SP DISTRIBUTION PLC
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2025

Registered No. SC189125

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SP DISTRIBUTION PLC
STRATEGIC REPORT

The directors present their Strategic Report on SP Distribution plc ("the Company") for the year ended 31 December 2025. This includes an overview of the Company's structure, strategic outlook including 2025 performance, and principal risks and uncertainties.

INTRODUCTION

The principal activity of the Company, registered company number SC189125, is the ownership of the electricity distribution network within the Central Belt and South of Scotland. The network is used to distribute electricity, which has been transmitted to grid supply points, for electricity supply companies for onward sales to their customers.

The ultimate parent of the Company is Iberdrola, S.A. ("Iberdrola") whose shares are listed on all four stock markets in Spain. Scottish Power Limited ("SPL") is the United Kingdom ("UK") holding company of the Scottish Power Limited Group ("ScottishPower") of which the Company is a member. The Company is a wholly-owned subsidiary of its immediate parent company, Scottish Power Energy Networks Holdings Limited ("SPENH").

In March 2025, the UK Competition and Markets Authority cleared the acquisition by SPENH of an 88% shareholding in Electricity North West (Holdings) Limited (previously known as North West Electricity Networks (Jersey) Limited) ("ENWH"), which heads a group including the electricity distribution network operator ("DNO") Electricity North West Limited ("ENWL"). As a result, SPENH now has a majority effective shareholding in four UK regulated electricity network companies, being the Company, SP Manweb plc ("SPM"), SP Transmission plc ("SPT"), and ENWL (together, these companies comprise "Energy Networks").

Each of the Energy Networks companies are 'asset-owner companies', holding regulated assets, electricity distribution licences (in the case of the Company, SPM and ENWL) and an electricity transmission licence (in the case of SPT). All the asset-owner companies are regulated monopolies.

Energy Networks owns and operates the network of cables, power lines and substations transporting electricity to around 5.9 million connected customers in the Central Belt and South of Scotland, Cheshire, Merseyside, North Shropshire, North Wales, Cumbria and Lancashire. SP Power Systems Limited ("SPPS"), another wholly owned subsidiary of SPENH, acts as a service provider to the Company, SPM and SPT.

The Company is a distribution network operator. The electricity distribution networks are regional grids that transport electricity at a lower voltage from the national transmission grid and embedded generators and connect to industrial, commercial and domestic users.

The Company is a natural monopoly and is governed by The Office of Gas and Electricity Markets ("Ofgem") via a regulatory price control. The primary objective of the regulation of the electricity networks is the protection of consumers' interests while ensuring that demand can be met and companies are able to finance their activities. Price controls are the method by which the amount of allowed revenue is set for network companies over the period of the price control. Price control processes are designed to cover the Company's efficient costs and allow it to earn a reasonable return, provided the Company acts in an efficient manner, delivers value for customers, and meets Ofgem targets. Price controls are delivered on a regulatory year basis from April to March. Therefore, the majority of the Company's performance and key deliverables are measured and reported on this basis.

STRATEGIC OUTLOOK

Operating review

The third year of the five-year RIIO-ED2 (Revenue = Incentives + Innovation + Outputs) price control period commenced on 1 April 2025. The Company is proud of its performance in the second year of RIIO-ED2 which ended in March 2025, delivering on its commitments and making progress against its targets. The Company is delivering greater levels of network investment across reinforcement, modernisation, and resilience programmes whilst adopting smarter solutions and delivering greater network monitoring to enable Distribution System Operator ("DSO") and flexibility services. Implementation of the RIIO-ED2 delivery plan continues to deliver the increased volume of activity required including increased recruitment in key areas coupled with external contract placement.

Values in action

As a network operator serving communities across Scotland, the Company has a critical role to play in supporting regional and national decarbonisation ambitions. The Company is focused on providing a business in direct alignment with the priorities of its customers and stakeholders to tackle climate change, and deliver the infrastructure and services required to achieve net zero. The Company's journey to a net zero future is already well underway.

SP DISTRIBUTION PLC
STRATEGIC REPORT *continued*

STRATEGIC OUTLOOK *continued*

The Company's business carbon footprint emissions (excluding losses) decreased by 50% compared to its 2018/19 science-based target baseline in our distribution business. In regulatory year 2024/25, Energy Networks launched its Countdown to 2035 campaign, marking the beginning of a 10-year journey toward achieving net zero greenhouse gas ("GHG") emissions by 2035.

Furthermore, the Company is supporting societal decarbonisation by enabling low-carbon technologies, such as electric vehicles ("EVs") and heat pumps, to be connected to its network. The Company is a major enabler on the UK journey to net zero and this is embedded in Ofgem's price control mechanisms including reductions in the Company's carbon footprint through investment in low-loss transformers.

2025 Performance

The table below provides key financial information relating to the Company's performance during the year.

	Revenue (Note (a))		Operating profit (Note (a))		Capital investment (Note (b))	
	2025	2024	**2025**	2024	**2025**	2024
Financial key performance indicators ("KPIs")	**£m**	£m	**£m**	£m	**£m**	£m
SP Distribution plc	**539.1**	617.3	**209.7**	328.8	**353.8**	286.4

(a) Revenue and Operating profit are presented in the Income statement and statement of comprehensive income on page 22.
(b) Capital investment in Property, plant and equipment for 2025 is presented within Note 3 on page 30. Capital investment in intangible assets was £5.2 million in the year.

Revenue has decreased by £78.2 million since the prior year. Underlying distribution revenues are £73.8 million lower than the prior year reflecting lower base revenues and a 0.8% decrease in volumes (primarily domestic customers). Distribution revenues are £4.4 million lower in relation to supplier of last resort levies.

Operating profit has decreased by £119.1 million since the prior year largely due to decreased allowable revenue pricing and increased regulatory net operating costs and asset growth impacts which relates to higher depreciation and business rates as well as higher maintenance costs associated with growth in the network and the transition to a low carbon system.

Capital investment increased by £67.4 million to £353.8 million in 2025 primarily due to continued investment to facilitate UK net zero targets as the Company progresses through RIIO-ED2.

		Actual	**Target**	Actual	Target
Non-financial KPIs	Notes	**2025**	**2025**	2024	2024
Distributed energy (GWh)	(a)	**15,162**	**N/A**	15,290	N/A
Customer interruptions	(b), (c), (d)	**31.3**	**41.8**	32.9	42.8
Customer minutes lost	(b), (c), (e)	**25.8**	**29.6**	26.3	26.4
Regulated Asset Value (£m)	(c), (f)	**2789.9**	**N/A**	2,595.6	N/A

(a) Gigawatt hours ("GWh"). Distributed energy is reported for the years ending 31 December.
(b) Under the Interruptions Incentive Scheme of the RIIO regulatory regime, the Company is incentivised based on its performance against pre-determined Ofgem targets for Customer interruptions and Customer minutes lost.
(c) As the Company is required to prepare regulatory financial performance reporting for the years ending 31 March, reporting of these KPIs is aligned to the regulatory year end of 31 March.
(d) Number of interruptions per 100 customers. A measure of volume of customers affected by a fault.
(e) Average number of minutes the Company's customers had their supply interrupted.
(f) The Regulated Asset Value ("RAV") of the Company is presented in nominal prices based on the financial year end inflation rate. The 31 March 2025 RAV presented is provisional at the date the accounts are signed. Discussion with Ofgem may result in RAV being increased or decreased.

Statement of financial position

Net assets of the Company increased by £25.8 million in the year to £883.5 million. This reflects the impact of the statutory profit for the year of £91.1million offset by dividends of £65.3 million paid to the parent.

STRATEGIC OUTLOOK *continued*

Policy and regulation

The National Infrastructure Commission ("NIC") published its study on the steps necessary to ensure Britain's low-voltage electricity networks can keep pace with rising demand on 21 February 2025. The report made 14 recommendations to enable distribution networks to play their part in decarbonisation and the delivery of economic growth and development, with a particular focus on proactive investment in the distribution network through greater strategic planning and simplified price controls. On 7 July 2025, the UK Government published its response to the NIC study, accepting all 14 recommendations, supporting the strategic case for investment and signalling political endorsement that may help facilitate timely regulatory approval and delivery of network investment and associated asset growth for UK Distribution Network Operators.

