Scottish & Southern Electricity Networks

TRANSMISSION

Scottish Hydro Electric Transmission plc

Directors report and financial statements

Year ended 31 March 2026

Registered no: SC213461

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Directors and Other Information

Directors

Gregor Alexander
(Non-Executive Director) (Chairman)

Maz Alkirwi
(Executive Director)

Charlotte Brunning
(Non-Executive Director) (Maternity leave from 25/11/2025)

Ronald Fleming
(Non-Executive Director)

Gary Steel
(Independent Non-Executive Director) (Resigned 31/03/2026)

Amanzhol Zhangeldin
(Non-Executive Director) (Appointed 25/11/2025, alternate to Charlotte Brunning)

Rob McDonald
(Executive Director)

Barry O'Regan
(Non-Executive Director)

Charles Thomazi
(Non-Executive Director)

Laura Sandys
(Independent Non-Executive Director)

Dame Susan Bruce
(Independent Non-Executive Director) (Appointed 01/04/2026)

Registered Office

Inveralmond House
200 Dunkeld Road
Perth
PH1 3AQ

Secretary

Mark McLaughlin
(Appointed 01/12/2025)

Annette Roxburgh
(Resigned 01/12/2025)

Auditor

3rd Floor, Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Registered number

SC213461

Strategic Report

The Strategic Report sets out the main trends and factors underlying the development and performance of Scottish Hydro Electric Transmission plc (the "Company") during the year ended 31 March 2026, as well as those matters which are likely to affect its future and performance.

Business Overview

Scottish Hydro Electric Transmission plc, trading as SSEN Transmission, own and maintain the 132kV, 275kV and 400kV electricity transmission network in its licence area in the north of Scotland. The Company's network comprises underground and subsea HVDC cables, overhead lines, steel towers and electricity converter stations and substations, and extends over a quarter of the UK land mass across some of its most challenging terrain.

The Company's first priority is to provide a safe and reliable supply of electricity to communities. The Company does this by taking electricity from generators and transporting it at high voltages over long distances through the transmission network for onwards distribution to homes and businesses in villages, towns and cities.

The Company's operating area is home to vast renewable energy resources which is being harnessed by wind, hydro, solar and marine generation.

Scotland's transmission network has a strategic role to play in supporting delivery of Scotland and the UK's energy security and clean power targets. The Company is already a mass exporter of renewable energy, with around two thirds of power generated in the network area exported to demand centres across Great Britain. By 2050, the north of Scotland is expected to need up to 60GW of low carbon energy capacity to support net zero delivery. The Company's north of Scotland network has 10.8GW of installed renewable capacity connected, having surpassed its RIIO-T2 target of 10GW by 2024. In order to meet energy security and clean power targets, the Company is working with the National Energy System Operator (NESO), other transmission operators and electricity generators to connect additional renewable generation to the transmission system so that more clean power can be transported to areas of demand across the country.

The Company is closely regulated by the GB energy regulator, the Office of Gas and Electricity Markets (Ofgem), who determines how much revenue the Company is allowed to earn for constructing, maintaining and renovating the transmission network in the north of Scotland. These costs are shared between all those using the transmission system, including generation developers and electricity consumers.

Ofgem sets out the revenue that is allowed to be recovered for constructing, maintaining, and renovating the transmission network within a regulatory Price Control framework. The Company now progresses with the RIIO-T3 (Revenue = Incentives + Innovation + Outputs) Price Control period which runs for five years from 1 April 2026 until 31 March 2031 having reached the end of the RIIO-T2 Price Control as at 31 March 2026. In broad terms, Ofgem seeks to strike the right balance between attracting investment in electricity networks, encouraging companies to operate the networks as efficiently as possible and ensuring fair prices for customers. The RIIO price controls, which are common to all electricity and gas businesses regulated by Ofgem, seek additional emphasis placed on innovation, incentives and outputs, and require regulated businesses to take on additional risk and reward mechanisms, with the possibility of outperformance resulting in additional income or underperformance resulting in penalties. The Company is owned 75% by SSE plc and 25% by Ontario Teachers' Pension Plan (OTPP).

Our Strategy, Values and Focus

Our strategy, set out in detail below, is focused on delivering a network for net zero by enabling the transition to a decarbonised energy system - delivering for consumers, stakeholders and the environment in the support of Scotland and the UK's energy security and clean power targets.

Our Strategy

Our shared long-term direction and aspiration

To deliver a network for net zero

Our Values

That guide our day-to-day decisions and actions

Safety

If it's not safe we don't do it

Service

We can be relied on to deliver

Efficiency

We focus on adding value

Sustainability

We do the right thing for people and the planet

Excellence

We innovate to improve the way we do things

Teamwork

We work together in an inclusive and collaborative way

Our Strategy, Values and Focus

Our Focus
How we act on our strategy

A network that is resilient and safe
We deliver world class asset management

Accelerating the pathway to net zero
To be a global leader in planning, delivery and operation of zero carbon grids

A business that is fair and sustainable
We demonstrate leadership in sustainable business practices, being thoughtful of our impact on energy customers, our shareholders and wider society

Being part of one team Transmission
We attract, retain and develop a talented, diverse and inclusive team that are equipped, engaged and empowered to deliver in an innovative and positive way

Working with our customers and stakeholders
To be at the forefront of stakeholder engagement practices and the transmission owner of choice for low carbon energy developers

Our 2030 Goals
How we measure success

Resilient Supply
Zero interruptions in electricity supply to homes and business due to our network

Clean Power
Our network will have the capability to meet **20%** of the GB demand for clean power

Our Legacy
Drive investment in the energy transition that delivers **transformative lasting benefits** for local communities, our economy and nature

Our Performance

The Key Performance Indicators of the Company and the related performance during the year to 31 March 2026 were as follows:

	2025/26	2024/25
Operating Profit (£m)	**770.4**	435.5
Investment & Capital Expenditure (£m)	**2,272.9**	1,256.4
Regulated Asset Value (£m)	**8,955**	7,171
Renewable Capacity Connected within SSEN Transmission Area (GW)[1]	**10.8**	10.6
Energy Not Supplied	**100%**	95%
Quality of Connection Score	**8.8**	8.7

1. The 2024/25 comparative has been restated to align with the current year reporting basis, which includes transmission and distribution connected capacity within the SSEN Transmission Network area, includes pumped storage and battery storage.

The Company's operating profit increased by 77% to £770.4m from the prior year. Revenue growth is driven by allowances agreed with the regulator to fund increasing capital investment in the transmission network, a proportion of which is returned in the corresponding financial year. The Investment and Capital Expenditure KPI shown above represents expenditure funded by the Company and its shareholders and Operating Profit is quoted before debt interest and tax payments are deducted.

Operational delivery

The Company continues to deliver sector-leading operational performance, securing the full reward through Ofgem's 'Energy Not Supplied' incentive, the third year the business has achieved this throughout the RIIO-T2 price control, underpinning its goal of zero interruptions to homes and businesses.

Delivery of the capital investment programme has continued at pace during the year. With progress on the 11 major projects detailed below, other progress in the year included the Kergord to Gremista 132kV connection and Gremista Grid Supply Point, which was completed in April 2026. Full energisation will follow completion of SSEN Distribution's 'Shetland Standby Project', anticipated later in 2026.

The East Coast 400kV upgrade between Kintore and Kincardine also continues to make good progress. Several sections will be replaced with higher capacity conductors than initially planned, with completion and full energisation of this programme now expected in 2027.

In March 2026, the Company confirmed its acceptance of Ofgem's Final Determination for the RIIO-T3 period, which commenced on 1 April 2026, recognising it as an investable and deliverable settlement overall.

Delivering on key consents

Our 11 major projects, six of which are onshore and five offshore, continue to make good progress.

The Company is sensitive to the views of the communities hosting its major projects, which is why, based on one of the largest public consultation exercises Scotland has ever seen, substations have been relocated and routes have been altered. The business is also providing new community benefit funding – projected to be well over £100m – alongside supporting the delivery of 1,000 new homes.

With all regulatory approvals of need secured and supply chain frameworks for delivery in place, securing all necessary planning consents remains a top priority. Of the 34 major consents required, 25 have been secured. These include five substation sites, two overhead lines and two marine licence consents achieved during 2025/26.

All outstanding consent decisions are expected within the next 12 months. This includes four substation consents that have been appealed to the Scottish Government following refusal by local Planning Authorities, decisions that went against the independent expert advice of Planning Authority planning officers.

Cambushinnie substation was previously approved by Perth and Kinross Council, but following legal challenge that decision was rescinded. The Cambushinnie consent is expected to be re-determined by Perth and Kinross Council this summer.

Delivering on construction

Timely delivery on all 11 major projects remains a priority - including those which are classed as ASTI projects. These remain on track to be delivered in line with their regulatory licence output dates – starting with EGL2 in 2029.

In Argyll, the first steel lattice tower on the 9km Creag Dhubh-Inveraray overhead line has been erected, with all earthworks and the main substation buildings at Creag Dhubh also complete ahead of the electrical installation works.

The Orkney link has also made strong progress, with major earthworks and steelworks complete at Dounreay and Finstown substations.

Early construction works have progressed on the Skye Reinforcement.

The EGL2 project, the first subsea link to be jointly delivered with National Grid Electricity Transmission, marked 18 months in construction in March 2026, with significant progress at both the Peterhead and Wren Hall sites.

Following receipt of its marine licence in November 2025, the Spittal-Peterhead HVDC link became the fifth major project to enter construction.

On the Eastern Green Link 3 (EGL3) project, contracts have been signed with key supply chain partners including Hitachi Energy for the HVDC convertor stations and NKT for manufacture and installation of the 690km cable.

Longer-term opportunities

In July 2026, the NESO's 'Beyond 2030' update identified a series of additional transmission reinforcements needed to meet UK and Scottish energy targets, including around £12bn of potential further investment in the Company's north of Scotland operating area. This investment would see the development and delivery of two new 2GW subsea links - EGL5 from Longside (the already consented Netherton Hub) to Lincolnshire; and EGL6 from the Newmachar area in Aberdeenshire to south-east England - alongside a new 400kV double-circuit overhead line from the already consented Greens substation to Harburn in Scottish Power Energy Networks' operating area. The report also highlights the potential future upgrade of the existing Dounreay–Loch Buidhe–Beauly 275kV line.

The recommendations set out would be subject to extensive public consultation and stakeholder engagement to help inform potential routes, substation locations and technology choices, with delivery dependent on the appropriate regulatory framework, confirmation of the Company as the Delivery Body, and the necessary planning and regulatory approvals.

Understanding and managing our principal risks

To help ensure the Company is able to provide the energy people need whilst delivering value over the long term, the SSE Group has continued to develop its Risk Management Framework, including its Principal Risks and its Risk Appetite Statement. For further detail on how the Group manages risk, see the published SSE Group Risk Report and the Risk Management Frameworks section in the SSE plc Annual Report (www.sse.com).

The SSE Group Risk Management Policy requires the Managing Director of each Business Unit (or Company) to implement a Risk Approach to support their business in identifying, understanding and managing its key risks. Each division carries out an annual Assurance Evaluation of its compliance with key Group policies, with the output and any areas of required improvement reported to the SSE Group's Chief Executive and Audit Committee.

The risks faced by the Company have been considered by the Board during the financial year. These have been reviewed in line with the Group's approach to risk. Risk workshops have been attended by the Transmission Executive Committee (TEC) during the year in order to aid identification of the risks specific to the Business Unit. The outputs of these workshops are reported to the Board on an annual basis. As a result of this process, the main risks for the Company have been identified, those which have the potential to threaten the business model, future performance, solvency or liquidity of the Company.

In 2025/26, the Company has seen increasing interdependency and interconnectedness between several key risks with common root causes or underlying risk drivers. Primarily relating to global and national instability/uncertainty.

A shift in the most material risks to the viability of the business from primarily technical or delivery-led risks (such as Project Delivery, System Complexity and Planning & Consents) towards broader political, societal, cost and people related constraints (such as geopolitical uncertainty, people capacity and capability, cost escalation and uncertain political and regulatory environments). A growing importance of public and political perception, confidence in delivery and business legitimacy – even in the absence of immediate formal policy changes or performance challenges.

