SCOTTISHPOWER RENEWABLES (UK) LIMITED
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2022

Registered No. NI028425

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The directors present their Strategic Report on ScottishPower Renewables (UK) Limited ("the Company") for the year ended 31 December 2022.

INTRODUCTION

The principal activity of the Company, registered company number NI028425, is the development, construction and operation of onshore wind-powered electricity generation and emerging technologies 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, and also emerging renewable technologies and innovations such as battery storage and solar.

STRATEGIC OUTLOOK

Operating review

The Company's assets continued to perform well throughout 2022 with good availability. Production was positive year-on-year as a result of good wind conditions despite several categorised storms providing additional technical challenges and increased downtime. The Operations and Maintenance team continue to develop their internal capabilities in order to increase operational efficiencies.

During 2022, the onshore pipeline increased to 5.1 Gigawatts ("GW") (which includes 1 GW of projects in planning) and the Company progressed plans to take final investment decisions on five onshore wind projects totalling 396 megawatts ("MW") and ten solar projects totalling 326 MW which secured Contracts for Difference ("CfDs") in the UK Government's Allocation Round 4 process in July 2022.

The Company completed construction and operational handover of the 10 MW solar project at Carland Cross Windfarm, the 50 MW battery energy storage system ("BESS") at Whitelee Windfarm, the 50 MW BESS at Gormans in County Meath and the 3 MW BESS at Barnesmore in Donegal town. The BESS projects will provide balancing services for the electricity networks in Great Britain and Ireland. Following the successful integration of the Company's first solar and BESS assets into its operational portfolio, work continues to ensure robust operational processes are implemented in order to successfully integrate the continued growth in capacity, including a number of onshore wind farms and solar sites which are scheduled to enter into construction during 2023.

During 2022, the Company successfully secured two contracts following the UK Capacity Market auctions, including Whitelee BESS. These contracts allow National Grid to manage security of supply and prevent future blackouts on the system.

In 2022, both the Blacklaw and Whitelee wind farms have been providing constraint management contracts under National Grid's Constraint Pathfinder Tender. Provision of this innovative service from wind generation allows National Grid to manage constraints on the system in a cost-effective manner.

2022 performance

	Revenue*		Operating profit*		Capital investment**	
	2022	2021	2022	2021	2022	2021
Financial key performance indicators	£m	£m	£m	£m	£m	£m
ScottishPower Renewables (UK) Limited	507.7	367.7	207.0	97.8	43.6	82.1

* Revenue and operating profit as presented on the Income statement on page 19.
** Capital investment for 2022 as presented in Notes 3 and 4 on page 30.

Revenue increased by £140.0 million to £507.7 million in 2022. Wind output increased by 35% (£105.0 million), reflecting more productive weather conditions. In addition, revenue increased due to Renewables Obligation Certificates ("ROCs"), and higher energy prices.

Operating profit increased by £109.2 million to £207.0 million in 2022. Higher revenues were partially offset by increased Balancing Services Use of System charges, higher operating and maintenance costs as well as an additional depreciation charge due to a change in the useful life of some assets. Refer to Note 1B2.2 for further information.

2022 performance *continued*

Capital investment decreased by £38.5 million to £43.6 million in 2022 reflecting a reduction in decommissioning assets due to an increase in discount rates offset by investment in solar development sites.

Non-financial key performance indicators	Notes	2022	2021
Wind			
Output (GWh*)	(a)	4,395	3,250
Installed capacity (MW)	(b)	1,955	1,955
Availability	(c)	96%	96%
Solar			
Output (GWh)	(a), (d)	7	-
Installed capacity (MW)	(b), (d)	10	10
Battery			
Installed capacity (MW)	(b), (e)	104	104

* Gigawatt hours

(a) Output is a measure of the electrical output generated in the year, which in turn drives the revenues of the business.

(b) Installed capacity represents the total number of MW installed within the sites. This includes all sites constructed 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.

(d) Solar capacity and output in respect of Carland Cross, which commenced operations in January 2022.

(e) Installed capacity relates to Gormans BESS, Whitelee BESS and Barnesmore BESS.

Statement of financial position

Net assets of the Company decreased by £92.6 million in the year to £2,466.9 million. This reflects the impact of the statutory profit of £246.2 million offset by dividends of £316.3 million paid to the parent and £22.5 million of hedge reserve movements.

Investments in subsidiaries increased by £40.9 million to £1,566.8 million due to the acquisition of a number of solar projects. Refer to Note 6(a)(i) for further details.

Current trade and other receivables increased by £76.9 million to £285.3 million reflecting increased revenue.

Non-current trade and other receivables reduced by £43.2 million to £328.1 million due to a reduction in Loans due from Iberdrola Group companies.

Derivative financial instruments decreased by £197.9 million to a liability of £377.1 million due primarily to the impact of increased inflation on Consumer Price Index ("CPI") swaps entered into by the Company. These swaps are entered into to reduce volatility within ScottishPower of income from CfDs indexed to CPI. Derivative financial instruments have also decreased as a result of the impact of increased electricity prices on commodity derivatives which hedge the Company's exposure to commodity price risk. Refer to Note 8(a) for further details.

Outlook for 2023 and beyond

During 2023, the Company will continue to consider opportunities to co-locate technologies, including solar and BESS projects, at existing wind farms in addition to new sites. The Company's two wind farms which secured CfDs in Allocation Round 4 are also scheduled to begin construction in 2023; Kilgallioch Extension and Arecleoch Extension located at existing wind farms in South Ayrshire. The solar sites which secured CfDs are scheduled for construction between 2023 and 2025. The Company also has discussions ongoing with various corporate companies to facilitate a route to market for a number of other projects in the pipeline.

In 2022, the Company welcomed the UK Government's commitment to move to annual CfD auctions.

The Company's key growth priority areas for 2023 include developing a strategy for the repowering of its existing onshore operational sites. In addition to engaging with landowners and local authority stakeholders, the Company is also targeting development sites in England with initial feasibility complete and under exclusivity by mid-year 2023 for progressing to full feasibility assessment.

The Company continues to engage with the UK Government on a number of priority issues which have implications for the investment of renewable energy projects including CfD Allocation Round 6, the ten-year review of the Capacity Market and the wide-ranging Review of Energy Market Arrangements which is considering longer-term market arrangements to support delivery of a decarbonised power system by 2035. The Company is also looking forward to the Department for Economy in Northern Ireland developing a new renewable energy support scheme as it seeks to meet its decarbonisation goals.

Outlook for 2023 and beyond *continued*

The Scottish Government published a revised Onshore Wind Policy Statement in December 2022 which sets out an ambition to deploy 20 GW of onshore wind by 2030, as well as plans to form a Strategic Leadership Group to develop an onshore wind sector deal. The Company is committed to working with the Scottish Government and other industry participants in implementing a sector deal to maximise onshore wind investment, supply chain growth, and skills and employment opportunities.

In the current geopolitical environment, security and stability of supply and system restoration have become increasingly important issues and the Company is working closely with equipment manufacturers to build upon the successes of its world-first black start demonstrations at Dersalloch Windfarm. The Company is using cutting edge 'grid-forming' technology and virtual synchronous machines to regulate the frequency and voltage to keep the electricity system stable, balanced and recoverable during localised grid outages. The Company's intention is to replicate and develop this now proven technology at scale, which the Company's established pipeline is in an excellent position to enable, providing an alternative to conventional fossil fuels to restore power in the event of a major disruption of the transmission system. Contracts for system restoration services will be tendered and managed by National Grid on a regional basis that will enable revenue opportunities for providers.

The Company continually assesses the investment required to meet the criteria of the contracts to determine value opportunities available. In November 2022, the UK Government announced the introduction of the Electricity Generators Levy ("EGL") on a variety of forms of low-carbon generation, expected to apply from 1 January 2023 and run until 31 March 2028 (subject to receipt of royal assent). The EGL is expected to levy an additional 45% tax on receipts made above an average output price of £75 per MWh, indexed annually to the CPI. The EGL will only apply to the Company's exceptional receipts exceeding £10 million in an accounting period and will allow for the deduction of a limited set of exceptional costs when calculating generators' liability. It is anticipated that 99% of the current generation portfolio will be in scope of the EGL, however, the cost will be dependent on the value of electricity sales.

Financial instruments

The Company has Trade and other receivables (principally with Iberdrola Group companies), Trade and other payables and Loans and other borrowings. The Company has exposure to Credit risk and Treasury risk (comprising both liquidity and market risk) arising from these financial instruments.

Credit risk is the risk that a counterparty will not meet its contractual obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk from Iberdrola Group companies is considered to be low as no Iberdrola Group company has a credit rating lower than BBB+ (in line with Standards & Poors' external credit ratings).

Liquidity risk is the risk that the Company will have insufficient funds to meet its liabilities and market risk is the risk of loss that results from changes in market rates (e.g. interest rates). Both of these are managed by ScottishPower's Treasury department, who are responsible for arranging banking facilities on behalf of the Company. The Company produces short-term rolling cash flow requirements and if necessary any required funding is obtained via ScottishPower credit facilities already in place.

The Company also utilises derivative financial instruments. Refer to Note 8(a) for further details.

PRINCIPAL RISKS AND UNCERTAINTIES

To deliver its strategy, ScottishPower, and therefore the Company, conducts 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 risks inherent in the business. To maintain this strategic direction, ScottishPower develops and implements risk management policies and procedures, and promotes a robust control environment at all levels of the organisation. Further details of ScottishPower's risk management practices can be found in the most recent Annual Report and Accounts of SPL.