Ofgem's decision on the RIIO-ED3 framework was published on 30 April 2025, setting out the direction of travel for the next electricity distribution price control. On 8 October 2025, Ofgem published the Sector Specific Methodology Consultation for RIIO-ED3, which consulted on the methodology that Ofgem will use to apply the RIIO-ED3 framework. While this provides early directional guidance on key parameters, final outcomes and the financial impact on Energy Networks remain subject to ongoing consultation, including the Sector Specific Methodology Decision in May 2026 and subsequent draft and final determinations in 2027, ahead of RIIO-ED3 commencing in April 2028.

Outlook for 2026 and beyond

A key focus for 2026 will be the targeted delivery of increased activity associated with regulatory outputs of next year of RIIO-ED2. RIIO-ED2 is particularly significant for the decarbonisation of transport and domestic heating, and the connection of low-carbon electricity as the business drives towards net zero goals building in innovation whilst maintaining high levels of asset stewardship.

FINANCIAL INSTRUMENTS

The Company's financial instruments include Trade and other receivables, Trade and other payables and Loans and other borrowings. The Company has exposure to credit risk and treasury risk (comprising both liquidity and market risk) arising from these financial instruments.

Credit risk is the risk that a counterparty will not meet its contractual obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk from related parties is considered to be low as no related party 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). The Company's liquidity position and short-term financing activities are integrated and aligned with both ScottishPower's and Iberdrola's. ScottishPower operates and manages a centralised cash management model within the UK, with liquidity being managed at a ScottishPower level.

Both liquidity and market risk 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 credit facilities already in place which comprise long-term loans and the on demand facility with Scottish Power UK plc ("SPUK"). Additional short-term cover is provided by the undrawn committed revolving credit facility arrangement with SPUK for £750.0 million (Refer to Note 9(g)).

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 on pages 4 to 6.

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

RISK	RESPONSE
Cyber security The Company operates within an environment where there is the presence of sophisticated and opportunistic cyber security threat actors motivated to identify and take advantage of flaws and weaknesses in the Company's cyber security defences. The Company, in alignment with UK Regulation, takes the protection of its data and the provision of our essential services very seriously. The Company, as part of ScottishPower, continues to invest significantly in its people, processes, and technologies to enhance its capabilities to prevent, detect and respond to security threats. The main risks are: • Operational technology used to manage the 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 key information assets. • The Company's network, systems and/or data being compromised due to Supplier security controls being insufficient, resulting in data loss, critical service interruption, regulatory sanctions, and reputational damage. • Other cyber security risks impacting reputation.	The Company, as part of ScottishPower, continues to focus on enterprise security risks through enhanced internal governance, complemented by the adoption of a 'three defence lines model' with clear roles and responsibilities established. 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. Risks are also managed through identification of critical suppliers and cybersecurity maturity reviews in third parties. The Company has also built in cyber security checks and monitoring as part of its tendering and supply chain relationships. The Iberdrola Group, of which the Company is a part, 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.
Supply chain Interruption due to geopolitical circumstances and higher costs as a result of movements in 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 department in conjunction with advice from the ScottishPower Compliance, Legal and Risk departments. The upward pressure on costs due to the macroeconomic environment is managed, and strategies, such as hedging and expanding the Company's supplier base, are developed and implemented. The risk is spread through supply chain engagement.
Reduced security of supply Reduced security of supply due to potential asset failures alongside decreased generation capacity. Reduced security of supply has the potential to disrupt many of the Company's customers, in both the Company's licence area and beyond.	Risk-based asset investment programme in place, business continuity and emergency planning well established including Electricity System Restoration Strategic spares policy in place. Continuing engagement with Ofgem on resilience.

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

RISK	RESPONSE
Regulatory and political 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.
Price controls Failure to deliver the Company's distribution outputs agreed with Ofgem in the price control under the RIIO framework. This includes the business planning for RIIO-ED3.	Mitigating actions include formulating detailed investment, resource, outage, contingency plans supported by an extensive procurement strategy and having a funding strategy in place to support delivery. Good communication and coordination of activities across the business is integral to success, complemented by a comprehensive monitoring regime that provides early warning of potential issues.
Global financial market volatility Impacts arising from market and regulatory reactions to geopolitical events. These could include increased volatility of commodities, inflation (and other related indices), and currencies, closely linked to the various policies of different countries, as well as global events (such as the ongoing conflict in the Middle East).	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 British energy system. Providing stakeholders with evidence of the risks of ad hoc intervention in markets. In addition to monitoring ongoing developments, the Company adheres to a ScottishPower treasury risk management policy to mitigate financial risks.
Climate change The risk that the Company's strategy, investment 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.
Health and safety 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. A ScottishPower Health and Safety function exists and provides specialist services and support for the Company in relation to health and safety. A comprehensive framework of health and safety policy and procedures, alongside audit programmes is established, which aims to ensure not only continuing legal compliance but also to drive towards best practice in all levels of health and safety operations.

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

RISK	RESPONSE
Recruitment and retention of staff Increased and appropriate resources with the correct capabilities are required to grow the Company.	Extensive focus on retention and strategic workforce planning in order to build key capabilities and future skills with targeted learning and development opportunities.
The increased retiral rate and the challenging RIIO-ED3 programme both give rise to a need for substantial recruitment in the coming years.	Build a multi-channel approach to recruitment with leveraging of Iberdrola Global Talent Strategy, focus on armed forces transition and identify available resources from industries experiencing downturn.
Project delivery Failure to deliver large, complex and viable 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 major projects. Project delivery is supported by the use of established and experienced suppliers and advisors, along with robust financial management and funding strategy. Continue constructive engagement with Ofgem on plan deliverability.
Risks of interruptions to net zero timescales Network operators are key facilitators to governments' net zero ambitions and the failure of the Company to respond to customers' changing requirements through the low-carbon transition (for example EVs, distributed generation and storage) could result in a failure to meet these targets.	Mitigating actions influencing developments at industry forums, undertaking scenario modelling of the impact of low-carbon technologies, considering technical and commercial innovation projects, engaging with key stakeholders and owning a clear DSO vision.
Customer service performance Failure to protect the Company's customer service performance. This has the potential to severely damage the Company's reputation as one of the UK's top DNOs for customer satisfaction and adversely impact its performance against its regulated customer satisfaction financial incentive.	Well established customer service processes to respond to power loss, including storm readiness. Priority Service Register to protect vulnerable customers in the event of power loss. Implementation of a single emergency number to route emergency queries.

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

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

Meaningful engagement with the Company's 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 its operations, are set out on pages 6 to 10.

Key stakeholders

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

ENGAGING WITH STAKEHOLDERS *continued*

Behind these stakeholders are many people, and thousands of institutions, organisations and groups. All of them, with their decisions and opinions, influence the Company and, in turn, are 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 SP Energy Networks Governance and Sustainability System which apply respectively 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 Ongoing Shareholder Engagement Policy as published at www.iberdrola.com under 'Corporate Governance'/ 'Governance and Sustainability System'/ 'Ongoing Shareholder Engagement Policy'.

PEOPLE

The Company employs 919 employees, working across a range of roles. The employees make a real difference in determining how successfully the Company operates. The creativity, innovation, and individuality of the Company's employees enable it to build on its future capability to operate effectively in a competitive market and continue to have aspirations which are challenging and rewarding. The Company respects and recognises the importance of individuality as part of its ongoing commitment to promoting a culture where individuality is celebrated. The Company also understands that being a diverse organisation goes beyond having legally compliant policies and practices; it includes a focus on creating an innovative, integrated organisation where people feel valued, inspiring them to perform at their best.

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

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

- employment regulation;
- skill development;
- 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 therefore 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.

ENERGY CUSTOMERS

Customers have every right to expect a good experience when they interact with the Company, whatever the reason. The Company is committed to delivering this, and to improving year-on-year against the standard industry-wide metrics. Understanding and responding to customers' needs is not only deep-rooted in the Company's culture, but is also essential to meeting the goals developed with stakeholders to guide the Company's future plans. The Company's commitment to its customers is reflected in its customer service score which exceeded the required benchmark.

Power cut support service

Customers, and especially those affected by situations of vulnerability, tell the Company that power cuts cause stress, anxiety and can pose a real threat to their safety and wellbeing. The Company can help customers manage these challenges by providing quick, clear, and accurate information before and during power cuts. When an emergency occurs and detriment to customers cannot be wholly prevented, the Company seeks to understand customers' needs and offer a range of welfare support services that include generators, the provision of hot food and a set of tailored support services. The Company's state-of-the-art Customer Relationship Management system further enhances its ability to offer customers

ENGAGING WITH STAKEHOLDERS *continued*
timely and accurate information, cutting its response times, freeing up its colleagues' time so they can offer proactive and targeted support to those registered on the Priority Services Register during emergencies.

