SCOTTISHPOWER RENEWABLES (UK) LIMITED
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2023

Registered No. NI028425

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CONTENTS

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 2023.

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") whose shares are listed on all four stock markets in Spain. 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 production division ("Renewable production" or "the SPREL Group") responsible for the origination, development, construction, operation and decommissioning of renewable energy generation plants, principally onshore and offshore wind, and also emerging renewable technologies and innovations such as battery storage and solar.

STRATEGIC OUTLOOK

Operating review

The Company's assets continued to perform well throughout 2023 with good availability across the portfolio. The Operations and Maintenance team continue to develop their internal capabilities in order to increase operational efficiencies and maximise output. Production was lower than the prior year as a result of reduced wind resource along with reduced capacity following the decommissioning of Hagshaw Hill windfarm which was the oldest windfarm in Scotland, making way for a repowered wind farm of 80 megawatts ("MW") being constructed by the Company's fully-owned subsidiary Hagshaw Hill Repowering Ltd.

During 2023, the onshore development pipeline increased to 6.29 Gigawatts ("GW") (which includes 1.13 GW of projects in planning) and the Company progressed plans to take final investment decisions on two onshore wind projects totalling 119 MW which secured Contracts for Difference ("CfDs") in the UK Government's Allocation Round 4 process in July 2022.

The Company increased its investment from 72% to 100% in the share capital of Cumberhead West Wind Farm Ltd. which is constructing a 113 MW wind farm and completed the purchase of 100% of Pipplepen Solar Limited (previously known as EEB37 Limited), a 32 MW solar development project in Dorset, Southwest England, being the last of the solar acquisitions from Elgin Energy as part of a deal signed in January 2022.

Throughout 2023, the Company continued construction of its 9 MW solar project at Coldham wind farm which became operational in March 2024. The Company also continued construction on its 50 MW battery energy storage system ("BESS") at Harestanes wind farm which is expected to be completed in early 2025.

During the last quarter of 2023 the Company impaired two projects in the development pipeline due to limiting factors such as consent or land, which prevented these projects from proceeding.

The Company's 72% shareholding in Douglas West Extension Limited ("DWE Ltd") was sold in early 2024 to the minority interest shareholder.

The Company's staff continue to support both subsidiary and Iberdrola group company projects covering offshore and onshore wind, solar and battery technologies.

2023 performance

	Revenue (Note (a))		Operating profit (Note (a))		Capital investment (Note (b))	
	2023	2022	**2023**	2022	**2023**	2022
Financial key performance indicators	**£m**	£m	**£m**	£m	**£m**	£m
	643.1	507.7	**281.8**	207.0	**51.6**	43.6

(a) Revenue and operating profit as presented on the Income statement on page 22.

(b) Capital investment for 2023 as presented in Notes 3 and 4 on pages 33 and 34 including the reassessment of decommissioning costs within Property, Plant and Equipment.

STRATEGIC OUTLOOK *continued*

Revenue increased by £135.4 million to £643.1 million in 2023 despite lower output, primarily due to increased energy prices.

Operating profit increased by £74.8 million to £281.8 million in 2023. Higher revenues were primarily offset by the Electricity Generator Levy ("EGL") (£46.1 million) which was introduced by the UK Government during 2023.

Capital investment in 2023 was £51.6 million which is an £8.0 million increase on prior year which is in line with the Company's ongoing commitment to its project pipeline.

Non-financial key performance indicators	Notes	2023	2022
Wind			
Output (GWh*)	(a)	**3,570**	4,395
Installed capacity (MW)	(b)	**1,939**	1,955
Availability	(c)	**95%**	96%
Solar			
Output (GWh)	(a), (d)	**5**	7
Installed capacity (MW)	(b), (d)	**10**	10
Battery			
Installed capacity (MW)	(b), (e)	**101**	104

* Gigawatt hours

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

b) Installed capacity represents the total number of MW installed within the sites. This includes all sites constructed irrespective of whether they are generating or not.

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

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

e) Installed capacity relates to Gormans BESS and Whitelee BESS in 2023, and also included Barnesmore BESS in 2022.

Statement of financial position

Net assets of the Company increased by £137.1 million in the year to £2,626.5 million. This reflects the impact of the statutory profit of £948.8 million offset by dividends of £843.6 million paid to the parent, and £31.9 million of hedge reserve movements.

Non-current trade and other receivables reduced by £175.9 million to £152.2 million due to a reduction in Loans due from Iberdrola Group companies.

Current trade and other receivables increased by £369.1 million to £654.4 million primarily due to collateral posted with Iberdrola group companies and increased revenue in the year.

Derivative financial instruments decreased by £87.2 million from a liability of £349.3 million to a liability of £262.1 million primarily due to the impact of a reduction in the market expectation for future inflation on consumer price index ("CPI") swaps entered into by the Company. These swaps are entered into to reduce volatility of income from CfDs indexed to CPI within Renewable production. Derivative financial liabilities have also decreased as a result of the impact of reduced forward electricity prices on commodity derivatives which hedge the Company's exposure to commodity price risk. Refer to Note 8(a) for further details.

Policy and regulation

The Company continues to engage with the UK Government and devolved administrations on a number of priority issues which have implications for the investment of renewable energy projects.

In November 2023, the UK Government published core parameters to support preparation for the CfD Allocation Round 6 Auction (opened in March 2024) which reflect recognition of increases in supply chain costs faced by the industry and the impact of global economic strains caused by the pandemic and geopolitical issues. The Company continues to engage closely with the UK Government on the need to ensure that the final parameters (including the auction budget) for the CfD annual auctions for new renewable capacity are set to maximise the deployment of offshore wind, onshore wind and solar PV projects.

The ten-year review of the Capacity Market is due to be published by summer 2024 and the Company is engaged with the UK Government's evidence gathering process that will inform this, as well as considerations in relation to shorter-term improvements to improve security of supply and align with net zero.

STRATEGIC OUTLOOK *continued*
The Company anticipates the next steps in the wide-ranging Review of Electricity Market Arrangements will gather pace through the course of 2024, as the second consultation by the UK Government was published on 12 March 2024 with comments submitted in May 2024. This will consider long-term reforms to market arrangements including the CfD scheme and the Capacity Market. The purpose of the reforms is to ensure energy security and to provide for the efficient operability of a decarbonised power system by 2035.

In November 2023, the UK Government, following two years of consultation, laid the final version of Revised Energy National Policy Statements EN 1-5 ("NPSs") in parliament for final scrutiny and approval. In comparison with previous drafts, the final NPSs provide for 'Critical National Priority' status in the planning system for all forms of low-carbon energy generation and transmission networks. The updated NPSs are expected to play a crucial role, underlined within the UK Government's consenting Action Plan (2023), in facilitating the more efficient delivery of offshore wind projects through the development consent order process, from 2024 onwards.

Following publication of the Scottish Government's revised Onshore Wind Policy Statement in December 2022, the Company has led an Onshore Wind Sector Working Group which engaged with Scottish Ministers to agree an 'Onshore Wind Sector Deal' which was published in September 2023. The Company is committed to working with the Scottish Government and other stakeholders to deliver on a range of commitments outlined in the Sector Deal aimed at maximising the investment, supply chain growth, and employment opportunities from achieving Scotland's ambition to deploy 20 GW of onshore wind by 2030. The Scottish Government, alongside the industry, have now produced a delivery plan which will see the sector, government agencies and relevant third parties deliver on agreed individual or collaborative milestones over the course of 2024 and 2025. Alongside the Strategic Leadership Group, a number of specialist working groups have now been formed where the Company is represented by relevant business leads. These working groups include planning, consenting and environmental assessment, peat and peatland habitats, aviation mitigation and lighting.

In Northern Ireland, following the 2023 Consultation on design considerations, the Company is also looking forward to the Department for Economy developing a new renewable energy support scheme as it seeks to meet its decarbonisation goals.

In the Autumn Statement published in November 2023, the UK Government affirmed its commitment to the net zero transition as being vital to the UK's energy security and long-term prosperity. To support continued investment in the UK's renewable generation capacity, the Autumn Statement set out that the UK Government will legislate for new projects for which the substantive decision to proceed is made on or after 22 November 2023 will be exempt from the EGL. The Government also confirmed that capital allowances for full expensing, including the 50% first-year allowance for special rate assets have been made permanent.

Outlook for 2024 and beyond
The Company's key growth priority areas for 2024 include advancing a strategy for the repowering of its existing onshore operational sites while continuing to expand its pipeline of solar and BESS technologies.

The Company will continue to explore opportunities to co-locate technologies, including solar and BESS projects, at existing wind farms where appropriate to do so, in addition to new project locations. Work will continue on Harestanes BESS in 2024, which will be co-located at Harestanes Windfarm, and the Company also reached commercial operation date in March 2024 on the Coldham solar project (adjacent to Coldham wind farm). The Company will continue to develop more BESS projects as it looks to expand its energy storage portfolio in response to system requirements for flexibility and ancillary services.

Two of the Company's wind farms, Kilgallioch Extension and Arecleoch, secured CfDs in Allocation Round 4. Kilgallioch Extension was approved to take final investment decision ("FID") on 16 April 2024. Arecleoch is expected to take FID during 2024. The company continues to explore opportunities in the Allocation Round 6 auction. The Company is also progressing development of viable solar projects which secured CfD contracts, with some expected to begin construction throughout 2024 and 2025. The Company will continue to look for opportunities in future CfD auctions, as well as engaging with other partners to create possible power purchase agreements which deliver route to market for its projects.

