SP TRANSMISSION PLC
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2024

Registered No. SC189126

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STRATEGIC REPORT

The directors present their Strategic Report on SP Transmission plc ("the Company") for the year ended 31 December 2024. This includes an overview of the Company's structure, strategic outlook including 2024 performance, and principal risks and uncertainties.

INTRODUCTION

The principal activity of the Company, registered company number SC189126, is the ownership of the electricity transmission network within the Central and Southern Scotland area. In accordance with the British Electricity Trading and Transmission Arrangements, National Energy System Operator ("NESO") operates the British transmission system, including balancing of generation and demand in Scotland. The Company retains network ownership and all associated responsibilities including development of the network.

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 immediate parent of the Company is Scottish Power Energy Networks Holdings Limited ("SPENH").

SPENH acquired 88% of the share capital of North West Electricity Networks (Jersey) Limited ("NWEN") in October 2024. NWEN indirectly owns 100% of the share capital of Electricity North West Limited ("ENW"), the Distribution Network Operator ("DNO") for the North West of England. Therefore, SPENH is now the holding company of both the SP Energy Networks business ("Energy Networks") and NWEN which operate as separate divisions.

Energy Networks includes three UK regulated electricity network companies wholly owned by SPENH, being the Company, SP Manweb plc ("SPM") and SP Distribution plc ("SPD"). The Company, SPM and SPD are 'asset-owner companies', holding regulated assets, electricity distribution licences (in the case of the SPD and SPM) and an electricity transmission licence (in the case of the Company). Each of the Company, SPM and SPD are regulated monopolies.

Energy Networks owns and operates the network of cables and power lines transporting electricity to around 3.5 million connected customers in the Central Belt and South of Scotland, Cheshire, Merseyside, North Shropshire and North Wales. SP Power Systems Limited ("SPPS"), another wholly owned subsidiary of SPENH, acts as a service provider to the Company, SPD and SPM.

The Company is a transmission network owner. The electricity transmission network consists of the high-voltage electricity wires that transport electricity from power stations to distribution system entry points or, in certain cases, direct to end-users' premises via a national network of high-voltage assets.

The Company is a natural monopoly and is regulated 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 basis covering April to March of any given year. Therefore, a majority of the Company's performance and key deliverables are measured and reported on this basis.

STRATEGIC OUTLOOK

Operating review

In April 2024, the Company moved into the fourth year of the five-year RIIO-T2 price control period and is still on track to deliver the agreed outputs during the remainder of the price control period. The publication of the NESO's Holistic Network Design ("HND") identified a need for strategic investments of more than £5 billion in the Company's transmission projects in South and Central Scotland by 2030. The Company continues to develop plans to deliver these significant investments which are key enablers to net zero targets.

The Eastern High Voltage Direct Current ("HVDC") link project, Eastern Green Link 1, is being developed through a partnership with National Grid Electricity Transmission plc. The project is progressing as expected, nearing the end of the development phase. Construction work has commenced with a public groundbreaking ceremony held in February 2025 at Torness.

STRATEGIC OUTLOOK *continued*

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 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.

The Company has made good progress with its Business Carbon Footprint ("BCF"). In 2023/24, the annual BCF (excluding losses) was 18,481 tonnes of carbon dioxide equivalent ("tCO2e"). This is 9% lower than in 2013/14 when the Company first started measuring BCF. However, the 2023/24 annual BCF emissions increased from the previous year principally due to an 'exceptional' Sulphur hexafluoride leakage event which occurred at Hunterston Conversion Station in June 2023. This event led to an increase of 5,311 tCO2e which accounts for 29% of this year's BCF. Excluding this exceptional event, the annual BCF would have been 13,170 tCO2e which is a 35% reduction since first measured.

2024 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))	
	2024	2023	**2024**	2023	**2024**	2023
Financial key performance indicators ("KPIs")	**£m**	£m	**£m**	£m	**£m**	£m
	507.0	518.3	**300.3**	305.6	**659.6**	422.0

(a) Revenue and Operating profit are presented in the Income statement on page 23.

(b) Capital investment in Property, plant and equipment is additions to and reassessment of decommissioning asset (refer to Note 3 on page 32). Capital investment in intangible assets was £3.5 million in the year.

Allowable transmission revenues have decreased under RIIO-T2 by £11.3 million.

Operating profit decreased by £5.3m due primarily to the decreased allowable revenue pricing noted above which was partly offset by a reduction in operating costs due to the release of a provision not utilised.

The Company's capital expenditure increased by £237.6 million reflecting higher transmission related investment to facilitate net zero targets. Higher levels of investment are expected to continue to facilitate UK net zero targets as the Company progresses through RIIO-T2.

Non-financial KPIs	Notes	**2024**	2023
Annual reliability of supply	(a), (b)	**99.99%**	99.99%
RAV (£m)	(b), (c)	**3,627.3**	3,269.1

(a) Under the Interruptions Incentive Scheme of the RIIO Regulatory regime, the Company is incentivised based on its performance against annual targets for the reliability of the transmission network. The system operator, NESO, provides the annual reliability of supply measure.

(b) 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.

(c) RAV is the Regulated Asset Value of the Company and is presented in nominal prices based on the financial year end inflation rate. The 31 March 2024 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 £56.6 million in the year to £1,040.4 million. This primarily reflects the impact of the statutory profit of £155.8 million offset by dividends of £91.1 million paid to the parent.

Policy and regulation

The indication from NESO in their Clean Power Report published on 5 November 2024 is that Clean Power 2030 ("CP2030") is achievable, however, there are key policy changes that need to be made, including delivering on the recommendations of the Electricity Networks Commissioner's 'Winser Report'. The Company strongly supports the NESO's connections reform process, which will play a key role in delivering CP2030, including queue management to prioritise connections that demonstrate progress, and the use of technology lenses. Furthermore, on 22 October 2024, the NESO was formally commissioned by the UK, Scottish and Welsh Governments to develop a Strategic Spatial Energy Plan. This will be the first comprehensive spatial strategy for Britain's energy infrastructure.

STRATEGIC OUTLOOK *continued*
Outlook for 2025 and beyond

A key focus for 2025 will be the targeted delivery of increased activity associated with regulatory outputs of next year under RIIO-T2. In July 2024, Ofgem published its Sector Specific Methodology Decision ("SSMD") for Electricity Transmission, covering the RIIO-T3 price control period from 2026 to 2031.

In response to the SSMD, the Company looked closely at the detail of their decision, worked constructively with Ofgem and engaged with stakeholders culminating in the submission of final business plan in December 2024. The RIIO-T3 draft determination is due in summer 2025 with final determination expected in winter 2025.

The Company will continue to progress the development of the Eastern Green Link 1 project via Eastern Green Link 1 Limited, a joint venture with National Grid Electricity Transmission plc. This will include the Company's monitoring of engineering, procurement and construction turnkey contracts for converter stations and cables. In addition, pre-construction planning and procurement activity for other direct current links as part of the HND suite of projects will also be progressed.

FINANCIAL INSTRUMENTS

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

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 SPUK. Additional short-term cover is provided by the undrawn committed revolving credit facility arrangement with SPUK for £1,000.0 million (Refer to Note 9(g)).

The Company also utilises derivative financial instruments. Refer to Note 10 for further details.

PRINCIPAL RISKS AND UNCERTAINTIES

The delivery of its strategy requires the Company to conduct business in a manner benefitting customers through balancing cost and risk, while delivering shareholder value and protecting its performance and reputation by prudently managing the risks inherent in the business. To maintain this strategic direction, ScottishPower, and so the Company, develops and implements risk management policies and procedures, and promotes a robust control environment at all levels of the organisation. Further details of ScottishPower's risk management practices can be found in the most recent Annual Report and Accounts of SPL.

