SCOTTISHPOWER RENEWABLES (UK) LIMITED
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2020

Registered No. NI028425

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SCOTTISHPOWER RENEWABLES (UK) LIMITED
STRATEGIC REPORT

The directors present their Strategic Report on ScottishPower Renewables (UK) Limited (“the Company”) for the year ended 31 December 2020. This includes an overview of the Company’s structure, strategic outlook including 2020 performance, and principal risks and uncertainties.

STRATEGIC OUTLOOK

Introduction

The principal activity of the Company, registered company number NI028425, is the development, construction and operation of onshore wind-powered electricity generation, with a growing presence in emerging technologies and innovations such as battery storage and solar. During the year, the Company continued to operate wind farm sites in the United Kingdom (“UK”) and Republic of Ireland. This activity will continue for the foreseeable future.

The ultimate parent of the Company is Iberdrola, S.A. ("Iberdrola") which is listed on the Madrid stock exchange. The immediate parent of the Company is ScottishPower Renewable Energy Limited (“SPREL”). Scottish Power Limited (“SPL”) is the 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” or “the SPREL Group”) responsible for the origination, development, construction and operation of renewable energy 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

Throughout 2020, Renewables’, and so the Company’s, onshore operational wind farms continued to deliver production and availability in line with expectations. The portfolio is operated centrally, primarily from the control centre at Whitelee wind farm, with local field-based resources deployed at each wind farm to carry out operations and maintenance, and to manage the activities of wind turbine and infrastructure maintenance companies. These functions are supported in their delivery by engineering support, commercial services and maintenance planning and logistics teams. Contingency arrangements have been put in place to ensure the safe and continued operation of the control centres and all operational wind farms whilst COVID-19 restrictions apply.

Renewables has grown its pipeline of onshore wind, solar and battery projects from approximately 3 gigawatts (“GW”) in 2019 to approximately 5 GW in 2020. Renewables is targeting significant growth in its operating fleet by 2030. Renewables has achieved unprecedented development of its pipeline with the submission of around 1.1 GW of planning applications in 2020 which resulted in approximately 1.45 GW of planning applications for onshore renewable developments awaiting determination.

During 2020, and with the implementation of business continuity measures to comply with COVID-19 restrictions, the Company progressed construction at the two onshore wind farm developments at Beinn an Tuirc 3 (“BATIII”) and Halsary, and the Whitelee and other battery storage systems. The investment in BATIII and Halsary onshore wind farms has been catalysed by corporate offtake agreements with Amazon Energy Eoraip Ltd (“Amazon”) and Tesco respectively. These sites were also awarded a 15-year Capacity Market contract following auctions in 2020. Both projects are nearing completion with turbine installation complete.

Construction of the 50 megawatts (“MW”) lithium-ion battery at Whitelee, also progressed during 2020 and a 15-year Capacity Market contract has been awarded. The battery is expected to become operational in 2021. The onshore business has been active in National Grid’s Optional Downwards Flexibility Management (“ODFM”) service since its introduction in April 2020 to manage reduced demand caused by the impact of the UK and devolved administrations’ public health strategy due to COVID-19. Renewables has also received funding approval for its investment in three solar projects (Carland Cross, Coldham and Coal Clough), each located with existing onshore wind farms in England which, are planned to be operational in 2021.

Renewables, and the Company, will continue to assess further opportunities to invest more widely in renewable generation, including further solar and battery projects, as well as exploring opportunities for the development of hybrid sites.

COVID-19

In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic, due to its rapid spread throughout the world. In common with many governments, the UK and devolved Governments put in place restrictive measures to contain the spread of the virus. These have been in place to various extents since March 2020 and are expected to endure in some form during 2021 and perhaps 2022.

STRATEGIC OUTLOOK *continued*

Throughout the COVID-19 restrictions, given the contingency arrangements in place, the Company has been able to continue to operate safely and largely undisrupted. This was facilitated by creating new processes around such considerations as social distancing and travel restrictions, and was managed within project contingencies.

The Company's control centres and operational wind farms have continued to operate fully throughout the pandemic. The Company was able to ensure that projects in development continued to progress by reviewing stakeholder and community engagement and moving this online. Construction work was able to recommence safely and in line with government working guidance. Additionally, communities have been able to utilise community benefit funds, which the Company provides from its operational wind farms within their community, to support their response to COVID-19.

The specific risks presented by COVID-19 are considered as part of the 'Principal risks and uncertainties' section of the Strategic Report. Whilst acknowledging the risks faced by the Company, COVID-19 is not deemed to impact the conclusions that the Company will continue as a going concern.

Brexit

Though the UK left the European Union ("EU") on 31 January 2020, all EU laws continued to apply until 31 December 2020. Following intensive negotiation, a UK/EU Trade and Cooperation Agreement was concluded on 24 December 2020 and ratified by the Council of the European Union on 28 April 2021. The conclusion of the Trade and Cooperation Agreement greatly reduced many of the risks Brexit posed for ScottishPower, and so the Company.

A cross-business operational working-group enabled ScottishPower, and so the Company, to monitor Brexit risks at all stages, and has ensured that they are now fully integrated into the assessment of risks to the business. Further details of the remaining Brexit risks faced by the Company are provided in the 'Principal risks and uncertainties' section of the Strategic Report. ScottishPower, and so the Company, shall continue to monitor the consequences of Brexit, and will take mitigating action as appropriate.

Values in action

Renewables is at the forefront of the development of its industry through pioneering ideas, forward thinking and outstanding innovation. Its projects continue to create economic, social and environmental benefits to the communities in which they are developed and operated, and contribute to the UK's net zero targets.

Through a combination of internal processes and external dialogue, Renewables continues to focus on sustainability in the advancement of renewable energy. The Company has been proactively unlocking cutting edge flexibility opportunities to develop new services and markets to support the system in achieving greater renewable generation. It is fundamental that wind farms are able to actively participate in balancing and frequency responses and so Renewables are currently rolling out changes to the Power Available signal across the transmission connected sites. The Power Available signal is a live data feed from generation sites to the grid operator, showing maximum potential output and available capacity in real time.

Despite a year of turbulence and restricted industrial practices, Renewables has adjusted and continued to innovate. In November 2020, in what is believed to be a global first, Renewables, in partnership with Siemens Gamesa Renewables Energy and in collaboration with SP Energy Networks, successfully used energy from its 69 MW Dersalloch onshore wind farm to re-energise part of the power grid. Further collaborations are ongoing as Renewables strives to advance the renewables industry in a responsible manner. As well as engaging with government and regulatory stakeholders, Renewables is working alongside key academic stakeholders from the fields of marine biology and ornithology to increase understanding and identify research needs in these areas. Discussions with suppliers aim to reduce the environmental impact of procured wind farm components. Renewables is continuing to work with its suppliers on the end of life management of components, particularly with turbine suppliers, to ensure all blades can be re-used or recycled when required.

2020 performance

	Revenue*		Operating profit*		Capital investment**	
	2020	2019	**2020**	2019	**2020**	2019
Financial key performance indicators	**£m**	£m	**£m**	£m	**£m**	£m
Scottish Power Renewable UK Ltd	**489.7**	493.8	**224.7**	264.5	**114.5**	80.4

* Revenue and operating profit as presented on page 19.
** Capital investment for 2020 as presented in Notes 3 and 4 on page 30.

STRATEGIC OUTLOOK ***continued***

Revenue decreased by £4.1 million to £489.7 million in 2020 reflecting the impact of lower energy prices, lower Renewables Obligation Certificate ("ROC") recycle prices and lower production volumes. These reductions were partially offset by an increase in curtailments. Both the decrease in the ROC recycle price and the increased curtailment activity were heavily influenced by UK demand reductions as a result of COVID-19.

Operating profit decreased by £39.8 million to £224.7 million in 2020 mainly as a result of decreased revenues, increased external services and increased depreciation (due to capital investment).

Capital investment increased by £34.1 million to £114.5 million in 2020. This movement is principally the result of the costs associated with the development and construction of the BATIII and Halsary onshore wind farms and the Whitelee and other batteries.

Non-financial key performance indicators	Notes	2020	2019
Plant output (GWh)	(a)	**3,536**	3,661
Installed capacity (MW)	(b)	**1,925**	1,875
Availability	(c)	**97%**	96%

(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 installed. 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 2021 and beyond

In 2021, construction was completed at the Company's first onshore wind projects to be developed with a corporate power purchase agreement ("PPA"). The BATIII project with Amazon will see 50 MW of green energy delivered. Located on the Kintyre Peninsula in Scotland, the wind farm is powered by 14 turbines. The Halsary project with Tesco, is one part of the retailer's pledge to use 100 per cent renewable energy by 2030, and has seen the Company build a wind farm in Halsary, in Caithness, Scotland. The 15 turbine, 30 MW project, is powered by Vestas turbines, capable of generating enough renewable energy to power the equivalent of over 27,000 homes.

The Climate Change Committee's net zero report in 2019 identified the need to decarbonise, and quadruple the low-carbon generation mix by 2050, which would require increased deployment of both onshore and offshore wind. Contracts for Difference ("CfDs") are allocated in a competitive auction process, in which projects compete with each other within technology-specific pots. The CfD framework has proven to be an effective tool in reducing costs, and further deployment of onshore and offshore wind will support economic growth and jobs across the UK. The UK Government has committed to run CfD auctions around every two years, with the next auction, AR4, due to take place in late 2021/early 2022. The UK Government has confirmed that the next auction will be open to both 'established' technologies (including onshore wind, solar and offshore wind) and 'less-established' technologies (including advanced conversion, remote island wind, and wave and tidal), in recognition that all technologies will play an important role in meeting the UK Government's objective of decarbonising the power sector to meet net zero at the lowest cost.

Further details of the outlook for 2021 and beyond for Renewables, of which the Company is a part, can be found in the most recent Annual Report and Accounts of SPL.

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 is 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.

PRINCIPAL RISKS AND UNCERTAINTIES

In order to deliver its strategy, ScottishPower, and therefore the Company, are required to conduct business in a manner benefitting 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.

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

The principal risks and uncertainties of the Company, that may impact current and future operational and financial performance and the management of those risks are described below.

FINANCIAL RISKS	
RISK	**RESPONSE**
Market Risk Impacts arising from COVID-19 and Brexit following market reactions to events. These could include increased volatility on the value of Sterling and foreign currencies and in the longer term, there could be positive or negative changes in the UK economy.	In addition to monitoring ongoing developments related to COVID-19 and Brexit, ScottishPower, and so the Company, has specific procedures in place to manage key market risks. Further details of the Treasury risk management policy is included in the most recent Annual Report and Accounts of SPL.

BUSINESS RISKS	
RISK	**RESPONSE**
Allocation risk in competitive CfD auction for onshore wind and solar due to auction parameters (including capacity caps) set by the UK Government and bid strategy of competitors.	Continued engagement with the UK Government regarding access to and parameters of the CfD framework. Working to optimise the Company's portfolio of assets and approach to development to ensure high performing and competitive assets will be able to participate in future auctions.

