2016 £m
Year ended 31 December 2016	Notes					
Decommissioning	(a)	33.4	6.5	0.9	-	40.8
Onerous contracts	(b)	8.8	(7.7)	-	(1.1)	-
		42.2	(1.2)	0.9	(1.1)	40.8

- (a) The provision for decommissioning is the discounted future estimated costs of decommissioning the wind farm at the end of its operational life. The decommissioning of the wind farm is expected to begin in 2038. The new provision of £6.5 million (2015 £(2.0) million) in the year ended 31 December 2016 related to an increase in the provision following reassessment.
- (b) The provision for onerous contracts relates to a property lease. The provision was reversed during the year ended 31 December 2016 as a result of terminating the contract early. The onerous lease provision had been capitalised as shown in Note 3.

	2016 £m	2015 £m
<b>Analysis of total provisions</b>		
Non-current	40.8	37.9
Current	-	4.3
	40.8	42.2

### 11 DEFERRED TAX

	Property, plant and equipment £m	Derivative financial instruments £m	Total £m
At 1 January 2015	14.6	(0.4)	14.2
Charge to income statement	13.3	-	13.3
Recorded in the statement of comprehensive income	-	0.1	0.1
At 1 January 2016	27.9	(0.3)	27.6
Charge to income statement	5.7	-	5.7
Recorded in the statement of comprehensive income	-	0.2	0.2
<b>At 31 December 2016</b>	<b>33.6</b>	<b>(0.1)</b>	<b>33.5</b>

- (a) At 31 December 2016, the company had unutilised capital losses of £4.1 million (2015 nil). No deferred tax asset has been recognised in the Accounts due to the unpredictability of suitable future profit streams against which these losses may be utilised.
- (b) Legislation has been enacted to reduce the rate of UK Corporation Tax to 19% on 1 April 2017 and to 17% on 1 April 2020. These changes reduce the tax rate expected to apply when temporary differences reverse and impact deferred tax charge.



**SCOTTISHPOWER RENEWABLES (WODS) LIMITED**  
**NOTES TO ACCOUNTS** *continued*  
**31 December 2016**

**12 LOANS AND OTHER BORROWINGS**

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

Instrument	Interest rate*	Maturity	2016 £m	2015 £m
Loans with Iberdrola group companies	Base + 1%	On demand	527.1	555.4

\*Base – Bank of England Base Rate

**(b) Borrowing facilities**

The company has no undrawn committed borrowing facilities at 31 December 2016 (2015 £nil).

**13 DERIVATIVE FINANCIAL INSTRUMENTS**

	2016				2015			
	Assets		Liabilities		Assets		Liabilities	
	Current £m	Non- current £m	Current £m	Non- current £m	Current £m	Non- current £m	Current £m	Non- current £m
<b>Hedging derivatives</b>								
Foreign exchange rate	-	-	-	-	0.1	-	-	-

**14 EFFECT OF HEDGING AND DERIVATIVE FINANCIAL INSTRUMENTS ON THE RESULTS**

An analysis of the effect of hedging and derivative financial instruments on the income statement is given below:

	Note	2016 £m	2015 £m
<b>Fair value hedges:</b>			
<b>Cash flow hedges - amounts released from equity:</b>			
Foreign exchange derivatives		-	(0.4)
<b>Effect of cash flow hedges</b>	(a)	-	(0.4)
<b>Total</b>		-	(0.4)

(a) The amount relates to gains and losses on cash flow hedges derecognised as the future expenditure is no longer planned.

**15 TRADE AND OTHER PAYABLES**

	2016 £m	2015 £m
<b>Current trade and other payables:</b>		
Payables due to Iberdrola group companies- trade	2.0	-
Payables due to Iberdrola group companies- interest	7.6	10.0
Payables due to jointly controlled entities- trade	0.5	1.9
Trade payables	3.1	2.0
Payments received on account	1.0	5.2
Capital payables and accruals	1.6	1.8
	<b>15.8</b>	<b>20.9</b>

**16 EMPLOYEE INFORMATION**

The company has no employees (2015 none). Details of directors' remuneration are set out in Note 23.

**17 TAXES OTHER THAN INCOME TAX**

	2016 £m	2015 £m
Property taxes	0.1	0.1

**SCOTTISHPOWER RENEWABLES (WODS) LIMITED**  
**NOTES TO ACCOUNTS** *continued*  
**31 December 2016**

**18 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS**

	2016	2015
	£m	£m
Property, plant and equipment depreciation charge	26.1	26.3

**19 FINANCE INCOME**

	2016	2015
	£m	£m
Foreign exchange gains	-	0.3

**20 FINANCE COSTS**

	2016	2015
	£m	£m
Interest on amounts due to Iberdrola group companies	7.6	10.0
Unwinding of discount on provisions	0.9	0.8
Foreign exchange losses	-	0.6
	8.5	11.4

**21 INCOME TAX**

	2016	2015
	£m	£m
Current tax:		
UK Corporation tax	(0.4)	(3.3)
Adjustments in respect of prior years	0.3	(5.1)
<b>Current tax for the year</b>	<b>(0.1)</b>	<b>(8.4)</b>
Deferred tax:		
Origination and reversal of temporary differences	8.1	12.4
Adjustments in respect of prior years	0.4	4.2
Impact of tax rate change	(2.8)	(3.3)
<b>Deferred tax for the year</b>	<b>5.7</b>	<b>13.3</b>
<b>Income tax charge for the year</b>	<b>5.6</b>	<b>4.9</b>

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

	2016	2015
	£m	£m
Corporation tax at 20% (2015 20.25%)	7.1	9.4
Adjustments in respect of prior periods	0.7	(0.9)
Impact of tax rate change	(2.8)	(3.3)
Other permanent differences	0.6	(0.3)
<b>Income tax charge for the year</b>	<b>5.6</b>	<b>4.9</b>

The rate of UK Corporation Tax reduced from 21% to 20% on 1 April 2015.

