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

Registered No. 2675504

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Contents

SCOTTISHPOWER (DCL) LIMITED
STRATEGIC REPORT

The directors present an overview of ScottishPower (DCL) Limited's business structure, 2015 performance, strategic objectives and plans.

STRATEGIC OUTLOOK

The principal activity of ScottishPower (DCL) Limited, registered company number 2675504, ("the company"), is the generation of electricity at Damhead Creek Power Station; a 792 megawatts ("MW") combined cycle gas turbine ("CCGT") electricity generating plant at Kingsnorth in Kent. The directors are considering transferring the net assets of the company to another Scottish Power Limited group ("ScottishPower") entity during 2016, however no final board decision has been taken. Although the company would no longer have the ability to generate electricity following this transfer, the directors have no current intention to liquidate the company.

The ultimate parent of the company is Iberdrola, S.A. ("Iberdrola") which is listed on the Madrid stock exchange and the immediate parent of the company is Scottish Power Generation Holdings Limited ("SPGH"). Scottish Power Limited ("SPL") is the United Kingdom ("UK") holding company of ScottishPower, of which the company is a member.

The company is part of ScottishPower's Energy Wholesale business function ("Energy Wholesale"). Energy Wholesale's operations are focused on managing the complex market conditions in relation to the operation of ScottishPower's generation asset base (except for those technologies managed by ScottishPower's Renewables business) and managing ScottishPower's exposure to the UK wholesale electricity and gas markets.

The regulatory environment within which Energy Wholesale operates continues to undergo significant change with the second Capacity Market auction held in December 2015. The second annual auction cleared at a price of £18 per kilowatt ("kW") for delivery during 2019/20. Energy Wholesale secured market agreements for its four operational CCGTs, its pumped storage plant at Cruachan and its hydro operations. This builds upon the agreements already secured in last year's auction for delivery during 2018/19. The Government did not procure any capacity from new CCGTs, including Energy Wholesale's Damhead Creek 2 development, but it has stated its intent to review the Capacity Market auction process to ensure that it delivers the gas-fired generation that the UK needs.

Capacity Market auctions are an important factor in making future strategic decisions, including building new plant, as well as optimising the existing portfolio. Energy Wholesale has a strong development portfolio containing strategic projects that, subject to market signals, will grow the portfolio in the future. This includes Damhead Creek 2, a new build CCGT project (potentially up to 1,800 MW) adjacent to Energy Wholesale's existing Damhead Creek station which is expected to enter into the 2016 Capacity Market auction. Energy Wholesale also has other development projects that are in their early stages including a potential enlargement of the pumped storage plant at Cruachan.

Overall the portfolio and strategic development options are well positioned to take advantage of future market conditions.

OPERATIONAL PERFORMANCE

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

	Revenue*		Loss from operations*		Capital investment**	
	2015	2014	**2015**	2014	**2015**	2014
Financial key performance indicators	**£m**	£m	**£m**	£m	**£m**	£m
ScottishPower (DCL) Limited	**235.0**	247.8	**(31.4)**	(28.2)	**4.3**	15.1

* Revenue and loss from operations as presented on page 9.
** Capital investment as presented in Note 3 on page 16.

Revenue decreased by £12.8 million primarily as a result of lower sales of electricity, due to reduced station output and price reductions.

Loss from operations increased by £3.2 million to £31.4 million in 2015, with the decrease in revenue and procurements being offset by an increase in depreciation costs.

The company's capital investment decreased by £10.8 million to £4.3 million in 2015 primarily due to the commissioning of an outage investment in 2014.

OPERATIONAL PERFORMANCE ***continued***

Non-financial key performance indicators	Notes	2015	2014
Plant output (GWh)	(a)	**4,591**	4,619
Generating capacity (MW)	(b)	**792**	792
Availability	(c)	**95%**	90%

(a) Plant output is a reflection of the electricity generated by the company, measured in gigawatt-hours ("GWh").
(b) Generating capacity is the maximum output per second that generating equipment can supply to system load, adjusted for ambient conditions.
(c) Availability is the percentage of the year that the plant is available for use.

LIQUIDITY AND CASH MANAGEMENT

Cash and net debt

Net cash flows from operating activities increased by £50.1 million (refer to cash flow statement on page 11). Overall net debt decreased by £3.5 million to £224.1 million and this comprised a decrease in group loans payable.

