

SCOTTISHPOWER RENEWABLES (UK) LIMITED
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2021

Registered No. NI028425



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SCOTTISHPOWER RENEWABLES (UK) LIMITED

STRATEGIC REPORT

The directors present their Strategic Report on ScottishPower Renewables (UK) Limited ("the Company") for the year ended 31 December 2021. This includes an overview of the Company's structure, strategic outlook including 2021 performance, and principal risks and uncertainties.

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 in 2021 with good availability but production was impacted by unusual weather conditions, with the lowest wind conditions across the UK in over 30 years.

During 2021, Renewables continued to grow its onshore wind capabilities, completing construction of two new onshore wind farms built under Power Purchase Agreements ("PPAs") specifically to supply the green energy requirements of commercial partners. The 30 megawatts ("MW"), 15-turbine Halsary Windfarm in Caithness is now generating enough clean energy for the equivalent of almost 20,000 homes which, under a PPA, will help power Tesco's stores and operations across the country and bring more green energy on to the grid, aiding the sustainability and climate goals they have set for their business. The 50 MW, 14-turbine Beinn an Tuirc 3 wind farm on the Kintyre peninsula was built by Renewables having entered into a PPA with Amazon Web Services. Both of these wind farms have successfully secured a 15-year Capacity Market Agreement.

At the Carland Cross project in Cornwall, which is now one of the UK's first wind farms and the UK's first energy park, the first solar panels were installed in 2021 by the UK Prime Minister, Boris Johnson, complementing the existing wind farm and battery storage on site. By co-locating solar generation, with storage and wind, Renewables is optimising the use of existing infrastructure to deliver green and flexible power.

Throughout 2021, Renewables has focused on maturing its 6.6 gigawatt ("GW") pipeline by achieving planning consent for 635 MW (comprising new onshore wind of 435 MW and battery storage of 200 MW) of renewable generation across Scotland and the Republic of Ireland, more than any other onshore developer in the UK in the year.

During 2021, Renewables participated in three Public Local Inquiries ("PLI"), one for each of the Arecleoch Windfarm Extension, Clachrie Windfarm and Sheirdrim Renewable Energy Development. Arecleoch Windfarm Extension was the first virtual PLI for Renewables, and one of the first virtual PLIs held by the Planning and Environmental Appeals Division. Consent for the Arecleoch Windfarm Extension was granted in November 2021, the decision for Clachrie Windfarm is awaited, and the Sheirdrim Renewable Energy Development PLI had final submissions made in January 2022 which will be determined later in 2022. The Arecleoch consent creates the opportunity to extend the original Arecleoch Windfarm which began operating in 2011, adding a further 13 turbines, and generating around an additional 72 MW. This is equivalent to 75-85% of the output of the existing Arecleoch 60-turbine wind farm. The planning consent for Arecleoch Windfarm Extension also allows for a 20 MW Battery Energy Storage System ("BESS").

In 2021, Renewables also achieved consent for its wind farms within shorter timescales from submission than the industry average for large-scale onshore wind farms, which included the Barnesmore Repowering and Cumberhead West projects being consented in approximately one year from submission of the planning application. The Barnesmore Repowering was also the first planning consent granted to repower a wind farm in the Republic of Ireland at commercial scale, which, at the point of consent, comprised the tallest turbines consented in the Republic of Ireland. This focus on development at scale is also seen in Scotland as the size of turbines consented by Renewables (tip heights and MW output) is above the industry average. Renewables has continued to develop the consented repowering project at Hagshaw Hill.

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STRATEGIC REPORT *continued*

STRATEGIC OUTLOOK *continued*

The expansion into additional technologies, such as solar, took a step forward with the successful acquisition of a number of solar projects in 2022, with a combined capacity of up to 800 MW with sites located across England, Wales and Scotland. These sites are at an advanced stage of development and it is anticipated that they will come into operation between 2023 and 2025.

A number of Renewables' onshore wind and solar projects have applied to participate in Contract for Difference ("CfD") Allocation Round 4. Prequalification results were announced on 25 February 2022 and the competitive auction is expected to take place in quarter two, with results expected later in 2022.

Values in action

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

Alongside the continued development of renewable generation, Renewables continue to support the integration of more renewables into the electricity system through the optimisation of its assets, co-location and investment in new technologies. Maximising the penetration of renewable generation will be vital to meeting net zero targets and Renewables supports this through its ambitious pipeline growth and commitment to integrating new enabling technologies. Renewables is continuing to pioneer new technologies at its sites to enable National Grid targets to decarbonise the electricity sector through its Pathfinder process. Decarbonisation of heat will also require greater penetration of renewables to support a transition to low-carbon heating. Renewables also acknowledges that there are parts of the energy system that are not suitable for electrification and believes that green hydrogen will have an important role to play, particularly for heavy transport and industry. Renewables welcomed the publication of the UK Government's Hydrogen Strategy. The growth of green hydrogen use will require further deployment of renewables generation to supply green hydrogen production facilities.

Renewables will continue to invest in a cleaner, brighter future, creating highly skilled jobs, supporting UK supply chains and delivering substantial local benefit for the communities it serves. Renewables need to retain, retrain and attract new talent, to equip people with the skills to meet future demand and the green jobs of the future. Renewables supports the development of new talent in onshore wind through a trainee programmes for master scholars, apprenticeships and graduates. Renewables has launched new onshore apprenticeship programmes for operations and maintenance and project management.

2021 performance

	Revenue*		Operating profit*		Capital investment**	
	2021	2020	2021	2020	2021	2020
Financial key performance indicators	£m	£m	£m	£m	£m	£m
ScottishPower Renewables (UK) Limited	367.7	489.7	97.8	224.7	82.1	114.5

* Revenue and operating profit as presented on the Income statement on page 20.

** Capital investment for 2021 as presented in Notes 3 and 4 on pages 30 and 31.

Revenue decreased by £122.0 million to £367.7 million in 2021 reflecting the impact of exceptionally low wind, lower production, lower curtailments and lower energy contract prices, partly offset by an increase in Renewable Obligation Certificate ("ROC") revenues.

Operating profit decreased by £126.9 million to £97.8 million in 2021 principally due to lower revenues, and higher procurement costs partially offset by a reduction in net operating costs.

Capital investment decreased by £32.4 million to £82.1 million in 2021 as the investment in the Beinn an Tuirc 3 and Halsary onshore wind farms reduced.

SCOTTISHPOWER RENEWABLES (UK) LIMITED

STRATEGIC REPORT *continued*

STRATEGIC OUTLOOK *continued*

Non-financial key performance indicators	Notes	2021	2020
Plant output (GWh)	(a)	3,250	3,536
Generating capacity (MW)	(b)	1,955	1,925
Availability	(c)	96%	97%

- (a) Plant output is a measure of the electrical output generated in the year measured in gigawatt hours ("GWh"), which in turn drives the revenues of the business.
- (b) Generating capacity represents the total number of MW installed. This includes all turbines erected irrespective of whether they are generating or not.
- (c) Availability is a measure of how effective the business is at ensuring wind generating plant is available and ready to generate.

Outlook for 2022 and beyond

Renewables welcomed the publication of the UK Government's Net Zero Strategy in October 2021 which commits to a fully decarbonised power system by 2035 by accelerating the deployment of low-cost renewable generation including onshore wind and solar through the CfD scheme. The CfD framework has proven to be an effective tool in providing revenue stabilisation and reducing the cost of capital thereby enabling low-carbon generation to be deployed at the least cost to the consumer. To accelerate progress towards power sector decarbonisation, Renewables welcomes the UK Government's announcement that they will increase the frequency of CfD allocation rounds to annually, from March 2023. A clear schedule and pathway of volumes to be procured by 2030, will provide a stable and consistent route to market for the developing project pipeline as well as provide greater clarity for the UK supply chain to plan for sustained growth in an efficient way.