The principal risks and uncertainties of the Company that may impact current and future operational and financial performance and the management of these risks are described on pages 3 to 6.

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.

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

RISK	RESPONSE
Price controls Failure to deliver the Company's transmission outputs agreed with Ofgem in the price control under the RIIO framework.	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. Positive or negative changes in the UK economy, such as increased volatility of commodities, inflation and currencies.	Positive and transparent engagement with all appropriate stakeholders to ensure that long-term regulatory stability and political consensus is maintained, and public backing is secured for the necessary investment in the UK energy system. Providing stakeholders with evidence of the risks of ad hoc intervention in markets. In addition to monitoring ongoing developments, the Company adheres to a ScottishPower treasury risk management policy to mitigate financial risks.
Climate change The risk that the Company's investments or operations have a significant impact on the environment and on national and international targets to tackle climate change, or that climate change has a significant impact on the Company's assets.	The Company is committed to reducing its environmental footprint and responding to the risks and opportunities of climate change by: • reducing emissions to air, land and water and preventing environmental harm; • identifying and managing climate risks and opportunities, implementing adaptation measures where required; • minimising energy consumption and use of natural and human-made resources; • sourcing material resources responsibly, cutting waste and encouraging reuse and recycling; and • protecting natural habitats and restoring biodiversity.
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.
Recruitment and retention of staff Increased and appropriate resources with the correct capabilities are required to grow the Company. The increased retiral rate and challenging RIIO-T2 and RIIO-T3 programmes require substantial recruitment in the coming years.	Extensive focus on retention and strategic workforce planning in order to build key capabilities and future skills with targeted learning and development opportunities. 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. Increased size and skill set of the ScottishPower recruitment team.

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 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 lines of defence' model with clear roles and responsibilities established. This has involved the appointment of a ScottishPower Chief Information Security Officer as well as the creation of a Business Information Security Officer for the division. 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 par es. 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 Scottish Power Compliance, Legal and Risk departments. The upward pressure on costs due to the macroeconomic environment is managed, and strategies, such as hedging and expanding the Company's supplier base, are developed and implemented. The risk is spread through supply chain engagement.
Project delivery Failure to deliver large and complex projects on time and within budget.	The Company has a strong track record in delivering large-scale engineering projects with significant experience from developing numerous major projects. Project delivery is supported by the use of established and experienced suppliers and advisors, along with robust financial management including appropriate foreign exchange hedging and funding strategy. Continue constructive engagement with Ofgem on plan deliverability and regulatory regime around HND projects.

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

RISK	RESPONSE
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 areas 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 the resilience of the British network.
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 electric vehicles, 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 and engaging with key stakeholders.

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 believes strongly that effective and meaningful engagement with stakeholders is key to promoting its success and values.

Meaningful engagement with stakeholder groups supports the ethos of section 172 of the Companies Act 2006 which states that directors should have regard to stakeholder interests when discharging their duty to promote, in good faith, the success of the Company for the benefit of its members as a whole. Details of how the Company engages with its stakeholders, and how these activities influence the Company's operations, is set out on pages 6 to 9.

Key stakeholders

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

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

Shareholders are important to the Company. The Company's relationship with its shareholders is governed by the Company's Articles of Association and provisions of the Governance and Sustainability System which apply to the Company and 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 582 employees, working across a range of roles. The employees make a real difference in determining how successfully the Company operates. The creativity, innovation and individuality of the Company's employees enables 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.

ENGAGING WITH STAKEHOLDERS *continued*

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:

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

Modern Slavery Statement

The term 'modern slavery' covers both slavery and human trafficking. ScottishPower, and 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 its customers' needs is not only deep-rooted in the Company's culture but is also essential to meeting the goals it has developed with stakeholders to guide its future plans. As part of the RIIO-T2 transmission regulatory price control, the Company is committed to improving the quality of service as measured through the Quality of Connections Survey, more commonly known as the 'Moments that Matter'. For the third year of RIIO-T2 (regulatory year 2023/24) customers rated the Company at 8.3, against a benchmark of 7.7.

Power cut support services

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 the Company's ability to offer customers timely and accurate information, cutting response times, freeing up colleagues' time so they can offer proactive and targeted support to those registered on the Priority Services Register during emergencies.

Engaging with stakeholders

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 91% in the 2024 AccountAbility audit; obtaining the highest categorisation possible ('Advanced'). This represents an overall improvement of 25% since the first audit in 2018.

The Company will continue to refine and develop 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.

ENGAGING WITH STAKEHOLDERS *continued*

The Independent Net Zero Advisory Council is an independent group of energy industry expert 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 strived to exceed its regulatory price control commitments. The Company serves its customers with 99.99% reliability levels 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 published its own Just Transition Strategy in 2023, setting out the steps it will take 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 election of a Labour Government, the Company has been engaging with the new government 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, on a new National Wealth Fund, and on a new publicly owned energy company, Great British Energy, highlighting the importance of ensuring additionality and not crowding out private investment.

NESO was commissioned by the new UK Government in August 2024 to provide advice on possible technology pathways for achieving a clean British power system by 2030 and the NESO published its advice in November 2024, setting out two pathways for achieving clean power whilst noting that it was hugely challenging. The UK Government responded with its own Clean Power 2030 Action Plan on 13 December 2024 which broadly accepted the advice from the NESO. The Company provided input to the NESO's review, drawing on the Company's key role in critical network rollout and the Company will continue to engage with the UK Government on delivery of its Action Plan.

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 NESO and Ofgem to move towards a 'first ready, first needed, first connected' approach; these proposals are being developed through the formal industry code change process.

The Company engaged constructively with Ofgem through 2024 on its plans for the next RIIO-T3 transmission price control. The unprecedented increase in investment required in RIIO-T3 (over three times the level of the Company's previous transmission price control) will bring new challenges in terms of skills, supply chain and finance ability, and the Company will continue to work with Ofgem to ensure these are appropriately reflected in the RIIO-T3 settlement.

The need to accelerate the planning and consenting process for major new energy infrastructure projects was a key feature of the Company 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.

ENGAGING WITH STAKEHOLDERS *continued*

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 aims to develop and maintain strong relationships across its supply base with a focus on health and safety, quality, cost and sustainability. The Company expects its suppliers to operate to a high standard including working in an ethical and sustainable manner, and the Company 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 continues to become more important as the Company adapts to the current geopolitical and macroeconomic challenges in addition to the post-pandemic recovery and Brexit transition, which have also impacted the supply chain. Refer to the 'Principal risks and uncertainties' section for further details.

COMMUNITY AND ENVIRONMENT

Community

The Company continually strives to be a trusted, respected and integrated part of the community, by operating with integrity, transparency, and working closely within the community to build relationships. The Company is committed to being a good neighbour throughout all of its operations to ensure the benefits are realised in local areas by helping to create local employment and enabling improvements to local infrastructure and services.

Community liaison

With RIIO-T2 well underway, the community liaison team continue to ensure that local communities are made aware in advance of projects taking place on overhead lines and substations and that every effort has been made to reduce any impact on local communities while work progresses. In addition to local households and businesses, the team engages with ward councillors, community councillors and established groups, often attending evening meetings to provide information and deal with any concerns raised at these forums.

One such example of this seen Project Teams recently attended Barrhill Community Council meeting in South Ayrshire prior to work commencing on both Markhill Substation Extension Project and Chirmorie / Strannoch Wind Farm Connections. The Company has found that communities understand the requirement for the volume of work taking place on the network which in the future will deliver many benefits – Net Zero, energy security and stability at the same time allowing the economy to prosper.

