

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2019

Registered No. SC374288

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SCOTTISHPOWER RENEWABLES (WODS) LIMITED

STRATEGIC REPORT

The directors present an overview of ScottishPower Renewables (WODS) Limited's business structure, 2019 performance and strategic outlook including principal risks and uncertainties.

STRATEGIC OUTLOOK

Introduction

The principal activity of ScottishPower Renewables (WODS) Limited ("the company"), registered company number SC374288, is the operation of the West of Duddon Sands ("WODS") offshore wind farm located in the East Irish Sea. The company will continue with this activity for the foreseeable future.

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

The company is part of ScottishPower's Renewables business ("Renewables") responsible for the origination, development, construction and operation of renewable generation plants principally onshore and offshore wind, with a growing presence in emerging renewable technologies and innovations such as battery storage and solar.

Operating review

The 389 megawatt ("MW") WODS project, a 50/50 joint arrangement between the company and Orsted West of Duddon Sands (UK) Limited ("Orsted"), continues to deliver availability and production in line with expectations. The project has moved into the second operational term, with Orsted appointed as the operations and maintenance service provider. Activities are underway to further enhance turbine performance by implementing Power Curve upgrades, innovative Power Boost software (which can increase power production of the turbine by raising the output limitation under specific operating conditions) and the application of polymer shells to the leading edge area of each blade which mitigates against the impact of blade erosion.

2019 performance

| | Revenue* | | Operating profit* | | Capital investment** | |
|--|--------------|-------|-------------------|------|----------------------|------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Financial key performance indicators | £m | £m | £m | £m | £m | £m |
| ScottishPower Renewables (WODS) Limited | 126.6 | 116.3 | 72.0 | 62.7 | 9.7 | 0.4 |

* Revenue and operating profit are presented on page 14.

** Capital investment for 2019 as presented in Note 3 on page 23.

Revenue increased by £10.3 million to £126.6 million reflecting the impact of higher energy prices.

Operating profit increased by £9.3 million primarily due to increased revenues.

Capital investment increased by £9.3 million to £9.7 million. This movement is principally the result of a reassessment of the future estimated costs of decommissioning the company's wind farm, and the costs associated with wind turbine blade upgrade works.

| Non-financial key performance indicators | Notes | 2019 | 2018 |
|--|-------|------------|------|
| Plant output (GWh) | (a) | 746 | 756 |
| Generating capacity (MW) | (b) | 194 | 194 |
| Availability | (c) | 97% | 98% |

(a) Plant output is a measure of the electrical output generated in the year measured in gigawatt hours ("GWh"), which in turn drives the revenues of the business.

(b) Installed capacity represents the total number of MW fully installed within the wind farm site related to the company. This includes all turbines erected irrespective of whether they are generating or not.

(c) Availability is a measure of how effective the business is at ensuring wind generating plant is available and ready to generate.

Outlook for 2020 and beyond

The company continues to look for ways to improve the performance of its wind farm. The technological investments noted in the operating review which commenced in 2019 will be completed and will allow the project to continue delivering strong performance.

Financial instruments

Treasury services are provided by SPL. ScottishPower has a risk policy within treasury and financing which is designed to ensure that the company's exposure to variability of cash flows and asset values due to fluctuations in market interest rates and exchange rates are minimised and managed at acceptable risk levels. Further details of the treasury and interest policy for ScottishPower and how it manages them is included in the most recent Annual Report and Accounts of SPL.

SCOTTISHPOWER RENEWABLES (WODS) LIMITED

STRATEGIC REPORT *continued*

PRINCIPAL RISKS AND UNCERTAINTIES

In order to deliver its strategy, ScottishPower, and therefore the company, are required to conduct business in a manner benefiting customers through balancing cost and risk while delivering shareholder value and protecting ScottishPower's performance and reputation by prudently managing the risks inherent in the business. To maintain this strategic direction ScottishPower develops and implements risk management policies and procedures, and promotes a robust control environment at all levels of the organisation. Further details of ScottishPower's risk management practices can be found in the most recent Annual Report and Accounts of SPL.

The principal risks and uncertainties of ScottishPower, and therefore those of the company, other than those specific to the emergence and spread of Coronavirus (COVID-19) and Brexit, that may impact current and future operational and financial performance and the management of these risks are described below:

| SCOTTISHPOWER - GLOBAL | |
|--|--|
| RISK | RESPONSE |
| Material deterioration in the relatively stable and predictable UK regulatory and political environment, including any sudden changes of policy, or interventions outside established regulatory frameworks. | Positive and transparent engagement with all appropriate stakeholders to ensure that long-term regulatory stability and political consensus is maintained and public backing is secured for the necessary investment in the UK energy system. Providing stakeholders with evidence of the risks of ad hoc intervention in markets. |
| A major health and safety incident in the course of operations could impact staff, contractors, communities or the environment. | ScottishPower's Health and Safety function provides specialist services and support for the businesses in relation to health and safety. A comprehensive framework of health and safety policy and procedures, alongside audit programmes, is established throughout ScottishPower, which aims to ensure not only continuing legal compliance but also to drive towards best practice in all levels of health and safety operations. |
| Breach in cyber security and unwanted infiltration of ScottishPower's IT infrastructure by internal and external parties. | Implementation of a cyber-risk policy which provides the framework for mitigation. Proactive approach to identifying where ScottishPower is vulnerable and addressing these points through technical solutions. Educating company employees and contractors as to how behaviour can reduce this risk. Embedding cyber security in all projects where appropriate. |

The principal risks and uncertainties of the Renewables business, and so that of the company (other than those specific to the emergence and spread of Coronavirus (COVID-19) and Brexit), that may impact current and future operational and financial performance and the management of these risks are described below:

| RENEWABLES | |
|---|---|
| RISK | RESPONSE |
| The potential for plant performance issues reducing availability. | Proactive technical assessments and monitoring of key risk areas associated with wind turbine performance, diversification of the service and maintenance model where reliance is placed on framework agreement for key activities, optimising service and maintenance activities to ensure each activity is appropriate based on operational knowledge. In addition, co-ordination with the procurement team in negotiating terms and conditions with turbine suppliers and independent operations and maintenance service providers to ensure plant performance is optimised. |

SCOTTISHPOWER RENEWABLES (WODS) LIMITED

STRATEGIC REPORT *continued*

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

Emergence and spread of Coronavirus (COVID-19)

On 11 March 2020, the World Health Organization declared the outbreak of Coronavirus COVID-19 a pandemic, due to its rapid spread throughout the world, having affected more than 110 countries at that time. Most global governments are taking restrictive measures to contain the spread of the virus, including: isolation, quarantine, restricting the free movement of people, closure of public and private premises (except those of basic necessity and health), closure of borders and a significant reduction in air, sea, rail and land transport.

In the UK, the UK and devolved Governments have put in place various measures culminating on 23 March 2020, a 'lockdown' was announced, requiring all citizens to stay at home (with a few specific exceptions) for a number of weeks. Following the slow release of the full lockdown, some level of restriction is expected to be in place for a significant part of 2020. Also, temporary emergency legislation, the Coronavirus Act 2020 ("The Act") received Royal Assent on 25 March 2020. This Act (and other similar acts approved by the devolved governments) provide powers needed to respond to the current coronavirus pandemic, including containing and slowing the virus and enhancing capacity and the flexible deployment of staff.

ScottishPower's structural response to the issues arising from the pandemic and the associated lockdown was to invoke the existing Business Continuity command structure to provide strategic direction and make key policy decisions during the affected period. This team is referred to as 'Gold Command' and consists of the ScottishPower Management Committee. This is supported by teams consisting of senior management pertinent to each business division to make decisions at an operational level. These teams are referred to as the 'Silver groups'.

