SCOTTISHPOWER RENEWABLES (WODS) LIMITED
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2017

Registered No. SC374288

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2017

CONTENTS

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
STRATEGIC REPORT

The directors present an overview of ScottishPower Renewables (WODS) Limited's business structure, 2017 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 ("WODS") offshore wind farm located in the East Irish Sea. 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 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.

The 389 megawatt ("MW") WODS project in the East Irish Sea is a 50/50 joint arrangement between the company and Orsted West of Duddon Sands (UK) Limited (formerly known as DONG Energy West of Duddon Sands (UK) Limited). Under the terms of the joint operations agreement the joint participants appointed Orsted Power (UK) Limited (formerly known as DONG Energy Power (UK) Limited) as the Operator with responsibility for the planning, construction, operation and decommissioning of the wind farm. Availability and production was ahead of expectations in 2017 with performance in 2018 set to be in line with expectations.

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**	
	2017	2016	**2017**	2016	**2017**	2016
Financial key performance indicators	**£m**	£m	**£m**	£m	**£m**	£m
ScottishPower Renewables (WODS) Limited	**117.4**	98.3	**59.9**	43.9	**3.1**	4.9

* Revenue and operating profit are presented on page 10.
** Capital investment (excluding the impact of the onerous lease contract) as presented in Note 3 on page 19.

Revenue increased by £19.1 million, primarily due to higher output driven by favourable wind conditions.

Operating profit increased by £16.0 million mainly due to increased revenue which was offset by decreased other operating income.

Capital investment for the year amounted to £3.1 million (2016 £4.9 million).

Non-financial key performance indicators	Notes	2017	2016
Plant output (GWh)	(a)	**820**	728
Installed capacity (MW)	(b)	**194**	194
Availability	(c)	**98%**	97%

(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.

LIQUIDITY AND CASH MANAGEMENT

Cash and net debt

Net cash flows from operating activities increased by £4.2 million to £79.5 million for the year (refer to cash flow statement on page 12). As detailed in the table below, net debt decreased by £210.0 million to £310.3 million. The movement comprised a decrease of £214.4 million in loans payable to Iberdrola group companies and a decrease of £4.4 million in cash.

Analysis of net debt	Notes	**2017 £m**	2016 £m
Cash	(a)	**2.4**	6.8
Loans payable to Iberdrola group companies	(b)	**(312.7)**	(527.1)
Net debt		**(310.3)**	(520.3)

(a) As detailed on the balance sheet (refer to page 9).
(b) Refer to Note 11 on page 22 and 23.

Capital and debt structure

The company is funded by a mixture of debt and equity. All equity is held by the company's immediate parent, 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.

On 11 December 2017 the company issued 160,000,000 ordinary shares of £1 each to its immediate parent, SPRUKL, for a total consideration of £160.0 million.

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 - GLOBAL	
RISK	**RESPONSE**
Material deterioration in the relatively stable and predictable UK regulatory and political environment, including any sudden changes of policy, or interventions outside established regulatory frameworks.	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 European Union ("EU") or market reactions to events during the negotiation. These impacts could include movements 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 ScottishPower operates.	In addition to monitoring ongoing developments related to "Brexit" a 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 ScottishPower and specific business units will be managed in line with developments.
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 internal and 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 all projects where appropriate.

PRINCIPAL RISKS AND UNCERTAINTIES ***continued***

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:

RENEWABLES	
RISK	**RESPONSE**
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.	Actions to reduce allocation risk, including engagement with the UK Government regarding access and parameters of the Contracts for Difference ("CfD") mechanism. 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.
The potential for plant performance issues reducing availability.	Proactive technical assessments and monitoring of key risk areas associated with wind turbine performance, diversification of the service and maintenance model where reliance is placed on framework agreement for key activities, optimising service and maintenance activities to ensure each activity is appropriate based on operational knowledge. In addition, co-ordination with the 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

Jonathan Cole
Director
14 **June 2018**

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
DIRECTORS' REPORT

The directors present their report and audited Accounts for the year ended 31 December 2017.

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 4:

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

RESULTS AND DIVIDEND

The net profit for the year was £43.2 million (2016 £29.8 million). A dividend of £19.5 million was paid during the year (2016 £35.0 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.