Supporting local communities

The Company enjoys providing support to communities and its engagement takes place in a variety of ways. The Company attends agricultural shows across its area with its events trailer. The Company has been involved in a large number of careers events and science, technology, engineering and mathematics inputs at schools which are always well received. When possible, the Company provides limited direct support to local communities allowing them to put in place plans which may otherwise not be possible – an example of this is the funding of a solar panelled defibrillator (one of the first in Scotland) in the hamlet of Kendoon in Dumfries and Galloway which provides reassurance to the mainly elderly residents at this rural setting.

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.

Energy Networks published its Action Plan for Nature, outlining the commitment to being nature positive for direct impacts by 2030 and the actions the Company will take to achieve this. In collaboration with its partner, Supply Chain Sustainability School, the Company, as part of Energy Networks, developed and delivered biodiversity awareness training to a cohort of its key people. The Company, as part of Energy Networks, also worked with NatureScot through the Scottish Linear Infrastructure Group to establish a cross business working group for nature.

INNOVATION

The Company's RIIO-T2 Innovation Strategy focusses on the key energy transition challenges expected to be faced by the Company's transmission network and reiterates the Company's commitment to its customers and stakeholders. The Innovation Strategy comprises four 'Innovation Clusters' which have been mapped against the ENA's 'Innovation Themes': 'Network Modernisation', 'Network Flexibility', 'System Security and Stability', and 'Digitalisation of Power Network'. These clusters are driving the Company's innovation delivery ensuring it develops a balanced Network Innovation Allowance portfolio.

The Blade project has been awarded almost £5 million to investigate and demonstrate how offshore wind farms can be used to restore the electricity network following a national power outage. To deliver this, the Company has partnered with Scottish and Southern Electricity Networks, the National HVDC Centre, the University of Strathclyde and Carbon Trust as well as an advisory panel, made up of offshore wind farm developers and original equipment manufacturers to influence the design of a potential commercial mechanism to be adopted industry-wide.
The Flexible Railway Energy Hubs project was awarded over £8 million and will demonstrate a novel microgrid solution for predictable and cost effective use of power on the railway, helping to pave the way for a significant reduction in greenhouse gas emissions, in partnership with Network Rail, the University of Leeds, Ricardo and GE Vernova.

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 Transmission 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 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 believe strongly 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 page 7. During 2024, the Board acknowledged that understanding and responding to its customers' needs is not only deep-rooted in the Company's culture but is also essential to meeting the goals it has developed.
- **People:** details of how Energy Networks, and so the Company, engages with its employees are set out in in the 'People' section of the Strategic Report, on pages 6 and 7. During 2024, the Board considered and approved the adoption by the Company of ScottishPower's 2023 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. During 2024, the Board noted that the importance of ensuring local communities and all stakeholders are made aware of proposals and projects taking place at the Company's substations and overhead lines in their areas has never been greater.

SECTION 172 STATEMENT *continued*

- **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 pages 8 and 9. During 2024, the Board noted 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. During 2024, the Board acknowledged the Company's contribution to the wider external debate about the government and regulatory measures required to tackle the critical backlog in network connections for new renewable projects.

In addition, a statement in relation to the Company's interaction with its shareholders is described in the introduction to the 'Engaging with stakeholders' section of the Strategic Report on page 6.

The directors, both individually and together as a board, consider that the decisions taken during the year ended 31 December 2024 in discharging the function of the Board, were in conformance with their duty under section 172 of the Companies Act 2006.

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

ON BEHALF OF THE BOARD

Scott Mathieson
Director
24 **June 2025**

SP TRANSMISSION PLC
DIRECTORS' REPORT

The directors present their report and audited Accounts for the year ended 31 December 2024.

INFORMATION CONTAINED WITHIN THE STRATEGIC REPORT
The directors have chosen to disclose information on the following, required by the Companies Act 2006 to be included in the Directors' Report, within the Strategic Report, found on pages 1 to 11:

- information on financial risk management and policies;
- information regarding future developments of the 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 £155.8 million (2023 £167.6 million). A dividend of £91.1 million was paid during the year (2023 £85.9 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 SPENH Group corporate governance system"). Those rules and principles of the SPENH Group corporate governance system that applied to the Company as part of the SPENH Group during 2024 are set out below.

The terms of reference of the SPENH Board and the SPENH Audit and Compliance Committee, together with the rest of the SPENH Group corporate governance system, are published on www.spenergynetworks.co.uk under 'Corporate Governance'.

Details of the Scottish Power Limited Board ("SPL Board") and the Scottish Power Limited Audit and Compliance Committee ("SP ACC") are included, given their scope of purview for ScottishPower, including the Company, and the inter-ACC coordination requirements under their respective Terms of Reference, and the General Framework for Relations of Coordination and Information among the Audit Committees of Iberdrola, S.A. and its Group.

Corporate governance system
The Company is governed by the Board, which consists of six 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 SPENH Group corporate governance system which applies to the Company as part of the SPENH Group. The SPENH Group corporate governance 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.

CORPORATE GOVERNANCE *continued*

Board composition

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

Vicky Kelsall	(resigned 30 June 2024)
Scott Mathieson	
Alison McGregor	(resigned 22 August 2024)
Pearse Murray	
Rt Hon. Charles Hendry	
Gillian King	(appointed 19 June 2024)
Guy Jefferson	(appointed 30 September 2024)
Nicola Connelly	(appointed 1 July 2024)
Lord Hutton of Furness	(appointed 16 July 2024)

Lord Hutton of Furness resigned as a Director on 5 May 2025.

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 2024, 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 documents 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 SPENH Group corporate governance 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 2024, 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 and reviewed by the Iberdrola, S.A. Remuneration Committee ("IRC"). The IRC has a function to report on the remuneration of directors and senior managers of the Iberdrola Group companies.

CORPORATE GOVERNANCE *continued*

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

SPL Board

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

The SPL Board comprised the Chairman, José Ignacio Sánchez Galán, who is also the Executive Chairman of Iberdrola, and eight other directors as at 31 December 2024.

The directors of the SPL Board were:

José Ignacio Sánchez Galán	Chairman, internal, non-executive director
Professor Sir James McDonald	Vice-chairman, external, non-executive director
Keith Anderson	Chief Executive Officer ("CEO")
Wendy Jacqueline Barnes	External, non-executive director
Iñigo Fernández de Mesa Vargas	External, non-executive director
Professor Dame Anne Glover	External, non-executive director
Daniel Alcain López	Internal, non-executive director
Gerardo Codes Calatrava	Internal, non-executive director
José Sainz Armada	Internal, non-executive director

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

José Ignacio Sánchez Galán	Attended six meetings
Professor Sir James McDonald	Attended six meetings
Keith Anderson	Attended six meetings
Wendy Jacqueline Barnes	Attended six meetings
Iñigo Fernández de Mesa Vargas	Attended six meetings
Professor Dame Anne Glover	Attended six meetings
Gerardo Codes Calatrava	Attended six meetings
José Sainz Armada	Attended six meetings
Gerardo Codes Calatrava	Attended five meetings
José Sainz Armada	Attended five meetings

Professor Dame Anne Glover resigned as a director on 26 March 2025. Lord Hutton of Furness was appointed as an external, non-executive director on 6 May 2025.

The terms of reference of the SPL Board are published on the SPL Corporate website.

SP ACC

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

The SP ACC's responsibilities include:

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

CORPORATE GOVERNANCE *continued*
The SP ACC's terms of reference are published on the SPL Corporate website.

