

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2015

Registered No. SC374288

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SCOTTISHPOWER RENEWABLES (WODS) LIMITED
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2015

CONTENTS

STRATEGIC REPORT	1
DIRECTORS' REPORT	4
INDEPENDENT AUDITOR'S REPORT	6
BALANCE SHEETS	7
INCOME STATEMENTS	8
STATEMENTS OF COMPREHENSIVE INCOME	9
STATEMENTS OF CHANGES IN EQUITY	9
CASH FLOW STATEMENTS	10
NOTES TO ACCOUNTS	11

SCOTTISHPOWER RENEWABLES (WODS) LIMITED STRATEGIC REPORT

The directors present an overview of ScottishPower Renewables (WODS) Limited's business structure, 2015 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.

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. First export took place in January 2014 with the wind farm being fully operational by October 2014 and having the capacity to produce 389 megawatts ("MW") of clean green energy.

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 such as tidal stream and wave.

The environment within which the Renewables business operates remains challenging and during 2015 the government announced changes to key legislation impacting the renewables business.

The UK Government announced on 18 June 2015 that they intend to close the Renewables Obligation ("RO") in early 2016, allowing an appropriate grace period for projects which had planning permission on or by 18 June 2015 (in addition to the grid and aviation grace periods previously defined under the RO). It is anticipated that these changes will be introduced to the Energy Bill which is currently progressing through the parliamentary process, and expected to receive Royal Assent in 2016. The Government's proposal will have no impact on West of Duddon Sands.

In March 2016, the Government published a further review of anticipated spend under the Levy Control Framework ("LCF") and estimates that at 2020/21 the cap of £7.6 billion will be exceeded by some £0.9 billion due to lower power prices, higher yields from offshore wind and greater uptake of solar panels than forecast. This takes account of various cost mitigation measures undertaken by the Government during 2015/16 with regard to 'demand led' schemes such as Small Scale Feed in Tariff ("FiT") and the RO. During the 2016 UK budget, the Chancellor announced that the Government will allocate a further £730 million to support three future Contract for Difference ("CfD") allocation rounds for less established technologies with £290 million to be allocated to the next allocation round due to commence in Q4 2016. The administrative strike price for offshore wind has been announced as £105 per megawatt hour ("MWh") (based on 2011/12 prices), reducing to £85/MWh by 2025/26.

On 8 July 2015 the Government announced its intention to remove the Climate Change Levy ("CCL") exemption from renewable generators, effective on 1 August 2015. This was proposed on the basis that the effectiveness of the CCL to stimulate investment in renewable generation had been superseded by other mechanisms i.e. RO and CfD.

OPERATIONAL PERFORMANCE

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

	Revenue*		Profit from operations*		Capital investment**	
	2015	2014	2015	2014	2015	2014
Financial key performance indicators	£m	£m	£m	£m	£m	£m
ScottishPower Renewables (WODS) Limited	237.8	52.4	57.5	20.8	4.7	275.8

* Revenue and profit from operations as presented on page 8.

** Capital investment as presented in Note 3 on page 15 and 16.

SCOTTISHPOWER RENEWABLES (WODS) LIMITED

STRATEGIC REPORT *continued*

OPERATIONAL PERFORMANCE *continued*

Revenue increased by £185.4 million, primarily due to the sale of the offshore transmission asset for £134.0 million during the year. Base revenue also increased as a result of the wind farm being operational for the full financial year.

Profit from operations increased by £36.7 million, with the increased revenues being largely offset by £134.0 million of costs associated with the offshore transmission asset and increased operational costs as a result of the site being operational for the full financial year.

Capital investment decreased by £271.1 million to £4.7 million in 2015 as the wind farm reached completion in 2014.

Non-financial key performance indicators	Notes	2015	2014
Plant output (GWh)	(a)	751	378
Installed capacity (MW)	(b)	194	194
Availability	(c)	92%	n/a

(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. 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. For the majority of 2014, the wind farm was still under commissioning and therefore availability figures were not calculated.

LIQUIDITY AND CASH MANAGEMENT

Cash and net debt

Net cash flows from operating activities increased by £253.0 million to £205.0 million for the year (refer to cash flow statement on page 10). As detailed in the table below, net debt decreased by £158.9 million to £552.0 million.