OPERATIONAL RISKS	
RISK	**RESPONSE**
The impact of COVID-19 increases the risk of ScottishPower not being able to meet its obligations as a renewable generator. Key areas of risk include supply chain disruption and mobility of labour, which are impacted also by the Brexit deal.	Business continuity plans enacted with 'Gold Command'; making strategic decisions and determining priorities across ScottishPower, and so the Company. This is underpinned by 'Silver Groups' specific to each business 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 matters to the appropriate level of management focusing on those issues which might impact the continuity of supply and the other obligations of ScottishPower, and so the Company. Supply chain monitoring groups were 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 and utilising the framework agreements ScottishPower, and so the Company, already has in place. Notification has been provided to subcontractors 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.

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

OPERATIONAL RISKS *continued*	
RISK	**RESPONSE**
	EU nationals who arrived in the UK before 31 December 2020 can continue living in the UK by registering under EU Settlement Scheme by 30 June 2021. During 2020, we have been engaging with employees to ensure that they are informed of any actions they may need to take. Preparation for the new points-based global immigration system has commenced, including workshops with external immigration advisors and training of the ScottishPower Human Resources team.
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 impacting key infrastructure, networks or core systems.	Implementation of a cyber-risk policy which provides the framework for mitigation. Proactive approach to identifying where ScottishPower, and so the Company, is vulnerable and addressing these points through technical solutions. Educating ScottishPower employees and contractors as to how behaviour can reduce this risk. Embedding cyber security in all projects where appropriate.
The potential for plant performance issues reducing plant availability. This is also impacted by restrictions on the flow of goods and equipment and mobility of labour due to COVID-19 and Brexit.	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.
Failure to deliver large and complex projects on time and within budget. This is also impacted by restrictions on the flow of goods and equipment and mobility of labour due to COVID-19 and Brexit.	ScottishPower and Iberdrola, and so the Company, have a strong track record in delivering large scale engineering projects and have gained significant experience from developing numerous onshore wind farms. Use of established and experienced suppliers and advisors along with robust financial management including appropriate foreign exchange hedging.

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

REGULATORY AND POLITICAL RISKS	
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.

ENGAGING WITH STAKEHOLDERS
References to "ScottishPower" apply fully to Renewables, 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, especially employees, is key to promoting its success and values.

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 ScottishPower, Renewables, and so the Company, engage with its stakeholders, and how these activities influence the Company's operations, are set out below.

Key stakeholders
ScottishPower, and therefore Renewables and the Company, has four key stakeholder categories: employees and customers, government and regulators, suppliers and contractors, and community and environment.

Behind these stakeholders are millions of people, and thousands of institutions, organisations and groups. All of them, with their decisions and opinions, influence ScottishPower, Renewables, and so the Company, and they are also affected by ScottishPower's 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 are also important to the Company and ScottishPower. All shareholder management activities are carried out on ScottishPower's 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/governance-sustainability-system/corporate-governance-policies/shareholder-engagement-policy.

EMPLOYEES AND CUSTOMERS

Employees
ScottishPower employs approximately 5,600 employees, working across a range of roles. The employees make a real difference in determining how successfully ScottishPower operates. The creativity, innovation and individuality of ScottishPower's employees enables ScottishPower to build on its future capability to operate effectively in a competitive market, and continue to have aspirations which are challenging and rewarding. ScottishPower respects and recognises the importance of individuality as part of its ongoing commitment to promoting a culture where individuality is celebrated. ScottishPower also understand that being a diverse organisation goes beyond having legally compliant policies and practices; it includes a focus on creating an innovative, integrated organisation where people feel valued, inspiring them to perform at their best.

As part of ScottishPower, the Company's engagement with its employees is driven by the decisions, policies and procedures in place at a ScottishPower level. The directors of the Company ensure that in applying these ScottishPower decisions, policies and procedures they are meeting their duties to the Company.

ENGAGING WITH STAKEHOLDERS *continued*

Details of the following areas in relation to employee engagement which apply fully to the Company are provided in the most recent Annual Report and Accounts of SPL:

- impact of COVID-19;
- employment regulation;
- training;
- employee feedback and consultation;
- inclusion and diversity;
- rewards and benefits;
- employee health and wellbeing;
- Brexit; and
- employee volunteering.

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.

Modern Slavery Statement

The term 'modern slavery' covers both slavery and human trafficking. ScottishPower is committed to human and labour rights and to eliminating modern slavery that could in any way be connected to its business. In accordance with the Modern Slavery Act 2015, ScottishPower has produced its own Modern Slavery Statement, which has been approved by the board of directors of SPL ("the SPL Board"). This statement is published on the ScottishPower website at: https://www.scottishpower.com/userfiles/file/SP_Modern_Slavery_Statement_2019.pdf?v=1.2.

Customers

As a group, ScottishPower provides energy and related services to millions of domestic and business customers. ScottishPower's, and so the Company's, success depends on its ability to understand the needs of customers, and engagement is key to success in this rapidly changing environment. ScottishPower seeks feedback in several ways including forums, market research and product testing as well as via complaints channels and surveys.

More specifically the Company engages with its customers in many different ways to ensure these business relationships are fostered in a manner which benefits and promotes the success of the Company examples of successful engagement with customers in relation to the Company are described within the operating review on page 1.

GOVERNMENT AND REGULATORS

Governments and regulators play a central role in shaping the energy sector. ScottishPower engages with them directly and through trade associations, responding to issues of concern and providing expertise to support policy development. 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 the UK and Scottish Governments' net zero decarbonisation targets. ScottishPower has continued to engage extensively with governments, local authorities and other stakeholders on decarbonisation, publishing in June 2020 a report 'Unlocking Net Zero' setting out a ten point plan to deliver jobs and investment for a green recovery.

SUPPLIERS AND CONTRACTORS

As part of ScottishPower's mission for a better future, quicker, ScottishPower is always looking for new suppliers and contractors, and for ways to improve its working relationships with existing suppliers and contractors. ScottishPower has a broad and diverse supply chain with over 3,000 suppliers, and during 2020, was awarded contracts with a cumulative value of around £1.8 billion. Suppliers have a key role to play in the delivery of ScottishPower projects and services that ScottishPower is undertaking to provide 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 the 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.

ENGAGING WITH STAKEHOLDERS *continued*

Engagement with the supply chain has been vital during the COVID-19 pandemic and allowed the impact to be assessed not only on the supply of goods, services and progress on works, but also how the pandemic was affecting suppliers. ScottishPower asked for suppliers to highlight significant risks they were facing and how this would affect its supplies, and this put them in a position to take any remedial action as required. In order to support suppliers, ScottishPower collated information on sources of government assistance and relevant contacts, which was shared within its organisation to ensure this information could reach as many suppliers as possible.

COMMUNITY AND ENVIRONMENT

Being a trusted, respected and integrated part of the community is something ScottishPower continually aims for. This is realised through operating with integrity, transparency, and working closely within the community to build relationships. ScottishPower aims to ensure it conducts its activities responsibly and makes a positive contribution to society.

ScottishPower is committed to decarbonisation and minimising 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.

Further details as to how ScottishPower, and so the Company, engages with communities and manages its impact on the environment are provided in the most recent Annual Report and Accounts of SPL.

INNOVATION

ScottishPower's future and strategic success relies on an innovative and dynamic culture in both internal initiatives and external collaborations. ScottishPower's diverse range of stakeholders helps it to deliver innovation activities across technical and commercial challenges. With consideration of ScottishPower values, collaboration features strongly in its open invitation model which allows close working relationships with academics, the supply chain, public agencies and customers, amongst others. Further details on the ScottishPower innovation activities relevant to the Company are provided in the most recent Annual Report and Accounts of SPL.

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 requires the directors ScottishPower Renwables (UK) Limited 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.

The delivery of the strategy of the Renewables business (headed by SPREL), 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.

SECTION 172 STATEMENT *continued*

The directors strongly believe that effective and meaningful engagement with stakeholders and employees is key to promoting the success of the Company. Details of the Company's key stakeholders, and how the Company engages with them are as follows:

- **Customers:** details of how the Company engages with its customers are explained in the 'Customers' sub-section of the Strategic Report, on page 7.
- **Employees**: details of how ScottishPower, and so the Company, engages with its employees are set out in the 'Employees' sub-section of the Strategic Report, on pages 6 and 7.
- **Communities and the environment:** details of how ScottishPower, and so the Company, engages with communities are set out in the 'Community and environment' sub-section of the Strategic Report, on page 8.
- **Suppliers:** details of how ScottishPower and so the Company, engages with its suppliers are set out in the 'Suppliers and contractors' sub-section of the Strategic Report, on pages 7 and 8.
- **Government and regulators**: details of how ScottishPower, and so the Company, engages with governments and regulators are set out in the 'Government and regulators' sub-section of the Strategic Report, on page 7.

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 6.

The directors, both individually and together as the board of ScottishPower Renewables (UK) Limited ("the Board"), consider that the decisions taken during the year ended 31 December 2020 in discharging the function of the Board were in conformance with their duty under section 172 of the Companies Act 2006.

The Board is 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

Heather Chalmers White
Director
21 May 2021

SCOTTISHPOWER RENEWABLES (UK) LIMITED
DIRECTORS' REPORT

The directors present their report and audited Accounts for the year ended 31 December 2020.

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 9:

- information on financial risk management and policies;
- information regarding future developments of the business;
- information in relation to innovation activities; and
- information on employee regulations and policies.

STREAMLINED ENERGY AND CARBON REPORTING

The Company is exempt under section 20A of The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 from the requirements to present disclosures concerning greenhouse gas emissions, energy consumption and energy efficiency action as such disclosures relating to the SPL Group, of which the Company is a part, are presented in the most recent Annual Report and Accounts of SPL.

RESULTS AND DIVIDEND

The net profit for the year amounted to £206.6 million (2019 £867.5 million). A dividend of £201.0 million was paid during the year (2019 £284.1 million).

CORPORATE GOVERNANCE

Statement regarding the corporate governance arrangements of the Renewables Business

As required by the Companies (Miscellaneous) Reporting Regulations 2018, the directors of the Company have set out as follows a statement of the corporate governance arrangements of the Company.

The ultimate parent of the Company is Iberdrola, S.A., which is listed on the Madrid stock exchange. The Company, which is part of the Renewables business (headed by SPREL), does not apply a corporate governance code on the basis that it, as part of the Renewables business, adheres to the rules and principles of the SPREL Group as they have been set by the board of directors of SPREL (the "SPREL Board"), in accordance with the terms of reference of the SPREL Board and the Policy for the Definition and Coordination of the Iberdrola Group and Foundations of Corporate Organisation (the "Group Governance Framework"), all of which are based on widely recognised good governance recommendations (the "SPREL Group corporate governance system"). Those rules and principles of the SPREL Group corporate governance system that applied to the Company as part of the Renewables business during 2020 are set out as follows:

The SPREL Board's terms of reference are published on www.scottishpowerrenewables.com under 'Corporate Governance'.