STRATEGIC OUTLOOK *continued*

Throughout all of its operations, the Company will continue its commitment to health, safety and the environment; ensuring everything it does is with the safety of its people, contractors and communities in mind whilst recognising the importance of biological diversity and cultural heritage, respecting natural resources and striving to enhance the environment around its developments.

Financial instruments

In the current year the Company's financial instruments include Trade and other receivables (principally with Iberdrola Group companies), Cash, Trade and other payables, Loans and other borrowings and Derivative financial instruments. The Company has exposure to credit risk and treasury risk (comprising both liquidity and market risk) arising from these financial instruments. Throughout 2023, the Company was also exposed to energy market risk associated with fluctuations in the market price of electricity.

The Company provides funding in the form of interest-bearing on demand loans to other Iberdrola Group companies. Credit risk from Iberdrola Group companies is considered to be low as the Company is part of the Iberdrola Group's centralised treasury function and no Group company has a credit rating lower than BBB+ (in line with S&P Global Ratings).

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

REGULATORY AND POLITICAL RISK	
RISK	**RESPONSE**
Compliance with regulatory obligations especially in the context of sudden changes of policy, or interventions outside established regulatory frameworks.	Positive and transparent engagement with all appropriate stakeholders to ensure that long-term regulatory stability and political consensus is maintained, and public backing is secured for the necessary investment in the UK energy system. Providing stakeholders with evidence of the risks of ad hoc intervention in markets.
CfD Strike Price is indexed by CPI annually. Limited protection from supply chain cost increases.	Engaging with UK Government on their proposal to update the strike price indexation methodology to reflect the produce price index during the construction phase to protect developers against macroeconomic shocks, whilst in parallel employing a procurement strategy that secures significant portions of a project's capital expenditure at or before the time of FID.

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

REGULATORY AND POLITICAL RISK *continued*	
RISK	**RESPONSE**
A UK general election will take place on 4 July 2024, with energy policy expected to be an important area of debate. A new government would seek to deliver manifesto commitments which may result in regulatory and policy changes.	Constructive and transparent engagement with all appropriate stakeholders to understand the nature and scope of any proposed changes, and to ensure that risks and opportunities arising from these are managed appropriately.

GLOBAL FINANCIAL MARKET VOLATILITY	
RISK	**RESPONSE**
Impacts arising from market and regulatory reactions to events including global conflicts. As well as positive or negative changes in the UK economy, including: • increased volatility on the value of Sterling and foreign currencies; and • movement in the market price of electricity.	Positive and transparent engagement with all appropriate stakeholders to ensure that long-term regulatory stability and political consensus is maintained, and public backing is secured for the necessary investment in the UK energy system. Providing stakeholders with evidence of the risks of ad hoc intervention in markets. In addition to monitoring ongoing developments, the Company has specific procedures in place to manage these key market risks. The Company adheres to a ScottishPower treasury risk management policy (comprising foreign currency, liquidity and interest rate risk) as within the 'Financial instruments' section on page 4.

RECRUITMENT AND RETENTION RISK OF STAFF	
RISK	**RESPONSE**
Increased and appropriate resources with the correct capabilities are required to grow the Company. Attracting resources is a challenge with the complexity of a competitive market with scarce skilled resource.	Extensive focus on retention and strategic workforce planning in order to build key capabilities and future skills with targeted learning and development opportunities. Design and implementation of appropriate retention enhancement strategies. Increased size and skill set of the ScottishPower recruitment team and onboarded agencies for niche hard-to-fill roles.

HEALTH AND SAFETY	
RISK	**RESPONSE**
A major health and safety incident in the course of operations could impact staff, contractors, communities or the environment.	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 in relation to health and safety. A comprehensive framework of health and safety policy and procedures, alongside audit programmes, is established throughout the Group, which aims to ensure not only continuing legal compliance but also to drive towards best practice in all levels of health and safety operations.

PRINCIPAL RISKS AND UNCERTAINTIES ***continued***

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

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

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

OPERATIONAL RISKS	
RISK	**RESPONSE**
Reduced security of supply due to potential asset failures alongside decreased generation capacity.	Proactive technical assessments and monitoring of key risk areas associated with wind turbine performance, diversification of the service and maintenance model where reliance is placed on framework agreement for key activities, optimising service and maintenance activities to ensure each activity is appropriate based on operational knowledge. In addition, co-ordination with the ScottishPower Procurement team in negotiating terms and conditions with independent operations and maintenance service providers to ensure plant performance is optimised.

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

SUPPLY CHAIN	
RISK	**RESPONSE**
Interruption due to post-lockdown inabilities to restart efficient supply chains, made worse by global conflicts, higher costs due to commodity prices, increased risk of supplier failure due to the deterioration of industrialised economies and excess demand over supply.	Identifying potential shortages, delays and gaps in the supply of products, equipment and labour. The supply chain is advised by the ScottishPower Procurement team in conjunction with advice from the Scottish Power Compliance, Legal and Risk departments. The upward pressure on costs due to the macroeconomic environment is managed, and strategies, such as hedging and expanding the Company's supplier base, are developed and implemented. The risk is spread through supply chain engagement, especially with new suppliers in new business areas and technologies.

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

ENGAGING WITH STAKEHOLDERS

The importance of engaging with stakeholders

The Company believes strongly that effective and meaningful engagement with stakeholders, especially its people, is key to promoting its success and values. Meaningful engagement with stakeholder groups supports the ethos of section 172 of the Companies Act 2006 which states that directors should have regard to stakeholder interests when discharging their duty to promote, in good faith, the success of the Company for the benefit of its members as a whole. Details of how the Company engages with its stakeholders, and how these activities influence the Company's operations, are set out below.

ENGAGING WITH STAKEHOLDERS *continued*

Key stakeholders

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

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

Shareholders are important to the Company. The Company's relationship with its shareholders is governed by the Company's Articles of Association and provisions of the Governance and Sustainability System which apply to the Company and ScottishPower, of which the Company is a member. As the Company is ultimately wholly-owned by Iberdrola, all ultimate shareholder management activities are carried out by Iberdrola in accordance with its own Shareholder Engagement Policy as published at www.iberdrola.com.

PEOPLE

As at 31 December 2023, the Company employed 880 employees, working across a range of roles. These employees make a real difference in determining how successfully the Company operates. The creativity, innovation and individuality of the Company's employees enables the Company to build on its future capability to operate effectively in a competitive market and continue to have aspirations which are challenging and rewarding. The Company respects and recognises the importance of individuality as part of its ongoing commitment to promoting a culture where individuality is celebrated.

The Company also understands that being a diverse business goes beyond having legally compliant policies and practices; it includes a focus on creating an innovative, integrated organisation where people feel valued and inspiring them to perform at their best.

In November 2023, Workday became the Company's primary People IT system for managing key people processes across the entire employee journey. Workday supports a host of new processes which will change how the business attracts, manages and develops its people and thus enhance the employee experience.

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

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

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

Modern Slavery Statement

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

CUSTOMERS

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

ENGAGING WITH STAKEHOLDERS *continued*

GOVERNMENT AND REGULATORS

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

The Company engaged with the UK Government on the EGL which applied from 1 January 2023 and it continues to work with governments on policies for future support for renewables and new technologies.

SUPPLIERS AND CONTRACTORS

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

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

Engagement with the supply chain is always a critical activity for the Company but continues to become more important as the Company adapts to the current geopolitical and macroeconomic challenges. The Company is experiencing cost pressures due to high global commodity prices along with increased freight and labour costs. The Company is facing longer lead times for some equipment and several suppliers have also been impacted by labour shortages. The Company has looked to support the supply chain during these challenging times by working collaboratively on forecasting our requirements and establishing customs brokerage services.

COMMUNITY AND ENVIRONMENT

Community

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

Local community engagement

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

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

Whitelee Visitor Centre

Whitelee is the UK's largest onshore wind farm hosting 215 turbines with a total capacity of 539 MW; enough to power 350,000 homes. Whitelee Windfarm also has a visitor centre that has welcomed more than 950,000 people to date, providing an opportunity to see first-hand how local communities, the natural environment and renewable energy can co-locate together.

ENGAGING WITH STAKEHOLDERS *continued*

Environment

The Company is committed to reducing its environmental footprint and responding to the risks and opportunities of climate change by:

- reducing emissions to air, land and water and preventing environmental harm;
- identifying and managing climate risks and opportunities, and implementing adaptation measures where required;
- minimising energy consumption and use of natural and human-made resources;
- sourcing material resources responsibly, cutting waste and encouraging reuse and recycling; and
- protecting natural habitats and restoring biodiversity.

INNOVATION

It is crucial that the Company continues to innovate and drive forward towards a decarbonised smart energy future. By championing innovative technologies, bringing down the costs of decarbonisation and ensuring that no communities are left behind on the road to net zero, the Company continues to lead by example in supporting the development of more clean, affordable energy. The Company's model of open innovation, engagement and collaboration with its partners and other organisations, generate ideas and inspiration which continues to drive its innovation strategy.

The Company prioritises activities with a high impact on cost reduction, while keeping to sustainability targets and promoting health and safety practices overall. This activity can be categorised into three main areas: research and development collaborative programmes; technology development; and supply chain engagement and support.