Capital and debt structure

The company is funded by a combination of debt and equity. All equity is held by the company's immediate parent undertaking, SPGH. 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 of the Annual Report and Accounts of SPL.

SCOTTISHPOWER (DCL) 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 the necessary investment in the UK energy system.
Adverse findings and/or remedies from the Competition and Markets Authority ("CMA") market investigation.	Proactive and positive engagement in the process with business, legal and regulatory experts and advisers 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 Energy Wholesale business function, 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
Risk of unfavourable result from capacity auctions, adversely affecting the returns from generation assets.	Optimising returns from the energy market and efficient control of costs, to maximise the chance of success in the auctions.
Adverse wholesale price movements and reduced energy market liquidity, adversely affecting the returns from generation assets.	Trading activity to secure value of assets and deliver return based on expected price movements, and providing support to The Office of Gas and Electricity Markets ("Ofgem") initiatives to stimulate liquidity.
The potential for plant performance issues reducing availability.	Technical assessments of key risk areas of operational performance, an optimised approach to repairs and maintenance and plans specific to each plant.

ON BEHALF OF THE BOARD

Heather Chalmers White

Heather Chalmers White
Director
15 February 2016

SCOTTISHPOWER (DCL) 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 loss for the year amounted to £27.5 million (2014 net loss of £25.6 million). No dividends were paid during the current or prior year.

The company had net liabilities of £58.8 million at 31 December 2015 (2014 net liabilities of £31.3 million), which includes loans owed to Iberdrola group companies of £224.1 million (2014 £227.6 million). The directors consider that sufficient funding will be made available to the company to continue operations and to meet liabilities as they fall due.

The directors are considering transferring the net assets of the company to another ScottishPower group entity during 2016, however no final board decision has been taken. Although the company would no longer have the ability to generate electricity following this transfer, the directors have no current intention to liquidate the company. The assets are not considered to be impaired as they would be transferred at a value higher than their net book value should any transfer take place. Given these facts and the ongoing financial support provided by the Iberdrola group, which would allow the company to meet its liabilities in the event of the asset transfer taking place, the directors consider it appropriate to prepare these accounts on a going concern basis.

Further details of the going concern considerations made by the directors of the company are set out in Note 22.

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

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

Training
ScottishPower has a continuing commitment to training and personal development for its employees with over 14,300 training events (over 169,000 hours) undertaken in 2015. Much of the training is focused on health and safety and technical training ensuring field staff are safe and competent. In addition ScottishPower recruits over 100 craft and engineering trainees annually who undertake a concentrated training period as part of their induction and development programme, leading toward a recognised apprenticeship or formal engineering qualification. Team leaders and managers also participate in core management skills training and there are management development programmes and modules aimed at increasing our leadership capability.

Employee feedback and consultation
ScottishPower believes that it is important that all employees have the opportunity to get involved and share their views. In 2015, 70% of employees took part in the annual internal employee engagement survey 'The LOOP' and the overall engagement score remained high at 74%. Following the LOOP Survey in 2014, ScottishPower focussed on a number of actions in response to employee feedback which included the launch of an online development toolkit for employees, a focus on internal communications to keep employees more informed about what is happening in the organisation and a review of how to best recognise the efforts of employees. Regular consultation takes place with employees using a variety of channels, including monthly team meetings, team managers' conferences, business road shows, safety committees, employee relations mechanisms and presentations.

EMPLOYEES *continued*

Equality and diversity

ScottishPower recognises the importance of difference and respects individuality as part of its ongoing commitment to promoting equality and diversity. ScottishPower also understands that diversity goes beyond legally compliant policies and practices. It also includes a focus on creating an innovative, integrated organisation where people feel valued, inspiring them to perform at their best. During 2014 Employers Network for Equality & Inclusion ("ENEI") were appointed to conduct an external diversity and inclusion audit across ScottishPower and support development of a clear, specific and practical action plan. This action plan will be progressed throughout 2016.

Employment of disabled persons

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

Employee health and wellbeing

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

Employee volunteering

ScottishPower prides itself in being a good corporate neighbour, providing support to the communities it serves in each of its businesses. Volunteering is central to community involvement and ScottishPower has an excellent track record in this area. In 2014 ScottishPower introduced a new company-wide Volunteering Policy, which has been actively utilised by employees during 2015. This policy gives all registered volunteers, on an annual basis, an opportunity to take an additional one day's paid leave, to be used as a volunteering day.

