

ScottishPower Renewables (WODS) Limited

Report and Financial Statements

31 December 2010

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10/12/2011

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COMPANIES HOUSE

Directors

Keith Anderson
Jonathan Cole
Emilio Hernandez
Roy Scott

Secretary

Emilio Hernandez

Auditors

Ernst & Young LLP
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5 George Square
Glasgow
G2 1DY

Registered Office

1 Atlantic Quay
Glasgow
United Kingdom
G2 8SP

Directors' Report

The directors present their report and the audited financial statements for the period from incorporation on 5 March 2010 to 31 December 2010.

Principal activities and business review

The principal activity of ScottishPower Renewables Limited (SPR WODS) is the development, and eventually construction and operation, of the West of Duddon Sands Offshore Windfarm (WODS) located in the East Irish Sea.

On 11 March 2010 SPR WODS entered into a Joint Operations Agreement (JOA) with DONG Energy West of Duddon Sands (UK) Limited (DONG WODS). The agreement specifies that SPR WODS will meet two-thirds of the development costs and DONG WODS will meet a third.

Under the terms of the JOA the joint participants have appointed DONG Wind (UK) Limited as the Operator with responsibility for the planning, construction, operation and decommissioning of the windfarm.

Consent for this windfarm was granted on the 23 September 2008. When complete, the windfarm will have the capacity to produce 389MW of clean green energy.

Operational financial performance/Key Performance Indicators

During the period the company made an operating loss of £29,000. The company has net current liabilities of £20.5m at 31 December 2010.

The performance of the business revolves around the control of costs arising from the development of the windfarm. Given the size and straightforward nature of these costs no KPIs are presented in this report.

Principal risks and uncertainties

The business identifies and assesses the key business risks associated with the achievement of its strategic objectives. Any key actions needed to enhance the control environments are identified, along with the person responsible for the management of the specific risk.

Further details of the risks facing the Iberdrola Renovables group and how it manages them can be found in the Annual Report & Accounts of Iberdrola Renovables, S.A. for the year ended 31 December 2010.

Future outlook

The company will continue with the development phase of the project and from mid-2011 will enter a phase of intensive commercial and procurement activity to finalise all contracts that will allow construction work to commence.

Post year end events

On 16 June 2011, the Iberdrola and Dong Energy Groups announced that they had given joint approval for the construction of the West of Duddon Sands Offshore Windfarm. This decision triggered payments from SPR WODS totalling £4.0m to Eurus Energy UK Limited and Eurus Energy Europe BV. The payments were contingent on the positive outcome of the investment decision, and had been written into an agreement formed in July 2009 between the parties for the sale and purchase of Eurus Energy's one-third interest in the WODS project to SPR WODS. A further index-linked payment of £4.8m is payable by SPR WODS on commissioning of the full project. A provision has been made for both of these payments.

Directors' Report - continued

Per the JOA, the announcement of the joint approval to construct the windfarm also brings about a change to the two-thirds SPR WODS, one-third DONG WODS participation ratio. From the approval to construct onwards, the participants will share equally the revenues, costs and risks associated with the windfarm. In addition to this, DONG WODS will make a payment to SPR WODS to the value of 25% of the total development costs to achieve equal sharing of these costs.

Further to the parent company guarantees (PCG) in place at 31 December 2010 and disclosed in note 19, 'Capital management', PCGs of £11.9m and £612.0m were issued in June 2011 to National Grid and Siemens respectively. The PCG issued to National Grid guarantees the final sums liability arising under the onshore connection grid agreement. The PCG issued to Siemens guarantees all contract liabilities.

On 8 March 2011 Iberdrola, S.A. announced that it had initiated negotiations for a merger by absorption of its subsidiary Iberdrola Renovables, S.A. the parent company of the smallest group in which the results of the company are consolidated.

This proposal was subsequently approved by the shareholders of Iberdrola, S.A. at the AGM on 27 May 2011 and also by the minority shareholders of Iberdrola Renovables, S.A. at the company AGM held in Valencia on 30 May 2011.

Dividends

Distributable reserves for the period were £Nil, therefore no dividends were proposed or paid during the period.