The Group Governance Framework is published on www.scottishpowerrenewables.com under 'Corporate Governance'.

Corporate governance system

The Company is governed by the Board, which consists of three directors who bring a broad range of skills and experience to the Company. The Board is regulated in accordance with the Company's Articles of Association.

In discharging its responsibilities and in the exercise of its decision-making powers, and in accordance with the Company's Articles of Association, the Board has, in accordance with the Group Governance Framework, adhered to the SPREL Group corporate governance system which applies to the Company as part of the SPREL Group. The SPREL Group corporate governance system includes the internal corporate rules (including the Purpose and Values of the Iberdrola Group, the Code of Ethics, corporate policies and other internal codes and procedures) that make up the corporate governance system of ScottishPower and, ultimately, of the Iberdrola group.

Board Composition

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

Lindsay McQuade
Jonathan Cole
Heather Chalmers White

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

CORPORATE GOVERNANCE *continued*
There is no separate appointments committee within the SPREL Group. Instead, appointment matters relevant to the SPREL Group and the Company are dealt with by the Iberdrola, S.A. Appointments Committee ("IAC"). The IAC has a function to report on the process of selection of directors and senior managers of the Iberdrola group companies.

Purpose and values
The structure of the Company is set out in the Strategic Report.

During 2020, the Board has taken into account the purpose and values of the Iberdrola Group and the Code of Ethics which are published on www.scottishpowerrenewables.com under 'Corporate Governance'.

Director responsibilities
The directors are fully aware on their duties under the Companies Act 2006, including as set out in section 172 of the same. The primary responsibility of the Board is to supervise and make decisions as required in relation to the activities of the Company's business and its group, all as part of the Renewables business, in accordance at all times with the Renewables business corporate governance system and the provisions of all applicable legislation and regulations.

The SPREL Board has the responsibility of carrying out the day-to-day management and effective administration, and for the ordinary control, of the Renewables business overall.

Further relevant information on the administrative, management and supervisory bodies of the boards of the Company's parents, as they are pertinent to the Renewables business and the Company, are described in the section below.

Opportunity and risk
The delivery of the Renewables business' strategy requires the Renewables business to conduct business in a manner benefitting customers through balancing cost and risk while delivering shareholder value and protecting its performance and reputation by prudently managing the risk inherent in the business.

To maintain this strategic direction, the Renewables business develop and implement risk management policies and procedures and promote a robust control environment at all levels of the organisation. Details of the applicable risk policies are published on www.scottishpowerrenewables.com under 'Corporate Governance'.

During 2020, the governance structure was supported by the risk policies of the Renewables business. The risk assessment team and independent group risk management function supported the Board in the execution of due diligence and risk management, as described in the 'Principal risks and uncertainties' section of the Strategic Report.

Remuneration
The directors of the Company are subject to an annual evaluation of their performance in respect of their executive responsibilities as part of the performance management framework which is in place throughout the Renewables business.

There is no separate Remuneration Committee within the Renewables business. Instead, remuneration matters relevant to the Renewables business and the Company are dealt with and reviewed by the Iberdrola, S.A. Remuneration Committee ("IRC"). The IRC has a function to report on the remuneration of directors and senior managers of the Iberdrola group companies.

Stakeholders
The Board fully recognises that effective and meaningful engagement with stakeholders is key to promoting the success of the Company. The details of key stakeholders, why they are important to the Company, and how the Renewables business engages with its stakeholders are an integral part of its strategic goals and are described in the Strategic Report.

Administrative, management and supervisory bodies
SPL Board
The primary responsibilities of the SPL Board, which has its own management team, include disclosing, implementing, and ensuring compliance with the policies, strategies and general guidelines of ScottishPower overall, in accordance at all times with the provisions of all applicable legislation and regulations.

CORPORATE GOVERNANCE *continued*

The SPL Board comprised the Chairman José Ignacio Sánchez Galán and nine other directors as at 31 December 2020. José Ignacio Sánchez Galán is also the Chairman and Chief Executive Officer of Iberdrola.

The directors of the SPL Board who held office during the year were:

José Ignacio Sánchez Galán	Chairman, non-independent, non-executive director
Lord Kerr of Kinlochard GCMG	Vice Chairman, independent, non-executive director
Keith Anderson	Chief Executive Officer
Wendy Jacqueline Barnes	Independent, non-executive director (appointed 12 May 2020)
Dame Nicola Brewer	Independent, non-executive director (resigned 16 March 2020)
Iñigo Fernández de Mesa Vargas	Independent, non-executive director
Suzanne Fox	Independent, non-executive director
Professor Sir James McDonald	Independent, non-executive director
Daniel Alcain López	Non-independent, non-executive director (appointed 26 March 2020)
Gerardo Codes Calatrava	Non-independent, non-executive director
Juan Carlos Rebollo Liceaga	Non-independent, non-executive director (resigned 1 March 2020)
José Sainz Armada	Non-independent, non-executive director

Meetings of the SPL Board were held on five occasions during the year under review. Attendance by the directors was as follows:

José Ignacio Sánchez Galán	Attended all meetings
Lord Kerr of Kinlochard GCMG	Attended all meetings
Keith Anderson	Attended all meetings
Wendy Jacqueline Barnes	Attended three meetings
Dame Nicola Brewer	Attended one meeting
Iñigo Fernández de Mesa Vargas	Attended all meetings
Suzanne Fox	Attended all meetings
Professor Sir James McDonald	Attended all meetings
Daniel Alcain López	Attended four meetings
Gerardo Codes Calatrava	Attended all meetings
Juan Carlos Rebollo Liceaga	Attended no meetings
José Sainz Armada	Attended all meetings

The terms of reference of the SPL Board are published on the SPL Corporate Website under 'Corporate Governance'/'Governance and Sustainability System'/'Corporate Governance'.

SPL Audit and Compliance Committee ("SP ACC")

The SP ACC, a permanent internal body, has an informative and consultative role, without executive functions, with powers of information, assessment and presentation of proposals to the SPL Board within its scope of action, which is governed by the Articles of Association of SPL and by the terms of reference of the SP ACC.

The SP ACC's responsibilities include:

- monitoring the financial reporting process for ScottishPower;
- monitoring the effectiveness of ScottishPower's internal control, internal audit, compliance and risk management systems;
- monitoring the statutory audit of the Annual Report and Accounts of ScottishPower; and
- monitoring the independence of the external auditor and recommending to the SPL Board the appointment or reappointment of the auditor and the associated terms of engagement

The SP ACC's terms of reference are published on the SPL Corporate Website under 'Corporate Governance'/'Governance and Sustainability System'/'Corporate Governance'.

CORPORATE GOVERNANCE *continued*

Membership and attendance

The SP ACC met five times during the year under review. The members of the SP ACC and their attendance record are shown below:

Professor Sir James McDonald, Chairman (external independent director)	Attended all meetings
Dame Nicola Brewer (external independent director) (resigned 16 March 2020)	Attended one meeting
Iñigo Fernández de Mesa Vargas (external independent director)	Attended all meetings
Daniel Alcain López (internal, non-independent director) (appointed 7 May 2020)	Attended three meetings
Juan Carlos Rebollo Liceaga (internal non-independent director) (resigned 1 March 2020)	Attended no meetings
José Sainz Armada (internal, non-independent director) (appointed 18 February 2020, resigned 6 May 2020)	Attended one meeting

In addition to the attendance set out above, the ScottishPower Control and Administration Director, Head of Internal Audit, and the Compliance Director normally attend, by invitation, all meetings of the SP ACC. Other members of senior management are also invited to attend as appropriate. During the year under review, the external auditor attended (in part) four meetings of the SP ACC.

Matters considered by the SP ACC during 2020

The issues that the SP ACC specifically addressed are detailed in its report which is published on the SPL Corporate Website under 'Corporate Governance'/ 'Board of Directors'.

SPL Management Committee ("SPMC")

The SPMC is a permanent internal body, without executive function, which was established by the SPL Board to provide an informative and coordinating role for the activities of ScottishPower. In accordance with the corporate governance arrangements of ScottishPower and the separation of regulated activities, the SPMC does not exercise any executive function as a decision-making body. The SPMC meets weekly and receives regular information on the activities of ScottishPower in order to support the corporate functions and lines of business in understanding the local, legal, regulatory and market specifics in the UK and in order to assist the ScottishPower Chief Executive Officer ("CEO") in the performance of his duties. The SPMC comprises the following executives: the ScottishPower CEO; the directors of Control and Administration, Corporate Affairs, Human Resources, and Finance & Resources; the CEO of the regulated business division (Energy Networks); the CEO of the Renewables business division and the Global Managing Director of Renewables Offshore; the CEO of the Retail business division; and General Counsel and Secretary to the SPL Board.

SPREL Board

The SPREL Board is responsible for the effective management of the Renewables business division, in accordance with the strategy of the Renewables business. The SPREL Board meets regularly and reviews strategy, operational performance and risk issues on behalf of the Renewables business.

The SPREL Board comprised the Chairman Xabier Viteri Solaun and seven other directors as at 31 December 2020. The directors and their attendance at SPREL board meetings held during the period under review (five meetings) are shown below:

Xabier Viteri Solaun (Chairman, non-independent, non-executive director)	Attended all meetings
Lindsay McQuade (Chief Executive Officer)	Attended all meetings
Lena Wilson (independent, non-executive director)	Attended all meetings
Jonathan Cole (non-independent, executive director)	Attended all meetings
Charles Langan (non-independent, non-executive director)	Attended four meetings
David Mesonero Molina (non-independent, non-executive director)	Attended three meetings (appointed 23 June 2020)
Marion Shepherd Venman (non-independent, non-executive director)	Attended all meetings
David Wark (non-independent, non-executive director)	Attended all meetings

Lena Wilson resigned as a director on 30 April 2021.

The terms of reference of the SPREL Board are published on the Renewables Website under 'Corporate Governance'/'Governance and Sustainability System'

DIRECTORS' INDEMNITY

In terms of the Company's Articles of Association, a qualifying third party indemnity provision is in force for the benefit of all the directors of the Company 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 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 (UK 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.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and Directors' Report that complies with that law and those regulations.

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 was re-appointed as the auditor of the Company for the year ended 31 December 2021.

ON BEHALF OF THE BOARD

Heather Chalmers White

Heather Chalmers White
Director
21 May 2021

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

Opinion

We have audited the financial statements of ScottishPower Renewables (UK) Limited ("the company") for the year ended 31 December 2020 which comprise the Balance Sheet, Income Statement, 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 2020 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 from the date of approval of the financial statements through to 31 December 2022 ("the going concern period").

We used our knowledge of the company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the company's available financial resources over this period was the impact of a dip in power prices industry-wide due to the demand across the country being lower.