DIRECTORS

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

Heather Chalmers White
Hugh Finlay
Oscar Fortis Pita

DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

The directors are responsible for preparing the Annual 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 (DCL) LIMITED
DIRECTORS' REPORT *continued*

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

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
Ernst & Young LLP were re-appointed as auditor of the company for the year ended 31 December 2015.

ON BEHALF OF THE BOARD

Heather Chalmers White
Director
15 February 2016

INDEPENDENT AUDITOR'S REPORT

to the member of ScottishPower (DCL) Limited

We have audited the Accounts of ScottishPower (DCL) Limited for the year ended 31 December 2015 which comprise the Balance Sheet, Income Statement and Statement of Other Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement, and the related notes 1 to 22. 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 it 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 5 and 6, 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 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 loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

Ernst + Young LLP

Justine Belton (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
17 February 2016

SCOTTISHPOWER (DCL) 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		**207.3**	229.4
Property, plant and equipment in use	3	196.0	221.2
Property, plant and equipment in the course of construction	3	11.3	8.2
Financial assets		**-**	-
Investments in subsidiaries	4	-	-
NON-CURRENT ASSETS		**207.3**	229.4
CURRENT ASSETS			
Inventories	6	**9.8**	7.6
Trade and other receivables	7	**5.9**	37.4
Current tax asset		**4.3**	5.3
CURRENT ASSETS		**20.0**	50.3
TOTAL ASSETS		**227.3**	279.7
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		**(58.8)**	(31.3)
Share capital	8, 9	50.9	50.9
Share premium	9	3.3	3.3
Retained losses	9	(113.0)	(85.5)
TOTAL EQUITY		**(58.8)**	(31.3)
NON-CURRENT LIABILITIES			
Provisions	10	**3.3**	2.8
Deferred tax liabilities	11	**11.6**	14.3
NON-CURRENT LIABILITIES		**14.9**	17.1
CURRENT LIABILITIES			
Provisions	10	**9.8**	7.9
Bank borrowings and other financial liabilities		**224.1**	227.6
Loans and other borrowings	12	224.1	227.6
Trade and other payables	13	**37.3**	58.4
CURRENT LIABILITIES		**271.2**	293.9
TOTAL LIABILITIES		**286.1**	311.0
TOTAL EQUITY AND LIABILITIES		**227.3**	279.7

Approved by the Board on 15 February 2016 and signed on its behalf by:

Heather Chalmers White

Heather Chalmers White
Director

The accompanying notes 1 to 22 are an integral part of the balance sheets as at 31 December 2015 and 31 December 2014.

SCOTTISHPOWER (DCL) LIMITED
INCOME STATEMENTS AND STATEMENTS OF OTHER COMPREHENSIVE INCOME
for the years ended 31 December 2015 and 31 December 2014

	Notes	2015 £m	2014 £m
Revenue		235.0	247.8
Procurements		(227.5)	(243.1)
		7.5	4.7
Outside services		(9.3)	(9.6)
		(9.3)	(9.6)
Taxes other than income tax	15	(3.3)	(2.7)
		(5.1)	(7.6)
Depreciation and amortisation charge, allowances and provisions	16	(26.3)	(20.6)
LOSS FROM OPERATIONS		**(31.4)**	(28.2)
Gains on disposal of non-current assets		0.2	-
Finance costs	17	(3.5)	(3.8)
LOSS BEFORE TAX		**(34.7)**	(32.0)
Income tax	18	7.2	6.4
NET LOSS FOR THE YEAR		**(27.5)**	(25.6)

Net loss for the current and prior year is wholly attributable to the equity holders of ScottishPower (DCL) Limited.

All results relate to continuing operations.

The accompanying notes 1 to 22 are an integral part of the income statements and statements of other comprehensive income for the years ended 31 December 2015 and 31 December 2014.