To ensure the Company's strategy continues to be fit for purpose, Energy Networks enlists AccountAbility, an independent company, who own the global standard for stakeholder engagement (AA100000SE), to conduct a full health check audit of engagement strategy and processes. This is done to support a programme of continuous improvement and the development of high-quality stakeholder engagement practices. Energy Networks achieved 93% in the 2025 AccountAbility audit; obtaining the highest categorisation possible ('Advanced'). This represents an overall improvement of 27% since the first audit in 2018.

The Company continues to identify the needs of vulnerable customers and stakeholders and will continue to refine and develop its strategy and initiatives in respect of both stakeholder engagement and consumer vulnerability. Examples include continuing use of Strategic Optimiser teams to act as a conduit between local authorities and the technical optioneering for low-carbon technology, offering significant time and cost efficiencies, through local authorities having access to expert electricity network knowledge and the continued development of the Company's Customer Relationship Management system.

Within the Company's license area, over 99% of all eligible households are registered onto the Priority Services Register. This helps to deliver additional support when customers need it most. Focusing on its role in protecting vulnerable customers, the Company is on track to deliver against its vulnerability strategy commitments. In regulatory year 2024/25, the Company, as part of Energy Networks, supported over 22,000 customers through fuel poverty services and 764 through low carbon technology ("LCT") support, delivering over £10 million in net present value benefits and £0.2 million in LCT-related social value. Customer satisfaction remained high, with average scores (out of 10) of 9.54 (fuel poverty) and 8.41 (LCT).

The Independent Net Zero Advisory Council is an independent group of energy industry experts which was created by Energy Networks to bring the voice of customers and stakeholders into the heart of its business. It brings together 15 external experts to provide challenge and specialist knowledge to Energy Networks. The Independent Net Zero Advisory Council is chaired by renowned industry expert, Angela Love, who has over 30 years' experience of the UK and European gas and electricity markets.

Maintaining a reliable supply of electricity
Society rightly expects to consistently receive a reliable supply of electricity at the flick of a switch, which is why the Company strives to exceed its regulatory price control commitments and will continue to do so for RIIO-ED2. The Company serves its customers with 99.99% reliability levels for 43p per day, protecting the most vulnerable and ensuring supply to critical sites such as hospitals, nursing homes, water treatment works and food supply businesses.

Ensuring a just transition
Energy Networks has its own Just Transition Strategy, setting out the steps it is taking to embed the principles of a fair and equitable transition into everything it does.

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

Following the launch of the UK Government's Clean Power 2030 initiative in late 2024, Energy Networks, and so the Company, has continued to engage with them on its approach towards energy policy and meeting the net zero challenge. This has included engaging on the detail of its plans for Clean Power 2030, and as part of the transition towards building a low-carbon economy.

Energy Networks, and so the Company, has also started to engage with Ofgem on its plans for the RIIO-ED3 electricity distribution price control which will run from 2028 to 2033, including responding to Ofgem's Sector Specific Methodology Consultation published on 8 October 2025.

ENGAGING WITH STAKEHOLDERS *continued*

The Company has contributed to the wider external debate about the regulatory and industry measures required to tackle the critical backlog in network connections for new renewable generation projects, including the work being undertaken by The National Energy System Operator ("NESO") and Ofgem to move towards a 'first ready, first needed, first connected' approach. Ofgem published a 'minded-to' decision to approve the NESO's proposed package of reforms in April 2025 and the new process went live in June 2025, with further reforms under consideration.

The need to accelerate the planning and consenting process for major new energy infrastructure projects was a key feature of the Company's engagement with the UK Government and the devolved administrations.

Further information in relation to engagement with government and regulators is set out in the Policy and regulation section of the Strategic Report.

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.

As part of ScottishPower, whose mission it is to create a better future, quicker, the Company is always looking for new suppliers and contractors, and for ways to improve its working relationships with existing suppliers and contractors. The Company's suppliers have a key role to play in the delivery of its projects and services that it is undertaking to provide a low-carbon future for the UK. The Company's aim is 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 Conduct for Suppliers. 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 it has become even more important as it adapts to geopolitical and macroeconomic challenges. In order to address any concerns on capacity and availability of the supply chain that could impact delivery, the Company has been taking a longer-term approach on contracting. Refer to the 'Principal risks and uncertainties' section for further details.

COMMUNITY AND ENVIRONMENT

Community

Communicating and connecting with local communities is a fundamental part of the Company's values, and essential to the success of its operations. As key stakeholders, engaging with communities is a priority, and core to the Company's commitment to collaborate and develop productive relationships.

The Company's goal is to be a trusted, respected, and fully integrated member of these communities. It strives to achieve this by operating with the highest integrity and transparency, actively participating in community activities, and building strong relationships. The Company has always been committed to ensuring the maximisation of its social dividend and creating a positive impact.

Delivering and being a trusted partner for customers, communities and stakeholders is a central pillar of the Company's RIIO-ED2 business plan and it continues to provide a strong service to its customers. Whilst not being a standalone customer service company, the Company as part of Energy Networks externally benchmarks against the Top 50 customer service companies in the UK and in regulatory year 2024/25 it achieved a score of 88, higher than the No.1 ranked company. A key element of the Company's service is supporting vulnerable customers and communities. The Company has successfully completed an initial trial of its partnership model with organisations in the Glasgow area, with the ambition of providing holistic support for all customers who need extra help.

As a DNO, the Company's priority is to always keep electricity flowing to its customers across its network, whilst supporting regional and national decarbonisation ambitions. This is becoming increasingly important as the world moves away from fossil fuels and adopts electric-powered alternatives. To ensure its network is able to facilitate the growing number of low-carbon technologies, like EVs and heat pumps which connect to the grid, the Company has taken significant steps to support this in RIIO-ED2. At the local level, the Company has prioritised the proactive and reactive upgrading of looped properties (being where two or more houses share a single service cable from the main network). This allows these customers to quickly, safely and reliably connect low-carbon technologies when they are ready to do so.

ENGAGING WITH STAKEHOLDERS *continued*

At a broader level, the Company's Strategic Optimisation team has supported local, regional and national government bodies to develop energy plans and sought out new strategic relationships to achieve net zero. This team has worked with local authorities to develop their Local Area Energy Plans and have supported them in identifying the best options for EV public charging and heat electrification sites.

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.

In 2025, Energy Networks embedded a new AI-powered waste and resource tracking tool called Qflow. This innovative system enables the real-time capture of supply chain waste data through photographic evidence and has been well received by Energy Networks' contractor community. Qflow performs multiple data validation checks, flagging any unclear Waste Transfer Notes to improve compliance. This ensures a transparent and reliable record of waste movements and custody. The enhanced data provided by Qflow enables much clearer understanding of waste generation, treatment and final destination. The system is also helping to improve data on materials inflows, particularly regarding the percentage of recycled content in materials used during project delivery. This opens up new opportunities to manage and reduce the environmental impact of materials by using less and increasing the proportion of secondary materials used.

INNOVATION

Innovation remains at the core of the Company's drive towards its decarbonised, connected smart energy future. By championing innovative technologies, smarter digitalised electricity networks, 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 making sure clean, affordable energy is available to all.

The Company operates an open innovation model, recognising the value for its business of harnessing external ideas and expertise. Through this strategic approach, the Company engages and collaborates with partners, competitors and other organisations, generating ideas and inspiration to further Britain's decarbonised future.

The Company is committed to redefining industry standards and leading the charge in energy innovation. The Company's unwavering dedication to progress is reflected in its ability to consistently exceed expectations and deliver meaningful outcomes.

Innovation is not just a concept, it is embedded in everything the Company does. The Company focuses on creating tangible value for its customers while accelerating the UK's journey toward net zero. Throughout regulatory year 2024/25, the Company has made significant strides in integrating innovation into its daily operations, launching and scaling projects that address real-world challenges.

The Company remains deeply committed to transparency and stakeholder engagement, fostering open dialogue to shape the future of energy networks. Together, it is building a smarter, cleaner, and more resilient energy system for generations to come.

Building on the Company's existing leadership in areas such as power electronics and network resilience and data and digitalisation, the Company has developed a number of projects funded under Ofgem's Network Innovation Allowance. The Company is working with academic partners, small and medium-sized enterprises and large companies on a number of flagship projects.