The Scottish Government is updating its Onshore Wind Policy Statement and seeking views on an ambition to secure an additional 8-12 GW of installed onshore wind capacity by 2030, how to tackle the barriers to deployment, and how to secure maximum economic benefit from developments. New analysis published in November 2021 by Renewable UK showed that doubling the UK's onshore wind capacity to 30 GW by 2030 would create an average of 27,000 long-term, high-value jobs and play a key role in the green economic recovery by adding £45 billion of Gross Value Added ("GVA") (a macroeconomic measure of the total value created by a sector) to the UK economy, as well as lowering energy bills for consumers by £25 a year and contributing to net zero targets. The analysis shows that achieving 30 GW of onshore wind by 2030 would result in payback to the consumer of around £16.3 billion when brought forward through CfD auctions. The analysis also shows that a target of an additional 12 GW of onshore wind in Scotland, aligned to the top end of the Scottish Government's target, would see 17,000 jobs supported and £27.8 billion of GVA.

Following significant UK Government commitment to the growth of renewables, updated National Policy Statements on Energy ("NPSs") will be finalised later in 2022. NPSs, as a significant consideration in planning decisions, are likely to see increased prioritisation in relation to net zero and the role of renewable projects in achieving targets. It is anticipated that clearer support for such projects in the planning system should be secured within the finalised NPSs.

The Scottish Government are also consulting on the fourth National Planning Framework which will provide an opportunity to address current barriers within the consenting landscape, reinforcing and prioritising the role which climate change should play for decision makers and statutory bodies.

Renewables has 6.6 GW of onshore, solar and battery storage projects, being progressed as part of the pipeline with 3.8 GW of this being beyond 2025. The volume of consented projects increased by 1.1 GW during 2021 and these will be moved through final investment decision and into construction as quickly as possible.

The 50 MW BESS at Whitelee Windfarm marks a significant addition to the Renewables portfolio, increasing its ability to balance renewables production with varying demand, whilst also delivering key grid ancillary service capabilities to the UK grid. The 50 MW BESS at Gormans, County Meath and 3 MW BESS at Barnesmore near Donegal demonstrate Renewables' commitment to expanding its asset base in the Republic of Ireland, and support the requirements of the Irish grid system.

Renewables will continue with the optimisation of sites through co-location of assets, with a number of new-build solar and battery storage projects being co-located at existing wind farms throughout 2022 and 2023. During 2022 Renewables is anticipating obtaining consent for a renewable energy park which will be its first renewable energy park developed from conception to obtain consent for three separate forms of generation. This project will include a combination of onshore wind, solar and battery storage which are all being developed together to create an optimal and innovative project.

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STRATEGIC REPORT *continued*

STRATEGIC OUTLOOK *continued*

Renewables also anticipates that the planning applications submitted in 2021 at Whitelee Windfarm will allow it to be the first industrial-scale energy park in the UK combining wind, solar, battery storage and green hydrogen production on one site at large scale. The green hydrogen production facility will be able to use wind and solar power produced at Whitelee Windfarm to operate an electrolyser of up to 20 MW. Producing green hydrogen (i.e. green hydrogen produced using only renewable resources) requires a lot of electricity; as Whitelee Windfarm already has a high level of renewable generation production and a lot of existing infrastructure, it is a good location for development of a green hydrogen production and storage facility.

During 2021 Renewables successfully secured two contracts following the UK Capacity Market auctions. Beinn an Tuirc 3 and Halsary wind farms both secured one-year contracts in the T-1 2021/22 auction which took place in March. These contracts allow National Grid to manage the security of supply and prevent future blackouts on the system. Additionally, in 2022 Renewables was successful in both the 2021 T-1 and T-4 auctions, where it was awarded a one-year agreement for the 50 MW Whitelee BESS for delivery year 2022/23 and a 15-year agreement for the 50 MW Harestanes BESS for delivery year 2025/26 respectively.

Both Blacklaw and Whitelee wind farms have been awarded constraint management contracts under National Grid ESO's Constraint Pathfinder Tender. New and innovative services from wind generation, such as constraint management, will serve to enhance the flexibility of grid operations in a cost-effective manner.

COVID-19

As the COVID-19 crisis has developed and ScottishPower's response has evolved, it has been committed to taking all necessary measures to help to protect the safety and wellbeing of its employees, its customers and the communities it serves. ScottishPower, Renewables, and so the Company, has been working closely with government departments, Ofgem and industry bodies to ensure that they continue to follow the latest advice.

At a ScottishPower level, several measures were implemented to ensure it is well positioned to respond to the significant challenges posed by COVID-19. These include ongoing reviews of business continuity, IT resilience, supply chain operations, and the safety and wellbeing of critical and non-critical employees.

Financial instruments

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

PRINCIPAL RISKS AND UNCERTAINTIES

To deliver its strategy, ScottishPower, Renewables, 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 ScottishPower relevant to the Company and those specific to the Company, that may impact current and future operational and financial performance and the management of these risks are described below:

REGULATORY AND POLITICAL RISKS	
RISK	RESPONSE
Material deterioration in the relatively stable and predictable UK regulatory and political environment, including any sudden changes of policy, or interventions outside established regulatory frameworks.	Positive and transparent engagement with all appropriate stakeholders to ensure that long-term regulatory stability and political consensus is maintained and public backing is secured for the necessary investment in the UK energy system. Providing stakeholders with evidence of the risks of ad hoc intervention in markets.

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STRATEGIC REPORT *continued*

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

FINANCIAL RISKS	
RISK	RESPONSE
<p>Impacts arising from market and regulatory reactions to events including COVID-19 and Brexit. These could include increased volatility on the value of Sterling and foreign currencies and in the longer term, there could be positive or negative changes in the UK economy.</p> <p>In light of the outbreak of war in Ukraine during early 2022, ScottishPower, and therefore the Company, continues to assess the impact of this on foreign exchange rates and the global supply chain through market risk management policies noted above and continued engagement with suppliers.</p>	<p>In addition to monitoring ongoing developments, ScottishPower, and so the Company, has specific procedures in place to manage these key market risks. Further details of the Treasury risk management policy is included in the most recent Annual Report and Accounts of SPL (refer to Note 7).</p> <p>No material operational issues have arisen to date or are expected, however ScottishPower will continue to monitor the situation and put mitigating actions in place if and when appropriate.</p>
BUSINESS RISKS	
RISK	RESPONSE
<p>The risk that Iberdrola's, ScottishPower's, and therefore the Company's strategy, investments or operations have an unacceptable impact on the environment and on national and international targets to tackle climate change, or that climate change has an unacceptable impact on assets and/or operations.</p> <p>The impacts of climate change, include: the risks of transition (regulatory, market, technological, reputational changes, lawsuits, demand variations); physical risks (increase in temperatures, rise in sea level, variation in the rainfall pattern, increase in extreme meteorological phenomena in frequency and intensity etc.); and other risks such as the credit deterioration of counterparties (suppliers, banks, others), social phenomena (humanitarian crises, impacts on crops and fishing, refugee crises, epidemics) and greater competition for financial resources.</p>	<p>Iberdrola's, ScottishPower's, and so the Company's, commitment to tackle climate change is reflected in the Company's strategy, which includes investment in renewable generation.</p> <p>Iberdrola's, ScottishPower's, and so the Company's, key measures to mitigate climate change risks are set out in the most recent Annual Report and Accounts of SPL.</p> <p>Overall, the opportunities deriving from the decarbonisation of the global economy outweigh the risks.</p> <p>For further information, please refer to Iberdrola's latest Integrated Report and Sustainability Report. In addition, Iberdrola's Climate Change policy is available at www.iberdrola.com.</p>
<p>Allocation risk in competitive CfD auction for onshore wind and solar due to auction parameters (including capacity caps) set by the UK Government and bid strategy of competitors.</p>	<p>Following inclusion of onshore wind in the current CfD auction, the Company has continued engagement with the UK Government regarding auction frequency, timing and overall budget for future CfD rounds. The UK Government have confirmed that they will accelerate the deployment of low cost renewable generation, such as wind and solar through the CfD scheme and have committed to annual CfD auctions from March 2023.</p>