Analysis of net debt	Notes	2015 £m	2014 £m
Cash	(a)	3.4	0.1
Group loans payable	(b)	(555.4)	(711.0)
Net debt		(552.0)	(710.9)

(a) As detailed on the balance sheet, refer to page 7.

(b) Refer to Note 13 on page 20.

Capital and debt structure

The company is funded primarily by debt. At the end of the year the company had net debt amounting to £552.0 million (2014 £710.9 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.

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
STRATEGIC REPORT *continued*

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

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:

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

RISK	RESPONSE
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



Jonathan Cole
 Director
 4 April 2016

SCOTTISHPOWER RENEWABLES (WODS) LIMITED DIRECTORS' REPORT

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

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 £41.5 million (2014 £11.7 million). The aggregate dividends paid during the year amounted to £25.0 million (2014 £nil).

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 were as follows:

Keith Anderson
Jonathan Cole
Roy Scott

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 2015.

ON BEHALF OF THE BOARD



Jonathan Cole
Director
4 April 2016

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 2015 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 26. 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 to 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 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with 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 the information given in the Strategic Report and the Directors' Report for the financial year for which the Accounts are prepared is consistent with the Accounts.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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.



Annie Graham (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
4 April 2016

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
BALANCE SHEETS
as at 31 December 2015 and 31 December 2014

	Notes	2015 £m	2014 £m
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		600.2	623.8
Property, plant and equipment in use	3	600.2	623.8
Financial assets		-	-
Investments	4	-	-
NON-CURRENT ASSETS		600.2	623.8
CURRENT ASSETS			
Inventories	5	-	120.5
Trade and other receivables	6	62.3	59.7
Current tax asset		7.1	12.4
Financial assets		0.1	0.1
Derivative financial instruments	7, 14	0.1	0.1
Cash	7	3.4	0.1
CURRENT ASSETS		72.9	192.8
TOTAL ASSETS		673.1	816.6
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		27.0	10.2
Share capital	9, 10	-	-
Hedge reserve	10	(1.3)	(1.6)
Retained earnings	10	28.3	11.8
TOTAL EQUITY		27.0	10.2
NON-CURRENT LIABILITIES			
Provisions	11	37.9	43.4
Deferred tax liabilities	12	27.6	14.2
NON-CURRENT LIABILITIES		65.5	57.6
CURRENT LIABILITIES			
Provisions	11	4.3	4.2
Financial liabilities		555.4	712.0
Loans and other borrowings	13	555.4	711.0
Derivative financial instruments	7, 14	-	1.0
Trade and other payables	16	20.9	32.8
CURRENT LIABILITIES		580.6	748.8
TOTAL LIABILITIES		646.1	806.4
TOTAL EQUITY AND LIABILITIES		673.1	816.6

Approved by the Board on 4 April 2016 and signed on its behalf by:



Jonathan Cole
Director

The accompanying notes 1 to 26 are an integral part of the balance sheets as at 31 December 2015 and 31 December 2014.

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
INCOME STATEMENTS
for the years ended 31 December 2015 and 31 December 2014

	Notes	2015 £m	2014 £m
Revenue		237.8	52.4
Procurements		(140.7)	(10.8)
		97.1	41.6
Outside services		(13.2)	(6.6)
Other operating income		-	0.1
		(13.2)	(6.5)
Taxes other than income tax	18	(0.1)	-
		83.8	35.1
Depreciation and amortisation charge, allowances and provisions	19	(26.3)	(14.3)
PROFIT FROM OPERATIONS		57.5	20.8
Finance income	20	0.3	0.1
Finance costs	21	(11.4)	(7.0)
PROFIT BEFORE TAX		46.4	13.9
Income tax	22	(4.9)	(2.2)
NET PROFIT FOR THE YEAR		41.5	11.7

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

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
STATEMENTS OF COMPREHENSIVE INCOME
for the years ended 31 December 2015 and 31 December 2014

	Note	2015 £m	2014 £m
NET PROFIT FOR THE YEAR		41.5	11.7
OTHER COMPREHENSIVE INCOME			
Items that may be subsequently reclassified to the income statement:			
Cash flow hedges:			
Change in the value of cash flow hedges	10	0.4	-
Tax relating to cash flow hedges	10	(0.1)	-
		0.3	-
Items that will not be reclassified to the income statement:			
Cash flow hedges:			
Change in the value of cash flow hedges	10	-	11.6
Tax relating to cash flow hedges	10	-	(2.4)
		-	9.2
OTHER COMPREHENSIVE INCOME FOR THE YEAR		0.3	9.2
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		41.8	20.9

