ScottishPower Renewables (WODS) Limited

Report and Financial Statements

31 December 2011

Directors

Keith Anderson
Jonathan Cole
Emilio Hernandez (Resigned 10 July 2012)
Roy Scott

Secretary

Emilio Hernandez (Resigned 10 July 2012)
Seumus O'Gorman (Appointed 10 July 2012)

Auditors

Ernst & Young LLP
G1
5 George Square
Glasgow
G2 1DY

Registered Office

Cathcart Business Park
Spean Street
Glasgow
G44 4BE

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2011.

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).

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 year the company made a loss of £12,000 (31 December 2010 £29,000 loss). The company has net current liabilities of £48.1 million at 31 December 2011 (31 December 2010 £20.5 million).

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 group and how it manages them can be found in their Annual Report & Accounts for the year ended 31 December 2011.

Future outlook
The company will continue to fund the construction phase of the project along with DONG with a view to commencing first operations in Q4 2013.

Post year end events
Following a reorganisation of the ScottishPower group of companies on 1 January 2012, Scottish Power UK plc acquired 100% of the share capital of ScottishPower Renewable Energy Limited (SPREL) and as a result ScottishPower Renewables (WODS) Limited became an indirect subsidiary of ScottishPower UK plc.

Directors' Report - continued

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 Renewables (UK) Limited. At the year end the company owed £41.3 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 plus 30 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 2011 was 21 days (15 days – 31 December 2010).

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

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

Keith Anderson
Jonathan Cole
Emilio Hernandez
Roy Scott

The company secretary who held office during the period was as follows:

Emilio Hernandez

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.

Directors' Report - continued

Statement of Directors' responsibilities

The directors are responsible for preparing the Directors' Report and Financial Statements in accordance with applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

The directors are responsible for preparing Financial Statements 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 of the company for that period. In preparing those Financial Statements, 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 Financial Statements comply with IFRSs, 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 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 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 directors in office as at the date of this Directors' report and Financial Statements confirms that:

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

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 11 SEPTEMBER 2012

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

We have audited the financial statements of ScottishPower Renewables (WODS) Limited for the period ended 31 December 2011 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 page 3, 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 2011 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.

Ernst & Young LLP.

Annie Graham (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
Date 11 September 2012.

BALANCE SHEET

as at 31 December 2011

	Notes	31 December 2011 £000s	31 December 2010 £000s
Non-Current Assets			
Property, plant and equipment	8	42,675	20,581
Investments	22	-	-
Deferred tax Asset		5,924	-
Total non-current assets		**48,599**	**20,581**
Current Assets			
Trade and other receivables	9	7,639	1
Derivative financial instruments	10	425	98
Total current assets		**8,064**	**99**
Total assets		**56,663**	**20,680**
Equity and liabilities			
Equity			
Ordinary shares	14	-	-
Retained earnings		41	29
Cash flow hedge reserve		17,772	(71)
Total equity		**17,813**	**(42)**
Non-Current Liabilities			
Deferred Tax Liabilities		-	(26)
Derivative financial instruments	12	(18,329)	-
Total non-current liabilities		**(18,329)**	**(26)**
Current Liabilities			
Trade and other payables	11	(1,178)	(1,292)
Provisions	20	(4,791)	(8,825)
Amounts payable to group companies	11	(3,273)	(60)
Loans payable to group companies	12	(41,342)	(10,435)
Derivative financial instruments	12	(5,563)	-
Total current liabilities		**(56,147)**	**(20,612)**
Total liabilities		**(74,476)**	**(20,638)**
Total equity and liabilities		**(56,663)**	**(20,680)**

The called share capital of the company is £1.

The Accounting Policies and definitions on pages 10 to 13, together with the Notes on pages 14 to 23, form part of these accounts.