The Whitelee BESS became operational in 2022 and is co-located on the Whitelee Windfarm. This ensures that more electricity generated by the wind farm is used and provides stability and security to the local electricity network without installing a lot of new infrastructure. The Company currently has over 100 MW of BESS in operation, an additional 50 MW in construction and over 600 MW in development.

SECTION 172 STATEMENT

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

The Companies (Miscellaneous) Reporting Regulations 2018 requires the directors of ScottishPower Renewables (UK) Limited to give a statement which describes how the directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 when discharging their duty under that section.

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

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

The delivery of the strategy of the Renewable production (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 believe strongly 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 shown on the next page:

SECTION 172 STATEMENT *continued*

- **Customers:** details of how the Company engages with its customers are explained in the 'Customers' sub-section of the Strategic Report, on page 8. During 2023, the Company's board of directors ("the Board") approved the express adoption by the Company of the ScottishPower Data Protection Policy which applies to the processing of any personal data by the Company.
- **People:** details of how the Company engages with its employees are set out in the 'People' sub-section of the Strategic Report, on page 8. During 2023, the Board approved the express adoption by the Company of the Iberdrola People Management Policy, which makes provisions regarding the human resources framework applicable to the Company.
- **Government and regulators:** details of how the Company, engages with governments and regulators are set out in the 'Government and regulators' sub-section of the Strategic Report, on page 9. During 2023, the Board approved the express adoption by the Company of the ScottishPower Political Engagement Policy which makes provisions regarding compliance with political engagement rules.
- **Suppliers and contractors:** details of how the Company, engages with its suppliers are set out in the 'Suppliers and contractors' sub-section of the Strategic Report, on page 9. During 2023, the Board approved the express adoption by the Company of the ScottishPower Modern Slavery Policy which makes provisions regarding the Company's supply chain.
- **Communities and the environment:** details of how the Company, engages with communities and considers the environment are set out in the 'Community and environment' sub-section of the Strategic Report, on pages 9 and 10. During 2023, the Board approved the express adoption by the Company of the Iberdrola Stakeholder Engagement Policy which makes provisions regarding the Company's relationship with its stakeholders, including communities.

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 7.

The directors, both individually and together as a board, consider that the decisions taken during the year ended 31 December 2023 in discharging the function of the Board were in conformance with their duty under section 172 of the Companies Act 2006.

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

ON BEHALF OF THE BOARD

Heather Chalmers White

Heather Chalmers White
Director
12 June 2024

The directors present their report and audited Accounts for the year ended 31 December 2023.

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 11:

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

RESULTS AND DIVIDEND
The net profit for the year amounted to £948.8 million (2022 Restated £268.7 million). A dividend of £843.6 million was paid during the year (2022 £316.3 million).

CORPORATE GOVERNANCE
Statement regarding the corporate governance arrangements of Renewable production
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., whose shares are listed on all four stock markets in Spain. The Company, which is part of Renewable production division (headed by SPREL), does not apply a corporate governance code on the basis that it, as part of the Renewable production division, adopts and adheres to the rules and principles of the group headed by SPREL ("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 Renewable production division during 2023 are set out in this statement.

The SPREL Board's terms of reference are published on www.scottishpowerrenewables.com under 'Corporate Governance' and further define the responsibilities of the SPREL Board, such as they may affect the definition of the corporate governance arrangements described in this statement which apply to the Company.

Corporate governance system
The Company is governed by the Board, which consisted of two directors at 31 December 2023 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, adopted the SPREL Group corporate governance system which applies to the Company as part of the SPREL Group. The SPREL Governance and Sustainability System as approved by the SPREL Board, and which consequently applies to the Company as part of the SPREL Group.

The SPREL Governance and Sustainability 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. The SPREL Board, having reviewed the same, has expressly adopted these internal corporate rules as part of the SPREL Governance and Sustainability System, as well as the specific rules and regulations required to implement or supplement it.

The SPREL Governance and Sustainability System is published online at www.scottishpowerrenewables.com under 'Corporate Governance'.

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

Heather Chalmers White
Charles Jordan

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 in accordance with an internal group procedure for approving proposed appointments or removals of directors at companies in which the Iberdrola Group holds an interest, and reviewed 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 2023, the Board has taken into account the purpose and values of the Iberdrola Group and the Code of Ethics which are published on www.scottishpowerrenewables.com under 'Corporate Governance'. These documents define and promote the purpose, values and culture of the Company and the SPREL Group.

Director responsibilities

The directors are fully aware on their duties under the Companies Act 2006, including as set out in section 172 of the same. The primary responsibility of the Board is to supervise and make decisions as required in relation to the activities of the Company's business and the SPREL Group, all as part of the Renewable production division, in accordance at all times with the SPREL Governance and Sustainability 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 Renewable production division overall.

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

Opportunity and risk

The delivery of the SPREL group's strategy, as described in the Strategic Report, requires the SPREL group to conduct business in a manner benefitting customers through balancing cost and risk while delivering shareholder value and protecting its performance and reputation by prudently managing the risk inherent in the business.

ScottishPower operates systems of internal controls and a risk management framework, which is subject to continuous review and development. The SP ACC reviews the Company's internal control systems and risk management system. Further information regarding the SP ACC's role is detailed on the following page within the 'Administrative, management and supervisory bodies' section.

To maintain this strategic direction, the Renewable production division develops and implements risk management policies and procedures and promotes 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 2023, the governance structure was supported by the risk policies of the SPREL group. The risk assessment team and independent group risk management function supported the Board in the execution of due diligence and risk management, as described in the 'Principal risks and uncertainties' section of the Strategic Report.

Remuneration

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

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

Stakeholders

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

CORPORATE GOVERNANCE *continued*

Administrative, management and supervisory bodies

Scottish Power Limited Board ("SPL Board")

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

The SPL Board comprised the Chairman, the Vice-chairman, the Chief executive officer ("CEO") and six other directors as at 31 December 2023. The directors of the SPL Board were:

José Ignacio Sánchez Galán	Chairman, internal, non-executive director
Professor Sir James McDonald	Vice-chairman, external, non-executive director
Keith Anderson	CEO
Wendy Jacqueline Barnes	External, non-executive director
Iñigo Fernández de Mesa Vargas	External, non-executive director
Professor Dame Anne Glover	External, non-executive director
Rt Hon. Claire O'Neill	External, non-executive director (resigned 17 January 2023)
Daniel Alcain López	Internal, non-executive director
Gerardo Codes Calatrava	Internal, non-executive director
José Sainz Armada	Internal, non-executive director

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

José Ignacio Sánchez Galán	Attended five meetings
Professor Sir James McDonald	Attended five meetings
Keith Anderson	Attended five meetings
Wendy Jacqueline Barnes	Attended four meetings
Iñigo Fernández de Mesa Vargas	Attended five meetings
Professor Dame Anne Glover	Attended four meetings
Rt Hon. Claire O'Neill	Attended no meetings
Daniel Alcain López	Attended five meetings
Gerardo Codes Calatrava	Attended five meetings
José Sainz Armada	Attended five meetings

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

Scottish Power Limited Audit and Compliance Committee ("SP ACC")

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

The SP ACC's responsibilities include:

- monitoring the financial and non-financial reporting processes for ScottishPower;
- overseeing the independence and efficiency of the Internal Audit department;
- overseeing and reviewing the activities of the compliance and risk management departments;
- monitoring the statutory audit of the Annual Report and Accounts of ScottishPower; and
- monitoring the independence of the external auditor and recommending to the SPL Board, the appointment or re-appointment of the auditor and the associated terms of engagement.

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

CORPORATE GOVERNANCE *continued*

Membership and attendance

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

Iñigo Fernández de Mesa Vargas	Chairman, external, non-executive director	Attended six meetings
Wendy Jacqueline Barnes	External, non-executive director	Attended six meetings
Rt Hon. Claire O'Neill (resigned 17 January 2023)	External, non-executive director	Attended no meetings
Daniel Alcain López	Internal, non-executive director	Attended six meetings

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

Matters considered by the SP ACC during 2023

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

ScottishPower Management Committee ("SPMC")

The SPMC is a permanent internal body, which was established by the SPL Board to provide an informative and coordinating role regarding the activities of the SPL Group to which Renewables, and thus the Company, belongs. In accordance with the corporate governance arrangements of the Group 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 the Group, including those of the Company, 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 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 Renewable production, in accordance with the strategy of the Renewable production. The SPREL Board meets regularly and reviews strategy, operational performance and risk issues on behalf of Renewable production.

The SPREL Board comprised the Chairman, Xabier Viteri Solaun, and six other directors as at 31 December 2023. The directors and their attendance at SPREL board meetings held during the period under review (six meetings) are shown below:

Xabier Viteri Solaun	Chairman, internal, non-executive director	Attended six meetings
Charles Jordan	CEO	Attended six meetings
Dr. Bridget McConnell	External, non-executive director	Attended six meetings
Nicola Connelly	Internal, non-executive director	Attended six meetings
Charles Langan	Internal, non-executive director	Attended six meetings
Álvaro Martínez Palacio	Internal, non-executive director	Attended six meetings
Marion Shepherd Venman	Internal, non-executive director	Attended six meetings

The terms of reference of the SPREL Board together with the rest of Renewable production's Governance and Sustainability System approved by the SPREL Board, are published on www.scottishpowerrenewables.com under 'Corporate Governance' and further define the responsibilities and powers of the SPREL Board as regards the Renewable production business and its stakeholders.