We also considered less predictable but realistic second order impacts, such as the adverse impact of milder weather. We considered whether these risks could plausibly affect the liquidity in the going concern period by assessing the directors' sensitivities over the level of available financial resources indicated by the company's financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

We considered whether the going concern disclosure in Note 1 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks and dependencies.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in Note 1 to be acceptable.

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 above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and internal audit and inspection of policy documentation as to the company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets/ recent revisions to guidance/ our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue consists entirely of routine, non-complex transactions which are subject to systematic processing and do not require significant judgments.

We did not identify any additional fraud risks.

We performed procedures including identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: employment law, health and safety, anti-bribery and environmental protection legislation recognising the regulated nature of the company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report
The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

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.

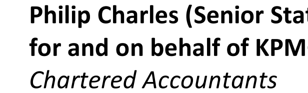
We have nothing to report in these respects.

Directors' responsibilities
As explained more fully in their statement set out on page 14, 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.



Philip Charles (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St. Vincent Street
Glasgow
G2 5AS
26 May 2021

SCOTTISHPOWER RENEWABLES (UK) LIMITED
BALANCE SHEET
at 31 December 2020

	Notes	2020 £m	2019 £m
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	3	**1.9**	2.3
Property, plant and equipment		**1,865.7**	1,842.7
Property, plant and equipment in use	4	1,747.0	1,796.1
Property, plant and equipment in the course of construction	4	118.7	46.6
Right-of-use assets	5	**154.8**	154.8
Financial assets		**1,540.1**	1,252.2
Investments in subsidiaries	6	1,525.9	1,241.1
Investments in joint ventures	6	9.5	9.5
Derivative financial instruments	7	4.7	1.6
Trade and other receivables	8	**3.2**	3.5
NON-CURRENT ASSETS		**3,565.7**	3,255.5
CURRENT ASSETS			
Trade and other receivables	8	**589.7**	808.4
Derivative financial instruments	7	**0.2**	-
CURRENT ASSETS		**589.9**	808.4
TOTAL ASSETS		**4,155.6**	4,063.9
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		**2,755.7**	2,746.5
Share capital	9, 10	2,033.3	2,033.3
Hedge reserve	10	2.4	(1.2)
Retained earnings	10	720.0	714.4
TOTAL EQUITY		**2,755.7**	2,746.5
NON-CURRENT LIABILITIES			
Provisions	11	**191.5**	170.6
Bank borrowings and other financial liabilities		**700.0**	700.6
Loans and other borrowings	12	700.0	700.0
Derivative financial instruments	7	-	0.6
Lease liabilities	5	**159.1**	148.9
Trade and other payables	13	**0.9**	1.3
Deferred tax liabilities	14	**193.9**	176.2
NON-CURRENT LIABILITIES		**1,245.4**	1,197.6
CURRENT LIABILITIES			
Provisions	11	**0.1**	0.1
Bank borrowings and other financial liabilities		**3.3**	5.5
Loans and other borrowings	12	3.0	3.0
Derivative financial instruments	7	0.3	2.5
Lease liabilities	5	**4.5**	9.7
Trade and other payables	13	**105.9**	60.5
Current tax liabilities		**40.7**	44.0
CURRENT LIABILITIES		**154.5**	119.8
TOTAL LIABILITIES		**1,399.9**	1,317.4
TOTAL EQUITY AND LIABILITIES		**4,155.6**	4,063.9

Approved by the Board and signed on its behalf on 21 May 2021.

Heather Chalmers White

Heather Chalmers White
Director

The accompanying Notes 1 to 25 are an integral part of the balance sheet at 31 December 2020.

SCOTTISHPOWER RENEWABLES (UK) LIMITED
INCOME STATEMENT
for the year ended 31 December 2020

	Notes	2020 £m	2019 £m
Revenue		489.7	493.8
Procurements		(31.2)	(30.6)
GROSS MARGIN		**458.5**	463.2
NET OPERATING EXPENSES		**(115.8)**	(93.2)
Net personnel expenses		**(42.8)**	(36.8)
Staff costs	15	(44.6)	(38.2)
Capitalised staff costs	15	1.8	1.4
Net external expenses		**(73.0)**	(56.4)
External services		(108.8)	(96.3)
Other operating income	16	35.8	39.9
Taxes other than income tax	17	**(19.0)**	(19.1)
GROSS OPERATING PROFIT		**323.7**	350.9
Net expected credit losses on trade and other receivables		0.1	(0.3)
Depreciation and amortisation charge, allowances and provisions	18	(99.1)	(86.1)
OPERATING PROFIT		**224.7**	264.5
Gain on partial disposal of subsidiary		-	613.7
Dividends received		54.0	69.3
Finance income	19	15.1	4.4
Finance costs	20	(29.6)	(31.1)
PROFIT BEFORE TAX		**264.2**	920.8
Income tax	21	(57.6)	(53.3)
NET PROFIT FOR THE YEAR		**206.6**	867.5

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

All results relate to continuing operations.

The accompanying Notes 1 to 25 are an integral part of the income statement for the year ended 31 December 2020.

SCOTTISHPOWER RENEWABLES (UK) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2020

	Note	**2020**	2019
		£m	£m
NET PROFIT FOR THE YEAR		**206.6**	867.5
OTHER COMPREHENSIVE INCOME			
Items that may be subsequently reclassified to the income statement:			
Cash flow hedges:			
Change in the value of cash flow hedges	10	**3.1**	(1.5)
Tax relating to cash flow hedges	10	**(0.6)**	0.3
		2.5	(1.2)
Items that will not be reclassified to the income statement:			
Cash flow hedges:			
Change in the value of cash flow hedges	10	**1.4**	-
Tax relating to cash flow hedges	10	**(0.3)**	-
		1.1	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**3.6**	(1.2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**210.2**	866.3

Total comprehensive income for both years is wholly attributable to the equity holder of ScottishPower Renewables (UK) Limited.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020

	Share capital	Hedge reserve	Retained earnings	Total equity
	£m	£m	£m	£m
At 1 January 2019	673.6	-	131.0	804.6
Total comprehensive income for the year	-	(1.2)	867.5	866.3
Share capital issued	1,359.7	-	-	1,359.7
Dividends	-	-	(284.1)	(284.1)
At 1 January 2020	2,033.3	(1.2)	714.4	2,746.5
Total comprehensive income for the year	-	3.6	206.6	210.2
Dividends	-	-	(201.0)	(201.0)
At 31 December 2020	**2,033.3**	**2.4**	**720.0**	**2,755.7**

The accompanying Notes 1 to 25 are an integral part of the statement of comprehensive income and the statement of changes in equity for the year ended 31 December 2020.

SCOTTISHPOWER RENEWABLES (UK) LIMITED
CASH FLOW STATEMENT
for the year ended 31 December 2020

	2020	2019
	£m	£m
Cash flows from operating activities		
Profit before tax	**264.2**	920.8
Adjustments for:		
Depreciation and amortisation	**98.5**	86.1
Change in provisions	**(0.3)**	0.4
Net finance income and costs	**14.5**	26.7
Shareholding income	**(54.0)**	(69.3)
Write-off of non-current assets	**0.8**	-
Gain on partial disposal of subsidiary (Note 6(a)(ii))	**-**	(613.7)
Changes in working capital:		
Change in trade and other receivables	**10.1**	4.4
Change in trade and other payables	**5.1**	4.0
Provisions paid	**-**	(0.1)
Income taxes paid	**(44.0)**	(35.1)
Net cash flows from operating activities (i)	**294.9**	324.2
Cash flows from investing activities		
Interest received	**2.5**	-
Dividends received	**54.0**	69.3
Investments in intangible assets	**(0.3)**	(1.9)
Investments in property, plant and equipment	**(54.5)**	(34.0)
Investments in subsidiaries	**(284.2)**	(1,082.8)
Proceeds from disposal of property, plant and equipment	**-**	0.4
Proceeds from partial disposal of subsidiary (including transaction costs)	**-**	1,127.6
Decrease/(increase) in amounts due from Iberdrola group companies - current loans receivable	**219.6**	(1,121.6)
Net cash flows from investing activities (ii)	**(62.9)**	(1,043.0)
Cash flows from financing activities		
Decrease in amounts due to Iberdrola group companies - current loans payable	**-**	(320.7)
Share capital issued	**-**	1,359.7
Dividends paid to the Company's equity holder	**(201.0)**	(284.1)
Interest paid	**(21.4)**	(26.1)
Interest on lease liabilities	**(5.2)**	(5.2)
Payments of lease liabilities	**(4.4)**	(4.8)
Net cash flows from financing activities (iii)	**(232.0)**	718.8
Net increase in cash and cash equivalents (i)+(ii)+(iii)	**-**	-
Cash and cash equivalents at beginning of year	**-**	-
Cash and cash equivalents at end of year	**-**	-

The accompanying Notes 1 to 25 are an integral part of the cash flow statement for the year ended 31 December 2020.

1 BASIS OF PREPARATION

A. COMPANY INFORMATION

ScottishPower Renewables (UK) Limited, registered company number NI028425, is a private company limited by shares, incorporated in Northern Ireland and its registered office is The Soloist, 1 Lanyon Place, Belfast, BT1 3LP, Northern Ireland.

B. BASIS OF PREPARATION

B1. 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 assets and liabilities which are measured at fair value.

The Accounts contain information about ScottishPower Renewables (UK) Limited as an individual company and do not contain consolidated financial information as the parent of subsidiary companies or 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 subsidiary undertakings are included by full consolidation in the consolidated Accounts of Iberdrola, S.A.

The Accounts have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company has applied the recognition, measurement and disclosure requirements of International Accounting Standards ("IAS") in conformity with the requirements of the Companies Act 2006 (refer to Note 1C1) including newly effective International Financial Reporting Standards ("IFRS") for the year ended 31 December 2020 (refer to Note 1C2), but has made amendments where necessary in order to comply with the Companies Act 2006 and has set out below where FRS 101 disclosure exemptions have been taken.

In these Accounts, 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 and intangible assets;
- 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 IFRS 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'.

B2. 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 9.

The Company's balance sheet presents net current assets of £435.4 million as at 31 December 2020. 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 part of the ScottishPower Group which is a significant component 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, SPL. The UK treasury function works closely with Iberdrola to manage the Company's funding requirements through the global treasury function.

Throughout the year, and up to the date of signing, 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 are expected to be limited.

1 BASIS OF PREPARATION *continued*

B. BASIS OF PREPARATION *continued*

B2. GOING CONCERN *continued*

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 forecast for the period to 31 December 2022 which indicates that, after taking account of severe but plausible downsides including the impact of the COVID-19 pandemic, the Company's existing resources and facilities 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 the period to 31 December 2022 and therefore have prepared the financial statements on a going concern basis.