The principal risks and uncertainties of the Company, that may impact current and future operational and financial performance and the management of these risks are described on the following pages.

REGULATORY AND POLITICAL RISKS	RESPONSE
Compliance with regulatory obligations especially in the context of 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.
CfD Strike Price is indexed by CPI annually. Limited protection from supply chain cost increases.	Engaging with UK Government on potential to update strike price indexation to reflect inflation indices more relevant for construction costs.

GLOBAL FINANCIAL MARKET VOLATILITY RISK	RESPONSE
Impacts arising from market and regulatory reactions to events including the Ukraine war. As well as positive or negative changes in the UK economy these could include increased volatility on the value of Sterling and foreign currencies.	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. In addition to monitoring ongoing developments, the Company adheres to a ScottishPower treasury risk management policy (comprising foreign currency risk) to hedge financial risks which is discussed further in Note 8.

CLIMATE CHANGE RISK	RESPONSE
The risk that the Company's investments or operations have a significant impact on the environment and on national and international targets to tackle climate change.	The Company is committed to reducing its environmental footprint by: • identifying and managing climate risks and opportunities, and implementing adaptation measures where required; • reducing emissions to air, land and water and preventing environmental harm; • minimising energy consumption and use of natural and human-made resources; • sourcing material resources responsibly, cutting waste and encouraging re-use and recycling; and • protecting natural habitats and restoring biodiversity.

RECRUITMENT AND RETENTION OF STAFF RISK	RESPONSE
Increased and appropriate resources with the correct capabilities are required to grow our businesses. Attracting resources is a challenge with the complexity of a competitive market with scarce skilled resource.	Retention Project to identify short and medium-term solutions. Identification of critical and high risk roles within the Company. Increased size and skill set of the recruitment team.

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

CYBER SECURITY RISK	RESPONSE
The Company operates within an environment where there is the presence of sophisticated and opportunistic cyber security threat actors motivated to identify and take advantage of flaws and weaknesses in the Company's cyber security defences. The Company, in alignment with UK Regulation, takes the protection of its Data and the provision of its essential services very seriously. The Company, as part of ScottishPower, continues to invest significantly in its people, processes, and technologies to enhance its capabilities to prevent, detect and respond to security threats. The main risks are: • Risks related to operational technology used to manage the production, management and distribution of energy, or physical safety systems (fire protection, CCTV, alarm reception centres). • Risks related to information technology ("IT") that enables the Company to operate critical services. • Risks related to the confidentiality, integrity, and availability of key information assets. • Other cyber security risks impacting reputation.	The Company continues to focus on its enterprise security risks through enhanced internal governance, complemented by the adoption of a three lines of defence model with clear roles and responsibilities established across the ScottishPower Group and therefore the Company. These risks are managed in accordance with the basic principles defined in internal cyber security rules promoting the safe handling of data, use of IT and communications systems, use of operational technology systems and assets, and other cyber assets, reinforcing detection, prevention, defence, and response capabilities against possible attacks. The Iberdrola Group currently has specific insurance against cyber risks, under the terms allowed by the insurance market, which is revised and updated periodically in view of the rapid evolution and wide variety of cyber risks.in view of the rapid evolution and wide variety of cyber risks.

HEALTH AND SAFETY RISK	RESPONSE
A major health and safety incident in the course of operations could impact contractors, communities or the environment.	A ScottishPower Health and Safety function exists and provides specialist services and support for the Company in relation to health and safety. A comprehensive framework of health and safety policy and procedures, alongside audit programmes is established, which aims to ensure not only continuing legal compliance but also to drive towards best practice in all levels of health and safety operations.

SUPPLY CHAIN RISK	RESPONSE
Interruption due to post lockdown inabilities to restart efficient supply chains, made worse by the Ukraine war, higher costs due to commodity prices, increased risk of supplier failure due to the deterioration of industrialised economies and excess demand over supply.	Identifying potential shortages and gaps in the supply of products, equipment and labour. The supply chain is monitored by the ScottishPower Procurement department in conjunction with advice from the ScottishPower Compliance, Legal and Risk departments. The upward pressure on costs due to the macroeconomic environment is managed, and strategies, such as hedging are developed and implemented. The risk is spread through supply chain engagement.

PROJECT DELIVERY RISK	RESPONSE
Failure to deliver large and complex projects on time and within budget.	The Company has a strong track record in delivering large scale engineering projects with significant experience from developing numerous wind farm projects. Project delivery is supported by the use of established and experienced suppliers and advisors, along with robust financial management including appropriate foreign exchange hedging and funding strategy. Continue constructive engagement with Ofgem on plan deliverability and regulatory regime around projects.

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

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

The Company continues to monitor and assess the impact of additional security risks as a result of terrorism, war and other world events and will put mitigating actions in place if and when appropriate.

ENGAGING WITH STAKEHOLDERS

The importance of engaging with stakeholders

The Company 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 the Company, engages with its stakeholders, and how these activities influence the Company's operations, are set out below.

Key stakeholders

The Company, has five key stakeholder categories: employees, customers, government and regulators, suppliers and contractors, and community and environment.

Behind these stakeholders are many people, institutions, organisations and groups. All of them, with their decisions and opinions, influence the Company, and they are also affected by the Company's activities. In addition, these stakeholders interact with each other, creating a universe of relationships that the Company 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 important to the Company. The Company's relationship with its shareholders is governed by the Company's Articles of Association and provisions of the Governance and Sustainability System which apply to the Company and the Group, of which the Company is a member. As the Company is ultimately wholly-owned by Iberdrola, all ultimate shareholder management activities are carried out by Iberdrola in accordance with its own Shareholder Engagement Policy as published at www.iberdrola.com.

EMPLOYEES

The Company employs 657 employees, working across a range of roles. The employees make a real difference in determining how successfully the Company operates. The creativity, innovation and individuality of the Company's employees enables the it to build on its future capability to operate effectively in a competitive market, and continue to have aspirations which are challenging and rewarding. The Company respects and recognises the importance of individuality as part of its ongoing commitment to promoting a culture where individuality is celebrated. The Company also understands 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.

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:

- employment regulation
- training
- employee feedback and consultation
- inclusion and diversity
- rewards and benefits
- health and safety
- employee health and wellbeing.

ENGAGING WITH STAKEHOLDERS *continued*

Modern Slavery Statement

The term 'modern slavery' covers both slavery and human trafficking. The Company 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 is subject to annual approval by the Board of Directors of SPL. This statement is published at: www.scottishpower.com / 'Sustainability' / 'Sustainable business' / 'ScottishPower's Modern Slavery Statement'.

CUSTOMERS

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

GOVERNMENT AND REGULATORS

The Company, as part of Renewables, engages with governments and regulators directly and through trade associations, responding to issues of concern and providing expertise to support policy development where appropriate.

The Company engaged with the UK Government on the EGL expected to apply from 1 January 2023 (refer to 'Operating review' section of the Strategic Report for further information) and it continues to work with governments on policies for future support for renewables and new technologies (refer to 'Outlook for 2023 and beyond' section of the Strategic Report for further details).

SUPPLIERS AND CONTRACTORS

As part of ScottishPower, the Company's engagement with its suppliers and contractors 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.

The Company aims to develop and maintain strong relationships across its supply base with a focus on health and safety, quality, cost and sustainability. The Company expects its suppliers to operate to a high standard including working in an ethical and sustainable manner, and it has a range of policies that all suppliers must adhere to, including the ScottishPower Code of Ethics.

Engagement with the supply chain is always a critical activity for the Company but continues to become more important as the Company adapts to the current geopolitical and macroeconomic challenges.

COMMUNITY AND ENVIRONMENT

Community

As a responsible developer, the Company maintains a clear focus on engaging with the communities around its existing sites and in its areas of growth. The Company is committed to being a good neighbour throughout the development, construction and operation phases of its projects and to ensuring that the benefits of its projects are realised in local areas through helping to create local employment and enabling improvements to local infrastructure and services.

<u>Local community engagement</u>

The Company continues to provide community benefit funds to those living near to its operational wind farms. The Company believes that local people are best placed to make decisions about the initiatives that will be of greatest value to them and empower them to make decisions about how to spend funds.

Funds can be used for purposes of community facilities, skills and employment, community or local events, sport and recreation, environmental improvements, youth and education and heritage. Moving forward, the Company is also encouraging communities to use their funding to focus on initiatives that will help them to reduce the carbon they produce and become net zero, for example through the installation of solar panels on communal buildings, purchase of electric vehicles ("EVs") to provide support services or for shared community use and installation of EV charge points for the benefit of local residents and to support tourism in rural areas.

<u>Whitelee Visitor Centre</u>

Whitelee is the UK's largest onshore wind farm hosting 215 turbines, generating 539 MW; enough to power 350,000 homes. Whitelee Windfarm also has a visitor centre that has welcomed more than 885,000 people to date, providing an opportunity to see first-hand how local communities, the natural environment and a hybrid power station can co-locate together.

ENGAGING WITH STAKEHOLDERS *continued*

The visitor centre at Whitelee is managed by Glasgow Science Centre and offers a free hands-on interactive exhibition, a café, cycle facilities, car parking and EV charging points. There is a bus tour to explore the wind farm, learn more about the history and ecology of the site and get close to the wind turbines. The visitors centre offers an extensive education programme, with free curriculum-based sessions from nursery to further education and various free craft sessions for families during the school holidays. Part of the community benefit fund at Whitelee pays for Whitelee Countryside Rangers who promote responsible access within the wind farm and host free events including guided woodland walks, pond searches, wildflower apothecary and summer holiday clubs. Whitelee hosts an annual 'Run the Blades' running festival incorporating a 10 km, half marathon and 50 km ultramarathon, as well as numerous smaller charity events such as sponsored dog walks and Duke of Edinburgh Award activities.