The Principal Risks and the mitigating actions are as follows:

People

- **Health and Safety Risk**
  The Company's operations are challenging and, in many cases, undertaken in hazardous environments, involving working with high voltage electricity in a wide variety of locations. Safety is our number one value and priority for the Group and the Company. Working in hazardous environments and expanding construction activity increase the risk of safety incidents involving staff or contractors. Mitigation includes oversight from the Safety, Health & Wellbeing Sub-Committee in developing, agreeing and implementing company-wide improvement plans, regular TEC reporting, and ISO45001: Health and Safety Management and ISO45003: Psychological Safety at Work certification.

- **People Capability and Capacity**
  Rapid growth to deliver the ambitious RIIO-T3 business plan and competition for specialist skills increases the risk of gaps in workforce capacity and capability. Mitigation includes the Company's 'People Strategy', designed to attract, develop and retain a skilled, inclusive and diverse workforce - as well as succession planning for key roles and internal learning and development programmes to develop staff and teams.

Delivery

- **Large Capital Project (LCP) Delivery**
  The Company has a significant investment strategy in place and continues to deliver its capital investment programme. External constraints such as planning outcomes, supply chain availability, affordability decisions and political factors could delay or slow major capital projects. Mitigation includes realistic programme planning, clear schedules, strong governance through the LCP Governance Framework, and proactive supply chain engagement.

- **Planning and Consents**
  The Company recognises that increased volumes of infrastructure delivery have the potential to increase challenges to planning and consenting processes in terms of capacity to process planning applications but

also increased challenges from Local Authorities and other consenting bodies. This could cause project delays or scope changes. Mitigation includes robust planning and extensive engagement with statutory consultees, developers and local communities to adapt projects and deliver optimal solutions that support successful planning applications.

Political/Regulatory

- **Changing Government Priorities Leading to Industry and Energy Policy Reform**
  Political, regulatory and geopolitical uncertainty could create additional network planning risk and uncertainty, affecting investment decisions and delivery of government targets. Mitigation includes a strong stakeholder engagement strategy across government, regulators, local authorities, the public and other industry stakeholders.
- **Constitutional Change**
  Changes in the UK political landscape could alter the regulatory framework, electricity network structure or net zero plans. Mitigation includes targeted stakeholder engagement and clear accountability for government and regulator relationships.

Finance

- **Cost Escalation and Affordability**
  The Company acknowledges increasing capital investment requirements, cost inflation, supply chain pressures and regulatory scrutiny on allowances, could increase the risk of cost escalation and constrain affordability. Mitigation includes a robust 10-year planning and forecasting process, internal scrutiny and assurance including a robust Treasury policy, and early engagement with Ofgem on cost changes.

Network Health/Infrastructure

- **System Operability**
  Rapid network growth, increasing complexity of the system and introduction of new technology increase the risk of operability that require management during design, commissioning and operations. Mitigation includes scenario planning to understand potential changes and demands on the network, enhanced system studies and modelling and close coordination between Projects and Operations.
- **Cyber Attack**
  With the increase of cyber-attacks over recent years there is a risk to the Company's key systems and, as a result, the network could be compromised or rendered unavailable. Cyber-attacks could compromise critical systems and disrupt network availability. Mitigation includes continued implementation of a Cyber Resilience Operational and Information Technology Plan, ongoing investment in security, business continuity and disaster recovery arrangements, and mandatory staff training.
- **Critical Asset Failure and Physical Security of Critical National Infrastructure**
  Critical asset failure or security weaknesses could reduce network resilience, cause outages and damage customer confidence. Failure to manage the network performance where external factors can affect operability may result in loss of supply, customer dissatisfaction, and reputational damage. Mitigation includes ISO55001-aligned asset management processes, asset upgrades and renewals, and a robust planned preventative maintenance programme.
- **Impacts of Climate Change**
  The Company recognises the impact that climate change has on its assets and activities – this risk acts as an external driver and potential amplifier of network, safety and delivery risks. Climate change could disrupt assets, operations and project delivery, increasing the risk of outages, delays and external scrutiny. Mitigation includes identifying and addressing vulnerable asset locations via T3 business plan investment, planned preventative maintenance programmes and robust business continuity and resilience planning and testing.

Non-Financial and Sustainability Information Statement and Climate-related Financial Disclosure

The Company is exempt from the requirement to include a Non-Financial and Sustainability Information Statement under section 414CA of the Companies Act 2006, including the climate-related financial disclosures required by section 414CB, as it is included in the consolidated Strategic Report of SSE plc.

The Group's disclosures are set out on pages 65 to 72 and 75 of SSE plc's Annual Report and Accounts for the year ended 31 March 2026, available at www.sse.com.

Section 172(1) Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In furtherance of this, section 172 requires a director to have regard amongst other matters, to the:

- likely consequences of any decisions in the long term;
- interests of the Company's employees;
- need to foster the Company's business relationships with suppliers, customers and others;
- impact of the Company's operations on the community and environment;
- desirability of the Company maintaining a reputation for high standards of business conduct; and
- need to act fairly between members of the Company.

In discharging their section 172 duties, the Directors of the Company have regard to the factors set out above. They also have regard to other factors which they consider relevant to the decisions being made, for example, the Company's applicable regulatory and legal obligations.

The Directors acknowledge that every decision taken will not necessarily result in a positive outcome for all of the Company's stakeholders. However, by considering the Company's purpose, vision and values, together with its strategic priorities, and having agreed processes in place for decision-making, they do aim to ensure that decisions are consistent and appropriate in all circumstances. Details of the mechanisms which are in place to assist the Directors in understanding relevant views, including how these have been considered during the year, are set out on pages 10 to 15.

As is normal for large companies, authority for day-to-day management of the Company is delegated to senior management, with the setting and oversight of business strategy and related policies remaining the responsibility of the Directors. The Company's statement on its corporate governance arrangements on page 19 sets out further details of how this is governed within the SSE Group and the Company.

The Company is represented by the Directors on the Transmission Executive Committee which reviews health and safety, financial and operational performance and legal and regulatory compliance at every meeting, in addition to other pertinent areas over the course of the financial year, including: the Company's business strategy; key risks; stakeholder-related matters; diversity and inclusion; environmental matters; corporate responsibility; and governance, compliance and legal matters.

This is done through the consideration and discussion of reports which are sent in advance of each meeting and through presentations to the Transmission Executive Committee. Some decisions are reserved matters for the SSE Group Board of Directors as stipulated within the governance framework for the Company.

Set out below are examples of how the directors have had regards to the matters set out in section 172 (1) (a)-(f) when discharging their section 172 duty and the effect of that on principal decisions taken.

The Board reviewed progress against the Company's significant investment programme, including its fully funded plan of around £29bn to 2030, with a strong focus on regulated electricity networks and supporting infrastructure for the energy transition. This includes the continued development of the transmission network under the RIIO T3 price control period and the delivery of projects aligned to Ofgem's Pathway to 2030 and wider UK energy system requirements. The scale of this investment reflects the critical role the Company plays in enabling the delivery of Scottish and UK Government renewable energy targets, as well as broader energy security objectives.

The Board continued to review the approach to workforce planning and recruitment, focusing on critical talent and targeted programmes for diversity, pipelines and training. As a result, it provided views on the continued development and the importance of SSE's safety culture to support the pace of required network growth.

In addition, the Board reviewed the Company's approach to securing supply chain capacity to support delivery of major infrastructure projects. This included noting collaboration with contractors and industry partners through initiatives such as the Accelerated Strategic Transmission Investment (ASTI) programme, which promotes shared working principles and aims to deliver positive, long-term outcomes for host communities.

National Grid ESO's Beyond 2030 plan confirms the need for a number of additional projects to proceed now, for delivery by 2035, which combined represent a potential estimated investment of over £5bn for the Company. The Board will review the stakeholder engagement required to ensure an appropriate regulatory framework, secure planning and the required regulatory approvals.

Stakeholder Engagement

The Company's stakeholders are individuals, groups and organisations with an interest in its purpose, strategy, operations, and actions, and who may be affected by them. This includes communities, landowners and civil society, shareholders and debt providers, employees, government and regulators, non-governmental organisations (NGOs), suppliers, media, contractors and partners, and customers. The perspectives, insights and opinions of stakeholders are a key factor in the relevant operational, investment and business decisions taken by the Company and its Directors, to ensure that they are more robust, transparent and sustainable.

While there are cases where the Directors may judge it appropriate to engage directly with certain stakeholder groups, the size and spread of both the Company's stakeholders and those of the SSE Group, of which the Company sits within, means that stakeholder engagement takes place at many different levels. This includes at SSE Group level, company level and operational level. This holistic approach allows a broader representation and deeper understanding of all stakeholder views and contributes towards more beneficial outcomes for business, environmental, social and governance matters.

There continues to be an increasing recognition of the role that businesses can and should play in addressing societal, environmental, and economic issues. As a stakeholder-led business, the Company strives to meet the needs of stakeholders through proactive collaboration, advocacy engagement, and responding to feedback as part of its work.

While its priority is to safely deliver a robust, efficient and reliable network to customers in the north of Scotland, the Company's aim is to do so in the most responsible way possible.The Company achieved its highest overall score yet of 97% and another year with a top-tier "Advanced" rating in an assessment against AccountAbility's AA1000 Stakeholder Engagement Standard, demonstrating the ongoing commitment to continuous improvement and delivering leading stakeholder engagement practice.

The Company continues to adapt and seek improved engagement opportunities with communities, customers, suppliers and other key stakeholders. In doing so, the Company also adheres to the SSE Group's wider stakeholder engagement strategy. For more information regarding SSE Group's approach to stakeholder engagement, see SSE's Annual Report www.sse.com.

Employees

Aligned with energy security and clean power priorities, the Company's "Sustainable People Strategy" focuses on the following strategic themes: a happy and healthy workforce; one inclusive and engaged team; empowered, inspirational leaders; and right people, right skills.

Safety and wellbeing remain central to our operations. Simply put, "if it's not safe, we don't do it." With respect to employees, the Company's foremost objective is ensuring that everyone gets "home safe" at the end of each working day. The Company prioritises safety and health through programmes like the sector-leading Immersive Safety and Mind Power Training, complemented by offerings through the Health Hub.

Every two years, the Company participates in a comprehensive "Great Place to Work" employee engagement survey, with a shorter pulse survey conducted in between. In 2025, the Company achieved a Sustainable Engagement Score of 85%, based on a response rate of 89% of colleagues. Action plans have been developed at both the business and local directorate levels, focusing on three identified continuous improvement themes.

Through the "Performance Edge" performance and development framework, all colleagues have established agile objectives aligned with the Company's strategic priorities. The Company continues to grow its workforce in readiness for its unprecedented planned investment programme in the coming years, the business now directly employs more than 2,800 employees, with growth to more than 3,000 colleagues expected in the coming months. Growing the Company's own talent is a top priority. The Company continues to offer a suite of inclusive Pipeline programmes, offering various entry opportunities from summer placements and apprenticeships to Graduate programmes. Through partnership with the "5% Club", the Company continues to commit to having at least 5% of its workforce in earn-as-you-learn roles.

Additionally, the Company offers wider employment attraction through programmes like the STEM Returners Programme, which draws female returners back into the industry. Since 2021, the Company increased early career participants yearly, from 19 in 2021 to over 200 in 2025. As part of our commitment to local communities and attracting the next generation of colleagues, we continue to invest in primary and secondary schools within our operational areas. Partnering with 'Industrial Cadets,' an industry-led quality benchmark, we create outreach and education programmes.

New economic analysis also shows that the Company's investment programme over the next five years will support up to 50,000 jobs across the UK supply chain, around 24,000 of which will be in Scotland and 10,000 in the north of Scotland.