The COVID-19 principal risks considered relevant for ScottishPower, the Renewables business, and therefore the company, are set out below.

| SCOTTISHPOWER – CORONAVIRUS (COVID-19) RISKS | |
|---|---|
| RISK | RESPONSE |
| The impact of the pandemic increases the risk of the Renewables business not being able to meet its operational obligations as a renewable generator. | Business continuity plans enacted with 'Gold Command'; making strategic decisions and determining priorities across the group. This is underpinned by 'Silver groups' specific to each division at an operational level to ensure continuity of decisions and communications. This ensures consistency in prioritising key issues and timely and efficient escalation of matter to the appropriate level of management. This will make sure key issues are prioritised to facilitate a focus on those issues which might impact the obligations of ScottishPower. |
| Impacts arising from the pandemic from market reactions to events. These impacts could include movements in the value of Sterling and other financial instruments. The pandemic is likely to have longer term economic impacts on ScottishPower and in the political and regulatory environment in which it operates. | In addition to monitoring ongoing developments related to the pandemic the treasury risk management policy is in place to hedge financial risks which are the most prevalent in the short term. Any longer term impact on the UK economy and its impact on ScottishPower and specific business units will be managed in line with developments. Risks arising from the pandemic are being monitored and managed across ScottishPower with oversight from the ScottishPower Management Committee. |

SCOTTISHPOWER RENEWABLES (WODS) LIMITED

STRATEGIC REPORT *continued*

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

| SCOTTISHPOWER – CORONAVIRUS (COVID-19) RISKS <i>continued</i> | |
|--|---|
| RISK | RESPONSE |
| <p>The UK Government response to minimising the impact of the pandemic on the population, has restricted the flow of physical goods and equipment in addition to restricting the mobility of labour. This is likely to result in a degree of supply chain interruption due to a lack of appropriate labour levels and delays to the receipt of products and equipment. This may affect different areas of ScottishPower in a number of ways.</p> <p>In the case of Renewables, the operational maintenance of existing assets and the construction of new assets may be impeded.</p> | <p>Supply chain monitoring groups have been established across all business divisions to identify early shortages and gaps in the supply chain in terms of products, equipment and labour. This has been supplemented by emergency procurement procedures to expedite orders for replacements, utilising the framework agreements ScottishPower already has in place. Notification has been provided to sub-contractors highlighting their importance in the provision of essential services such that appropriate levels of labour are maintained within the UK and devolved Governments' social distancing guidelines.</p> <p>Contractual protection has also been utilised e.g. force majeure notices, such that ScottishPower is not penalised for the late delivery of projects.</p> |

Notwithstanding the above, the principal activity of the company (the generation of energy), is providing essential services to the UK; therefore, the company's business will continue and is expected to operate throughout this crisis period without significant disruption.

Whilst acknowledging the risks faced by ScottishPower, the Renewables business and so the company, COVID-19 is not deemed to impact the conclusions that the company will continue as a going concern. In respect of the impact on these Accounts, the Financial Reporting Council ("FRC") confirmed that COVID-19 is a non-adjusting post balance sheet event and any potential impacts on accounts, balances or assumptions are disclosed within Note 22 on page 30.

UK decision to leave the EU (Brexit)

On 31 January 2020 the UK left the European Union ("EU"). However, all EU laws will remain in force in the UK until 31 December 2020 when the transition period is scheduled to expire. A cross-business working group will continue to coordinate ScottishPower's preparations to mitigate the impact on ScottishPower, and therefore the company, of any pre and post-Brexit outcomes as they become clearer. The key risks considered relevant to ScottishPower, and therefore the company, are detailed in the latest version of the Annual Report and Accounts of SPL. The directors of the company confirm that there has been no material change to these risks as at the date of approval of these Accounts.

ENGAGING WITH STAKEHOLDERS

References to "ScottishPower" apply fully to the Renewables business, and therefore to the company.

The importance of engaging with stakeholders

As part of the Iberdrola Group, ScottishPower is developing a responsible and sustainable energy model which focuses on the wellbeing of people, the protection of the environment and the economic and social progress in the communities in which ScottishPower operates. ScottishPower strongly believes that effective and meaningful engagement with stakeholders and employees is key to promoting its success.

Meaningful engagement with these stakeholder groups supports the ethos of Section 172 of the Companies Act 2006 which states that directors should have regard to stakeholder interests when discharging their duty to promote, in good faith, the success of the company for the benefit of its members as a whole. Details of how the Renewables business, and so the company, engages with its stakeholders, and how these activities influence the company's operations, are set out below.

SCOTTISHPOWER RENEWABLES (WODS) LIMITED

STRATEGIC REPORT *continued*

ENGAGING WITH STAKEHOLDERS *continued*

Key stakeholders

ScottishPower, and therefore Renewables and the company, has four key stakeholder categories:



Behind these stakeholders are millions of people, and thousands of institutions, organisations and groups. All of them, with their decisions and opinions, which influence ScottishPower, the Renewables business and so the company, and are also affected by their activities. In addition, these stakeholders interact with each other, creating a universe of relationships that ScottishPower needs to manage in order to achieve a better understanding of its operating environment and to deliver a more sustainable performance across its activities.

Shareholders also remain important to the company and ScottishPower. All shareholder management activities are carried out on its behalf by its ultimate parent company, Iberdrola, which is listed on the Madrid Stock exchange. Iberdrola is committed to dialogue, proximity and actions in favour of shareholders. Iberdrola is one of the first companies in the world, to formalise a Shareholder Engagement Policy focusing upon two-way interaction with the shareholders in order to forge a sense of belonging and to encourage their engagement in the corporate life of Iberdrola. Iberdrola's Shareholder Engagement Policy is published at <https://www.iberdrola.com/corporate-governance/corporate-governance-system/corporatepolicies/shareholder-engagement-policy>.

ENERGY CUSTOMERS

The company's key customer is ScottishPower Energy Retail Limited ("SPERL") to whom it provides energy and related services. The success of the company depends on continuous engagement to understand and provide for the needs of SPERL.

GOVERNMENT AND REGULATORS

Governments and regulators play a central role in shaping the energy sector. ScottishPower engages with them both directly and through trade associations, responding to issues of concern and providing expertise to support policy development around topics such as decarbonisation, market competition, price controls and protection of vulnerable consumers. Through this engagement ScottishPower aims to contribute to the delivery of a UK energy system that functions in the interests of customers now and in the future, including achievement of long-term carbon targets.

SUPPLIERS AND CONTRACTORS

As part of ScottishPower's mission for a better future, quicker ScottishPower is always looking for new suppliers and contractors and also for ways it can improve working relationships with ScottishPower's existing suppliers and contractors. ScottishPower has a broad and diverse supply chain with over 3,000 suppliers and during 2019 was awarded contracts with a cumulative value of around £1.5 billion. Suppliers have a key role to play in the delivery of ScottishPower projects and services that ScottishPower is undertaking to deliver a low carbon future for the UK. ScottishPower aims to develop and maintain strong relationships across the supply base with a focus on Health and Safety, quality and cost. ScottishPower expects suppliers to operate to a high standard including working in an ethical and sustainable manner and has a range of policies that all suppliers must adhere to including ScottishPower's Code of Ethics.

Engaging proactively with ScottishPower's supply chain is key in ensuring positive outcomes for both ScottishPower and its suppliers, and ScottishPower seeks to engage specifically with suppliers through a variety of methods including business update sessions focused on the supply chain, participation at trade fairs and the ScottishPower Supplier Awards which recognise excellence in the supply chain along with giving a wide range of suppliers the opportunity to interact with both the procurement team and other ScottishPower employees.

Health and Safety

The company has a clear strategy to continue to improve health and safety performance using ScottishPower health and safety standards. A more extensive description of how ScottishPower, and therefore the company, addresses health and safety requirements can be found in the most recent Annual Report and Accounts of SPL.

SCOTTISHPOWER RENEWABLES (WODS) LIMITED

STRATEGIC REPORT *continued*

ENGAGING WITH STAKEHOLDERS *continued*

COMMUNITY AND ENVIRONMENT

The community

Building the trust of communities has been at the heart of ScottishPower's activities for many years. ScottishPower has a significant presence in many communities and it aims to conduct activities responsibly, in ways that are considerate to local communities and make a positive contribution to society. Engaging with these communities, as key stakeholders, is therefore an essential aspect to delivering its objectives, through sharing knowledge and information to help ScottishPower make informed decisions.

Community consultation

ScottishPower engages with communities across all operations, where both new and modernisation developments are planned, or where ScottishPower is decommissioning redundant or non-operational assets. The key areas where the Renewables business interacts with the community include the siting of new facilities such as wind farms, decommissioning older plant and routine maintenance and upkeep work. ScottishPower takes a proactive approach to providing good and accurate information, from pre-planning through to completion.

ScottishPower maintains strong relationships with local communities by working with community groups, elected representatives, interest groups and individuals, in order to ensure that those who may be affected by ScottishPower's work are aware of what is happening in their area in advance, and thus allowing communities to have their say.

A variety of methods of consultation are used to keep in touch with the needs and concerns of communities potentially affected. ScottishPower's community consultation processes include representation at community meetings, presentations and forums such as public information days and the publication of information on the ScottishPower website and social media outlets. ScottishPower's facilities host visits from community groups, maintain a number of visitor centres and run Local Liaison Committees which provide a forum for discussion between local management teams and community representatives.