Environment

The Company is committed to reducing its environmental footprint by: minimising energy consumption and use of natural and man-made resources; sourcing material resources responsibly, cutting waste and encouraging re-use and recycling; and promoting smart solutions.

The Company maintains a robust Environmental Management System (ISO 14001 accredited) to support the business in managing environmental risks throughout the project lifecycle.

The Company completed a significant programme of works at Kilgallioch wind farm, including restoration of 36 hectares of peatland and a three-year programme of forestry restocking leading to the establishment of over 1 million broadleaf and commercial conifers. A ten-year bird monitoring programme was completed at Lynemouth Windfarm, with results indicating that mitigation measures have been successful in deterring geese and swans from using the wind farm.

INNOVATION

It is crucial that ScottishPower, and therefore the Company, continues to innovate and drive forward towards a decarbonised smart energy future. By championing innovative technologies, bringing down the costs of decarbonisation and ensuring that no communities are left behind on the road to net zero, ScottishPower continues to lead by example in making sure clean, affordable energy is available to all.

As the Company installs more renewable generation on the network, it needs to ensure that it can keep the electricity grid stable and secure during periods where the energy produced by renewable sources does not match the demand. BESS allow renewable electricity to be stored and delivered to the network in response to system needs. This will build on the Company's previous grid stability innovation work with its world first black start demonstration at Dersalloch Windfarm where it is using cutting edge grid forming technology. Black start is the name given to the procedure used to restore power in the event of a total or partial shutdown of the electricity transmission system.

The Whitelee BESS became operational in 2022 and is co-located on the Company's Whitelee Windfarm. This ensures that more electricity generated by the wind farm is used and provides stability and security to the local electricity network without installing a lot of new infrastructure. The Company also has a BESS on its Barnesmore Windfarm and further battery storage is planned to be installed at strategic locations across the UK.

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 of ScottishPower Renewables (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 they consider, 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.

SECTION 172 STATEMENT *continued*

The delivery of the strategy of the Renewables business (headed by SPREL), of which the Company is a member, requires the Company 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 Company by prudently managing risks inherent in the business. In carrying out this strategy, the directors' duties under section 172 of the Companies Act 2006 have been considered.

The directors strongly believe that effective and meaningful engagement with stakeholders and employees is key to promoting the success of the Company. Details of the Company's key stakeholders of the Company, and how it 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. During the year, the Company's board of directors ("the Board") considered and approved a new governance and delegated authority framework in relation to the trading and hedging activities of the Company.
- Employees: details of how the Company, engages with its employees are set out in the 'Employees' sub-section of the Strategic Report, on page 6. During the year, the Board considered and approved the adoption by the Company of ScottishPower's 2021 Modern Slavery Statement.
- Communities and the environment: details of how the Company, engages with communities and considers the environment are set out in the 'Community and environment' sub-section of the Strategic Report, on page 7. During the year, the Board considered and recognised that Renewables had expressly welcomed the publication of the UK Government's Net Zero Strategy in October 2021 committing to a fully decarbonised power system in the UK.
- Suppliers and contractors: details of how the Company, engages with its suppliers are set out in the 'Suppliers and contractors' sub-section of the Strategic Report, on page 7. During the year, the Board considered and approved the issuance of a number of parent company guarantees in relation to transactions of the Company and its subsidiaries.
- Government and regulators: details of how the Company, engages with governments and regulators are set out in the 'Government and regulators' sub-section of the Strategic Report, on page 7. During the year, the Board noted that ScottishPower, which includes the Company, had committed significant resource as a principal sponsor at COP26 in Glasgow.

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 a board, consider that the decisions taken during the year ended 31 December 2022 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
20 June 2023

DIRECTORS' REPORT

The directors present their report and audited Accounts for the year ended 31 December 2022.

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 Part 7A of Schedule 7 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 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 Scottish Power UK plc ("SPUK").

RESULTS AND DIVIDEND

The net profit for the year amounted to £246.2 million (2021 loss of £31.5 million). A dividend of £316.3 million was paid during the year (2021 £138.9 million).

CORPORATE GOVERNANCE

Statement regarding the corporate governance arrangements of Renewables

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 2022 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 consisted of two directors at 31 December 2022 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:

Heather Chalmers White
Charles Jordan
Lindsay McQuade (resigned 10 June 2022)

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 2022, 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'. These documents define and promote the purpose, values and culture of the Company and the SPREL Group.

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 the SPREL 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 SPREL group's strategy requires the SPREL group 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 2022, the governance structure was supported by the risk policies of the SPREL group. 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 SPREL group.

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 it engages with its stakeholders are an integral part of its strategic goals and are described in the Strategic Report.

Administrative, management and supervisory bodies

Scottish Power Limited Board ("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.

The SPL Board comprised the Chairman, José Ignacio Sánchez Galán, and nine other directors as at 31 December 2022. José Ignacio Sánchez Galán is also the Executive Chairman of Iberdrola.

CORPORATE GOVERNANCE *continued*

The directors of the SPL Board were:

José Ignacio Sánchez Galán	Chairman, internal, non-executive director
Lord Kerr of Kinlochard GCMG	Vice-chairman, external, non-executive director (resigned as Vice-chairman and director 21 March 2022)
Professor Sir James McDonald	Vice-chairman, external, non-executive director (appointed Vice-chairman 21 March 2022)
Keith Anderson	Chief Executive Officer
Wendy Jacqueline Barnes	External, non-executive director
Iñigo Fernández de Mesa Vargas	External, non-executive director
Professor Dame Anne Glover	External, non-executive director (appointed 21 March 2022)
Rt Hon. Claire O'Neill	External, non-executive director (appointed 21 March 2022)
Daniel Alcaín López	Internal, non-executive director
Gerardo Codes Calatrava	Internal, non-executive director
José Sainz Armada	Internal, non-executive director

Rt Hon. Claire O'Neill resigned on 17 January 2023.

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

José Ignacio Sánchez Galán	Attended six meetings
Lord Kerr of Kinlochard GCMG	Attended two meetings
Professor Sir James McDonald	Attended six meetings
Keith Anderson	Attended six meetings
Wendy Jacqueline Barnes	Attended six meetings
Iñigo Fernández de Mesa Vargas	Attended six meetings
Professor Dame Anne Glover	Attended four meetings
Rt Hon. Claire O'Neill	Attended four meetings
Daniel Alcaín López	Attended six meetings
Gerardo Codes Calatrava	Attended six meetings
José Sainz Armada	Attended six 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'.

Scottish Power Limited 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 and non-financial reporting processes 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 re-appointment 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:

Director	Note	SP ACC attendance
Professor Sir James McDonald, (Chairman, external, non-executive director)	(Note (i))	Attended one meeting
Iñigo Fernández de Mesa Vargas (Chairman, external, non-executive director)	(Note (ii))	Attended five meetings
Wendy Jacqueline Barnes (External, non-executive director)	(Note (iii))	Attended four meetings
Rt Hon. Claire O'Neill (External, non-executive director)	(Note (iv))	Attended three meetings
Daniel Alcaín López (Internal, non-executive director)		Attended five meetings

(i) Resigned 20 March 2022.
(ii) Appointed Chairman 21 March 2022.
(iii) Appointed 21 March 2022.
(iv) Appointed 21 March 2022, and subsequently resigned on 17 January 2023.

In addition to the attendance set out above, the ScottishPower Control and Administration Director, Director of Internal Audit, the Compliance Director and the Risk 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 2022

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'.

ScottishPower Management Committee ("SPMC")

The SPMC is a permanent internal body, 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 CEO defines the composition of the SPMC, having regard to the duties assigned thereto. Those persons that the CEO deems appropriate may also attend its meetings as invitees, either regularly or at a specific meeting.

SPREL Board

The SPREL Board is responsible for the effective management of Renewables, 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 six other directors as at 31 December 2022. The directors and their attendance at SPREL board meetings held during the period under review (five meetings) are shown below:

Director	Note	SPREL Board attendance
Xabier Viteri Solaun (Chairman, internal, non-executive director)		Attended five meetings
Lindsay McQuade (CEO)	(Note (i))	Attended two meetings
Charles Jordan (CEO)	(Note (ii))	Attended two meetings
Dr Bridget McConnell (External, non-executive director	(Note (iii))	Attended three meetings
Nicola Connelly (Internal, non-executive director)		Attended five meetings
Charles Langan (Internal, non-executive director)		Attended five meetings
Álvaro Martinez Palacio (Internal, non-executive director)		Attended five meetings
Marion Shepherd Venman (Internal, non-executive director)		Attended five meetings

(i) Resigned 10 June 2022.
(ii) Appointed 18 July 2022.
(iii) Appointed 21 June 2022.

The terms of reference of the SPREL Board together with the rest of the Renewables Governance and Sustainability System approved by the SPREL Board, are published on www.scottishpowerrenewables.com under 'Corporate Governance'.

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 THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

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 their 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 differs 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 they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves 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 2023.

ON BEHALF OF THE BOARD

Heather Chalmers White

Heather Chalmers White
Director
20 June 2023

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 2022 which comprise the Statement of financial position, Income statement, Statement of comprehensive income, Statement of changes in equity, and related notes, including the principal 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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

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.