Financing review

Capital and Debt Structure

The company is funded almost entirely by debt. The £1 of called up share capital is held by the immediate parent undertaking, ScottishPower Renewable Energy Limited. At the year end the company owed £10.4 million to ScottishPower Renewables (UK) Limited under a loan agreement.

Treasury and Interest Policy

Treasury services are provided by ScottishPower (UK) Limited. Both the company and ScottishPower (UK) Limited have the same ultimate parent company, Iberdrola, S.A. The risk policy within treasury and financing is designed to ensure that the company's exposure to variability of cash flows and asset values due to fluctuations in market interest rates, foreign exchange rates and inflation are minimised and managed at acceptable risk levels.

Funding

The loan from ScottishPower Renewable Energy Limited is repayable on demand. Interest is calculated at 3 month LIBOR less 10 basis points and is added to the loan amount. LIBOR shall be taken as the rate published two business days prior to the date of the loan agreement. The loan agreement was signed on 29 June 2010.

Creditor payment policy and practice

The company's policy and practice concerning the payment of its trade creditors is to settle terms of payment when agreeing the terms of the transaction, to include the terms in contracts, and to pay in accordance with its contractual and legal obligations. The company's creditor days at 31 December 2010 was 15 days.

Going concern

The directors confirm that the company will continue to remain a going concern on the basis of financial commitments made by the parent of the company to provide sufficient funding to meet liabilities as they fall due at least for a period of 12 months from the date of signing of the accounts.

Directors' Report - continued

Directors and their interests

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

Keith Anderson	(appointed 5 March 2010)
Jonathan Cole	(appointed 5 March 2010)
Emilio Hernandez	(appointed 5 March 2010)
Roy Scott	(appointed 5 March 2010)

The company secretaries who held office during the period are as follows:

Jonathan Cole	(appointed 5 March 2010, resigned on 7 July 2010)
Emilio Hernandez	(appointed 7 July 2010)

There are no transactions or arrangements between the directors and the company in which the directors of the company have direct or indirect material interests.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable laws 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 International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") as they apply to the financial statements of the company for the period ended 31 December 2010 and in accordance with the Companies Act 2006. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that year.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

Disclosure of information to auditors

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

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps 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.

Directors' Report - continued**Auditors**

The auditors, Ernst and Young LLP, have indicated their willingness to continue in office. In the absence of a notice proposing that the appointment be terminated, the auditors will be deemed to be re-appointed for the next financial year.

On Behalf of the Board

Roy Scott

Director

Date 28.11.11

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISHPOWER RENEWABLE ENERGY LIMITED

We have audited the financial statements of ScottishPower Renewable Energy Limited for the period ended 31 December 2010 which comprise the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows, 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 members, 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 members 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 members 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 3 and 4, 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 us 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 Report and Financial Statements to identify material inconsistencies with the audited financial statements. 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 company's affairs as at 31 December 2010 and of its loss for the period;
- 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

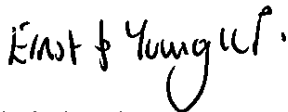
In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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 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.

For and on behalf of Ernst & Young LLP, Statutory Auditor



Annie Graham (Senior statutory auditor)

Glasgow

Date 28 November 2011.

BALANCE SHEET


as at 31 December 2010

	Notes	31 December 2010 £000s
Non-Current Assets		
Property, plant and equipment	8	20,581
Investments	22	-
Total non-current assets		20,581
Current Assets		
Trade and other receivables	9	1
Derivative financial instruments	10	98
Total current assets		99
Total assets		20,680
Equity and liabilities		
Equity		
Ordinary shares	14	-
Retained earnings		29
Cash flow hedge reserve		(71)
Total equity		(42)
Non-Current Liabilities		
Deferred tax liabilities		(26)
Total non-current liabilities		(26)
Current Liabilities		
Trade and other payables	11	(1,292)
Provisions	20	(8,825)
Amounts payable to group companies	11	(60)
Loans payable to group companies	12	(10,435)
Total current liabilities		(20,612)
Total liabilities		(20,638)
Total equity and liabilities		(20,680)

The called share capital of the company is £1.

The Accounting Policies and definitions on pages 11 to 15, together with the Notes on pages 16 to 23, form part of these accounts.