As many of ScottishPower's assets, such as wind farms, are situated on land that ScottishPower does not own, it is important that effective policies are in place to ensure that the safety and integrity of the plant is maintained, while respecting the needs of the landowner, the local community and the general public.

Renewables focuses activities on the communities near to new wind farm developments, with specialist teams who deal with planning and community liaison. Relationships are established with a variety of local stakeholders including local authorities, local councillors, local Members of Parliament, industry groups and other interested parties in the area. This ensures that they are kept up to date with development plans and progress throughout all stages of the project and that they have every opportunity to engage in the consultation process. ScottishPower is mindful that it will be operating in the area for many years and its aim is to ensure that ScottishPower is a trusted neighbour working alongside the communities in which its assets are situated.

Investing in the community

ScottishPower has a long track record of supporting communities not only financially, but also by sharing its resources and the skills of employees. ScottishPower promotes payroll giving and encourage employee development through volunteering and community-based programmes. ScottishPower aims, where possible, to create opportunities for local employment during construction and operations, through events such as "Meet the Developer" days where local contractors are invited to find out about opportunities at ScottishPower facilities. ScottishPower works closely with the UK Government and devolved administrations to develop policy on community engagement and benefit, and to ensure that ScottishPower adheres to all voluntary codes of good practice. Further details of ScottishPower investing in the community can be found in the most recent Annual Report and Accounts of SPL.

The Environment

ScottishPower is working to minimise its carbon footprint through environmental management systems, which align with the UN Sustainable Development Goals ("SDGs"). ScottishPower has formal Environmental Management Systems ("EMS"), certified to International Standard 14001:2015, and managed by its operational businesses. At a corporate level, ScottishPower has an Integrated EMS ("IEMS") which was subject to a successful external surveillance audit in June 2019. ScottishPower is committed to reducing its environmental footprint by:

- reducing emissions to air, land and water, and preventing environmental harm;
- cutting waste and encouraging re-use and recycling;
- protecting natural habitats and restoring biodiversity;
- minimising energy consumption and use of natural and man-made resources; and
- sourcing material resources responsibly.

SCOTTISHPOWER RENEWABLES (WODS) LIMITED

STRATEGIC REPORT *continued*

ENGAGING WITH STAKEHOLDERS *continued*

In the Renewables division, ScottishPower recognises the importance of biological diversity and cultural heritage, and respecting natural resources in order to enhance the environment. For example, Renewables has implemented habitat management plans (covering over 9,000 hectares of land) and committed to over 200 ecological activities in relation to onshore wind farms, the majority of which concern the restoration of degraded habitat, creation of native woodlands and species monitoring. In addition, ScottishPower is supporting and implementing research in partnership with a wide range of bodies such as collaboration with Royal Society for Protection of Birds to support nationally important bird species including black grouse and the short eared owl.

Sustainability

The fight against climate change and respect for the environment lie at the heart of both Iberdrola's and ScottishPower's Sustainable Energy Business Model. This focuses upon working to achieve sustainable development by integrating the Sustainable Development Goals 2030 Agenda into strategy and operations. Across the Iberdrola group, the General Sustainable Development Policy states the strategic pillars which align with the UN SDGs. Therefore, ScottishPower's focus is on working in partnerships and collaborations to deliver:

- more and smarter networks;
- more and smarter clean electricity generation;
- more and smarter energy storage; and
- more and smarter customer solutions.

ScottishPower's contributions to the SDGs map accordingly to each of the 17 Global Goals. Iberdrola's Sustainability Report gives a more in-depth picture of these impacts at a global and UK level. It describes the programme of leadership, investment and innovation in delivering sustainable outcomes with a strong focus in contributing to the decarbonisation of energy (SDG 7) and climate action (SDG 13). This is evidenced by ScottishPower's commitment to renewable generation, low carbon technologies such as electric transport, and a smarter electricity infrastructure to enable a low carbon future.

Furthermore, ScottishPower's achievements in successfully influencing employee engagement and behaviour change were recognised in winning EDIE's Sustainability Leaders Award in February 2019. In 2020 and beyond, ScottishPower will continue to build upon Iberdrola's commitment to become carbon neutral by 2050, alongside objectives approved by the independent experts in the Science Based Target Initiative (March 2019). ScottishPower's focus in 2020 will be to establish associated targets and actions specifically aimed at ScottishPower's ambitions in environmental leadership and tackling climate change.

MODERN SLAVERY STATEMENT

ScottishPower is committed to human and labour rights and to eliminating modern slavery that could in any way be connected to its business. ScottishPower welcomed the introduction of the Modern Slavery Act 2015 and ScottishPower published its own Modern Slavery Statement, which was approved by the board of SPL. This statement is published on the ScottishPower website at: www.scottishpower.com/pages/scottishpowers_modern_slavery_statement.aspx.

SECTION 172 STATEMENT

Statement by the directors in performance of their statutory duties in accordance with section 172 of the Companies Act 2006

The Companies (Miscellaneous) Reporting Regulations 2018 introduced a new statutory reporting requirement for financial reporting years beginning on or after 1 January 2019. As a result, the directors of ScottishPower Renewables (WODS) Limited are required to give a statement which describes how the directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 when discharging their duty under that section.

The directors acknowledge and understand their duties and responsibilities, including that, under section 172 of the Companies Act 2006, a director of a company must act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a) the likely consequences of any decision in the long-term;
- b) the interests of the company's employees;
- c) the need to foster the company's business relationships with suppliers, customers and others;
- d) the impact of the company's operations on the community and the environment;
- e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly as between members of the company.

SCOTTISHPOWER RENEWABLES (WODS) LIMITED

STRATEGIC REPORT *continued*

SECTION 172 STATEMENT *continued*

The delivery of the strategy of the Renewables business (headed by ScottishPower Renewable Energy Limited) of which the company is a member requires the Renewables business to conduct business in a manner benefitting customers through balancing cost and risk while delivering shareholder value and protecting the performance and reputation of the Renewables business by prudently managing risks inherent in the business. In carrying out this strategy, the directors' duties under section 172 of the Companies Act 2006 have been considered.

The directors strongly believe that effective and meaningful engagement with stakeholders is key to promoting the success of the company. Details of the key stakeholders of the Renewables business, and therefore the company, and how they engage with them are as follows:

- **Customers:** details of how the Renewables business engages with its customers are explained in the 'Energy customers' sub-section of the Strategic Report, on page 5.
- **Communities and the environment:** details of how the Renewables business engages with communities are set out in the 'Community and environment' sub-section of the Strategic Report, on page 6.
- **Suppliers:** details of how the Renewables business engages with its suppliers are set out in the 'Suppliers and contractors' sub-section of the Strategic Report, on page 5.
- **Government and regulators:** details of how the Renewables business engages with governments and regulators are set out in the 'Government and regulators' sub-section of the Strategic Report, on page 5.

In addition, a statement in relation to the company's interaction with its shareholders is described in the introduction to the 'Engaging with stakeholders' section of the Strategic Report on page 4.

The directors, both individually and together as the board of ScottishPower Renewables (WODS) Limited ("the Board"), consider that the decisions taken during the year ended 31 December 2019 in discharging the function of the Board were in conformance with their duty under section 172 of the Companies Act 2006.

The Board are assisted in considering key stakeholders as part of the decision-making process by including stakeholder considerations in board papers as appropriate, and board papers are carefully reviewed and considered by all directors.

ON BEHALF OF THE BOARD



Heather Chalmers White
Director

16 June 2020

SCOTTISHPOWER RENEWABLES (WODS) LIMITED

DIRECTORS' REPORT

The directors present their report and audited Accounts for the year ended 31 December 2019.

INFORMATION CONTAINED WITHIN THE STRATEGIC REPORT

The directors have chosen to disclose information on the following, required by the Companies Act 2006 to be included in the Directors' Report, within the Strategic Report, found on pages 1 to 8:

- information on financial risk management and policies; and
- information regarding future developments of the business.

RESULTS AND DIVIDEND

The net profit for the year was £51.2 million (2018 £44.2 million). A dividend of £69.3 million was paid during the year (2018 £35.0 million).

DIRECTORS

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

| | |
|------------------------|------------------------------|
| Heather Chalmers White | (appointed 15 February 2019) |
| Jonathan Cole | |
| Victor Rey Romero | |
| Roy Scott | (resigned 31 January 2019) |

As at the date of this report, there have been no changes to the composition of the Board since the year end.