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 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 and our overall knowledge of the control environment, we performed 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 and the risk of bias in accounting estimates and judgements such as the decommissioning provision. 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.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement related to 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, 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 form and content) including related companies legislation, distributable profits legislation, tax 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. We identified the following areas as those most likely to have such an effect: GDPR compliance, health and safety legislation, fraud, corruption and bribery legislation, employment and social security legislation including minimum wage and pension auto-enrolment. 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 this 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.

D Ramsay

Deborah Ramsay (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St. Vincent Street
Glasgow
G2 5AS
21 June 2023

SCOTTISHPOWER RENEWABLES (UK) LIMITED
STATEMENT OF FINANCIAL POSITION
at 31 December 2022

	Notes	2022 £m	2021 Restated* £m
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	3	1.7	1.5
Property, plant and equipment		1,811.5	1,861.6
Property, plant and equipment in use	4	1,688.5	1,781.9
Property, plant and equipment in the course of construction	4	123.0	79.7
Right-of-use assets	5	164.8	162.9
Non-current financial assets		1,576.3	1,535.4
Investments in subsidiaries	6	1,566.8	1,525.9
Investments in joint ventures	6	9.5	9.5
Non-current trade and other receivables	7	328.1	371.3
TOTAL NON-CURRENT ASSETS		3,882.4	3,932.7
CURRENT ASSETS			
Current trade and other receivables	7	285.3	208.4
Current tax asset		-	9.4
Derivative financial instruments	8	0.1	0.1
TOTAL CURRENT ASSETS		285.4	217.9
TOTAL ASSETS		4,167.8	4,150.6
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		2,466.9	2,559.5
Share capital	9, 10	2,033.3	2,033.3
Hedge reserve	10	(45.9)	(23.4)
Retained earnings	10	479.5	549.6
TOTAL EQUITY		2,466.9	2,559.5
NON-CURRENT LIABILITIES			
Non-current provisions	11	119.9	203.5
Bank borrowings and other non-current financial liabilities		1,043.7	856.9
Loans and other borrowings	12	700.0	700.0
Derivative financial instruments	8	343.7	156.9
Non-current lease liabilities	5	175.8	168.4
Non-current trade and other payables	13	1.5	1.6
Deferred tax liabilities	14	240.9	252.6
TOTAL NON-CURRENT LIABILITIES		1,581.8	1,483.0
CURRENT LIABILITIES			
Current provisions	11	4.2	0.3
Bank borrowings and other current financial liabilities		37.2	26.1
Loans and other borrowings	12	3.7	3.7
Derivative financial instruments	8	33.5	22.4
Current lease liabilities	5	8.1	7.1
Current trade and other payables	13	69.6	74.6
TOTAL CURRENT LIABILITIES		119.1	108.1
TOTAL LIABILITIES		1,700.9	1,591.1
TOTAL EQUITY AND LIABILITIES		4,167.8	4,150.6

*Comparative figures have been restated (refer to Note 1B2.1 and Note 7).

Approved by the Board and signed on its behalf on 20 June 2023.

Heather Chalmers White

Heather Chalmers White
Director

The accompanying Notes 1 to 24 are an integral part of the Statement of financial position at 31 December 2022.

SCOTTISHPOWER RENEWABLES (UK) LIMITED
INCOME STATEMENT
for the year ended 31 December 2022

	Notes	2022 £m	2021 £m
Revenue		507.7	367.7
Procurements		(68.2)	(48.5)
GROSS MARGIN		439.5	319.2
Net staff costs	15	(56.6)	(52.5)
External services		(123.2)	(116.7)
Other operating results		69.2	60.5
Net operating costs		(110.6)	(108.7)
Taxes other than income tax	16	(18.3)	(18.4)
GROSS OPERATING PROFIT		310.6	192.1
Net expected credit losses on trade and other receivables		(0.1)	0.1
Depreciation and amortisation charge, allowances and provisions	17	(103.5)	(94.4)
OPERATING PROFIT		207.0	97.8
Dividends received		227.6	98.1
Finance income	18	14.2	4.9
Finance costs	19	(194.2)	(176.5)
PROFIT BEFORE TAX		254.6	24.3
Income tax	20	(8.4)	(55.8)
NET PROFIT/(LOSS) FOR THE YEAR		246.2	(31.5)

Net profit for the current year and net loss for the prior year is wholly attributable to the equity holder of ScottishPower Renewables (UK) Limited.

All results relate to continuing operations.

The accompanying Notes 1 to 24 are an integral part of the Income statement for the year ended 31 December 2022.

SCOTTISHPOWER RENEWABLES (UK) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2022

	Note	2022 £m	2021 £m
NET PROFIT /(LOSS) FOR THE YEAR		246.2	(31.5)
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	(31.5)	(34.3)
Tax relating to cash flow hedges	10	8.8	7.2
		(22.7)	(27.1)
Items that will not be reclassified to the Income statement:			
Cash flow hedges:			
Change in the value of cash flow hedges	10	0.3	1.6
Tax relating to cash flow hedges	10	(0.1)	(0.3)
		0.2	1.3
OTHER COMPREHENSIVE INCOME FOR THE YEAR		(22.5)	(25.8)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		223.7	(57.3)

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 2022

	Share capital £m	Hedge reserve £m	Retained earnings £m	Total £m
At 1 January 2021	2,033.3	2.4	720.0	2,755.7
Total comprehensive income for the year	-	(25.8)	(31.5)	(57.3)
Dividends	-	-	(138.9)	(138.9)
At 1 January 2022	2,033.3	(23.4)	549.6	2,559.5
Total comprehensive income for the year	-	(22.5)	246.2	223.7
Dividends	-	-	(316.3)	(316.3)
At 31 December 2022	2,033.3	(45.9)	479.5	2,466.9

The accompanying Notes 1 to 24 are an integral part of the Statement of comprehensive income and the Statement of changes in equity for the year ended 31 December 2022.

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 SPUK.

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") as adopted by the UK ("UK-adopted IAS") in conformity with the requirements of the Companies Act 2006 including newly effective IAS for the year ended 31 December 2022 (refer to Note 1C). In applying FRS 101, the Company has made amendments where necessary in order to comply with the Companies Act 2006.

In these Accounts, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- certain disclosures regarding revenue;
- comparative period reconciliations for intangible assets and property, plant and equipment;
- disclosures in respect of transactions with wholly owned subsidiaries of Iberdrola, S.A.;
- disclosures in respect of capital management;
- the effects of new but not yet effective IAS pronouncements;
- disclosures in respect of the compensation of key management personnel; and
- the preparation of a Statement of cash flows and the related notes.

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’.

Where the company is party to a joint operation the financial statements include the Company's share of the joint operation’s assets, liabilities, profit or loss or other comprehensive income on a line-by-line basis.

B2 CHANGES IN PRESENTATION

B2.1 PRIOR YEAR ADJUSTMENT – CLASSIFICATION OF LOANS RECEIVABLE

IAS 1 ‘Presentation of Financial Statements’ requires that loans should be classified as current or non-current in line with whether the entity expects them to be settled or received within twelve months of the reporting date. Following a review of its loans, the directors identified that certain loans receivable (those due from Iberdrola Group companies which are repayable on demand) were classified as current in the prior year and should have been classified as non-current. The comparatives have been restated for this re-classification. The impact is a decrease of £368.3 million in the Current trade and other receivables at 31 December 2021 from £576.7 million as previously reported to £208.4 million and a corresponding increase in Non-current trade and other receivables from £3.0 million as previously reported to £371.3 million. There is no impact on the Company's net assets position at 1 January 2021 or its results for the year ended 31 December 2021.

1 BASIS OF PREPARATION *continued*

B2.2 CHANGE IN WIND FARM ASSET USEFUL LIVES

During 2022, the Company performed a review of the useful lives of its wind farm assets; in particular to assess the impact of any associated land leases which, at their maximum terms, will expire before the end of the useful lives of the assets. As a result of this review, the Company has shortened the useful lives of a number of its wind farm assets to align with the end dates of the related limiting leases. The decommissioning provisions relating to the impacted sites have been recalculated based on the updated present value of the expenditure expected to be required to settle the obligations. For wind farms with multiple land leases, the lease terms of certain other leases have also been aligned with the shortest lease term for each site. The impact of these changes has been to increase the depreciation charge for the current year by £12.7 million, to increase the decommissioning provision balance by £14.2 million and to increase the cost of the associated property, plant and equipment by £14.2 million. The Company's right-of-use assets and lease liabilities have both reduced by £7.1 million. These changes have been applied from 1 July 2022 but have not been reflected as a restatement to prior year figures as the directors do not consider these to have had a material impact on the Depreciation and amortisation charge, allowances and provisions and net profit for the year shown in the Income statement and the net profit shown in the Statement of comprehensive income, nor the Right-of-use assets, Non-current lease liabilities, Non-current other provisions, net current assets and net assets position shown on the Statement of financial position for the prior year ended 31 December 2021.

B3 GOING CONCERN

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The principal activity of the Company is the development, construction and operation of onshore wind-powered electricity generation and emerging technologies such as battery storage and solar, within the group headed by SPUK (“the SPUK Group”). SPUK, the Company’s intermediate parent company, is itself a subsidiary of Iberdrola, S.A., the ultimate parent undertaking. The Company’s cash flows are therefore dependent on the continuation of these operations and have been considered as part of the SPUK Group’s cash flow forecasts, on which the directors of the SPUK Group have performed an assessment of reasonably possible downsides.