In addition, one of the proposals getting developed will establish the Modelling, Analysis and Simulation Innovation Centre as a holistic innovation accelerator for the complex challenges the power networks face in modelling, analysis and simulation.

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

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

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

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

- **Customers:** details of how the Company engages with its customers are explained in the 'Energy customers' section of the Strategic Report, on pages 7 and 8. During 2025, the Board received and noted the Company's most up-to-date available customer service scores.
- **People:** details of how Energy Networks, and so the Company, engages with its people are set out in the 'People' section of the Strategic Report, on page 7. During 2025, the Board considered and approved the adoption by the Company of ScottishPower's 2024 Modern Slavery Statement.
- **Communities and the environment:** details of how the Company engages with communities and considers the environment are set out in the 'Community and environment' section of the Strategic Report, on page 9 and 10. During 2025, the Board approved the adoption and implementation of the Natural Capital policies established by SPL.
- **Suppliers and contractors:** details of how Energy Networks, and so the Company, engages with its suppliers are set out in the 'Suppliers and contractors' section of the Strategic Report, on page 9. During 2025, the Board affirmed that the Company aims to develop and maintain strong relationships across its supply base with a focus on health and safety, quality, cost and sustainability.
- **Government and regulators:** details of how Energy Networks, and so the Company, engages with governments and regulators are set out in the 'Government and regulators' section of the Strategic Report, on page 8 and 9. During 2025, the Board approved the submission to Ofgem of its Self-Assessment and Improvement Report under the Network and Information Systems Regulations 2018 for the period ended March 2025.

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 2025 in discharging the function of the Board, were in conformance with their duty under Section 172 of the Companies Act 2006.

SECTION 172 STATEMENT *continued*
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

Nicola M. Connelly

Nicola Connelly
Director
23 June 2026

SP DISTRIBUTION PLC
DIRECTORS' REPORT

The directors present their report and audited Accounts for the year ended 31 December 2025.

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 12.

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

RESULTS AND DIVIDEND

The net profit for the year amounted to £91.1 million (2024 £184.6 million). A dividend of £65.3 million was paid during the year (2024 £62.9 million).

CORPORATE GOVERNANCE

Statement regarding the corporate governance arrangements of the SPENH Group

As required by Section 7.2 of the Disclosure Guidance and Transparency Rules, the directors of the Company have set out a corporate governance statement for 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 has as its direct parent company SPENH and is part of the SPENH Group, does not apply a corporate governance code on the basis that it, as part of the SPENH Group, has adopted the rules and principles of the SPENH Group as they have been set by the board of directors of SPENH ("the SPENH Board"), in accordance with its terms of reference and the Foundations for the Definition and Coordination of the Iberdrola Group, all of which are based on widely recognised good governance recommendations ("the SP Energy Networks Governance and Sustainability System"). Those rules and principles of the SP Energy Networks Governance and Sustainability System that applied to the Company as part of the SPENH Group during 2025 are set out below.

The SP Energy Networks Governance and Sustainability System is published on www.spenergynetworks.co.uk under 'Corporate Governance'.

Corporate governance system

The Company is governed by the Board, which consists of four directors at the date of approval of these accounts, 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 adhered to the SP Energy Networks Governance and Sustainability System which applies to the Company as part of the SPENH Group. The SP Energy Networks Governance and Sustainability System includes the internal corporate rules approved by SPENH in accordance with the Foundations for the Definition and Coordination of the Iberdrola Group and the Ethical and Basic Principles of Governance and Sustainability of the Iberdrola Group.

Board composition

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

Scott Mathieson	
Craig Arthur	
Rt Hon. Charles Hendry	
Gillian Elizabeth King	
Nicola Connelly	
Lord Hutton of Furness	(resigned 5 May 2025)

CORPORATE GOVERNANCE *continued*
Beatrice Helene Baker Pessôa de Araújo was appointed as a director on 1 January 2026. Scott Mathieson and Craig Arthur ceased to be directors on 22 January 2026 and 27 January 2026 respectively.

There is no separate Appointments Committee within the SPENH Group. Instead, appointment matters relevant to the SPENH 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.

Purpose and values
The structure of the Company, and the SPENH Group, is set out in the Strategic Report. During 2025, the Board has taken into account the Purpose and Values of the Iberdrola Group which are published on www.spenergynetworks.co.uk under 'Corporate Governance'. This document defines and promotes the purpose and values of the Company and the SPENH Group.

Director responsibilities
The directors are fully aware of 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 SPENH Group, in accordance at all times with the SP Energy Networks Governance and Sustainability System and the provisions of all applicable legislation and regulations.

The SPENH Board has the necessary autonomy to carry out the day-to-day management and effective administration of Energy Networks, as well as responsibility for its ordinary control.

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

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

To maintain this strategic direction, Energy Networks 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.spenergynetworks.co.uk under 'Corporate Governance'.

During 2025, the governance structure was supported by the risk policies of the SPENH Group. Its business risk assessment team and independent 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 SPENH Group.

There is no separate Remuneration Committee within the SPENH Group. Instead, remuneration matters relevant to the SPENH Group and the Company are dealt with in accordance with the aforementioned performance management framework.

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

Administrative, management and supervisory bodies
The Board
The Board is responsible for the management and administration of the Company, subject to matters reserved to the SPENH Board under its terms of reference and the role of the SPENH Board in defining the strategy and management of SP Energy Networks as a whole.

SP DISTRIBUTION PLC
DIRECTORS' REPORT *continued*

CORPORATE GOVERNANCE *continued*

SPENH Board

The SPENH Board is responsible for the effective management of Energy Networks (excluding the group of companies headed by ENWH ("the ENWH Group")). The SPENH Board meets regularly and reviews strategy, operational performance and risk issues on behalf of the SPENH Group.

The SPENH Board comprised the Chair, Keith Anderson, and six other directors as at 31 December 2025. The directors, and their attendance at SPENH Board meetings held during the period under review (five meetings), were as follows:

Keith Anderson	Chair, internal, non-executive director (appointed as a director and chair on 26 March 2025)	Attended three meetings
Ana T. Lafuente González	Chair, internal, non-executive director (resigned as Chair on 26 March 2025)	Attended five meetings
Nicola Connelly	Chief Executive Officer ("CEO")	Attended five meetings
Rt Hon. Charles Hendry	External, non-executive director	Attended five meetings
Lord Hutton of Furness	External, non-executive director (resigned 5 May 2025)	Attended two meetings
Gillian King	External, non-executive director	Attended five meetings
Mónica Grau Domene	Internal, non-executive director (resigned 21 March 2025)	Attended one meeting
José Ignacio Sánchez-Galán García-Tabernero	Internal, non-executive director	Attended five meetings
Douglas Ness	Internal, executive director (appointed 20 March 2025)	Attended four meetings

Beatrice Helene Baker Pessôa de Araújo was appointed as an external, non-executive director on 1 January 2026.

The terms of reference of the SPENH Board together with rest of the SP Energy Networks Governance and Sustainability System approved by the SPENH Board, are published on www.spenergynetworks.co.uk under 'Corporate Governance' and further define the responsibilities and powers of the SPENH Board as regards the Energy Networks business and its stakeholders.

SPENH Audit and Compliance Committee ("SPENH ACC")

The SPENH 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 SPENH Board within its scope of action, which is governed by the Articles of Association of SPENH and by the terms of reference of the SPENH ACC.

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

Gillian King	Chair, external, non-executive director	Attended five meetings
Rt Hon. Charles Hendry	External, non-executive director	Attended five meetings
Mónica Grau Domene	Internal, non-executive director (resigned on 21 March 2025)	Attended one meetings
Douglas Ness	Internal, executive director (appointed 20 March 2025)	Attended four meetings

The SPENH ACC's responsibilities include:

- monitoring the financial and non-financial information preparation processes for the SPENH Group (excluding the ENWH Group);
- overseeing the independence and efficiency of Energy Networks' Internal Audit department (excluding the Internal Audit department of the ENWH Group);
- overseeing and reviewing the activities of Energy Networks' compliance and risk management departments (excluding the compliance and risk management departments of the ENWH Group);
- monitoring the statutory audit of the Annual Report and Accounts of the SPENH Group (excluding the ENWH Group); and
- monitoring the independence of the external auditor and recommending to the SPENH Board the appointment or reappointment of the auditor and the associated terms of engagement.

The issues that the SPENH ACC specifically addressed are detailed in its report which is published on www.spenergynetworks.co.uk under 'Corporate Governance' / 'Board of Directors'. The SPENH ACC's terms of reference are published at www.spenergynetworks.co.uk under 'Corporate Governance' and further define the responsibilities of the SPENH ACC.