DIRECTORS INDEMNITY

In terms of the company's Articles of Association, a qualifying indemnity provision is in force for the benefit of all the directors of the company and of associated companies and has been in force during the financial year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

The directors are responsible for preparing the Annual Report and Accounts, including a Strategic Report and Directors' Report, in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (Generally Accepted Accounting Practice), including Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101").

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 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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
DIRECTORS' REPORT *continued*

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS *continued*

The directors are responsible for the maintenance and integrity of the corporate and financial information relating to the company that is included on the ScottishPower website. Legislation in the UK governing the preparation and dissemination of the financial statements differ from legislation in other jurisdictions.

Disclosure of information to auditor

Each of the directors in office as at the date of this Annual Report and Accounts confirms that:

- so far as he or she is aware, there is no relevant audit information of which the company's auditor is unaware; and;
- he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

AUDITOR

KPMG LLP were re-appointed as auditor of the company for the year ended 31 December 2019.

ON BEHALF OF THE BOARD



Heather Chalmers White
Director

16 June 2020

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

Opinion

We have audited the financial statements of ScottishPower Renewables (WODS) Limited ("the company") for the year ended 31 December 2019 which comprise the Balance Sheet, Income Statement and Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement, and related notes, including the accounting policies in Note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

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

Directors' responsibilities

As explained more fully in their statement set out on pages 9 and 10, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at: www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



**Andrew Williamson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

319 St. Vincent Street

Glasgow

G2 5AS

16 June 2020

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
BALANCE SHEET
at 31 December 2019

| | Notes | 2019 £m | 2018 £m |
|---|-------|--------------|--------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 3 | 510.5 | 527.8 |
| Right-of-use assets | 4 | 9.9 | - |
| Investment in jointly controlled entity | 5 | - | - |
| NON-CURRENT ASSETS | | 520.4 | 527.8 |
| CURRENT ASSETS | | | |
| Trade and other receivables | 6 | 71.3 | 62.8 |
| Cash | | 3.2 | 3.4 |
| CURRENT ASSETS | | 74.5 | 66.2 |
| TOTAL ASSETS | | 594.9 | 594.0 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Of shareholders of the parent | | 197.8 | 215.9 |
| Share capital | 7, 8 | 160.0 | 160.0 |
| Retained earnings | 8 | 37.8 | 55.9 |
| TOTAL EQUITY | | 197.8 | 215.9 |
| NON-CURRENT LIABILITIES | | | |
| Provisions | 9 | 51.4 | 43.4 |
| Loans and other borrowings | 10 | 200.0 | 200.0 |
| Lease liabilities | 4 | 9.3 | - |
| Trade and other payables | 11 | 0.4 | - |
| Deferred tax liabilities | 12 | 44.6 | 42.3 |
| NON-CURRENT LIABILITIES | | 305.7 | 285.7 |
| CURRENT LIABILITIES | | | |
| Provisions | 9 | - | 0.2 |
| Loans and other borrowings | 10 | 71.7 | 79.1 |
| Lease liabilities | 4 | 0.8 | - |
| Trade and other payables | 11 | 8.7 | 6.0 |
| Current tax liabilities | | 10.2 | 7.1 |
| CURRENT LIABILITIES | | 91.4 | 92.4 |
| TOTAL LIABILITIES | | 397.1 | 378.1 |
| TOTAL EQUITY AND LIABILITIES | | 594.9 | 594.0 |

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Approved by the Board on and signed on its behalf on June 2020.

Heather Chalmers White
Director

The accompanying Notes 1 to 22 are an integral part of the balance sheet at 31 December 2019.

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019

| | Notes | 2019 £m | 2018 £m |
|---|-------|---------------|------------|
| Revenue | | 126.6 | 116.3 |
| Procurements | | (12.5) | (10.2) |
| GROSS MARGIN | | 114.1 | 106.1 |
| Net external expenses | | (14.5) | (16.2) |
| External services | | (16.5) | (16.9) |
| Other operating income | | 2.0 | 0.7 |
| Taxes other than income tax | | - | (0.1) |
| GROSS OPERATING PROFIT | | 99.6 | 89.8 |
| Impairment losses on trade and other receivables | | (0.1) | - |
| Depreciation and amortisation charge, allowances and provisions | 14 | (27.5) | (27.1) |
| OPERATING PROFIT | | 72.0 | 62.7 |
| Finance costs | 15 | (8.3) | (8.2) |
| PROFIT BEFORE TAX | | 63.7 | 54.5 |
| Income tax | 16 | (12.5) | (10.3) |
| NET PROFIT FOR THE YEAR | | 51.2 | 44.2 |

Net profit for both years comprises total comprehensive income.

Net profit for both years is wholly attributable to the equity holder of ScottishPower Renewables (WODS) Limited.

All results relate to continuing operations.

The accompanying Notes 1 to 22 are an integral part of the income statement and statement of comprehensive income for the year ended 31 December 2019.

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

| | Share capital £m | Retained earnings £m | Total equity £m |
|---|------------------------|----------------------------|-----------------------|
| At 1 January 2018 | 160.0 | 46.7 | 206.7 |
| Total comprehensive income for the year | - | 44.2 | 44.2 |
| Dividends | - | (35.0) | (35.0) |
| At 1 January 2019 | 160.0 | 55.9 | 215.9 |
| Total comprehensive income for the year | - | 51.2 | 51.2 |
| Dividends | - | (69.3) | (69.3) |
| At 31 December 2019 | 160.0 | 37.8 | 197.8 |

The accompanying Notes 1 to 22 are an integral part of the statement of changes in equity for the year ended 31 December 2019.

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
CASH FLOW STATEMENT
for the year ended 31 December 2019

| | 2019 £m | 2018 £m |
|--|---------------|---------------|
| Cash flows from operating activities | | |
| Profit before tax | 63.7 | 54.5 |
| Adjustments for: | | |
| Depreciation | 27.5 | 27.1 |
| Change in provisions | (0.2) | (1.6) |
| Finance costs | 8.3 | 8.2 |
| Changes in working capital: | | |
| Change in trade and other receivables | (8.6) | 2.3 |
| Change in trade and other payables | 3.5 | (1.7) |
| Provisions paid | - | (0.7) |
| Income taxes paid | (7.1) | (4.6) |
| Net cash flows from operating activities (i) | 87.1 | 83.5 |
| Cash flows from investing activities | | |
| Investments in property, plant and equipment | (2.4) | (1.0) |
| Net cash flows from investing activities (ii) | (2.4) | (1.0) |
| Cash flows from financing activities | | |
| Decrease in amounts due to Iberdrola group companies - current loans payable | (7.4) | (33.6) |
| Dividends paid | (69.3) | (35.0) |
| Interest paid | (7.9) | (12.9) |
| Payments of lease liabilities | (0.3) | - |
| Net cash flows from financing activities (iii) | (84.9) | (81.5) |
| Net (decrease)/increase in cash and cash equivalents (i)+(ii)+(iii) | (0.2) | 1.0 |
| Cash and cash equivalents at beginning of year | 3.4 | 2.4 |
| Cash and cash equivalents at end of year | 3.2 | 3.4 |
| Cash and cash equivalents at end of year comprises: | | |
| Cash | 3.2 | 3.4 |
| Cash flow statement cash and cash equivalents | 3.2 | 3.4 |

The accompanying Notes 1 to 22 are an integral part of the cash flow statement for the year ended 31 December 2019.

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
NOTES TO ACCOUNTS
31 December 2019

1 BASIS OF PREPARATION

A. COMPANY INFORMATION

ScottishPower Renewables (WODS) Limited, registered company number SC374288, is a private company limited by shares, incorporated in Scotland and its registered address is 320 St. Vincent Street, Glasgow, G2 5AD.

B. BASIS OF PREPARATION OF THE ACCOUNTS

The company is required by law to prepare Accounts and to deliver them to the Registrar of Companies. The Accounts are prepared in accordance with the Accounting Policies set out in Note 2. Monetary amounts are presented in pounds Sterling and are rounded to the nearest hundred thousand unless otherwise indicated. The Accounts are prepared on the historical cost basis apart from certain financial instruments which are measured at fair value.

The Accounts contain information about ScottishPower Renewables (WODS) Limited as an individual company and do not contain consolidated financial information as an investor in a joint venture. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated Accounts as it and its joint venture are included by full consolidation in the consolidated Accounts of its ultimate parent, Iberdrola, S.A.

The Accounts have been prepared in accordance with FRS 101. In preparing these financial statements, the company has applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards ("IFRS"), as adopted by the EU as at the date of approval of these Accounts and which are mandatory for the financial year ended 31 December 2019 ("IFRS as adopted by the EU") but has made amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantages of the FRS 101 disclosure exemptions have been taken.