Legislation has been enacted to reduce the rate of UK Corporation Tax to 19% on 1 April 2017 and to 17% on 1 April 2020. These changes reduce the tax rate expected to apply when temporary differences reverse and impact deferred tax charge.

**SCOTTISHPOWER RENEWABLES (WODS) LIMITED**
**NOTES TO ACCOUNTS** *continued*
**31 December 2016**
**22 DIVIDENDS**

	2016	2015	2016	2015
	£m per ordinary share	£m per ordinary share	£m	£m
Interim dividend paid	35.0	25.0	35.0	25.0

**23 RELATED PARTY TRANSACTIONS**
**(a) Transactions and balances arising in the normal course of business**

	2016				
	Ultimate parent (Iberdrola, S.A.) £m	UK parent (Scottish Power Limited) £m	Immediate parent £m	Other Iberdrola group companies £m	Jointly controlled entities £m
<b>Types of transaction</b>					
Sales and rendering of services	-	-	-	92.7	0.9
Purchases and receipt of services	(0.1)	-	(1.1)	(2.1)	(12.0)
Interest costs	-	(7.6)	-	-	-
Dividends paid	-	-	(35.0)	-	-
<b>Balances outstanding</b>					
Trade and other receivables	-	-	-	49.7	0.4
Loans payable	-	(527.1)	-	-	-
Trade and other payables	-	-	-	(2.0)	(0.5)
Interest payable	-	(7.6)	-	-	-

	2016				
	Ultimate parent (Iberdrola, S.A.) £m	UK parent (Scottish Power Limited) £m	Immediate parent £m	Other Iberdrola group companies £m	Jointly controlled entities £m
<b>Types of transaction</b>					
Sales and rendering of services	-	-	-	92.7	0.9
Purchases and receipt of services	(0.1)	-	(1.1)	(2.1)	(12.0)
Interest costs	-	(7.6)	-	-	-
Dividends paid	-	-	(35.0)	-	-
<b>Balances outstanding</b>					
Trade and other receivables	-	-	-	49.7	0.4
Loans payable	-	(527.1)	-	-	-
Trade and other payables	-	-	-	(2.0)	(0.5)
Interest payable	-	(7.6)	-	-	-

(i) The amounts outstanding will be settled in cash.

**SCOTTISHPOWER RENEWABLES (WODS) LIMITED****NOTES TO ACCOUNTS** *continued***31 December 2016.****23 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 ScottishPower group, it has not been possible to apportion the remuneration specifically in respect of services to this company. All of the key management personnel are paid by other companies within the ScottishPower group.

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Short-term employee benefits	<b>959</b>	<b>843</b>
Post-employment benefits	<b>171</b>	<b>213</b>
Share-based payments	<b>497</b>	<b>483</b>
	<b>1,627</b>	<b>1,539</b>

**(c) Directors' remuneration**

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

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
<b>Executive directors</b>		
Aggregate remuneration in respect of qualifying services	<b>1,038</b>	<b>912</b>
Aggregate contributions payable to a defined contribution pension scheme	<b>23</b>	<b>21</b>
Number of directors who exercised share options	<b>2</b>	<b>2</b>
Number of directors who received shares under a long-term incentive scheme	<b>3</b>	<b>3</b>
Number of directors who accrued retirement benefits under a defined benefit scheme	<b>2</b>	<b>2</b>
Number of directors who accrued retirement benefits under a defined contribution scheme	<b>1</b>	<b>1</b>

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
<b>Highest paid director</b>		
Aggregate remuneration	<b>537</b>	<b>467</b>
Accrued pension benefits	<b>72</b>	<b>64</b>

- (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**

The directors regard Iberdrola, S.A. as the ultimate parent company, which is also the parent company of the largest group in which the results of the company are consolidated. The parent company of the smallest group in which the results are consolidated is Scottish Power UK plc.

Copies of Iberdrola, S.A. consolidated Accounts can be obtained from the Iberdrola, S.A., at its registered office, Torre Iberdrola, Plaza Euskadi 5, 48009, Bilbao, Spain. Copies of the Consolidated Accounts of Scottish Power UK plc may be obtained from Scottish Power UK plc, at its registered office, 320 St. Vincent Street, Glasgow, G2 5AD.

**24 AUDITORS' REMUNERATION**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Audit of the company's annual Accounts	<b>14</b>	<b>14</b>

## **SCOTTISHPOWER RENEWABLES (WODS) LIMITED**

### **NOTES TO ACCOUNTS** *continued*

**31 December 2016**

#### **25 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 3.

The company has recorded a profit after tax in the current year of £29.8 million. The company's balance sheet shows that it has net current liabilities of £474.2 million and net assets of £22.8 million at its most recent balance sheet date.

The company is ultimately owned by Iberdrola, S.A.. The company's cash flow requirements are met by its parent companies and as a consequence, the company depends, in part, on the ability of the Iberdrola group to continue as a going concern. The directors have considered the company's funding relationship with Iberdrola to date and have considered available relevant information relating to Iberdrola's ability to continue as a going concern. In addition, the directors have no reason to believe that Iberdrola 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.