C. ACCOUNTING STANDARDS

C1. IMPACT OF BREXIT

After the end of the Brexit transition period (31 December 2020) the UK ceased to be subject to EU law. Under the European Union (Withdrawal) Act 2018, all existing IFRSs adopted by the EU at that time have been 'frozen' into UK law thus were considered as in force in the UK at the end of the transition period. Adoptions, interpretations and amendments of IFRS adopted by the EU after the end of the transition period will no longer apply in the UK. For subsequent financial years, companies must use UK-adopted IFRS. At the end of the transition period, those standards will be identical to the EU-adopted IFRS in force on that date, but subsequently the UK has established its own endorsement process to adopt UK-adopted IFRS, interpretations and amendments of IFRS. For the year ended 31 December 2020, UK companies therefore have the option to use any standards which have been adopted for use within the UK in addition to the frozen EU-adopted IFRS.

In previous years, the Accounts have been prepared in accordance with FRS 101 applying the recognition, measurement and disclosure requirements of IFRS as adopted by the EU at the date of approval of the Accounts and which were mandatory for each financial year. In line with the above, the Accounts for the year ended 31 December 2020 have been prepared in accordance with FRS 101 applying the 'frozen' IFRS as adopted by the EU in accordance with the International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019. The Accounts for financial year beginning 1 January 2021, will be prepared in accordance with FRS 101 applying the recognition, measurement and disclosure requirements of IFRS as adopted by the UK.

The changes in the way that IFRS are described as a result of the UK's exit from the EU, including the move to UK-adopted IFRS for accounting periods starting on or after 1 January 2021, do not represent a change in the basis of preparation which would necessitate a prior year restatement.

C2. IMPACT OF NEW IFRS

As noted above, these Accounts have been prepared in accordance with FRS 101. In preparing these Accounts, the Company has applied all relevant IASs, IFRSs and International Financial Reporting Interpretations Committee interpretations ("IFRICs") (collectively referred to as "IFRS") that have been adopted by the EU/UK as of the date of approval of these Accounts and that are mandatory for the financial year ended 31 December 2020.

For the year ended 31 December 2020, the Company has applied the following amendments for the first time:

Standard	Note
• Amendments to References to the Conceptual Framework in IFRS Standards	(a)
• Amendments to IFRS 3 'Business Combinations: Definition of a Business'	(a)
• Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors': 'Definition of Material'	(a)
• Amendments to IFRS 9 'Financial Instruments'; IAS 39 'Financial Instruments: Recognition and Measurement'; and IFRS 7 'Financial Instruments: Disclosures': 'Interest Rate Benchmark Reform'	(a)

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

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 2020, 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 2I and Note 11).

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

A. REVENUE
B. PROCUREMENTS
C. INTANGIBLE ASSETS (COMPUTER SOFTWARE)
D. PROPERTY, PLANT AND EQUIPMENT
E. LEASED ASSETS
F. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND LEASED ASSETS
G. FINANCIAL INSTRUMENTS
H. RETIREMENT BENEFITS
I. DECOMMISSIONING COSTS
J. FOREIGN CURRENCIES
K. TAXATION
L. INVESTMENTS

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 those goods and services. All revenue is earned wholly within the UK and Republic of Ireland and is wholly attributable to the principal activity of the Company.

The supply of electricity is a performance obligation satisfied over time because the customer consumes the benefits of the electricity at the same time as it is supplied. 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 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. Costs are recorded on an accruals basis.

C. INTANGIBLE ASSETS (COMPUTER SOFTWARE)

The costs of acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software, and are amortised on a straight-line basis over their operational lives. Costs directly attributable to the development of computer software programmes, that are expected to generate economic benefits over a period in excess of one year, are capitalised and amortised on a straight-line basis over their estimated operational lives. Costs include employee costs relating to software development and an appropriate proportion of relevant overheads directly attributable to bringing the software into use. Amortisation of computer software is over periods of up to five years.

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

D. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost and depreciated on a straight-line basis over the estimated operational lives of the assets once commissioned. Property, plant and equipment includes capitalised employee costs, interest, lease depreciation and other directly attributable costs. Borrowing costs directly attributable to the acquisition, construction or production of major qualifying assets (i.e. 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 power plants	24 - 40
Distribution facilities	24 - 40
Other items of property, plant and equipment	10 - 50

E. LEASED ASSETS

A contract is, or contains a lease if, at 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 ‘Leases’ (“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 they have 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 they have the right to operate the asset or they 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 thus accounts for the lease and non-lease components in a contract as a single lease component

E1. LESSEE

As a lessee, the Company recognises a right-of-use asset at the lease commencement date measured initially at cost. This 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 and 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 deprecation charge is recorded within Depreciation, amortisation and provisions in the income statement.

The lease liability recognised at the commencement date is measured initially at the present value of the lease payments that are not paid at that date. As the rates implicit in the leases cannot be readily determined, the liabilities are discounted using the Company’s incremental borrowing rate. This rate being the currency-specific interest rate that would be incurred on a loan, with similar terms, to purchase a similar asset. The incremental borrowing rates will be updated annually and applied to leases commencing in the subsequent year. 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 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 the Company is reasonably certain not to do so.

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

E. LEASED ASSETS *continued*

E1. LESSEE *continued*

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.

E2. LESSOR

When the Company acts as a lessor, it determines at inception whether each lease is a finance or operating lease. The Company classifies leases as finance leases whenever the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset to the lessee. All other leases are classified as operating leases.

The Company recognises operating leases payments received as income on a straight-line basis over the lease term as part of Other operating income.

F. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND LEASED ASSETS

At each balance sheet date, the Company reviews the carrying amount of its property, plant and equipment, leased assets and intangible assets 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 (the greater of its value-in-use and its fair value less costs to sell) is estimated in order to determine the extent of the impairment loss (if any). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money, the risks specific to the asset and lease liabilities under IFRS 16.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. 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. Any impairment is recognised in the income statement in the period in which it is identified. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been recognised, net of depreciation or amortisation, if no impairment loss had been recognised.

G. 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.

G1. FINANCIAL ASSETS

G1.1. RECOGNITION AND INITIAL MEASUREMENT

Financial assets are classified as measured at amortised cost or fair value through profit and loss ("FVTPL") both at initial recognition and subsequently. This categorisation determines whether, and where, any restatement for fair value is recognised.

Trade receivables are initially recognised when they originate. All other financial assets are initially recognised when the Company becomes 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, for an item not at FVTPL, 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.

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

G. FINANCIAL INSTRUMENTS *continued*

G1. FINANCIAL ASSETS *continued*

G1.2. 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 them, 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. Such reclassifications are expected to be infrequent; no other reclassifications are permitted.

The Company's business model for managing financial assets refers to how it manages them 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 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, are measured at the transaction price determined under IFRS 15. All other financial assets, not classified as measured at amortised cost, are measured at FVTPL.

(b) Subsequent measurement and gains and losses

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by net expected credit losses ("ECLs"). Interest income, foreign exchange gains and losses and net ECLs are recognised in the income statement. Any gain or loss on derecognition is also recognised in the income statement.

Financial assets at FVTPL (other than derivatives designated as hedging instruments but including contingent consideration) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the income statement. Equity instruments and Other investments, are classified as FVTPL.

(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.

G2. FINANCIAL LIABILITIES

G2.1. RECOGNITION AND INITIAL MEASUREMENT

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

G2.2. CLASSIFICATION AND SUBSEQUENT MEASUREMENT

Financial liabilities are classified as measured at FVTPL or amortised cost.

A financial liability is classified as FVTPL if it is classified as held-for-trading, a derivative or designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the income statement.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are 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 charge is included as Finance costs in the income statement.

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*
G. FINANCIAL INSTRUMENTS *continued*
G2. FINANCIAL LIABILITIES *continued*
G2.2. CLASSIFICATION AND SUBSEQUENT MEASUREMENT *continued*

(a) Derecognition

The Company derecognises a financial liability when the obligation under that liability is discharged, 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, the original liability is derecognized and a new liability recognised. The difference in their respective carrying amounts is recognised in the income statement.

G3. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING
G3.1. DERIVITIVE FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments, such as forward foreign currency contracts and forward commodity contracts, to hedge its foreign currency and commodity price risks. Such derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into, then subsequently remeasured at fair value. Derivatives are carried as financial assets and financial liabilities when their fair values are positive and negative respectively.

The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

At the inception of a hedge relationship, the Company formally designates and documents the relationship to which it wishes to apply hedge accounting, the risk management objective, and strategy for undertaking the hedge.

The hedge documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged, and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- there is 'an economic relationship' between the hedged item and the hedging instrument;
- the effect of credit risk does not 'dominate the value changes' that result from that economic relationship; and
- the hedge ratio of the relationship is the same as that resulting from the quantity of the hedged item and the quantity of the hedging instrument that the Company uses to hedge that quantity of the hedged item.

Hedge accounting is applied when certain conditions required by IFRS 9 'Financial Instruments' ("IFRS 9") are met. The accounting for cash flow hedges is discussed at Note G3.2.

G3.2. CASH FLOW HEDGES

For all forward contracts the Company designates all of the forward contract (both the spot and forward elements) as the hedging instrument.

The portion of gain or loss of the hedging instrument determined to be an effective hedge is recognised directly in equity and forms part of the hedge reserve. The ineffective portion of the change in fair value of the hedging instruments is recognised in the income statement within Procurements for hedges of underlying operations. If the cash flow hedge relates to an underlying transaction which results in the recognition of a non-financial asset, the associated gains or losses on the derivative (previously recognised in equity) are recognised in the initial measurement of the asset arising from the hedged transaction.

The Company discontinues hedge accounting when the hedge instrument expires or is sold, terminated or exercised, when the hedge relationship no longer qualifies for hedge accounting or when the designation is revoked. In the case of cash flow hedging, any gain or loss that has been recognised in equity until that time, remains separately recognised in equity until the forecast transaction occurs. If the transaction is no longer expected to occur, related cumulative gains and losses which have been previously deferred in equity are recognised in the income statement.

G3.3. VALUATION OF FINANCIAL INSTRUMENTS

In those circumstances where IFRS 9 requires financial instruments to be recognised in the balance sheet at fair value, the Company's valuation strategies for derivative and other financial instruments utilise, as far as possible, quoted prices in an active trading market.

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

G. FINANCIAL INSTRUMENTS *continued*

G3. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING *continued*

G3.3. VALUATION OF FINANCIAL INSTRUMENTS *continued*

In the absence of quoted prices for identical or similar assets or liabilities, it is sometimes necessary to apply valuation techniques where contracts are marked using approved models. Models are used for developing both the forward curves and the valuation metrics of the instruments themselves where they are complex combinations of standard and non-standard products. All models are subject to rigorous testing prior to being approved for valuation, and subsequent continuous testing and approval procedures are designed to ensure the validity and accuracy of the model assumptions and inputs.

H. RETIREMENT BENEFITS

ScottishPower provides pensions through two defined benefit schemes and one defined contribution retirement benefit scheme in the UK. ScottishPower Renewables (UK) Limited is a participating company in these group arrangements, and the contributions for the defined benefit schemes are based on pension costs across all the participating companies. The Company is unable to identify its share of the underlying assets and liabilities in the defined benefit schemes, as the scheme administrators do not calculate these separately for each of the various companies participating in the schemes and therefore treats these schemes as if they were defined contribution schemes. The amount charged to the income statement in respect of pension costs is the contributions payable in the year.