In the transition to FRS 101 from IFRS as adopted by the EU, the company has made no measurement and recognition adjustments.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- reconciliation of movements of liabilities to cash flows arising from financing activities;
- certain disclosures regarding revenue;
- comparative period reconciliations for property, plant and equipment;
- disclosures in respect of transactions with wholly owned subsidiaries of Iberdrola, S.A.;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs pronouncements; and
- disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of Iberdrola, S.A. include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures'.

C. IMPACT OF NEW IFRS

In preparing these Accounts, the company has applied all relevant International Accounting Standards ("IAS"), IFRS and International Financial Reporting Interpretations Committee ("IFRIC") collectively referred to as IFRS that have been adopted by the EU as of the date of approval of these Accounts and that are mandatory for the financial year ended 31 December 2019.

For the year ended 31 December 2019, the company has applied the following standards and amendments for the first time:

| Standard | Notes |
|---|--------------|
| • IFRS 16 'Leases' | (a) |
| • IFRIC 23 'Uncertainty over Income Tax Treatments' | (b) |
| • Amendments to IFRS 9 'Financial Instruments: Prepayment Features with Negative Compensation' | (b) |
| • Amendments to IAS 28 'Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures' | (b) |
| • Annual Improvements to IFRS Standards 2015-2017 Cycle | (b) |
| • Amendments to IAS 19 'Employee Benefits: Plan Amendment, Curtailment or Settlement' | (b) |

(a) Refer to Note 1C1 for further information.

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

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2019

1 BASIS OF PREPARATION *continued*

C. IMPACT OF NEW IFRS *continued*

C1. EFFECT OF INITIAL APPLICATION OF IFRS 16

The company applied IFRS 16 'Leases' ("IFRS 16") with a date of initial application of 1 January 2019. The company applied IFRS 16 using the modified retrospective approach; under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17 'Leases' ("IAS 17") and IFRIC 4 'Determining Whether an Arrangement Contains a Lease' ("IFRIC 4"). The details of the resultant changes in the company's accounting policy for lease contracts are disclosed below.

Previously the company determined at contract inception whether an arrangement was, or contained, a lease under IFRIC 4. Under IFRS 16, the company assesses whether a contract is, or contains, a lease based on the definition of a lease, as explained in Note 2D1. On transition to IFRS 16, the company reassessed all of its existing contracts to determine whether each contract is, or contains, a lease applying the requirements of IFRS 16.

Lessee

As a lessee, the company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the company. Under IFRS 16, the company recognises right-of-use assets and lease liabilities for leases i.e. these leases are on-balance sheet.

The company decided to apply the recognition exemption to certain short-term leases. For leases of all assets which were classified as operating under IAS 17, the company has recognised right-of-use assets and lease liabilities. On initial application of IFRS 16, lease liabilities have been measured at the present value of the remaining lease payments and discounted at the company's incremental borrowing rate as at 1 January 2019.

Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application.

When applying IFRS 16 to leases previously classified as operating leases under IAS 17, the company did not apply any practical expedients at the date of initial application.

On transition to IFRS 16, the company recognised £10.4 million of right-of-use assets and £10.4 million of lease liabilities. When measuring lease liabilities, the company discounted lease payments using its incremental borrowing rate at 1 January 2019. The discount rates used to calculate the below pertaining to Sterling was in the range of 4.91% to 4.93%.

| | £m |
|---|-------------|
| Operating lease commitment at 31 December 2018 (discounted using interest rate at lease commencement) (as disclosed in Note 4(b)) | 11.9 |
| Operating lease commitment at 31 December 2018 (discounted using the incremental borrowing rate at 1 January 2019) | 10.4 |
| Lease liabilities recognised at 1 January 2019 | 10.4 |

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES

In determining and applying accounting policies, judgement is often required in respect of items which have a significant effect on the reported amounts of assets, liabilities, income and expenses recognised in the financial statements, other than those involving estimates; the company has no such judgements. At 31 December 2019, assumptions made about the future and other major sources of estimation uncertainty which have significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities in the next financial year relate to decommissioning costs (refer to Note 2G and Note 9).

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2019

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

The principal accounting policies applied in preparing the company's Accounts are set out below:

- A. REVENUE
- B. PROCUREMENTS
- C. PROPERTY, PLANT AND EQUIPMENT
- D. LEASED ASSETS
- E. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT
- F. FINANCIAL INSTRUMENTS
- G. DECOMMISSIONING COSTS
- H. TAXATION
- I. FOREIGN CURRENCIES

A. REVENUE

The company recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods and services. All revenue is earned wholly within the UK and is wholly attributable to the principal activity of the company.

The supply of electricity is a performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits of the company's performance obligations at the same time as it supplies electricity. Volume is used to measure progress towards complete satisfaction of the performance obligation as this represents the transfer of electricity to the customer. Revenue is therefore recognised based on the number of units supplied at the unit rate specified in the contract. Units are based on energy volumes that can be sold on the wholesale market and are recorded on wind farm meters and industry-wide trading and settlement systems.

The supply of Renewable Obligation Certificates ("ROCs") is a performance obligation satisfied at a point in time. Revenue is recognised at the point the customer obtains control of the ROC, which is when the associated electricity is generated, at the unit rate specified in the contract.

Other revenues are recognised based on the consideration specified in a contract with a customer, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur in the future. The company recognises revenue either at a specific point in time or over a period of time based on when control is transferred to the customer based on the performance obligations in the contract.

B. PROCUREMENTS

Procurements principally comprise the cost of electricity purchased during the year in relation to energy generation and related direct costs and services.

C. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost and is generally depreciated on a straight-line basis over the estimated operational lives of the assets. Property, plant and equipment includes capitalised employee costs, interest and other directly attributable costs. Borrowing costs directly attributable to the acquisition, construction or production of major qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets until such time as the assets are substantially ready for their intended use. Reviews of the estimated remaining lives and residual values of property, plant and equipment are undertaken annually. Residual values are assessed based on prices prevailing at each balance sheet date.

Land is not depreciated. The main depreciation periods used by the company are as set out below.

| | Years |
|-------------------------|--------------|
| Wind farms | 24 |
| Distribution facilities | 35 - 40 |

D. LEASED ASSETS

The company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately at Note 2D2 if they are different from those under IFRS 16 and the impact of the change in policy disclosed in Note 1C1.

SCOTTISHPOWER RENEWABLES (WODS) LIMITED

NOTES TO ACCOUNTS *continued*

31 December 2019

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

D. LEASED ASSETS *continued*

D1. POLICY APPLICABLE FROM 1 JANUARY 2019

A contract is, or contains a lease if, at its inception, the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company uses the definition of a lease in IFRS 16.

An identified asset will be specified explicitly or implicitly in the contract, and will be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.

A contract conveys the right to control the use of an identified asset if the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use and the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. Where this is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset or the customer designed the asset in a way that predetermines how and for what purposes it will be used.

The company has elected not to separate non-lease components and account for the lease and non-lease components in a contract as a single lease component.

D1.1 LESSEE

As a lessee, the company recognises a right-of-use asset at the lease commencement date measured initially at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date over the shorter of the useful life of the underlying asset or the lease term. The right-of-use asset is reduced by any impairment losses and adjusted for certain remeasurements of the lease liability. The company presents right-of-use assets within Non-current assets in the balance sheet and the depreciation charge is recorded within Depreciation, amortisation and provisions in the income statement.

The lease liability recognised at the lease commencement date is measured initially at the present value of the lease payments that are not paid at the commencement date. As the rates implicit in the leases cannot be readily determined, the liabilities are discounted using the company's incremental borrowing rate. Therefore, the lease liability is measured at amortised cost using the effective interest rate method. Lease payments included in the measurement of the lease liability comprise fixed payments (including in-substance fixed payments); variable lease payments that depend on an index or a rate initially measured using the index or rate as at the commencement date; lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless that company is reasonably certain not to terminate early.

The lease liability is remeasured when there is a change in the future lease payments arising from a change in the index or rate or if the company changes its assessment of whether it will exercise a purchase, extension or termination option. This change in the lease liability will result in a corresponding adjustment to the carrying amount of the right-of-use asset, or in profit or loss if the carrying amount of the right-of-use asset is zero.

The company presents lease liabilities separately in the balance sheet; the discount on the liabilities unwinds over the term of the lease and is charged to Finance costs in the income statement.

The company has elected not to recognise right-of-use assets and lease liabilities for certain short-term leases that have a lease term of twelve months or less and leases of intangible assets. The company recognises any lease payments associated with such leases as an expense on a straight-line basis over the lease term.

