

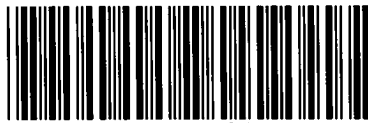
Company registration number: SC345934

**Iberdrola Engineering and Construction UK Limited**

**Financial statements**

**31 December 2016**

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COMPANIES HOUSE

## **Iberdrola Engineering and Construction UK Limited**

### **Company information**

**Directors**

P W Jones  
R del Pino Martinez

**Company number**

SC345934

**Registered office**

Technology Avenue  
Hamilton Technology Park  
Blantyre  
Glasgow  
G72 0HT

**Auditor**

Ernst & Young LLP  
5 George Square  
Glasgow  
G2 1DY

**Bankers**

Barclays Bank  
1 Churchill Place  
Canary Wharf  
London  
E14 5HP

HSBC Bank Plc  
8 Canada Square  
London  
E14 5HQ

## **Iberdrola Engineering and Construction UK Limited**

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# Iberdrola Engineering and Construction UK Limited

## Strategic report Year ended 31 December 2016

### Business Review

The principal activity of the company is engineering and project management services pertaining to the generation of renewable, thermal and Nuclear energy.

During 2016 the company has continued to support all group businesses ensuring that sufficient resource targets were met to excel in all business lines.

The loss in 2015 was £1,331,483 before taxes and for this year the result changed to £1,153,908 of profit before taxes. Revenue increased significantly from £14,716,376 in 2015 to £55,157,602 in 2016. We have seen significant increases in renewable energy activity during 2016 particularly in relation to the construction of three onshore windfarms for the group at Dersalloch, Harehill and Glenapp where IEC has been responsible for the balance of Plant delivery. Similarly in offshore renewables, we have an increasing role in the construction of East Anglia 1 windfarm as well as continuing with the construction activities associated with Wikingen in the Baltic Sea. These projects have progressed well and have resulted in a large increase in revenues and their associated profits. The outlook for future years would suggest that onshore windfarm projects will reduce back to 2015 levels during 2017 due mainly to the removal of the current renewables Obligation Certificates, offshore we see continuing at current levels and in line with the groups portfolio of projects into the early 2020's.

In terms of non-group projects, due to the increased levels of Iberdrola investment and internal strategic realignment IEC UK will not actively pursue securing such projects for the foreseeable future and are focussed much more on applying resources to the delivery of Iberdrola group projects.

We have continued developing a core renewable off-shore engineering and technology team. The company is now involved in 3 off-shore projects, all in different phases, Wikingen OWF in Germany, East Anglia OWF in England and commencing early studies on Saint Briec OWF in France. The company continues investing in increasing its off-shore capabilities to meet future demand.

2016 has also seen the company grow significantly in the delivery of onshore windfarm projects for the group, successfully achieving first power on three critical projects during the year at Dersalloch, Harehill and Glenapp WF's (all in Scotland).

### Going Concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Iberdrola SA. The directors have received confirmation that Iberdrola SA intend to support the company for at least one year from the date that these financial statements are signed.

### Principal risks and uncertainties

The management of the business and the execution of the group's strategy are subject to a number of principal risks and uncertainties. The key business risk affecting the company relates to the reduction in 2017 of onshore renewables activities due to regulatory changes. The financial risk is mitigated by redeploying all affected staff to other productive work already secured in our project pipeline.

### Key performance indicators ("KPI's")

The directors of the ultimate parent company, Iberdrola SA manage the group's operations on a consolidated basis, rather than at an individual company level. For this reason, the directors believe that analysis using KPI's for the company is not necessary or appropriate for an understanding of the future development, performance or position of the company.

This report was approved by the board of directors on 23 March 2017 and signed on behalf of the board by:

P W Jones  
Director

R del Pino Martinez  
Director

## **Iberdrola Engineering and Construction UK Limited**

### **Directors' report Year ended 31 December 2016**

The directors present their report and the financial statements of the company for the year ended 31 December 2016.

#### **Directors**

The directors who served the company during the year were as follows:

P W Jones

R del Pino Martinez

(Appointed 16 January 2016)

#### **Dividends**

The directors do not recommend the payment of a dividend.

#### **Future developments**

It is likely that with the removal of the Renewables Obligation Certificates (ROC's) there will be a pause in the level of onshore windfarm development whilst the market adjusts to the new investment parameters. To mitigate this IEC will redeploy the 44 people working in this area to other projects during the first half of 2017. This redeployment will be to positions already identified in the agreed recruitment plan on other project areas including offshore renewables and networks.