SCOTTISHPOWER (DCL) LIMITED
STATEMENTS OF CHANGES IN EQUITY
for the years ended 31 December 2015 and 31 December 2014

	Ordinary share capital £m	Share premium £m	Retained losses £m	Total £m
At 1 January 2014	50.9	3.3	(59.9)	(5.7)
Total comprehensive income for the year	-	-	(25.6)	(25.6)
At 1 January 2015	50.9	3.3	(85.5)	(31.3)
Total comprehensive income for the year	-	-	(27.5)	(27.5)
At 31 December 2015	**50.9**	**3.3**	**(113.0)**	**(58.8)**

Total comprehensive income, comprises the net loss for both years and is wholly attributable to the equity holders of ScottishPower (DCL) Limited.

The accompanying notes 1 to 22 are an integral part of the statements of changes in equity for the years ended 31 December 2015 and 31 December 2014.

SCOTTISHPOWER (DCL) LIMITED
CASH FLOW STATEMENTS
for years ended 31 December 2015 and 31 December 2014

	2015 £m	2014 £m
Cash flows from operating activities		
Loss before tax	(34.7)	(32.0)
Adjustments for:		
Depreciation and impairment	25.9	20.6
Change in provisions	9.4	8.2
Finance income and costs	3.5	3.8
Net gain on disposal/write-off of non-current assets	0.1	-
Movement in plant maintenance stocks	(0.1)	-
Changes in working capital:		
Change in trade and other receivables	31.5	(30.5)
Change in trade and other payables	(14.4)	(3.5)
Provisions paid	(0.3)	-
Emission allowances acquired	(9.4)	(8.0)
Income taxes received	5.5	8.3
Net cash flows from operating activities (i)	**17.0**	(33.1)
Cash flows from investing activities		
Investments in property, plant and equipment (net of capital grants)	(10.0)	(8.9)
Proceeds from disposal of property, plant and equipment	0.2	-
Net cash flows from investing activities (ii)	**(9.8)**	(8.9)
Cash flows from financing activities		
Interest paid	(3.7)	(2.8)
Net cash flows from financing activities (iii)	**(3.7)**	(2.8)
Net increase/(decrease) in cash and cash equivalents (i)+(ii)+(iii)	**3.5**	(44.8)
Cash and cash equivalents at beginning of year	**(227.6)**	(182.8)
Cash and cash equivalents at end of year	**(224.1)**	(227.6)

Cash and cash equivalents at end of year comprises:

Payables due to Iberdrola group companies - loans	(224.1)	(227.6)
Cash flow statement cash and cash equivalents	**(224.1)**	(227.6)

The accompanying notes 1 to 22 are an integral part of the cash flow statements for the years ended 31 December 2015 and 31 December 2014.

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

The Accounts contain information about ScottishPower (DCL) Limited as an individual company and do not contain consolidated information as the parent of subsidiary companies. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated Accounts as it and its subsidiary undertakings are included by full consolidation in the consolidated Accounts of Iberdrola, S.A., a company incorporated in Spain.

The directors are considering transferring the net assets of the company to another ScottishPower group entity during 2016, however no final board decision has been taken. Although the company would no longer have the ability to generate electricity following this transfer, the directors have no current intention to liquidate the company. The assets are not considered to be impaired as they would be transferred at a value higher than their net book value should any transfer take place. Given these facts and the ongoing financial support provided by the Iberdrola group, which would allow the company to meet its liabilities in the event of the asset transfer taking place, the directors consider it appropriate to prepare these accounts on a going concern basis.

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 standards and 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 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 thus have not been implemented by the company.

	Notes	IASB effective date (for periods commencing on or after)	Planned date of application by the company
• 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

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

	Notes	IASB effective date (for periods commencing on or after)	Planned date of application by the company
• 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
• 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)	Postponed 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 group applies all relevant standards/pronouncements 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 group 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 IASB effective date will be amended in due course.
(h) The group has chosen not to early adopt any of these standards/amendments for year ended 31 December 2015.

2 ACCOUNTING POLICIES
A REVENUE
B PROPERTY, PLANT AND EQUIPMENT
C IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT
D INVESTMENTS
E FINANCIAL ASSETS AND LIABILITIES
F INVENTORIES
G DECOMMISSIONING COSTS
H FOREIGN CURRENCIES
I TAXATION

A REVENUE

Revenue comprises the sales value of electricity and gas and other energy-related services supplied to customers during the year, primarily ScottishPower companies, and excludes Value Added Tax. Units are based on energy volumes that can actually be sold on the wholesale market and are recorded on power station meters and industry-wide trading and settlement systems. All revenue is earned wholly within the United Kingdom.