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

Iñigo Fernández de Mesa Vargas	Chairman, external, non-executive director	Attended five meetings
Wendy Jacqueline Barnes	External, non-executive director	Attended five meetings
Daniel Alcain López	Internal, non-executive director	Attended five meetings

Lord Hutton of Furness was appointed as a member of the SP ACC on 6 May 2025. In addition to the attendance set out above, the ScottishPower Chief Financial Officer (previously, Control and Administration Director), the Director of Internal Audit and Risk (previously known as the Director of Internal Audit) and the Compliance Director normally attend, by invitation, all meetings of the SP ACC. Other members of senior management are also invited to attend as appropriate. During the year under review, the external auditor attended (in part) four meetings of the SP ACC.

Matters considered by the SP ACC during 2024
The issues that the SP ACC specifically addressed are detailed in its report which is published on the SPL Corporate website under 'Corporate Governance'/'Board of Directors'.

ScottishPower Management Committee ("SPMC")
The SPMC is a permanent internal body, which was established by the SPL Board to provide an informative and coordinating role regarding the activities of the SPL Group to which the Company belongs. In accordance with the corporate governance arrangements of the Group and the separation of regulated activities, the SPMC does not exercise any executive function as a decision-making body. The SPMC meets weekly and receives regular information on the activities of the Group, including those of the Company, in order to support the corporate functions and lines of business in understanding the local, legal, regulatory and market specifics in the UK and in order to assist the ScottishPower CEO in the performance of his duties. The CEO defines the composition of the SPMC, having regard to the duties assigned thereto and other members of management are invited to attend as appropriate.

ScottishPower Executive Committee ("SP ExCom")
The SP ExCom is a permanent internal body, which was established in 2025, after the period under review, by the SPL Board with executive powers defined under its own terms of reference (published on the Corporate website).

The SP ExCom is comprised of the Chairman and the CEO of the SPL Board, together with two non-executive directors of the same (of which one is an external director).

SPENH Board
The SPENH Board is responsible for the effective management of Energy Networks and NWEN, in accordance with the strategy of the SPENH 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, Ana T. Lafuente González, and six other directors as at 31 December 2024. The directors, and their attendance at SPENH Board meetings held during the period under review (five meetings), were as follows:

Elena León Muñoz	Chair, internal, non-executive director	Attended no meetings (resigned 17 January 2024)
Ana T. Lafuente González	Chair, internal, non-executive director	Attended five meetings (appointed 25 January 2024)
Vicky Kelsall	CEO	Attended three meetings (resigned 30 June 2024)
Nicola Connelly	CEO	Attended two meetings (appointed 1 July 2024)
Alison McGregor	External, non-executive director	Attended three meetings (resigned 22 August 2024)
Gillian King	External, non-executive director	Attended three meetings (appointed 19 June 2024)
Rt Hon. Charles Hendry	External, non-executive director	Attended five meetings
Lord Hutton of Furness	External, non-executive director	Attended two meetings (appointed 15 July 2024)
Mónica Grau Domene	Internal, non-executive director	Attended five meetings
José Ignacio Sánchez-Galán García-Tabernero	Internal, non-executive director	Attended four meetings

CORPORATE GOVERNANCE *continued*

Douglas Ness was appointed as an internal, executive director on 20 March 2025. Mónica Grau Domene resigned as director on 21 March 2025. Keith Anderson was appointed as an internal, non-executive director and Chair of the Board on 26 March 2025. Ana T. Lafuente González will remain on the board as an internal, non-executive director. Lord Hutton of Furness resigned as a director on 5 May 2025.

The terms of reference of the SPENH Board together with rest of the 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 undertakes the role and function of the SP ACC as they relate to the regulated Energy Networks division. The relationship between the SP ACC and the SPENH ACC is governed in accordance with their respective terms of reference. The SPENH ACC's terms of reference are published on www.spenergynetworks.co.uk under 'Corporate Governance' and further define the responsibilities 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:

Alison McGregor	Chair, external, non-executive director	Attended three meetings (resigned 22 August 2024)
Gillian King	Chair, external, non-executive director	Attended two meetings (appointed 19 June 2024 and further appointed Chair on 26 August 2024)
Rt Hon. Charles Hendry	External, non-executive director	Attended five meetings
Mónica Grau Domene	Internal, non-executive director	Attended five meetings

Douglas Ness was appointed as an internal, executive director on 20 March 2025. Mónica Grau Domene resigned as Director on 21 March 2025.

The SPENH ACC's responsibilities include (to the extent applicable to Energy Networks and NWEN):

- monitoring the financial and non-financial information preparation processes for the SPENH Group;
- overseeing the independence and efficiency of ScottishPower's Internal Audit department;
- overseeing and reviewing the activities of ScottishPower's compliance and risk management departments;
- monitoring the statutory audit of the Annual Report and Accounts of the SPENH 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'.

Significant financial statement reporting issues

During the year the SPENH ACC reviewed and considered regulatory inquiries.

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' ("FRS 101").

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

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

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

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

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and Directors' Report that 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 ended 31 December 2025.

ON BEHALF OF THE BOARD

Scott Mathieson
Director
24 **June 2025**

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

1 Our opinion is unmodified

We have audited the financial statements of SP Transmission plc ("the Company") for the year ended 31 December 2024 which comprise the Statement of financial position, Income statement, 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 2024 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 committee.

We were first appointed as auditor by the directors on 11 January 2018. The period of total uninterrupted engagement is for the eight financial years ended 31 December 2024. 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 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 2023), 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

(£657.9 million; 2023 £421.9 million)

Refer to page 27 (accounting policy) and page 33 (financial disclosures).

The risk – Accounting Treatment – The Company continues to undertake major capital projects, including significant enhancements to the transmission 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 assessed the Company's capitalisation policy for compliance with relevant accounting standards. 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. Tests of effectiveness were performed by re-performing a sample selected on the basis of the frequency of control operation and were designed to verify that appropriate procedures were followed in each instance.

Test of details: We critically assessed the capital nature of a statistical sample of additions to property plant and equipment in the year. 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 (2023 £19.2 million), determined with reference to a benchmark of total assets, of which it represents 0.5% (2023 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. Performance materiality was set at 75% (2023 75%) of materiality for the financial statements as a whole, which equates to £16.6 million (2023 £14.4 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 Committee any corrected or uncorrected identified misstatements exceeding £1.1 million (2023 £0.96 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.

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

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 1B3 to be acceptable.

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

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.
- Reading Board and Group Audit and Compliance Committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

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

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 judgements.

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 Group'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 Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including form and content) including related companies legislation, distributable profits legislation, 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 Group 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 this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6 We have nothing to report on the other information in the Annual Report

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

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

- we have not identified material misstatements in those reports;
- in our opinion the information given in the strategic report and the directors' report 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 pages 16 and 17, 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 (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St. Vincent Street
Glasgow
G2 5AS
25 June 2025