MODERN SLAVERY STATEMENT

ScottishPower is committed to human and labour rights and to eliminating modern slavery that could in anyway be connected to its business. ScottishPower welcomed the introduction of the Modern Slavery Act 2015 and published its own Modern Slavery Statement which was approved by the Board of Directors of Scottish Power Limited.

ScottishPower's Modern Slavery Statement is published on the ScottishPower website at:
www.scottishpower.com/pages/scottishpowers_modern_slavery_statement.aspx.

DIRECTORS

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

Keith Anderson
Jonathan Cole
Roy Scott

Keith Anderson resigned on 2 May 2018.

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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

The directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

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

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

AUDITOR

KPMG LLP were appointed as auditor of the company for the year ended 31 December 2017 in place of the retiring auditor, Ernst & Young LLP.

ON BEHALF OF THE BOARD

Jonathan Cole
Director
14 **June 2018**

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF SCOTTISHPOWER RENEWABLES (WODS) LIMITED

Opinion

We have audited the financial statements of ScottishPower Renewables (WODS) Limited ("the company") for the year ended 31 December 2017 which comprise the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement, and related notes, including the accounting policies in Note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the Financial Reporting Council ("FRC") Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic Report and Directors' Report

The directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SCOTTISHPOWER RENEWABLES (WODS) LIMITED *continued*

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at: www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

BMarks

Bruce Marks (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St. Vincent Street
Glasgow
G2 5AS
18 June 2018

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
BALANCE SHEETS
as at 31 December 2017 and 31 December 2016

	Notes	2017 £m	2016 £m
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	**554.5**	571.3
Property, plant and equipment in use	3	554.5	571.3
Financial assets		-	-
Investments in subsidiaries	4	-	-
NON-CURRENT ASSETS		**554.5**	571.3
CURRENT ASSETS			
Trade and other receivables	5	**65.3**	61.5
Current tax asset		-	0.4
Cash	6	**2.4**	6.8
CURRENT ASSETS		**67.7**	68.7
TOTAL ASSETS		**622.2**	640.0
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		**206.8**	22.8
Share capital	8, 9	160.0	-
Hedge reserve	9	-	(0.3)
Retained earnings	9	46.8	23.1
TOTAL EQUITY		**206.8**	22.8
NON-CURRENT LIABILITIES			
Provisions	10	**42.8**	40.8
Bank borrowings and other financial liabilities		**200.0**	-
Loans and other borrowings	11	200.0	-
Deferred tax liabilities	12	**38.9**	33.5
NON-CURRENT LIABILITIES		**281.7**	74.3
CURRENT LIABILITIES			
Provisions	10	**2.5**	-
Bank borrowings and other financial liabilities		**112.7**	527.1
Loans and other borrowings	11	112.7	527.1
Trade and other payables	13	**13.7**	15.8
Current tax liabilities		**4.8**	-
CURRENT LIABILITIES		**133.7**	542.9
TOTAL LIABILITIES		**415.4**	617.2
TOTAL EQUITY AND LIABILITIES		**622.2**	640.0

Approved by the Board on 5 June 2018 and signed on its behalf by:

Jonathan Cole
Director

The accompanying Notes 1 to 22 are an integral part of the balance sheets as at 31 December 2017 and 31 December 2016.

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
INCOME STATEMENTS
for the years ended 31 December 2017 and 31 December 2016

	Notes	2017 £m	2016 £m
Revenue		117.4	98.3
Procurements		(14.1)	(13.2)
GROSS MARGIN		**103.3**	85.1
Net external expenses		**(17.0)**	(15.0)
External services		(17.8)	(18.5)
Other operating income		0.8	3.5
Taxes other than income tax	15	**(0.1)**	(0.1)
GROSS OPERATING PROFIT		**86.2**	70.0
Depreciation and amortisation charge, allowances and provisions	16	(26.3)	(26.1)
OPERATING PROFIT		**59.9**	43.9
Finance costs	17	(7.6)	(8.5)
PROFIT BEFORE TAX		**52.3**	35.4
Income tax	18	(9.1)	(5.6)
NET PROFIT FOR THE YEAR		**43.2**	29.8

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

All results relate to continuing operations.

The accompanying Notes 1 to 22 are an integral part of the income statements for the years ended 31 December 2017 and 31 December 2016.