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

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

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 a Directors' Report that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information relating to the Company that is included on the ScottishPower website. Legislation in the UK governing the preparation and dissemination of 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 ending 31 December 2026.

ON BEHALF OF THE BOARD

Nicola M. Connelly

Nicola Connelly
Director
23 June 2026

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SP DISTRIBUTION PLC

1 Our opinion is unmodified

We have audited the financial statements of SP Distribution plc ("the Company") for the year ended 31 December 2025 which comprise the Statement of financial position, Income statement and Statement of comprehensive income, Statement of changes in equity, and the related notes, including the accounting policies in Note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2025 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 believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit and Compliance Committee.

We were first appointed as auditor by the directors on 11 January 2018. The period of total uninterrupted engagement is for the nine financial years ended 31 December 2025. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matter (unchanged from 2024), in arriving at our audit opinion above, together with our key audit procedures to address that matter and, as required for public interest entities, our results from those procedures. This matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on this matter.

Capital expenditure

(£348.6 million; 2024 £282.4 million)

Refer to page 25 (accounting policy) and page 30 (financial disclosures).

The risk – Accounting Treatment – The Company continues to undertake major capital spend, including significant enhancements to the distribution networks. Property, plant and equipment (including those assets in the course of construction) is quantitatively the most significant amount on the Company's Statement of financial position and is the most significant area of audit effort. The determination of project costs as capital or operating expenditure is inherently judgmental as there is a need to distinguish between enhancement and maintenance works.

Our response – We performed the tests noting that the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included:

Control design and observation: Evaluating the design and operating effectiveness of a selection of the Company's controls over the capital expenditure process including the approval of the capital expenditure.

Test of details: We critically assessed the capital nature of a statistical sample of additions to property plant and equipment in the year.

Assess transparency: We assessed the adequacy of the Company's disclosures of its capitalisation policy.

Our results – We found the accounting treatment and related disclosures for capital expenditure to be acceptable.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £22 million (2024 £22 million), determined with reference to a benchmark of total assets, of which it represents 0.5% (2024 0.5%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual accounts balances add up to a material amount across the financial statements as a whole.

3 Our application of materiality and an overview of the scope of our audit *continued*

Performance materiality was set at 75% (2024 75%) of materiality for the financial statements as a whole, which equates to £16.5 million (2024 £16.6 million). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the SPENH Audit and Compliance Committee any corrected or uncorrected identified misstatements exceeding £1.1 million (2024 £1.1 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed by a single audit team.

4 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. In performing this assessment, we also considered the Company's reliance on financial support from its immediate parent undertaking, including the letter of support provided by Scottish Power UK plc.

The Company operates within a centrally managed treasury and funding model, and standalone cash flow forecasts indicate that, in both the base case and reasonably possible downsides, the Company will require additional funds, through funding from Scottish Power UK plc ("SPUK"), to meet its liabilities as they fall due for at least twelve months from the date of approval of these financial statements. Accordingly, the directors have considered the intention and ability of SPUK to provide the required support and have not identified any reasons to believe that it will not do so. We have evaluated the appropriateness of this approach, including consideration of reasonably possible downside scenarios reflected within the group forecasts. Given this structure, no standalone sensitivities specific to the Company have been disclosed.

We considered whether the going concern disclosure in Note 1B2 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks and dependencies.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1B2 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.

5 Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

- Enquiring of directors, the internal audit function, the group'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 and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Considering remuneration incentive schemes and performance targets for directors.
- Reading Board and Group Audit and Compliance Committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Consultation with our own forensic professional regarding the identified fraud risks factors. 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.

5 Fraud and breaches of laws and regulations – ability to detect *continued*
As required by auditing standards and taking into account any potential pressures to meet profit targets, recent revisions to guidance and our overall knowledge of the control environment, we performed procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. On this audit we do not believe there is a fraud risk related to revenue recognition because, the Company's revenues consist entirely of routine, non-complex transactions which are subject to systematic processing and do not require significant judgement.

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 revenue or cash where the other side of the entry was to an unexpected account.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements. 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, pensions legislation in respect of multi-employer defined benefit pension schemes, tax legislation and regulatory requirements governing certain revenue streams 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 or the loss of the Company's licenses to operate. We identified the following areas as those most likely to have such an effect: GDPR compliance, health and safety legislation, fraud, corruption and bribery legislation, employment and social security legislation including minimum wage and pension auto-enrolment, environmental protection legislation, Ofgem regulations and distance selling regulations, recognising the regulated nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with the Audit and Compliance Committee other matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

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.

6 We have nothing to report on the Annual Report
The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

6 We have nothing to report on the Annual Report *continued*

Our responsibility is to read the other information 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 other information.

Strategic report and directors' report

Based solely on our work on the other information:

- 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.

7 We have nothing to report on the other 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.

8 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 16, the directors are responsible for: the preparation of the financial statements including 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.

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Gordon Herbertson

Digitally signed by Gordon Herbertson
Date: 2026.06.24 17:53:47 +01'00'

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

24 **June 2026**

SP DISTRIBUTION PLC
STATEMENT OF FINANCIAL POSITION
at 31 December 2025

	Notes	2025 £m	2024 £m
NON-CURRENT ASSETS			
Intangible assets		8.6	5.2
Property, plant and equipment	3	4,004.6	3,710.5
Right-of-use assets	4	65.4	68.5
Trade and other receivables	5	0.2	0.1
		4,078.8	3,784.3
CURRENT ASSETS			
Inventories	6	26.3	27.7
Trade and other receivables	5	222.6	290.0
Current tax asset		16.1	-
Cash		-	2.1
		265.0	319.8
TOTAL ASSETS		**4,343.8**	4,104.1
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT			
Share capital		300.0	300.0
Retained earnings		583.5	557.7
TOTAL EQUITY		**883.5**	857.7
NON-CURRENT LIABILITIES			
Deferred income	7	799.2	765.0
Provisions	8	2.3	2.2
Loans and other borrowings	9	1,465.0	1,614.8
Lease liabilities	4	63.1	65.9
Trade and other payables	10	0.5	0.3
Deferred tax liabilities	11	393.4	342.6
		2,723.5	2,790.8
CURRENT LIABILITIES			
Deferred income	7	24.0	23.2
Provisions	8	0.5	0.5
Loans and other borrowings	9	361.4	92.2
Other financial liabilities		-	0.1
Lease liabilities	4	9.1	8.7
Trade and other payables	10	341.8	322.7
Current tax liabilities		-	8.2
		736.8	455.6
TOTAL LIABILITIES		**3,460.3**	3,246.4
TOTAL EQUITY AND LIABILITIES		**4,343.8**	4,104.1

Approved by the Board and signed on its behalf on 23 June 2026:

Nicola Connelly
Director

The accompanying Notes 1 to 23 are an integral part of the Statement of financial position at 31 December 2025.

SP DISTRIBUTION PLC
INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2025

	Notes	2025 £m	2024 £m
Revenue	12	539.1	617.3
Procurements		(32.0)	(34.5)
GROSS MARGIN		**507.1**	582.8
Staff costs	13	(21.0)	(17.1)
External services		(137.6)	(102.8)
Other operating results		14.2	9.5
Net operating costs		**(144.4)**	(110.4)
Taxes other than income tax	14	**(40.9)**	(39.8)
GROSS OPERATING PROFIT		**321.8**	432.6
Net expected credit losses on trade and other receivables		(2.1)	(0.6)
Depreciation and amortisation charge, allowances and provisions	15	(110.0)	(103.2)
OPERATING PROFIT		**209.7**	328.8
Dividends received		0.3	0.1
Finance income	16	3.6	10.8
Finance costs	17	(90.4)	(94.5)
PROFIT BEFORE TAX		**123.2**	245.2
Income tax	18	(32.1)	(60.6)
NET PROFIT FOR THE YEAR		**91.1**	184.6

Net profit for both years is wholly attributable to the equity holder of SP Distribution plc.

Net profit for both years comprises total comprehensive income.

All results relate to continuing operations.

The accompanying Notes 1 to 23 are an integral part of the Income statement and statement of comprehensive income for the year ended 31 December 2025.