Approved by the Board on 11th September 2012 and signed on its behalf by

Roy Scott
Director

Registered no: SC374288

INCOME STATEMENT
for the period ended 31 December 2011

	Notes	2011 £000s	2010 £000s
Revenue		-	-
Procurements		-	-
Gross Profit		-	-
Staff costs		-	-
Outside services	4	(12)	(10)
		(12)	(10)
Operating Profit/(Loss)		(12)	(10)
Finance revenue		-	-
Finance expense	6	-	(19)
Loss before Tax		(12)	(29)
Tax (expense) / credit	7	-	-
Loss for the period		(12)	(29)

All activities relate to continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
for the period ended 31 December 2011

	2011 £000s	2010 £000s
Loss for the year	**(12)**	**(29)**
Other comprehensive income:		
Gains on effective cash flow hedges recognised	**(23,793)**	**98**
Tax on items relating to components of other comprehensive income	**5,949**	**(26)**
Other comprehensive income for the period	(17,844)	72
Total comprehensive income for the period	(17,856)	43

STATEMENT OF CHANGES IN EQUITY
for the period ended 31 December 2011

	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	-	-	-	-
At 31 December 2010	-	(29)	72	43
Profit for the year	-	(12)	-	(12)
Other comprehensive income for the period	-	-	(17,844)	(17,844)
Issue of Share Capital	-	-	-	-
At 31 December 2011	-	(41)	(17,772)	(17,813)

STATEMENT OF CASHFLOW
for the period ended 31 December 2011

	2011 £000s	2010 £000s
Operating activities		
Profit/(Loss) for the period	**(12)**	**(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	(8)	(1)
Increase / (decrease) in trade and other payables	12	-
Cash generated from operations	**(8)**	**(1)**
Net interest received/(paid)	-	-
Income tax paid	-	-
Net cash flows from operating activities	(8)	(1)
Investing Activities		
Investment in subsidiaries	-	-
Investment in property, plant & equipment	(30,500)	(10,392)
Net gain on cashflow hedging	-	(37)
Net cash flows from investing activities	(30,500)	(10,429)
Financing activities		
Share Capital Issued	-	-
Net interest received/(paid)	(171)	(5)
(Increase) / decrease in lendings	-	10,435
Proceeds from new borrowings	30,679	-
Repayment of borrowings	-	-
Net cash flows from financing activities	30,508	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	-	-

NOTES TO FINANCIAL STATEMENTS

at 31 December 2011

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

The financial statements of ScottishPower Renewables (WODS) Limited ("the company") for the year ended 31 December 2011 were authorised for issue by the Board of Directors on the 11th September 2012 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'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 year ended 31 December 2011 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 2011.

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, including 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.

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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

at 31 December 2011

2. Accounting Policies (continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

at 31 December 2011

2. Accounting Policies (continued)

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 ultimate parent undertaking Iberdrola, S.A.

Principle risks and uncertainties relating to finance are discussed in note 20, 'Capital management'.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

at 31 December 2011

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.

		Effective for periods commencing
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 (amendment)	*Financial Instruments: Recognition and measurement**	*1 January 2013*
IFRS 9 (amendment)	*Offsetting financial assets and financial liabilities**	*1 January 2014*
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 (amendment)	*Investments in Associates and Joint Ventures**	*1 January 2013*
IFRIC 20	*Stripping costs in the production phase of a surface mine*	*1 January 2013*

**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.

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 2011

3 Revenue

The company did not generate revenue in the period.

4 Auditors' remuneration

	Year to 31 Dec 2011 £000s	Period from 5 March 2010 to 31 December 2010 £000s
Auditors' remuneration - audit services	12	10

5 Employee costs

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

6 Finance Expense

	Year to 31 Dec 2011 £000s	Period from 5 March 2010 to 31 December 2010 £000s
Interest expense on group loans	302	19
Charges in respect of Parent Company Guarantees	1,955	-
Capitalised Interest & Charges	(2,257)	-
Interest expense on group loans	-	19

NOTES TO FINANCIAL STATEMENTS - CONTINUED
at 31 December 2011

7 Taxation

The major components of income tax expense for the year ended 31 December 2011 and 31 December 2010 are:

(a) Tax Charged in the income statement

	Year to 31 Dec 2011 £000s	Period from 5 March 2010 to 31 December 2010 £000s
Tax on loss for the period	-	-