#### **Financial Instruments**

The company currently makes little use of financial instruments other than an operational bank account and so its exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of the assets, liabilities, financial position and profit and loss of the company.

#### **Qualifying indemnity provision**

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the financial year and is currently in force. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

#### **Other matters**

As part of the Iberdrola Group, Iberdrola Engineering and Construction UK Limited, recognises its corporate social responsibilities, in particular with respect to ensuring that we continue to participate in ethical business practices, the provision of positive and good working conditions, fair treatment and pay and the observance and endorsement of all workers human rights in compliance with the law.

Iberdrola Engineering and Construction UK Limited fully supports and maintains the Iberdrola policies on Ethical Compliance and Corporate Social Responsibility which confirm in particular, the total rejection of child and forced or compulsory labour and undertakes to respect freedom of association and collective bargaining, as well as the rights of ethnic minorities and indigenous peoples in the places in which it does business.

Iberdrola Engineering and Construction UK Limited recognise the risk of slavery and unethical practices can exist in an extensive and varied supply chain. Whilst we believe that our suppliers hold the same view, our various processes, procedures, audits, contracts and regular engagements with our suppliers provide a level of transparency and visibility with regard to this. In 2016, our Procurement Department wrote to each supplier reminding them of Iberdrola's Ethical Policy and the importance of compliance to both its spirit and specific terms, and each supplier is required as mandatory to hold accreditation with the International Standards Organisation.

## Iberdrola Engineering and Construction UK Limited

### Directors' report (continued) Year ended 31 December 2016

#### Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102, the Financial Reporting standard applicable in the UK and Republic of Ireland. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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.

#### Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 23 March 2017 and signed on behalf of the board by:

P W Jones  
Director



R del Pino Martinez  
Director



**Independent auditor's report to the shareholders of  
Iberdrola Engineering and Construction UK Limited  
Year ended 31 December 2016**

We have audited the financial statements of Iberdrola Engineering and Construction UK Limited for the year ended 31 December 2016 which comprise the statement of income and retained earnings, statement of financial position and related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102, the Financial Reporting standard applicable in the UK and Republic of Ireland.

This report is made solely to the company's shareholders, 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 shareholders those matters we are required to state to them in an auditors 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 shareholders 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, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require Directors' responsibilities to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements 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 financial statements. In addition, we read all the financial and non-financial information in the Directors' report and the Strategic report to identify material inconsistencies with the audited financial statements 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 financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the directors' affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102, the Financial Reporting standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Independent auditor's report to the shareholders of  
Iberdrola Engineering and Construction UK Limited (continued)  
Year ended 31 December 2016**

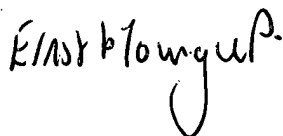
**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' report and the Strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**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 financial statements are not in agreement with the accounting records and the 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  
5 George Square  
Glasgow  
G2 1DY

23 March 2017

**Iberdrola Engineering and Construction UK Limited**

**Statement of income and retained earnings  
Year ended 31 December 2016**

	<b>Note</b>	<b>2016 £</b>	<b>2015 £</b>
<b>Turnover</b>	<b>3</b>	55,157,602	14,716,376
Cost of sales		(50,232,745)	(12,903,008)
<b>Gross profit</b>		<u>4,924,857</u>	<u>1,813,368</u>
Administrative expenses		(3,488,258)	(2,983,900)
<b>Operating profit/(loss)</b>	<b>4</b>	<u>1,436,599</u>	<u>(1,170,532)</u>
Other interest receivable and similar income	<b>8</b>	1,094	3,017
Interest payable and similar charges	<b>9</b>	(283,785)	(163,968)
<b>Profit/(loss) on ordinary activities before taxation</b>		<u>1,153,908</u>	<u>(1,331,483)</u>
Tax (credit)/charge on ordinary activities	<b>10</b>	(215,051)	295,531
<b>Profit/(loss) for the financial year and total comprehensive income/(loss)</b>		<u><u>938,857</u></u>	<u><u>(1,035,952)</u></u>
 <b>Retained earnings at the start of the year</b>		 <u>(6,743,424)</u>	 <u>(5,707,472)</u>
<b>Retained earnings at the end of the year</b>		<u><u>(5,804,567)</u></u>	<u><u>(6,743,424)</u></u>

All the activities of the company are from continuing operations.

The notes on pages 8 to 14 form part of these financial statements.