Customers

The Company has a well-established and continually evolving customer engagement framework, ensuring that the perspectives of all customers across all connection types and project stages are fully considered. A significant part of the Company's engagement with the government and the regulator focuses on developing and maintaining reliable and sustainable electricity networks in line with the principles of economic efficiency and value for consumers. Material considerations include adapting to industry change, maintaining affordability and accessibility of energy and delivering consistently high-quality customer service. Our strategic planning is shaped by a comprehensive engagement approach, balancing the interests of consumers with the need to adapt to industry change.

Suppliers, contractors and partners

Fostering healthy reciprocal relationships helps the Company to make sure it achieves the greatest all-round value from its investments and activities. The Company continues to work closely with suppliers to ensure its values on issues such as environmental protection, safety and modern slavery are upheld throughout its supply chain. As the Company integrates climate action alongside its core business strategy and operations, the Company recognises that a key stakeholder in reaching its objectives are its suppliers.

The Company considers the principles of sustainable procurement as a vital tool in managing risks, maximising opportunities, assessing value and monitoring performance, while enabling stronger relationships with its supply partners. Since the launch of the Delivery Charter, the Company has continued to encourage collaborative work with supply chain partners to accelerate ambitions towards its sustainability goals and values. Last year, the Company launched its updated sustainability requirements for inclusion in contracts with supply chain partners, ensuring the specific requirements for carbon, waste and social value are met.

This collaboration has been further demonstrated by the establishment of the Pathway to 2030 Supply Chain Forum which brings the Company together with its supply chain partners at a strategic level, to focus on meeting our collective Delivery Charter goals and commitments. In June 2026, the Company hosted its latest Supply Chain conference, bringing together key delivery partners to discuss ongoing collaboration in the delivery of critical national infrastructure and economic value across the north of Scotland – with plans in place for other, similar conferences.

The outputs of such engagements are used to inform the Company's Directors of the current nature of relationships with key supply chain partners, the strategic significance those relationships offer in supporting the delivery of transmission network growth and the prospects or issues associated with the continued fostering of supply chain relationships.

To ensure high operational standards, onsite training is held for contractors and quality, and health and safety audits are undertaken by the Group. Given the rise in contractor hours worked associated with the Company's increase and growth in capital investment, focus has been placed on contractor safety on large capital projects to improve and reduce the severity of incidents. Contractor safety remains an area of key focus as SSE Group and the Company works to ensure it gets everyone home safe as it embarks on an increased level and pace of project activity.

Government and regulators

During 2025/26 the Company continued to extensively liaise with government and regulatory officials, responding to all material regulatory consultations. The Company continues to take an active role in the development of regulations and policies which impact upon the Company and its customers.

At a time of mostly widespread political consensus on the need to speed up deployment of large-scale clean energy infrastructure, the Group regularly engages with the UK and Scottish governments on delivering its investment programme. In the UK, the Company has continued to engage stakeholders across the political spectrum at both Westminster and Holyrood on the steps needed to bolster energy security, create green jobs and deliver clean power.

Following the publication of the Group's manifesto, 'From Ambition to Action: A delivery plan for cleaner, homegrown energy', the Company has delivered successful advocacy leading to a number of policy and legislative reforms which enable an enhanced policy environment to support programme delivery.

Directors continue to monitor engagement activity and responses to regulators to ensure that strategic, financial, investment and operating frameworks remain aligned to the external landscape.

Communities

The Company places safe delivery of an efficient and reliable network at the core of its priorities. However, it is vital to recognise the importance of effective engagement with communities as the Company's unprecedented infrastructure investment programme progresses. The Company is working closely with communities across the north of Scotland, and other local stakeholders, to ensure their views are heard and factored into decision making.

The Company's investment programme represents the biggest change to the north of Scotland's electricity grid since the 1950s and is critical for Scotland and the UK in meeting energy security and clean power targets. The Company aims to ensure this scale of investment creates a positive and lasting legacy that leaves behind meaningful benefits for communities across the region.

As part of this work, the Company continues to create long-term, skilled, green employment opportunities across the region with the commitment to recruit around 500 new employees in 2026, with the workforce set to grow to over 3,000 for the first time. The company also continues to make progress on its pledge to contribute to the delivery of 1,000 new homes across the north of Scotland through its housing strategy which, following completion of the projects, will support local housing requirements.

In 2024, the Company launched its first ever regional community benefit fund, with local funds associated with specific projects launched since then too. So far, almost £5m from these funds has been awarded to initiatives across the north of Scotland. It is anticipated that community benefit funding associated with The Company's £29bn investment programme will total far more than £100m over the lifetime of the projects, aligned with UK Government guidance, with money off bills for people located closest to new infrastructure being considered by the Government too.

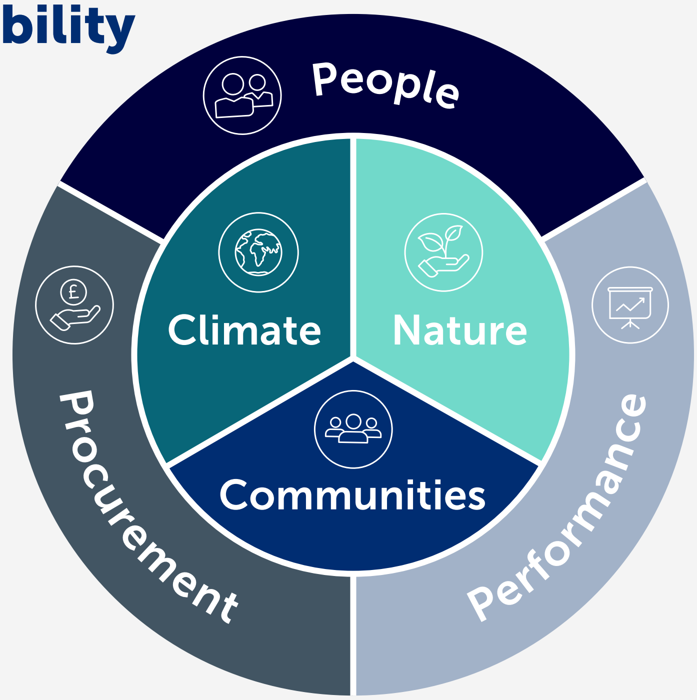
These initiatives, alongside placing multi-million-pound contracts with local supply chain partners, will create billions of economic value for Scotland.

Environment

Through SSE's role as the UK's clean energy champion, and the Company's mission to deliver a network for net zero, the Group and Company continue to play a pivotal role in supporting the UK and Scottish Governments to achieve their climate goals. The Company's ambition is for the network to have the capability to meet 20% of the GB demand for clean power by 2030. Through unprecedented investment in the network, the Company aims to deliver a positive, transformative legacy for local communities across the north of Scotland, for the economy, and for the natural world.

Launched in September 2024, the Company's Sustainability Strategy sets out how it will deliver a network for net zero in a way that is fair and sustainable. From tackling climate change to restoring nature, and from leaving a positive legacy for communities to growing the workforce, the Strategy sets out the Company's commitment and vision for doing the right thing for people and the planet. The graphic below illustrates the core pillars of this Strategy, highlighting the Company's focus on People, Procurement, Performance, Climate, Nature, and Communities.

Sustainability



People
- Grow skilled workforce
- Drive inclusion & wellbeing

Procurement
- Partner for excellence
- Procure responsible

Performance
- Improve data & processes
- World-leading sustainability

Climate
- Reduce emissions
- Build resilience

Nature
- Protect nature
- Restore nature

Communities
- Minimise impacts
- Share benefits

The Company's planned investment programme aims to deliver a safe, reliable and resilient electricity transmission system that connects homes and businesses with renewable generators, enabling the realisation of energy security and clean power targets. The north of Scotland, with its vast renewable energy resource, plays a critical role in the energy transition. Meeting 20% of the GB demand for clean power by 2030 means investing to grow the network, while working with stakeholders to ensure the transition is fair and sustainable. The Company recognises that the unprecedented pace and scale of network expansion will have impacts – on communities hosting infrastructure, on the natural environment, and on the climate. The Company is committed to leaving a positive legacy, for people, the environment, the economy, and our wider world.

The Company is privileged to operate in the unique natural environment of the north of Scotland and its islands, and this has motivated its ambition to protect biodiversity and restore nature. The Company's first Sustainability Strategy committed to ensuring no net loss of biodiversity and to start delivering biodiversity net gain (BNG) by 2025, leaving the natural environment in a better state than it found it. The Company has exceeded those targets, achieving the BNG target two years early, and embedding BNG in all major projects.

Alongside the commitment to nature restoration, the Company has also followed a mitigation hierarchy for irreplaceable habitats like ancient woodland and peatland, avoiding impacting such habitats wherever possible, and restoring these vital habitats across the country. The compensatory planting programme also replaces every tree removed through construction and maintenance activities, and the Company has built partnerships with local conservation and environmental groups such as the Orkney Skate Trust and Argyll Conservation Trust.

The Company's approach to protecting and restoring nature will continue to grow from these strong roots. The Company's approach will align with global best practice and support global goals such as the Global Biodiversity Framework which aims for 30% conservation of land, sea and inland waters and 30% restoration of degraded ecosystems by 2030.

The Company is already playing a vital role in decarbonising the UK's energy system, connecting renewable energy to the network to power growing demand for clean electricity. At the same time, the Company recognises its responsibility to reduce its own carbon emissions as much as possible. The Company is committed to reducing emissions in line with the Paris Agreement. Work to reduce Scope 1 and 2 emissions has included achieving world-leading SF6 leakage rates. Recognising that Scope 3 emissions are likely to increase as the network grows, the Company continues to work in partnership with the supply chain to realise emissions reduction opportunities wherever possible.

In 2020 we set 3 SBTi validated science-based targets (SBTs) in relation to our operational emissions (scope 1 and 2), the carbon intensity of our electricity transmission losses and the engagement of our supply chain to set their own SBTs (Scope 3). The Company's performance against its three SBT's is as follows:

- The first target is to reduce operational emissions (Scope 1 and 2) by 46% by 2029/30. As of 2025/26, we achieved a 31% reduction against the baseline.
- The second target is to reduce the carbon intensity of our electricity transmission losses by 50% by 2029/30. This target was achieved in 2023/24 and in 2025/26 performance had improved to a 71.8% reduction against the baseline.

The third SBT aimed to ensure that 67% of its supply chain by spend have SBTs of their own by 2024/25. The target was achieved in 2023/24 and in 2025/26, 82% of the Company's suppliers have set SBTs. More information on the SSE Group's approach to managing environmental impact can be found in the SSE Annual Report, available at www.sse.com.

Internal control

SSE Group's Audit Committee oversees and reviews the effectiveness of the system of internal control annually across the Group. This covers all material controls including financial, operational and compliance, as well as the financial reporting process.

The Group has established risk management and internal control systems designed to identify, assess and manage risks to the achievement of its strategic objectives. The Committee receives regular reports from the Director of Group Risk and Audit on the operation and effectiveness of the Group's System of Internal Control, with relevant matters escalated to the Board as appropriate. Executive responsibility for risk management rests with the CFO, supported by the Director of Group Risk and Audit and the Group Executive Committee for SSE's overall risk profile. The Group Risk Committee meets regularly to review the effectiveness of risk governance arrangements, the performance of risk management processes, and emerging risks and themes across the Group.

Throughout the year, the Committee continued to oversee the development of the Financial Controls Centre of Excellence as part of the review of financial reporting controls. The Centre is designed to strengthen oversight of controls and drive continuous improvement in controls management across the Group. The Committee monitored progress against the agreed three-year roadmap to strengthen financial reporting controls and embed a stronger controls culture across the Group, supporting readiness for compliance with Provision 29 of the UK Corporate Governance Code 2024 for the financial year ending 31 March 2027.

Cyber security remained an area of key focus during the year. The Committee received updates on cyber security risk management and assurance activities, including a review of the Group's cyber security and resilience approach. In light of the rising frequency and intensity of cyber incidents in the UK, the Board continued to identify cyber security as a Principal Risk for SSE. The Committee supported the Board in overseeing progress across the Cyber Defence team's workstreams, which focused on infrastructure improvements, strengthening cyber risk and crisis management, and promoting a cyber aware culture across the Group. The Committee was satisfied with the progress delivered during the year.