SCOTTISHPOWER RENEWABLES (UK) LIMITED
STRATEGIC REPORT *continued*

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

OPERATIONAL RISKS	
RISK	RESPONSE
A major health and safety incident in the course of operations could impact staff, contractors, communities or the environment.	ScottishPower, and so the Company, has certified management systems in place to deliver activities as safely as possible. In addition, a ScottishPower Health and Safety function exists and provides specialist services and support for the businesses, and so the Company, in relation to health and safety. A comprehensive framework of health and safety policy and procedures, alongside audit programmes, is established throughout ScottishPower, which aims to ensure not only continuing legal compliance but also to drive towards best practice in all levels of health and safety operations.
Breach in cyber security and unwanted infiltration of ScottishPower's IT infrastructure by internal and external parties impacting key infrastructure, networks or core systems.	Implementation of a cyber-risk policy which provides the framework for mitigation. Proactive approach to identifying where ScottishPower is vulnerable and addressing these points through technical solutions. Educating ScottishPower and the Company's employees and contractors as to how behaviour can reduce this risk. Embedding cyber security in all projects where appropriate.
Failure to deliver large and complex projects on time and within budget. This is also impacted by restrictions on the flow of goods and equipment and mobility of labour due to COVID-19 and Brexit.	ScottishPower, Iberdrola and so the Company have a strong track record in delivering large scale engineering projects and have gained significant experience from developing numerous onshore and offshore wind farms. Use of established and experienced suppliers and advisors along with robust financial management including appropriate foreign exchange hedging and having a funding strategy in place to support delivery.
The potential for plant performance issues reducing plant availability. This is also impacted by restrictions on the flow of goods and equipment and mobility of labour due to COVID-19 and Brexit.	Proactive technical assessments and monitoring of key risk areas associated with wind turbine performance, diversification of the service and maintenance model where reliance is placed on framework agreement for key activities, optimising service and maintenance activities to ensure each activity is appropriate based on operational knowledge. In addition, co-ordination with the procurement team in negotiating terms and conditions with turbine suppliers and independent operations and maintenance service providers to ensure plant performance is optimised.

ENGAGING WITH STAKEHOLDERS

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

The importance of engaging with stakeholders

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

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

SCOTTISHPOWER RENEWABLES (UK) LIMITED

STRATEGIC REPORT *continued*

ENGAGING WITH STAKEHOLDERS *continued*

Key stakeholders

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

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

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

EMPLOYEES AND CUSTOMERS

Employees

ScottishPower employs approximately 5,700 employees, working across a range of roles. The employees make a real difference in determining how successfully ScottishPower operates. The creativity, innovation and individuality of ScottishPower's employees enables ScottishPower to build on its future capability to operate effectively in a competitive market, and continue to have aspirations which are challenging and rewarding. ScottishPower respects and recognises the importance of individuality as part of its ongoing commitment to promoting a culture where individuality is celebrated. ScottishPower also 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:

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

Health and safety

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

Modern Slavery Statement

The term 'modern slavery' covers both slavery and human trafficking. ScottishPower, Renewables, and so 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 was approved by the board of directors of SPL. This statement is published on the ScottishPower website at:

https://www.scottishpower.com/pages/scottishpowers_modern_slavery_statement.aspx

SCOTTISHPOWER RENEWABLES (UK) LIMITED

STRATEGIC REPORT *continued*

ENGAGING WITH STAKEHOLDERS *continued*

Customers

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

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

GOVERNMENT AND REGULATORS

Governments and regulators play a central role in shaping the energy sector. ScottishPower engages with them directly and through trade associations, responding to issues of concern and providing expertise to support policy development. Through this engagement, ScottishPower aims to contribute to the delivery of a UK energy system that functions in the interests of customers now, and in the future, including achievement of the UK and Scottish Governments' net zero decarbonisation targets.

In the course of the year ScottishPower has committed significant resource in its capacity as a principal sponsor to supporting the UK Government in delivering the climate change conference, the Conference of the Parties ("COP26") in Glasgow, highlighting priorities for decarbonising the energy sector and achieving a just transition.

ScottishPower continues to work with governments on their policies for future support for renewables and new technologies such as green hydrogen.

Further information in relation to engagement with government and regulators in the below areas is set out in the 'Outlook for 2022 and beyond' section of the Strategic Report on page 3:

- Scottish Government Onshore Wind Policy Statement
- Scottish Government National Planning Framework

SUPPLIERS AND CONTRACTORS

As part of its mission for a better future, quicker, ScottishPower are always looking for new suppliers and contractors, and for ways to improve its working relationships with existing suppliers and contractors. ScottishPower's suppliers have a key role to play in the delivery of the projects and services that ScottishPower is undertaking to provide a low-carbon future for the UK. ScottishPower aims to develop and maintain strong relationships across its supply base with a focus on health and safety, quality, cost and sustainability.

Engagement with the supply chain is always a critical activity for ScottishPower and it becomes even more important due to the current COVID-19 pandemic and the Brexit transition. Both COVID-19 and Brexit have impacted the supply chain. ScottishPower is experiencing cost pressures due to high global commodity prices along with increasing freight and labour costs. ScottishPower is also dealing with longer lead times for some equipment and a number of suppliers have also been impacted by labour shortages. ScottishPower has looked to support its supply chain during these challenging times by working collaboratively on forecasting its requirements and ScottishPower also established customs brokerage services, which can be utilised by its supply base.

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. Further details as to how ScottishPower, and so the Company, engages with its supply chain are provided in the most recent Annual Report and Accounts of SPL.

COMMUNITY AND ENVIRONMENT

ScottishPower continually strives to be a trusted, respected and integrated part of the community, by operating with integrity, transparency, and working closely within the community to build relationships. ScottishPower aims to ensure it conducts its activities responsibly and makes a positive contribution to society. As key stakeholders, engaging with communities is essential to delivering ScottishPower's objectives.

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

SCOTTISHPOWER RENEWABLES (UK) LIMITED

STRATEGIC REPORT *continued*

ENGAGING WITH STAKEHOLDERS *continued*

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

INNOVATION

Living with the sustained and significant impacts of the pandemic in 2021, it has never been more crucial that ScottishPower continues to grow and evolve to be the energy company of the future. Providing the critical services customers demand and ensuring those most vulnerable are not left behind during the transition to net zero is at the heart of everything ScottishPower does. By embracing innovative technologies, adopting new ways of working and collaborating with new partners, ScottishPower leads by example in making sure clean, affordable energy is available to all. Further details on the ScottishPower innovation activities relevant to the Company are provided in the most recent Annual Report and Accounts of SPL.

SECTION 172 STATEMENT

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

The Companies (Miscellaneous) Reporting Regulations 2018 requires the directors 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 he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

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

The delivery of the strategy of the Renewables business (headed by SPREL), of which the Company is a member, requires the 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 8.
- **Employees:** details of how ScottishPower, and so the Company, engages with its employees are set out in the 'Employees' sub-section of the Strategic Report, on page 7.
- **Communities and the environment:** details of how ScottishPower, and so 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 8.
- **Suppliers:** details of how ScottishPower and so the Company, engages with its suppliers are set out in the 'Suppliers and contractors' sub-section of the Strategic Report, on page 8.
- **Government and regulators:** details of how ScottishPower, and so the Company, engages with governments and regulators are set out in the 'Government and regulators' sub-section of the Strategic Report, on page 8.

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.

SCOTTISHPOWER RENEWABLES (UK) LIMITED
STRATEGIC REPORT *continued*

SECTION 172 STATEMENT *continued*

The directors, both individually and together as a board, consider that the decisions taken during the year ended 31 December 2021 in discharging the function of the Company's board of directors ("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
Director

26 May 2022

SCOTTISHPOWER RENEWABLES (UK) LIMITED

DIRECTORS' REPORT

The directors present their report and audited Accounts for the year ended 31 December 2021.

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 10:

- 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 SPL.

RESULTS AND DIVIDEND

The net loss for the year amounted to £31.5 million (2020 profit of £206.6 million). A dividend of £138.9 million was paid during the year (2020 £201.0 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 2021 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 three directors at 31 December 2021 who bring a broad range of skills and experience to the Company. The Board is regulated in accordance with the Company's Articles of Association.

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

Board Composition

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

Lindsay McQuade

Jonathan Cole (resigned 4 October 2021)

Heather Chalmers White

Charles Jordan (appointed 21 October 2021)

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

CORPORATE GOVERNANCE continued

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

Purpose and values

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

During 2021, the Board has taken into account the purpose and values of the Iberdrola Group and the Code of Ethics which are published on www.scottishpowerrenewables.com under 'Corporate Governance'.