DIRECTORS' INDEMNITY

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

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

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that their financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information relating to the Company included on the ScottishPower website. Legislation in the UK governing the preparation and dissemination of financial statements may 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 they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

AUDITOR

KPMG LLP was re-appointed as the auditor of the Company for the year ended 31 December 2024.

ON BEHALF OF THE BOARD

Heather Chalmers White
Director
12 June 2024

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 2023 which comprise the Statement of financial position, Income statement, Statement of comprehensive income, Statement of changes in equity, and related notes, including the principal accounting policies in Note 2.

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

Since the entity may need financial support from other group entities, we assessed the risk that this support would not be available. We inspected letters received by the directors indicating the group's intention to provide this support, examined financial statements and internally provided projections to assess its ability to provide this support over the period of the audited entity's going concern assessment, and assessed the business reasons why the group may or may not choose to provide this support.

We considered whether the going concern disclosure in Note 1B3 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks and dependencies.

We assessed the completeness of the going concern disclosure.

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.
- We found the going concern disclosure in Note 1B3 to be acceptable.

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

Fraud and breaches of laws and regulations – ability to detect
Identifying and responding to risks of material misstatement due to fraud
To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

Fraud and breaches of laws and regulations – ability to detect *continued*

- Enquiring of directors, the internal audit function, the Company's legal function and the compliance function 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.
- Consultation with our own forensic professional regarding the identified potential fraud risks. This involved discussion between the forensic professional and the senior members of the engagement team.

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

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we 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.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and others 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: GDPR compliance, health and safety legislation, fraud, corruption, bribery legislation and employment and social security legislation including minimum wage and pension auto enrolment. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Fraud and breaches of laws and regulations – ability to detect *continued*

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 fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on pages 12 to 16, 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.

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

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.

Ian Prescott (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St. Vincent Street
Glasgow
G2 5AS
12 June 2024

SCOTTISHPOWER RENEWABLES (UK) LIMITED
STATEMENT OF FINANCIAL POSITION
at 31 December 2023

	Notes	2023 £m	2022 Restated* £m
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	3	**2.4**	1.7
Property, plant and equipment		**1,751.1**	1,811.5
Property, plant and equipment in use	4	1,597.6	1,688.5
Property, plant and equipment in the course of construction	4	153.5	123.0
Right-of-use assets	5	**171.1**	164.8
Non-current financial assets		**1,591.6**	1,576.3
Investments in subsidiaries	6	1,582.1	1,566.8
Investments in joint ventures	6	9.5	9.5
Non-current trade and other receivables	7	**152.2**	328.1
TOTAL NON-CURRENT ASSETS		**3,668.4**	3,882.4
CURRENT ASSETS			
Current trade and other receivables	7	**654.4**	285.3
Derivative financial instruments	8	**-**	0.1
Cash		**19.6**	-
TOTAL CURRENT ASSETS		**674.0**	285.4
TOTAL ASSETS		**4,342.4**	4,167.8
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		**2,626.5**	2,489.4
Share capital		2,033.3	2,033.3
Hedge reserve		(14.0)	(45.9)
Retained earnings		607.2	502.0
TOTAL EQUITY		**2,626.5**	2,489.4
NON-CURRENT LIABILITIES			
Non-current provisions	9	**116.2**	119.9
Non-current bank borrowings and other financial liabilities		**933.2**	1,015.9
Loans and other borrowings	10	700.0	700.0
Derivative financial instruments	8	232.8	315.9
Other financial liabilities		0.4	-
Non-current lease liabilities	5	**185.0**	175.8
Non-current trade and other payables	11	**0.9**	1.5
Deferred tax liabilities	12	**246.3**	240.9
TOTAL NON-CURRENT LIABILITIES		**1,481.6**	1,554.0
CURRENT LIABILITIES			
Current provisions	9	**5.9**	4.2
Current bank borrowings and other financial liabilities		**33.2**	37.2
Loans and other borrowings	10	3.7	3.7
Derivative financial instruments	8	29.3	33.5
Other financial liabilities		0.2	-
Current lease liabilities	5	**8.9**	8.1
Current trade and other payables	11	**83.1**	69.6
Current tax liabilities		**103.2**	5.3
TOTAL CURRENT LIABILITIES		**234.3**	124.4
TOTAL LIABILITIES		**1,715.9**	1,678.4
TOTAL EQUITY AND LIABILITIES		**4,342.4**	4,167.8

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

Approved by the Board and signed on its behalf on 12 June 2024.

Heather Chalmers White

Heather Chalmers White
Director

The accompanying Notes 1 to 22 are an integral part of the Statement of financial position at 31 December 2023.

SCOTTISHPOWER RENEWABLES (UK) LIMITED
INCOME STATEMENT
for the year ended 31 December 2023

	Notes	2023 £m	2022 Restated* £m
Revenue		643.1	507.7
Procurements		(29.0)	(68.2)
GROSS MARGIN		**614.1**	439.5
Net staff costs	13	(68.8)	(56.6)
External services		(159.4)	(123.2)
Other operating results		81.8	69.2
Net operating costs		**(146.4)**	(110.6)
Taxes other than income tax	14	**(66.5)**	(18.3)
GROSS OPERATING PROFIT		**401.2**	310.6
Net expected credit losses on trade and other receivables		(0.1)	(0.1)
Depreciation and amortisation charge, allowances and provisions	15	(119.3)	(103.5)
OPERATING PROFIT		**281.8**	207.0
Dividends received		716.7	227.6
Finance income	16	78.0	14.2
Finance costs	17	(38.1)	(166.4)
PROFIT BEFORE TAX		**1,038.4**	282.4
Income tax	18	(89.6)	(13.7)
NET PROFIT FOR THE YEAR		**948.8**	268.7

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

Net profit for the current year and 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 22 are an integral part of the Income statement for the year ended 31 December 2023.

SCOTTISHPOWER RENEWABLES (UK) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2023

	2023 £m	2022 Restated* £m
NET PROFIT FOR THE YEAR	**948.8**	268.7
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to the Income statement:		
Cash flow hedges:		
Change in the value of cash flow hedges	**42.3**	(31.5)
Tax relating to cash flow hedges	**(10.2)**	8.8
	32.1	(22.7)
Items that will not be reclassified to the Income statement:		
Cash flow hedges:		
Change in the value of cash flow hedges	**(0.2)**	0.3
Tax relating to cash flow hedges	**-**	(0.1)
	(0.2)	0.2
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**31.9**	(22.5)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**980.7**	246.2

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

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 2023

	Share capital (Note (a)) £m	Hedge reserve (Note (b)) £m	Retained earnings (Note (c)) £m	Total £m
At 1 January 2022	2,033.3	(23.4)	549.6	2,559.5
Net profit for the year (Restated*)	-	-	268.7	268.7
Changes in the value of cash flow hedges	-	(31.2)	-	(31.2)
Tax relating to cash flow hedges	-	8.7	-	8.7
Dividends	-	-	(316.3)	(316.3)
At 1 January 2023 (Restated*)	2,033.3	(45.9)	502.0	2,489.4
Net profit for the year	-	-	948.8	948.8
Changes in the value of cash flow hedges	-	42.1	-	42.1
Tax relating to cash flow hedges	-	(10.2)	-	(10.2)
Dividends	-	-	(843.6)	(843.6)
At 31 December 2023	**2,033.3**	**(14.0)**	**607.2**	**2,626.5**

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

(a) At 31 December 2023, the Company had 2,033,352,567 allotted, called up and fully paid ordinary shares of £1 each (2022 2,033,352,567). 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.

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

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

The accompanying Notes 1 to 22 are an integral part of the Statement of comprehensive income and the Statement of changes in equity for the year ended 31 December 2023.

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. 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 its intermediate parent company, ScottishPower UK plc (“SPUK”).

The Accounts have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (“FRS 101”). In preparing these financial statements, the Company has applied the recognition, measurement and disclosure requirements of international accounting standards ("IAS") as adopted by the UK ("UK-adopted IAS") in conformity with the requirements of the Companies Act 2006 including newly effective IAS for the year ended 31 December 2023 (refer to Note 1C). 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 advantage of the FRS 101 disclosure exemptions has been taken:

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

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

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

B2 CHANGES IN PRESENTATION

B2.1 PRIOR YEAR ADJUSTMENT

Following a review of the financial statements, the directors identified that in the prior year Accounts, fair value adjustment arising from the remeasurement of the derivatives was overstated by £27.8 million in the Statement of financial position and the corresponding finance costs was overstated by £27.8 million in the Income statement. Consequently, the comparative numbers in the current year's financial statement have been restated. The impact of the gross restatement is a decrease of £27.8 million in the non-current derivative financial instruments (liabilities) as at 31 December 2022 from £343.7 million to £315.9 million and a corresponding decrease of £27.8 million to finance costs for the year ended 31 December 2022 from £194.2 million to £166.4 million. The tax impact of the restatement is an increase of £5.3 million in the current tax liability as at 31 December 2022 from £nil to £5.3 million and a corresponding increase of £5.3 million to income tax for the year ended 31 December 2022 from £8.4 million to £13.7 million. The sub-totals relating to total non-current liabilities, current liabilities, total liabilities, profit before tax, net profit for the year as well as retained earnings have also been restated to reflect the adjustments.