I. DECOMMISSIONING COSTS

Provision is made, on a discounted basis, for the estimated decommissioning costs of the Company's wind farms. 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, then discounted.

Decommissioning costs are subject to a degree of estimation uncertainty as they are estimated at the balance sheet date and actual decommissioning will take place in the future. There is also uncertainty over 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 11.

J. 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.

K. TAXATION

Assets and liabilities for current tax are 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 expected to be 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 recognised in equity and is shown in the statement of comprehensive income.

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income. For income tax arising on dividends, the related tax is recognised in the income statement, statement of other comprehensive income, or in equity consistently with the transactions that generated the distributable profits.

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

L. INVESTMENTS

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

3 INTANGIBLE ASSETS

Year ended 31 December 2020	Computer software £m
Cost:	
At 1 January 2020	5.8
Additions	0.3
At 31 December 2020	**6.1**
Amortisation:	
At 1 January 2020	3.5
Amortisation for the year	0.7
At 31 December 2020	**4.2**
Net book value:	
At 31 December 2020	**1.9**
At 1 January 2020	2.3

(a) The cost of fully amortised intangible assets still in use at 31 December 2020 was £3.2 million (2019 £3.0 million).

4 PROPERTY, PLANT AND EQUIPMENT

(a) Movements in property, plant and equipment

Year ended 31 December 2020	Wind power plants £m	Distribution facilities £m	Other items of property, plant and equipment (Note (i)) £m	Plant in progress (Note (ii)) £m	Total £m
Cost:					
At 1 January 2020	2,321.4	196.4	11.7	46.6	2,576.1
Additions (Note (iii))	19.1	-	1.3	93.8	114.2
Transfers from in progress to plant in use	21.3	0.1	0.3	(21.7)	-
Disposals	(1.4)	-	-	-	(1.4)
At 31 December 2020	**2,360.4**	**196.5**	**13.3**	**118.7**	**2,688.9**
Depreciation:					
At 1 January 2020	677.9	53.1	2.4	-	733.4
Charge for the year	84.6	5.3	0.5	-	90.4
Disposals	(0.6)	-	-	-	(0.6)
At 31 December 2020	**761.9**	**58.4**	**2.9**	**-**	**823.2**
Net book value:					
At 31 December 2020	**1,598.5**	**138.1**	**10.4**	**118.7**	**1,865.7**
At 1 January 2020	1,643.5	143.3	9.3	46.6	1,842.7

The net book value of property plant and equipment at 31 December 2020 is analysed as follows:

	£m	£m	£m	£m	£m
Property, plant and equipment in use	1,598.5	138.1	10.4	-	1,747.0
Property, plant and equipment in the course of construction	-	-	-	118.7	118.7
	1,598.5	**138.1**	**10.4**	**118.7**	**1,865.7**

(i) The category 'Other items of property, plant and equipment in use' principally comprises land and IT equipment.
(ii) The category 'Plant in progress' principally comprises wind power plants in the course of construction.
(iii) Interest on the funding attributable to major capital projects was capitalised during the year at a rate of 1.1% (2019 1.8%).
(iv) The cost of fully depreciated property, plant and equipment still in use at 31 December 2020 was £20.9 million (2019 £17.6 million).

4 PROPERTY, PLANT AND EQUIPMENT *continued*

(a) Movements in property, plant and equipment *continued*

(v) Included within the cost of property, plant and equipment are assets in use not subject to depreciation, being land of £6.5 million (2019 £6.1 million).

(vi) Included within Other operating income in the income statement for the year ended 31 December 2020 is £1.0 million (2019 £0.8 million) relating to compensation receivable from third parties for items of property, plant and equipment that were impaired, lost or given up.

(vii) Included within the cost of property, plant and equipment is capitalised interest of £14.0 million (2019 £13.0 million).

(viii) Included in Other items of property, plant and equipment in use is assets with a carrying value of £0.1 million (2019 £1.4 million) which the Company leases via operating leases.

(b) Capital commitments

		2020	
	2021	**2022**	**Total**
	£m	**£m**	**£m**
Contracted but not provided	37.2	-	**37.2**

		2019	
	2020	2021	Total
	£m	£m	£m
Contracted but not provided	37.1	37.7	74.8

(c) Research and development expenditure

The amount of research and development expenditure recognised as an expense during the year was £0.5 million (2019 £0.3 million).

5 LEASING

5A LESSEE

The Company leases land and vehicles. Information about leases for which the Company is a lessee is presented below.

(a) 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 wind farms), with typical lease terms running up to 40 years. Certain leases contain the right to extend the lease term by up to 50 years and can be terminated with appropriate notice, generally up to 24 months.

Some land leases, particularly those on which wind farms have been built, contain variable lease payments that are based on the output from the wind farm. These payment terms are common for these types of leases. The fixed annual payments for the year were £9.6 million compared to variable payments made of £10.5 million. Despite the future planned growth of the Renewables business, the Company expects the relative proportions of fixed and variable lease payments to remain broadly consistent in future years.

Vehicles

The Company leases vehicles with lease terms of between four to five years, primarily being pool vehicles to mobilise its operational staff and other specialist vehicles. Certain vehicle leases are considered short term and the Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

Extension options

Some leases, in particular of land, contain extension options exercisable by the Company at the end of the non-cancellable contract period or an agreed point before that date. Where practicable, the Company seeks to include extension options in leases to provide operational flexibility. The extension options held are exercisable only by the company and not by the lessors. At lease commencement, the Company will assess whether it is reasonably certain to exercise the extension options and reassesses this if there is a significant event or change in circumstances within its control.

Other information

The Company also leases other equipment; the leases are considered short term and the Company has elected not to recognise right-of-use assets and lease liabilities for these leases. 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.

5 LEASING *continued*

5A LESSEE *continued*

(b) Right-of-use-assets

Year ended 31 December 2019	Note	Land £m	Vehicles £m	Total £m
Cost:				
On transition to IFRS 16 at 1 January 2019		154.8	0.5	155.3
Additions		3.3	1.2	4.5
Adjustments for changes in liabilities	(i)	2.0	-	2.0
At 31 December 2019		160.1	1.7	161.8
Depreciation:				
On transition to IFRS 16 at 1 January 2019		-	-	-
Charge for the year		6.7	0.3	7.0
At 31 December 2019		6.7	0.3	7.0
Net book value:				
At 31 December 2019		153.4	1.4	154.8
On transition to IFRS 16 at 1 January 2019		154.8	0.5	155.3

Year ended 31 December 2020	Note	Land £m	Vehicles £m	Total £m
Cost:				
At 1 January 2020		160.1	1.7	161.8
Additions		3.2	0.4	3.6
Adjustments for changes in liabilities	(i)	4.0	-	4.0
At 31 December 2020		**167.3**	**2.1**	**169.4**
Depreciation:				
At 1 January 2020		6.7	0.3	7.0
Charge for the year		7.2	0.4	7.6
At 31 December 2020		**13.9**	**0.7**	**14.6**
Net book value:				
At 31 December 2020		**153.4**	**1.4**	**154.8**
At 1 January 2020		153.4	1.4	154.8

(i) Adjustments for changes in liabilities are movements in the right-of-use asset resulting from remeasurement of the associated lease liability to reflect changes to the lease payments due to any reassessment or lease modifications.

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

(c) 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.

	2020 £m	2019 £m
Less than one year	10.3	9.7
One to five years	41.5	39.7
More than five years	218.1	225.1
Total undiscounted lease liabilities at 31 December	**269.9**	274.5
Finance cost	(106.3)	(115.9)
Total discounted lease liabilities	**163.6**	158.6
Analysis of total lease liabilities		
Non-current	159.1	148.9
Current	4.5	9.7
Total	**163.6**	158.6

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.

5 LEASING *continued*

5A LESSEE *continued*

(d) Amounts recognised in the income statement

	Note	2020 £m	2019 £m
Interest on lease liabilities		**(6.9)**	(7.0)
Variable lease payments not included in the measurement of lease liabilities		**(10.5)**	(9.0)
Expenses relating to short-term leases	(i)	**(0.1)**	(0.1)

(i) This charge relates to leases for vehicles and other equipment. Future commitments relating to the portfolio of short-term leases are expected to be similar to the expense charged in the year.

(e) Amounts recognised in the cash flow

	2020 £m	2019 £m
Payments of lease liabilities	**(4.4)**	(4.8)
Interest paid on lease liabilities	**(5.2)**	(5.2)
Payments for variable lease components	**(10.5)**	(9.0)
Payments for short-term leases	**(0.1)**	(0.1)
Total cash outflow for leases	**(20.2)**	(19.1)

5B LESSOR

The Company has a contract to lease land which is classified as an operating lease, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the asset. This lease has a term of three years, ending in 2021.

Lease income recognised by the Company during 2020 was £0.1 million. No income relating to variable lease payments that do not depend on an index or rate have been recognised.

The following table sets out a maturity analysis of lease receivables, showing the undiscounted payments to be received after the reporting date:

	2020 £m	2019 £m
Less than one year	**0.1**	0.1
One to two years	**-**	0.1
Total undiscounted lease payments	**0.1**	0.2

Full details of the risk management strategy for addressing and reducing the risks associated with the retained rights in the underlying assets are described in the most recent Annual Report and Accounts of SPL.

6 INVESTMENTS

(a) Movements in investments

	Notes	Subsidiary undertakings shares £m	Joint ventures £m	Other investments £m	Total £m
At 1 January 2019		160.9	9.5	0.5	170.9
Additions	(i), (ii)	1,082.8	-	-	1,082.8
Disposals	(ii)	(2.6)	-	-	(2.6)
Impairment		-	-	(0.5)	(0.5)
At 1 January 2020		1,241.1	9.5	-	1,250.6
Additions	(iii), (iv)	284.8	-	-	284.8
At 31 December 2020		**1,525.9**	**9.5**	**-**	**1,535.4**

(i) On 20 May 2019, the Company acquired 72% of the share capital of Douglas West Extension Limited for a total consideration of £0.9 million, including £0.6 million of contingent consideration (refer to Note 7(c) for further details). On 22 August 2019, the Company made a capital contribution of £6.4 million to East Anglia One Limited ("EA1L").

(ii) On 30 August 2019, the Company entered into an agreement with Bilbao Offshore Holding Limited, a Green Investment Group Company (part of the Macquarie Group) to sell 40% of the share capital of EA1L and outstanding loan notes of EA1L for a total consideration of £1.2 billion. The total consideration for the sale of the share capital was £624.1 million, including contingent consideration of £32.6 million. A gain of £613.7 million (after transaction costs of £7.8 million) was recorded in the income statement. Further detail in relation to the contingent consideration can be found in Note 7(b). Subsequent to this transaction, on 30 August 2019 the Company subscribed for, and was allotted, an additional 8,158,333,322,700 ordinary shares of £0.0001 each in EA1L for a consideration of £815.8 million. In subsequent months, the Company subscribed for, and was allotted, a further 2,596,800,000,000 ordinary shares of £0.0001 each in EA1L for a total consideration of £259.7 million.