Director responsibilities

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

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

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

Opportunity and risk

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

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

During 2021, the governance structure was supported by the risk policies of the Renewables business. The risk assessment team and independent group risk management function supported the Board in the execution of due diligence and risk management, as described in the 'Principal risks and uncertainties' section of the Strategic Report.

Remuneration

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

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

Stakeholders

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

Administrative, management and supervisory bodies

SPL Board

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

SCOTTISHPOWER RENEWABLES (UK) LIMITED

DIRECTORS' REPORT *continued*

CORPORATE GOVERNANCE *continued*

The SPL Board comprised the Chairman, José Ignacio Sánchez Galán, and eight other directors as at 31 December 2021. José Ignacio Sánchez Galán is also the Chairman and Chief Executive Officer of Iberdrola.

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

José Ignacio Sánchez Galán	Chairman, non-independent, non-executive director
Lord Kerr of Kinlochard GCMG	Vice-chairman, independent, non-executive director
Keith Anderson	Chief Executive Officer
Wendy Jacqueline Barnes	Independent, non-executive director
Iñigo Fernández de Mesa Vargas	Independent, non-executive director
Suzanne Fox	Independent, non-executive director (resigned 12 December 2021)
Professor Sir James McDonald	Independent, non-executive director
Daniel Alcain López	Non-independent, non-executive director
Gerardo Codes Calatrava	Non-independent, non-executive director
José Sainz Armada	Non-independent, non-executive director

Lord Kerr of Kinlochard GCMG resigned on 21 March 2022 and was replaced as Vice-chairman by Professor Sir James McDonald. Professor Dame Lesley Anne Glover and Claire O'Neill were appointed as independent, non-executive directors on 21 March 2022.

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

José Ignacio Sánchez Galán	Attended all meetings
Lord Kerr of Kinlochard GCMG	Attended all meetings
Keith Anderson	Attended all meetings
Wendy Jacqueline Barnes	Attended all meetings
Iñigo Fernández de Mesa Vargas	Attended all meetings
Suzanne Fox	Attended all meetings
Professor Sir James McDonald	Attended all meetings
Daniel Alcain López	Attended all meetings
Gerardo Codes Calatrava	Attended all meetings
José Sainz Armada	Attended all meetings

The terms of reference of the SPL Board are published on www.scottishpower.com ("the SPL corporate website") under 'Corporate Governance'/'Governance and Sustainability System'/'Corporate Governance'.

SPL Audit and Compliance Committee ("SP ACC")

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

The SP ACC's responsibilities include:

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

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

SCOTTISHPOWER RENEWABLES (UK) LIMITED

DIRECTORS' REPORT *continued*

CORPORATE GOVERNANCE *continued*

Membership and attendance

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

Professor Sir James McDonald, Chairman (external, independent director)	Attended all meetings
Iñigo Fernández de Mesa Vargas (external, independent director)	Attended all meetings
Daniel Alcain López (internal, non-independent director)	Attended all meetings

Professor Sir James McDonald resigned on 20 March 2022 and was replaced as Chairman by Iñigo Fernández de Mesa Vargas. Wendy Barnes and Claire O'Neill were both appointed as external, independent, members on 21 March 2022.

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

Matters considered by the SP ACC during 2021

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

SPL Management Committee ("SPMC")

The SPMC is a permanent internal body, 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 five other directors as at 31 December 2021. The directors and their attendance at SPREL board meetings held during the period under review (five meetings) are shown below:

Xabier Viteri Solaun (Chairman, non-independent, non-executive director)	Attended all meetings
Lindsay McQuade (CEO)	Attended all meetings
Lena Wilson (independent, non-executive director)	Attended two meetings (Note (a))
Jonathan Cole (non-independent, executive director)	Attended three meetings (Note (b))
Nicola Connelly (non-independent, non-executive director)	Attended two meetings (Note (c))
Charles Langan (non-independent, non-executive director)	Attended all meetings
Álvaro Martínez Palacio (non-independent, non-executive director)	Attended one meeting (Note (d))
David Mesonero Molina (non-independent, non-executive director)	Attended three meetings (Note (e))
Marion Shepherd Venman (non-independent, non-executive director)	Attended all meetings
David Wark (non-independent, non-executive director)	Attended three meetings (Note (f))

(a) Resigned 30 April 2021.

(b) Resigned 4 October 2021.

(c) Appointed 21 September 2021.

(d) Appointed 4 November 2021.

(e) Resigned 12 July 2021.

(f) Resigned 31 July 2021.

The terms of reference of the SPREL Board are published on www.scottishpowerrenewables.com ("the Renewables website") under 'Corporate Governance' / 'Governance and Sustainability System'.

DIRECTORS' INDEMNITY

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

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

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

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable 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 SPL corporate website. Legislation in the UK governing the preparation and dissemination of the financial statements differ from legislation in other jurisdictions.

Disclosure of information to auditor

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


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

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

AUDITOR

KPMG LLP was re-appointed as the auditor of the Company for the year ending 31 December 2022.

ON BEHALF OF THE BOARD



Heather Chalmers White
Director

26 May 2022

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 2021 which comprise the Statement of financial position, Income statement, Statement of comprehensive income, Statement of changes in equity, and related notes, including the accounting policies in Note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss 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 a period of at least twelve months from the date of approval of the financial statements ("the going concern period").

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

We also considered less predictable but realistic second order impacts, such as the adverse impact of less windy weather.

We considered whether these risks could plausibly affect the liquidity in the going concern period by assessing the directors' sensitivities over the level of available financial resources indicated by the company's financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

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

Our conclusions based on this work:

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

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SCOTTISHPOWER RENEWABLES (UK) LIMITED *continued*

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

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

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

We did not identify any additional fraud risks.

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

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

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

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

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

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

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

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

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

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

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

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 15, 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.



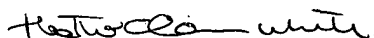
Gordon Herbertson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St. Vincent Street
Glasgow
G2 5AS
27 May 2022

SCOTTISHPOWER RENEWABLES (UK) LIMITED
STATEMENT OF FINANCIAL POSITION
at 31 December 2021

	Notes	2021 £m	2020 Restated* £m
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	3	1.5	1.9
Property, plant and equipment		1,861.6	1,865.7
Property, plant and equipment in use	4	1,781.9	1,747.0
Property, plant and equipment in the course of construction	4	79.7	118.7
Right-of-use assets	5	162.9	154.8
Non-current financial assets		1,535.4	1,540.1
Investments in subsidiaries	6	1,525.9	1,525.9
Investments in joint ventures	6	9.5	9.5
Derivative financial instruments	7	-	4.7
Non-current trade and other receivables	8	3.0	3.2
TOTAL NON-CURRENT ASSETS		3,564.4	3,565.7
CURRENT ASSETS			
Current trade and other receivables	8	576.7	589.7
Current tax asset		9.4	-
Derivative financial instruments	7	0.1	0.2
TOTAL CURRENT ASSETS		586.2	589.9
TOTAL ASSETS		4,150.6	4,155.6
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		2,559.5	2,755.7
Share capital	9, 10	2,033.3	2,033.3
Hedge reserve	10	(23.4)	2.4
Retained earnings	10	549.6	720.0
TOTAL EQUITY		2,559.5	2,755.7
NON-CURRENT LIABILITIES			
Non-current provisions	11	203.5	191.5
Bank borrowings and other non-current financial liabilities		856.9	700.0
Loans and other borrowings	12	700.0	700.0
Derivative financial instruments	7	156.9	-
Non-current lease liabilities	5	168.4	159.1
Non-current trade and other payables	13	1.6	0.9
Deferred tax liabilities	14	252.6	193.9
TOTAL NON-CURRENT LIABILITIES		1,483.0	1,245.4
CURRENT LIABILITIES			
Current provisions	11	0.3	0.1
Bank borrowings and other current financial liabilities		26.1	4.0
Loans and other borrowings	12	3.7	3.7
Derivative financial instruments	7	22.4	0.3
Current lease liabilities	5	7.1	4.5
Current trade and other payables	13	74.6	105.2
Current tax liabilities		-	40.7
TOTAL CURRENT LIABILITIES		108.1	154.5
TOTAL LIABILITIES		1,591.1	1,399.9
TOTAL EQUITY AND LIABILITIES		4,150.6	4,155.6

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

Approved by the Board and signed on its behalf on 26 May 2022.