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
STATEMENTS OF COMPREHENSIVE INCOME
for the years ended 31 December 2017 and 31 December 2016

	Note	2017 £m	2016 £m
NET PROFIT FOR THE YEAR		**43.2**	29.8
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to the income statement:			
Change in the value of cash flow hedges	9	**0.4**	1.2
Tax relating to cash flow hedges	9	**(0.1)**	(0.2)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**0.3**	1.0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**43.5**	30.8

Total comprehensive income for both years is wholly attributable to the equity holder of ScottishPower Renewables (WODS) Limited

STATEMENTS OF CHANGES IN EQUITY
for the years ended 31 December 2017 and 31 December 2016

	Share capital £m	Hedge reserve £m	Retained earnings £m	Total £m
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)
At 1 January 2017	-	(0.3)	23.1	22.8
Total comprehensive income for the year	-	0.3	43.2	43.5
Share capital issued	160.0	-	-	160.0
Dividends	-	-	(19.5)	(19.5)
At 31 December 2017	**160.0**	**-**	**46.8**	**206.8**

The accompanying Notes 1 to 22 are an integral part of the statements of comprehensive income and the statements of changes in equity for the years ended 31 December 2017 and 31 December 2016.

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
CASH FLOW STATEMENTS
for the years ended 31 December 2017 and 31 December 2016

	2017 £m	2016 Restated * £m
Cash flows from operating activities		
Profit before tax	**52.3**	35.4
Adjustments for:		
Depreciation	**26.3**	26.1
Change in provisions	**2.5**	-
Finance income and costs	**7.6**	8.5
Changes in working capital:		
Change in trade and other receivables	**(10.2)**	0.8
Change in trade payables	**(0.4)**	(1.2)
Provisions paid	**-**	(1.1)
Income taxes received	**1.4**	6.8
Net cash flows from operating activities (i)	**79.5**	75.3
Cash flows from investing activities		
Investments in property, plant and equipment	**(2.4)**	1.4
Net cash flows from investing activities (ii)	**(2.4)**	1.4
Cash flows from financing activities		
Decrease in amounts due to Iberdrola group companies - current loans	**(414.4)**	(28.3)
Increase in amounts due to Iberdrola group companies - non-current loans	**200.0**	-
Share capital issued	**160.0**	-
Dividends paid to company's equity holder	**(19.5)**	(35.0)
Interest paid	**(7.6)**	(10.0)
Net cash flows from financing activities (iii)	**(81.5)**	(73.3)
Net increase in cash and cash equivalents (i)+(ii)+(iii)	**(4.4)**	3.4
Cash and cash equivalents at beginning of year	**6.8**	3.4
Cash and cash equivalents at end of year	**2.4**	6.8
Cash and cash equivalents at end of year comprises:		
Cash	**2.4**	6.8
Cash flow statement cash and cash equivalents	**2.4**	6.8

* Comparative figures have been restated (refer to Note 1).

The accompanying Notes 1 to 22 are an integral part of the cash flow statements for the years ended 31 December 2017 and 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 2017. The Accounts are prepared in accordance with the Accounting Policies set out in Note 2.

The Accounts contain information about ScottishPower Renewables (WODS) Limited as an individual company and do not contain consolidated financial 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 joint venture are included by full consolidation in the consolidated Accounts of its ultimate parent, Iberdrola, S.A., (refer to Note 20(d) for the registered office).

B1. CHANGES IN PRESENTATION

B1.1 CASH FLOW PRESENTATION

The company's primary source of short-term funding for cash management purposes is from intercompany loans drawn down from the ultimate parent company or other group undertakings. Under the terms of the arrangement, the company has access to short-term loans which are repayable on demand. On the balance sheet, these funds are recorded within current loans and borrowings. In prior years, the company reported these funds within cash and cash equivalents for the purposes of the cash flow statement. During the year, the directors have reviewed the treatment of these funds and concluded they should be recorded within financing cash flows for the purposes of the cash flow statement. The 2016 cash flow statement has, therefore, been adjusted. The effect on the prior year is to decrease the net cash flows from financing activities by £28.3 million and increase the cash and cash equivalents reported for the purposes of the cash flow statement by £527.1 million.

The restatement had no impact on net assets, equity, the statement of comprehensive income or the balance sheet.

C. ACCOUNTING STANDARDS

In preparing these Accounts, the company has applied all relevant IAS, IFRS and IFRIC Interpretations that have been adopted by the EU as of the date of approval of these Accounts and that are mandatory for the financial year ended 31 December 2017.