2 ACCOUNTING POLICIES *continued*

B PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost and is generally depreciated on the straight-line method over the estimated operational lives of the assets. Property, plant and equipment includes capitalised employee, 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
Combined cycle plants	2 - 37
Other items of property, plant and equipment	5 - 12

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 INVESTMENTS

The company's investments in subsidiaries are stated in the balance sheet at cost, or fair value of shares issued as consideration where applicable. Dividends from subsidiaries are recognised when the rights to receive the dividend is established.

E FINANCIAL ASSETS AND LIABILITIES

(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) In the cash flow statement, cash and cash equivalents includes the net of current loans receivable and payable from group companies.
(c) Financial liabilities categorised as trade and other 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.

F INVENTORIES

The company participates in the EU Emissions Trading Scheme ("EU ETS"). In line with the commencement of Phase III of the EU ETS on 1 January 2013, and as there are no specific rules under IFRS dealing with the treatment of emissions allowances, the company, in alignment with group accounting policy, classifies purchased emissions allowances as inventories as they are consumed in the production process. Such allowances are recognised at their acquisition cost. Emissions allowances are charged to the income statement as the emissions arise.

The company recognises liabilities in respect of its obligations to deliver emissions allowances at the value at which these allowances were initially recognised on the balance sheet. If it is estimated that it will be necessary to deliver more emissions allowances than recorded on the balance sheet, the liability for this shortfall is calculated based on the market price of the allowances at the balance sheet date.

G DECOMMISSIONING COSTS

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

2. ACCOUNTING POLICIES *continued*

H 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.

I TAXATION

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

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

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

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

3 PROPERTY, PLANT AND EQUIPMENT

(a) Movements in property, plant and equipment

Year ended 31 December 2014	Combined cycle plants £m	Other items of property, plant and equipment in use (Note (i)) £m	Combined cycle plant in progress £m	Other items of property, plant and equipment in progress £m	Total £m
Cost:					
At 1 January 2014	357.8	6.3	7.5	2.2	373.8
Additions	0.2	0.1	14.6	0.2	15.1
Transfers from in progress to plant in use	16.0	-	(16.0)	-	-
Disposals	-	(0.1)	-	(0.2)	(0.3)
Impairment	-	-	-	(0.1)	(0.1)
At 31 December 2014	374.0	6.3	6.1	2.1	388.5
Amortisation:					
At 1 January 2014	138.1	0.6	-	-	138.7
Depreciation for the year	20.5	-	-	-	20.5
Disposals	-	(0.1)	-	-	(0.1)
At 31 December 2014	158.6	0.5	-	-	159.1
Net book value:					
At 31 December 2014	215.4	5.8	6.1	2.1	229.4
At 1 January 2014	219.7	5.7	7.5	2.2	235.1
The net book value of property, plant and equipment at 31 December 2014 is analysed as follows:					
Property, plant and equipment in use	215.4	5.8	-	-	221.2
Property, plant and equipment in the course of construction	-	-	6.1	2.1	8.2
	215.4	5.8	6.1	2.1	229.4

Year ended 31 December 2015	Combined cycle plants £m	Other items of property, plant and equipment in use (Note (i)) £m	Combined cycle plant in progress £m	Other items of property, plant and equipment in progress £m	Total £m
Cost:					
At 1 January 2015	374.0	6.3	6.1	2.1	388.5
Additions	0.4	0.1	3.5	0.3	4.3
Transfers from in progress to plant in use	0.5	-	(0.5)	-	-
Disposals	(16.6)	-	-	(0.2)	(16.8)
At 31 December 2015	**358.3**	**6.4**	**9.1**	**2.2**	**376.0**
Amortisation:					
At 1 January 2015	158.6	0.5	-	-	159.1
Depreciation for the year	25.9	-	-	-	25.9
Disposals	(16.3)	-	-	-	(16.3)
At 31 December 2015	**168.2**	**0.5**	-	-	**168.7**
Net book value:					
At 31 December 2015	**190.1**	**5.9**	**9.1**	**2.2**	**207.3**
At 1 January 2015	215.4	5.8	6.1	2.1	229.4
The net book value of property, plant and equipment at 31 December 2015 is analysed as follows:					
Property, plant and equipment in use	190.1	5.9	-	-	196.0
Property, plant and equipment in the course of construction	-	-	9.1	2.2	11.3
	190.1	5.9	9.1	2.2	207.3

(i) The cost of fully depreciated property, plant and equipment still in use at 31 December 2015 was £11.8 million (2014 £17.2 million).