To meet its working capital requirements, the Company participates in a UK centralised treasury function operated by the Company’s intermediate parent company SPL, the parent company of SPUK. At 31 December 2022, the Company had a loan receivable of £325.5 million with SPL. ScottishPower’s treasury function works closely with Iberdrola to manage the Company's funding requirements. There has been no indication that these arrangements may change. The directors have performed a going concern assessment which indicates that, in the case of reasonably possible downsides, the Company will require additional funds, through funding from SPUK, to meet its liabilities as they fall due for at least one year from the date of approval of these financial statements.

SPUK has indicated its intention to make available such funds as are needed by the Company, in the event this is required. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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

C IMPACT OF NEW IAS

As noted above, these Accounts have been prepared in accordance with UK-adopted IAS. In preparing these Accounts, the Company has applied all relevant standards and interpretations that have been adopted by the UK as of the date of approval of these Accounts and that are mandatory for the financial year ended 31 December 2022.

For the year ended 31 December 2022, the Company has applied the following amendments for the first time:

Standard	Note
• Amendments to IAS 37 ‘Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract’.	(a)
• Amendments to IFRS 3 ‘Business Combinations: Reference to the Conceptual Framework’	(a)
• Amendments to IAS 16 ‘Property, Plant and Equipment: Proceeds before Intended Use’	(a)
• Annual Improvements to IFRS Standards 2018-2020 Cycle	(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 PRINCIPAL ACCOUNTING POLICIES

In determining and applying accounting policies, judgement and estimation 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. Management considers significant judgements and estimates to be those with a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year due to the inherent uncertainty regarding estimates and assumptions. As at 31 December 2022, the Company applied no such significant judgements.

NON-SIGNIFICANT JUDGEMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES

Consideration of climate change

The impact of climate change on the financial statements, including the risk identified in the Strategic Report, has been considered. No material impact on the judgements and estimates made in the preparation of the financial statements has been identified. This consideration focussed on the following areas:

- the Company's going concern position, including the cash flow prepared for the directors' assessment referred to in Note 1B3; and
- the risk that increasing variability in weather patterns could result in lower output from renewable generation assets and that there could be a reduction in wholesale electricity prices.

Additionally, consideration has been given to any estimates over the longer term which should be disclosed to allow for an understanding of the financial statements. The Company has no estimates of this nature to disclose.

SIGNIFICANT ESTIMATION UNCERTAINTY IN APPLYING THE COMPANY'S ACCOUNTING POLICIES

Provision for decommissioning costs

Decommissioning costs are subject to a degree of uncertainty as they are estimated at the reporting date and actual decommissioning will take place in the future. There is also uncertainty over when the actual decommissioning costs will be incurred. The sources of estimation uncertainty relate to the estimated value of the costs at the reporting date and the discount rate applied. This estimation uncertainty creates a risk of a material adjustment to the provision in the next financial year. Refer to Note 2G for further details. Sensitivity disclosures are set out in Note 11.

The value of decommissioning provisions in the Statement of financial position is £124.1 million (2021 £203.8 million). The decrease in the year is due to the increase in discount rates used in the calculation.

The principal accounting policies applied in preparing the Company’s accounts are set out below:

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

A INTANGIBLE ASSETS (COMPUTER SOFTWARE)

The costs of acquired computer software, such as licences, are capitalised on the basis of the costs incurred to acquire, and bring to use, the specific software. Amortisation of acquired computer software is on a straight-line basis over their operational lives, which is generally up to five years.

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 developed computer software is over periods of up to five years.

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND PRINCIPAL ACCOUNTING POLICIES *continued*

B 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 reporting date.

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

	Years
Wind power plants	22 - 40
Distribution facilities	22 - 40
Other items of property, plant and equipment	10 - 50

C 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

C1 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 Statement of financial position 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. Where the rates implicit in the leases cannot be readily determined, the liabilities are discounted using the Company's incremental borrowing 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 PRINCIPAL ACCOUNTING POLICIES *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 Statement of financial position; 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.

C2 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 lease payments received as income on a straight-line basis over the lease term as part of Other operating results.

D IMPAIRMENT OF INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND LEASED ASSETS

At each reporting date, the Company reviews the carrying amount of its intangible assets, property, plant and equipment and leased 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.

E INVESTMENTS IN SUBSIDIARIES AND JOINT ARRANGEMENTS

Joint arrangements are arrangements that are jointly controlled by the Company and at least one other party. Joint control is the contractually agreed sharing of control of an arrangement i.e. when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement where the Company and the other parties to the joint arrangement have rights to the net assets of the arrangement, is a joint venture. Where the parties have rights to the assets of the arrangement and obligations for its liabilities, the arrangement is a joint operation.

Joint arrangements which are structured through a separately identifiable vehicle with legal personality are joint ventures unless there are contractual terms of the arrangements between the parties, or other relevant facts and circumstances, with the effect of giving the parties rights to the assets and obligations for the liabilities of the joint arrangements, in which case the arrangements are joint operations.

The Company recognises, in relation to its interest in a joint operation, its share of the assets, liabilities, income, and expenses relating to its interests in the joint operation on a line-by-line basis.

The Company's investments in subsidiaries and joint ventures are stated in the Statement of financial position 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.

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND PRINCIPAL ACCOUNTING POLICIES *continued*

F FINANCIAL INSTRUMENTS

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

F1 FINANCIAL ASSETS

F1.1 CLASSIFICATION

Financial assets are classified as measured at amortised cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit and loss ("FVTPL"). The classification of financial assets depends on the Company's business model for managing them 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 but 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.

A financial asset is measured at FVOCI if it meets both of the following conditions:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI test) on the principal amount outstanding.

All remaining financial assets (including equity instruments and other investments) that are not included within the above categories, are classified as FVTPL.

Financial assets are only subsequently reclassified when the Company changes its business model for managing them. Reclassifications are effective from the first day of the first reporting period following the change in business model. Such reclassifications are expected to be infrequent.

F1.2 RECOGNITION AND MEASUREMENT

(a) Initial recognition and measurement

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.

Subject to two exceptions, financial assets are initially measured at fair value. The two exceptions are trade receivables without a significant financing component which are measured at the transaction price determined under IFRS 15 'Revenue from Contracts with Customers' ("IFRS 15"), and financial assets not classified as FVTPL which are measured at fair value plus transaction costs that are directly attributable to its acquisition or issue.

(b) Subsequent measurement and gains and losses

Financial assets classified as amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by 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 classified as FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the Income statement unless the financial asset is a derivative which is part of a hedging relationship (refer to Note 2F3). It may not be possible to obtain a market valuation for some unquoted investments, therefore they are valued at cost and assessed for impairment.

Financial assets classified as FVOCI are subsequently measured at fair value. Net gains and losses are recognised within Other comprehensive income.

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND PRINCIPAL ACCOUNTING POLICIES *continued*

(c) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when either the rights to receive cash flows from the asset have expired; or there is no reasonable expectation of recovering all, or a portion of, the contractual cash flows.

F2 FINANCIAL LIABILITIES

F2.1 CLASSIFICATION

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 otherwise designated as such on initial recognition.

F2.2 RECOGNITION AND MEASUREMENT

(a) Initial recognition and 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.

(b) Subsequent measurement and gains and losses

Financial liabilities classified as 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.

(c) 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 derecognised and a new liability recognised. The difference in their respective carrying amounts is recognised in the Income statement.

F3 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

F3.1 DERIVITIVE FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments, such as forward foreign currency contracts and commodity contracts, to hedge its foreign currency and commodity price risks. The Company also has inflation swaps. 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. Unless the derivative is subject to hedge accounting. Where the derivative is subject to hedge accounting, the recognition of any gain or loss depends on the nature of hedge accounting applied (refer to Note 2F3.2).

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 the 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.

The accounting for cash flow hedges is set out at Note 2F3.2.

F3.2 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.

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND PRINCIPAL ACCOUNTING POLICIES *continued*

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. For hedges that relate to an underlying transaction which results in recognition of a financial asset or a liability, amounts deferred in equity are recognised in the Income statement in the same period in which the hedged item affects it.

The Company discontinues hedge accounting when the hedge instrument expires or is sold, terminated or exercised, or when the hedge relationship no longer qualifies for hedge accounting. In the case of cash flow hedging, any gain or loss that has been recognised in equity remains there until the forecast transaction occurs. If the transaction is no longer expected to occur, the gain or loss previously deferred in equity is recognised in the Income statement.

F3.3 FAIR VALUATION OF FINANCIAL INSTRUMENTS

In those circumstances where IFRS 9 'Financial Instruments' ("IFRS 9") requires financial instruments to be recognised in the Statement of financial position 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.

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.

G DECOMMISSIONING COSTS

Provision is made, on a discounted basis, for the estimated decommissioning costs of certain non-current assets. Capitalised decommissioning costs are depreciated over the useful lives of the related assets. The unwinding of the discount is included within Finance costs in the Income statement. The discount rate used for each provision is based on UK treasury bonds with maturities which are similar to the expected decommissioning date. The future estimated costs are based on the value of the costs at the reporting date, uplifted for inflation to the end of the useful economic life of the underlying asset, then discounted.

H 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 simultaneously receives and consumes the benefits of the Company's performance as it supplies electricity. The Company has a right to consideration in an amount that corresponds directly with the value to the customer of the Company's performance to date, in line with IFRS 15. 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 the relevant contracts with the customers, 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.