For the year ended 31 December 2017, the company has applied the following amendments for the first time:

	Notes
• Amendments to IAS 12 'Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses'	(a)
• Amendments to IAS 7 'Statement of Cash Flows: Disclosure Initiative'	(a)
• Annual improvements to IFRS Standards 2014-2016 Cycle	(a), (b)

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

(b) This pronouncement includes amendments to three standards. The amendments to IFRS 12 'Disclosure of Interests in Other Entities' have been applied by the company effective 1 January 2017. Refer to footnote (d) below for details of other amendments in the pronouncement.

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
• Annual Improvements to IFRS Standards 2014 –2016 Cycle	(c), (d)	1 January 2018	1 January 2018
• IFRS 9 'Financial Instruments'	(e)	1 January 2018	1 January 2018
• IFRS 15 'Revenue from Contracts with Customers' (including 'Amendments to IFRS 15: Effective date of IFRS 15' and 'Clarifications to IFRS 15 Revenue from Contracts with Customers')	(f)	1 January 2018	1 January 2018
• Amendments to IAS 40 'Investment Property: Transfers of Investment Property'	(c)	1 January 2018	1 January 2018
• Amendments to IFRS 2 'Share-based Payments: Clarification and Measurement of Share-based Payment Transactions'	(c)	1 January 2018	1 January 2018
• Amendments to IFRS 4 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts'	(c)	1 January 2018	1 January 2018
• IFRIC 22 '*Foreign Currency Transactions and Advance Consideration*'	(c)	1 January 2018	1 January 2018
• IFRS 16 'Leases'	(h)	1 January 2019	1 January 2019
• IFRIC 23 'Uncertainty over Income Tax Treatments'	(c), (g)	1 January 2019	1 January 2019
• Amendments to IFRS 9 'Financial Instruments: Prepayment Features with Negative Compensation'	(c)	1 January 2019	1 January 2019
• Amendments to IAS 28 'Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures'	(c), (g)	1 January 2019	1 January 2019
• Annual Improvements to IFRS Standards 2015-2017 Cycle	(c), (g)	1 January 2019	1 January 2019
• Amendments to IAS 19 'Employee Benefits: Plan Amendment, Curtailment or Settlement'	(c), (g)	1 January 2019	1 January 2019
• Amendments to References to the Conceptual Framework in IFRS Standards	(c), (g)	1 January 2020	1 January 2020
• IFRS 17 'Insurance Contracts'	(c), (g)	1 January 2021	1 January 2021
• IFRS 14 'Regulatory Deferral Accounts'	(c), (g), (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 '	(c), (g), (j)	Deferred indefinitely	To be decided

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

(d) 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 (refer to footnote (b) above).

(e) IFRS 9 'Financial Instruments' is effective for the company as from 1 January 2018. The company considers that the new classification and measurement criteria will not have a material impact on the company's equity as at 1 January 2018. Most financial assets will continue to be valued at amortised cost, except for derivative financial instruments which will continue to be recorded at fair value. The company will apply the general model for the recognition of expected credit losses to all financial assets, except for trade receivables and leases, to which the simplified model is applied. Given the high credit quality of the financial assets, the expected credit loss adjustment is only £0.1 million.

IFRS 9 enables more economic hedging instruments and hedged items to qualify for hedge accounting than currently under IAS 39 'Financial Instruments and Measurement' ("IAS 39"), principally the hedging of risk components in non-financial contracts and the consideration as a hedged item of a combination of a derivative and an item which could meet the characteristics of a hedged item. On implementation at 1 January 2018, this will not have a material impact on the company's equity.

In the current and previous years' accounts, the company has applied the criteria set out in Note 2E for those cases where there are no material changes to financial liabilities.

(f) IFRS 15 'Revenue from Contracts with Customers' and the associated amendments and clarifications are effective for the company as from 1 January 2018. The company considers that the application of IFRS 15 will not have a material impact on the company's financial position or performance but will continue to refine its accounting policies and monitor emerging industry practice in relation to this standard. The company will transition to IFRS 15 using the modified retrospective approach; which will require any cumulative impact of applying this standard to be recognised on implementation at 1 January 2018. No modifications are required to the company's IT systems or processes as a result of this standard.