The Committee was satisfied that SSE's internal controls operated effectively throughout the year. This conclusion was informed by the results of evaluations conducted by stakeholders within each framework of the System of Internal Control. The CFO assessed these evaluations and submitted a letter to the Committee summarising the work completed during the year to enhance the control environment and recommending the overall effectiveness of the system.

The Committee also considered the letters of assurance provided by the Managing Directors of SSE's Business Units and the Directors of Corporate Functions. This process considered each element of the System of Internal Control from a Business Unit and Corporate Function perspective and included details of any planned improvements. These improvements are tracked, and the Group Risk Committee receives regular updates.

Following its review of the CFO's letter, the Committee recommended to the Board that the System of Internal Control remained effective and aligned with the FRC Guidance on Risk Management, Internal Control and related Financial and Business Reporting. The Board agreed and confirmed that no significant failings or weaknesses were identified during the financial year, and that robust processes are in place to ensure necessary improvement actions are taken and monitored where needed.

Key contractual arrangements

The Directors consider the Service Level Agreement between the Company and SSE Services plc for the provision of corporate services to be essential for the continuance of the Company's operations in the short-to-medium term. Due to the fact that it is provided by a fellow subsidiary of the SSE Group, the risk of this contract being terminated is low.

The Company enters into a number of contracts for construction and delivery of major projects. Appropriate terms have been included within these contracts to ensure that the services provided and the costs charged are clearly agreed.

However, the nature of these projects is such that there is no monopoly on provision of the required services, and the Directors believe that effective operation of a competitive process has enabled efficiency savings on capital and operational delivery in line with the Company's strategy for shareholders and stakeholders.

Operational resources available

The Company has 2,843 employees as at 31 March 2026 which it calls on to maintain its transmission network and carry out investment in future developments. The Company continues to draw upon certain SSE Group shared services covering central functions such as finance, HR, regulation, health and safety, company secretarial and insurance services. All such services are provided under an appropriate Service Level Agreement.

In addition to these employees, the services of key contractors are called upon in a number of large capital projects to ensure that these projects are delivered on time and on budget.

Capital structure

The Company regards its capital as comprising its equity, cash and borrowings. Its objective in managing capital is to maintain a strong balance sheet and credit rating to maintain investor, creditor and market confidence and to sustain future development of the business.

Treasury policy, objectives and financial risk management

SSE Group's treasury policy is designed to be prudent and flexible. Following the divestment by the SSE Group of a 25% stake in the Company, the Company is no longer underwritten by SSE plc and has adopted a tailored but materially identical Treasury policy to SSE Group. In line with that, cash from operations is first used to finance regulatory and maintenance capital expenditure and then dividend payments, with capital and investment expenditure for growth generally financed by a combination of cash from operations; bank borrowings and bond issuance. Exposure to currency and interest rate risk arises in the normal course of the Company's business. Derivative financial instruments are entered into to hedge exposure to these risks.

The objectives and policies for holding or issuing financial instruments and similar contracts, and the strategies for achieving those objectives that have been followed during the year are explained in note 18.

The Company's financial risk is managed as part of the wider Group risk management policy. For more information regarding SSE Group's approach to financial risk management, please see the 2025/26 Annual Report available at www.sse.com.

Liquidity, borrowings and financial resources available

The Group's Treasury function acts on behalf of the Company and is responsible for managing the banking and liquidity requirements of the Company, risk management relating to interest rate and foreign exchange exposures and managing the credit risk relating to the banking counterparties with which it transacts. Short term liquidity is reviewed daily by Treasury, while the longer-term liquidity and funding position is reviewed on a regular basis by the Transmission Executive Committee and by the SSE plc Board. The Treasury department's operations are governed by policies determined by the Board and any breaches of these policies are reported to the Tax and Treasury Committee and Group Audit Committee. The Group sold a 25% non-controlling interest stake in the Company to OTPP in November 2022. The divestment meant OTPP bought into their share of the Company's external debt with the outstanding inter-company loan stocks remaining in place with SSE plc, as at 31 March 2026 only £30m of loan stocks remain, maturing in March 2028.

Scottish Hydro Electric Transmission plc has a committed £1.5bn Revolving Credit Facility (RCF) arranged in October 2024, provided by a group of 15 relationship banks. The RCF's current maturity date is October 2030, with the option to extend one year, potentially taking the maturity date to October 2031. The RCF is classified as a sustainable facility with interest rate and fees paid dependant on four ESG-related KPI's being achieved. As at 31 March 2026 this facility was fully undrawn.

In November 2025 a new Treasury liquidity policy was approved by the SSE Group's Audit Committee and the Scottish Hydro Electric Transmission plc Board, which requires the £1.5bn RCF to be undrawn at September and March each year. While the facility may be used intra year, management policy requires it be fully available at reporting dates and therefore changing utilisation from a working capital facility to a backstop facility for future funding requirements, strengthening liquidity coverage.

The SSE Group's Audit Committee and the Scottish Hydro Electric Transmission plc Board also approved in November 2025 a £1.5bn internal facility between SSE plc and Scottish Hydro Electric Transmission plc, enabling access to surplus SSE plc liquidity. This facility has an initial commitment to December 2026, and can be extended or increased with mutual consent of both parties. As at 31 March 2026 £970m was drawn, leaving £530m available for future funding requirements.

The combination of a committed £1.5bn RCF, £1.5bn facility from SSE plc and Scottish Hydro Electric Transmission plc's proven access to capital markets will ensure the Company is able to meet its funding requirements for the RIIO-T3 price control period investment plan. During the year the Company issued £1.1bn of new debt, in addition to drawing £970m on the new Intra-group facility with SSE plc. In the financial year £790m of debt matured relating to a £450m loan stock repayable to SSE plc and £340m outstanding on the RCF. The four issuances of new external debt in the year were as follows:

- September 2025 - €750m (£648m) eight-year Eurobond maturing November 2033 with a coupon of 3.375% and an all-in GBP cost of 5.20% once swapped back to Sterling.
- September 2025 - €100m (£86m) raised by increasing the size of the existing Eurobond repayable on September 2032, with a coupon of 3.375% and an all-in GBP cost of 5.06% once swapped back to Sterling.
- October 2025 - £250m 5-year bank term loan at a cost of SONIA +75bps with a one year extension option.
- February 2026 - 1.5bn NOK (£113m) 10-year private placement maturing 11 February 2036 with a coupon of 4.98% and an all-in GBP cost of SONIA +125bps once swapped back to Sterling.

Interest is paid at fixed interest rates on £3,621.6m (2025: £3,336.6m) with the interest paid at floating rates on a £1,432.0m (2025: £440.0m) loan from the European Investment Bank, as well as the £970m utilisation on £1.5bn facility from SSE plc.

As at 31 March 2026, the weighted average interest rate payable was 4.05% (2025: 3.80%) and the weighted average remaining term was 6.4 years (2025: 7.4 years).

Taxation

The headline effective rate, which includes the impact of enhanced capital allowances, is 27.8% compared with 30.2% in the previous year. The decrease in rate is primarily as a result of increased capital allowances compared to the prior year, with these capital allowances creating a tax loss. Part of the tax losses have been sold to SSE Group companies in accordance with prevailing UK tax legislation and accounting standards and principles, with the balance of the tax losses being carried forward within the Company.

Dividend

The Directors did not declare a dividend in the year (2025: £nil).

Pensions

1% (2025: 1%) of employees of the Company are members of the Scottish Hydro-Electric Pension Scheme, which, at 31 March 2026, based on an IAS 19 accounting basis, had a surplus included in SSE Group's consolidated financial statements, net of deferred tax, of £273.2m (2025: £265.3m). Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

On behalf of the board:

Maz Alkirwi (Jul 29, 2026 17:20:29 GMT+1)

Maz Alkirwi
Director
29 July 2026

Corporate Governance Statement

As a subsidiary company of SSE Group, the corporate governance arrangements which apply to the Company are defined by SSE's Group Governance Framework. This is set out on pages 84-85 of the SSE plc Annual Report 2026, with the Company being part of the Group.

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The SSE Group Governance Framework is reflective of the Principles and Provisions of the UK Corporate Governance Code (the Code) which apply to the parent company, SSE plc. It defines the delegation of authority and accountability within the Group, enables review and challenge of management performance, is a pillar of SSE's System of Internal Control, and supports the processes by which principal and emerging risks are identified and managed. The Directors of the Company discharge their duties in line with the governance standards and processes agreed at Group level.

The Company itself does not have listed shares and therefore is not subject to the Code. It has not voluntarily applied the Code nor another publicly available corporate governance code and has instead operated within the Group Governance Framework described above and below.

The Group's approach to corporate governance and compliance with the Code can be found in the Directors' Report within the SSE plc Annual Report and Accounts 2026 at www.sse.com/reportsandresults.

Scottish Hydro Electric Transmission plc ("the Company")

The following comments on the arrangements for the Company.

Board of Directors

As at 31 March 2026, the Company Board comprised of two Executive Directors and seven Non-Executive Directors, one of whom is the Chair of the Company Board. There were several board changes during the year. Rachel McEwen resigned on 23 June 2025 and the Company Board welcomed Barry O'Regan (appointed 23 June 2025). Amanzhol Zhangeldin was appointed on 25 November 2025 as Non-Executive Director and acts as alternate to Charlotte Brunning while she is on maternity leave. Gary Steel retired as an Independent Non-Executive Director on 31 March 2026 and Dame Susan Bruce was appointed as his successor (1 April 2026). Looking forward, Ronald Fleming is expected to retire during FY26/27 and a suitable appointment made to take his place on the Board. None of the Directors are Directors of SSE Group Companies involved in Retail or Wholesale activities. Two of the Non-Executive Directors of the Company Board during the course of the financial year were Sufficiently Independent Non-Executive Directors as required under the terms of Standard Condition B22 of the Company's regulatory licence. The Directors believe that the Company Board is an appropriate size and has a good balance of independence and experience, ensuring that no one individual or group of individuals has undue influence over the Company Board's decision making.

The Executive Directors are experienced senior business leaders and are deemed to possess the appropriate breadth of knowledge and expertise to discharge their role effectively. The Non-Executive Directors provide an appropriate degree of independent judgement and challenge to ensure balanced and fair decision-making and outcomes. The operation and effectiveness of the Company Board is the ultimate responsibility of the Chair, who is supported in their role by the Company Secretary. Agreed procedures are in place to manage and mitigate actual or potential conflicts of interest with Company Board or Company business.

The Company Board does not have a supporting Nomination, Remuneration or Audit Committee. These functions are dealt with, where required, in conjunction with the relevant committee of the Group Board.

SSE has a Group-wide inclusion and diversity strategy including self-led gender ambitions, details of which can be found on page 50 of the SSE plc 2026 Annual Report. Any changes and appointments to the Company Board consider both SSE's approach to inclusion and diversity and the desire to have a Company Board which is balanced overall and supports the Company's needs.

Those charged with governance met nine times during the year. Individual Director attendance is set out below.

Director		Attendance
Gregor Alexander (Non-Executive Director) (Chairman)		9/9
Rob McDonald (Executive Director)		9/9
Maz Alkirwi (Executive Director)		8/9
Rachel McEwen (Non-Executive Director)	(Resigned 23.06.25)	2/2
Barry O'Regan (Non-Executive Director)	(Appointed 23.06.25)	6/7
Ronald Fleming (Non-Executive Director)		7/9
Charles Thomazi (Non-Executive Director)		8/9
Charlotte Brunning (Non-Executive Director)	(Maternity leave 25.11.25)	6/6
Amanzhol Zhangeldin (Non-Executive Director)	(Appointed 25.11.25)	3/3
Laura Sandys (Independent Non-Executive Director)		9/9
Gary Steel (Independent Non-Executive Director)	(Resigned 31.03.26)	9/9

Board effectiveness

On appointment all Directors receive induction to the Group and Company Board and briefings on areas pertinent to their role such as a Director's legal duties. The ongoing effectiveness of the Board is supported by performance evaluation and a commitment to personal development and training by each Director.