SP TRANSMISSION PLC
STATEMENT OF FINANCIAL POSITION
at 31 December 2024

	Notes	2024 £m	2023 £m
NON-CURRENT ASSETS			
Intangible assets		4.5	1.7
Property, plant and equipment	3	4,263.0	3,703.9
Right-of-use assets	4	25.5	11.0
Investments in joint venture	5	-	-
Derivative financial instruments		-	0.1
		4,293.0	3,716.7
CURRENT ASSETS			
Inventories		1.7	1.4
Trade and other receivables	6	49.5	126.7
Current tax asset		17.4	35.1
Derivative financial instruments		-	0.2
Cash		4.3	2.3
		72.9	165.7
TOTAL ASSETS		**4,365.9**	3,882.4
EQUITY			
ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT			
Share capital		385.0	385.0
Hedge reserve		(9.0)	(0.9)
Retained earnings		664.4	599.7
TOTAL EQUITY		**1,040.4**	983.8
NON-CURRENT LIABILITIES			
Deferred income	7	212.6	188.7
Other provisions	8	11.1	11.9
Loans and other borrowings	9	1,968.8	1,903.5
Derivative financial instruments	10	9.9	1.5
Other financial liabilities		-	0.2
Lease liabilities	4	25.0	10.7
Trade and other payables		0.9	0.6
Deferred tax liabilities	11	412.5	359.3
		2,640.8	2,476.4
CURRENT LIABILITIES			
Deferred income	7	5.5	5.4
Other provisions	8	-	14.0
Loans and other borrowings	9	180.9	19.3
Derivative financial instruments	10	1.6	-
Other financial liabilities		0.1	0.1
Lease liabilities	4	1.8	1.3
Trade and other payables	12	494.8	382.1
		684.7	422.2
TOTAL LIABILITIES		**3,325.5**	2,898.6
TOTAL EQUITY AND LIABILITIES		**4,365.9**	3,882.4

Approved by the Board and signed on its behalf on 24 June 2025:

Scott Mathieson
Director

The accompanying Notes 1 to 24 are an integral part of the Statement of financial position at 31 December 2024.

SP TRANSMISSION PLC
INCOME STATEMENT
for the year ended 31 December 2024

	Notes	2024 £m	2023 £m
Revenue	13	507.0	518.3
GROSS MARGIN		**507.0**	518.3
Staff costs	14	(7.5)	(5.8)
External services		(66.0)	(72.5)
Other operating results		12.8	8.3
Net operating costs		**(60.7)**	(70.0)
Taxes other than income tax	15	(46.9)	(42.6)
GROSS OPERATING PROFIT		**399.4**	405.7
Net expected credit losses on trade and other receivables		-	0.1
Depreciation and amortisation charge, allowances and provisions	16	(99.1)	(100.2)
OPERATING PROFIT		**300.3**	305.6
Finance income	17	4.1	3.9
Finance costs	18	(93.5)	(80.5)
PROFIT BEFORE TAX		**210.9**	229.0
Income tax	19	(55.1)	(61.4)
NET PROFIT FOR THE YEAR		**155.8**	167.6

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

All results relate to continuing operations.

The accompanying Notes 1 to 24 are an integral part of the Income statement for the year ended 31 December 2024.

SP TRANSMISSION PLC
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2024

	2024 £m	2023 £m
NET PROFIT FOR THE YEAR	**155.8**	167.6
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to the Income statement:		
Change in the value of cash flow hedges	(10.8)	-
Tax relating to cash flow hedges	2.7	-
	(8.1)	-
Items that will not be subsequently reclassified to the Income statement:		
Change in the value of cash flow hedges	-	(1.2)
Tax relating to cash flow hedges	-	0.3
	-	(0.9)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**(8.1)**	(0.9)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**147.7**	166.7

Total comprehensive income for both years is wholly attributable to the equity holder of SP Transmission plc.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2024

	Share capital (Note (a)) £m	Hedge reserve (Note (b)) £m	Retained earnings (Note (c)) £m	Total £m
At 1 January 2023	385.0	-	518.0	903.0
Profit for the year attributable to the equity holders of the Company	-	-	167.6	167.6
Changes in the value of cash flow hedges	-	(1.2)	-	(1.2)
Tax relating to cash flow hedges	-	0.3	-	0.3
Dividends	-	-	(85.9)	(85.9)
At 1 January 2024	385.0	(0.9)	599.7	983.8
Profit for the year attributable to the equity holders of the Company	-	-	155.8	155.8
Changes in the value of cash flow hedges	-	(10.8)	-	(10.8)
Tax relating to cash flow hedges	-	2.7	-	2.7
Dividends	-	-	(91.1)	(91.1)
At 31 December 2024	**385.0**	**(9.0)**	**664.4**	**1,040.4**

(a) At 31 December 2024, the Company had 385,000,000 allotted, called up and fully paid ordinary shares of £1 each (2023 385,000,000). Holders of these ordinary shares are 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) The hedge reserve represents the balance of gains and losses on cash flow hedges (net of taxation) not yet transferred to income or the carrying amount of a non-financial asset.

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

The accompanying Notes 1 to 24 are an integral part of the Statement of comprehensive income, and the Statement of changes in equity for the year ended 31 December 2024.

SP TRANSMISSION PLC
NOTES TO ACCOUNTS
31 December 2024

1 BASIS OF PREPARATION

A COMPANY INFORMATION

SP Transmission plc, registered company number SC189126, is a private company limited by shares, incorporated in Scotland and its registered address 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 plc 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.

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

B2 CHANGE IN ESTIMATE – USEFUL LIVES OF ONSHORE UNDERGROUND CABLES

During the year, the Company increased the estimated useful life of its onshore underground cable assets from 40 years to 60 years, in order to better align the accounting estimate with the wider industry and the physical life span of the assets. This change in estimate was applied prospectively from 1 January 2024. The impact of this change for the period to 31 December 2024 has been a decrease to the depreciation charge of £5.7 million and a decrease to the deferred income relating to the transfer of assets from customers, which is released to revenue over the life of the associated assets, of £0.3 million. It is impracticable to estimate the effect of these changes on future periods.

B3 GOING CONCERN

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

The principal activity of the Company is the ownership of the electricity transmission network in the Central and Southern Scotland area 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 the SPUK Group have performed an assessment of reasonably possible downsides.

Cash and liquidity are managed centrally by the ScottishPower Treasury function, with working capital requirements of the Company funded by SPL, the parent company of SPUK, who also operate a cash pooling arrangement, which the Company is party to. Centralised funding and cash management aligns with the Iberdrola Group model.

1 BASIS OF PREPARATION *continued*

The directors have performed a going concern assessment 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 Company has net current liabilities of £611.8 million. Notwithstanding this, SPUK has indicated its intention to continue to make available such funds as are needed by the Company. Loan repayments due to SPUK within twelve months from the date of these financial statements of £70.0 million were repaid in March 2025. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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

C 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 2024.

For the year ended 31 December 2024, the following amendments to standards have been issued and are applicable for the Company for the first time. Where relevant, their application has not had a material impact on the Company's accounting policies, financial position or performance:

- Amendments to IFRS 16 'Leases: Lease Liability in a Sale and Leaseback'
- Amendments to IAS 1 'Presentation of Financial Statements: Classification of Liabilities as Current or Non-current' and 'Deferral of Effective Date' and 'Non-current Liabilities with Covenants'
- Amendments to IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments: Disclosures': 'Supplier Finance Arrangements'

In January 2021, the International Accounting Standards Board ("IASB") published its exposure draft 'Regulatory Assets and Regulatory Liabilities'. The IASB expects to publish the new Standard in the second half of 2025. The Company is monitoring this project and considering its impact on the Company and 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 had 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.

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

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. 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		
Transmission facilities	40	-	60
Other items of property, plant and equipment	5	-	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.

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.

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

The incremental borrowing rates will be updated annually and applied to leases commencing in the subsequent year. Therefore, the lease liability is measured at amortised cost using the effective interest rate method. Lease payments included in the measurement of the lease liability comprise fixed payments (including in-substance fixed payments); variable lease payments that depend on an index or a rate initially measured using the index or rate at the commencement date; lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Company is reasonably certain not to do so.

The lease liability is remeasured when there is a change in the future lease payments arising from a change in the index or rate, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. This change in the lease liability will result in a corresponding adjustment to the carrying amount of the right-of-use asset, or in profit or loss if the carrying amount of the right-of-use asset is zero.

The Company presents lease liabilities separately in the Statement of financial position; the discount on the liabilities unwinds over the term of the lease and is charged to Finance costs in the Income statement.