Heather Chalmers White
Director

The accompanying Notes 1 to 24 are an integral part of the Statement of financial position at 31 December 2021.

SCOTTISHPOWER RENEWABLES (UK) LIMITED
INCOME STATEMENT
for the year ended 31 December 2021

	Notes	2021 £m	2020 £m
Revenue		367.7	489.7
Procurements		(48.5)	(31.2)
GROSS MARGIN		319.2	458.5
Staff costs	15	(55.0)	(44.6)
Capitalised staff costs	15	2.5	1.8
External services		(116.7)	(108.8)
Other operating results		60.5	35.8
Net operating costs		(108.7)	(115.8)
Taxes other than income tax	16	(18.4)	(19.0)
GROSS OPERATING PROFIT		192.1	323.7
Net expected credit losses on trade and other receivables		0.1	0.1
Depreciation and amortisation charge, allowances and provisions	17	(94.4)	(99.1)
OPERATING PROFIT		97.8	224.7
Dividends received		98.1	54.0
Finance income	18	4.9	15.1
Finance costs	19	(176.5)	(29.6)
PROFIT BEFORE TAX		24.3	264.2
Income tax	20	(55.8)	(57.6)
NET (LOSS)/PROFIT FOR THE YEAR		(31.5)	206.6

Net loss for the current year and net profit 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 2021.

SCOTTISHPOWER RENEWABLES (UK) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2021

	Note	2021 £m	2020 £m
NET (LOSS)/PROFIT FOR THE YEAR		(31.5)	206.6
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	(34.3)	3.1
Tax relating to cash flow hedges	10	7.2	(0.6)
		(27.1)	2.5
Items that will not be reclassified to the Income statement:			
Cash flow hedges:			
Change in the value of cash flow hedges	10	1.6	1.4
Tax relating to cash flow hedges	10	(0.3)	(0.3)
		1.3	1.1
OTHER COMPREHENSIVE INCOME FOR THE YEAR		(25.8)	3.6
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(57.3)	210.2

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 2021

	Share capital £m	Hedge reserve £m	Retained earnings £m	Total £m
At 1 January 2020	2,033.3	(1.2)	714.4	2,746.5
Total comprehensive income for the year	-	3.6	206.6	210.2
Dividends	-	-	(201.0)	(201.0)
At 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 31 December 2021	2,033.3	(23.4)	549.6	2,559.5

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 2021.

SCOTTISHPOWER RENEWABLES (UK) LIMITED
NOTES TO THE ACCOUNTS
31 December 2021

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 Scottish Power UK plc.

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") including newly effective IAS for the year ended 31 December 2021 (refer to Note 1C2). As per Note 1C1, on transition from IAS as adopted by the European Union ("EU-adopted IAS") to UK-adopted IAS on 31 December 2020, the standards in force under both regimes were identical. In applying FRS 101, the Company has made amendments where necessary in order to comply with the Companies Act 2006 and has set out below where FRS 101 disclosure exemptions have been taken.

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

- reconciliation of movements of liabilities to cash flows arising from financing activities;
- certain disclosures regarding revenue;
- comparative period reconciliations for property, plant and equipment and intangible assets;
- disclosures in respect of transactions with wholly owned subsidiaries of Iberdrola, S.A.;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRS pronouncements;
- disclosures in respect of the compensation of key management personnel; and
- the preparation of a Statement of cash flows and the related notes (applied for the first time in the financial statements for the year ended 31 December 2021).

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

B2 CHANGE IN PRESENTATION

B2.1 VOLUNTARY CHANGE TO STATEMENT OF FINANCIAL POSITION

Effective from 1 January 2021, the Company modified the format of its Statement of financial position in line with Iberdrola Group policy to reclassify interest payable from Current trade and other payables to current Loans and other borrowings. This change is deemed to provide more useful information to users of the financial statements and bring the Company into line with industry practice. This is a voluntary change in accounting policy resulting in the restatement of the prior year comparatives. Therefore, in the 2020 Statement of financial position, Current trade and other payables has been reduced by £0.7 million and current Loans and other borrowings increased by £0.7 million. This restatement has had no impact on the net assets position shown on the Statement of financial position or the net profit for the year shown in the Income statement.

B3 GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on pages 1 to 10.

SCOTTISHPOWER RENEWABLES (UK) LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

1 BASIS OF PREPARATION *continued*

B BASIS OF PREPARATION *continued*

B3 GOING CONCERN *continued*

The Statement of financial position presents net current assets of £478.1 million as at 31 December 2021. The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Company is part of ScottishPower which is a significant component of Iberdrola, one of the world's largest integrated utilities. The Company participates in a UK treasury function operated by its intermediate parent company, SPL. The UK treasury function works closely with Iberdrola to manage the Company's funding requirements through the global treasury function.

For the purposes of the directors' assessment of the Company's going concern position, and to satisfy them of the Company's ability to pay its liabilities as they fall due, the directors have prepared a cash flow forecast to December 2023, including the cash flow of longer-term strategies and projects. The cash flow forecast takes account of severe but plausible downsides, including increased capital spend based on the timing of final investment decisions and reductions in the Renewables price curve.

The cash flow forecast indicates that the Company's existing resources are sufficient to enable it to trade and pay its liabilities as they fall due for the forecast period.

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

C ACCOUNTING STANDARDS

C1 IMPACT OF BREXIT

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

In line with the above, the Accounts for the year ended 31 December 2020 were prepared in accordance with the 'frozen' IAS as adopted by the EU in accordance with the International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019. The Accounts for financial year beginning 1 January 2021, have been prepared in accordance with UK-adopted IAS.

C2 IMPACT OF NEW IFRS

As noted above, these Accounts have been prepared in accordance with UK-adopted IAS. In preparing these Accounts, the Company has applied all relevant IASs, International Financial Reporting Standards ("IFRSs") and International Financial Reporting Interpretations Committee interpretations ("IFRICs") (collectively referred to as IAS) 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 2021.

For the year ended 31 December 2021, the Company has applied the following amendments for the first time:

Standard	Notes
• Amendments to IFRS 16 'Leases: Covid-19-Related Rent Concessions' and 'Covid-19-Related Rent Concessions beyond 30 June 2021'	(a),(b)
• Amendments to IFRS 9 'Financial Instruments'; IAS 39 'Financial Instruments: Recognition and Measurement'; IFRS 7 'Financial Instruments: Disclosures'; IFRS 4 'Insurance Contracts'; and IFRS 16 'Leases': 'Interest Rate Benchmark Reform - Phase 2'	(b)
• Amendments to IFRS 4 'Insurance Contracts: Extension of the Temporary Exemption from Applying IFRS 9'	(b)
(a) The first-noted amendment to IFRS 16 makes available a practical expedient around rent concessions affecting payments originally due on or before 30 June 2021 and was applied by the Company on 1 January 2021. The latter amendment extends the time that practical expedient is available and is effective for periods commencing on or after 1 April 2021.	
(b) The application of these amendments has not had a material impact on the Company's accounting policies, financial position or performance.	

SCOTTISHPOWER RENEWABLES (UK) LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND PRINCIPAL ACCOUNTING POLICIES

In determining and applying accounting policies, judgement is often required in respect of items which have a significant effect on the reported amounts of assets, liabilities, income and expenses recognised in the financial statements. Other than those involving estimates, the Company has no such judgements. At 31 December 2021, assumptions made about the future and other sources of estimation uncertainty which have risk of resulting in a material adjustment to the carrying amount of expenses, assets and liabilities in the next financial year relate to decommissioning costs (refer to Note 21 and Note 11).

ScottishPower, Renewables, and so the Company, considers that the impact of climate change risk and opportunities does not create any additional estimation uncertainty.

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

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

A REVENUE

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

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

The supply of 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.

B 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.

C 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.