Approved by the Board on 28/1/11 and signed on its behalf by



Roy Scott
Director

INCOME STATEMENT**for the period ended 31 December 2010**

	Notes	2010 £000s
Revenue		-
Procurements		-
Gross Profit		-
Staff costs		-
Outside services	4	(10)
		(10)
Operating Profit/(Loss)		(10)
Finance revenue		-
Finance expense	6	(19)
Loss before Tax		(29)
Tax (expense) / credit	7	-
Loss for the period		(29)

All activities relate to continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

for the period ended 31 December 2010

	2010 £000s
Loss for the year	(29)
Other comprehensive income:	
Gains on effective cash flow hedges recognised	98
Tax on items relating to components of other comprehensive income	(26)
Other comprehensive income for the period	72
Total comprehensive income for the period	43

STATEMENT OF CHANGES IN EQUITY

for the period ended 31 December 2010

	Equity share capital £000	Retained earnings £000	Cash Flow Hedge Reserve £000	Total Equity £000
At 5 March 2010	-	-	-	-
Loss for the period	-	(29)	-	(29)
Other comprehensive income for the period	-	-	72	72
Issue of share capital	1	-	-	1
At 31 December 2010	1	(29)	72	44

CASH FLOW STATEMENT

for the period ended 31 December 2010

	<i>2010</i>
	<i>£000s</i>
Operating activities	
Profit/(Loss) for the period	(29)
Adjustments to reconcile profit for the period to net cash flow from operating activities:	
Tax	-
Outside services	10
Net finance costs	19
Working capital adjustments:	
(Increase) / decrease in trade and other receivables	(1)
Increase / (decrease) in trade and other payables	-
Cash generated from operations	(1)
Net interest received/(paid)	-
Income tax paid	-
Net cash flows from operating activities	(21)
Investing Activities	
Investment in subsidiaries	-
Investment in property, plant & equipment	(10,392)
Net gain on cashflow hedging	(37)
Net cash flows from investing activities	(10,429)
Financing activities	
Share Capital Issued	-
Net interest received/(paid)	(5)
(Increase)/-decrease in lendings	10,435
Proceeds from new borrowings	-
Repayment of borrowings	-
Net cash flows from financing activities	10,430
Net increase in cash and cash equivalents	
Effects of exchange rates on cash and cash equivalents	-
Cash and cash equivalents at 1 January	-
Cash and cash equivalents at 31 December	0

NOTES TO FINANCIAL STATEMENTS - CONTINUED

at 31 December 2010

1. Authorisation of financial statements and statement of compliance with IFRS's

The financial statements of ScottishPower Renewables (WODS) Limited ("the company") for the period ended 31 December 2010 were authorised for issue by the Board of Directors on the 28th November 2011 and the balance sheet was signed on the Board's behalf by Roy Scott.

ScottishPower Renewables (WODS) Limited is a private limited company incorporated and domiciled in Scotland. The principal activity of the company is to develop offshore windfarms.

2. Accounting Policies**2.1 Basis of Preparation**

The company was incorporated on 5 March 2010.

The company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") as they apply to the financial statements of the company for the period ended 31 December 2010 and in accordance with the Companies Act 2006. The accounting policies which follow set out those policies which apply in preparing the financial statements for the period ended 31 December 2010.

The company's financial statements have been prepared under the historical cost convention. The financial statements are presented in pounds Sterling and all values are rounded to the nearest thousand (£000) except where otherwise indicated.

2.2 Property, Plant and Equipment

Subject to IAS 16 criteria, costs incurred during the development phase, excluding finance costs, are capitalised.

Depreciation of fixed assets will commence for operational turbines in the period that revenue is first recognised.