**Iberdrola Engineering and Construction UK Limited**

**Statement of financial position  
31 December 2016**

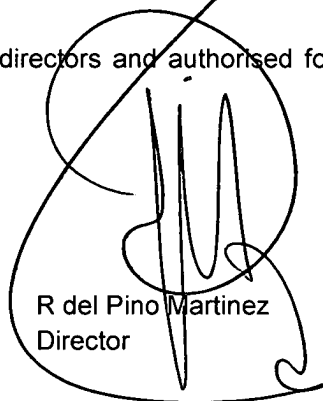
	Note	2016 £	£	2015 £	£
<b>Current assets</b>					
Debtors	11	21,363,401		11,485,277	
Cash at bank and in hand		340,760		302,348	
		<u>21,704,161</u>		<u>11,787,625</u>	
<b>Creditors: amounts falling due within one year</b>	12	(27,352,831)		(18,427,013)	
<b>Net current liabilities</b>		<u>(5,648,670)</u>		<u>(6,639,388)</u>	
<b>Total assets less current liabilities</b>		<u>(5,648,670)</u>		<u>(6,639,388)</u>	
<b>Creditors: amounts falling due after more than one year</b>	13	(155,797)		(103,936)	
<b>Net (liabilities)</b>		<u>(5,804,467)</u>		<u>(6,743,324)</u>	
<b>Capital and reserves</b>					
Called up share capital	14		100		100
Profit and loss account		(5,804,567)		(6,743,424)	
<b>Shareholders deficit</b>		<u>(5,804,467)</u>		<u>(6,743,324)</u>	

These financial statements were approved by the board of directors and authorised for issue on 23 March 2017, and are signed on behalf of the board by:

P W Jones  
Director



R del Pino Martinez  
Director



Company registration number: SC345934

**The notes on pages 8 to 14 form part of these financial statements.**

## **Iberdrola Engineering and Construction UK Limited**

### **Notes to the financial statements Year ended 31 December 2016**

#### **1. Statement of compliance**

These financial statements have been prepared in compliance with FRS 102, The Financial Reporting Standard applicable in the UK and the Republic of Ireland.

Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemption in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

- the requirements of Section 7 Statement of Cash Flow on the basis that it is in a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows.

#### **2. Accounting policies**

##### **Basis of preparation**

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

##### **Going concern**

The company's ultimate parent undertaking Iberdrola Ingenieria Y Construccion SA, has indicated it will provide financial support to the company for a period of at least one year from the date of these financial statements were signed; accordingly the financial statements have been prepared on a going concern basis.

##### **Turnover**

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer, usually on despatch of the goods; the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

## Iberdrola Engineering and Construction UK Limited

### Notes to the financial statements (continued)

Year ended 31 December 2016

#### Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in capital and reserves. In this case, tax is recognised in other comprehensive income or directly in capital and reserves, respectively. Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

#### Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

#### Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

### 3. Turnover

Turnover arises from:

	2016	2015
	£	£
Rendering of services	55,157,602	14,716,376

The turnover is attributable to the one principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

#### Geographical markets

	2016	2015
	£	£
United Kingdom	42,603,823	13,756,878
Rest of World	12,553,779	959,498
	55,157,602	14,716,376

**Iberdrola Engineering and Construction UK Limited**

**Notes to the financial statements (continued)**

**Year ended 31 December 2016**

**4. Operating profit/(loss)**

Operating profit/(loss) is stated after charging/(crediting):

	<b>2016</b>	2015
	<b>£</b>	<b>£</b>
Operating lease rentals	408,483	369,295
Foreign exchange differences	12,073	(230,957)
	<u>          </u>	<u>          </u>

**5. Auditors remuneration**

	<b>2016</b>	2015
	<b>£</b>	<b>£</b>
<b>Fees payable to Ernst &amp; Young LLP</b>		
Fees payable for the audit of the financial statements	26,355	26,043
	<u>          </u>	<u>          </u>

**6. Staff costs**

The average number of persons employed by the company during the year, including the directors, amounted to:

	<b>2016</b>	2015
Production staff	97	81
Administrative staff	1	1
Managers	6	6
	<u>      104      </u>	<u>      88      </u>

The aggregate payroll costs incurred during the year were:

	<b>2016</b>	2015
	<b>£</b>	<b>£</b>
Wages and salaries	6,423,176	5,121,661
Social security costs	571,247	409,389
	<u>6,994,423</u>	<u>5,531,050</u>

**Iberdrola Engineering and Construction UK Limited**

**Notes to the financial statements (continued)**

**Year ended 31 December 2016**

**7. Directors' remuneration**

The directors' aggregate remuneration in respect of qualifying services was:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Remuneration	201,674	92,903
	<u>          </u>	<u>          </u>

Remuneration of the highest paid directors in respect of qualifying services:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Aggregate remuneration	126,012	69,141
Company contributions to pension plans in respect of qualifying services	-	-
	<u>126,012</u>	<u>69,141</u>

During the year retirement benefits were accruing to 0 (2015: 1) director in respect of defined contribution benefit scheme.