Regular Board evaluation is facilitated by the Company Secretary, through which the Director's reflect upon, and agree, areas for improvement based on an objective assessment of the Board's operations. Following such assessments, actions are implemented and tracked in advance of further performance evaluations in 2026/27.

Opportunity, risk, and internal control

The long-term sustainable success of the Company, including the opportunities and risks to this, are explicitly considered by the Directors and within strategic decision making. Further details can be found throughout the Strategic Report.

Remuneration

The Remuneration of the Directors is set in line with overall SSE Group policy and further information can be found in note 4.

Stakeholder relationships and engagement

Details of the Company's stakeholders and the associated engagement which takes place can be found throughout the Strategic Report.

Going concern

The Directors consider that the Company has adequate resources to continue in operational existence for the period to 31 December 2027. The financial statements are therefore prepared on a going concern basis.

In reaching their conclusion, the Directors have reviewed the financial resources in place, the Company's forecast cash flows and funding requirements, and the financial strength of the Company in the context of the current economic and market environment. While the formal assessment period extends to 31 December 2027, a period of three months beyond this date was also reviewed for significant events that may result in a change to the conclusion of the assessment. No events or circumstances were identified in that period beyond the formal assessment that would alter the Directors' conclusion.

The Company had committed facilities of £5.0bn at 31 March 2026, of which £4.0bn was undrawn, together with a surplus cash balance of £40.2m. These facilities comprised a £1.5bn external revolving credit facility, a £1.5bn internal revolving credit facility with SSE plc, a £1.0bn National Wealth Fund facility and £1.0bn of Export Credit Agency facilities, alongside a £5m overdraft facility. During the year, the Company strengthened its liquidity position through the execution of £3.5bn of new committed facilities and continued to manage liquidity in accordance with updated Treasury policies, including maintaining the external revolving credit facility. The Company uses cash flow forecasts to monitor its ongoing borrowing requirements and to assess funding headroom over the going concern period.

The Directors' going concern conclusion has been reached after applying severe but plausible downside stress testing to the Company's cash flow and funding projections. These sensitivities include the assumption of no new external debt issuance, an additional cash flow sensitivity, and the application of mitigating actions within management's control, including the deferral of uncommitted capital expenditure. The Directors have also considered management's central funding plan, which assumes continued access to external debt markets, including planned Eurobond issuances, private placements and drawings on committed ECA and National Wealth Fund facilities.

In forming their conclusion, the Directors have taken into account the Company's strong investment grade credit ratings, recent successful debt issuances, the continued availability of committed facilities, and management's assessment that the Company retains good access to capital markets and bank lending. During the year, the Company issued £647m of Eurobonds, raised a further £86m by increasing the size of an existing Eurobond, entered into a £250m term loan and completed £112m of private placements, demonstrating continued access to diverse sources of funding. The Directors have also considered current market conditions, including heightened geopolitical volatility, and the assumption that the Company will be able to refinance maturing debt and raise additional funding where required. The Company has further assessed its obligations under its debt covenants. There were no breaches of covenant in the year and the Company's projections support the expectation that there will be no breaches of covenant over the assessment period, including under the severe but plausible downside stress testing applied.

There are debt maturities of £1.3bn during the going concern assessment period, principally relating to facility advances and an EIB loan, and the Company's forecasts indicate that these obligations can be met through available liquidity, committed facilities and planned refinancing actions.

Even under a scenario of a more challenging market environment, including the unlikely event that no new debt funding could be raised, the Directors are satisfied that the Company has sufficient liquidity and mitigating actions available to meet its liabilities as they fall due and to maintain adequate headroom throughout the period to 31 December 2027. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Viability Statement

The Board has voluntarily carried out an assessment of the longer-term viability of the Company consistent with the assessment and governance approach undertaken at Group level by SSE plc.

In doing so, the Board has assessed the prospects of the Company over the next 4 financial years to 31 March 2030. The Directors have determined that as this time horizon aligns with the Company's capital programme and is within the strategy planning period, a greater degree of confidence over the forecasting assumptions modelled can be established.

This statement is included solely for information.

In making this statement the Directors have considered the resilience of the Company, taking into account its current position, Principal Risks it faces and the control measures in place to mitigate each of them. In particular the Directors recognise the significance of the Company's regulated revenue stream, strong balance sheet and access to financial resources.

To support this statement, over the course of the year a suite of severe but plausible scenarios has been developed for each of the Principal Risks facing the Company and stress testing has been undertaken against available forecast financial headroom. Examples include interruptions to the delivery of large capital projects leading to significant overspend and failure of critical network assets.

The Directors also considered that whilst the Company anticipates significant capital investment over the coming years, it has a strong track record of accessing capital markets and expects to have the ongoing ability to successfully raise debt finance. The robust financial position of its 75% shareholder SSE plc and 25% shareholder OTPP also provides the ability to support capital investment as needed. SSE plc performed its own group-wide viability assessment, the details of which can be found in the 2026 SSE plc Annual Report.

Upon the basis of the analysis undertaken, and on the assumption that the fundamental regulatory and statutory framework in which the Company operates does not substantively change, the Directors have a reasonable expectation that the Company will be able to continue to meet its liabilities as they fall due in the period to 31 March 2030.

Directors' Report

The Directors present their report together with the audited financial statements for the year ended 31 March 2026.

Reporting requirements on the Company's principal activities and future developments, its principal risks and uncertainties and its key performance can be found in the Strategic Report.

1. Principal activities

The Company is part of SSE plc (the 'Group') and the key responsibility of the Group's Scottish and Southern Electricity Networks (SSEN) businesses, including the Company, is to maintain safe and reliable supplies of electricity and to restore supplies as quickly as possible in the event of interruptions. The Directors intend the Company to pursue its principal activity of the transmission of electricity in the north of Scotland. A full review of the year including the Company's future developments is contained within the Strategic Report section of these financial statements.

2. Results and dividends

The profit for the financial year amounted to £522.1m (2025: £262.0m). The Board did not declare or pay a dividend during the current or prior year.

3. Directors

The Directors and Secretary who served during the year are listed on page 1. In accordance with the Articles of Association of the Company the Directors are not required to retire by rotation.

4. Indemnification of Directors and insurance

The Directors have the benefit of an indemnity provision contained in the Company's Articles of Association. In addition, the Directors have been granted a qualifying third-party indemnity provision which was in force throughout the financial year and remains in force. Also, throughout the financial year, the Company purchased and maintained Directors' and Officers' liability insurance in respect of itself and for its Directors and Officers.

5. Political donations and expenditure

The Company operates on a politically neutral basis and does not make any donations to political parties, political organisations or independent election candidates. During the year, no political expenditure was incurred and no political donations were made by the Company.

6. Corporate governance

The Corporate Governance Statement for the Company is outlined on page 19.

7. Accounting policies, financial instruments and risk

Details of the Company's policies with regard to financial instruments and risk, are provided in note 18 to the financial statements.

8. Research and development

The Company is involved in a range of innovative projects and programmes which are designed to progressively transform the energy system. A number of these projects and programmes are referred to in the Strategic Report in pages 2 to 18.

9. Employment of disabled people

The Company has a range of employment policies which clearly detail the standards, processes, expectations and responsibilities of its people and the organisation. These policies were in place for the duration of the year, and are designed to ensure that everyone, including those with existing or new disabilities and people of all backgrounds, are dealt with in an inclusive and fair way from the recruitment process on through their career. This includes access to appropriate training, development opportunities and job progression.

10. Auditor

Each of the Directors who held office at the date of approval of this Directors' Report confirms that, so far as each Director is aware, there is no relevant audit information of which the Company's Auditors are unaware and each Director has taken all the steps that ought to have been taken in his or her duty as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

The Directors have appointed Ernst & Young LLP as auditors of the Company in accordance with section 485 of the Companies Act 2006.

On behalf of the board:

Mark McLaughlin (Jul 29, 2026 17:05:10 GMT+1)

Mark McLaughlin
Company Secretary
29 July 2026

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including 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 its profit or loss for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state whether applicable UK accounting standards, including FRS 101, 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 its 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, Directors' Report, and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Strategic Report/Directors' Report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

We consider the Annual report and financial statements to be fair, balanced and understandable and provides the information necessary for users to assess the Company's position and performance.

On behalf of the board:

Maz Alkirwi (Jul 29, 2026 17:20:29 GMT+1)

Maz Alkirwi
Director
29 July 2026

Independent Auditor's Report to the Members of Scottish Hydro Electric Transmission plc

Opinion

We have audited the financial statements of Scottish Hydro Electric Transmission plc for the year ended 31 March 2026 which comprise the Profit and Loss Account, Statement of Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the related notes 1 to 23 including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice)".

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 March 2026 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included the following procedures:

- Confirming our understanding of management's going concern assessment process as well as the review of controls in place over the preparation of the Company's going concern model and memorandum on going concern;
- Engaging early with management to ensure all key matters were considered in their assessment;
- Obtaining management's board approved forecast cash flows, covenant forecasts and sensitivities to 31 December 2027, ensuring the same forecasts are used elsewhere within the Company for accounting estimates and that the forecasts reflect all committed spend;
- Testing the models for arithmetical accuracy, as well as checking the net debt position at the year-end date which is the starting point for the model;
- Assessing the reasonableness of the cashflow forecasts by analysing management's historical forecasting accuracy. We also ensured climate change considerations were factored into future cash flows;
- Performing reverse stress testing to understand how severe the downside scenarios would need be to result in negative liquidity or a covenant breach and the plausibility of the scenarios. Both management's and EY's assessment included consideration of all maturing debt through to 31 March 2028 to consider any significant repayments falling due after the end of the going concern assessment period;
- Reviewing management's assessment of downside scenarios, and potential uncommitted capex reductions available to the Company to reduce cash flow spend in the going concern period, to determine their plausibility and whether such actions could be implemented by management. We have obtained support to determine whether these are within the control of management;
- Reading the borrowing facilities agreements to assess their continued availability to the company and to ensure completeness of covenants identified by management;
- Reviewing market data for indicators of potential contradictory evidence to challenge the Company's going concern assessment including review of profit warnings within the sector and review of industry analyst reports.
- Considering whether management's disclosures in the financial statements sufficiently and appropriately reflect the going concern assessment and outcomes.

Our key observations

The Company is forecast to continue to be profitable during the going concern period. The Company has planned significant capital expenditure in the going concern period, for which additional funding is expected. The Company has a history of raising external financing to fund its capital programme, which has been disclosed in note 14 to the financial statements.

The reverse stress testing performed indicated that the Company would need to be exposed to severe downside events impacting profitability and cash flows in order to breach liquidity and covenants.

As part of their assessment, the Directors identified a severe but plausible downside scenario as described in note 1. We consider such a scenario to be highly unlikely, however, in unlikely events, including the business not performing in line with budget, management consider that the impact can be mitigated by further cash and cost saving measures, which are within their control, or through external fund raising, or a combination of both during the going concern period.

The Company had committed facilities of £5.0 billion at 31 March 2026, of which £4.0 billion was undrawn, together with a surplus cash balance of £40.2million. During the year, the Company strengthened its liquidity position through the execution of £3.5 billion of new committed facilities and continued to manage liquidity in accordance with updated Treasury policies, including maintaining the external revolving credit facility. The Company uses cash flow forecasts to monitor its ongoing borrowing requirements and to assess funding headroom over the going concern period.

Having considered the severe downside and reverse stress test scenarios, we have not identified a plausible scenario where the Company would be unable to maintain cash flow liquidity and covenant compliance during the going concern period. We found the capital commitments in the cash flow forecasts to be reflective of the expected spend, including the Company's commitments as part of the SSE plc group wide NZAP Plus programme.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period to 31 December 2027.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Overview of our audit approach	
Key audit matters	• Carrying value of PP&E, specifically the risk around incorrect cost capitalisation • Management override of controls, specifically around revenue recognition
Materiality	• Overall materiality of £49.3 million which represents 0.5% of total assets.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team or the integrated SSE audit team.