D2 POLICY APPLICABLE BEFORE 1 JANUARY 2019

For contracts entered into before 1 January 2019, the company determined whether the arrangement was, or contained a lease, based on an assessment of the substance of the arrangement at inception date and whether:

- fulfilment of the arrangement was dependent on the use of a specific asset(s); and
- the arrangement conveyed a right to use the asset(s) even if that right was not explicitly specified in the arrangement.

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2019

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

D. LEASED ASSETS *continued*

D2. POLICY APPLICABLE BEFORE 1 JANUARY 2019 *continued*

For arrangements entered into prior to 1 April 2004, the date of inception was deemed to be 1 April 2004 in accordance with the transitional requirements of IFRIC 4.

E. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

At each balance sheet date, the company reviews the carrying amount of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

F. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

F1 FINANCIAL ASSETS

F1.1 RECOGNITION AND INITIAL MEASUREMENT

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

Trade receivables are initially recognised when they originate. All other financial assets are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price determined under IFRS 15 'Revenue from Contracts with Customers' ("IFRS 15"). Other investments are valued at fair value at the balance sheet date except where it is not possible to obtain a fair value for unquoted investments in which case they are valued at cost and assessed for impairment

F1.2 CLASSIFICATION AND SUBSEQUENT MEASUREMENT

(a) Classification

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. These are expected to be infrequent and no other reclassifications are permitted.

The company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The business model of the company does not depend on the intentions of management for an individual instrument. Therefore, it is not an instrument-by-instrument classification approach and should be determined from a higher level of aggregation.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is referred to as the 'SPPI' test.

Trade receivables that do not contain a significant financing component and for which the company has applied the simplified Expected Credit Loss ("ECL") model are measured at the transaction price determined under IFRS 15.

(b) Subsequent measurement and gains and losses

Financial assets at amortised cost assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in the income statement. Any gain or loss on derecognition is recognised in the income statement.

(i) Derecognition

A financial asset (or, where applicable, a part of a financial asset) is primarily derecognised (i.e. removed from the company's balance sheet) when the rights to receive cash flows from the asset have expired.

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2019

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

F FINANCIAL INSTRUMENTS *continued*

F2 FINANCIAL LIABILITIES

F2.1 RECOGNITION AND INITIAL MEASUREMENT

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

F2.2 CLASSIFICATION AND SUBSEQUENT MEASUREMENT

Financial liabilities are classified as measured at amortised cost and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in the income statement. Any gain or loss on derecognition is also recognised in the income statement.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest method is included as Finance costs in the income statement.

(a) Derecognition

The company derecognises a financial liability when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

G. DECOMMISSIONING COSTS

Provision is made on a discounted basis for the estimated decommissioning costs of the company's wind farm. Capitalised decommissioning costs are depreciated over the useful lives of the related assets. The unwinding of the discount is included within Finance costs. The future estimated costs are based on the value of the costs at the balance sheet date, uplifted for inflation to the end of the useful economic life of the underlying asset and discounted.

Decommissioning costs are subject to a degree of estimation uncertainty as the costs of decommissioning are estimated at the balance sheet date and actual decommissioning will take place in the future. There is also uncertainty over the timing of when the actual decommissioning costs will be incurred. The key sources of estimation uncertainty relate to the estimated value of the costs at the balance sheet date and the discount rate. Sensitivity disclosures are set out in Note 9.

H. TAXATION

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

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

Deferred tax is calculated on a non-discounted basis at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax is charged to 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.

I. 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.

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2019

3 PROPERTY, PLANT AND EQUIPMENT

(a) Movements in property, plant and equipment in use

| | Wind power plants £m | Distribution facilities £m | Total £m |
|------------------------------------|----------------------------|----------------------------------|--------------|
| Year ended 31 December 2019 | | | |
| Cost: | | | |
| At 1 January 2019 | 647.4 | 0.5 | 647.9 |
| Additions | 9.7 | - | 9.7 |
| At 31 December 2019 | 657.1 | 0.5 | 657.6 |
| Depreciation: | | | |
| At 1 January 2019 | 120.0 | 0.1 | 120.1 |
| Depreciation for the year | 27.0 | - | 27.0 |
| At 31 December 2019 | 147.0 | 0.1 | 147.1 |
| Net book value: | | | |
| At 31 December 2019 | 510.1 | 0.4 | 510.5 |
| At 1 January 2019 | 527.4 | 0.4 | 527.8 |

(i) Included within the cost of property, plant and equipment is capitalised interest of £6.1 million (2018 £6.1 million).

(b) Capital commitments

| | 2020 £m | 2019 2021 £m | Total £m |
|-----------------------------|------------|--------------------|-------------|
| Contracted but not provided | 9.9 | - | 9.9 |

(i) There were no capital commitments at 31 December 2018.

4 LEASING

(a) Lessee

The company leases land. Information about leases for which the company is a lessee is presented below.

(i) Nature of leases

Land

The company holds agreements to lease land and for the assignment of rights to use land, primarily for operational assets, mainly a wind farm, with typical lease terms running up to 26 years. Certain agreements can be terminated with appropriate notice, generally up to twelve months.

Some leases contain variable lease payments that are based on the output from the wind farm. The payment terms are common for this type of lease. The fixed annual payments for the year were £0.8 million compared to variable payments made of £0.5 million. The company expects the relative proportions of fixed and variable lease payments to remain broadly consistent in future years.

Other information

The company has not committed to any leases that have not yet commenced. The company has no contracts containing residual value guarantee, no leases subject to significant restrictions or covenants and no sale and leaseback transactions.

(ii) Right-of-use assets

| | Land £m |
|--|------------|
| Year ended 31 December 2019 | |
| On transition to IFRS 16 at 1 January 2019 | 10.4 |
| Depreciation charge for the year | (0.5) |
| At 31 December 2019 | 9.9 |

(a) There are no right-of-use assets measured at revalued amounts.

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2019

4 LEASING *continued*

(a) Lessee *continued*

(iii) Lease liabilities

The following table sets out a maturity analysis of non-derivative lease liabilities, showing the undiscounted payments to be made after the reporting date.

| | 2019 |
|--|-------------|
| | £m |
| Less than one year | 0.8 |
| One to five years | 3.3 |
| More than five years | 11.5 |
| Total undiscounted lease liabilities at 31 December | 15.6 |
| Finance cost | (5.5) |
| Total discounted lease liabilities | 10.1 |

Analysis of total lease liabilities

| | |
|--------------|-------------|
| Non-current | 9.3 |
| Current | 0.8 |
| Total | 10.1 |

Details of ScottishPower's, and therefore the company's, management strategy for liquidity risks inherent in the company's lease liability can be found in the most recent Annual Report and Accounts of SPL.

(iv) Amounts recognised in the income statement

| | 2019 |
|---|-------------|
| | £m |
| Interest on lease liabilities | (0.5) |
| Variable lease payment not included in the measurement of lease liabilities | (0.5) |

(v) Amounts recognised in the cash flow statement

| | 2019 |
|--------------------------------------|--------------|
| | £m |
| Total cash outflow for leases | (1.3) |

Included in this amount is £0.3 million relating to payments of lease liabilities.

(b) Operating lease disclosures under IAS 17

| | 2018 |
|--|-------------|
| | £m |
| (i) Operating lease payments | |
| Minimum lease payments under operating leases recognised as an expense in the year | 0.8 |
| Contingent based operating lease rents recognised as an expense in the year | 0.4 |
| | 1.2 |

| | 2018 |
|--|-------------|
| | £m |
| (ii) Operating lease commitments | |
| The future minimum discounted lease payments under non-cancellable operating leases were as follows: | |
| Within one year | 0.8 |
| Between one and five years | 3.0 |
| More than five years | 8.1 |
| | 11.9 |

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2019

5 INVESTMENT IN JOINTLY CONTROLLED ENTITY

| Name | Principal activities | Country of incorporation | Equity interest in ordinary shares | |
|------------------------|-----------------------------------|--------------------------|------------------------------------|------|
| | | | 2019 | 2018 |
| Joint ventures | | | | |
| Morecambe Wind Limited | Provision of operational services | England and Wales | 50% | 50% |

- (a) The carrying value of the investment in Morecambe Wind Limited, which the company holds directly, is £3 (2018 £3).
(b) The registered office of the joint venture is 5 Howick Place, London, SW1P 1WG, England.