(b) Reconciliation of the total tax charge

The current tax charge for the year varied from the standard rate of UK Corporation tax as follows;

	Year to 31 Dec 2011 £000s	Period from 5 March 2010 to 31 December 2010 £000s
UK Corporation tax at 26.5% on loss for the year	(3)	(8)
Losses not recognised	3	8
Current tax charge/(credit) for year	-	-

The Company has unutilised tax losses of £41,000. No deferred tax asset has been recognised in respect of these losses.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

at 31 December 2011

8 Property, plant and equipment

	Development in progress £000s	*Total £000s*
Cost:		
At 5 March 2010	-	-
Additions	20,581	20,581
Disposals	-	-
Transfers	-	-
At 31 December 2010	20,581	20,581
Additions	22,094	**22,094**
Disposals	-	-
Transfers	-	-
At 31 December 2011	42,675	42,675
Depreciation and impairment:		
At 5 March 2010	-	-
Provided during the period	-	-
Disposals	-	-
Transfers	-	-
At 31 December 2010	-	-
Provided during the year	-	-
Disposals	-	-
Transfers	-	-
At 31 December 2011	-	-
Net Book Value:		
At 31 December 2011	42,675	42,675
At 31 December 2010	20,581	20,581

NOTES TO FINANCIAL STATEMENTS - CONTINUED

at 31 December 2011

9 Trade and Other Receivables

	31 December 2011 £000s	31 December 2010 £000s
VAT recoverable	9	1
Prepayments	7,630	-
	7,639	1

10 Financial assets

Financial assets - current	31 December 2011 £000s	31 December 2010 £000s
Forward currency derivative contracts (designated as hedging instruments in an effective hedge relationship)	425	98

a) Forward currency derivative contracts

The company enters into forward foreign exchange contracts to hedge the cash flow risk relating to the value of forecast payments to DONG Wind (UK) Limited which are denominated in foreign currencies. The payments are made to DONG Wind (UK) Limited to fund the development of the WODS project. The risk being hedged relates to the changes in the foreign exchange rates of the forecast payment.

11 Trade and Other Payables

	31 December 2011 £000s	31 December 2010 £000s
Trade payables	-	5
Amounts owed to parent undertakings	3,273	60
Accruals	1,178	1,287
	4,451	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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

at 31 December 2011

12 Financial liabilities

	31 December 2011 £000s	31 December 2010 £000s
Current		
Bank overdrafts	-	-
Derivative Financial Instruments with other group companies	5,563	-
Current instalments due on loans owed to group companies	41,342	10,435
	46,905	10,435
Non-current		
Derivative Financial Instruments with other group	18,329	-
Non-Current instalments due on loans owed to group companies	-	-
	18,329	-

Loans due to parent companies comprise the following:

	31 December 2011 £000s	31 December 2010 £000s
Variable rate loan	41,342	10,435

Interest is calculated at 3 month LIBOR plus 30 basis points. Interest is calculated quarterly in arrears and added to the outstanding balance on the first day of the next calendar quarter. The loan is unsecured and repayable on demand.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

at 31 December 2011

13 Financial instruments

Liquidity risk

The table below summarises the maturity profile of the company's financial liabilities at 31 December 2011 based on contractual undiscounted payments:

Period ended 31 December 2011	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	Over 5 years £000	Total £000
Non-derivative financial liabilities						
Loans due to parent undertakings	41,342	-	-	-	-	41,342
Amounts owed to parent undertakings	145	3,128	-	-	-	3,273
Trade payables	-	1,178	-	-	-	1,178
Total	41,487	4,306	-	-	-	45,793

Period ended 31 December 2010	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	Over 5 years £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

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.