1 BASIS OF PREPARATION *continued*

C. ACCOUNTING STANDARDS *continued*

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

(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's principal leases relate to land for wind farms and the output of the wind farm. Most of these leases are classified as operating leases under IAS 17 'Leases'. The company expects to recognise 'right-of-use' assets and corresponding lease liabilities where the company is a lessee; the value of which is expected to be greater than the future minimum lease payments disclosed in Note 3(c). The company has tentatively decided to take the exemptions offered by IFRS 16 to exclude short-term leases and leases of low value assets from the recognition requirements in the standard. Leases of intangible assets will be considered for inclusion within the scope of IFRS 16 based on the nature of the underlying asset. The company will quantify the expected impact of the implementation of IFRS 16 based on the different transition options available at the date of its first application. The company is currently modifying its IT systems in order to adapt to the new requirements. This analysis will continue during 2018.

(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

In preparing the Accounts in conformity with IFRS 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. However, no critical accounting judgements or key sources of estimation uncertainty have been identified in relation to these Accounts.

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 comprises the sale of electricity, Renewables Obligation Certificates ("ROCs") and other related services supplied to 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 group companies. Revenue is principally operating lessor income (refer to Note 3(c)). The policy in relation to determining whether a transaction is, or contains a lease, is detailed in Note 2D.

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 of the estimated remaining lives and residual values of property, plant and equipment are undertaken annually. 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

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 and receivable under operating leases are charged to and recognised in the income statement respectively 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 a provision 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 and term deposits in the balance sheet comprise cash on hand and term deposits which are 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.
(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 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 below).

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.

2 ACCOUNTING POLICIES *continued*

E. FINANCIAL INSTRUMENTS *continued*

E3. HEDGE ACCOUNTING

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

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 ineffectiveness is recognised within Finance income or Finance costs, as appropriate, 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 DISCOUNTINUING 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 are 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 CURRENICIES

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.

2 ACCOUNTING POLICIES *continued*

G. TAXATION

The company's assets and liabilities for current tax are 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 to 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.

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.

3 PROPERTY, PLANT AND EQUIPMENT

(a) Movements in property, plant and equipment

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

Year ended 31 December 2017	Wind power plant £m	Distribution facilities £m	Total £m
Cost:			
At 1 January 2017	637.5	0.5	638.0
Additions	3.1	-	3.1
Transfers (Note (iii))	6.4	-	6.4
At 31 December 2017	**647.0**	**0.5**	**647.5**
Depreciation:			
At 1 January 2017	66.7	-	66.7
Depreciation for the year (Note (ii))	26.3	-	26.3
At 31 December 2017	**93.0**	-	**93.0**
Net book value:			
At 31 December 2017	**554.0**	**0.5**	**554.5**
At 1 January 2017	570.8	0.5	571.3

3 PROPERTY, PLANT AND EQUIPMENT *continued*

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

(i) The negative addition in 2016 was 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) The accumulated depreciation for distribution facilities at 31 December 2017 was £44,875 (2016 £32,489).
(iii) Following a review, a £6.4 million balance relating to wind power plant additions for previous years was transferred from prepayments.
(iv) The net book value of property, plant and equipment at both 31 December 2017 and 2016 relates to property, plant and equipment in use.

(b) Capital commitments

	2017 £m	2016 £m
Contracted but not provided	**7.6**	7.0

(c) Operating lease arrangements

(i) Operating lease payments	2017 £m	2016 £m
Minimum lease payments under operating leases recognised as an expense in the year	**0.4**	0.4
Contingent based operating lease rents recognised as an expense in the year	**0.6**	0.6
	1.0	1.0

(ii) Operating lease commitments	2017 £m	2016 £m
The future minimum discounted lease payments under non-cancellable operating leases are as follows:		
Within one year	**0.4**	0.4
Between one and five years	**1.6**	1.6
More than five years	**4.9**	5.7
	6.9	7.7

(iii) Operating lease income

Contingent based operating lease income recognised in the year was £116.1 million (2016 £92.7 million).

4 INVESTMENT

Jointly controlled entity	Principal activity	Country of incorporation (Note (b)	Equity interest in ordinary shares 2017	2016
Morecambe Wind Limited	Provision of operational services	England and Wales	**50%**	50%

(a) The value of the investment in Morecambe Wind Limited is £3 (2016 £3).
(b) The registered office of the joint venture is 5 Howick Place, London, SW1P 1WG, England.
(c) The company directly owns 50% of the ordinary shares.