(ii) Included within the cost of property, plant and equipment are assets in use not subject to depreciation, being land, of £17.3 million (2014 £17.3 million).

3 PROPERTY, PLANT AND EQUIPMENT *continued*

(b) Capital commitments

	2015 £m	2014 £m
Contracted but not provided	**0.1**	0.2

4 INVESTMENTS

(a) The carrying value of the company's investments are as set out below:

	Notes	Cost £000	Provision £000	Net book value £000
At 1 January 2014 and 31 December 2014		30.0	(30.0)	-
Disposals	(i)	(30.0)	30.0	-
At 31 December 2015	(b)	-	-	-

(i) The company wrote down its investment in Damhead Creek Finance Limited to £nil during 2002 as the subsidiary's net assets no longer supported the carrying value. During the year ended 31 December 2015 Damhead Creek Finance Limited was dissolved.

(b) The holdings of the company are as set out below:

Subsidiaries	Country of incorporation	Proportion of shares held %	Activity
ScottishPower (DCOL) Limited (Note (i))	England and Wales	100%	In liquidation

(i) Prior to 31 December 2015, proceedings commenced to liquidate ScottishPower (DCOL) Limited. The company's investment in this subsidiary is £1.

5 FINANCIAL INSTRUMENTS

Carrying value of financial instruments

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

	Notes	2015 Carrying amount £m	2015 Fair value £m	2014 Carrying amount £m	2014 Fair value £m
Financial assets					
Receivables	(i)	**5.5**	**5.5**	36.0	36.0
Financial liabilities					
Loans and other borrowings	(ii)	**(224.1)**	**(224.1)**	(227.6)	(227.6)
Payables	(i)	**(32.1)**	**(32.1)**	(55.5)	(55.5)

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.

(i) Balances outwith the scope of IFRS 7 'Financial Instruments: Disclosures' have been excluded, namely other tax receivables and other tax payables.

(ii) The undiscounted contractual cash flows associated with the financial liabilities are equivalent in value and payable in less than one year.

6 INVENTORIES

	2015 £m	2014 £m
Emissions allowances	**9.8**	7.6

Inventories with a value of £9.4 million (2014 £8.0 million) were recognised as an expense during the year.

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

7 TRADE AND OTHER RECEIVABLES

	2015 £m	2014 £m
Current receivables:		
Receivables due from Iberdrola group companies - trade	**1.5**	33.9
Trade receivables and accrued income	**4.0**	2.1
Other tax receivables	**0.4**	1.4
	5.9	37.4

8 SHARE CAPITAL

	2015 £m	2014 £m
Authorised:		
100,000,000 ordinary shares of £1 each (2014 100,000,000)	**100.0**	100.0
Allotted, called up and fully paid shares:		
50,870,530 ordinary shares of £1 each (2014 50,870,530)	**50.9**	50.9

9 ANALYSIS OF MOVEMENTS IN EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF SCOTTISHPOWER (DCL) LIMITED

	Ordinary share capital £m	Share premium (Note (a)) £m	Retained losses (Note (b)) £m	Total £m
At 1 January 2014	50.9	3.3	(59.9)	(5.7)
Losses for the year attributable to equity holders of ScottishPower (DCL) Limited	-	-	(25.6)	(25.6)
At 1 January 2015	50.9	3.3	(85.5)	(31.3)
Losses for the year attributable to equity holders of ScottishPower (DCL) Limited	-	-	(27.5)	(27.5)
At 31 December 2015	**50.9**	**3.3**	**(113.0)**	**(58.8)**

(a) The share premium account represents consideration received for shares issued in excess of their nominal amount.

(b) Retained losses comprise the cumulative balance of profits and losses recognised in the financial statements as adjusted for transactions with shareholders, principally dividends.