STATEMENTS OF CHANGES IN EQUITY
for the years ended 31 December 2015 and 31 December 2014

	Ordinary share capital £m	Hedge reserve £m	Retained earnings £m	Total £m
At 1 January 2014	-	(10.8)	0.1	(10.7)
Total comprehensive income for the year	-	9.2	11.7	20.9
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 31 December 2015	-	(1.3)	28.3	27.0

The accompanying notes 1 to 26 are an integral part of the statements of comprehensive income and the statements of changes in equity for the years ended 31 December 2015 and 31 December 2014

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
CASH FLOW STATEMENTS
for the years ended 31 December 2015 and 31 December 2014

	2015	2014
	£m	£m
Cash flows from operating activities		
Profit before tax	46.4	13.9
Adjustments for:		
Depreciation	26.3	14.3
Change in provisions	-	13.0
Finance income and costs	11.1	6.9
Changes in working capital:		
Change in trade and other receivables	(2.6)	(41.8)
Change in inventories	120.5	(10.4)
Change in trade and other payables	(6.2)	(39.4)
Provisions paid	(4.2)	(4.6)
Income taxes received	13.7	-
Interest received	-	0.1
Net cash flows from operating activities (i)	205.0	(48.0)
Cash flows from investing activities		
Investments in property, plant & equipment	(11.2)	(236.0)
Net cash flows from investing activities (ii)	(11.2)	(236.0)
Cash flows from financing activities		
Dividends paid to company's equity holders	(25.0)	-
Interest paid	(9.9)	(4.7)
Net cash flows from financing activities (iii)	(34.9)	(4.7)
Net increase/(decrease) in cash and cash equivalents (i)+(ii)+(iii)	158.9	(288.7)
Cash and cash equivalents at beginning of year	(710.9)	(422.2)
Cash and cash equivalents at end of year	(552.0)	(710.9)
Cash and cash equivalents at end of year comprises:		
Cash	3.4	0.1
Payables due to Iberdrola group companies - loans	(555.4)	(711.0)
Cash flow statement cash and cash equivalents	(552.0)	(710.9)

The accompanying notes 1 to 26 are an integral part of the cash flow statements for the years ended 31 December 2015 and 31 December 2014.

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
NOTES TO ACCOUNTS
31 December 2015

1 BASIS OF PREPARATION

A. 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 ("IFRSs") 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 2015. The Accounts are prepared in accordance with the Accounting Policies set out in Note 2.

B. ACCOUNTING STANDARDS

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

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

Standard	Note
• Amendments to IAS 19 'Employee Benefits: Defined Benefit Plans: Employee Contributions'	(a)
• Annual Improvements to IFRSs (2010-2012)	(a)
• Annual Improvements to IFRSs (2011-2013)	(a)
• IFRIC 21 'Levies'	(a)

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

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 and have not yet 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 1 'Presentation of Financial Statements: Disclosure Initiative'	(b)	1 January 2016	1 January 2016
• Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' – 'Clarification of Acceptable Methods of Depreciation and Amortisation'	(b)	1 January 2016	1 January 2016
• Amendments to IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture' – 'Bearer Plants'	(b)	1 January 2016	1 January 2016
• Amendments to IAS 27 'Separate Financial Statements: Equity Method in Separate Financial Statements'	(b)	1 January 2016	1 January 2016
• Amendments to IFRS 11 'Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations'	(b)	1 January 2016	1 January 2016
• Annual Improvements to IFRSs (2012-2014)	(b)	1 January 2016	1 January 2016
• Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' – 'Investment Entities: Applying the Consolidated Exception'	(b), (c), (d)	1 January 2016	1 January 2017
• IFRS 14 'Regulatory Deferral Accounts'	(b), (e)	1 January 2016	To be decided
• Amendments to IAS 12 'Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses'	(b), (c)	1 January 2017	1 January 2017