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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

at 31 December 2011

14 Share Capital

	31 December 2011 £	31 December 2010 £
Authorised Shares	1	1
Allotted, called up and fully paid ordinary shares of £1 each	1	1

	31 December 2011 £	31 December 2010 £
Allotted, called up and fully paid ordinary shares	1	1

15 Related party transactions

Loans from/to related parties:		Relationship	Interest paid £000s	Amounts owed to related parties £000s
ScottishPower Renewables (UK) Limited	2011	Parent company	302	44,615
ScottishPower Renewables (UK) Limited	2010	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 Iberdrola, S.A., Plaza Euskadi 5, 48009, Bilbao, Bizkaia, Spain.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

at 31 December 2011

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 ScottishPower group as a whole, it has not been possible to apportion the emoluments specifically in respect of services to this company.

	2011 £000s	2010 £000s
Basic salary	412	378
Bonuses	337	273
Benefits in kind	44	35
Total	793	686

The above emoluments in respect of all directors were paid by other companies within the ScottishPower group.

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.

Highest paid director	2011 £000s	2010 £000s
Basic salary	171	142
Bonuses	205	163
Benefits in kind	8	6
Total	384	311

The amount of pension benefit accrued for the highest paid director is £39,321 (31 December 2010 - £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 £506,050,000 at 31 December 2011 (31 December 2010 - £3,885,000).

NOTES TO FINANCIAL STATEMENTS - CONTINUED

at 31 December 2011

19 Capital management

The company manages its capital structure in accordance with the capital management objectives set out by its ultimate 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 2011:

PCG from Iberdrola, S.A. in favour of National Grid to guarantee ScottishPower Renewables (WODS) Limited's share of the final payment obligations under the onshore grid connection agreement.			**£ 5,974,691**
PCG from Iberdrola, S.A to guarantee ScottishPower Renewables (WODS) Limited's share of payment obligations in respect of the export cable installation contract.			**£ 7,400,240**
PCG from Iberdrola, S.A to guarantee ScottishPower Renewables (WODS) Limited's share of payment obligations in respect of a vessel charter.			**£ 8,021,739**
PCG from Iberdrola, S.A. in favour of Siemens to guarantee ScottishPower Renewables (WODS) Limited's share of payment obligations for turbine contract liabilities.			**£298,850,000**
PCG from Iberdrola, S.A. in favour of DONG Energy West Of Duddon Sands (UK) Limited and DONG Energy Power (UK) limited to guarantee ScottishPower Renewables (WODS) Limited's obligations under the West of Duddon Sands joint operator agreement.			**£748,500,000**

Capital comprises equity attributable to the equity holders of the parent less the net unrealised gains reserve.

	2011 *£000s*	2010 *£000s*
Long term liabilities	18,329	26
Equity	(17,813)	42
Net unrealised gains reserve	17,772	(71)
Capital	(40)	(29)
Capital and long term liabilities	18,289	(3)
Gearing ratio	100%	-835%

NOTES TO FINANCIAL STATEMENTS - CONTINUED

at 31 December 2011

20 Provisions and contingent liabilities

	£000s
At 1 January 2011	(8,825)
Provision arising on the purchase of interest in the West of Duddon Sands project	
New Provision	-
Utilised during year	4,034
At 31 December 2011	(4,791)

The utilised provision reflects amounts paid to Eurus Energy UK Limited and Eurus Energy Europe BV in respect of the sale and purchase of Eurus Energy's one-third interest in the West Of Duddon Sands (WODS) project. These payments were made upon receipt of joint investment approval by the Iberdrola and Dong Energy Groups for the contruction of the WODS Offshore Windfarm on 16 June 2011, in line with the formal agreement between the parties formed in July 2009. The remaining provision of £4.8m relates to a futher index-linked amount payable upon commissioning of the full project.

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	% equity interest 2011	2010
Morecambe Wind Limited	Ordinary	England & Wales	50%	66%

Within fixed asset investments is an investment of £3, being 50% of the 6 £1 ordinary shares of Morecambe Wind Limited. On 9 December 2011 SPR WODS sold 1 £1 share to DONG Energy West of Duddon Sands (UK) Limited by way of a stock transfer thereby leaving each of SPR WODS and DONG Energy West Of Duddon Sands (UK) Limited with 3 shares each.

The principal activity of Morecambe Wind Limited is to develop offshore windfarms, although the company was not active at 31 December 2011.