The Company has elected not to recognise right-of-use assets and lease liabilities for certain short-term leases that have a lease term of twelve months or less, and leases of intangible assets. The Company recognises any lease payments associated with such leases as an expense on a straight-line basis over the lease term.

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 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 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 INVESTMENTS IN JOINT ARRANGEMENTS

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

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

The Company recognises its interest in a joint venture as an investment and accounts for that investment using the equity method and initially recognised at cost and adjusted thereafter for the post-acquisition change in the share of its net assets. The Company recognises, in relation to its interest in a joint operation, its share of the assets, liabilities, income, and expenses relating to its interests in the joint operation on a line-by-line basis.

E 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.

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

E1 FINANCIAL ASSETS

E1.1 CLASSIFICATION

Financial assets are classified as measured at amortised cost or fair value through profit and loss ("FVTPL"). The Company's business model for managing financial assets refers to how it manages them in order to generate cash flows.

The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The business model of the Company does not depend on the intentions of management for an individual instrument. Therefore, it is not an instrument-by-instrument classification approach and should be 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.

E1.2 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.

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

(b) Subsequent measurement and gains and losses

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

Financial assets classified as FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the Income statement unless the financial asset is a derivative which is part of a hedging relationship (refer to Note E3).

(c) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily 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.

E2 FINANCIAL LIABILITIES

E2.1 CLASSIFICATION

Financial liabilities are classified as measured at FVTPL or amortised cost. A financial liability is classified as FVTPL if it is classified as held-for-trading, a derivative financial or otherwise designated as such on initial recognition.

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

E2.2 RECOGNITION AND MEASUREMENT

(a) Initial recognition and measurement

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

(b) Subsequent measurement and gains and losses

Financial liabilities classified as FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the Income statement unless the financial liability is a derivative which is part of a hedging relationship (Refer to Note E3).

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the Income statement. Any gain or loss on derecognition is also recognised in the Income statement. 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.

(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.

E2.3 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Company offsets a financial asset and a financial liability, and reports the net amount, only when the Company has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

E3 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

E3.1 DERIVITIVE FINANCIAL INSTRUMENTS

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

The gain or loss on remeasurement to fair value is recognised immediately in the Income statement, unless the derivative is subject to hedge accounting. Where the derivative is subject to hedge accounting, the recognition of any gain or loss depends on the nature of hedge accounting applied (refer to Note E3.2).

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

The hedge documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged, and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including details of sources of hedge ineffectiveness and how the hedge ratio is determined).

A relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

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

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

E3.2 CASH FLOW HEDGES

For the signficant majority of forward foreign currency contracts the Company designates all of the forward contract (both the spot and forward elements) as the hedging instrument. The portion of gain or loss of the hedging instrument determined to be an effective hedge is recognised in Other comprehensive income and forms part of the hedge reserve. The ineffective portion of the change in fair value of the hedging instruments is recognised in the Income statement within finance income or costs. If the cash flow hedge relates to an underlying transaction which results in the recognition of a non-financial asset, the associated gains or losses on the derivative (previously recognised in equity) are recognised in the initial measurement of the asset arising from the hedged transaction.

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

E3.3 FAIR VALUATION OF FINANCIAL INSTRUMENTS

In those circumstances where IFRS 9 'Financial Instruments' ("IFRS 9") requires financial instruments to be recognised in the Statement of financial position at fair value, the Company's valuation strategies for derivative and other financial instruments utilise, as far as possible, quoted prices in an active trading market.

In the absence of quoted prices for identical or similar assets or liabilities, it is sometimes necessary to apply valuation techniques where contracts are marked using approved models. Models are used for developing both the forward curves and the valuation metrics of the instruments themselves where they are complex combinations of standard and non-standard products.

All models are subject to rigorous testing prior to being approved for valuation, and subsequent continuous testing and approval procedures are designed to ensure the validity and accuracy of the model assumptions and inputs. Where derivatives are not collateralised, their valuation reflects the Company's credit risk in the case of liabilities, and the counterparty's credit risk in the case of assets.

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 transmission

The Company provides the service of making its transmission network available to the British system operator. 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 transmission network available. Revenue is recognised in an amount to which the Company has a right to invoice based on the amount of allowed revenue for the year, and recognised over time based on the billable volumes and the rate agreed in the regulatory price control. As allowed revenues are set in advance, some of the underlying components are forecast which 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 transmission of electricity in a future period). Invoices are typically raised and settled on a monthly basis and, therefore, there are no related IFRS 15 contract assets or contract liabilities at the end of the year.

(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.

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

G 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.

H RETIREMENT BENEFITS

ScottishPower operates two defined benefit schemes and one defined contribution retirement benefit scheme in the UK. SP Transmission plc is a participating company in these group arrangements, and the contributions for the defined benefit schemes are based on pension costs across all the participating companies.

The Company is unable to identify its share of the underlying assets and liabilities in the defined benefit schemes, as the scheme administrators do not calculate these separately for each of the various companies participating in the schemes and therefore treats these schemes as if they were defined contribution schemes. The amount charged to the Income statement in respect of pension costs is the contributions payable in the year.

I DECOMMISSIONING COSTS

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

J 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 except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or shown in the Statement of comprehensive income.

SP TRANSMISSION PLC
NOTES TO ACCOUNTS *continued*
31 December 2024

3 PROPERTY, PLANT AND EQUIPMENT
(a) Movements in property, plant and equipment

	Transmission facilities £m	Other items of property, plant and equipment in use (Note(i)) £m	Plant in the course of construction (Note(ii)) £m	Total £m
Cost:				
At 1 January 2024	4,023.4	85.9	632.1	4,741.4
Additions	-	0.7	657.2	657.9
Reassessment of decommissioning asset	(1.8)	-	-	(1.8)
Transfers from plant in the course of construction to plant in use	164.0	-	(164.0)	-
Transfers from inventories	-	-	0.5	0.5
Disposals	(4.5)	-	-	(4.5)
At 31 December 2024	**4,181.1**	**86.6**	**1,125.8**	**5,393.5**
Depreciation:				
At 1 January 2024	994.9	42.6	-	1,037.5
Depreciation for the year	94.2	2.9	-	97.1
Disposals	(4.1)	-	-	(4.1)
At 31 December 2024	**1,085.0**	**45.5**	**-**	**1,130.5**
Net book value:				
At 31 December 2024	**3,096.1**	**41.1**	**1,125.8**	**4,263.0**
At 1 January 2024	3,028.5	43.3	632.1	3,703.9

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

	2024 £m
Property, plant and equipment in use	3,137.2
Property, plant and equipment in the course of construction	1,125.8
	4,263.0

(i) Other items of property, plant and equipment in use principally comprises land and communications equipment.
(ii) Plant in the course of construction principally comprises transmission facilities in the course of construction.
(iii) The cost of fully depreciated property, plant and equipment still in use at 31 December 2024 was £57.5 million (2023 £43.1 million).
(iv) Included within the cost of property, plant and equipment as at 31 December 2024 are assets in use not subject to depreciation, being land of £23.2 million (2023 £23.2 million).
(v) Interest on the funding attributable to major capital projects was capitalised during the year at a rate of 5.3% (2023 4.6%).
(vi) Included within the cost of property, plant and equipment is capitalised interest of £8.8 million (2023 £2.5 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 between five and 40 years.

Some land leases contain extension options exercisable by the Company at the end of the non-cancellable contract period or an agreed point before that date for up to five years. 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.

Buildings

The Company holds agreements to lease buildings, with typical lease terms running between ten and 20 years.