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2015

1 BASIS OF PREPARATION *continued*
B. ACCOUNTING STANDARDS *continued*

Standard	Notes	IASB effective date (for periods commencing on or after)	Planned date of application by the company
• Amendments to IAS 7 'Statement of Cash Flows: Disclosure Initiative'	(b), (c)	1 January 2017	1 January 2017
• IFRS 9 'Financial Instruments'	(c), (f)	1 January 2018	1 January 2018
• IFRS 15 'Revenue from Contracts with Customers' (including Amendments to IFRS 15 'Effective date of IFRS 15')	(c), (f)	1 January 2018	1 January 2018
• IFRS 16 'Leases'	(c), (f)	1 January 2019	1 January 2019
• 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), (g)	Deferred indefinitely	To be decided

- (b) The future application of these pronouncements is not expected to have a material impact on the company's accounting policies, financial position or performance.
- (c) These pronouncements have not yet been adopted by the EU.
- (d) The company applies all relevant standards/amendments which have been adopted by the EU as at the date of approval of these accounts. Despite the IASB effective date of 1 January 2016, the amendment has yet to be endorsed by the EU. The endorsement notice will be reviewed but it is anticipated that the company will apply this amendment for the accounting period following adoption, i.e. 1 January 2017.
- (e) 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.
- (f) The directors are currently in the process of assessing the impact of this standard in relation to the company's accounting policies, financial position and performance.
- (g) The IASB set the effective date of this amendment 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 amendment has been postponed, awaiting a revised exposure draft from the IASB. The effective date will be amended in due course.
- (h) The company has chosen not to early adopt any of these standards/amendments for year ended 31 December 2015.

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 INVENTORIES**
- G FOREIGN CURRENCIES**
- H TAXATION**
- I DECOMMISSIONING COSTS**

A REVENUE

Revenue from the sales of electricity comprises the value of electricity, Renewable Obligation Certificates ("ROCs") and Levy Exemption Certificates ("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.

SCOTTISHPOWER RENEWABLES (WODS) LIMITED

NOTES TO ACCOUNTS *continued*

31 December 2015

2 ACCOUNTING POLICIES *continued*

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

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).

SCOTTISHPOWER RENEWABLES (WODS) LIMITED

NOTES TO ACCOUNTS *continued*

31 December 2015

2 ACCOUNTING POLICIES *continued*

E FINANCIAL INSTRUMENTS *continued*

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:

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.

SCOTTISHPOWER RENEWABLES (WODS) LIMITED

NOTES TO ACCOUNTS *continued*

31 December 2015

2 ACCOUNTING POLICIES *continued*

F INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Inventories include capitalised interest and other directly attributable costs.

G 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.

H TAXATION

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

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

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

I 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

	Wind power plants £m	Distribution facilities £m	Plant in progress (Note (i)) £m	Total £m
Year ended 31 December 2014				
Cost:				
At 1 January 2014	-	-	362.3	362.3
Additions	33.9	-	241.9	275.8
Transfers from in progress to plant in use	603.7	0.5	(604.2)	-
At 31 December 2014	637.6	0.5	-	638.1
Depreciation:				
At 1 January 2014	-	-	-	-
Depreciation for the year	14.3	-	-	14.3
At 31 December 2014	14.3	-	-	14.3
Net book value:				
At 31 December 2014	623.3	0.5	-	623.8
At 1 January 2014	-	-	362.3	362.3

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2015

3 PROPERTY, PLANT AND EQUIPMENT *continued*

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

Year ended 31 December 2015	Note	Wind power plants £m	Distribution facilities £m	Plant in progress (Note (i)) £m	Total £m
Cost:					
At 1 January 2015		637.6	0.5	-	638.1
Additions		4.7	-	-	4.7
Transfers from in progress to plant in use		-	-	-	-
Reassessment of decommissioning provision	(iii)	(2.0)	-	-	(2.0)
At 31 December 2015		640.3	0.5	-	640.8
Depreciation:					
At 1 January 2015		14.3	-	-	14.3
Depreciation for the year		26.3	-	-	26.3
At 31 December 2015		40.6	-	-	40.6
Net book value:					
At 31 December 2015		599.7	0.5	-	600.2
At 1 January 2015		623.3	0.5	-	623.8

(i) The category "Plant in progress" principally comprises wind power plans in the course of construction.

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

(iii) Refer to note 11(a) for further information.