5 TRADE AND OTHER RECEIVABLES

	2017 £m	2016 £m
Current receivables:		
Receivables due from Iberdrola group companies - trade	**61.4**	49.7
Prepayments due from jointly controlled entities	**0.9**	0.4
Trade receivables and accrued income	**-**	1.8
Prepayments	**2.5**	8.9
Other tax receivables	**0.5**	0.7
	65.3	61.5

6 FINANCIAL INSTRUMENTS

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

		2017		2016	
		Carrying amount	**Fair value**	Carrying amount	Fair value
	Notes	**£m**	**£m**	£m	£m
Financial assets					
Receivables	(a)	**61.4**	**61.4**	51.5	51.5
Cash	(b)	**2.4**	**2.4**	6.8	6.8
Financial liabilities					
Loans and other borrowings	(c)	**(312.7)**	**(346.2)**	(527.1)	(527.1)
Payables	(a)	**(13.7)**	**(13.7)**	(14.8)	(14.8)

The carrying amount of these financial instruments is calculated as set out in Note 2E. With the exception of loans and other borrowings, the carrying value of financial instruments is a reasonable approximation of fair value. The fair value of loans and other borrowings is calculated as set out in footnote (c) which is categorised as Level 2 in the fair value hierarchy.

(a) Balances out with the scope of IFRS 7 'Financial Instruments: Disclosures' have been excluded namely prepayments, other tax receivables and payments received on account.

(b) As a general rule, cash deposited with banks earns interest at rates similar to market rates on daily deposits. Cash as at 31 December 2017 includes deposits with banks of £2.4 million (2016 £6.8 million) which are held for use in the joint operation only.

(c) The fair value of loans and borrowings 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. Forward foreign exchange contracts are fair valued using forward exchange rates quoted in an active market.

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.

	2017						
	2018	**2019**	**2020**	**2021**	**2022**	**2023 and thereafter**	**Total**
Cash outflows	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Loans and other borrowings	125.6	6.1	6.1	6.1	6.1	230.5	**380.5**
Payables*	6.8	-	-	-	-	-	**6.8**
	132.4	**6.1**	**6.1**	**6.1**	**6.1**	**230.5**	**387.3**

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

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

8 SHARE CAPITAL

	2017	2016
	£m	£m
Allotted, called up and fully paid shares:		
160,000,001 ordinary shares of £1 each (2016 one ordinary share)	**160.0**	-

(a) On 11 December 2017 the company issued 160,000,000 ordinary shares of £1 each to its immediate parent, SPRUKL, for a total consideration of £160.0 million.

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

	Share capital (Note (a))	Hedge reserve (Note(b))	Retained earnings (Note(c))	Total
	£m	£m	£m	£m
At 1 January 2016	-	(1.3)	28.3	27.0
Profit for the year attributable to equity holder 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)
At 1 January 2017	-	(0.3)	23.1	22.8
Profit for the year attributable to equity holder of ScottishPower Renewables (WODS) Limited	-	-	43.2	43.2
Changes in the value of cash flow hedges	-	0.4	-	0.4
Tax relating to cash flow hedges	-	(0.1)	-	(0.1)
Share capital issued	160.0	-	-	160.0
Dividends	-	-	(19.5)	(19.5)
At 31 December 2017	**160.0**	-	**46.8**	**206.8**

(a) On 11 December 2017 the company issued 160,000,000 ordinary shares of £1 each to its immediate parent, SPRUKL, for a total consideration of £160.0 million.

(b) 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.

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

(d) 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 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
At 1 January 2017	(0.4)	0.1	(0.3)
Removed from equity and recognised in carrying amount of hedged items	0.4	(0.1)	0.3
At 31 December 2017	-	-	-

(e) All amounts included in the hedge reserve as at 31 December 2016 were due to mature within one year.

10 PROVISIONS

Year ended 31 December 2016	Notes	At 1 January 2016 £m	New provisions £m	Unwinding of discount £m	Utilised during year £m	At 31 December 2016 £m
Decommissioning and environmental	(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

Year ended 31 December 2017	Notes	At 1 January 2017 £m	New provisions £m	Unwinding of discount £m	**At 31 December 2017 £m**
Decommissioning and environmental	(a)	40.8	1.3	0.7	**42.8**
Offshore transmission asset	(c)	-	2.5	-	**2.5**
		40.8	3.8	0.7	**45.3**

(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 £1.3 million (2016 £6.5 million) in 2017 related to an increase in the provision following reassessment.