Changes from the prior year

There were no significant changes to the scope of our audit from the prior year.

Climate change

The financial statement and audit risks related to climate change and the energy transition remain an area of audit focus in 2026. Stakeholders are increasingly interested in how climate change will impact Scottish Hydro Electric Transmission Plc. Scottish Hydro Electric Transmission operates principally within the UK and Ireland, and both are seeking to achieve net zero across their economies by 2050.

Scottish Hydro Electric Transmission has determined that the most significant future impacts from climate change on its operations will be from accelerated Transmission growth. This is explained on pages 7 to 9 in the principal risks and uncertainties, which form part of the "Other information," rather than the audited financial statements. These disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Company's business and any consequential material impact on its financial statements. The Company has explained under environment (pages 14 to 15), how they have reflected the impact of climate change in their financial statements including where assumptions applied align with their commitment to the aspirations of the Paris Agreement to achieve net zero emissions by 2050.

Government and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of IAS 36. Budgets and forecasts for SSE plc group reflect the spend to come on the announced £33bn investment programme.

The Company has determined that the most significant future impact from climate change on its operations will be from storm damage network risk through increased severity of extreme weather events. This is explained on pages 7 to 9 in the principal risks and uncertainties, which form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other Information".

Our audit effort in considering climate change focused on ensuring that the effects of material climate related risks disclosed in the annual report have been appropriately reflected within the going concern cashflows, asset values and useful life and associated disclosures where values are determined through modelling future cash flows, being impairment considerations over intangible assets and property, plant & equipment. In addition, we performed detailed testing of the sensitivities noted in the accounts

We challenged the directors' considerations of climate change in their assessment of going concern and viability and associated disclosures. We also read the "Other information" in the annual report, and in doing so, considered whether the "Other information", which includes Scottish Hydro Electric Transmission's climate targets, is materially consistent with the financial statements. We also considered consistency with other areas of assumptions, judgements and estimates.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to Management
Carrying value of PP&E, specifically the risk around incorrect cost capitalisation (PP&E NBV 2026: £8,755m, PP&E NBV 2025: £6,662m) *Refer to accounting policies (page 44); and Note 8 of the financial statements (page 50).* The PP&E balance in Scottish Hydro Electric Transmission plc is quantitatively the most significant on the balance sheet. The capitalisation of costs involves a level of judgement and therefore there is a heightened risk of material misstatement in this area. This risk is specifically related to the potential for incorrect capitalisation of costs. The risk is that costs are capitalised that are not capital in nature. Incorrect cost capitalisation could have a significant effect on the carrying value of the Company's Network assets on the balance sheet. This could result in overstated assets in the year. It is deemed there is a sufficiently high likelihood of misstatement for this to be classified as a key audit matter.	To respond to the risk, we obtained an understanding of the key controls and processes in place over the capitalisation of costs through our walkthrough procedures. The following substantive procedures were performed: *Additions Testing* We selected a sample of PP&E additions in the year and agreed the details to third party evidence to check whether: • The correct amount was capitalised; • The cost was capital in nature; and • The cost is correct to be capitalised in line with accounting standards. *Assessment of capitalisation of attributable overheads* We assessed the appropriateness of attributable overheads capitalised within fixed assets through our audit of the capitalisation of overheads: • We confirmed the completeness of the model through performing a reconciliation to the trial balance; • We confirmed the clerical accuracy of the model by performing a recalculation of the capitalised cost using the centrally obtained GL data; • We verified the valuation of capitalised overhead expenses through sample testing of administrative expenses and completion of payroll expense testing; • We performed analytical review procedures to identify significant cost centres and understand any changes in cost allocation; and • We held meetings with a sample of cost centre managers to understand the judgements made in establishing the proportion of overheads to be capitalised and to validate any significant change in allocation from the prior year. *Board Minutes Review* We read Board Minutes to identify any unusual or challenging projects that were receiving executive level attention and may incur costs that were not capital in nature. We cross checked this to our additions work to corroborate our findings. We also read Board Minutes to identify any factors which could contribute to a significant change in the allocation of expenses between operating and capital expenditure and cross checked any findings to the model to confirm these were reflected. *Disclosure Review* We assessed the appropriateness and adequacy of the disclosures in line with relevant accounting standards. All audit work in relation to this key audit matter was undertaken by the Scottish Hydro Electric Transmission plc audit engagement team.	We conclude that the costs capitalised in the year were materially correct as a result of the procedures we performed. We are satisfied with the adequacy of disclosure included in the financial statements.

Risk	Our response to the risk	Key observations communicated to Management
Management override of controls, specifically around revenue recognition (Revenue 2026: £1,213.6m, Revenue 2025: £807m). *Refer to accounting policies (page 43); and Note 2 of the financial statements (page 46).* Revenue earned by Scottish Hydro Electric Transmission plc relates to billing National Grid for electricity transmission services. Revenue recognition is a particular area of focus for our audit in considering possible areas of management bias and fraud, arising from management override of controls. There is management incentive to post manual credits to revenue to improve Company profitability. Scottish Hydro Electric Transmission plc revenue is regulated. All revenue generated from the Ofgem model is recorded by the Scottish Hydro Electric Transmission finance team. There are also instances of manual adjustments to revenue figures, and the accuracy and recording of any such material adjustments may represent a fraud risk of material misstatement to revenue.	We obtained an understanding of the key controls and processes in place over revenue recognition and the recording of manual journal entries. We performed data analytics procedures. We utilised data analytics techniques to correlate sales through to debtors and subsequently cash. We tested material non-correlating entries to third party evidence to ensure these had been correctly recognised. We also tested a sample of revenue transactions to bank statement to confirm cash receipt. As part of our journal entries testing, we used risk-based filters to test a sample of manual journal entries made to revenue through to supporting third party evidence, to confirm that this revenue recognition was appropriate and had an appropriate business rationale. *Disclosure Review* We assessed the appropriateness and adequacy of the disclosures in line with relevant accounting standards.	We conclude that revenue recognised in the period is materially correct based on the procedures performed. We are satisfied with the adequacy of disclosure included in the financial statements.

In the current year, the key audit matters are consistent with the prior year with no changes.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £49.3 million (2025: £36.2 million), which is 0.5% (2025: 0.5%) of total assets. We believe that total assets provide us with the most appropriate materiality basis when considering the focus of the entity's stakeholders. We consider which earnings, activity or capital-based measure best aligns with their expectations. The entity generates revenue and profits almost entirely through using its infrastructure assets and given the significant capital expenditure commitments planned through the current price control period and across the next decade, we have determined that total assets is the most appropriate measure and is aligned to the key focus of the entity's stakeholders. This measurement basis remains unchanged from the previous period.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2025: 75%) of our planning materiality, namely £37.0 million (2025: £27.1 million). We have set performance materiality at this percentage due to our assessment of the control environment of the entity including the attitude and integrity of management and those charged with governance.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with those charged with governance that we would report to them all uncorrected audit differences in excess of £2.5 million (2025: £1.8 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (FRS101, Companies Act 2006 and UK Corporate Governance Code), relevant tax compliance regulations in the UK and the Electricity Transmission Licence.
- We understood how Scottish Hydro Electric Transmission plc is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We confirmed our enquiries through our review of board minutes, regulatory correspondence and papers provided to the SSE plc Audit Committee.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their propensity to influence on efforts made by management to manage earnings. We considered the programmes and controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls at a group level. Where the risk was considered to be higher, we performed audit procedures to address the identified fraud risk, management override of controls, specifically around revenue recognition.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business and enquiries of legal counsel and management. In addition, we completed procedures to conclude on the compliance of the disclosures in the financial statements and accounts with all applicable requirements.
- We understood the relationship between Scottish Hydro Electric Transmission plc and its regulator, the Office of Gas and Electricity Markets (OFGEM), to understand their scope of authorisation and controls the entity has in place to meet their requirements. We requested copies of any correspondence with the regulator that is relevant to our audit and discussed ongoing regulatory matters with the directors.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the SSE plc Audit Committee we were appointed by the Company on 18 July 2019 to audit the financial statements for the year ending 31 March 2020 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 7 years, covering the years ending 31 March 2020 to 31 March 2026.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.

Use of our report

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.

Signed by:
Julie Cavin
CB33445B948E4A1...

Julie Cavin (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh

29 July 2026

Profit and Loss Account

for the year ended 31 March 2026

	Note	2026 £m	2025 £m
Revenue	2	1,213.6	807.0
Cost of sales		-	-
Gross Profit		1,213.6	807.0
Distribution costs		(395.9)	(341.1)
Administrative costs		(47.3)	(30.4)
Operating profit	3	770.4	435.5
Interest receivable and similar income	5	14.9	14.5
Interest payable and similar charges	6	(62.1)	(74.6)
Profit before taxation		723.2	375.4
Tax on profit	7	(201.1)	(113.4)
Profit for the financial year		522.1	262.0

Continuing operations

The above results are derived from continuing activities

The accompanying notes are an integral part of these financial statements.

Statement of Other Comprehensive Income

for the year ended 31 March 2026

	2026 £m	2025 £m
Profit for the financial year	522.1	262.0
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss:		
Net (losses) / gains on cash flow hedges	(33.1)	27.5
Transferred to assets and liabilities on cash flow hedges	0.3	0.7
Taxation on cash flow hedges	8.6	(6.4)
Other comprehensive (loss) / gain	(24.2)	21.8
Total comprehensive income relating to the financial year	497.9	283.8

Balance Sheet

as at 31 March 2026

	Note	2026 £m	2025 (Restated) £m
Non-current assets			
Property, plant and equipment	8	8,755.3	6,662.0
Intangible assets	9	58.5	39.1
Derivative Financial Assets	18	79.7	18.1
Debtors: Amounts falling due after more than one year	10	290.7	234.9
		9,184.2	6,954.1
Current assets			
Debtors: Amounts falling due within one year	10	641.3	264.1
Cash and cash equivalents	11	40.2	7.4
Derivative financial assets	18	2.4	11.4
Total current assets		683.9	282.9
Current liabilities			
Creditors: amounts falling due within one year	12	(1,799.2)	(750.4)
Provisions	22	(2.5)	(1.8)
Derivative financial liabilities	18	(9.9)	(1.9)
Total current liabilities		(1,811.6)	(754.1)
Net current liabilities		(1,127.7)	(471.2)
Total assets less current liabilities		8,056.5	6,482.9
Creditors: amounts falling due after more than one year	13	(4,286.5)	(3,488.5)
Derivative financial liabilities	18	(39.1)	(14.8)
Deferred taxation	15	(908.8)	(659.3)
Provisions	22	(0.8)	-
Net assets		2,821.3	2,320.3
Capital and reserves			
Called up share capital	16	354.3	354.3
Profit and loss account		2,474.4	1,949.2
Hedge reserve		(7.4)	16.8
Equity Shareholders' funds		2,821.3	2,320.3

The comparative has been restated. See note 1.