SCOTTISHPOWER RENEWABLES (UK) LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

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

C INTANGIBLE ASSETS (COMPUTER SOFTWARE) *continued*

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.

D PROPERTY, PLANT AND EQUIPMENT

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

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

	Years
Wind power plants	24 - 40
Distribution facilities	24 - 40
Other items of property, plant and equipment	10 - 50

E LEASED ASSETS

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

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

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

The Company has elected not to separate non-lease components and thus accounts for the lease and non-lease components in a contract as a single lease component

E1 LESSEE

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

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

SCOTTISHPOWER RENEWABLES (UK) LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

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

E LEASED ASSETS *continued*

E1 LESSEE *continued*

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.

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.

E2 LESSOR

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

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

F 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.

G FINANCIAL INSTRUMENTS

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

SCOTTISHPOWER RENEWABLES (UK) LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

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

G FINANCIAL INSTRUMENTS *continued*

G1 FINANCIAL ASSETS

G1.1 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.

G1.2 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 2G3). 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.

(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.

SCOTTISHPOWER RENEWABLES (UK) LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

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

G FINANCIAL INSTRUMENTS *continued*

G2 FINANCIAL LIABILITIES

G2.1 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.

G2.2 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.

G3 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

G3.1 DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments, such as forward foreign currency contracts and forward commodity contracts, to hedge its foreign currency and commodity price risks. The Company also has an inflation swap. 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 2G3.2).

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 2G3.2.

G3.2 CASH FLOW HEDGES

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

SCOTTISHPOWER RENEWABLES (UK) LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

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

G FINANCIAL INSTRUMENTS *continued*

G3 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING *continued*

G3.2 CASH FLOW HEDGES *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.

G3.3 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.

H 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.

I DECOMMISSIONING COSTS

Provision is made, on a discounted basis, for the estimated decommissioning costs of the Company's wind farms. Capitalised decommissioning costs are depreciated over the useful lives of the related assets. The unwinding of the discount is included within Finance costs in the Income statement. 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.

Decommissioning costs are subject to a degree of estimation 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. Sensitivity disclosures are set out in Note 11.

J OTHER OPERATING RESULTS

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

K 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.

SCOTTISHPOWER RENEWABLES (UK) LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

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

L 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.

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.

M INVESTMENTS

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.

3 INTANGIBLE ASSETS

	Computer software £m
Year ended 31 December 2021	
Cost:	
At 1 January 2021	6.1
Additions	0.3
At 31 December 2021	6.4
Amortisation:	
At 1 January 2021	4.2
Amortisation for the year	0.7
At 31 December 2021	4.9
Net book value:	
At 31 December 2021	1.5
At 1 January 2021	1.9

(a) The cost of fully amortised intangible assets still in use at 31 December 2021 was £3.4 million (2020 £3.2 million).

SCOTTISHPOWER RENEWABLES (UK) LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

4 PROPERTY, PLANT AND EQUIPMENT

(a) Movements in property, plant and equipment

	Wind power plants £m	Distribution facilities £m	Other items of property, plant and equipment (Note (i)) £m	Plant in progress (Notes (ii), (iii)) £m	Total £m
Year ended 31 December 2021					
Cost:					
At 1 January 2021	2,360.4	196.5	13.3	118.7	2,688.9
Additions	10.0	-	3.3	68.5	81.8
Transfers from in progress to plant in use	98.2	8.7	0.4	(107.3)	-
Disposals	(0.9)	-	-	(0.2)	(1.1)
At 31 December 2021	2,467.7	205.2	17.0	79.7	2,769.6
Depreciation:					
At 1 January 2021	761.9	58.4	2.9	-	823.2
Depreciation for the year	79.3	5.3	0.7	-	85.3
Disposals	(0.6)	-	-	-	(0.6)
Impairment	-	-	0.1	-	0.1
At 31 December 2021	840.6	63.7	3.7	-	908.0
Net book value:					
At 31 December 2021	1,627.1	141.5	13.3	79.7	1,861.6
At 1 January 2021	1,598.5	138.1	10.4	118.7	1,865.7

The net book value of property plant and equipment at 31 December 2021 is analysed as follows:

	£m	£m	£m	£m	£m
Property, plant and equipment in use	1,627.1	141.5	13.3	-	1,781.9
Property, plant and equipment in the course of construction	-	-	-	79.7	79.7
	1,627.1	141.5	13.3	79.7	1,861.6

- (i) The category 'Other items of property, plant and equipment in use' principally comprises land and IT equipment.
- (ii) The category 'Plant in progress' principally comprises 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 1.3% (2020 1.1%).
- (iv) The cost of fully depreciated property, plant and equipment still in use at 31 December 2021 was £54.6 million (2020 £20.9 million).
- (v) Included within the cost of property, plant and equipment are assets in use not subject to depreciation, being land of £6.5 million (2020 £6.5 million).
- (vi) Included within Other operating income in the Income statement for the year ended 31 December 2021 is £0.8 million (2020 £1.0 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 £15.2 million (2020 £14.0 million).
- (viii) Included in Distribution facilities is assets with a carrying value of £1.4 million (2020 £0.1 million) which the Company leases via operating leases.

(b) Capital commitments

The Company had £14.8 million (2020 £37.2 million) of capital commitments at 31 December 2021 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 £0.6 million (2020 £0.5 million).

SCOTTISHPOWER RENEWABLES (UK) LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

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 50 years and can be terminated with appropriate notice, generally up to 24 months.

Some land leases, particularly those on which wind farms have been built, contain variable lease payments that are based on the output from the wind farm. Such payment terms are common for this type of lease. The fixed annual payments for the year were £10.9 million compared to variable payments made of £8.5 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 buildings primarily for its office space, with lease terms of between 13 months and ten years. Certain contracts have break options at specified points, giving nine months' notice.

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, in particular of land and buildings, 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.

(b) Right-of-use-assets

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

SCOTTISHPOWER RENEWABLES (UK) LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

5 LEASING *continued*

5A LESSEE *continued*

(b) Right-of-use-assets *continued*

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 2021		153.4	-	1.4	154.8

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

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

(c) Lease liabilities

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

	2021 £m	2020 £m
Less than one year	11.9	10.3
One to five years	46.1	41.5
More than five years	226.8	218.1
Total undiscounted lease liabilities at 31 December	284.8	269.9
Finance cost	(109.3)	(106.3)
Total discounted lease liabilities	175.5	163.6
Analysis of total lease liabilities		
Non-current	168.4	159.1
Current	7.1	4.5
Total	175.5	163.6

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

(d) Amounts recognised in the Income statement

	Note	2021 £m	2020 £m
Interest on lease liabilities		(7.1)	(6.9)
Variable lease payments not included in the measurement of lease liabilities		(8.5)	(10.5)
Expenses relating to short-term leases	(i)	(0.1)	(0.1)

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

SCOTTISHPOWER RENEWABLES (UK) LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

5 LEASING *continued*

5A LESSEE *continued*

(e) Total cash outflow for leases

	2021 £m	2020 £m
Total cash outflow for leases	(19.4)	(20.2)

5B LESSOR

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

Lease income recognised by the Company during 2021 was £0.1 million (2020 £0.1 million). No income relating to variable lease payments that do not depend on an index or rate have been recognised.

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

	2021 £m	2020 £m
Less than one year	-	0.1

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

6 INVESTMENTS

(a) Movements in investments

	Notes	Subsidiary undertakings shares £m	Joint ventures £m	Total £m
At 1 January 2020		1,241.1	9.5	1,250.6
Additions	(i), (ii)	284.8	-	284.8
At 1 January 2021 and 31 December 2021		1,525.9	9.5	1,535.4

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

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

(b) Subsidiaries and joint ventures

The table on the following page details of the subsidiaries and joint ventures of the Company as at 31 December. All entities are direct holdings unless specified.