SP DISTRIBUTION PLC
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2025

	Share capital (Note (a)) £m	Retained earnings (Note (b)) £m	Total £m
At 1 January 2024	300.0	436.0	736.0
Profit for the year attributable to the equity holder of the Company	-	184.6	184.6
Dividends	-	(62.9)	(62.9)
At 31 December 2024 and 1 January 2025	300.0	557.7	857.7
Profit for the year attributable to the equity holder of the Company	-	91.1	91.1
Dividends	-	(65.3)	(65.3)
At 31 December 2025	**300.0**	**583.5**	**883.5**

(a) At 31 December 2025, the Company had 300,000,000 allotted, called up and fully paid ordinary shares of £1 each (2024 300,000,000). The holder of these ordinary shares is entitled to dividends as declared from time to time; amounts on the capitalisation of profits and reserves; and notice and attendance at general meetings of the Company, with every member entitled to one vote on a show of hands and on a poll one vote for every share held.

(b) 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 23 are an integral part of the Statement of changes in equity for the year ended 31 December 2025.

SP DISTRIBUTION PLC
NOTES TO ACCOUNTS
31 December 2025

1 BASIS OF PREPARATION

A COMPANY INFORMATION

SP Distribution plc, registered company number SC189125, is a private company limited by shares. It is incorporated in Scotland and its registered office is 320 St. Vincent Street, Glasgow, Scotland, G2 5AD.

B BASIS OF PREPARATION

B1 BASIS OF PREPARATION OF THE ACCOUNTS

The Accounts are prepared in accordance with the accounting policies set out in Note 2. Monetary amounts are presented in pounds Sterling and rounded to the nearest hundred thousand unless otherwise indicated. The Accounts are prepared on the historical cost basis.

The Accounts have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). 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 property, plant and equipment and right-of-use assets;
- disclosures in respect of transactions with wholly-owned subsidiaries of Iberdrola, S.A.;
- disclosures in respect of capital management;
- the effects of new, but not yet effective, International Accounting Standards ("IAS") pronouncements; and
- disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of SPUK include the equivalent disclosures, the Company has also taken the following available exemptions under FRS 101:

- certain disclosures required by IFRS 13 'Fair Value Measurement';
- disclosures required by IAS 12 'Income Taxes' relating to Pillar Two model rules in respect of deferred tax assets and liabilities; and
- disclosures required by IFRS 7 'Financial Instruments: Disclosures'.

The Company has one operating segment.

B2 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 ownership of the electricity distribution network in the Central Belt and South of Scotland within the group headed by SPUK ("the SPUK Group"), 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 SPUK have performed an assessment of reasonably possible downsides.

Cash and liquidity are managed centrally by the ScottishPower Treasury function (via a cash pooling arrangement), with working capital requirements of the Company funded by SPL, the parent company of SPUK. SPUK provides financial support to the Company and SPUK itself relies on support from SPL. Centralised funding and cash management aligns with the Iberdrola Group model.

The directors have performed a going concern assessment using annual cash flow forecasts, which indicates that, in both the base case and reasonably possible downsides, the Company will require additional funds, through funding from SPUK, 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. The cash flows that have been prepared for the period of at least twelve months from June 2026, include the repayment of the £350.0 million euro-sterling bond which is due to mature on 17 July 2026.

The Company has net current liabilities of £471.8 million. Notwithstanding this, SPUK has indicated its intention to continue to make available such funds as are needed by the Company. 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.

1 BASIS OF PREPARATION *continued*

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 these financial statements on a going concern basis.

C ACCOUNTING STANDARDS

C1 IMPACT OF NEW 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 2025.

For the year ended 31 December 2025, the Company has applied the following amendments to standards for the first time, and their application has not had a material impact on the Company's accounting policies, financial position or performance:

- Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability'; and
- Amendments to IFRS 9 Financial Instruments' ("IFRS 9") and IFRS 7 'Financial Instruments: Disclosures' ("IFRS 7"): 'Contracts with Nature-dependent Electricity'.

The Company has early adopted the aforementioned amendments to IFRS 9 and IFRS 7 and has applied these amendments effective from 1 January 2025.

In May 2026, the International Accounting Standards Board published IFRS 20 'Regulatory Assets and Regulatory Liabilities', which replaces IFRS 14 'Regulatory Deferral Accounts'. The Company is assessing the impact of this Standard on the Company's accounting policies, financial position and performance, and considering its adoption options.

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 may have a significant risk of resulting in a material adjustment to the reported amounts of assets and liabilities within the next financial year. The Company has no such significant judgements or estimation uncertainties.

Management has also considered a non-significant judgement relating to climate change. This consideration focussed on the Company's going concern position. No material impact on the judgements and estimates made in the preparation of the financial statements has been identified.

Property, plant and equipment is depreciated over the estimated operational lives of the assets. The useful economic lives applied are estimated by management based on their experience and reviewed at least annually. When management identifies that actual useful economic lives differ materially from the estimates used to calculate depreciation, that charge is adjusted prospectively.

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 PROPERTY, PLANT AND EQUIPMENT

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

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

Property, plant and equipment also includes transfers of assets from inventories being generic maintenance parts which are capitalised once used in the construction of significant assets. 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	40 - 60
Meters and measuring devices	3 - 22
Other items of property, plant and equipment	4 - 50

B LEASED ASSETS

A contract is, or contains a lease if, at its inception, the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16 '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, 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 restore the underlying asset or the site on which it is located, less any lease incentives received.

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

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.

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND PRINCIPAL ACCOUNTING POLICIES *continued*
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 and statement of comprehensive income.

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.

C IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND LEASED ASSETS
At each reporting date, the Company reviews the carrying amount of its property, plant and equipment and leased assets (where relevant) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). 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 and statement of comprehensive income 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.

D 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.

D1 FINANCIAL ASSETS
D1.1 CLASSIFICATION
Financial assets are classified as measured at amortised cost. 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.

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.

On demand loans receivable are classified as non-current in the Statement of financial position unless the Company expects to realise the assets within twelve months after the reporting date, in which case the loans are classified as current. Trade receivables are classified as current if collection is expected in twelve months or less, or within the normal operating cycle of the business if longer.

D1.2 RECOGNITION AND MEASUREMENT
(a) Initial recognition and measurement
All financial assets, except for trade receivables which are initially recognised when they originate, are initially recognised when the Company becomes party to the contractual provisions of the instrument.

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

Financial assets are initially measured at fair value. The exception is 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").

(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. Interest income, foreign exchange gains and losses, and net credit losses are recognised in the Income statement and statement of comprehensive income. Any gain or loss on derecognition is also recognised in the Income statement and statement of comprehensive income.

(c) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company 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.

D2 FINANCIAL LIABILITIES

D2.1 CLASSIFICATION

Financial liabilities are classified as measured amortised cost.

D2.2 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 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 and statement of comprehensive income. Any gain or loss on derecognition is also recognised in the Income statement and statement of comprehensive income. This is the category most relevant to the Company as it includes interest-bearing loans and borrowings, and trade and other payables.

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 and statement of comprehensive income.

(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 and statement of comprehensive income.

E INVENTORIES

Inventories, which comprise plant maintenance spares, are valued at the lower of cost and net realisable value. Cost includes all directly attributable costs incurred in bringing the inventories to their present location and condition.

F 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 arises from operations within the UK.

(a) Electricity distribution

The Company provides the service of making its distribution network available 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 makes the distribution network available. 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, revenue is recognised in the amount to which the Company has a right to invoice based on the amount of allowed revenue for the year set by the regulatory price control. As allowed revenues are set in advance, some of the underlying components are forecast which

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

will be trued up in future periods based on actual performance (such as incentives). Any over or under recoveries resulting from these changes will be reflected in the calculation of the subsequent years' allowed revenues as set out in the regulatory framework. No accounting adjustments are therefore made for over or under recoveries in the year that they arise as they are contingent on future events (being the distribution of electricity in a future period). Due to the nature of the electricity settlements industry process, revenue includes unbilled income recognised as a receivable relating to units transferred over the network but not yet invoiced at the end of the year. Invoices are raised one month in arrears and are typically settled within one month.

(b) Transfers of assets from customers

Pursuant to the applicable industry regulations, the Company receives contributions from its customers for the construction of grid connection facilities or is assigned assets used to connect those customers to a network. Both the cash and the fair value of the facilities received are credited to Deferred income in the Statement of financial position (this is a contract liability). Revenue is subsequently recognised in line with the period over which the facilities are depreciated.

(c) Other revenues

Other revenues comprises meter provision income which is recognised based on the rates 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. Revenue is recognised over time based on the number of meters at published rates in line with the performance obligations in each contract.