These financial statements were approved by the Board of Directors on 29 July 2026 and signed on their behalf by:

Maz Alkirwi (Jul 29, 2026 17:20:29 GMT+1)

Maz Alkirwi
Director
Company registered number: SC213461

Statement of Changes in Equity

for the year ended 31 March 2026

	Share capital £m	Retained earnings £m	Hedge reserve £m	Total Equity £m
Balance at 1 April 2024	**354.3**	**1,685.0**	**(5.0)**	**2,034.3**
Profit for the year	-	262.0	-	262.0
Other comprehensive income	-	-	21.8	21.8
Total comprehensive income for the year	**-**	**262.0**	**21.8**	**283.8**
Credit in respect of employee share schemes	-	2.2	-	2.2
Balance at 31 March 2025	**354.3**	**1,949.2**	**16.8**	**2,320.3**
Balance at 1 April 2025	**354.3**	**1,949.2**	**16.8**	**2,320.3**
Profit for the year	-	522.1	-	522.1
Other comprehensive (loss)	-	-	(24.2)	(24.2)
Total comprehensive income for the year	**-**	**522.1**	**(24.2)**	**497.9**
Credit in respect of employee share schemes	-	3.1	-	3.1
Balance at 31 March 2026	**354.3**	**2,474.4**	**(7.4)**	**2,821.3**

Cash Flow Statement

for the year ended 31 March 2026

	Note	2026 £m	2025 £m
Operating profit		770.4	435.5
Depreciation on property, plant and equipment	8	179.6	143.7
Amortisation of intangible assets	9	11.7	8.3
Charge in respect of employee share awards	4	3.1	2.2
Release of deferred income		(3.3)	(3.2)
Provision expense	22	2.6	2.3
Cash generated from operations before working capital movements		964.1	588.8
(Increase)/decrease in debtors		(24.3)	(23.7)
Increase/(decrease) in creditors		96.2	(64.5)
Utilisation of provision		(1.1)	(0.5)
Cash generated from operations		1,034.9	500.1
Net interest paid		-	(118.3)
Interest paid*		(160.2)	-
Interest received*		12.1	-
Taxes Received/(Paid)		52.9	(13.9)
Net cash from operating activities		939.7	367.9
Purchase of property, plant and equipment		(2,453.7)	(1,379.1)
Purchase of intangible assets		(31.1)	(20.3)
Deferred income		303.0	16.3
Net cash from investing activities		(2,181.8)	(1,383.1)
New borrowings	20	2,066.7	1,194.8
Repayment of borrowings	20	(791.8)	(301.1)
Net cash from financing activities		1,274.9	893.7
Net increase/(decrease) in cash and cash equivalents		32.8	(121.5)
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the year		32.8	(121.5)
Net cash at start of the year		7.4	128.9
Net cash at end of the year		40.2	7.4

* See note 1.

Notes on the Financial Statements

for the year ended 31 March 2026

1. Material accounting policies

The Company is a public company incorporated, domiciled, and registered, in Scotland. Its registration number is SC213461, and registered office is Inveralmond House, 200 Dunkeld Road, Perth, PH1 3AQ, United Kingdom.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 (Reduced Disclosures) ("FRS 101") as issued by the Financial Reporting Council.

In preparing the financial statements, the Company has considered the impact of climate change, taking into account the relevant disclosures in the Strategic Report. These considerations included the capital expenditure planned in order to deliver the Company's investment programme of around £29bn on a 100% basis over the period to 2030, which differs from RIIO-T3 price control running from 1 April 2026 to 31 March 2031 and the potential impact that adverse weather could have on the Company's network infrastructure, particularly when forecasting cash flows, in assessing going concern, assessing useful economic lives and identifying indicators of impairment.

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

- The effect of new, but not yet effective, IFRSs;
- Related party disclosures; and
- Comparative period reconciliations for property, plant and equipment, intangible assets and share capital.

As the consolidated financial statements of SSE plc include the equivalent disclosure, the Company has also taken advantage of the exemptions under FRS 101, available in respect of the following disclosures:

- Certain disclosures, required by IAS 36 "Impairment of Assets", in respect of the impairment of goodwill and intangible assets;
- Certain disclosures, required by IFRS 13 "Fair Value Measurement", IFRS 7 "Financial Instruments disclosures" and IFRS 15 "Revenue from Contracts with Customers"; and
- Certain disclosures, required by IFRS 16 "Leases".

Following adoption of IFRS 9 on 1 April 2019, the Company elected to continue to apply IAS 39 for hedge accounting. From 1 April 2026, the Company will adopt the hedge accounting requirements of IFRS 9 to align its hedge accounting more closely with the Group's risk management objectives. In the period to 31 March 2026, the Company assessed its existing IAS 39 hedging relationships and concluded that those relationships continue to meet the IFRS 9 hedge accounting criteria. These hedging relationships will be designated as continuing hedges upon adoption of IFRS 9.

The Company will apply the prospective basis as permitted by IFRS 9, whereby comparative information is not restated. The impact on the income statement is immaterial.

The Company has elected to apply the cost of hedging approach, under which certain elements of the fair value of hedging instruments (such as forward points and currency basis spread) are recognised in other comprehensive income rather than profit or loss. These amounts will be accumulated in a cost of hedge equity reserve within equity and subsequently reclassified to profit or loss in the same period the hedged item affects profit or loss. On adoption, the cost of hedge reserve will be £10.3m. There is no impact on total equity as a result of this reclassification.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The Company has not included employee share-based payments disclosures on the basis of materiality.

There are no new standards, interpretations or amendments effective for the first time from 1 April 2025 that have had a material effect on the financial statements.

Going Concern

The Directors consider that the Company has adequate resources to continue in operational existence for the period to 31 December 2027. The financial statements are therefore prepared on a going concern basis.

In reaching their conclusion, the Directors have reviewed the financial resources in place, the Company's forecast cash flows and funding requirements, and the financial strength of the Company in the context of the current economic and market environment. While the formal assessment period extends to 31 December 2027, a period of three months beyond this date was also reviewed for significant events that may result in a change to the conclusion of the assessment. No events or circumstances were identified in that period beyond the formal assessment that would alter the Directors' conclusion.

The Company had committed facilities of £5.0bn at 31 March 2026, of which £4.0bn was undrawn, together with a surplus cash balance of £40.2m. These facilities comprised a £1.5bn external revolving credit facility, a £1.5bn internal revolving credit facility with SSE plc, a £1.0bn National Wealth Fund facility and £1.0bn of Export Credit Agency facilities, alongside a £5m overdraft facility. During the year, the Company strengthened its liquidity position through the execution of £3.5bn of new committed facilities and continued to manage liquidity in accordance with updated Treasury policies, including maintaining the external revolving credit facility. The Company uses cash flow forecasts to monitor its ongoing borrowing requirements and to assess funding headroom over the going concern period.

The Directors' going concern conclusion has been reached after applying severe but plausible downside stress testing to the Company's cash flow and funding projections. These sensitivities include the assumption of no new external debt issuance, an additional cash flow sensitivity, and the application of mitigating actions within management's control, including the deferral of uncommitted capital expenditure. The Directors have also considered management's central funding plan, which assumes continued access to external debt markets, including planned Eurobond issuances, private placements and drawings on committed ECA and National Wealth Fund facilities.

In forming their conclusion, the Directors have taken into account the Company's strong investment grade credit ratings, recent successful debt issuances, the continued availability of committed facilities, and management's assessment that the Company retains good access to capital markets and bank lending. During the year, the Company issued £647m of Eurobonds, an £86m bond tap, a £250m term loan and £112m of private placements, demonstrating continued access to diverse sources of funding. The Directors have also considered current market conditions, including heightened geopolitical volatility, and the assumption that the Company will be able to refinance maturing debt and raise additional funding where required. The Company has further assessed its obligations under its debt covenants. There were no breaches of covenant in the year and the Company's projections support the expectation that there will be no breaches of covenant over the assessment period, including under the severe but plausible downside stress testing applied.

There are debt maturities of £1.3bn during the going concern assessment period, principally relating to facility advances and an EIB loan, and the Company's forecasts indicate that these obligations can be met through available liquidity, committed facilities and planned refinancing actions.

Even under a scenario of a more challenging market environment, including the unlikely event that no new debt funding could be raised, the Directors are satisfied that the Company has sufficient liquidity and mitigating actions available to meet its liabilities as they fall due and to maintain adequate headroom throughout the period to 31 December 2027. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Further details of the Company's liquidity position and Going Concern review are provided on page 17.

Revenue

Use of electricity transmission networks

Revenue from use of electricity networks is derived from the allowed revenue as defined by the parameters in the relevant electricity transmission licence, which informs the tariffs set.

Electricity transmission revenue is determined in accordance with its regulatory licence, based on an Ofgem approved revenue model and is recognised "over time" as charged to National Energy System Operator. Where this revenue differs from the allowed revenue, there may be an over- or under-recovery of revenue which will be reflected in future financial years' allowed revenue as set out in the regulatory licence. No accounting adjustments are 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). The over or under recovery adjustment is recognised in the subsequent period when included within the tariffs that form allowed revenue under the regulatory agreement.

Transmission network contracted services

Where the Company has an ongoing obligation to provide contracted services (transmission network connections), revenues are recognised "over time" consistent with the customer receiving and consuming benefits of that service across the expected contractual service period. Any assets constructed in order to deliver the service are capitalised and depreciated over their useful life. Payments received from customers in advance of providing the contracted service are deferred on balance sheet. No extended warranty periods are offered.

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income. Exchange rate risks are managed through the Company's treasury hedging policy.

Research

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account 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 other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Property, plant and equipment

Property, plant and equipment (PPE) is stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

	Years
Network assets:	
Underground and subsea cables, overhead lines	25 to 80
Other network assets	4 to 40

Assets held under leasing arrangements are recognised as right-of-use assets and are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

An item of PPE is derecognised on disposal. Where no future economic benefits are expected to arise from the continued use of an item of PPE, the asset is fully written off.

Expenditure incurred to replace a component of PPE that is accounted for separately is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits of the PPE to which it relates.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

Included within intangible assets are software development work, software upgrades and purchased PC software packages. Amortisation is charged on a straight-line basis over 3 to 10 years and is included within distribution costs in the profit and loss account.

Capitalised interest

Interest directly attributable to the acquisition, construction or production of major capital projects, which are projects that necessarily take a substantial period of time to get ready for their intended use, is added to the cost of those assets, until such time as the assets are substantially ready for their intended use, and depreciated as part of the total cost over the useful life of the asset.

Customer contributions

Customer contributions and capital grants are recorded as deferred income and released to the profit and loss account over the estimated useful life of the related fixed asset, where there is an ongoing service obligation.

Leases

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability and any lease payments made in advance of the lease commencement date.

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Company's incremental borrowing rate.

Impairment review

The carrying amounts of the Company's PPE and other intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, or where there are indications that a previously recognised impairment loss has reduced. For PPE and other intangible assets that have previously been identified as exhibiting indications of impairment, the review of impairment will be performed annually until there is sufficient evidence to confirm that any potential impairment loss has been appropriately recognised, or until previously recognised impairment losses have been fully written back.

For assets subject to impairment testing, the asset's carrying value is compared to the asset's recoverable amount. The recoverable amount is determined to be the higher of the fair value less costs to sell (FVLCS) and the value-in-use (VIU) of the asset.

If the carrying amount of the asset exceeds its recoverable amount, an impairment charge will be recognised immediately in the profit and loss account. Reversals of previous impairment charges are recognised if the recoverable amount of the asset significantly exceeds the carrying amount.

Capital Prepayments

Due to the long-term nature of capital projects within the Company, a greater proportion of prepayments to suppliers to secure materials and production capacity in advance are extending beyond 12 months. Under the Company's previous accounting policy, all capital prepayments were shown as current assets. However, the Company has elected to amend its accounting policy for disclosure of capital prepayments to split prepayments between current and non-current maturity. In accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" the balance sheet for the year ended 31 March 2025 has been restated to present £234.9m of capital prepayments as non-current assets (2026 equivalent: £290.7m). This change in policy had no impact on net assets, the income statement and statement of cashflows at any reporting date.

Pensions

Some of the Company's employees are members of a Group wide defined benefit pension plan. As there is no contractual agreement or stated Group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is another member of the Group. The Company then recognises a cost equal to its contribution payable for the period. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Equity and equity-related compensation benefits

SSE plc, the ultimate parent of the Company, operates a number of All Employee Share Schemes as described in the Remuneration Policy Report of the Group. These schemes enable Group employees to acquire shares of the ultimate parent company. The employees of the Company are entitled, where applicable, to participate in these schemes. The Company has not been charged the cash cost of acquiring shares on behalf of its employees, as this cost is borne by the ultimate parent company. Where the fair value of the options granted has been measured, the Company has recognised the expense as if the share-based payments related to the Company's own shares.

The exercise prices of the sharesave scheme are set at a discount to market price at the date of the grant. The fair value of the sharesave scheme option granted is measured at the grant date by use of an option pricing model. The fair value of the options granted is recognised as an expense on a straight-line basis over the period that the scheme vests. Estimates are updated at each balance sheet date with any adjustment in respect of the current and prior years being recognised in the profit and loss account.