(b) The provision for onerous contracts related 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 was capitalised as shown in Note 3.

(c) The new provision of £2.5 million relates to costs to complete the offshore transmission asset which was sold in 2015. This is expected to be utilised in the coming year.

Analysis of total provisions	**2017 £m**	2016 £m
Non-current	**42.8**	40.8
Current	**2.5**	-
	45.3	40.8

11 LOANS AND OTHER BORROWINGS

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

Instrument	Interest rate*	Maturity	**2017 £m**	2016 £m
Loans with Iberdrola group companies	Base + 1%	On demand	**112.7**	527.1
Loans with Iberdrola group companies	3.05% fixed	20 December 2027	**200.0**	-
			312.7	527.1

*Base – Bank of England Base Rate

Analysis of total loans and other borrowings	**2017 £m**	2016 £m
Current	**112.7**	527.1
Non-current	**200.0**	-
	312.7	527.1

(b) Borrowing facilities

The company has no undrawn committed borrowing facilities at 31 December 2017 (2016 £nil).

11 LOANS AND OTHER BORROWINGS *continued*

(c) Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities			
	Loans and other borrowings (Current) £m	Loans and other borrowings (Non-current) £m	Interest payable (Current) £m	Total £m
At 1 January 2017	**527.1**	**-**	**7.6**	**534.7**
(Decrease)/increase in amounts due to Iberdrola group companies	(414.4)	200.0	-	(214.4)
Interest paid	-	-	(7.6)	(7.6)
Total movements from financing cashflows	**(414.4)**	**200.0**	**(7.6)**	**(222.0)**
Other movements	-	-	6.9	6.9
Total liability-related other movements	**-**	**-**	**6.9**	**6.9**
At 31 December 2017	**112.7**	**200.0**	**6.9**	**319.6**

12 DEFERRED TAX

	Property, plant and equipment £m	Derivative financial instruments £m	Total £m
At 1 January 2016	27.9	(0.3)	27.6
Charge to the income statement	5.7	-	5.7
Recorded in the statement of comprehensive income	-	0.2	0.2
At 1 January 2017	33.6	(0.1)	33.5
Charge to the income statement	5.3	-	5.3
Recorded in the statement of comprehensive income	-	0.1	0.1
At 31 December 2017	**38.9**	**-**	**38.9**

(a) At 31 December 2017 the company had unutilised capital losses of £4.6 million (2016 £4.1 million). 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 17% on 1 April 2020. This reduces the tax rates expected to apply when temporary differences reverse and impacts the deferred tax charge.

13 TRADE AND OTHER PAYABLES

	2017 £m	2016 £m
Current trade and other payables:		
Payables due to Iberdrola group companies - trade	**1.0**	2.0
Payables due to Iberdrola group companies - interest	**6.9**	7.6
Payables due to jointly controlled entities - trade	**1.1**	0.5
Trade payables	**4.1**	3.1
Payments received on account	**-**	1.0
Capital payables and accruals	**0.6**	1.6
	13.7	15.8

14 EMPLOYEE INFORMATION

The company has no employees (2016 none). Details of directors' remuneration are set out in Note 20(c).

15 TAXES OTHER THAN INCOME TAX

	2017 £m	2016 £m
Property taxes	**0.1**	0.1

16 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

	2017 £m	2016 £m
Property, plant and equipment depreciation charge	**26.3**	26.1

17 FINANCE COSTS

	2017 £m	2016 £m
Interest on amounts due to Iberdrola group companies	**6.9**	7.6
Unwinding of discount on provisions	**0.7**	0.9
	7.6	8.5

18 INCOME TAX

	2017 £m	2016 £m
Current tax:		
UK Corporation Tax	**4.8**	(0.4)
Adjustments in respect of prior years	**(1.0)**	0.3
Current tax charge/(credit) for the year	**3.8**	(0.1)
Deferred tax:		
Origination and reversal of temporary differences	**5.9**	8.1
Adjustments in respect of prior years	**0.1**	0.4
Impact of tax rate change	**(0.7)**	(2.8)
Deferred tax for the year	**5.3**	5.7
Income tax charge for the year	**9.1**	5.6