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND PRINCIPAL ACCOUNTING POLICIES *continued*

I PROCUREMENTS

Procurements principally comprise the cost of electricity purchased during the year in relation to energy generation, and related direct costs and services for the use of the energy network. Costs are recorded on an accruals basis.

J OTHER OPERATING RESULTS

Other operating results is principally comprised of recharges for services recharged to fellow Iberdrola Group companies.

K RETIREMENT BENEFITS

ScottishPower operates 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.

L 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 reporting date, with exchange gains and losses recognised in the Income statement.

M TAXATION

Assets and liabilities for current tax are calculated using the tax rates that have been enacted, or substantively enacted, at the reporting 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 Statement of financial position 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. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 reporting 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 shown in the Statement of comprehensive income, in which case it is recognised directly in equity or shown in the Statement of comprehensive income. For income tax arising on dividends, the related tax is recognised in the Income statement, Statement of comprehensive income, or in equity consistently with the transactions that generated the distributable profits.

3 INTANGIBLE ASSETS

Year ended 31 December 2022	Computer software £m
Cost:	
At 1 January 2022	6.4
Additions	0.9
At 31 December 2022	7.3
Amortisation:	
At 1 January 2022	4.9
Amortisation for the year	0.7
At 31 December 2022	5.6
Net book value:	
At 31 December 2022	1.7
At 1 January 2022	1.5

(a) The cost of fully amortised intangible assets still in use at 31 December 2022 was £3.9 million (2021 £3.4 million).

4 PROPERTY, PLANT AND EQUIPMENT

(a) Movements in property, plant and equipment

Year ended 31 December 2022	Wind power plants £m	Distribution facilities £m	Other items of property, plant and equipment in use (Note(i)) £m	Plant in progress (Note (ii)) £m	Total £m
Cost:					
At 1 January 2022	2,467.7	205.2	17.0	79.7	2,769.6
Reassessment of decommissioning asset	(85.6)	-	(0.5)	-	(86.1)
Additions	4.1	-	5.0	119.7	128.8
Transfers from in progress to plant in use	16.7	0.1	59.5	(76.3)	-
Disposals	(2.3)	-	-	(0.1)	(2.4)
At 31 December 2022	2,400.6	205.3	81.0	123.0	2,809.9
Depreciation:					
At 1 January 2022	840.6	63.7	3.7	-	908.0
Depreciation for the year	84.2	5.1	2.6	-	91.9
Disposals	(1.5)	-	-	-	(1.5)
At 31 December 2022	923.3	68.8	6.3	-	998.4
Net book value:					
At 31 December 2022	1,477.3	136.5	74.7	123.0	1,811.5
At 1 January 2022	1,627.1	141.5	13.3	79.7	1,861.6

The net book value of property plant and equipment at 31 December 2022 is analysed as follows:

	£m	£m	£m		£m
Property, plant and equipment in use	1,477.3	136.5	74.7	-	1,688.5
Property, plant and equipment in the course of construction	-	-	-	123.0	123.0
	1,477.3	136.5	74.7	123.0	1,811.5

(i) The category 'Other items of property, plant and equipment in use' principally comprises land, battery storage and IT equipment.
(ii) The category 'Plant in progress' principally comprises battery storage, wind power plants and solar 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 1.9% (2021 1.3%).
(iv) The cost of fully depreciated property, plant and equipment still in use at 31 December 2022 was £54.3 million (2021 £54.6 million).
(v) Included within the cost of property, plant and equipment at 31 December 2022 are assets in use not subject to depreciation, being land of £6.5 million (2021 £6.5 million).
(vi) Included within Other operating income in the Income statement for the year ended 31 December 2022 is £0.7 million (2021 £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 £16.2 million (2021 £15.2 million).
(viii) Included in Distribution facilities are assets with a carrying value of £nil (2021 £1.4 million) which the Company leases via operating leases.

4 PROPERTY, PLANT AND EQUIPMENT *continued*

(b) Capital commitments

The Company had £16.6 million (2021 £14.8 million) of capital commitments at 31 December 2022 expected to be settled within one year in both years.

(c) Research and development expenditure

The amount of research and development expenditure recognised as an expense during the year was £0.7 million (2021 £0.6 million).

5 LEASING

5A LESSEE

The Company leases land, buildings 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 of between four and 40 years. Certain leases contain the right to extend the lease term by up to 30 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. Such payment terms are common for this type of lease. The fixed annual payments for the year were £12.1 million compared to variable payments made of £8.8 million. Despite the future planned growth, the Company expects the relative proportions of fixed and variable lease payments to remain broadly consistent in future years.

Buildings

The Company leases a building for its office space, with a lease term of nine years.

Vehicles

The Company leases vehicles with lease terms of between four and 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 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*

(b) Right-of-use-assets

Year ended 31 December 2021	Note	Land £m	Buildings £m	Vehicles £m	Total £m
Cost:					
At 1 January 2021		167.3	-	2.1	169.4
Additions		2.0	2.8	-	4.8
Adjustments for changes in liabilities	(i)	11.8	-	-	11.8
At 31 December 2021		181.1	2.8	2.1	186.0
Depreciation:					
At 1 January 2021		13.9	-	0.7	14.6
Charge for the year		7.6	0.5	0.4	8.5
At 31 December 2021		21.5	0.5	1.1	23.1
Net book value:					
At 31 December 2021		159.6	2.3	1.0	162.9
At 1 January 2020		153.4	-	1.4	154.8

Year ended 31 December 2022	Note	Land £m	Buildings £m	Vehicles £m	Total £m
Cost:					
At 1 January 2022		181.1	2.8	2.1	186.0
Additions		1.6	4.0	-	5.6
Adjustments for changes in liabilities	(i)	8.0	(1.5)	-	6.5
At 31 December 2022		190.7	5.3	2.1	198.1
Depreciation:					
At 1 January 2022		21.5	0.5	1.1	23.1
Charge for the year		9.0	0.8	0.4	10.2
At 31 December 2022		30.5	1.3	1.5	33.3
Net book value:					
At 31 December 2022		160.2	4.0	0.6	164.8
At 1 January 2022		159.6	2.3	1.0	162.9

(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.

	2022 £m	2021 £m
Less than one year	14.0	11.9
One to five years	52.6	46.1
More than five years	223.7	226.8
Total undiscounted lease liabilities at 31 December	290.3	284.8
Finance cost	(106.4)	(109.3)
Total discounted lease liabilities	183.9	175.5
Analysis of total lease liabilities		
Non-current	175.8	168.4
Current	8.1	7.1
Total	183.9	175.5

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*

(d) Amounts recognised in the Income statement

	2022 £m	2021 £m
Interest on lease liabilities	(8.2)	(7.1)
Variable lease payments not included in the measurement of lease liabilities	(8.8)	(8.5)
Expenses relating to short-term leases	-	(0.1)

(e) Total cash outflow for leases

	2022 £m	2021 £m
Total cash outflow for leases	(21.0)	(19.4)

5B LESSOR

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

Lease income recognised by the Company during 2022 was £nil (2021 £0.1 million). No income relating to variable lease payments that do not depend on an index or rate were recognised.

6 INVESTMENTS

(a) Movements in investments

	Notes	Subsidiary undertakings shares £m	Joint ventures £m	Total £m
At 1 January 2021 and 1 January 2022		1,525.9	9.5	1,535.4
Additions	(i), (ii)	40.9	-	40.9
At 31 December 2022		1,566.8	9.5	1,576.3

(i) At various dates during the year as stated below, the Company acquired the entire share capital of the following entities for a total consideration of £40.9 million.

- Blaenau Gwent Solar Limited (formerly known as EEB14 Ltd) 31 October 2022
- Bryn Henllys SF Limited (formerly known as Lightsource SPV 75 Limited) 05 January 2022
- Down Barn Farm SF Limited (formerly known as Lightsource SPV 174 Limited) 05 January 2022
- Grafton Underwood Solar Limited (formerly known as EEB28 Ltd) 13 January 2022
- Longney Solar Limited (formerly known as EEB18 Ltd) 20 May 2022
- Milltown Airfield Solar PV Limited 13 January 2022
- Ranksborough Solar Limited (formerly known as EEB27 Ltd) 20 May 2022
- Sparrow Lodge Solar Limited (formerly known as EEB33 Ltd) 13 January 2022
- Speyslaw Solar Limited (formerly known as EEB11 Ltd) 13 January 2022
- Thurlaston Solar Limited (formerly known as EEB22 Ltd) 13 January 2022
- Tuckey Farm Solar Limited (formerly known as EEB24 Ltd) 13 January 2022
- Wood Lane Solar Limited (formerly known as EEB 30 Ltd) 13 January 2022

(ii) MachairWind was incorporated on 12 January 2022 and the Company subscribed to 100% of the share capital for £100.