6 TRADE AND OTHER RECEIVABLES

| | Notes | 2019 £m | 2018 £m |
|--|----------|-------------|------------|
| Current receivables: | | | |
| Receivables due from Iberdrola group companies - trade | | 62.6 | 57.8 |
| Prepayments due from jointly controlled entities | | 0.5 | 0.9 |
| Trade receivables and accrued income | | 0.3 | 1.3 |
| Prepayments | | 6.9 | 2.3 |
| Other tax receivables | | 1.0 | 0.5 |
| | (a), (b) | 71.3 | 62.8 |

- (a) Trade and other receivables includes £62.9 million (2018 £59.1 million) of IFRS 15 receivables.
(b) Impairment losses of £0.1 million (2018 £nil) were recognised during the year on receivables arising from the company's contracts with customers.

7 SHARE CAPITAL

| | 2019 £m | 2018 £m |
|---|--------------|------------|
| Allotted, called up and fully paid shares: | | |
| 160,000,001 ordinary shares of £1 each (2018 160,000,001) | 160.0 | 160.0 |

- (a) Holders of these ordinary shares are entitled to dividends as declared from time to time; amounts on the capitalisation of profits and reserves; and notice and attendance at general meetings of the company, with every member entitled to one vote on a show of hands and on a poll one vote for every share held.

8 ANALYSIS OF MOVEMENTS IN EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE COMPANY

| | Share capital £m | Retained earnings (Note (a)) £m | Total £m |
|--|---------------------|---------------------------------------|--------------|
| At 1 January 2018 | 160.0 | 46.7 | 206.7 |
| Profit for the year attributable to equity holder of the company | - | 44.2 | 44.2 |
| Dividends | - | (35.0) | (35.0) |
| At 1 January 2019 | 160.0 | 55.9 | 215.9 |
| Profit for the year attributable to equity holder of the company | - | 51.2 | 51.2 |
| Dividends | - | (69.3) | (69.3) |
| At 31 December 2019 | 160.0 | 37.8 | 197.8 |

- (a) Retained earnings comprises the cumulative balance of profits and losses recognised in the financial statements as adjusted for transactions with shareholders.

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2019

9 PROVISIONS

| | | At 1 January 2018 | New provisions | Unwinding of discount | Utilised during year | Released during year | At 31 December 2018 |
|-----------------------------|-------|-------------------------|-------------------|-----------------------------|----------------------------|----------------------------|---------------------------|
| Year ended 31 December 2018 | Notes | £m | £m | £m | £m | £m | £m |
| Decommissioning | (a) | 42.8 | (0.1) | 0.7 | - | - | 43.4 |
| Offshore transmission asset | (b) | 2.5 | 0.2 | - | (0.7) | (1.8) | 0.2 |
| | | 45.3 | 0.1 | 0.7 | (0.7) | (1.8) | 43.6 |

| | | At 1 January 2019 | New provisions | Unwinding of discount | Released during year | At 31 December 2019 |
|-----------------------------|-------|-------------------------|-------------------|-----------------------------|----------------------------|---------------------------|
| Year ended 31 December 2019 | Notes | £m | £m | £m | £m | £m |
| Decommissioning | (a) | 43.4 | 7.3 | 0.7 | - | 51.4 |
| Offshore transmission asset | (b) | 0.2 | - | - | (0.2) | - |
| | | 43.6 | 7.3 | 0.7 | (0.2) | 51.4 |

- (a) The provision for decommissioning is the discounted future estimated costs of decommissioning the wind farm at the end of its operational life. The decommissioning of the wind farm is expected to begin in 2038. Had the estimated value of the costs at the balance sheet date been 10.0% higher or lower, this would have resulted in the decommissioning provision being £5.1 million higher and lower respectively. Had the discount rate been 0.25% higher or lower, this would have resulted in the decommissioning provision being £2.6 million lower and higher respectively. The reduction of £0.1 million in the provision in 2018 resulted from a reassessment of future estimated costs.
- (b) The provision for costs to complete the offshore transmission asset which was sold in 2015 was released during 2019.

| | 2019 £m | 2018 £m |
|-------------------------------------|------------|------------|
| Analysis of total provisions | | |
| Non-current | 51.4 | 43.4 |
| Current | - | 0.2 |
| | 51.4 | 43.6 |

10 LOANS AND OTHER BORROWINGS

Analysis of loans and other borrowings by instrument and maturity

| Instrument | Interest rate* | Maturity | 2019 £m | 2018 £m |
|--------------------------------------|----------------|------------------|------------|------------|
| Loans with Iberdrola group companies | Base + 1% | On demand | 71.7 | 79.1 |
| Loans with Iberdrola group companies | 3.05% | 20 December 2027 | 200.0 | 200.0 |
| | | | 271.7 | 279.1 |

*Base – Bank of England Base Rate

| | 2019 £m | 2018 £m |
|---|------------|------------|
| Analysis of total loans and other borrowings | | |
| Non-current | 200.0 | 200.0 |
| Current | 71.7 | 79.1 |
| | 271.7 | 279.1 |

11 TRADE AND OTHER PAYABLES

| | 2019 £m | 2018 £m |
|--|------------|------------|
| Current trade and other payables: | | |
| Payables due to Iberdrola group companies - interest | 1.1 | 1.5 |
| Payables due to jointly controlled entities - trade | 0.7 | 1.1 |
| Trade payables | 6.9 | 3.4 |
| | 8.7 | 6.0 |
| Non-current other payables: | | |
| Other payables | 0.4 | - |

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2019

12 DEFERRED TAX

| | Property, plant and equipment £m |
|--------------------------------|---|
| At 1 January 2018 | 38.9 |
| Charge to the income statement | 3.4 |
| At 1 January 2019 | 42.3 |
| Charge to the income statement | 2.3 |
| At 31 December 2019 | 44.6 |

- (a) At 31 December 2019 the company had unutilised capital losses of £4.6 million (2018 £4.6 million). No deferred tax asset has been recognised in the accounts due to the unpredictability of suitable future profit streams against which these losses may be utilised.
- (b) Legislation was previously enacted to reduce the rate of UK Corporation Tax to 17% on 1 April 2020. Accordingly, deferred tax balances have been measured at the 17% rate, this being the tax rate enacted at the balance sheet date and the rate temporary differences are expected to reverse. After 31 December 2019, further legislation has been substantively enacted on 17 March 2020 under the Provisional Collection of Taxes Act 1968 that maintains the 19% UK Corporation tax rate. The 19% rate will apply from 1 April 2020. This rate change would increase the 31 December 2019 deferred tax liability by £5.2 million.

13 EMPLOYEE INFORMATION

The company has no employees (2018 none). Details of directors' remuneration are set out in Note 19(b).

14 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

| | 2019 £m | 2018 £m |
|---|-------------|-------------|
| Property, plant and equipment depreciation charge | 27.0 | 27.1 |
| Right-of-use assets depreciation charge | 0.5 | - |
| | 27.5 | 27.1 |

15 FINANCE COSTS

| | 2019 £m | 2018 £m |
|--|------------|------------|
| Interest on amounts due to Iberdrola group companies | 7.0 | 7.5 |
| Unwinding of discount on provisions | 0.7 | 0.7 |
| Interest on lease liabilities | 0.5 | - |
| Foreign exchange losses | 0.1 | - |
| | 8.3 | 8.2 |

16 INCOME TAX

| | 2019 £m | 2018 £m |
|---|-------------|-------------|
| Current tax: | | |
| UK Corporation Tax charge on profits for the year | 10.2 | 7.1 |
| Adjustments in respect of prior years | - | (0.2) |
| Current tax for the year | 10.2 | 6.9 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 2.5 | 3.9 |
| Adjustments in respect of prior years | - | (0.1) |
| Impact of tax rate change | (0.2) | (0.4) |
| Deferred tax for the year | 2.3 | 3.4 |
| Income tax expense for the year | 12.5 | 10.3 |

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2019

16 INCOME TAX *continued*

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

| | 2019 | 2018 |
|---|-------------|-------------|
| | £m | £m |
| Corporation Tax at 19% (2018 19%) | 12.1 | 10.4 |
| Adjustments in respect of prior years | - | (0.3) |
| Impact of tax rate change | (0.2) | (0.4) |
| Non-deductible expenses and other permanent differences | 0.6 | 0.6 |
| Income tax expense for the year | 12.5 | 10.3 |

Legislation has been enacted to reduce the rate of UK Corporation tax to 17% on 1 April 2020. After 31 December 2019, further legislation has been substantively enacted on 17 March 2020 under the Provisional Collection of Taxes Act 1968 that maintains the 19% UK Corporation tax rate. The 19% rate will apply from 1 April 2020.