10 PROVISIONS

Year ended 31 December 2014	Notes	At 1 January 2014 £m	New provisions £m	Unwinding of discount £m	Utilised during year £m	Released during year £m	At 31 December 2014 £m
Decommissioning and environmental	(a)	2.5	0.2	0.1	-	-	2.8
Emissions allowances	(b)	10.2	8.0	-	(10.6)	-	7.6
Regulatory	(c)	0.1	0.2	-	-	-	0.3
		12.8	8.4	0.1	(10.6)	-	10.7

Year ended 31 December 2015	Notes	At 1 January 2015 £m	New provisions £m	Unwinding of discount £m	Utilised during year £m	Released during year £m	**At 31 December 2015 £m**
Decommissioning and environmental	(a)	2.8	0.4	0.1	-	-	**3.3**
Emissions allowances	(b)	7.6	9.8	-	(7.2)	(0.4)	**9.8**
Regulatory	(c)	0.3	-	-	(0.3)	-	**-**
		10.7	10.2	0.1	(7.5)	(0.4)	**13.1**

Analysis of total provisions	**2015 £m**	2014 £m
Non-current	**3.3**	2.8
Current	**9.8**	7.9
	13.1	10.7

(a) The provision for decommissioning costs is the discounted future estimated costs of decommissioning the company's power plant, which is expected to commence in 2036.

(b) The provision for emissions allowances represents the value of emissions allowances certificates expected to be delivered in 2016.

(c) The regulatory category comprised regulatory costs settled in 2015.

11 DEFERRED TAX

Deferred tax provided in the Accounts is as follows:

	Property, plant and equipment £m	Total £m
At 1 January 2014	15.6	15.6
Credit to income statement	(1.3)	(1.3)
At 1 January 2015	14.3	14.3
Credit to income statement	(2.7)	(2.7)
At 31 December 2015	**11.6**	**11.6**

Finance 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.

12 LOANS AND OTHER BORROWINGS

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

Instrument	Interest rate*	Maturity	**2015 £m**	2014 £m
Loans with Iberdrola group companies	Base + 1%	On demand	**224.1**	227.6

*Base - Bank of England base rate

(b) Borrowing facilities

The company had no undrawn committed borrowing facilities at 31 December 2015 and 31 December 2014.

13 TRADE AND OTHER PAYABLES

	Note	2015 £m	2014 £m
Current trade and other payables:			
Payables due to Iberdrola group companies- trade		27.3	43.5
Payables due to Iberdrola group companies- capital		-	0.1
Payables due to Iberdrola group companies- interest		3.4	3.7
Trade payables	(a)	0.9	1.4
Other taxes and social security		5.2	2.9
Capital payables and accruals		0.5	6.8
		37.3	58.4

(a) The company utilises forms of collateral to manage its credit exposure. At 31 December 2015, the company posted letters of credit of £9.1 million (2014 £9.4 million).

14 EMPLOYEE INFORMATION

(a) Staff costs

	2015 £m	2014 £m
Wages and salaries	2.3	2.3
Social security costs	0.2	0.2
Pension and other costs	0.7	0.5
Total staff costs	3.2	3.0

(b) Employee numbers

The year end and average numbers of employees (full and part-time) seconded to the company were:

	Year end 2015	Average 2015	Year end 2014	Average 2014
Operations	37	37	37	37

The year end and average numbers of full-time equivalent staff seconded to the company were:

	Year end 2015	Average 2015	Year end 2014	Average 2014
Operations	37	37	37	37

Throughout both years, all operational staff were seconded to the company from ScottishPower Generation Limited ("SPGen"). Their contracts of employment are with SPGen, but costs are recharged to the company by SPGen and are included within 'Outside services' in the income statement.

15 TAXES OTHER THAN INCOME TAX

	2015 £m	2014 £m
Property taxes	3.3	2.7

16 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

	2015 £m	2014 £m
Property, plant and equipment depreciation charge	25.9	20.5
Charges and provisions, allowances and impairment of assets	0.4	0.1
	26.3	20.6

17 FINANCE COSTS

	2015 £m	2014 £m
Interest on amounts due to Iberdrola group companies	3.4	3.7
Unwinding of discount on provisions	0.1	0.1
	3.5	3.8

18 INCOME TAX

	2015 £m	2014 £m
Current tax:		
UK Corporation tax	**(4.3)**	(5.3)
Adjustments in respect of prior years	**(0.2)**	0.2
Current tax credit for the year	**(4.5)**	(5.1)
Deferred tax:		
Origination and reversal of temporary differences	**(2.4)**	(1.2)
Adjustments in respect of prior years	**0.3**	(0.1)
Impact of tax rate change	**(0.6)**	-
Deferred tax credit for the year	**(2.7)**	(1.3)
Income tax credit for the year	**(7.2)**	(6.4)

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

	2015 £m	2014 £m
Corporation tax at 20.25% (2014 21.5%)	**(7.0)**	(6.9)
Adjustments in respect of prior periods	**0.1**	0.1
Impact of tax rate change	**(0.6)**	-
Other permanent differences	**0.3**	0.4
Income tax credit for the year	**(7.2)**	(6.4)

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 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.