1 BASIS OF PREPARATION *continued*

B3 GOING CONCERN

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

The principal activity of the Company is the development, construction and operation of onshore wind-powered electricity generation and emerging technologies within the group headed by SPUK, the Company's intermediate parent company. The Company's cash flows are therefore dependent on the continuation, volume, and pricing of those operations and have been considered as part of the SPUK Group's cash flow forecasts, on which the directors of the SPUK Group have performed an assessment of reasonably possible downsides.

To meet its working capital requirements, the Company participates in a UK centralised treasury function operated by the Company's intermediate parent company, SPL, the parent company of SPUK. ScottishPower's treasury function works closely with Iberdrola to manage the Company's funding requirements. There has been no indication that these arrangements may change.

The directors have performed a going concern assessment which indicates that the Company will have sufficient funds to meet its liabilities as they fall due for at least twelve months from the date of approval of these financial statements, the going concern assessment period. Nevertheless, as the group operates a centralised treasury function and in order to take account of reasonably possible downsides, SPUK has indicated its intention to continue to make available such funds as may be needed by the Company, during the going concern assessment period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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

C IMPACT OF NEW IAS

As noted above, these Accounts have been prepared in accordance with UK-adopted IAS. In preparing these Accounts, the Company has applied all relevant standards and interpretations that have been adopted by the UK as of the date of approval of these Accounts and that are mandatory for the financial year ended 31 December 2023.

For the year ended 31 December 2023, the Company has applied the following standards and amendments for the first time:

Standard	Note
• IFRS 17 'Insurance Contracts' including 'Amendments to IFRS 17' and 'Initial Application of IFRS 17 and IFRS 9 - Comparative Information'	(a)
• Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgements' : 'Disclosure of Accounting Policies'	(a)
• Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates'	(a)
• Amendments to IAS 12 'Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction'	(a)
• Amendments to IAS 12 'Income Taxes: International Tax Reform - Pillar Two Model Rules'	(a)

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

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND PRINCIPAL ACCOUNTING POLICIES

Management may be required to make a number of judgements and assumptions regarding the future and about other sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the reported amounts of assets and liabilities within the next financial year. The significant estimation uncertainty and other judgement made by management are set out below .

SIGNIFICANT ESTIMATION UNCERTAINTY

Provision for decommissioning costs

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

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

be incurred. The sources of estimation uncertainty relate to the estimated value of the costs at the reporting date and the discount rate applied. This estimation uncertainty creates a risk of a material adjustment to the provision in the next financial year. Refer to Note 2H for further details. The value of decommissioning provisions in the Statement of financial position is £119.3 million (2022 £124.1 million). The decrease in the year is primarily due to the reassessment of decommissioning costs offset by the unwinding of the discount.

The discount rates applied are based on UK treasury bonds with maturities which are similar to the expected decommissioning date. The discount rates utilised in the current year ranged from 3.64% to 4.58%. The inflation rates applied are obtained from the Bank of England's forecasted inflation rates for the UK. The decommissioning costs are expected to be utilised by 2060.

Sensitivity analysis reflecting reasonably probable fluctuations to the main assumptions in the calculation of the decommissioning provision has been performed. Had the estimated value of the costs at the reporting date been 10% higher or lower, this would have resulted in the decommissioning provision being approximately £11.8 million higher and lower respectively. Had the inflation rate applied been 2% higher, this would have resulted in the decommissioning provision being approximately £45.6 million higher. Had the inflation rate applied been 2% lower, this would have resulted in the decommissioning provision being approximately £30.4 million lower. Had the discount rate applied been 2% higher this would have resulted in the decommissioning provision being approximately £29.5 million lower. Had the discount rate applied been 2% lower, this would have resulted in the decommissioning provision being approximately £45.6 million higher.

NON-SIGNIFICANT JUDGEMENTS

Consideration of climate change

The impact of climate change, including risks identified in the Strategic Report on page 6, on the financial statements has been considered. No material impact on the judgements and estimates made in the preparation of the financial statements has been identified. This consideration focussed on the Company's going concern position, including the cash flow forecasts prepared for the directors' assessment referred to in Note 1B3.

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

PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in preparing the financial statements are set out below. In the process of determining and applying these accounting policies, judgement, apart from those involving estimations (as noted above), is often required that can significantly affect the amounts recognised in the financial statements. Management has made no such judgements.

A INTANGIBLE ASSETS (COMPUTER SOFTWARE)

The costs of acquired computer software, such as licences, that are expected to generate economic benefits over a period in excess of one year, are capitalised on the basis of the costs incurred to acquire, and bring to use, the specific software. The cost of software as a service ("SaaS") cloud agreements are capitalised when the Company controls the software. Costs relating to infrastructure or platform as a service cloud agreements are not capitalised. The related liabilities for capitalised SaaS contracts are measured based on the discounted sum of the future payments for each

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

contract and presented within Financial liabilities. Amortisation of acquired computer software is on a straight-line basis over their operational lives, which is generally up to five years.

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

Amortisation of developed computer software costs is over periods of up to five years. In all cases, maintenance costs are expensed as incurred.

B PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost and depreciated on a straight-line basis over the estimated operational lives of the assets once commissioned. Property, plant and equipment includes capitalised employee costs, 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 set out below:

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

C LEASED ASSETS

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

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

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

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND PRINCIPAL ACCOUNTING POLICIES *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.

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

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

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

E RETIREMENT BENEFITS

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

F JOINT ARRANGEMENTS

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

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

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

The Company is exempt from equity accounting for its joint venture and recognises its interest as an investment which is held at cost in the Statement of financial position. The Company recognises, in relation to its interest in a joint operation, its share of the assets, liabilities, income, and expenses relating to its interests in the joint operation on a line-by-line basis.

G FINANCIAL INSTRUMENTS

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

G1 FINANCIAL ASSETS

G1.1 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 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.

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

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).

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.

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 DERIVITIVE FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments, such as forward foreign currency contracts and commodity contracts, to hedge its foreign currency and commodity price risks. The Company also has inflation rate swaps. Derivatives are carried as financial assets and financial liabilities when their fair values are positive and negative respectively.

The gain or loss on remeasurement to fair value is recognised immediately in the Income statement, unless the derivative is subject to hedge accounting. Where the derivative is subject to hedge accounting, the recognition of any gain or loss depends on the nature of hedge accounting applied (refer to Note 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 details 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;

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

- 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.

G3.2 CASH FLOW HEDGES

For all forward foreign currency contracts the Company designates all of the forward contract (both the spot and forward elements) as the hedging instrument. The portion of gain or loss of the hedging instrument determined to be an effective hedge is recognised directly in equity and forms part of the hedge reserve. If the cash flow hedge relates to hedging of operations the associated gains or losses on the derivative (previously recognised in equity) are recorded in the Income Statement in Gross margin. 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.

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. 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.

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.

Where derivatives are not collateralised, their valuation reflects the Company's credit risk in the case of liabilities, and the counterparty's credit risk in the case of assets.

H DECOMMISSIONING COSTS

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

I 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 it 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.

(a) Supply of electricity

The Company's performance obligations are the supply of electricity to customers. This performance obligation is satisfied over time as the customer simultaneously receives and consumes the benefits of the Company's performance as it supplies electricity. The Company has a right to consideration in an amount that corresponds directly with the value to the customer of the Company's performance to date. Therefore, in line with IFRS 15, revenue is recognised in the amount to which the Company has a right to invoice based on the volume of units supplied during the year and the tariff agreed with the customer.

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

(b) Supply of ROCs

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.

(c) Other Revenues

Other revenues, comprises various revenue streams which are all individually immaterial. For each revenue stream, revenue is recognised based on the consideration specified in the relevant contract 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. As relevant for each revenue stream, and in line with the performance obligations in each contract, the Company recognises revenue either at a specific point in time or over a period based on when control is transferred to the customer.

J PROCUREMENTS

Procurement costs are primarily direct costs and services for the use of the energy network. Costs are recorded on an accrual basis.

K OTHER OPERATING RESULTS

Other operating results is principally comprised of services recharged to other Iberdrola Group companies.

L FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the spot rate at the date of the transaction. At the year end, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date, with exchange gains and losses recognised in Finance income and costs in the Income statement.

M TAXATION

Assets and liabilities for current tax are calculated using the tax rates that have been enacted, or substantively enacted, at the reporting date.

Deferred tax is the tax expected to be payable, or recoverable, on the difference between the carrying amounts of assets and liabilities in the Statement of financial position and the corresponding tax bases used in the computation of taxable profits (temporary differences), and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences, unused tax losses or credits can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated on a non-discounted basis at the tax rates that are expected to apply in the period in which the liability is expected to be settled, or the asset realised, based on tax rates and laws enacted, or substantively enacted, at the reporting date. Deferred tax is charged to the Income statement, except where it relates to items charged or credited to equity (via the Statement of comprehensive income), in which case the deferred tax is also recognised in equity and is shown in the Statement of comprehensive income.

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

N INVESTMENTS

The Company's investments in subsidiaries are stated in the Statement of financial position at cost, or the fair value of shares issued as consideration where applicable. Dividends from subsidiaries are recognised when the right to receive the dividend is established. Investments in subsidiaries are stated at cost and reviewed for impairment if there are indicators that the carrying value may not be recoverable. An impairment loss is recognised to the extent that the carrying amount cannot be recovered either by selling the asset or by continuing to hold the asset and benefiting from the net present value of the future cash flows (value-in-use) of the investment.