2.4 Financial instruments**i) Financial assets**

Financial assets within the scope of IAS 39: Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The company's financial assets include derivatives designated as hedging instruments in an effective hedge. The accounting policy for hedging instruments is detailed in section 2.4 (iv). Amounts within trade and other receivables relate to tax which does not fall under the definition of financial instruments and is not covered by this policy.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

at 31 December 2010

2. Accounting Policies (continued)***ii) Financial liabilities***

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of financial liabilities at initial recognition. The Company has trade and other payables, amounts payable to group companies, and loans payable classified as loans and borrowings.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification and for loans and borrowings, is as follows:

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the company becomes party to the related contracts and are measured initially at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method unless the loan or borrowing has no repayment schedule, in which case it will continue to be measured at fair value.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Derecognition of financial liabilities

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts, and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

iv) Derivative financial instruments and hedging activities

The company enters into forward foreign exchange contracts to hedge the cash flow risk relating to the value of foreign purchases which are denominated in foreign currencies. The risk being hedged relates to changes in the foreign exchange rate of the forecast purchase price. Hedge accounting is applied when certain conditions required by IAS 39 are met.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

at 31 December 2010

2. Accounting Policies (continued)

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. For hedges of financing activities, any ineffectiveness is recognised within finance income or finance costs, as appropriate, in the income statement.

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 year in which the hedged item affects the income statement. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in depreciation in the case of fixed assets.

Hedge effectiveness is measured and respective entries recorded in the balance sheet, reserves and income statement on a monthly 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%.

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.

2.5 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.

2.6 Borrowing costs

All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the company incurs in connection with the borrowing of funds.

2.7 Financial risk management policy

Risk is managed in a manner that is consistent with the risk management policies of the company's immediate parent undertaking Iberdrola Renovables, S.A.

Principle risks and uncertainties relating to finance are discussed in note 19, 'Capital management'.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

at 31 December 2010

2. Accounting Policies (continued)**2.8 New Standards and Interpretations Not Applied**

The following new standards, interpretations and amendments have effective dates after the date of the financial statements and have not yet been implemented by the company.

		<i>Effective for periods commencing</i>
IFRIC 19	Extinguishing financial liabilities with equity instruments	1 July 2010
IFRIC 14 (amendment)	Prepayments of a minimum funding requirement	1 January 2011
IFRS 7 (amendment)	Financial Instruments: Disclosures*	1 July 2011
IFRS 1 (amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters*	1 July 2011
IAS 12 (amendment)	Recovery of Underlying Assets*	1 January 2012
IAS 1 (amendment)	Presentation of Other Comprehensive Income*	1 July 2012
IAS 19 (amendment)	Employee Benefits*	1 January 2013
IFRS 9	Financial Instruments: Recognition and measurement*	1 January 2013
IFRS 10	Consolidated Financial Statements*	1 January 2013
IFRS 11	Joint Arrangements*	1 January 2013
IFRS 12	Disclosures of Interests in Other Entities*	1 January 2013
IFRS 13	Fair Value Measurement*	1 January 2013
IAS 27	Separate Financial Statements*	1 January 2013
IAS 28	Investments in Associates and Joint Ventures*	1 January 2013
	Improvements to IFRSs (issued May 2010)	Various

*not yet adopted for use in the European Union

The above standards and interpretations are expected to be adopted in accordance with their effective dates and have not been adopted in these financial statements. The directors do not anticipate that adoption of these standards and interpretations will have a material impact on the financial statements in the period of initial application.

2.9 Current tax

Current tax is calculated using rates that have been acted or substantively enacted by the balance sheet date.

2.10 Deferred tax

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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

at 31 December 2010

2. Accounting Policies (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, on a non-discounted basis, and 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.

2.11 Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

at 31 December 2010

3 Revenue

The company did not generate revenue in the period.

4 Auditors' remuneration

	<i>Period from 5 March 2010 to 31 December 2010</i>
	<i>£000s</i>
Auditors' remuneration - audit services	10

5 Employee costs

The company has no employees. Details of directors' emoluments are set out in Note 16.

6 Finance Expense

	<i>Period from 5 March 2010 to 31 December 2010</i>
	<i>£000s</i>
Interest expense on group loans	19

7 Tax on profit on ordinary activities

	<i>2010 £000s</i>
Tax on loss for the period	-

Factors affecting tax credit for year

The current tax charge for the year varied from the standard rate of UK Corporation tax as follows:	2010 £000s
UK Corporation tax at 28% on loss for the year	(8)
Losses not recognised	8
Current tax charge/(credit) for year	-