19 FINANCIAL COMMITMENTS

Contractual commitments

	2015						
	2016 £m	**2017 £m**	**2018 £m**	**2019 £m**	**2020 £m**	**2021 and thereafter £m**	**Total £m**
Other contractual commitments	3.7	-	-	-	-	-	**3.7**

	2014						
	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 and thereafter £m	Total £m
Other contractual commitments	3.4	0.6	-	-	-	-	4.0

20 RELATED PARTY TRANSACTIONS

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

	2015		2014	
	UK parent (Scottish Power Limited) £m	Other Iberdrola Group Companies £m	UK parent (Scottish Power Limited) £m	Other Iberdrola Group Companies £m
Types of transaction				
Sales and rendering of services	-	212.0	-	222.8
Purchases and receipt of services	-	(195.7)	-	(224.9)
Interest costs	(3.4)	-	(3.7)	-
Balances outstanding				
Trade and other receivables	-	1.5	-	33.9
Loans payable	(224.1)	-	(227.6)	-
Trade and other payables	-	(27.3)	-	(43.5)
Capital payables	-	-	-	(0.1)
Interest payable	(3.4)	-	(3.7)	-

(i) The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.
(ii) During the year ended 31 December 2015, emission allowances were purchased by the company from a fellow subsidiary company at a cost of £9.4 million (2014 £8.0 million).

(b) Remuneration of key management personnel

The remuneration of the key management personnel of the company is set out below. During the year, the remuneration allocation for the non-UK resident key management personnel changed and thus the element of their remuneration which is specifically in relation to their services to the company is disclosed below. There has been no impact on the income statement as a result of this change, however the comparative figures disclosed for 'Short-term employee benefits', 'Post-employment benefits' and 'Share-based payments' have decreased by £259,000, £8,000 and £24,000 respectively. All of the key management personnel were paid by other Iberdrola group companies during both years.

	2015 £000	2014 £000
Short-term employee benefits	967	819
Post-employment benefits	247	241
Share-based payments	413	371
	1,627	1,431

(c) Directors' remuneration

The remuneration of the directors that provided qualifying services to the company is set out below. During the year, the remuneration allocation for the non-UK resident directors changed and thus the element of their remuneration which is specifically in relation to their qualifying services to the company is disclosed below. There has been no impact on the income statement as a result of this change, however the comparative figure disclosed for 'Aggregate remuneration in respect of qualifying services' has decreased by £260,000. All of the directors were paid by other Iberdrola group companies during both years.

Executive directors	2015 £000	2014 £000
Aggregate remuneration in respect of qualifying services	519	484
Number of directors who exercised share options	2	2
Number of directors who received shares under a long-term incentive scheme	2	2
Number of directors accruing retirement benefits under a defined benefit scheme	2	2

Highest paid director	2015 £000	2014 £000
Aggregate remuneration	260	240
Accrued pension benefit	92	88

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

20 RELATED PARTY TRANSACTIONS *continued*

(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 the Consolidated Accounts of Iberdrola, S.A. may be obtained from Iberdrola, S.A., Plaza Euskadi 5, 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.

21 AUDITOR'S REMUNERATION

	2015	2014
	£000	£000
Audit of the company's annual Accounts	**15**	14

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 3. As stated, the directors are considering transferring the net assets of the company to another ScottishPower group entity during 2016, however no final board decision has been taken. Although the company would no longer have the ability to generate electricity following this transfer, the directors have no current intention to liquidate the company. The assets are not considered to be impaired as they would be transferred at a value higher than their net book value should any transfer take place.

The company has recorded a loss after tax in both the current and prior financial years. The company's balance sheet shows that it has net current liabilities of £251.2 million and net liabilities of £58.8 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. In addition, the directors have no reason to believe that the Iberdrola group will not continue to fund the company, should it become necessary, to enable it to continue in operational existence.

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.

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.