SCOTTISHPOWER RENEWABLES (UK) LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

6 INVESTMENTS *continued*

(b) Subsidiaries and joint ventures *continued*

Name	Principal activities	Registered office and country of incorporation	Equity interest in ordinary shares		Notes
		(Note (i))	2021	2020	
Subsidiaries					
Coldham Windfarm Limited	Operation of an onshore wind farm	(A)	80%	80%	
Cumberhead West Wind Farm Ltd.	Development of an onshore wind farm	(B)	72%	72%	(ii)
Douglas West Extension Limited	Development of an onshore wind farm	(B)	72%	72%	
East Anglia One Limited	Operation of an offshore wind farm	(C)	60%	60%	
East Anglia One North Limited	Development of offshore wind farm	(C)	100%	100%	
East Anglia Three Limited	Development of offshore wind farm	(C)	100%	100%	
East Anglia Two Limited	Development of offshore wind farm	(C)	100%	100%	
Hagshaw Hill Repowering Ltd	Development of an onshore wind farm	(B)	100%	100%	(ii)
ScottishPower Renewables (WODS) Limited	Operation of an offshore wind farm	(B)	100%	100%	
Joint ventures					
CeltPower Limited	Operation of an onshore wind farm	(A)	50%	50%	
East Anglia Offshore Wind Limited	Commercial operation of offshore meteorological mast	(C)	50%	50%	
Morecambe Wind Limited	Provision of operational services	(D)	50%	50%	(iii)

(i) The registered offices of the subsidiaries and joint ventures are as listed below, along with their countries of incorporation. Where the registered office is in England, it is registered in England and Wales.

- (A) 3 Prenton Way, Prenton, CH43 3ET, England
- (B) 320 St. Vincent Street, Glasgow, G2 5AD, Scotland
- (C) 3rd Floor, 1 Tudor Street, London, EC4Y 0AH, England
- (D) 5 Howick Place, London, SW1P 1WG, England

(ii) On 5 June 2020, the Company acquired the entire share capital of Hagshaw Hill Repowering Ltd. On 28 August 2020, the Company acquired 72% of the share capital of Cumberhead West Wind Farm Ltd.

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

(iv) At various dates subsequent to the year end, the Company acquired the entire share capital of the following entities for a total consideration of £39.8 million:

- Bryn Henllys SF Limited (formerly known as Lightsource SPV 75 Limited)
- Down Barn Farm SF Limited (formerly known as Lightsource SPV 174 Limited)
- EEB11 Limited
- EEB18 Limited
- EEB 22 Limited
- EEB24 Limited
- EEB27 Limited
- EEB28 Limited
- EEB30 Limited
- EEB33 Limited
- Milltown Airfield Solar PV Limited

7 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 2020	(1.5)	33.8
Recorded in Income statement	-	10.4
Recorded in Cash flow hedge reserve	6.1	-
Recorded in investments	-	(0.6)
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 31 December 2021	(179.2)	(1.4)

SCOTTISHPOWER RENEWABLES (UK) LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

7 FINANCIAL INSTRUMENTS *continued*

(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 purchases and commodity derivatives to hedge the cost of electricity. For such items, the Company designates the entire value of the foreign currency forward and the commodity derivative in the hedge relationship.

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, during the year the Company, on behalf of Renewables, entered into a Consumer Price Index ("CPI") inflation swap. This instrument results in the Company, 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 swap will offset volatility in the income from CfDs due to CPI inflation.

The CPI swap does not satisfy the requirements for hedge accounting under IFRS 9 at the Company level (only at the Renewables level) therefore, whilst this derivative is subject to the same risk management policies as all other derivative contracts, it is 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 2021	1 year	2 years	3 years	4 years	5 years+	Total
Commodity forwards	7.2	7.3	7.3	7.3	25.1	54.2

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

Notional amount of hedging instrument (maturity profile)	
	£m
At 31 December 2021	1 year
USD	4.5
EUR	5.3
	9.8

Average forward price (exchange rate)	
At 31 December 2021	1 year
USD (GBP:USD)	1.36
EUR (GBP:EUR)	1.17

(b) Contingent consideration

(i) East Anglia One Limited ("EA1L") contingent consideration

As part of the share purchase agreement in relation to the sale of a minority stake in 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. As at the transaction date, the fair value of the contingent consideration was estimated to be £26.1 million.

As at 31 December 2020, the fair value of the contingent consideration was estimated to be £44.7 million reflecting the ongoing mitigation of possible risks as the project moves forward towards completion. During September 2021, an initial settlement was received of £42.8 million.

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

SCOTTISHPOWER RENEWABLES (UK) LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

7 FINANCIAL INSTRUMENTS *continued*

(b) Contingent consideration *continued*

(ii) Other contingent consideration

As part of the acquisitions of Douglas West Extension Limited in 2019 and Cumberhead West Wind Farm Ltd. in 2020, respective amounts of contingent consideration were agreed and calculated. Both contingent considerations were fair-valued using a weighted-average probability-based model.

At 31 December 2020 the fair value of the contingent consideration payable was estimated to be £1.1 million. During 2021 this increased to £1.5 million and was then settled in full.

8 TRADE AND OTHER RECEIVABLES

	Notes	2021 £m	2020 £m
Current receivables:			
Receivables due from Iberdrola Group companies - trade		182.6	147.0
Receivables due from Iberdrola Group companies - loans	(a)	368.3	358.1
Receivables due from Iberdrola Group companies - interest		4.4	4.5
Receivables due from joint ventures - prepayments		0.2	0.2
Trade receivables and accrued income		4.9	16.7
Prepayments		7.9	7.8
Other tax receivables		8.4	10.7
Other receivables	(b)	-	44.7
	(c)	576.7	589.7
Non-current receivables:			
Receivables due from joint ventures - prepayments		1.4	1.6
Prepayments		1.6	1.6
		3.0	3.2

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

(b) At 31 December 2020 this balance represented £44.7 million in relation to the contingent consideration on the sale of 40% of the share capital of EA1L (refer to Note 7(b)).

(c) Trade and other receivables includes £151.2 million (2020 £138.3 million) of IFRS 15 receivables. Net ECL reversals of £0.1 million (2020 £0.1 million) were recognised during the year on receivables arising from the Company's contracts with customers.

9 SHARE CAPITAL

	2021 £m	2020 £m
Allotted, called up and fully paid shares:		
2,033,352,567 ordinary shares of £1 each (2020 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 2020	2,033.3	(1.2)	714.4	2,746.5
Profit for the year attributable to equity holder of the Company	-	-	206.6	206.6
Changes in the value of cash flow hedges	-	4.5	-	4.5
Tax relating to cash flow hedges	-	(0.9)	-	(0.9)
Dividends	-	-	(201.0)	(201.0)
At 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 31 December 2021	2,033.3	(23.4)	549.6	2,559.5

(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.

SCOTTISHPOWER RENEWABLES (UK) LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

11 PROVISIONS

		At 1 January 2020 £m	New provisions £m	Unwinding of discount £m	Released during year £m	At 31 December 2020 £m
Year ended 31 December 2020	Note					
Decommissioning	(a)	170.6	19.1	2.1	(0.3)	191.5
Other		0.1	-	-	-	0.1
		170.7	19.1	2.1	(0.3)	191.6
		At 1 January 2021 £m	New provisions £m	Unwinding of discount £m	Utilised during year £m	At 31 December 2021 £m
Year ended 31 December 2021	Note					
Decommissioning	(a)	191.5	10.8	1.5	-	203.8
Other		0.1	-	-	(0.1)	-
		191.6	10.8	1.5	(0.1)	203.8
Analysis of total provisions					2021 £m	2020 £m
Non-current					203.5	191.5
Current					0.3	0.1
					203.8	191.6

(a) The provision for decommissioning is the discounted future estimated costs of decommissioning the Company's wind farms. The decommissioning is expected to occur in the years between 2022 and 2060. Had the estimated value of the costs at the reporting date been 10.0% higher or lower, this would have resulted in the decommissioning provision being £20.3 million higher and lower respectively. Had the discount rate been 0.25% higher or lower, this would have resulted in the decommissioning provision being £13.4 million lower and higher respectively.

12 LOANS AND OTHER BORROWINGS

Instrument	Interest rate*	Maturity	2021 £m	2020 Restated** £m
Loan with joint venture	Base + 1%	11 December 2022	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.