G PROCUREMENTS

Procurement costs principally comprise use of system charges from the system operator, National Grid. Costs are recorded on an accruals basis.

H EXTERNAL SERVICES

The Company presents its Income statement and statement of comprehensive income grouping expenses according to their nature. Operating costs that are not specifically disclosed as staff costs or within other operating results are presented within External services. External services is principally comprised of business support costs and inspection and maintenance costs. Costs are recorded on an accrual basis.

I 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 settled or the asset realised based on tax rates and laws enacted, or substantively enacted, at the reporting date.

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Income statement and statement of comprehensive income.

J RETIREMENT BENEFITS

ScottishPower operates three defined benefit schemes and two defined contribution retirement benefit scheme in the UK. SP Distribution plc is a participating company in certain of 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 and statement of comprehensive income in respect of pension costs is the contributions payable in the year.

3 PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment

Year ended 31 December 2025	Note	Distribution facilities £m	Meters and measuring devices £m	Other items of property, plant and equipment in use (Note(a)) £m	Plant in the course of construction (Note (b)) £m	Total £m
Cost:						
At 1 January 2025		5,196.5	83.1	39.8	313.5	5,632.9
Additions		8.2	0.9	6.3	333.2	348.6
Transfers from plant in the course of construction to plant in use		238.6	-	0.3	(238.9)	-
Transfers from inventories	(c)	-	-	-	48.7	48.7
Disposals		(21.5)	(20.3)	(0.1)	-	(41.9)
Impairment		-	-	-	(0.1)	(0.1)
At 31 December 2025		**5,421.8**	**63.7**	**46.3**	**456.4**	**5,988.2**
Depreciation:						
At 1 January 2025		1,828.1	79.7	14.6	-	1,922.4
Depreciation for the year		100.2	0.8	1.9	-	102.9
Disposals		(21.4)	(20.3)	-	-	(41.7)
At 31 December 2025		**1,906.9**	**60.2**	**16.5**	-	**1,983.6**
Net book value:						
At 31 December 2025		**3,514.9**	**3.5**	**29.8**	**456.4**	**4,004.6**
At 1 January 2025		3,368.4	3.4	25.2	313.5	3,710.5

	2025 £m	2024 £m
Property, plant and equipment in use	3,548.2	3,397.0
Property, plant and equipment in the course of construction	456.4	313.5
	4,004.6	3,710.5

(a) Other items of property, plant and equipment in use principally comprises other technical installations, communications facilities and land.
(b) Plant in the course of construction principally comprises distribution facilities in the course of construction.
(c) Transfers from inventories represents £48.7 million (2024 £57.2 million) of capitalised spare parts.
(d) The cost of fully depreciated property, plant and equipment still in use at 31 December 2025 was £153.4 million (2024 186.3 million).
(e) Included within the cost of property, plant and equipment as at 31 December 2025 are assets in use not subject to depreciation, being land of £9.2 million (2024 £9.2 million).

4 LEASING

(a) Nature of leases

Land

The Company holds agreements to lease land and for the assignment of rights to use land, primarily relating to operational assets, with typical lease terms running from between five and 40 years. Certain agreements contain the right to extend the terms by up to five years whilst others renew automatically on a rolling basis until terminated. Termination options vary according to specific factors noted in the agreements and range from no termination to 18 months' notice at any time.

Vehicles

The Company leases vehicles with lease terms of between four and nine years, primarily being pool vehicles to mobilise its operational staff and other specialist vehicles. These agreements do not have extension or termination options. Other vehicle leases are considered short-term and the Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

Other

Other leases primarily relates to buildings for office space. The leases typically have lease terms running from five to 20 years. Certain agreement contains the right to extend the term by five years whilst others renew automatically for one year. Termination options vary according to specific factors noted in the agreements and range from no termination to 12 months' notice at any time.

4 LEASING *continued*

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.

(b) Right-of-use assets

Year ended 31 December 2025	Note	Land £m	Vehicles £m	Other £m	Total £m
Cost:					
At 1 January 2025		72.7	23.9	9.4	106.0
Additions		1.4	5.1	0.8	7.3
Adjustments for changes in liabilities	(i)	(4.0)	1.2	0.1	(2.7)
Disposals		-	(2.0)	-	(2.0)
At 31 December 2025		**70.1**	**28.2**	**10.3**	**108.6**
Depreciation:					
At 1 January 2025		15.4	18.7	3.4	37.5
Charge for the year		3.0	3.4	1.2	7.6
Disposals		-	(1.9)	-	(1.9)
At 31 December 2025		**18.4**	**20.2**	**4.6**	**43.2**
Net book value:					
At 31 December 2025		**51.7**	**8.0**	**5.7**	**65.4**
At 1 January 2025		57.3	5.2	6.0	68.5

(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.

	2025 £m	2024 £m
Less than one year	10.5	9.8
One to five years	25.9	25.3
More than five years	58.3	64.7
Total undiscounted lease liabilities at 31 December	**94.7**	99.8
Finance cost	(22.5)	(25.2)
Total discounted lease liabilities	**72.2**	74.6
Analysis of total lease liabilities		
Non-current	63.1	65.9
Current	9.1	8.7
Total	**72.2**	74.6

Details of the Company's risk management strategy for liquidity risks inherent in its lease liability are described in the 'Financial instruments' section of the Strategic Report.

4 LEASING *continued*

(d) Amounts recognised in Income statement and statement of comprehensive income

	Note	2025 £m	2024 £m
Interest on lease liabilities		**(2.3)**	(2.8)
Expenses relating to short-term leases	(i)	**(5.8)**	(5.1)

(i) This charge relates to leases for vehicles and plant and equipment which are considered short-term. Future commitments relating to the portfolio of short-term leases entered into for the next financial year are not expected to be materially different from the expense charge in the year.

(e) Total cash outflow for leases

	2025 £m	2024 £m
Total cash outflow for leases	**(14.7)**	(13.7)

5 TRADE AND OTHER RECEIVABLES

	Notes	2025 £m	2024 £m
Non-current:			
Prepayments		**0.2**	0.1
Current:			
Receivables due from related parties	(a)	12.2	16.0
Receivables due from related parties – loans	(b)	120.3	174.2
Receivables due from related parties – interest		0.8	-
Trade receivables (including unbilled revenue)	(a)	78.8	89.4
Prepayments		0.3	0.3
Other tax receivables		10.2	10.1
		222.6	290.0

(a) Trade and other receivables includes £85.5 million (2024 £102.0 million) of IFRS 15 receivables.
(b) Loans due from Iberdrola Group companies are receivable on demand with interest earned at the Bank of England base rate plus 1%. The loans are repayable on demand and classified as current as the Company expected to realise the assets after twelve months from reporting date.

6 INVENTORIES

	2025 £m	2024 £m
Inventories	**26.3**	27.7

7 DEFERRED INCOME

	Transfer of assets from customers £m
At 1 January 2024	755.4
Receivable during year	56.0
Released to Income statement	(23.2)
At 31 December 2024 and 1 January 2025	788.2
Disposals	(0.1)
Receivable during year	59.2
Released to Income statement	(24.1)
At 31 December 2025	**823.2**

7 DEFERRED INCOME *continued*

Analysis of total deferred income	2025 £m	2024 £m
Non-current	799.2	765.0
Current	24.0	23.2
	823.2	788.2

Transfer of assets from customers is an IFRS 15 contract liability.

8 PROVISIONS

	Provisions £m
At 1 January 2024	13.2
New provisions	0.7
Utilised during year	(4.0)
Released during year	(7.2)
At 31 December 2024 and 1 January 2025	2.7
New provisions	0.7
Released during year	(0.6)
At 31 December 2025	**2.8**

Analysis of total provisions	2025 £m	2024 £m
Non-current	2.3	2.2
Current	0.5	0.5
	2.8	2.7

Provisions recognised at 31 December 2025 relate to insurance and decommissioning and are not sufficiently material to warrant additional disclosures.