The Company has unutilised tax losses of £8,000. No deferred tax asset has been recognised in respect of these losses.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

at 31 December 2010

8 Property, plant and equipment

	<i>development in progress £000s</i>	<i>total £000s</i>
Cost:		
At 5 March 2010	-	-
Additions	20,581	20,581
Disposals	-	-
Transfers	-	-
At 31 December 2010	20,581	20,581
Depreciation and impairment:		
At 5 March 2010	-	-
Provided during the period	-	-
Disposals	-	-
Transfers	-	-
At 31 December 2010		
Net Book Value at 31 December 2010	20,581	20,581

9 Trade and Other Receivables

	<i>31 December 2010 £000s</i>
VAT recoverable	1

10 Financial assets

	<i>31 December 2010 £000s</i>
<i>Financial assets - current</i>	
Forward currency derivative contracts (designated as hedging instruments in an effective	98

NOTES TO FINANCIAL STATEMENTS - CONTINUED

at 31 December 2010

11 Trade and Other Payables

	<i>31 December</i>
	<i>2010</i>
	<i>£000s</i>
Trade payables	5
Amounts owed to parent undertakings	60
Accruals	1,287
	1,352

Terms and conditions of the above financial liabilities:

- Trade payables are settled in accordance with the company's contractual and legal obligations.
- VAT payable is normally settled quarterly throughout the financial year.
- Refer to Note 12 for terms of amounts owed to other group undertakings.

12 Financial liabilities

	<i>31 December</i>
	<i>2010</i>
	<i>£000s</i>
Current	
Bank overdrafts	-
Current instalments due on loans owed to group companies	10,435
	10,435

Non-current

Non-current instalments due on loans owed to group companies

Loans due to parent companies comprise the following:

	<i>31 December</i>
	<i>2010</i>
	<i>£000s</i>
Variable rate loan	10,435

NOTES TO FINANCIAL STATEMENTS - CONTINUED

at 31 December 2010

13 Financial instruments*Liquidity risk*

The table below summarises the maturity profile of the company's financial liabilities at 31 December 2010 based on contractual undiscounted payments:

Period ended 31 December 2010	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 periods £000	Over 5 periods £000	Total £000
Non-derivative financial liabilities						
Loans due to parent undertakings	10,435	-	-	-	-	10,435
Amounts owed to parent undertakings	25	35	-	-	-	60
Trade payables	-	5	-	-	-	5
Total	10,460	40	-	-	-	10,500

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of carrying amounts and fair values of all the Company's financial instruments that are carried in the financial statements:

	Fair value 2010 £000s	Carrying amount 2010 £000s
Financial asset		
<i>Derivatives used for hedging:</i>		
Foreign currency hedging contracts	98	98
Financial liabilities		
<i>Amortised cost:</i>		
Loans due to parent undertakings	10,435	10,435
Amounts owed to parent undertakings	60	60
Trade payables	5	5

The loans due to parent companies do not have defined repayment schedules. As it is not possible to estimate reliably the future cash flows or the expected life of these financial instruments, their carrying value is assumed to approximate their fair value.

The carrying value of short term receivables and payables are assumed to approximate their fair value where the effects of discounting are not material.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

at 31 December 2010

13 Financial instruments (continued)**Foreign currency risk**

The company is not considered to be exposed to foreign currency risks as all trading carried out in foreign currency is managed within the Group's risk policy which is designed to ensure that the company's exposure to variability of foreign exchange rates is minimised and managed at acceptable risk levels.

14 Share Capital

	31 December 2010
	£
Authorised Shares	1
Allotted, called up and fully paid ordinary	1
	31 December 2010
	£

15 Related party transactions

Loans from/to related parties	Relationship	Interest paid	Amounts owed to related parties	
			£000s	£000s
ScottishPower Renewables (UK) Limited	Parent company	19	10,435	

Compensation of key management personnel

Day to day management of the activities of the company is discharged by the directors. Directors' emoluments are disclosed in note 16.

The directors of the company provide management services to a number of other group companies. None of the director are compensated specifically for their services to the company.

Controlling party

The company is owned and controlled by its immediate parent undertaking ScottishPower Renewables (UK) Limited, a company registered in Northern Ireland.