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

	2021 £m	2020 £m
Analysis of total loans and other borrowings		
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

	Notes	2021 £m	2020 Restated* £m
Current trade and other payables:			
Payables due to Iberdrola Group companies - trade		1.0	0.5
Payables due to joint ventures - trade		0.5	0.7
Trade payables	(a)	36.5	37.2
Other taxes and social security		1.2	1.0
Payments received on account		0.5	0.5
Capital payables and accruals	(a)	25.3	57.7
Other payables	(b)	9.6	7.6
		74.6	105.2
Non-current other payables:			
Other payables		1.6	0.9

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

SCOTTISHPOWER RENEWABLES (UK) LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

13 TRADE AND OTHER PAYABLES *continued*

- (a) During 2020, the Company operated a number of supplier financing arrangements under which certain suppliers could obtain accelerated settlement on invoices from the banking provider. These arrangements were a form of reverse factoring which the Company believes offered a benefit to its suppliers by giving them early access to funding. The supplier financing program allowed participating suppliers the ability to voluntarily elect to sell the Company's payment obligations to a designated third-party financial institution. The Company's obligations to its suppliers, including amounts due and scheduled payment terms, were not impacted by suppliers' decisions to sell amounts under these arrangements.

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

The supplier financing arrangements were reviewed to determine the appropriate accounting treatment. For the supplier financing arrangements in place as at 31 December 2020, management determined that the original liabilities to which the arrangements applied had not been extinguished or substantially modified on entering into the arrangements. Therefore, the balances continued to be classed as Trade and other payables on the Statement of financial position. At 31 December 2020, the amount of Trade and other payables under supplier financing arrangements was £36.6 million, of which £28.5 million was within Capital payables and accruals and £8.1 million within Trade payables.

No such arrangements were in place at 31 December 2021.

- (b) Other payables includes contingent consideration of £1.4 million (2020 £nil).

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 2020	170.8	(0.3)	5.7	176.2
Charge/(credit) to the Income statement	22.1	-	(5.3)	16.8
Recorded in the Statement of comprehensive income	-	0.9	-	0.9
At 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 31 December 2021	259.4	(6.3)	(0.5)	252.6

- (a) Legislation was previously enacted to reduce the UK rate of Corporation Tax to 17% as from 1 April 2020. Accordingly, the deferred tax balances as at 1 January 2020, were measured at the 17% rate, this being the tax rate enacted at that time, and the rate temporary differences were expected to reverse at. Further legislation which was substantively enacted on 17 March 2020 under The Provisional Collection of Taxes Act 1968 that maintained the 19% UK Corporation Tax rate. The 19% rate applied from 1 April 2020. This rate change increased the 31 December 2020 deferred tax liability by £20.1 million.
- (b) 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 have been increased by £57.8 million to reflect the rate that the temporary differences are expected to reverse at.

15 EMPLOYEE INFORMATION

(a) Staff costs

	2021 £m	2020 £m
Wages and salaries	43.6	35.6
Social security costs	5.0	4.1
Pension and other costs	6.4	4.9
Total staff costs	55.0	44.6
Less: capitalised staff costs	(2.5)	(1.8)
Charged to the Income statement	52.5	42.8

(b) Employee numbers

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

	Average 2021	Average 2020
Administrative staff	84	78
Operations	520	416
Total	604	494

SCOTTISHPOWER RENEWABLES (UK) LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

15 EMPLOYEE INFORMATION *continued*

(c) Retirement benefits

The Company's pension contributions payable in the year were £5.6 million (2020 £4.4 million). The Company contributes to the ScottishPower defined benefit and defined contribution schemes in the UK and the contributions payable in the year reflect the contributions payable in respect of active participants in the group schemes who are employed by the Company. Full details of these schemes are provided in the most recently available Annual Report and Accounts of SPL. As at 31 December 2021, the net surplus in the ScottishPower defined benefit schemes in the UK amounted to £192.2 million (2020 deficit of £558.6 million). The employer contribution rate for these schemes in the year ended 31 December 2021 was 47.9%-51.0%.

16 TAXES OTHER THAN INCOME TAX

	2021 £m	2020 £m
Property taxes	18.4	19.0

17 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

	2021 £m	2020 £m
Property, plant and equipment depreciation charge	85.3	90.4
Right-of-use asset depreciation charge	8.5	7.6
Intangible asset amortisation charge	0.7	0.7
Charges and provisions, allowances and impairment of assets	0.3	0.6
	94.8	99.3
Capitalised right-of-use asset depreciation	(0.4)	(0.2)
	94.4	99.1

18 FINANCE INCOME

	2021 £m	2020 £m
Fair value movement on contingent consideration	-	10.4
Interest receivable from Iberdrola Group companies	4.4	4.6
Foreign exchange gains	0.5	0.1
	4.9	15.1

19 FINANCE COSTS

	2021 £m	2020 £m
Interest on amounts due to Iberdrola Group companies	21.4	21.4
Fair value movements on contingent consideration	3.7	-
Net ECLs	-	(0.1)
Unwinding of discount on provisions	1.5	2.1
Interest on lease liabilities	7.1	6.9
Foreign exchange losses	0.3	0.3
Fair value and other losses on derivatives	143.8	-
	177.8	30.6
Capitalised interest	(1.3)	(1.0)
	176.5	29.6

SCOTTISHPOWER RENEWABLES (UK) LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

20. INCOME TAX

	2021 £m	2020 £m
Current tax:		
UK Corporation Tax charge on profits for the year	(9.4)	40.8
Adjustments in respect of prior years	(0.4)	-
Current tax for the year	(9.8)	40.8
Deferred tax:		
Origination and reversal of temporary differences	7.7	2.1
Adjustments in respect of prior years	0.1	(5.4)
Impact of tax rate change on opening deferred tax balance	57.8	20.1
Deferred tax for the year	65.6	16.8
Income tax expense for the year	55.8	57.6

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:

	2021 £m	2020 £m
Corporation Tax at 19% (2020 19%)	4.6	50.2
Adjustments in respect of prior years	(0.3)	(5.4)
Impact of tax rate change on opening deferred tax balance	57.8	20.1
Impact of tax rate change on current year charge	4.2	-
Non-deductible expenses and other permanent differences	(10.5)	(7.3)
Income tax expense for the year	55.8	57.6

Legislation was previously enacted to reduce the UK rate of Corporation Tax to 17% on 1 April 2020. Accordingly deferred tax balances were measured at the 17% rate, this being the tax rate enacted at the reporting date of 31 December 2019, and the rate temporary differences were expected to reverse. Further legislation was substantively enacted on 17 March 2020 under The Provisional Collection of Taxes Act 1968 that maintained the 19% UK Corporation Tax rate. The 19% rate was applicable from 1 April 2020. This rate change increased the deferred tax liability at 31 December 2020 by £20.1 million.

Further 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 increased by £57.8 million reflecting the rate that the temporary differences are expected to reverse at.

21. DIVIDENDS

	2021 pence per ordinary share	2020 pence per ordinary share	2021 £m	2020 £m
Interim dividend paid	6.8	9.9	138.9	201.0

22. FINANCIAL COMMITMENTS

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

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

SCOTTISHPOWER RENEWABLES (UK) LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2021

23 RELATED PARTY TRANSACTIONS

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

	2021			2020		
	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	1.6	12.0	0.2	2.2	13.8	0.1
Purchases and receipt of services	-	-	(0.6)	-	-	(0.8)
Dividends received	-	83.8	-	-	-	1.5
Balances outstanding						
Trade and other receivables	-	0.9	1.6	-	2.5	1.8
Loans payable	-	-	(3.0)	-	-	(3.0)
Trade and other payables	-	(0.1)	(0.5)	-	-	(0.7)

(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 four (2020 three) of the directors were remunerated by another Renewables company during both years.

	2021 £000	2020 £000
Aggregate remuneration in respect of qualifying services	1,097	994
Aggregate contributions payable to a defined contribution pension scheme	24	31
Number of directors who exercised share options	4	3
Number of directors who received shares under a long-term incentive scheme	4	3
Number of directors accruing retirement benefits under a defined benefit scheme	3	2
Number of directors accruing retirement benefits under a defined contribution scheme	1	1

	2021 £000	2020 £000
Highest paid director		
Aggregate remuneration	441	477

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

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

(c) 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

	2021 £000	2020 £000
Audit of the Company's annual accounts	58	58