(b) Capital commitments

	2015 £m	2014 £m
Contracted but not provided	6.2	24.8

(c) Operating lease arrangements

	2015 £m	2014 £m
(i) Operating lease payments		
Minimum lease payments under operating leases recognised as an expense in the year	5.0	-
Contingent based operating lease rents recognised as an expense in the year	1.2	-
	6.2	-

All operating lease payments in the prior year were capitalised.

	2015 £m	2014 £m
(ii) Operating lease commitments		
Within one year	5.0	5.1
Between one and five years	6.4	10.8
More than five years	7.6	7.8
	19.0	23.7

4 INVESTMENTS

The holdings of the company are set out below:

Joint ventures	Country of Incorporation	Proportion of shares held %	Activity
Morecambe Wind Limited	England and Wales	50	Provision of operational services

The value of investment in Morecambe Wind Limited is £3 (2014 £3).

5 INVENTORIES

	Note	2015 £m	2014 £m
Other inventories	(a)	-	120.5

(a) Other inventories represented a transmission asset which was sold to an offshore transmission operator in 2015.

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2015

6 TRADE AND OTHER RECEIVABLES

	2015	2014
	£m	£m
Receivables due from Iberdrola group companies - trade	51.3	39.3
Receivables due from jointly controlled entities - trade	-	6.8
Trade receivables and accrued income	1.0	7.2
Prepayments	8.4	6.4
Other tax receivables	1.6	-
	62.3	59.7

7 FINANCIAL INSTRUMENTS

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

	Notes	2015		2014	
		Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial assets					
Derivative financial instruments	(a)	0.1	0.1	0.1	0.1
Receivables	(b)	52.3	52.3	53.3	53.3
Cash	(c)	3.4	3.4	0.1	0.1
Financial liabilities					
Derivative financial instruments	(a)	-	-	(1.0)	(1.0)
Loans and other borrowings		(555.4)	(555.4)	(711.0)	(711.0)
Payables	(b)	(15.7)	(15.7)	(29.2)	(29.2)

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 14.
(b) Balances out with the scope of IFRS 7 'Financial Instruments: Disclosures' have been excluded namely prepayments, tax receivables, payments received on account and other taxes payable.
(c) As a general rule, cash deposited with banks earns interest at rates similar to market rates on daily deposits.

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.

8 LIQUIDITY ANALYSIS

Maturity profile of financial liabilities

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

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

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2015

8 LIQUIDITY ANALYSIS *continued*

Maturity profile of financial liabilities *continued*

	2014						Total £m
	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 and thereafter £m	
Cash outflows							
Derivative financial instruments	43.6	-	-	-	-	-	43.6
Loans and other borrowings	720.6	-	-	-	-	-	720.6
Payables*	19.6	-	-	-	-	-	19.6
	783.8						783.8

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

9 SHARE CAPITAL

	2015 £	2014 £
Allotted, called up and fully paid shares:		
One ordinary share of £1 (2014 One)	1	1

10 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 2014	-	(10.8)	0.1	(10.7)
Profit for the year attributable to equity holders of ScottishPower Renewables (WODS) Limited	-	-	11.7	11.7
Changes in the value of cash flow hedges	-	11.6	-	11.6
Tax relating to cash flow hedges	-	(2.4)	-	(2.4)
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 31 December 2015	-	(1.3)	28.3	27.0

(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
Cash flow hedges			
At 1 January 2014	(13.6)	2.8	(10.8)
Effective cash flow hedges recognised	(11.1)	2.2	(8.9)
Removed from equity and recognised in carrying amount of hedged items	22.7	(4.5)	18.2
Changes in future tax rates	-	(0.1)	(0.1)
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 31 December 2015	(1.6)	0.3	(1.3)

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2015

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

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

	2015	2014
	£m	£m
Less than 1 year	(1.3)	(1.6)

11 PROVISIONS

		At 1 January 2014	New provisions	Unwinding of discount	Utilised during year	At 31 December 2014
Year ended 31 December 2014	Notes	£m	£m	£m	£m	£m
Decommissioning and environmental	(a)	-	34.0	0.6	-	34.6
Onerous contracts	(b)	-	13.0	-	-	13.0
Other	(c)	4.6	-	-	(4.6)	-
		4.6	47.0	0.6	(4.6)	47.6

		At 1 January 2015	New provisions	Unwinding of discount	Utilised during year	At 31 December 2015
Year ended 31 December 2015	Notes	£m	£m	£m	£m	£m
Decommissioning and environmental	(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

- (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 £(2.0) million in the year ended 31 December 2015 relates to a net reduction in the provision following reassessment.
- (b) The provision for onerous contracts relates to a property lease. The lease will expire in 2017.
- (c) The 'Other' category comprises a provision which reflects amounts due to Eurus Energy UK Limited and Eurus Energy Europe BV in respect of the purchase of Eurus Energy's one-third interest in the West of Duddon Sands project. The provision was an index-linked amount and was paid in full upon commissioning of the full project.