The directors regard Iberdrola, S.A., a company incorporated in Spain, as the ultimate controlling parties. Iberdrola, S.A. is the parent undertakings of the largest group of undertakings for which group accounts are drawn up. Copies of Iberdrola, S.A. consolidated financial statements can be obtained from the company secretary at Cardenal Gardoqui, 8., 48008 Bilbao, Spain.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

at 31 December 2010

15 Related party transactions - continued

The parent undertakings of the smallest group of undertakings for which group accounts are drawn up is Iberdrola Renovables, S.A., a company incorporated in Spain. Copies of Iberdrola Renovables, S.A. consolidated financial statements can be obtained from the company secretary at Cardenal Gardoqui, 8., 48008 Bilbao, Spain.

16 Directors' emoluments

The total emoluments of the directors that provided qualifying services to the company are shown below. As the directors are remunerated for their work for the Vattenfall and ScottishPower groups as a whole, it has not been possible to apportion the emoluments specifically in respect of services to this company. The amounts stated have not been prorated for the ten month accounting period.

	2010
	£000s
Basic salary	378,390
Bonuses	272,852
Benefits in kind	34,555
Total	685,797

The above emoluments in respect of all directors were paid by other companies within the ScottishPower group. Consequently, these amounts are not included within 'Employee costs' in Note 5.

At the year end, two directors had retirement benefits accruing under ScottishPower's defined benefit pension scheme, and one director had retirement benefits accruing under a money purchase scheme.

	2010
Highest paid director	£000s
Basic salary	142,540
Bonuses	162,642
Benefits in kind	5,710
Total	310,892

The amount of pension benefit accrued for the highest paid director is £30,612.

17 Events after the balance sheet date

There were no material non adjusting events after the balance sheet date.

18 Capital Commitments

The company had capital commitments totalling £3,885,000 at 31 December 2010.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

at 31 December 2010

19 Capital management

The company manages its capital structure in accordance with the capital management objectives set out by its immediate parent company, Iberdrola, S.A..

The Iberdrola Group's main capital management objectives are to ensure short-term and long-term financial stability, appreciation of its shares, suitable investment financing or a reduction of its leverage.

The company is not subject to any policy on gearing and decisions on whether to fund its financing activities through debt or equity are made by Iberdrola, S.A..

Capital comprises equity attributable to the equity holders of the parent less the cash flow hedge reserve.

Parent Company Guarantees

The following Parent Company Guarantees were in place at 31 December 2010:

PCG from Iberdrola, S.A. in favour of National Grid to guarantee ScottishPower Renewables (WODS) Limited's share of payment obligations under the contract for supply of onshore and offshore electrical equipment.	£ 5,000,000
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Capital comprises equity attributable to the equity holders of the parent less the net unrealised gains reserve.

	2010 £000s
Non-current instalments due on bank loans	
Long term liabilities	(26)
Equity	29
Net unrealised gains reserve	(71)
Capital	(42)
Capital and long term liabilities	(58)
Gearing ratio	158%

NOTES TO FINANCIAL STATEMENTS - CONTINUED

at 31 December 2010

20 Provisions and contingent liabilities

	£000s
At 5 March 2010	
Provision arising on the purchase of interest in the West of Duddon Sands project	(8,825)
At 31 December 2010	(8,825)

The events leading to the above provision are described in the Directors' report in the 'Post year end events' section.

21 Group accounts exemption

The company is exempt from the obligation to prepare and deliver group accounts on the grounds that it's only subsidiary, Morecambe Wind Limited, has been dormant since its formation and its inclusion would be immaterial.

22 Investments in subsidiaries

The principal holdings of the company are as set out below:

	Holding	Country of Incorporation	Proportion
Morecambe Wind Limited	Ordinary	England & Wales	100%

Within fixed asset investments is an investment of £4, being 66.6% of the £1 ordinary shares of Morecambe Wind Limited. On 11 March 2010 parent company Scottishpower Renewables (UK) Limited and ScottishPower Renewable Energy Limited transferred their £1 shares to Scottishpower Renewables (WODS) Limited (SPR WODS). On the same day, a further two £1 shares were issued by Morecambe Wind Limited to SPR WODS.

The principal activity of Morecambe Wind Limited is to develop offshore windfarms, although the company was not active at 31 December 2010.