4 LEASING *continued*

Vehicles

The Company leases vehicles with lease terms of between five and 9 years, primarily being pool vehicles to mobilise its operational staff and other specialist vehicles. Certain vehicle leases are considered short-term and the Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

(b) Right-of-use assets

Year ended 31 December 2024	Note	Land £m	Buildings £m	Vehicles £m	Total £m
Cost:					
At 1 January 2024		11.0	-	4.4	15.4
Additions		0.6	8.3	-	8.9
Adjustments for changes in liabilities	(i)	8.3	(0.7)	(0.1)	7.5
Disposals		(0.1)	-	(0.1)	(0.2)
At 31 December 2024		**19.8**	**7.6**	**4.2**	**31.6**
Depreciation:					
At 1 January 2024		2.0	-	2.4	4.4
Charge for the year		1.0	0.2	0.7	1.9
Transfers		(0.1)	-	(0.1)	(0.2)
At 31 December 2024		**2.9**	**0.2**	**3.0**	**6.1**
Net book value:					
At 31 December 2024		**16.9**	**7.4**	**1.2**	**25.5**

(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.

	2024 £m	2023 £m
Less than one year	2.4	1.5
One to five years	8.0	3.4
More than five years	31.0	12.5
Total undiscounted lease liabilities at 31 December	**41.4**	17.4
Finance cost	(14.6)	(5.4)
Total discounted lease liabilities	**26.8**	12.0

Analysis of total lease liabilities		
Non-current	25.0	10.7
Current	1.8	1.3
Total	**26.8**	12.0

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

(d) Amounts recognised in Income statement

	Note	**2024 £m**	2023 £m
Interest on lease liabilities		**(1.1)**	(0.4)
Expenses relating to short-term leases	(i)	**(1.6)**	(1.3)

(i) This charge relates to leases for vehicles and other 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 charged in the year.

4 LEASING *continued*

(e) Total cash outflows for leases

	2024	2023
	£m	£m
Total cash outflow for leases	**(3.6)**	(2.6)

5 INVESTMENTS

(a) Movements in Investments in joint venture

	£
At 1 January 2023,1 January 2024 and 31 December 2024	**50**

(b) Joint arrangements

The table below sets out details of the joint arrangements of the Company at 31 December. All entities are direct holdings.

Name	Principal activities	Notes	Registered office and country of incorporation	Equity interest in ordinary shares 2024	2023
Joint venture					
NGET/SPT Upgrades Limited	Operation of offshore Western HVDC Transmission link	(i), (ii)	England and Wales	**50%**	50%
Joint operation					
Eastern Green Link 1 Limited	Development of offshore Eastern HVDC Transmission link	(i), (iii)	England and Wales	**50%**	50%

(i) The registered address of each joint arrangement is 1-3 Strand, London, WC2N 5EH, England.
(ii) This direct investment in 100% of the 'B' ordinary shares represents 50% of the joint venture's total issued share capital.
(iii) Eastern Green Link 1 Limited is a joint operation of the Company which is structured through a separate entity (refer to Note 2D). The Company has joint control over this company through a shareholder agreement which has the effect of giving the controlling parties rights to the assets of the arrangement and obligations for its liabilities. Therefore, the arrangement is considered to be a joint operation.
(iv) Easter Green Link 4 Limited was incorporated on 19 May 2025 and on 29 May 2025 the Company acquired 50% of its share capital for a total consideration of £50.

6 CURRENT TRADE AND OTHER RECEIVABLES

	Notes	2024 £m	2023 £m
Receivables due from related parties		0.6	0.9
Receivables due from related parties – loans	(a)	23.9	99.9
Trade receivables (including accrued income)		5.6	14.7
Prepayments		1.5	-
Other tax receivables		17.9	11.2
	(b)	**49.5**	126.7

(a) Current loans due from Iberdrola Group companies are receivable on demand with interest linked to the Bank of England base rate.
(b) Current trade and other receivables includes £5.9 million (2023 £1.2 million) of IFRS 15 receivables.

7 DEFERRED INCOME

	Transfer of assets from customers £m
At 1 January 2023	182.4
Receivable during year	16.6
Released to Income statement	(4.9)
At 31 December 2023 and 1 January 2024	**194.1**
Receivable during year	29.3
Released to Income statement	(5.3)
At 31 December 2024	**218.1**

7 DEFERRED INCOME *continued*

Analysis of total deferred income	2024 £m	2023 £m
Non-current	212.6	188.7
Current	5.5	5.4
	218.1	194.1

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

8 PROVISIONS

	Provisions £m
At 1 January 2023	13.2
Reassessment of decomissioning costs	(1.7)
New provisions	14.0
Unwinding of discount	0.4
At 31 December 2023 and 1 January 2024	25.9
Reassessment of decomissioning costs	(1.8)
New provisions	0.5
Unwinding of discount	0.5
Utilised during year	(5.6)
Released during year	(8.4)
At 31 December 2024	**11.1**

(a) From time to time, regulatory bodies, including Ofgem, open inquiries with the Company in relation to compliance with licences, laws and regulations, and the Company works proactively with those relevant authorities. Provisions recognised at 31 December 2023 related primarily to one such matter for which the Company reached a satisfactory conclusion with the relevant authority during 2024; £5.6 million of the provision was utilised and the remainder of £8.4 million released.

(b) The provision for decommissioning costs is £11.1 million (2023 £11.7 million) and is the discounted future estimated costs of decommissioning certain non-current assets. The decommissioning costs are expected to be incurred in the period between 2057 and 2058.

Analysis of total provisions	2024 £m	2023 £m
Non-current	11.1	11.9
Current	-	14.0
	11.1	25.9

9 LOANS AND OTHER BORROWINGS

Instrument	Notes	Interest rate	Maturity	2024 Non-current £m	2024 Current £m	2023 Non-current £m	2023 Current £m
Loans with related parties	(a), (b)	2.821%	31 March 2025	-	70.0	70.0	-
Loans with related parties	(a)	SONIA + CAS + 0.78%	20 December 2027	90.0	90.0	180.0	-
Loans with related parties	(b)	SONIA + 3.365%	28 January 2029	210.0	-	210.0	-
Loans with related parties		SONIA + 0.78%	22 December 2030	450.0	-	450.0	-
Loans with related parties		3.60%	9 June 2032	400.0	-	400.0	-
Loans with related parties		5.67%	21 June 2033	275.0	-	250.0	-
Loans with related parties		SONIA + 1.44%	20 June 2034	200.0	-	-	-
Loans payable to related parties				**1,625.0**	**160.0**	1,560.0	-
£350 million euro-sterling bond	(c), (d), (e)	2.00%	13 November 2031	343.8	(0.3)	343.5	(0.3)
Loans payable to external counterparties				**343.8**	**(0.3)**	343.5	(0.3)
Accrued interest due to related parties				-	**20.3**	-	18.7
Accrued interest due to external counterparties				-	**0.9**	-	0.9
				1,968.8	**180.9**	1,903.5	19.3

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

(a) These loans are repayable in equal instalments on a biennial basis.

9 LOANS AND OTHER BORROWINGS *continued*

(b) Under the conditions of this long-term 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 written notice at least five business days before the intended repayment date.
(c) This bond contains a 'loss of licence' covenant that will require repayment of the outstanding amount should the Company lose its transmission licence.
(d) This bond will be redeemed at its principal amount on 13 November 2031 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 Fiscal Agent) giving 30 to 60 days' notice. The carrying value of the bond includes finance costs of £(0.3) million (2023 (£0.3) million).
(e) The Company has external debt that contains loan covenants. None of these covenants require covenant ratios to be calculated. A future breach of covenants may require the Company to repay the loan earlier than indicated in the above table. Under the agreements, the covenants are monitored on a regular basis by the ScottishPower treasury function and regularly reported to management to ensure compliance with agreements.
(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 £1,000 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 £1,000 million of undrawn committed facilities available.