	2015	2014
	£m	£m
Analysis of total provisions		
Non-current	37.9	43.4
Current	4.3	4.2
	42.2	47.6

12 DEFERRED TAX

	Property, plant and equipment	Derivative financial instruments	Total
	£m	£m	£m
At 1 January 2014	-	(2.8)	(2.8)
Charge to income statement	14.6	-	14.6
Recorded in the statement of comprehensive income	-	2.4	2.4
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 31 December 2015	27.9	(0.3)	27.6

Finance (No.2) Act 2015 contained legislation to reduce the rate of UK Corporation Tax to 19% on 1 April 2017 and to 18% on 1 April 2020. These changes reduced the tax rates expected to apply when the temporary differences reverse and impact the deferred tax charge.

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2015

12 DEFERRED TAX *continued*

The rate of UK Corporation Tax is now expected to reduce by a further 1% to 17% on 1 April 2020 and this will reduce the property plant and equipment element of the deferred tax provision. The estimated impact of this change is a reduction of £1.6 million in the year to 31 December 2016. It is not possible to quantify the impact of the expected rate reduction on other elements of the deferred tax balance.

13 LOANS AND OTHER BORROWINGS

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

Instrument	Interest rate*	Maturity	2015	2014
			£m	£m
Intercompany loan with SPL	Base + 1%	On demand	555.4	711.0

*Base – Bank of England Base Rate

(b) Borrowing facilities

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

14 DERIVATIVE FINANCIAL INSTRUMENTS

	2015				2014			
	Assets		Liabilities		Assets		Liabilities	
	Current	Non-Current	Current	Non-Current	Current	Non-Current	Current	Non-Current
	£m	£m	£m	£m	£m	£m	£m	£m
Hedging derivatives								
Foreign exchange rate	0.1	-	-	-	0.1	-	(1.0)	-
Total gross derivatives	0.1	-	-	-	0.1	-	(1.0)	-
Impact of netting	-	-	-	-	-	-	-	-
Total net derivatives	0.1	-	-	-	0.1	-	(1.0)	-

15 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:

	Notes	2015	2014
		£m	£m
Fair value hedges:			
Cash flow hedges - amounts released from equity:			
Foreign exchange derivatives		(0.4)	-
Effect of cash flow hedges	(a)	(0.4)	-
Total		(0.4)	-

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

16 TRADE AND OTHER PAYABLES

	2015	2014
	£m	£m
Current trade and other payables:		
Payables due to Iberdrola group companies- trade	-	1.4
Payables due to Iberdrola group companies- capital	-	0.5
Payables due to Iberdrola group companies- interest	10.0	9.6
Payables due to jointly controlled entities- trade	1.9	2.8
Trade payables	2.0	7.1
Other taxes and social security	-	3.4
Payments received on account	5.2	-
Capital payables and accruals	1.8	7.8
	20.9	32.6

17 EMPLOYEE INFORMATION

The company has no employees (2014 none). Details of directors' remuneration are set out in Note 24.

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2015

18 TAXES OTHER THAN INCOME TAX

	2015	2014
	£m	£m
Business taxes	0.1	-

19 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

	2015	2014
	£m	£m
Property, plant and equipment depreciation charge	26.3	14.3

20 FINANCE INCOME

	2015	2014
	£m	£m
Interest on bank and other deposits	-	0.1
Foreign exchange gains	0.3	-
	0.8	0.1

21 FINANCE COSTS

	2015	2014
	£m	£m
Interest on amounts due to Iberdrola group companies	10.0	9.6
Unwinding of discount on provisions	0.8	0.6
Foreign exchange losses	0.6	-
	11.4	10.2
Capitalised interest	-	(3.2)
	11.4	7.0