3 INTANGIBLE ASSETS

Year ended 31 December 2023	Computer software £m
Cost:	
At 1 January 2023	7.3
Additions	1.6
Disposals	(1.9)
At 31 December 2023	**7.0**
Amortisation:	
At 1 January 2023	5.6
Amortisation for the year	1.0
Disposals	(2.0)
At 31 December 2023	**4.6**
Net book value:	
At 31 December 2023	**2.4**
At 1 January 2023	1.7

(a) The cost of fully amortised intangible assets still in use at 31 December 2023 was £2.6 million (2022 £3.9 million).
(b) Computer software includes SaaS cloud arrangements with a carrying value of £0.6 million (2022 nil).

4 PROPERTY, PLANT AND EQUIPMENT

(a) Movements in property, plant and equipment

Year ended 31 December 2023	Note	Wind power plants £m	Distribution facilities £m	Other items of property, plant and equipment in use (Note (i)) £m	Plant in progress (Note (ii)) £m	Total £m
Cost:						
At 1 January 2023		2,400.6	205.3	81.0	123.0	2,809.9
Additions	(iii)	-	-	1.7	56.3	58.0
Reassessment of decommissioning asset		(8.0)	-	-	-	(8.0)
Transfers from plant in the course of construction to plant in use		17.0	(0.1)	0.9	(17.8)	-
Disposals		(18.0)	(1.6)	(2.0)	(1.9)	(23.5)
Impairment		-	-	-	(6.1)	(6.1)
At 31 December 2023		**2,391.6**	**203.6**	**81.6**	**153.5**	**2,830.3**
Depreciation:						
At 1 January 2023		923.3	68.8	6.3	-	998.4
Depreciation for the year		89.6	6.1	5.4	-	101.1
Disposals		(17.4)	(1.6)	(1.3)	-	(20.3)
At 31 December 2023		**995.5**	**73.3**	**10.4**	**-**	**1,079.2**
Net book value:						
At 31 December 2023		**1,396.1**	**130.3**	**71.2**	**153.5**	**1,751.1**
At 1 January 2023		1,477.3	136.5	74.7	123.0	1,811.5
The net book value of property plant and equipment at 31 December 2023 is analysed as follows:						
Property, plant and equipment in use		1,396.1	130.3	71.2	-	1,597.6
Property, plant and equipment in the course of construction		-	-	-	153.5	153.5
		1,396.1	**130.3**	**71.2**	**153.5**	**1,751.1**

(i) The category 'Other items of property, plant and equipment in use' principally comprises land, battery storage and IT equipment.
(ii) The category 'Plant in progress' principally comprises battery storage, wind power plants and solar plants in the course of construction.
(iii) Interest on the funding attributable to major capital projects was capitalised during the year at a rate of 5.8% (2022 1.9%).
(iv) The cost of fully depreciated property, plant and equipment still in use at 31 December 2023 was £40.4 million (2022 £54.3 million).
(v) Included within the cost of property, plant and equipment at 31 December 2023 are assets in use not subject to depreciation, being land of £6.5 million (2022 £6.5 million).
(vi) Included within the cost of property, plant and equipment is capitalised interest of £16.4 million (2022 £16.2 million).
(vii) Included in Distribution facilities are assets with a carrying value of £0.5 million (2022 £nil) which the Company leases via operating leases.

4 PROPERTY, PLANT AND EQUIPMENT *continued*

(b) Capital commitments

The Company had £23.6 million (2022 £16.6 million) of capital commitments at 31 December 2023 expected to be settled within one year and £1.4 million (2022 £nil) expected to be settled between one and two years.

(c) Research and development expenditure

The amount of research and development expenditure recognised as an expense during the year was £1.6 million (2022 £0.7 million).

5 LEASING

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 (including seabed) and for the assignment of rights to use land, primarily for operational assets, (mainly wind farms), with typical lease terms of between four and 40 years. Certain leases contain the right to extend the lease term by up to 30 years and can be terminated with appropriate notice, generally up to 24 months.

Some land leases, particularly those on which wind farms have been built, contain variable lease payments that are based on the output from the wind farm. Such payment terms are common for this type of lease. The fixed annual payments for the year were £13.1 million compared to variable payments made of £18.0 million. Despite the future planned growth, the Company expects the relative proportions of fixed and variable lease payments to remain broadly consistent in future years.

Buildings

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

Vehicles

The Company leases vehicles with lease terms of between six to eight 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 has not committed to any leases that have not yet commenced. The Company has no contracts containing residual value guarantee, no leases subject to significant restrictions or covenants, and no sale and leaseback transactions.

5 LEASING *continued*

(b) Right-of-use-assets

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

Year ended 31 December 2023	Note	Land £m	Buildings £m	Vehicles £m	Total £m
Cost:					
At 1 January 2023		190.7	5.3	2.1	198.1
Adjustments for changes in liabilities	(i)	15.8	-	0.8	16.6
At 31 December 2023		**206.5**	**5.3**	**2.9**	**214.7**
Depreciation:					
At 1 January 2023		30.5	1.3	1.5	33.3
Charge for the year		9.2	0.5	0.6	10.3
At 31 December 2023		**39.7**	**1.8**	**2.1**	**43.6**
Net book value:					
At 31 December 2023		**166.8**	**3.5**	**0.8**	**171.1**
At 1 January 2023		160.2	4.0	0.6	164.8

(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.

	2023 £m	2022 £m
Less than one year	15.1	14.0
One to five years	57.7	52.6
More than five years	228.7	223.7
Total undiscounted lease liabilities at 31 December	**301.5**	290.3
Finance cost	(107.6)	(106.4)
Total discounted lease liabilities	**193.9**	183.9
Analysis of total lease liabilities		
Non-current	185.0	175.8
Current	8.9	8.1
Total	**193.9**	183.9

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

5 LEASING *continued*

(d) Amounts recognised in the Income statement

	2023	2022
	£m	£m
Interest on lease liabilities	**(7.7)**	(8.2)
Variable lease payments not included in the measurement of lease liabilities	**(18.0)**	(8.8)

(e) Total cash outflow for leases

	2023	2022
	£m	£m
Total cash outflow for leases	**(32.3)**	(21.0)

6 INVESTMENTS

(a) Movements in investments

	Notes	Subsidiary undertakings shares £m	Investments in joint ventures £m	Total £m
At 1 January 2022		1,525.9	9.5	1,535.4
Additions	(i)	40.9	-	40.9
At 1 January 2023		1,566.8	9.5	1,576.3
Additions	(ii),(iii)	19.7	-	19.7
Impairment		(4.4)	-	(4.4)
At 31 December 2023		**1,582.1**	**9.5**	**1,591.6**

(i) During 2022, the Company acquired the entire share capital of those entities mentioned within Note 6(c) footnote (i) for a consideration of £40.9 million.
(ii) On the 21 June 2023, the Company acquired the entire share capital of Pipplepen Solar Limited (formerly known as EEB37 Limited) for £3.6 million.
(iii) On 7 March 2023, the Company purchased the remaining 28% of shares within Cumberhead West Wind Farm Ltd. for a consideration of £16.1 million.
(iv) Subsequent to the year end, on 2 February 2024, the Company sold its 72% holding in Douglas West Extension Limited.

(b) Joint operations

CampionWind Limited and MarramWind Limited are joint operations to the Company which are structured through separate entities (refer to Note 2F). The Company has joint control over these companies through respective shareholder agreements which have the effect of giving the controlling parties rights to the assets of the arrangements and obligations for their liabilities. Therefore, the arrangements are considered to be joint operations.

Refer to Note 6(c) for details of the equity interest and registered office. The aggregate amount of the capital and reserves are noted below.

	2023	2022
	£m	£m
CampionWind Limited	**91.0**	86.0
MarramWind Limited	**117.9**	68.4
	208.9	154.4