17 DIVIDENDS

| | 2019 | 2018 | 2019 | 2018 |
|-----------------------|--------------------------|--------------------------|------|------|
| | pence per ordinary share | pence per ordinary share | £m | £m |
| Interim dividend paid | 43.3 | 21.9 | 69.3 | 35.0 |

18 CONTINGENT LIABILITIES

As part of the exercise to achieve legal separation of the businesses of Scottish Power UK plc ("SPUK") pursuant to the provision of the Utilities Act 2000, the company and other subsidiary companies of SPUK provided guarantees to external lenders of SPUK for debt existing in that company at 1 October 2001. The value of debt guaranteed by these companies, which was still outstanding at 31 December 2019 was £1,052.2 million (2018 £1,044.7 million).

19 RELATED PARTY TRANSACTIONS

(a) Transactions and balances arising in the normal course of business (excluding wholly owned subsidiaries of Iberdrola, S.A.)

| | 2019 | 2018 |
|-----------------------------------|-----------------------------------|-----------------------------------|
| | Jointly controlled entities £m | Jointly controlled entities £m |
| Types of transaction | | |
| Sales and rendering of services | 0.5 | 1.8 |
| Purchases and receipt of services | (12.5) | (11.9) |
| Balances outstanding | | |
| Trade and other receivables | 0.5 | 0.9 |
| Trade and other payables | (0.7) | (1.1) |

(i) The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

(b) Directors' remuneration

The total remuneration of the directors that provided qualifying services to the company are shown below. As these directors are remunerated for their work for the Renewables business, it has not been possible to apportion the remuneration specifically in respect of services to this company. All four directors (2018 four) were remunerated by other companies within the Renewables business.

| | 2019 | 2018 |
|--|------|-------|
| | £000 | £000 |
| Aggregate remuneration in respect of qualifying services | 808 | 1,109 |
| Aggregate contributions payable to a defined contribution pension scheme | 29 | 27 |
| Aggregate compensation for loss of office | 179 | - |
| Number of directors who exercised share options | 2 | 2 |
| Number of directors who received shares under a long-term incentive scheme | 2 | 3 |
| Number of directors accruing retirement benefits under a defined benefit scheme | 1 | 1 |
| Number of directors accruing retirement benefits under a defined contribution scheme | 1 | 1 |

SCOTTISHPOWER RENEWABLES (WODS) LIMITED
NOTES TO ACCOUNTS *continued*
31 December 2019

19 RELATED PARTY TRANSACTIONS *continued*

(b) Directors' remuneration *continued*

| | | 2019 | 2018 |
|------------------------------|------|-------------|------|
| | Note | £000 | £000 |
| Highest paid director | | | |
| Aggregate remuneration | | 429 | 507 |
| Accrued pension benefits | (i) | - | 96 |

(i) The accrued pension benefit for the highest paid director represents the value accrued as at the year end.

(ii) The highest paid director received shares under a long-term incentive scheme during both years.

(iii) The highest paid director exercised share options during both years.

(c) Ultimate and immediate parent company

The immediate parent company is SPRUKL. The registered office of SPRUKL is The Soloist, 1 Lanyon Place, Belfast, BT1 3LP.

The directors regard Iberdrola, S.A as the ultimate parent company, which is also the parent company of the largest group in which the results of the company are consolidated. The parent company of the smallest group in which the results are consolidated is SPUK.

Copies of the consolidated Accounts of Iberdrola, S.A. may be obtained from the registered office of the company at Iberdrola S.A., Torre Iberdrola, Plaza Euskadi 5, 48009, Bilbao, Spain. Copies of the consolidated Accounts of SPUK may be obtained from SPUK, at its registered office, 320 St. Vincent Street, Glasgow, G2 5AD.

In addition to the parent undertakings disclosed above, the company's other related undertaking is disclosed in Note 5.

20 AUDITOR REMUNERATION

| | 2019 | 2018 |
|--|-------------|------|
| | £000 | £000 |
| Audit of the company's annual Accounts | 16 | 13 |

21 GOING CONCERN

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on pages 1 to 8.

The company has recorded a profit after tax in the current financial year and the company's balance sheet shows that it has net current liabilities of £16.9 million as at 31 December 2019. As at 31 December 2019, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The company is a significant component of the ScottishPower group which in turn is part of Iberdrola, one of the world's largest integrated utilities. The company participates in a UK treasury function operated by the company's intermediate parent company, Scottish Power Limited. The UK treasury function works closely with Iberdrola to manage the company's funding requirements which are reviewed and adjusted on a regular basis using funding provided via Iberdrola, through the global treasury function. Scottish Power Limited has indicated its intention to provide the company with the funding it requires, including not seeking repayment of the amounts currently due to Scottish Power Limited ("financial support"), for a period of at least twelve months from the date of these financial statements, which at 31 December 2019 amounted to £71.7 million. Scottish Power Limited will provide this financial support through the UK treasury function utilising its committed facilities with Iberdrola group treasury. The directors of Scottish Power Limited have completed an assessment of their ability to provide this financial support across the ScottishPower group and are satisfied that this can be provided utilising its committed facilities with Iberdrola group treasury.

The directors of the company are aware of the assessment performed by the directors of Scottish Power Limited and they are satisfied that Scottish Power Limited has the ability to provide the company with the financial support it requires to meet its liabilities as they fall due for a period of at least twelve months from the date of these financial statements. However, as with any company placing reliance on other group entities for financial support, the company directors acknowledge that there can be no certainty that this financial support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

SCOTTISHPOWER RENEWABLES (WODS) LIMITED

NOTES TO ACCOUNTS *continued*

31 December 2019

21 GOING CONCERN *continued*

Since the year end, the economic environment has been affected by the global COVID-19 pandemic. However, due to the nature of the company's core activities, the direct effects on cash flows as a result of COVID-19 are expected to be limited. The company continues to trade at close to normal levels, providing vital services which underpin the national economy and all essential services.

For the purposes of the directors' assessment of the company's going concern position and to satisfy them of the company's ability to pay its liabilities as they fall due, the directors have prepared a company cash flow statement for a period of 18 months from the date of approval of these financial statements. The cash flow forecasts indicate that, after taking account of severe but plausible downsides including the impact of the COVID-19 pandemic, the company's existing resources and the financial support noted above from Scottish Power Limited are sufficient to enable it to trade and pay its liabilities as they fall due for the forecast period.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 18 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

22 EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On 11 March 2020, the World Health Organization declared the outbreak of Coronavirus COVID-19 a pandemic, due to its rapid spread throughout the world, having affected more than 110 countries at that time. Most global governments are taking restrictive measures to contain the spread of the virus, including: isolation, quarantine, restricting the free movement of people, closure of public and private premises (except those of basic necessity and health), closure of borders and a significant reduction in air, sea, rail and land transport.

In the UK, the UK and the devolved Governments have put in place various measures culminating on 23 March 2020, a 'lockdown' was announced, requiring all citizens to stay at home (with a few specific exceptions) for a number of weeks. Following the slow release of the full lockdown, some level of restriction is expected to be in place for a significant part of 2020. Also, temporary emergency legislation, the Coronavirus Act 2020 ("The Act") received Royal Assent on 25 March 2020. This Act (and other similar acts approved by the devolved governments) provides powers needed to respond to the current coronavirus pandemic, including containing and slowing the virus and enhancing capacity and the flexible deployment of staff.

This situation is significantly affecting the global economy, due to the interruption or slow-down of supply chains, and the significant increase in economic uncertainty; evidenced by increased volatility of asset prices and exchange rates, and a reduction in long-term interest rates. The Chancellor of the Exchequer has launched a number of unprecedented measures in a bid to support the UK economy and to mitigate the economic and social impacts of this crisis.

As the significant impacts of COVID-19 arose after 31 December 2019, this is considered a non-adjusting post balance sheet event for the company for the year ended 31 December 2019, without prejudice to the fact that the impacts will be recognised as part of the 31 December 2020 year end. The Principal Risks and Uncertainties associated with COVID-19 are detailed on pages 3 and 4 of the Strategic Report.

It is difficult to estimate the present and future impacts resulting from this crisis on the company. However, at the date of signing these Accounts, there is no expectation of a material reduction in production volumes and revenues as a result of COVID-19 given that generation depends primarily on the wind resources and the pricing for the generation output is fixed as per the Power Purchase Agreement ("PPA") contract in place.

As at the date of signing these Accounts it is the directors' opinion that the principal activity of the company is expected to operate throughout this crisis period without significant disruption and therefore will not have a material impact on the company's business operations, assets and liabilities.