22 INCOME TAX

	2015	2014
	£m	£m
Current tax:		
UK Corporation tax	(3.3)	(12.4)
Adjustments in respect of prior years	(5.1)	-
Current tax credit for the year	(8.4)	(12.4)
Deferred tax:		
Origination and reversal of temporary differences	12.4	14.6
Adjustments in respect of prior years	4.2	-
Impact of tax rate change	(3.3)	-
Deferred tax charge for the year	13.3	14.6
Income tax charge for the year	4.9	2.2

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

	2015	2014
	£m	£m
Corporation tax at 20.25% (2014 21.5%)	9.4	3.0
Adjustments in respect of prior periods	(0.9)	-
Impact of tax rate change	(3.3)	(1.1)
Other permanent differences	(0.3)	0.3
Income tax charge for the year	4.9	2.2

The rate of UK Corporation Tax reduced from 21% to 20% on 1 April 2015 and from 23% to 21% on 1 April 2014. Finance (No.2) Act 2015 included legislation to reduce the rate of UK Corporation Tax to 19% on 1 April 2017 and to 18% on 1 April 2020. These changes reduce the tax rates expected to apply when temporary differences reverse and impact the deferred tax charge.

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2015

23 DIVIDENDS

	2015	2014	2015	2014
	£m per ordinary share	£m per ordinary share	£m	£m
Interim dividend paid	25.0	-	25.0	-

24 RELATED PARTY TRANSACTIONS

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

	2015				
	Ultimate parent	UK	Immediate	Other Iberdrola	Jointly
	(Iberdrola S.A.)	parent	parent	Group	controlled
	£m	£m	£m	Companies	entities
	£m	£m	£m	£m	£m
Types of transaction					
Sales and rendering of services	-	-	-	103.2	0.2
Purchases and receipt of services	(0.2)	-	(0.2)	(1.2)	(7.1)
Finance costs	-	(10.0)	-	-	-
Net gains on foreign exchange	-	-	-	0.1	-
Dividends paid	-	-	(25.0)	-	-
Balances outstanding					
Trade and other receivables	-	-	-	51.3	-
Loans payable	-	(555.4)	-	-	-
Trade and other payables	-	-	-	-	(1.9)
Interest payable	-	(10.0)	-	-	-

	2014				
	Ultimate parent	UK	Immediate	Other Iberdrola	Jointly
	(Iberdrola S.A.)	parent	parent	Group	controlled
	£m	£m	£m	Companies	entities
	£m	£m	£m	£m	£m
Types of transaction					
Sales and rendering of services	-	-	-	52.4	-
Purchases and receipt of services	(1.2)	-	(0.4)	(0.4)	(2.4)
Finance costs	-	(9.6)	-	-	-
Balances outstanding					
Trade and other receivables	-	-	-	39.3	6.8
Loans payable	-	(711.0)	-	-	-
Trade and other payables	-	-	-	(1.4)	(2.8)
Capital payables	-	-	-	(0.5)	-
Interest payable	-	(9.6)	-	-	-

- (i) The amounts outstanding will be settled in cash.
(ii) Purchases and receipt of services incurred in 2014 were capitalised.

(b) Remuneration of key management personnel

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

	2015	2014
	£m	£m
Short-term employee benefits	843	971
Post-employment benefits	213	261
Share-based payments	483	485
	1,539	1,717

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2015

24 RELATED PARTY TRANSACTIONS *continued*

(c) Directors' remuneration

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

	2015	2014
Directors	£000	£000
Aggregate remuneration in respect of qualifying services	912	924
Aggregate contributions payable to a defined contribution pension scheme	21	19
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	2	2
Number of directors accruing retirement benefits under a defined contribution scheme	1	1

	2015	2014
Highest paid director	£000	£000
Aggregate remuneration	467	505
Accrued pension benefit	64	58

- (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., Plaza Euskadi 5, 48009, Bilbao, Spain. Copies of the Consolidated Accounts of Scottish Power UK plc are available from The Secretary, Scottish Power UK plc, 1 Atlantic Quay, Glasgow, G2 8SP.

25 AUDITORS' REMUNERATION

	2015	2014
	£000	£000
Audit of the company's annual Accounts	14	13

26 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 £41.5 million. The company's balance sheet shows that it has net current liabilities of £507.7 million and net assets of £27.0 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.