6 INVESTMENTS *continued*

(c) Subsidiaries and joint arrangements

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

Name	Principal activities	Registered office and country of incorporation (Note (ii))	Equity interest 2023		2022
Subsidiaries					
Blaenau Gwent Solar Limited	Development of a solar farm	(A)	100%	(i)	100%
Bryn Henllys SF Limited	Development of a solar farm	(A)	100%	(i)	100%
Coldham Windfarm Limited	Operation of an onshore wind farm	(B)	80%		80%
Cumberhead West Wind Farm Ltd.	Development and construction of an onshore wind farm	(C)	100%	(iii)	72%
Douglas West Extension Limited	Development of an onshore wind farm	(C)	72%	(iv)	72%
Down Barn Farm SF Limited	Development of a solar farm	(A)	100%	(i)	100%
East Anglia One Limited	Operation of an offshore wind farm	(D)	60%		60%
East Anglia One North Limited	Development of an offshore wind farm	(D)	100%		100%
East Anglia Three Limited	Development and construction of an offshore wind farm	(D)	100%		100%
East Anglia Two Limited	Development of an offshore wind farm	(D)	100%		100%
Grafton Underwood Solar Limited	Development of a solar farm	(A)	100%	(i)	100%
Hagshaw Hill Repowering Ltd	Development and construction of an onshore wind farm	(C)	100%		100%
Longney Solar Limited	Development of a solar farm	(A)	100%	(i)	100%
MachairWind Limited	Development of an offshore wind farm	(C)	100%	(v)	100%
Milltown Airfield Solar PV Limited	Development of a solar farm	(A)	100%	(i)	100%
Pipplepen Solar Limited (formerly known as EEB37 Limited)	Development of a solar farm	(A)	100%	(vi)	-
Ranksborough Solar Limited	Development of a solar farm	(A)	100%	(i)	100%
ScottishPower Renewables (WODS) Limited	Operation of an offshore wind farm	(C)	100%		100%
Sparrow Lodge Solar Limited	Development of a solar farm	(A)	100%	(i)	100%
Speyslaw Solar Limited	Development of a solar farm	(A)	100%	(i)	100%
Thurlaston Solar Limited	Development of a solar farm	(A)	100%	(i)	100%
Tuckey Farm Solar Limited	Development of a solar farm	(A)	100%	(i)	100%
Wood Lane Solar Limited	Development of a solar farm	(A)	100%	(i)	100%
Joint ventures					
CeltPower Limited	Operation of an onshore wind farm	(B)	50%		50%
East Anglia Offshore Wind Limited	Commercial operation of offshore meteorological mast	(D)	50%		50%
Morecambe Wind Limited	Provision of operational services	(E)	50%	(vii)	50%
Joint operations					
CampionWind Limited	Development of an offshore wind farm	(F)	50%	(v)	50%
MarramWind Limited	Development of an offshore wind farm	(F)	50%	(v)	50%

(i) The Company acquired the entire share capital of the following entities on the date stated for a total consideration of £55.3 million:

- Blaenau Gwent Solar Limited 31 October 2022
- Bryn Henllys SF Limited 5 January 2022
- Down Barn Farm SF Limited 5 January 2022
- Grafton Underwood Solar Limited 13 January 2022
- Longney Solar Limited 20 May 2022
- Milltown Airfield Solar PV Limited 13 January 2022
- Ranksborough Solar Limited 20 May 2022
- Sparrow Lodge Solar Limited 13 January 2022
- Speyslaw Solar Limited 13 January 2022
- Thurlaston Solar Limited 13 January 2022
- Tuckey Farm Solar Limited 13 January 2022
- Wood Lane Solar Limited 13 January 2022

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

(A) 4th Floor,1 Tudor Street, London, EC4Y 0AH, England
(B) 3 Prenton Way, Prenton, CH43 3ET, England
(C) 320 St. Vincent Street, Glasgow, G2 5AD, Scotland
(D) 3rd Floor, 1 Tudor Street, London, EC4Y 0AH, England
(E) 5 Howick Place, London, SW1P 1WG, England
(F) 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, Scotland

(iii) The Company held 72% of the share capital in this entity until 7 March 2023 when it acquired the remaining 28% of share capital.

6 INVESTMENTS *continued*

(iv) On 2 February 2024, the Company sold it's 72% holding in Douglas West Extension Limited.
(v) MachairWind Limited was incorporated on 12 January 2022 and is a direct and wholly-owned subsidiary of the Company. CampionWind Limited and MarramWind Limited were also incorporated on 12 January 2022 and are 50% joint operations held by the Company.
(vi) The Company acquired the entire share capital of Pipplepen Solar Limited (formerly known as EEB37 Limited) for a consideration of £3.6 million on 21 June 2023.
(vii) Morecambe Wind Limited is an indirect holding of the Company.

7 TRADE AND OTHER RECEIVABLES

	Notes	2023 £m	2022 £m
Current trade and other receivables:			
Receivables due from Iberdrola group companies and joint ventures	(a)	**587.5**	240.1
Receivables due from Iberdrola group companies - interest		**40.5**	10.7
Receivables due from joint operations - other		**1.0**	0.5
Receivables due from joint ventures - prepayments		**-**	0.2
Trade receivables (including accrued income)		**9.8**	15.6
Prepayments		**11.2**	9.9
Other tax receivables		**2.6**	8.3
Other receivables		**1.8**	-
	(b)	**654.4**	285.3
Non-current trade and other receivables:			
Receivables due from Iberdrola group companies and joint ventures		**1.0**	1.2
Receivables due from Iberdrola Group companies - loans	(c)	**150.0**	325.5
Prepayments		**1.2**	1.4
		152.2	328.1

(a) The Company utilises forms of collateral internally with ScottishPower companies, to manage its credit exposure. All collateral posted is settled in cash. At 31 December 2023, the Company posted cash collateral of £249.9 million (2022 £nil).
(b) Trade and other receivables includes £281.0 million (2022 £204.5 million) of IFRS 15 receivables. Net expected credit losses of £0.1 million (2022 £0.1 million) were recognised during the year on receivables arising from the Company's contracts with customers.
(c) The Loan receivable due from Iberdrola Group companies earns interest at Bank of England base rate ("Base") plus 1% and is unsecured. It is repayable on demand but classified as non-current as the Company expects to realise the assets after twelve months from the reporting date.

8 FINANCIAL INSTRUMENTS

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

	Derivative financial instruments (Note (a)) £m	Contingent consideration (Note (b)) £m
At 1 January 2022	(179.2)	(1.4)
Recorded in Income statement (Restated*)	(134.9)	3.2
Recorded in Cash flow hedge reserve	(35.2)	-
At 1 January 2023 (Restated*)	(349.3)	1.8
Recorded in Income statement	31.7	3.5
Recorded in Cash flow hedge reserve	42.1	-
Recorded in Cash	13.4	(5.1)
At 31 December 2023	**(262.1)**	**0.2**

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

(a) Derivative financial instruments

The Company's derivatives comprise forward foreign currency contracts, commodity derivatives and inflation rate swaps. The Company uses forward foreign currency contracts 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 forward foreign currency contracts to primarily hedge asset purchases. For such items, the Company designates the entire value of the foreign currency forwards in the hedge relationship. Commodity derivatives are transacted to hedge the risks associated with electricity generation. The Company designates the proportion of the commodity derivative equal to the highly probable forecast output of the wind farm (whose output is hedged) in the hedge relationship.

8 FINANCIAL INSTRUMENTS *continued*

Renewable production is exposed to inflation risk through its CfDs. Income earned through CfDs varies with inflation and volatility inherent in inflation will therefore impact the income of Renewable production. To reduce exposure to this risk, in previous years the Company, on behalf of Renewable production, entered into CPI inflation rate swaps. These instruments result in the Company, and therefore Renewable production, 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 Renewable production, as the cash flows from the CPI inflation rate swaps will offset volatility in the income from CfDs due to CPI inflation.

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

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

	Notional amount of hedging instrument (maturity profile) £m					
At 31 December 2023	**1 year**	**2 years**	**3 years**	**4 years**	**5 years+**	**Total**
Commodity derivatives	**7.3**	**7.3**	**7.3**	**7.3**	**10.6**	**39.8**

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

	Notional amount of hedging instrument (maturity profile) £m			
At 31 December 2023	**1 year**	**2 years**	**3 years**	**Total**
Forward foreign currency contracts - USD	11.3	-	-	**11.3**
Forward foreign currency contracts - EUR	0.9	0.4	0.2	**1.5**
	12.2	0.4	0.2	**12.8**

	Average forward price (exchange rate)		
At 31 December 2023	**1 year**	**2 years**	**3 years**
USD (GBP:USD)	1.26	-	-
EUR (GBP:EUR)	1.14	1.12	1.10

(b) Contingent consideration

As part of the share purchase agreement in relation to the sale of a minority stake in East Anglia One Limited ("EA1L") in 2019, a contingent consideration was agreed. Payment of this consideration is principally based on savings made on the project's forecasted spend which was agreed as part of the share purchase agreement. The contingent consideration is fair-valued using a risk and probability-based model which considers the impacts of final construction costs.

9 PROVISIONS

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

Year ended 31 December 2023	Note	At 1 January 2023 £m	Reassessment of decommissioning costs £m	New provisions £m	Unwinding of discount £m	Utilised during year £m	Released during year £m	**At 31 December 2023 £m**
Decommissioning	(a)	124.1	(8.0)	-	4.7	(1.4)	(0.1)	**119.3**
Other		-	-	2.8	-	-	-	**2.8**
		124.1	(8.0)	2.8	4.7	(1.4)	(0.1)	**122.1**

9 PROVISIONS *continued*

Analysis of total provisions	2023 £m	2022 £m
Non-current	**116.2**	119.9
Current	**5.9**	4.2
	122.1	124.1

(a) The provision for decommissioning costs is the discounted future estimated costs of decommissioning certain non-current assets. There is significant estimation uncertainty in relation to this. Refer to Note 2 for further details. The following table shows the timeline in which undiscounted costs in relation to the decommissioning provision are expected to become current:

	2023					
	Less than 1 year £m	1 to 10 years £m	11 to 20 years £m	21 to 30 years £m	31 to 40 years £m	Total £m
Decommissioning costs	2.4	65.3	61.9	66.4	52.3	**248.3**

10 LOANS AND OTHER BORROWINGS

Instrument	Interest rate	Maturity	2023 £m	2022 £m
Loan with joint venture	Base + 1%	13 December 2024	**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

Analysis of total loans and other borrowings	2023 £m	2022 £m
Non-current	**700.0**	700.0
Current	**3.7**	3.7
	703.7	703.7

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

11 TRADE AND OTHER PAYABLES

	2023 £m	2022 £m
Current trade and other payables:		
Payables due to Iberdrola group companies and joint ventures	**1.5**	2.1
Trade payables	**41.8**	33.7
Other taxes and social security	**2.0**	1.5
Payments received on account	**0.6**	0.5
Capital payables and accruals	**25.2**	21.7
Other payables	**12.0**	10.1
	83.1	69.6
Non-current trade and other payables:		
Other payables	**0.9**	1.5

12 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 2022	259.4	(6.3)	(0.5)	252.6
Credit to the Income statement	(2.7)	-	(0.3)	(3.0)
Recorded in the statement of comprehensive income	-	(8.7)	-	(8.7)
At 1 January 2023	256.7	(15.0)	(0.8)	240.9
(Credit)/charge to the Income statement	(5.2)	-	0.4	(4.8)
Recorded in the statement of comprehensive income	-	10.2	-	10.2
At 31 December 2023	**251.5**	**(4.8)**	**(0.4)**	**246.3**

(a) Legislation was enacted on 10 June 2021 under the Finance Act 2021 that increased the UK Corporation Tax rate to 25% from 1 April 2023. Accordingly, the deferred tax balances at 31 December 2023 were provided at 25%, to reflect the rate that the temporary differences are expected to reverse at.