(b) Joint operations

CampionWind Ltd and MarramWind Ltd were incorporated on 12 January 2022, at which date the Company subscribed to 50% of the ordinary share capital of both companies for £77.2 million. These companies are accounted for as joint operations (Refer to Note 2E). The aggregate capital and reserves of these companies, their result for the period from 12 January 2022 to 31 December 2022 and the Company's proportional share of these amounts are shown below:

	CampionWind Limited £m	MarramWind Limited £m	Total £m
Aggregate capital and reserves at 31 December 2022	86.0	68.4	154.4
Result for period ended 31 December 2022	-	-	-
The Company's share of capital and reserves at 31 December 2022	43.0	34.2	77.2
The Company's share of result for the period ended 31 December 2022	-	-	-

6 INVESTMENTS *continued*

(c) Subsidiaries and joint arrangements

The table below details the subsidiaries and joint arrangements of the Company 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 2022	Equity interest in ordinary shares 2021	Notes
Subsidiaries					
Blaenau Gwent Solar Limited (formerly known as EEB14 Ltd)	Development of a solar farm	(A)	100%	-	(ii)
Bryn Henllys SF Limited (formerly known as Lightsource SPV 75 Limited)	Development of a solar farm	(A)	100%	-	(ii)
Coldham Windfarm Limited	Operation of an onshore wind farm	(B)	80%	80%	
Cumberhead West Wind Farm Ltd.	Development of an onshore wind farm	(C)	72%	72%	(iii)
Douglas West Extension Limited	Development of an onshore wind farm	(C)	72%	72%	
Down Barn Farm SF Limited (formerly known as Lightsource SPV 174	Development of a solar farm	(A)	100%	-	(ii)
East Anglia One Limited	Operation of an offshore wind farm	(D)	60%	60%	
East Anglia One North Limited	Development of an offshore wind farm	(D)	100%	100%	
East Anglia Three Limited	Development of an offshore wind farm	(D)	100%	100%	
East Anglia Two Limited	Development of an offshore wind farm	(D)	100%	100%	
Grafton Underwood Solar Limited (formerly known as EEB28 Ltd)	Development of a solar farm	(A)	100%	-	(ii)
Hagshaw Hill Repowering Ltd	Development of an onshore wind farm	(C)	100%	100%	
Longney Solar Limited (formerly known as EEB18 Ltd)	Development of a solar farm	(A)	100%	-	(ii)
MachairWind Limited	Development of an offshore wind farm	(C)	100%	-	(iv)
Milltown Airfield Solar PV Limited	Development of a solar farm	(A)	100%	-	(ii)
Ranksborough Solar Limited (formerly known as EEB27 Ltd)	Development of a solar farm	(A)	100%	-	(ii)
ScottishPower Renewables (WODS) Limited	Operation of an offshore wind farm	(D)	100%	100%	
Sparrow Lodge Solar Limited (formerly known as EEB33 Ltd)	Development of a solar farm	(A)	100%	-	(ii)
Speyslaw Solar Limited (formerly known as EEB11 Ltd)	Development of a solar farm	(A)	100%	-	(ii)
Thurlaston Solar Limited (formerly known as EEB22 Ltd)	Development of a solar farm	(A)	100%	-	(ii)
Tuckey Farm Solar Limited (formerly known as EEB24 Ltd)	Development of a solar farm	(A)	100%	-	(ii)
Wood Lane Solar Limited (formerly known as EEB 30 Ltd)	Development of a solar farm	(A)	100%	-	(ii)
Joint ventures					
CeltPower Limited	Operation of an onshore wind farm	(B)	50%	50%	
East Anglia Offshore Wind Limited	Commercial operation of offshore meteorological mast	(D)	50%	50%	
Morecambe Wind Limited	Provision of operational services	(E)	50%	50%	(v)
Joint operations					
CampionWind Limited	Development of an offshore wind farm	(F)	50%	-	(vi)
MarramWind Limited	Development of an offshore wind farm	(F)	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) 4th Floor,1 Tudor Street, London, EC4Y 0AH, England
- (B) 3 Prenton Way, Prenton, CH43 3ET, England
- (C) 320 St. Vincent Street, Glasgow, G2 5AD, Scotland
- (D) 3rd Floor, 1 Tudor Street, London, EC4Y 0AH, England
- (E) 5 Howick Place, London, SW1P 1WG, England
- (F) 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, Scotland

(ii) The Company acquired the entire share capital of these entities on the dates stated at Note 6(a)(i).

(iii) On 7 March 2023, the Company acquired the remaining 28% of share capital of Cumberhead West WIndfarm Ltd.

(iv) MachairWind was incorporated on 12 January 2022 and the Company subscribed to 100% of the share capital for £100.

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

(vi) CampionWind Ltd and MarramWind Ltd were incorporated on 12 January 2022, at which date the Company acquired 50% of the ordinary share capital of both companies (Refer to Note 6(b)).

7 TRADE AND OTHER RECEIVABLES

	Notes	2022 £m	2021 Restated* £m
Current receivables:			
Receivables due from Iberdrola Group companies - trade		240.1	182.6
Receivables due from Iberdrola Group companies - interest		10.7	4.4
Receivables due from joint operations - other		0.5	-
Receivables due from joint ventures - prepayments		0.2	0.2
Trade receivables and accrued income		15.6	4.9
Prepayments		9.9	7.9
Other tax receivables		8.3	8.4
	(a)	285.3	208.4
Non-current receivables:			
Receivables due from Iberdrola Group companies - loans	(b)	325.5	368.3
Receivables due from joint ventures - prepayments		1.2	1.4
Prepayments		1.4	1.6
		328.1	371.3

(a) Trade and other receivables includes £204.5 million (2021 £151.2 million) of IFRS 15 receivables. Net expected credit losses of £0.1 million (2021 £(0.1) million) were recognised during the year on receivables arising from the Company's contracts with customers.
(b) The Loan receivable due from Iberdrola Group companies earns interest at Bank of England base rate ("Base") plus 1% and is unsecured. It is repayable on demand but classified as non-current as the Company expects to realise the assets after twelve months from the reporting date. (Refer to Note 1B2.1)

8 FINANCIAL INSTRUMENTS

The Company holds certain financial instruments which are measured in the Statement of financial position at fair value as detailed below.

	Derivative financial instruments (Note (a)) £m	Contingent consideration (Note (b)) £m
At 1 January 2021	4.6	43.6
Recorded in Income statement	(149.7)	(3.7)
Recorded in Cash flow hedge reserve	(34.1)	-
Recorded in Cash	-	(41.3)
At 1 January 2022	(179.2)	(1.4)
Recorded in Income statement	(162.7)	3.2
Recorded in Cash flow hedge reserve	(35.2)	-
At 31 December 2022	(377.1)	1.8

(a) Derivative financial instruments

The Company's derivatives comprise forward foreign exchange contracts, commodity derivatives and inflation swaps. 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 asset purchase, for such items, the Company designates the entire value of the foreign currency forwards in the hedge relationship. Commodity derivatives are transacted to hedge the cost of electricity. The Company designates the proportion of the commodity derivative equal to the highly probable forecast output of the wind farm (whose output is hedged) in the hedge relationship.

Renewables is exposed to inflation risk through its CfDs. Income earned through CfDs varies with inflation and volatility inherent in inflation will therefore impact Renewables' income. To reduce exposure to this risk, in 2022 and 2021 the Company, on behalf of Renewables, entered into CPI inflation swaps. These instruments result in the Company, and therefore Renewables, receiving a fixed CPI interest element, and paying a variable CPI interest element based on out-turned CPI. The aim is to reduce earnings volatility within Renewables, as the cash flows from the CPI swaps will offset volatility in the income from CfDs due to CPI inflation.

8 FINANCIAL INSTRUMENTS *continued*

The CPI swaps do not satisfy the requirements for hedge accounting under IFRS 9 at the Company level (only at the Renewables level) therefore, whilst these derivatives are subject to the same risk management policies as all other derivative contracts, they are accounted for as 'held for trading' with gains and losses recognised in the Income statement.

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 2022	1 year	2 years	3 years	4 years	5 years+	Total
Commodity derivatives	7.3	7.3	7.3	7.3	17.9	47.1

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

At 31 December 2022	1 year £m	2 years £m
USD	2.0	-
EUR	1.1	0.5
	3.1	0.5

	Average forward price (exchange rate)	
At 31 December 2022	1 year	2 years
USD (GBP:USD)	1.20	-
EUR (GBP:EUR)	1.16	1.11

(b) Contingent consideration

As part of the share purchase agreement in relation to the sale of a minority stake in East Anglia One Limited ("EA1L") in 2019, 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 is 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.

The contracts supporting the construction of the EA1 wind farm are still ongoing and not expected to conclude until 2023. As a result there continues to be updates to the value of the final contingent consideration. At 31 December 2022, the fair value of the estimated contingent consideration was a receivable of £1.8 million (2021 payable of £1.4 million).

9 SHARE CAPITAL

	2022 £m	2021 £m
Allotted, called up and fully paid shares:		
2,033,352,567 ordinary shares of £1 each (2021 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 £m	Hedge reserve (Note (a)) £m	Retained earnings (Note (b)) £m	Total £m
At 1 January 2021	2,033.3	2.4	720.0	2,755.7
Loss for the year attributable to equity holder of the Company	-	-	(31.5)	(31.5)
Changes in the value of cash flow hedges	-	(32.7)	-	(32.7)
Tax relating to cash flow hedges	-	6.9	-	6.9
Dividends	-	-	(138.9)	(138.9)
At 1 January 2022	2,033.3	(23.4)	549.6	2,559.5
Profit for the year attributable to equity holder of the Company	-	-	246.2	246.2
Changes in the value of cash flow hedges	-	(31.2)	-	(31.2)
Tax relating to cash flow hedges	-	8.7	-	8.7
Dividends	-	-	(316.3)	(316.3)
At 31 December 2022	2,033.3	(45.9)	479.5	2,466.9

(a) 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.