6 INVESTMENTS *continued*

(a) Movements in investments *continued*

(iii) On 5 June 2020, the Company acquired the entire share capital of Hagshaw Hill Repowering Ltd for a consideration of £16.8 million. On 28 August 2020, the Company acquired 72% of the share capital of Cumberhead West Wind Farm Ltd. for a total consideration of £1.5 million, including £0.6 million of contingent consideration (refer to Note 7(c) for further details).

(iv) During the year ended 31 December 2020, the Company subscribed for, and was allotted, an additional 2,664,600,000,000 ordinary shares of £0.0001 each in EA1L for a total consideration of £266.5 million.

(b) Subsidiaries and joint ventures

The table below sets out details of the subsidiaries and joint ventures of the Company as at 31 December. All entities are direct holdings unless specified.

Name	Principal activities	Registered office and country of incorporation (Note (i))	Equity interest in ordinary shares 2020	2019	Notes
Subsidiaries					
Coldham Windfarm Limited	Operation of an onshore wind farm	(A)	80%	80%	
Cumberhead West Wind Farm Ltd.	Development of an onshore wind farm	(B)	72%	-	(ii)
Douglas West Extension Limited	Development of an onshore wind farm	(B)	72%	72%	(iii)
East Anglia One Limited	Construction and operation of an offshore wind farm	(C)	60%	60%	(iv)
East Anglia One North Limited	Development of offshore wind farm	(C)	100%	100%	
East Anglia Three Limited	Development of offshore wind farm	(C)	100%	100%	
East Anglia Two Limited	Development of offshore wind farm	(C)	100%	100%	
Hagshaw Hill Repowering Ltd	Development of an onshore wind farm	(B)	100%	-	(v)
ScottishPower Renewables (WODS) Limited	Operation of an offshore wind farm	(B)	100%	100%	
Joint ventures					
Celtpower Limited	Operation of an onshore wind farm	(A)	50%	50%	
East Anglia Offshore Wind Limited	Commercial operation of offshore meteorological masts	(C)	50%	50%	
Morecambe Wind Limited	Provision of operational services	(D)	50%	50%	(vi)

(i) The registered offices of the subsidiaries and joint ventures are as listed below, along with their countries of incorporation. Where the registered office is in England, it is registered in England and Wales.
  (A) 3 Prenton Way, Prenton, CH43 3ET, England
  (B) 320 St. Vincent Street, Glasgow, G2 5AD, Scotland
  (C) 3rd Floor, 1 Tudor Street, London, EC4Y 0AH, England
  (D) 5 Howick Place, London, SW1P 1WG, England

(ii) On 28 August 2020, the Company acquired 72% of the share capital of Cumberhead West Wind Farm Ltd.

(iii) On 20 May 2019, the Company acquired 72% of the share capital of Douglas West Extension Limited.

(iv) On 30 August 2019, the Company sold 40% of the share capital of East Anglia One Limited to Bilbao Offshore Holding Limited.

(v) On 5 June 2020, the Company acquired the entire share capital of Hagshaw Hill Repowering Ltd.

(vi) The investment in Morecambe Wind Limited is an indirect holding.

7 FINANCIAL INSTRUMENTS

The Company holds certain financial instruments which are measured in the balance sheet at fair value as detailed below.

	Other investments £m	Derivative financial instruments (Note (a)) £m	Contingent consideration receivable (Note (b)) £m	Contingent consideration payable (Note (c)) £m
At 1 January 2019	0.5	-	-	-
Recorded in income statement	(0.5)	-	34.4	-
Recorded in cash flow hedge reserve	-	(1.5)	-	-
Recorded in investments	-	-	-	(0.6)
At 1 January 2020	-	(1.5)	34.4	(0.6)
Recorded in income statement	-	-	10.3	0.1
Recorded in cash flow hedge reserve	-	6.1	-	-
Recorded in investments	-	-	-	(0.6)
At 31 December 2020	**-**	**4.6**	**44.7**	**(1.1)**

(a) Derivative financial instruments

The Company's derivatives comprise forward foreign exchange contracts and commodity derivatives. The Company uses foreign currency forwards to hedge its exposure to foreign currency risk and commodity derivatives to hedge its exposure to commodity price risk. Under the Company's policy the critical terms of the derivatives must align with the hedged items. The Company enters into foreign currency forwards to hedge Euro asset purchases and commodity derivatives to hedge the cost of electricity. For such items the Company designates the entire value of the foreign currency forward and the commodity derivative in the hedge relationship.

The following tables illustrate the timing of the notional amount of the hedging instruments and the average forward price of the foreign exchange hedging instrument.

	Notional amount of hedging instrument (maturity profile)					
						£m
At 31 December 2020	**1 year**	**2 years**	**3 years**	**4 years**	**5 years+**	**Total**
Foreign exchange forwards	54.0	-	-	-	-	**54.0**
Commodity forwards	4.6	8.6	8.7	8.7	38.7	**69.3**
	58.6	8.6	8.7	8.7	38.7	**123.3**

The future amounts on derivative instruments may be different from the amounts in the table as interest rates and exchange rates or the relevant conditions underlying the calculation change.

	Average forward price (exchange rate)
At 31 December 2020	**1 year**
EUR (GBP:EUR)	1.10

(b) Contingent consideration receivable

As part of the share purchase agreement in relation to the sale of a minority stake in EA1L, a contingent consideration was agreed. Payment of this consideration is principally based on savings made on the project's forecasted spend which was agreed as part of the share purchase agreement.

The contingent consideration was fair valued using a Credit Value at Risk ("VaR") Monte-Carlo simulation model which is a risk and probability based model. The main risks inherent in the model are the potential adverse impacts from delay and weather resulting in overspend. As at the transaction date the fair value of the contingent consideration was estimated to be £32.6 million (refer to Note 6(a)(ii)).

As at 31 December 2020, the fair value of the contingent consideration was estimated to be £44.7 million (2019 £34.4 million) reflecting the ongoing mitigation of possible risks as the project moves forward towards completion.

The contingent consideration is due for the final measurement and payment when contracts supporting the construction of the EA1 wind farm conclude, which is expected to be during 2021.

(c) Contingent consideration payable

As part of the acquisitions of Douglas West Extension Limited and Cumberhead West Wind Farm Ltd., respective amounts of contingent consideration were agreed and calculated. Both contingent considerations were fair-valued using a weighted-average probability-based model. At 31 December 2020, the fair value of contingent consideration payable was estimated to be £1.1 million (2019 £0.6 million).

8 TRADE AND OTHER RECEIVABLES

	Notes	**2020 £m**	2019 £m
Current receivables:			
Receivables due from Iberdrola group companies - trade		**147.0**	172.5
Receivables due from Iberdrola group companies - loans	(a)	**358.1**	577.7
Receivables due from Iberdrola group companies - interest		**4.5**	2.4
Receivables due from jointly controlled entities - prepayments		**-**	0.1
Trade receivables and accrued income		**16.7**	10.7
Prepayments		**8.0**	7.4
Other tax receivables		**10.7**	3.2
Other receivables	(b)	**44.7**	34.4
	(c)	**589.7**	808.4
Non-current receivables:			
Receivables due from Iberdrola group companies - other		**1.6**	1.7
Prepayments		**1.6**	1.8
		3.2	3.5

(a) Interest on loans due from Iberdrola group companies is payable at 1% above the Bank of England base rate and are repayable on demand.

(b) This balance represents the contingent consideration on the sale of 40% of EA1L (refer to Note 7(b)).

(c) Trade and other receivables includes £138.3 million (2019 £171.0 million) of IFRS 15 receivables. Net ECL reversals of £0.1 million (2019 Net ECLs of £0.3 million) were recognised during the year on receivables arising from the Company's contracts with customers.

9 SHARE CAPITAL

	2020 £m	2019 £m
Allotted, called up and fully paid shares:		
2,033,352,567 ordinary shares of £1 each (2019 2,033,352,567)	**2,033.3**	2,033.3

(a) The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

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

	Share capital (Note (a)) £m	Hedge reserve (Note (b)) £m	Retained earnings (Note (c)) £m	Total equity £m
At 1 January 2019	673.6	-	131.0	804.6
Profit for the year attributable to equity holder of the Company	-	-	867.5	867.5
Share capital issued	1,359.7	-	-	1,359.7
Changes in the value of cash flow hedges	-	(1.5)	-	(1.5)
Tax on items relating to cash flow hedges	-	0.3	-	0.3
Dividends	-	-	(284.1)	(284.1)
At 1 January 2020	2,033.3	(1.2)	714.4	2,746.5
Profit for the year attributable to equity holder of the Company	-	-	206.6	206.6
Changes in the value of cash flow hedges	-	4.5	-	4.5
Tax relating to cash flow hedges	-	(0.9)	-	(0.9)
Dividends	-	-	(201.0)	(201.0)
At 31 December 2020	**2,033.3**	**2.4**	**720.0**	**2,755.7**

(a) On 30 August 2019, the Company issued 1,359,722,220 ordinary shares of £1 to its immediate parent, SPREL, for a total consideration of £1,359.7 million.

(b) The hedge reserve represents the balance of gains and losses on cash flow hedges (net of taxation) not yet transferred to income or the carrying amount of a non-financial asset.

(c) Retained earnings comprise the cumulative balance of profits and losses recognised in the Accounts as adjusted for transactions with shareholders, principally dividends.

11 PROVISIONS

Year ended 31 December 2019	Note	At 1 January 2019 £m	New provisions £m	Unwinding of discount £m	Transfers £m	Utilised during year £m	At 31 December 2019 £m
Decommissioning	(a)	133.0	35.4	2.2	-	-	170.6
Other		0.1	-	-	0.1	(0.1)	0.1
		133.1	35.4	2.2	0.1	(0.1)	170.7

Year ended 31 December 2020	Note	At 1 January 2020 £m	New provisions £m	Unwinding of discount £m	Released during year £m	**At 31 December 2020 £m**
Decommissioning	(a)	170.6	19.1	2.1	(0.3)	**191.5**
Other		0.1	-	-	-	**0.1**
		170.7	19.1	2.1	(0.3)	**191.6**

Analysis of total provisions	**2020 £m**	2019 £m
Non-current	**191.5**	170.6
Current	**0.1**	0.1
	191.6	170.7

(a) The provision for decommissioning is the discounted future estimated costs of decommissioning the Company's wind farms. The decommissioning is expected to occur in the years between 2022 and 2057. 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 £19.2 million higher and lower respectively. Had the discount rate been 0.25% higher or lower, this would have resulted in the decommissioning provision being £12.9 million lower and higher respectively.