**8. Other interest receivable and similar income**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Bank deposits	1,094	3,017
	<u>          </u>	<u>          </u>

**9. Interest payable and similar charges**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Loans from group undertakings	283,785	163,968
	<u>          </u>	<u>          </u>

**Iberdrola Engineering and Construction UK Limited**

**Notes to the financial statements (continued)**

**Year ended 31 December 2016**

**10. Tax Charge/(Credit) on ordinary activities**

**Major components of tax expense/(income)**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Current tax:</b>		
UK current tax expense/(income)	251,068	(247,928)
Adjustments in respect of previous periods	(18,694)	(15,383)
Disallowable	-	(10,523)
Total UK current tax	<u>232,374</u>	<u>(273,834)</u>
Total current tax	<u>232,374</u>	<u>(273,834)</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(20,287)	(21,697)
Impact of change in tax rate	2,054	-
Adjustments in respect of prior periods	910	-
Total deferred tax	<u>(17,323)</u>	<u>(21,697)</u>
<b>Tax charge/(credit) on ordinary activities</b>	<u><u>215,051</u></u>	<u><u>(295,531)</u></u>

**Reconciliation of tax expense/(income)**

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than (2015: lower than) the standard rate of corporation tax in the UK of 20% (2015: 20.25%).

A reconciliation is given below:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Charge/(Credit) on ordinary activities before taxation	<u>1,153,908</u>	<u>(1,331,483)</u>
Charge/(Credit) on ordinary activities by rate of tax	230,782	(269,625)
Adjustments in respect of prior periods	(18,694)	(15,383)
Rounding on tax charge	(1)	-
Disallowable	-	(10,523)
Impact of rate change	2,054	-
Adjustment in respect of prior periods - deferred tax	910	-
<b>Tax charge/(credit) on ordinary activities</b>	<u><u>215,051</u></u>	<u><u>(295,531)</u></u>

**Iberdrola Engineering and Construction UK Limited**

**Notes to the financial statements (continued)**  
**Year ended 31 December 2016**

**11. Debtors**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Amounts owed by group undertakings	7,491,646	5,032,511
Amounts owed by customers on construction contracts	12,931,778	5,980,963
Other debtors	900,957	450,106
Deferred tax	39,020	21,697
	<u>21,363,401</u>	<u>11,485,277</u>

Amounts owed by group undertakings are unsecured, repayable on demand and bear no interest.

The company notes that it is not possible to estimate the expected reversal of deferred tax after the current reporting period.

**12. Creditors: amounts falling due within one year**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Trade creditors	291,664	263,701
Amounts owed to group undertakings	18,159,987	16,114,450
Accruals and deferred income	6,994,364	1,722,447
Other creditors	1,655,748	585,517
Corporation tax	251,068	(259,102)
	<u>27,352,831</u>	<u>18,427,013</u>

Amounts owed to group undertakings include an amount to Iberdrola SA of £16,467,597. This is repayable in demand and interest is payable at a rate of LIBOR plus 0.98%. The remaining balances included within amounts owed to group undertakings are unsecured, repayable on demand and bear no interest.

**13. Creditors: amounts falling due after more than one year**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Other creditors	<u>155,797</u>	<u>103,936</u>

**14. Called up share capital**  
**Issued, called up and fully paid**

	<b>2016</b>		<b>2015</b>	
	<b>No</b>	<b>£</b>	<b>No</b>	<b>£</b>
Ordinary shares of £ 1.00 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

**Iberdrola Engineering and Construction UK Limited**

**Notes to the financial statements (continued)**

**Year ended 31 December 2016**

**15. Controlling party**

The immediate parent undertaking is Iberdrola Ingenieria Y Construcción SAU, a company incorporated in Spain.

The ultimate parent undertaking and the ultimate controlling party of the undertaking is Iberdrola SA, incorporated in Spain.

Iberdrola Ingenieria Y Construcción SAU is the parent company of the smallest and Iberdrola SA is the parent undertaking of the largest group of which the company is a member and for which group financial statements are drawn up. Copies of the financial statements of Iberdrola Ingenieria Y Construcción SA and Iberdrola SA can be obtained from Avda de Manoteras, 20 28050 Madrid, Spain.