9 LOANS AND OTHER BORROWINGS

Instrument	Notes	Interest rate	Maturity	2025 Non-current £m	2025 Current £m	2024 Non-current £m	2024 Current £m
Loans with related parties	(a)	2.821%	31 March 2025	-	-	-	40.0
Loans with related parties	(b)	SONIA + CAS + 0.78%	20 December 2027	40.0	-	40.0	40.0
Loans with related parties	(c)	SONIA + 1.025%	27 December 2029	350.0	-	350.0	-
Loans with related parties		SONIA + 0.78%	22 December 2030	350.0	-	350.0	-
Loans with related parties		3.60%	9 June 2032	425.0	-	425.0	-
Loans with related parties		5.67%	21 June 2033	75.0	-	75.0	-
Loans with related parties		SONIA + 1.44%	20 June 2034	50.0	-	25.0	-
Loans with related parties		SONIA + 1.41%	25 June 2035	175.0	-	-	-
Loans payable to related parties				**1,465.0**	**-**	1,265.0	80.0
£350 million bond	(d), (e)	5.875%	17 July 2026	-	349.8	349.8	(0.3)
Loans payable to external counterparties				**-**	**349.8**	349.8	(0.3)
Accrued interest due to related parties				-	**2.2**	-	3.1
Accrued interest due to external counterparties				-	**9.4**	-	9.4
				1,465.0	**361.4**	1,614.8	92.2

*SONIA - Sterling Overnight Index Average; CAS - Credit Adjustment Spread.

(a) This loan was repaid in full on maturity.

(b) This loan is repayable in equal instalments on a biennial basis; only the final payment remains outstanding at 31 December 2025. The interest rates are reset at pre-determined dates.

(c) Under the conditions of this loan agreement, the Company has an option, without fee or penalty, to make a repayment in whole or in part, of the then outstanding loan principal, plus accrued interest thereon, by providing SPUK with written notice at least five business days before the intended repayment date.

(d) This bond contains a 'Loss of licence' covenant that may require repayment of the outstanding amount should the Company lose its relevant licence.

9 LOANS AND OTHER BORROWINGS *continued*

(e) The bond will be redeemed at its principal amount on 17 July 2026 unless previously redeemed or purchased and cancelled. The bond can be redeemed at any time by the Company at a higher redemption price (as determined by a financial advisor appointed by the Company and Guarantor) giving 30 to 60 days' notice.

(f) Loans are repayable in full on maturity unless otherwise stated.

(g) In June 2024, the Company entered into an intra-group committed revolving credit facility arrangement with SPUK for £750.0 million, with an expiry date of April 2029 which has yet to be utilised. Therefore, at the date of signing these Accounts, the Company has £750.0 million of undrawn committed facilities available.

10 TRADE AND OTHER PAYABLES

	Note	**2025 £m**	2024 £m
Non-current:			
Other payables		**0.5**	0.3
Current:			
Payables due to related parties		127.0	110.8
Trade payables		78.2	71.7
Other taxes and social security		9.8	14.4
Payments received on account		78.2	73.9
Capital payables and accruals		31.1	36.2
Other payables		17.5	15.7
	(a)	**341.8**	322.7

(a) Trade and other payables includes £78.2 million (2024 £73.9 million) of IFRS 15 contract liabilities.

11 DEFERRED TAX

Deferred tax is provided in the Accounts as follows:

	Property, plant and equipment £m	Other temporary differences £m	Total £m
At 1 January 2024	303.7	(0.1)	303.6
Charge to the income statement and statement of comprehensive income	39.0	-	39.0
At 1 January 2025	342.7	(0.1)	342.6
Charge to the income statement and statement of comprehensive income	50.8	-	50.8
At 31 December 2025	**393.5**	**(0.1)**	**393.4**

12 REVENUE

	2025 £m	2024 £m
Electricity distribution	509.7	594.1
Transfers of assets from customers	24.1	23.2
Meter provision	5.3	-
	539.1	617.3

13 EMPLOYEE INFORMATION

(a) Staff costs

	2025 £m	2024 £m
Wages and salaries	64.3	55.1
Social security costs	7.8	6.0
Pension and other costs	9.4	9.2
	81.5	70.3
Capitalised staff costs	(60.5)	(53.2)
	21.0	17.1

13 EMPLOYEE INFORMATION *continued*

(b) Employee numbers

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

	Average 2025	Average 2024
Administrative staff	142	140
Operations	777	698
Total	**919**	838

(c) Pensions

The Company's contributions payable in the year were £8.0 million (2024 £8.1 million). The Company contributes to certain of 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 SPL, the intermediate holding company and the sponsoring company of certain of the retirement benefit schemes. As at 31 December 2025, the surplus in ScottishPower's defined benefit schemes in the UK amounted to £177 million (2024 £125 million). The employer contribution rate for these schemes in the year ended 31 December 2025 was 24.1%-52.9%.

14 TAXES OTHER THAN INCOME TAX

	2025 £m	2024 £m
Property taxes	**40.9**	39.8

15 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

	2025 £m	2024 £m
Property, plant and equipment depreciation charge	102.9	96.5
Right-of-use asset depreciation charge	7.6	8.5
Intangible asset amortisation charge	1.9	0.9
Charges and provisions, allowances and impairment of assets	0.9	1.0
	113.3	106.9
Capitalised right-of-use asset depreciation	(3.3)	(3.7)
	110.0	103.2

16 FINANCE INCOME

	2025 £m	2024 £m
Interest on bank and other deposits	0.1	0.2
Interest receivable from related parties	3.5	10.6
	3.6	10.8

17 FINANCE COSTS

	2025 £m	2024 £m
Interest on amounts due to related parties	66.6	70.4
Interest on other borrowings	21.8	21.7
Interest on lease liabilities	2.3	2.8
	90.7	94.9
Capitalised interest	(0.3)	(0.4)
	90.4	94.5

18 INCOME TAX
(a) Income tax for the year

	2025 £m	2024 £m
Current tax:		
UK Corporation Tax for the year	(16.1)	21.2
Adjustments in respect of prior years	(2.6)	0.4
Current tax for the year	**(18.7)**	21.6
Deferred tax:		
Origination and reversal of temporary differences	47.9	39.5
Adjustments in respect of prior years	2.9	(0.5)
Deferred tax for the year	**50.8**	39.0
Income tax for the year	**32.1**	60.6

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

	2025 £m	2024 £m
Corporation Tax at 25%	30.8	61.3
Adjustments in respect of prior years	0.3	(0.1)
Non-deductible expenses and other permanent differences	1.0	(0.6)
Income tax for the year	**32.1**	60.6

(b) Pillar Two model rules
The Company has applied the exception available in IAS 12 'Income Taxes: International Tax Reform – Pillar Two Model Rules' and has not recognised or disclosed information about deferred tax assets and liabilities related to Pillar Two income taxes.

19 DIVIDENDS

	2025 pence per ordinary share	2024 pence per ordinary share	2025 £m	2024 £m
Interim dividend paid	**21.8**	21.0	**65.3**	62.9

The Company plans to pay a dividend to shareholders every year.

20 DEBT GUARANTEE
As part of the exercise to achieve legal separation of SPUK's businesses pursuant to the provision of the Utilities Act 2000, the Company and other subsidiary companies of SPUK have provided guarantees to external lenders of SPUK for debt existing in that company at 1 October 2001. The value of debt guaranteed by these companies, which was still outstanding at 31 December 2025 was £201.4 million (2024 £201.4 million).

21 COMMITMENTS

	2025		2024	
	Capital £m	**Other contractual commitments £m**	Capital £m	Other contractual commitments £m
Less than one year	140.9	18.2	152.5	16.3
One to two years	1.0	-	4.7	-
Two to three years	2.9	-	1.0	-
	144.8	**18.2**	158.2	16.3

22 RELATED PARTY TRANSACTIONS

(a) Directors' remuneration

The remuneration of the directors who provided qualifying services is set out below. Of the six (2024 eight) directors who held office during the year, five (2024 seven) were remunerated by other ScottishPower companies during the year. As five of the directors are remunerated for their work for Energy Networks, it has not been possible to apportion the remuneration specifically in respect of services to the Company. One director provided minimal qualifying services and therefore received no remuneration in relation to services provided.

	2025 £000	2024 £000
Aggregate remuneration in respect of qualifying services	**988**	1,009

	2025	2024
Number of directors who exercised share options	**1**	2
Number of directors who received shares under a long-term incentive scheme	**2**	3
Number of directors accruing retirement benefits under a defined benefit scheme	**1**	2

Highest paid director	2025 £000	2024 £000
Aggregate remuneration	**546**	253

(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.

(b) Immediate and ultimate parent company

The immediate parent company is SPENH. Copies of the accounts of SPENH may be obtained from its registered office at 320 St Vincent Street, Glasgow, Scotland, 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 SPUK.

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

23 AUDITOR'S REMUNERATION

	2025 £000	2024 £000
Audit of the Annual accounts	289	260
Audit-related assurance services	21	21
	310	281