(b) 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 2021	Note	At 1 January 2021 £m	Reassessment of decommissioning costs £m	New provisions £m	Unwinding of discount £m	Utilised during year £m	At 31 December 2021 £m
Decommissioning costs	(a)	191.5	(0.2)	11.0	1.5	-	203.8
Other		0.1	-	-	-	(0.1)	-
		191.6	(0.2)	11.0	1.5	(0.1)	203.8

Year ended 31 December 2022	Note	At 1 January 2022 £m	Reassessment of decommissioning costs £m	New provisions £m	Unwinding of discount £m	Utilised during year £m	At 31 December 2022 £m
Decommissioning costs	(a)	203.8	(86.1)	5.0	1.7	(0.3)	124.1

Analysis of total provisions	2022 £m	2021 £m
Non-current	119.9	203.5
Current	4.2	0.3
	124.1	203.8

(a) The provision for decommissioning costs is the discounted future estimated costs of decommissioning the Company's wind farms. The decreases in both years resulted from an increase in the discount rates used in the calculations. The discount rates applied are based on UK treasury bonds with maturities which are similar to the expected decommissioning date. The discount rates utilised in the current year ranged from 3.46% to 3.91%. The decommissioning costs are expected to be utilised between 2023 and 2060. Sensitivity analysis reflecting reasonably probable fluctuations to the main assumptions in the calculation of the decommissioning provision has been performed. Had the estimated value of the costs at the reporting date been 10% higher or lower, this would have resulted in the decommissioning provision being approximately £11.0 million higher and lower respectively. Had the inflation rate applied been 1% higher or lower, this would have resulted in the decommissioning provision being approximately £29.3 million higher and lower respectively. Had the discount rates applied been 1% higher or lower this would have resulted in the decommissioning provision being approximately £21.9 million lower and higher respectively. Refer to Note 2G which outlines the accounting policy in respect of decommissioning provisions.

12 LOANS AND OTHER BORROWINGS

Instrument	Interest rate*	Maturity	2022 £m	2021 £m
Loan with joint venture	Base + 1%	11 December 2023	3.0	3.0
Loans with Iberdrola Group companies	3.05%	20 December 2027	700.0	700.0
Accrued interest due to Iberdrola Group companies			0.7	0.7
			703.7	703.7

* Base - Bank of England base rate.

Analysis of total loans and other borrowings	2022 £m	2021 £m
Non-current	700.0	700.0
Current	3.7	3.7
	703.7	703.7

(a) All loans are repayable in full on maturity.

13 TRADE AND OTHER PAYABLES

	2022 £m	2021 £m
Current trade and other payables:		
Payables due to Iberdrola Group companies - trade	1.4	1.0
Payables due to joint ventures - trade	0.7	0.5
Trade payables	33.7	36.5
Other taxes and social security	1.5	1.2
Payments received on account	0.5	0.5
Capital payables and accruals	21.7	25.3
Other payables	10.1	9.6
	69.6	74.6
Non-current other payables:		
Other payables	1.5	1.6

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 2021	192.9	0.6	0.4	193.9
Charge/(credit) to the Income statement	66.5	-	(0.9)	65.6
Recorded in the Statement of comprehensive income	-	(6.9)	-	(6.9)
At 1 January 2022	259.4	(6.3)	(0.5)	252.6
Credit to the Income statement	(2.7)	-	(0.3)	(3.0)
Recorded in the Statement of comprehensive income	-	(8.7)	-	(8.7)
At 31 December 2022	256.7	(15.0)	(0.8)	240.9

(a) Legislation was enacted on 10 June 2021 under the Finance Act 2021 that will increase the UK Corporation tax rate to 25% from 1 April 2023. Accordingly, the deferred tax balances at 1 January 2021 were increased by £57.8 million to reflect the rate that the temporary differences are expected to reverse at.

15 EMPLOYEE INFORMATION

(a) Staff costs

	2022 £m	2021 £m
Wages and salaries	47.3	43.6
Social security costs	5.6	5.0
Pension and other costs	6.1	6.4
Total staff costs	59.0	55.0
Less: capitalised staff costs	(2.4)	(2.5)
Charged to the Income statement	56.6	52.5

(b) Employee numbers

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

	Average 2022	Average 2021
Administrative staff	87	84
Operations	570	520
Total	657	604

(c) Retirement benefits

The Company contributes to ScottishPower'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 recent Annual Report and Accounts of SPUK, the intermediate holding company and the sponsoring company of the retirement benefit schemes. As at 31 December 2022, the surplus in ScottishPower's defined benefit schemes in the UK amounted to £240.0 million (2021 £192.2 million surplus). The employer contribution rate for these schemes in the year ended 31 December 2022 was 52.9%-53.4%.

16 TAXES OTHER THAN INCOME TAX

	2022 £m	2021 £m
Property taxes	18.3	18.4

(a) The UK Government announced on 17 November 2022, as part of the Autumn Statement, a proposal for a Electricity Generator Levy that is expected to apply from 1 January 2023. A new 45% tax will be levied on 'extraordinary returns' from low-carbon UK power generation meeting certain conditions. The Group is aware of this expected levy introduction but is unable to fully quantify its impact on the future tax liability as the legislation is currently at a draft stage.

17 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

	2022 £m	2021 £m
Property, plant and equipment depreciation charge	91.9	85.3
Right-of-use asset depreciation charge	10.2	8.5
Intangible asset amortisation charge	0.7	0.7
Charges and provisions, allowances and impairment of assets	0.8	0.3
	103.6	94.8
Capitalised right-of-use asset depreciation	(0.1)	(0.4)
	103.5	94.4

18 FINANCE INCOME

	2022 £m	2021 £m
Fair value movement on contingent consideration	3.2	-
Interest receivable from Iberdrola Group companies	10.7	4.4
Foreign exchange gains	0.3	0.5
	14.2	4.9

19 FINANCE COSTS

	2022 £m	2021 £m
Interest on amounts due to Iberdrola Group companies	21.4	21.4
Fair value movements on contingent consideration	-	3.7
Unwinding of discount on provisions	1.7	1.5
Interest on lease liabilities	8.2	7.1
Foreign exchange losses	0.6	0.3
Fair value and other losses on derivatives	163.2	143.8
	195.1	177.8
Capitalised interest	(0.9)	(1.3)
	194.2	176.5

20 INCOME TAX

	2022 £m	2021 £m
Current tax:		
UK Corporation Tax charge on profits for the year	10.3	(9.4)
Adjustments in respect of prior years	1.1	(0.4)
Current tax for the year	11.4	(9.8)
Deferred tax:		
Origination and reversal of temporary differences	(1.5)	7.7
Adjustments in respect of prior years	(1.5)	0.1
Impact of tax rate change on opening deferred tax balance	-	57.8
Deferred tax for the year	(3.0)	65.6
Income tax expense for the year	8.4	55.8

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:

	2022 £m	2021 £m
Corporation Tax at 19% (2021 19%)	48.4	4.6
Adjustments in respect of prior years	(0.4)	(0.3)
Impact of tax rate change on opening deferred tax balance	-	57.8
Impact of tax rate change on current year charge	(0.6)	4.2
Dividends from subsidiaries	(43.2)	(18.6)
Non-deductible expenses and other permanent differences	4.2	8.1
Income tax expense for the year	8.4	55.8

Legislation was enacted on 10 June 2021 under the Finance Act 2021 that will increase the UK Corporation Tax rate to 25% from 1 April 2023. Accordingly deferred tax balances at 1 January 2021 were increased by £57.8 million reflecting the rate that the temporary differences are expected to reverse at.

21 DIVIDENDS

	2022 pence per ordinary share	2021 pence per ordinary share	2022 £m	2021 £m
Interim dividend paid	15.6	6.8	316.3	138.9

22 FINANCIAL COMMITMENTS

	2022						
	2023 £m	2024 £m	2025 £m	2026 £m	2027 £m	2028 and thereafter £m	Total £m
Contractual commitments	43.5	24.1	18.6	13.6	8.0	30.8	138.6

	2021						
	2022 £m	2023 £m	2024 £m	2025 £m	2026 £m	2027 and thereafter £m	Total £m
Contractual commitments	47.8	21.6	17.7	18.1	9.0	36.7	150.9

23 RELATED PARTY TRANSACTIONS

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

	2022			2021		
	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	1.9	10.5	0.2	1.6	12.0	0.2
Purchases and receipt of services	-	(1.3)	(0.7)	-	-	(0.6)
Dividends received	-	178.7	0.3	-	83.8	-
Balances outstanding						
Trade and other receivables	0.4	1.6	1.4	-	0.9	1.6
Loans payable	-	-	(3.0)	-	-	(3.0)
Trade and other payables	-	(1.0)	(0.7)	-	(0.1)	(0.5)

(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 (2021 four) of the directors were remunerated by another Renewables company during both years.

	2022 £000	2021 £000
Aggregate remuneration in respect of qualifying services	783	1,097
Aggregate contributions payable to a defined contribution pension scheme	-	24
Number of directors who exercised share options	3	4
Number of directors who received shares under a long-term incentive scheme	3	4
Number of directors accruing retirement benefits under a defined benefit scheme	3	3
Number of directors accruing retirement benefits under a defined contribution scheme	-	1

Highest paid director	2022 £000	2021 £000
Aggregate remuneration	413	441
Accrued pension benefit	52	-

(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.

23 RELATED PARTY TRANSACTIONS *continued*

(c) Immediate and ultimate 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. (incorporated in Spain) 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.

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 Scottish Power UK plc may be obtained from Scottish Power UK plc, 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.

24 AUDITOR'S REMUNERATION

	2022 £000	2021 £000
Audit of the Company's annual accounts	98	58