13 EMPLOYEE INFORMATION

(a) Staff costs

	2023 £m	2022 £m
Wages and salaries	**62.3**	47.3
Social security costs	**7.1**	5.6
Pension and other costs	**6.3**	6.1
Total staff costs	**75.7**	59.0
Capitalised staff costs	**(6.9)**	(2.4)
Charged to the Income statement	**68.8**	56.6

(b) Employee numbers

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

	Average 2023	Average 2022
Administrative staff	**106**	87
Operations	**701**	570
Total	**807**	**657**

(c) Retirement benefits

The Company's contributions payable in the year were £5.6 million (2022 £5.6 million). The Company contributes to ScottishPower's defined benefit and defined contribution schemes in the UK and the contributions payable in the year reflect the contributions payable in respect of active participants in the group schemes who are employed by the Company. Full details of these schemes are provided in the most recent Annual Report and Accounts of SPUK, the intermediate holding company and the sponsoring company of the retirement benefit schemes. As at 31 December 2023, the surplus in ScottishPower's defined benefit schemes in the UK amounted to £123.2 million (2022 £240.0 million surplus). The employer contribution rate for these schemes in the year ended 31 December 2023 was 52.9%-53.4%.

14 TAXES OTHER THAN INCOME TAX

	Note	**2023 £m**	2022 £m
Property taxes		**20.4**	18.3
Electricity Generator Levy	(a)	**46.1**	-
		66.5	18.3

(a) The Electricity Generator Levy is a temporary 45% charge on exceptional receipts generated low-carbon UK power generation meeting certain conditions. The levy is in effect from 1 January 2023 to 31 March 2028.

15 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

	2023 £m	2022 £m
Property, plant and equipment depreciation charge	**101.1**	91.9
Right-of-use asset depreciation charge	**10.3**	10.2
Intangible asset amortisation charge	**1.0**	0.7
Charges and provisions, allowances and impairment of assets	**6.9**	0.8
	119.3	103.6
Capitalised right-of-use asset depreciation	**-**	(0.1)
	119.3	103.5

16 FINANCE INCOME

	2023 £m	2022 £m
Interest on bank and other deposits	**0.3**	-
Interest receivable from Iberdrola Group companies	**50.7**	10.7
Foreign exchange gains	**0.2**	0.3
Fair value and other gains on non-hedging derivatives	**23.3**	-
Fair value gains on contingent consideration	**3.5**	3.2
	78.0	14.2

17 FINANCE COSTS

	2023 £m	2022 Restated* £m
Interest on amounts due to Iberdrola Group companies	**21.4**	21.4
Net impairment of financing and investment instruments	**4.4**	-
Unwinding of discount on provisions	**4.7**	1.7
Interest on lease liabilities	**7.7**	8.2
Foreign exchange losses	**0.1**	0.6
Fair value and other losses on non-hedging derivatives	**-**	135.4
	38.3	167.3
Capitalised interest	**(0.2)**	(0.9)
	38.1	166.4

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

18 INCOME TAX

	2023 £m	2022 Restated* £m
Current tax:		
UK Corporation Tax for the year	**97.9**	15.6
Adjustments in respect of prior years	**(3.5)**	1.1
Current tax for the year	**94.4**	16.7
Deferred tax:		
Origination and reversal of temporary differences	**(4.0)**	(1.5)
Adjustments in respect of prior years	**(0.8)**	(1.5)
Deferred tax for the year	**(4.8)**	(3.0)
Income tax for the year	**89.6**	13.7

18 INCOME TAX *continued*

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:

	2023 £m	2022 Restated* £m
Corporation Tax at 23.5% (2022 19%)	**244.0**	53.7
Adjustments in respect of prior years	**(4.3)**	(0.4)
Impact of tax rate change on current year tax	**-**	(0.6)
Dividends from subsidiaries	**(168.4)**	(43.2)
Non-deductible expenses and other permanent differences	**18.3**	4.2
Income tax for the year	**89.6**	13.7

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

Legislation was enacted on 10 June 2021 under the Finance Act 2021 that increased the UK Corporation tax rate to 25% from 1 April 2023. Accordingly, the deferred tax balances at 31 December 2023 were provided at 25%, to reflect the rate that the temporary differences are expected to reverse at.

19 DIVIDENDS

	2023 pence per ordinary share	2022 pence per ordinary share	**2023 £m**	2022 £m
Interim dividend paid	**41.5**	15.6	**843.6**	316.3

20 FINANCIAL COMMITMENTS AND GUARANTEES

(a) Financial commitments

	2023						
	2024 £m	**2025 £m**	**2026 £m**	**2027 £m**	**2028 £m**	**2029 and thereafter £m**	**Total £m**
Contractual commitments	50.2	28.6	15.1	8.7	5.8	27.7	**136.1**

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

(b) Financial guarantees

	2023				2022			
	SPRUKL on behalf of intermediate parent £m	**SPRUKL on behalf of subsidiary £m**	**SPRUKL on behalf of joint arrangements £m**	**Total £m**	SPRUKL on behalf of intermediate parent £m	SPRUKL on behalf of subsidiary £m	SPRUKL on behalf of joint arrangements £m	Total £m
Performance of contracts	-	**1,103.7**	**12.0**	**1,115.7**	159.4	720.7	12.0	892.1

20 COMMITMENTS AND FINANCIAL GUARANTEES *continued*

These performance of contract guarantees were provided on behalf of the following companies:

	2023	2022
Intermediate parent:	**£m**	£m
Scottish Power UK plc	**-**	159.4
At 31 December	**-**	159.4

	2023	2022
Subsidiaries:	**£m**	£m
Cumberhead West Wind Farm Ltd.	**97.6**	3.0
Douglas West Extension Limited	**0.6**	0.6
East Anglia One Limited	**7.5**	7.5
East Anglia One North Limited	**18.4**	18.4
East Anglia Three Limited	**830.7**	607.5
East Anglia Two Limited	**18.4**	18.4
Hagshaw Hill Repowering Ltd	**68.1**	2.9
MachairWind Limited	**5.0**	5.0
ScottishPower Renewables (WODS) Limited	**57.4**	57.4
At 31 December	**1,103.7**	720.7

	2023	2022
Joint arrangements:	**£m**	£m
CampionWind Limited	**2.5**	2.5
East Anglia Offshore Wind Limited	**4.5**	4.5
MarramWind Limited	**5.0**	5.0
At 31 December	**12.0**	12.0

21 RELATED PARTY TRANSACTIONS

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

	2023			2022		
	Other Iberdrola Group companies	**Subsidiaries**	**Joint ventures**	Other Iberdrola Group companies	Subsidiaries	Joint ventures
	£m	**£m**	**£m**	£m	£m	£m
Types of transaction						
Sales and rendering of services	**0.4**	**11.8**	**0.2**	1.9	10.5	0.2
Purchases and receipt of services	**-**	**-**	**(0.7)**	-	(1.3)	(0.7)
Finance costs (excluding non-hedging derivatives)	**-**	**(0.3)**	**-**	-	-	-
Dividends received	**-**	**659.7**	**-**	-	178.7	0.3
Balances outstanding						
Trade and other receivables	**1.0**	**1.5**	**1.3**	0.4	1.6	1.4
Loans payable	**-**	**-**	**(3.0)**	-	-	(3.0)
Trade and other payables	**-**	**(0.7)**	**(0.7)**	-	(1.0)	(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 Renewable production, it has not been possible to apportion the remuneration specifically in respect of services to this Company. Both (2022 all) of the directors were remunerated by the Company in both years.

21 RELATED PARTY TRANSACTIONS *continued*

	2023	2022
	£000	£000
Aggregate remuneration in respect of qualifying services	**937**	783
Number of directors who exercised share options	**2**	3
Number of directors who received shares under a long-term incentive scheme	**2**	3
Number of directors accruing retirement benefits under a defined benefit scheme	**2**	3

	2023	2022
Highest paid director	**£000**	£000
Aggregate remuneration	**678**	413
Accrued pension benefit	**51**	52

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

(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.

22 AUDITOR'S REMUNERATION

	2023	2022
	£000	£000
Audit of the Annual accounts	**105**	98