12 LOANS AND OTHER BORROWINGS

Instrument	Interest rate*	Maturity	**2020 £m**	2019 £m
Loan with joint venture	Base + 1%	11 December 2021	**3.0**	3.0
Loans with Iberdrola group companies	3.05%	20 December 2027	**700.0**	700.0
			703.0	703.0

* Base - Bank of England base rate

Analysis of total loans and other borrowings	**2020 £m**	2019 £m
Non-current	**700.0**	700.0
Current	**3.0**	3.0
	703.0	703.0

13 TRADE AND OTHER PAYABLES

	Note	**2020 £m**	2019 £m
Current trade and other payables:			
Payables due to Iberdrola group companies - trade		**0.5**	4.9
Payables due to Iberdrola group companies - capital		**-**	3.8
Payables due to Iberdrola group companies - interest		**0.7**	0.7
Payables due to jointly controlled entities - trade		**0.7**	0.1
Trade payables	(a)	**37.2**	29.9
Other taxes and social security		**1.0**	0.9
Payments received on account		**0.5**	-
Capital payables and accruals	(a)	**57.7**	14.5
Other payables		**7.6**	5.7
		105.9	60.5
Non-current other payables:			
Other payables		**0.9**	1.3

13 TRADE AND OTHER PAYABLES *continued*

(a) The Company operates a number of supplier financing arrangements under which certain suppliers can obtain accelerated settlement on invoices from the banking provider. These arrangements are a form of reverse factoring which the Company believes offers a benefit to its suppliers by giving them early access to funding. The supplier financing program allows participating suppliers the ability to voluntarily elect to sell the Company's payment obligations to a designated third-party financial institution. The Company's obligations to its suppliers, including amounts due and scheduled payment terms, are not impacted by suppliers' decisions to sell amounts under these arrangements.

During 2020, the Company has agreed the extension of payment terms with some suppliers, which the Company deems to be commercially reasonable and within the legal payment terms required. The payment period for those suppliers has been extended to an average of 52 days. These suppliers could elect to be paid by a financial institution earlier than maturity under supplier financing arrangements.

On an ongoing basis, the supplier financing arrangements are reviewed to determine the appropriate accounting treatment. For the supplier financing arrangements in place as at 31 December 2020, management has determined that the original liabilities to which the arrangements apply have not been extinguished or substantially modified on entering into the arrangements. Therefore, the balances continue to be classed as Trade and other payables on the Balance sheet and the associated cash flows are included in Cash flows from operating activities. At 31 December 2020, the amount of Trade and other payables under supplier financing arrangements is £36.6 million, of which £28.5 million is within Capital payables and accruals and £8.1 million within Trade payables.

14 DEFERRED TAX

Deferred tax provided in the Accounts is as follows:

	Property, plant and equipment £m	Derivative financial instruments £m	Other temporary differences £m	Total £m
At 1 January 2019	167.2	-	(0.2)	167.0
Charge to the income statement	3.6	-	5.9	9.5
Recorded in the statement of comprehensive income	-	(0.3)	-	(0.3)
At 1 January 2020	170.8	(0.3)	5.7	176.2
Charge/(credit) to the income statement	22.1	-	(5.3)	16.8
Recorded in the statement of comprehensive income	-	0.9	-	0.9
At 31 December 2020	**192.9**	**0.6**	**0.4**	**193.9**

(a) Legislation was previously enacted to reduce the UK rate of Corporation Tax to 17% on 1 April 2020. Accordingly deferred tax balances were measured at the 17% rate at 31 December 2019. Further legislation was enacted on 22 July 2020 under the Finance Act 2020 that maintains the 19% UK Corporation Tax rate. The 19% rate applies from 1 April 2020. This rate change increased the deferred tax liability by £20.1 million.

(b) In the 3 March 2021 Budget, the Chancellor of the Exchequer announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the Company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax liability would have been £57.8 million higher.

15 EMPLOYEE INFORMATION

(a) Staff costs

	2020 £m	2019 £m
Wages and salaries	35.6	30.3
Social security costs	4.1	3.5
Pension and other costs	4.9	4.4
Total staff costs	**44.6**	38.2
Less: capitalised staff costs	(1.8)	(1.4)
Charged to the income statement	**42.8**	36.8

(b) Employee numbers

The average numbers of employees (full and part-time) employed by the Company, including UK based directors, were:

	Average 2020	Average 2019
Administrative staff	**78**	78
Operations	**416**	354
Total	**494**	432

15 EMPLOYEE INFORMATION *continued*

(c) Retirement benefits

The Company's pension contributions payable in the year were £4.4 million (2019 £3.7 million). The Company contributes to the ScottishPower Group's defined benefit and defined contribution schemes in the UK and the contributions payable in the year reflect the contributions payable in respect of active participants in the group schemes who are employed by the Company. Full details of these schemes are provided in the most recently available Annual Report and Accounts of SPL. As at 31 December 2020, the deficit in the ScottishPower group's defined benefit schemes in the UK amounted to £558.6 million (2019 £651.7 million). The employer contribution rate for these schemes in the year ended 31 December 2020 was 47.9%-51.0%.

16 OTHER OPERATING INCOME

	Note	**2020** £m	2019 £m
Other operating income	(a)	**35.8**	39.9

(a) Other operating income primarily consists of recharges for services to fellow Iberdrola group companies.

17 TAXES OTHER THAN INCOME TAX

	2020 £m	2019 £m
Property taxes	**19.0**	19.1

18 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

	2020 £m	2019 £m
Property, plant and equipment depreciation charge	**90.4**	78.9
Right-of-use asset depreciation charge	**7.6**	7.0
Intangible asset amortisation charge	**0.7**	0.3
Charges and provisions, allowances and impairment of assets	**0.6**	-
	99.3	86.2
Capitalised right-of-use asset depreciation	**(0.2)**	(0.1)
	99.1	86.1

19 FINANCE INCOME

	2020 £m	2019 £m
Fair value movement on contingent consideration	**10.4**	1.8
Interest receivable from Iberdrola group companies	**4.6**	2.4
Foreign exchange gains	**0.1**	0.2
	15.1	4.4

20 FINANCE COSTS

	2020 £m	2019 £m
Interest on amounts due to Iberdrola group companies	**21.4**	21.3
Interest on amounts due to joint ventures	**-**	0.1
Impairment of other investments	**-**	0.5
Impairment reversals	**(0.1)**	-
Unwinding of discount on provisions	**2.1**	2.2
Interest on lease liabilities	**6.9**	7.0
Foreign exchange losses	**0.3**	0.2
	30.6	31.3
Capitalised interest	**(1.0)**	(0.2)
	29.6	31.1

21 INCOME TAX

	2020	2019
	£m	£m
Current tax:		
UK Corporation Tax charge on profits for the year	**40.8**	44.0
Adjustments in respect of prior years	**-**	(0.2)
Current tax for the year	**40.8**	43.8
Deferred tax:		
Origination and reversal of temporary differences	**2.1**	11.4
Adjustments in respect of prior years	**(5.4)**	(0.9)
Impact of tax rate change	**20.1**	(1.0)
Deferred tax for the year	**16.8**	9.5
Income tax expense for the year	**57.6**	53.3

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

	2020	2019
	£m	£m
Corporation Tax at 19% (2019 19%)	**50.2**	175.0
Adjustments in respect of prior years	**(5.4)**	(1.1)
Impact of tax rate change	**20.1**	(1.0)
Gain on partial disposal of subsidiary - covered by Substantial Shareholding Exemption	**-**	(110.4)
Non-deductible expenses and other permanent differences	**(7.3)**	(9.2)
Income tax expense for the year	**57.6**	53.3

Legislation was previously enacted to reduce the UK rate of Corporation Tax to 17% on 1 April 2020. Accordingly deferred tax balances were measured at the 17% rate at 31 December 2019. Further legislation was enacted on 22 July 2020 under the Finance Act 2020 that maintains the 19% UK Corporation Tax rate. The 19% rate applies from 1 April 2020. This rate change increased the deferred tax liability by £20.1 million. Refer to Note 14(b) for details of future tax rate changes.

22 DIVIDENDS

	2020	2019	**2020**	2019
	pence per ordinary share	pence per ordinary share	**£m**	£m
Interim dividend paid	**9.9**	14.0	**201.0**	284.1

23 FINANCIAL COMMITMENTS

				2020			
	2021	**2022**	**2023**	**2024**	**2025**	**2026 and thereafter**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Contractual commitments	49.0	24.7	10.5	7.7	7.7	32.6	**132.2**

				2019			
	2020	2021	2022	2023	2024	2025 and thereafter	Total
	£m	£m	£m	£m	£m	£m	£m
Contractual commitments	25.2	18.5	14.9	11.4	6.1	34.8	110.9

24 RELATED PARTY TRANSACTIONS

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

	2020			2019		
	Other Iberdrola group companies £m	**Subsidiaries £m**	**Joint ventures £m**	Other Iberdrola group companies £m	Subsidiaries £m	Joint ventures £m
Types of transaction						
Sales and rendering of services	**2.2**	**13.8**	**0.1**	-	28.2	0.2
Purchases and receipt of services	**-**	**-**	**(0.8)**	(11.0)	-	(0.1)
Interest costs (excluding ECLs)	**-**	**-**	**-**	-	-	(0.1)
Dividends received	**-**	**-**	**1.5**	-	-	-
Balances outstanding						
Trade and other receivables	**-**	**2.5**	**-**	-	2.9	0.1
Loans payable	**-**	**-**	**(3.0)**	-	-	(3.0)
Trade and other payables	**-**	**-**	**(0.7)**	(2.0)	(0.1)	(0.1)
Capital payables	**-**	**-**	**-**	(3.8)	-	-

(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 is shown below. As these directors are remunerated for their work for Renewables, it has not been possible to apportion the remuneration specifically in respect of services to this Company. All three (2019 four) of the directors were remunerated by another Renewables company during both years.

	2020 £000	2019 £000
Aggregate remuneration in respect of qualifying services	**994**	889
Aggregate contributions payable to a defined contribution pension scheme	**31**	29
Aggregate compensation for loss of office	**-**	179
Number of directors who exercised share options	**3**	3
Number of directors who received shares under a long-term incentive scheme	**3**	3
Number of directors accruing retirement benefits under a defined benefit scheme	**2**	2
Number of directors accruing retirement benefits under a defined contribution scheme	**1**	1

Highest paid director	**2020 £000**	2019 £000
Aggregate remuneration	**477**	429

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

(c) Ultimate and immediate parent company

The immediate parent company is SPREL. The registered office of SPREL is 320 St. Vincent Street, Glasgow, G2 5AD.

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 of the Company are consolidated is Scottish Power UK plc ("SPUK").

Copies of the consolidated Accounts of Iberdrola, S.A. may be obtained from Iberdrola, S.A., at its registered office, 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 Company's parent undertakings disclosed above, the Company's other related undertakings are disclosed in Note 6.

25 AUDITOR REMUNERATION

	2020	2019
	£000	£000
Audit of the Company's annual accounts	**58**	32