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

	2017 £m	2016 £m
Corporation Tax at 19.25% (2016 20%)	**10.1**	7.1
Adjustments in respect of prior years	**(0.9)**	0.7
Impact of tax rate change	**(0.7)**	(2.8)
Non deductible expenses and other permanent differences	**0.6**	0.6
Income tax charge for the year	**9.1**	5.6

The rate of UK Corporation Tax reduced from 20% to 19% on 1 April 2017. Legislation has been enacted to reduce the rate of UK Corporation tax to 17% on 1 April 2020. This reduces the tax rates expected to apply when temporary differences reverse and impacts the deferred tax charge.

19 DIVIDENDS

	2017 £ per ordinary share	2016 £ per ordinary share	2017 £m	2016 £m
Interim dividend paid	**0.12**	35,000,000	**19.5**	35.0

20 RELATED PARTY TRANSACTIONS

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

2017	UK parent (SPL) £m	Immediate parent (SPRUKL) £m	Other Iberdrola group companies £m	Jointly controlled entities £m
Types of transaction				
Sales and rendering of services	-	-	**116.1**	**0.9**
Purchases and receipt of services	-	**(0.3)**	**(1.7)**	**(11.6)**
Interest costs	**(6.9)**	-	-	-
Dividends paid	-	**(19.5)**	-	-
Balances outstanding				
Trade and other receivables	-	-	**61.4**	**0.9**
Loans payable	**(312.7)**	-	-	-
Trade and other payables	-	**(0.3)**	**(0.7)**	**(1.1)**
Interest payable	**(6.9)**	-	-	-

2016	Ultimate parent (Iberdrola S.A.) £m	UK parent (SPL) £m	Immediate parent (SPRUKL) £m	Other Iberdrola group companies £m	Jointly controlled entities £m
Types of transaction					
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)	-	-
Balances outstanding					
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 are unsecured and will be settled in cash. No guarantees have been given or received.

(b) Remuneration of key management personnel

The remuneration of the key management personnel of the company is set out below. As all (2016 all) of the key management personnel are remunerated for their work for the Renewables business, it has not been possible to apportion the remuneration specifically in respect of services to this company. All four key management personnel (2016 three) were remunerated by other companies within the Renewables business.

	2017 £000	2016 £000
Short-term employee benefits	**1,224**	959
Post-employment benefits	**129**	171
Share-based payments	**761**	497
	2,114	1,627

(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 Renewables business, it has not been possible to apportion the remuneration specifically in respect of services to this company. All three directors (2016 three) were remunerated by other companies within the Renewables business.

20 RELATED PARTY TRANSACTIONS *continued*

(c) Directors' remuneration *continued*

Executive directors	2017 £000	2016 £000
Aggregate remuneration in respect of qualifying services	**1,232**	1,038
Aggregate contributions payable to a defined contribution pension scheme	**26**	23
Number of directors who exercised share options	**2**	2
Number of directors who received shares under a long-term incentive scheme	**3**	3
Number of directors accruing retirement benefits under a defined benefit scheme	**1**	2
Number of directors accruing retirement benefits under a defined contribution scheme	**1**	1

Highest paid director	£000	£000
Aggregate remuneration	**707**	537
Accrued pension benefit	**77**	72

(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 immediate parent company is SPRUKL. The registered office of SPRUKL is The Soloist, 1 Lanyon Place, Belfast, BT1 3LP.

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 the consolidated Accounts of Iberdrola, S.A. may be obtained from the registered office of the company at Iberdrola S.A., 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.

In addition to the parent undertakings disclosed above, the company's other related undertaking is disclosed in Note 4.

21 AUDITOR REMUNERATION

	2017 £000	2016 £000
Audit of the company's annual Accounts	**14**	14

KPMG LLP were appointed auditor of the company during 2017, replacing Ernst & Young LLP. Auditor remuneration for 2017 is payable to KPMG LLP and payable to Ernst & Young for 2016.

22 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 4.

The company has recorded a profit after tax in both the current year and previous financial year and the company's balance sheet shows that it has net current liabilities of £66.0 million and net assets of £206.8 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 does not have the ability to and 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 adopt the going concern basis of accounting in preparing the Accounts.