10 FINANCIAL INSTRUMENTS

The Company holds derivative financial instruments, comprising foreign exchange forward contracts, which are measured in the Statement of financial position at fair value as detailed below.

	Derivative financial instruments £m
At 1 January 2023	-
Recorded in Cash flow hedge reserve	(1.2)
At 31 December 2023 and 1 January 2024	(1.2)
Recorded in Cash flow hedge reserve	(10.8)
Settlement of derivatives	0.5
At 31 December 2024	**(11.5)**

The Company uses foreign currency forwards to hedge its exposure to foreign currency risk in relation to asset purchases and service contracts. For such items the Company designates the entire value of the foreign currency forward in the hedge relationship. The tables below illustrate the timing of the notional amount of the hedging instrument and the average forward price of the foreign exchange hedging instrument.

	Notional amount of hedging instrument (maturity profile) £m					
At 31 December 2024	**1 year**	**2 years**	**3 years**	**4 years**	**5 years+**	**Total**
Foreign exchange rate derivatives - EUR	45.9	83.7	95.4	73.3	22.3	**320.6**

	Average forward price (exchange rate)				
At 31 December 2024	**1 year**	**2 years**	**3 years**	**4 years**	**5 years+**
EUR (GBP:EUR)	1.1561	1.1085	1.0961	1.0820	1.0690

11 DEFERRED TAX

	Property, plant and equipment £m	Derivative financial instruments £m	Other temporary differences £m	Total £m
At 1 January 2023	299.9	-	(0.2)	299.7
Charge to the Income statement	59.8	-	0.1	59.9
Recorded in the statement of comprehensive income	-	(0.3)	-	(0.3)
At 1 January 2024	359.7	(0.3)	(0.1)	359.3
Charge/(credit) to the Income statement	56.1	-	(0.2)	55.9
Recorded in the statement of comprehensive income	-	(2.7)	-	(2.7)
At 31 December 2024	**415.8**	**(3.0)**	**(0.3)**	**412.5**

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

12 CURRENT TRADE AND OTHER PAYABLES

	Note	**2024**	2023
Payables due to related parties		69.7	52.3
Trade payables		34.4	25.2
Other taxes and social security		1.3	8.9
Payments received on account		42.5	57.3
Capital payables and accruals		343.9	235.7
Other payables		3.0	2.7
	(a)	**494.8**	382.1

(a) Current trade and other payables includes £42.3 million (2023 £57.3 million) of IFRS 15 contract liabilities.

13 REVENUE

	2024 £m	2023 £m
Electricity transmission	501.7	513.4
Transfers of assets from customers	5.3	4.9
	507.0	518.3

14 EMPLOYEE INFORMATION

(a) Staff costs

	2024 £m	2023 £m
Wages and salaries	40.4	33.6
Social security costs	4.3	3.6
Pension and other costs	5.6	4.7
	50.3	41.9
Capitalised staff costs	(42.8)	(36.1)
	7.5	5.8

(b) Employee numbers

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

	Average 2024	Average 2023
Administrative staff	151	75
Operations	431	443
Total	**582**	518

14 EMPLOYEE INFORMATION *continued*

(c) Pensions

The Company's contributions payable in the year were £4.9 million (2023 £4.2 million) The Company contributes to ScottishPower's defined benefit and defined contribution schemes in the UK and the contributions payable in the year reflect the contributions payable in respect of active participants in the group schemes who are employed by the Company. Full details of these schemes are provided in the most recent Annual Report and Accounts of SPUK, the intermediate holding company and the sponsoring company of the retirement benefit schemes. As at 31 December 2024, the surplus in ScottishPower's defined benefit schemes in the UK amounted to £125 million (2023 £124 million). The employer contribution rate for these schemes in the year ended 31 December 2024 was 52.9-53.4%.

15 TAXES OTHER THAN INCOME TAX

	2024	2023
	£m	£m
Property taxes	**46.9**	42.6

16 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS

	2024	2023
	£m	£m
Property, plant and equipment depreciation charge	97.1	100.6
Right-of-use asset depreciation charge	1.9	1.1
Intangible asset amortisation charge	0.7	0.1
Charges and provisions, allowances and impairment of assets	0.4	(1.1)
	100.1	100.7
Capitalised right-of-use asset depreciation	(1.0)	(0.5)
	99.1	100.2

17 FINANCE INCOME

	2024	2023
	£m	£m
Interest on bank and other deposits	0.1	0.2
Interest receivable from related parties	3.8	3.7
Foreign exchange gains	0.2	-
	4.1	3.9

18 FINANCE COSTS

	2024	2023
	£m	£m
Interest on amounts due to related parties	90.3	75.8
Interest on other borrowings	7.8	6.4
Unwinding of discount on provisions	0.5	0.4
Interest on lease liabilities	1.1	0.4
Foreign exchange losses	0.1	-
	99.8	83.0
Capitalised interest	(6.3)	(2.5)
	93.5	80.5

19 INCOME TAX

	2024 £m	2023 £m
Current tax:		
UK Corporation Tax for the year	(12.4)	5.9
Adjustments in respect of prior years	11.6	(4.4)
Current tax for the year	**(0.8)**	1.5
Deferred tax:		
Origination and reversal of temporary differences	66.1	51.7
Adjustments in respect of prior years	(10.2)	4.9
Impact of tax rate change	-	3.3
Deferred tax for the year	**55.9**	59.9
Income tax for the year	**55.1**	61.4

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:

	2024 £m	2023 £m
Corporation Tax at 25% (2023 23.5%)	52.7	53.8
Adjustments in respect of prior years	1.4	0.5
Impact of tax rate change on current year tax	-	3.3
Non-deductible expenses and other permanent differences	1.0	3.8
Income tax for the year	**55.1**	61.4

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

20 DIVIDENDS

	2024 pence per ordinary share	2023 pence per ordinary share	2024 £m	2023 £m
Interim dividend paid	**23.7**	22.3	**91.1**	85.9

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

21 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 2024 was £201.4 million (2023 £587.7 million).

22 COMMITMENTS

	2024		2023	
	Capital £m	Other contractual commitments £m	Capital £m	Other contractual commitments £m
Less than one year	573.3	9.9	534.9	5.2
One to two years	365.8	0.7	260.8	0.6
Two to three years	241.6	-	310.3	-
Three to four years	53.4	-	132.2	-
Four to five years	63.7	-	35.6	-
More than five years	-	-	47.0	-
	1,297.8	**10.6**	1,320.8	5.8

23 RELATED PARTY TRANSACTIONS

(a) Directors' remuneration

The remuneration of the directors who provided qualifying services is set out below. As these 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. Of the nine (2023 six) directors who held office during the year, six (2023 four) were remunerated by other ScottishPower companies during the year.

	2024	2023
	£000	£000
Aggregate remuneration in respect of qualifying services	**1,106**	1,250

	2024	2023
Number of directors who exercised share options	**3**	1
Number of directors who received shares under a long-term incentive scheme	**4**	2
Number of directors accruing retirement benefits under a defined benefit scheme	**3**	2

	2024	2023
Highest paid director	**£000**	£000
Aggregate remuneration	**253**	607

(i) The highest paid director received shares under a long-term incentive scheme during the current year only.
(ii) The highest paid director exercised share options during the current year only.

(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.

24 AUDITOR'S REMUNERATION

	2024	2023
	£000	£000
Audit of the Annual accounts	260	241
Audit-related assurance services	21	20
	281	261