The costs associated with the other main employee schemes, the Share Incentive Plan and the Deferred Bonus Scheme, are recognised over the period to which they relate.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term money market deposits. The Company receives monies in the form of grants and contributions from Ofgem for innovation projects. The use of this is restricted by the specific terms and conditions of each project. The cash and cash equivalents balance has not been remitted to SSE plc as part of the Group's central treasury operations.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Cash flow hedges

A derivative classified as a 'cash flow' hedge recognises the portion of gains or losses on the derivative which are deemed to be effective directly in equity in the hedge reserve.

Any ineffective portion of the gains or losses is recognised in the profit and loss account. The gains or losses that are recognised directly in equity are transferred to the profit and loss account in the same year in which the forecast transaction occurs.

Fair value hedges

A derivative classified as a "fair value" hedge recognises gains and losses from re-measurement immediately in the income statement. Loans and borrowings are measured at cost except where they form the underlying transaction in an effective fair value hedge relationship. In such cases, the carrying value of the loan or borrowing is adjusted to reflect fair value movements with the gain or loss being reported in the income statement.

Joint operation

Joint arrangements, as defined by IFRS 11 "Joint Arrangements", are those arrangements that convey to two or more parties 'joint control'. Joint control exists when decisions about the 'relevant activities', being the financial, operational or strategic policies of the arrangement, are made with the unanimous consent of the parties sharing control. The Company's interest in its joint operations is accounted for by recognising its share of the assets, liabilities, revenue and expenses of the operation. Eastern Green Link 2 Limited and Eastern Green Link 3 Limited are distinct joint operations between the Company and National Grid Electricity Transmission plc to install a 2GW subsea high-voltage connection.

Interest-bearing loans and borrowings

All such loans and borrowings are initially recognised at fair value including transaction costs and are subsequently measured at amortised cost, except where the loan or borrowing is the hedged item in an effective fair value hedge relationship.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, it can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Cash flow statement

A reclassification has been made in 2026 to present interest paid of £160.2m (2025 equivalent: £133.3m) and interest received of £12.1m (2025 equivalent: £15.0m) gross (previously presented net) in the cash flow statement in accordance with the requirements of IAS 7 "Statement of Cash Flows". The 2025 balances have not been reclassified as they are not quantitatively or qualitatively material. This reclassification had no impact on net cash from operating activities in the cash flow statement, retained earnings, net assets of the Company, at any reporting date.

Significant judgements and estimates

There are no significant judgements or estimates in the year.

2. Analysis of Revenue

An analysis of the Company's revenue by business segment is set out below:

	General use of electricity networks £m	Network connections services £m	Other network activity £m	Other revenue £m	Total £m
Transmission revenue at 31 March 2026	**1,184.9**	**24.6**	**2.2**	**1.9**	**1,213.6**
Transmission revenue at 31 March 2025	783.0	21.4	1.1	1.5	807.0

The existence of each segment is fundamental to the successful operation of the transmission network. Each segment has similar economic characteristics and therefore the Directors assess that the Company has one reportable operating segment. Revenue earned from the construction, maintenance and renovation of the transmission network in the north of Scotland, is determined in accordance with the regulatory licence, based on an Ofgem approved revenue model and is recognised as charged to one main customer, National Energy System Operator. The Company also provides electricity connections providing essential and safe access to the transmission network. The Company continued to operate under the RIIO-T2 Price Control which ended on 31 March 2026 and will operate under the RIIO-T3 price control (operating from 1 April 2026 to 31 March 2031).

3. Expenses and auditor's remuneration

Operating profit is arrived at after charging/(crediting):

	2026 £m	2025 £m
Depreciation of property, plant and equipment (note 8)	**179.6**	143.7
Amortisation of intangible assets (note 9)	**11.7**	8.3
Lease charges (i)	**0.3**	0.1
Release of deferred income in relation to customer contributions and capital grants	**(3.3)**	(3.2)
Net management fees in respect of services provided by SSE Group companies	**46.8**	30.9
Research costs	**5.4**	4.3

(i) Represents the expense of leases with a duration of 12 months or less, leases deemed to be "low value" and variable lease payments which do not depend on an index or rate with £0.3m (2025: £0.1m) charged in the current year.

The Company incurred £0.2m of external audit fees (2025: £0.2m). Included within this are audit related assurance service fees of £0.04m (2025: £0.02m).

4. Staff costs and numbers

	2026 £m	2025 £m
Staff costs:		
Wages and salaries	**161.2**	124.6
Social security costs	**22.1**	14.7
Share based remuneration	**3.1**	2.2
Pension costs	**26.1**	20.0
	212.5	161.5
Less charged as capital expenditure	**(142.6)**	(106.4)
	69.9	55.1

	2026 number	2025 number
Employee numbers		
Operational field staff	**93**	74
Non-operational support staff	**2,750**	2,252
Numbers employed at 31 March	**2,843**	2,326

	2026 number	2025 number
Average employee numbers		
Operational field staff	**83**	68
Non-operational support staff	**2,536**	2,016
The monthly average number of people employed by the Company during the year	**2,619**	2,084

Operational field staff are defined as employees directly engaged in front-line activities including inspection, maintenance and operation of the transmission network.

	2026 £m	2025 £m
Directors remuneration	5.0	3.7

The total remuneration received by the Directors for qualifying and non-qualifying services including amounts paid and receivable under long term incentive schemes during the year was £5.0m (2025: £3.7m). The total attributable to the highest paid director is £1.7m (2025: £1.4m).

The above value is for 8 Directors (2025: 7), 8 of whom were remunerated via another Group company in the year. A value of services to the Company for these Directors cannot be determined, therefore the above value reflects the remuneration received for services to the SSE Group as a whole.

The aggregate of amounts paid and receivable under long term incentive schemes for Directors is £2.7m (2025: £2.0m), of which £1.0m (2025: £0.8m) is due to the highest paid Director. Total company pension contributions of £0.1m (2025: £0.1m) were made to a money purchase scheme on behalf of the Directors.

5 (2025: 5) Directors exercised share options in the parent's shares during the year. The highest paid Director exercised and received shares under a long-term incentive scheme in the year.

5. Interest receivable and similar income

	2026 £m	2025 £m
Interest receivable from short term deposits	3.2	10.9
Other income	3.0	3.6
Fair value movements on derivative financial instruments*	8.6	-
Foreign exchange translation of monetary assets and liabilities	0.1	-
	14.9	14.5

*The gain of £8.6m relates primarily to movements in credit valuation adjustment (CVA) and debit valuation adjustment (DVA) on interest rate swap derivatives entered into to hedge forecast financing requirements, reflecting the impact of non-performance risk on the fair value measurement of those instruments.

6. Interest payable and similar charges

	2026 £m	2025 £m
Interest payable to SSE Group companies	25.8	25.2
Bank loans and overdrafts	159.7	100.4
Lease interest	0.6	0.5
Interest capitalised	(126.2)	(55.5)
Other charges	2.2	2.2
Foreign exchange translation of monetary assets and liabilities	-	1.8
	62.1	74.6

7. Taxation

	2026 £m	2025 £m
UK corporation tax		
Current tax on income for the period	**(55.9)**	(54.3)
Adjustment in respect of prior periods	**(1.1)**	(0.2)
Total current tax charge	**(57.0)**	(54.5)
Deferred tax (see note 15):		
Origination and reversal of temporary differences	**257.6**	167.7
Adjustment in respect of prior years	**0.5**	0.2
Total deferred tax	**258.1**	167.9
Total tax on profit	**201.1**	113.4

The difference between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2026 £m	2025 £m
Profit before taxation	**723.2**	375.4
Tax on profit at standard UK corporation tax rate of 25% (2025: 25%)	**180.9**	93.8
Effects of:		
Depreciation on non-qualifying assets	**2.1**	1.4
Adjustment in respect of previous periods	**(0.6)**	-
Other items	**(0.4)**	(0.5)
Discount on group relief	**19.1**	18.7
Total tax charge for year	**201.1**	113.4

The Company's profits are taxed at the standard rate of UK corporation tax being 25% for the year to 31 March 2026 (2025: 25%).

There were no announced or enacted changes in corporation tax rates in the year ended 31 March 2026.

Finance Bill 2023 introduced legislation, initially as a temporary measure but then made permanent in the Autumn Statement, to allow 'Full Expensing' of 100% General Pool plant and machinery, alongside 50% for Special Rate Pool plant and machinery. These changes significantly increase the deductions for Capital Allowances on capital expenditure incurred in the year ended 31 March 2026.

8. Property, plant and equipment

	Land and buildings £m	Network assets £m	Vehicles and miscellaneous equipment £m	Total £m
Cost:				
At 1 April 2025	14.4	7,666.2	113.9	7,794.5
Additions	13.9	2,238.9	20.1	2,272.9
At 31 March 2026	**28.3**	**9,905.1**	**134.0**	**10,067.4**
Depreciation:				
At 1 April 2025	(2.6)	(1,081.8)	(48.1)	(1,132.5)
Charge for the year	(1.9)	(169.4)	(8.3)	(179.6)
At 31 March 2026	**(4.5)**	**(1,251.2)**	**(56.4)**	**(1,312.1)**
Net book value:				
At 31 March 2026	**23.8**	**8,653.9**	**77.6**	**8,755.3**
At 31 March 2025	11.8	6,584.4	65.8	6,662.0

The above property, plant and equipment includes £393.8m (2025: £267.6m) of capitalised interest, of which £126.2m was capitalised in the current year (2025: £55.5m). The weighted average interest rate applied in the year was 3.86% (2025: 3.46%). This is depreciated annually according to the useful economic life of the asset to which the capitalised interest relates.

Included in the above line items are the following right-of-use assets:

	Land and buildings £m
Cost:	
At 1 April 2025	14.4
Additions	13.9
At 31 March 2026	**28.3**
Depreciation:	
At 1 April 2025	(2.6)
Charge for the year	(1.9)
At 31 March 2026	**(4.5)**
Net book value:	
At 31 March 2026	**23.8**
At 31 March 2025	11.8

9. Intangible assets

	IT Software £m
Cost:	
At 1 April 2025	68.6
Additions	31.1
At 31 March 2026	**99.7**
Amortisation:	
At 1 April 2025	(29.5)
Charge for the year	(11.7)
At 31 March 2026	**(41.2)**
Net book value:	
At 31 March 2026	**58.5**
At 31 March 2025	39.1

10. Debtors

	2026 £m	2025 £m (Restated)
Trade debtors	**1.7**	12.7
Other receivables	**96.9**	69.9
Amounts owed by Group undertakings	**-**	0.3
Prepayments and accrued income	**540.5**	179.8
Contracted related receivables	**2.2**	1.4
	641.3	264.1
Non-current		
Capital prepayments [(i)]	**290.7**	234.9

(i) Due to the long-term nature of capital projects within the Company, a greater proportion of prepayments to suppliers to secure materials and production capacity in advance are extending beyond 12 months. Comparatives have been restated in line with Note 1.

11. Cash and cash equivalents

	2026 £m	2025 £m
Cash and cash equivalents	**40.2**	7.4

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and short term highly liquid investments with maturity of three months or less. Any cash and cash equivalents that represent amounts received to fund Strategic Investment Fund (SIF) projects is restricted and can only be used for the purpose of the relevant project. The total restricted cash balance as at 31 March 2026 was £8.0m (2025: £2.6m).

12. Creditors: amounts falling due within one year

	2026 £m	2025 £m
Trade creditors	**79.5**	30.1
Loans and borrowings (note 14)	**300.0**	-
Loans due to ultimate parent (note 14)	**970.0**	450.0
Amounts owed to Group undertakings	**42.3**	44.5
Other creditors	**29.9**	22.1
Contract related liabilities (i)	**27.8**	11.4
Accruals	**348.6**	191.6
Obligations under leases	**1.1**	0.7
	1,799.2	750.4

(i) Current contract related liabilities include customer contributions of £10.1m (2025: £3.2m). Revenue recognised in the reporting period of £3.3m was included in contract liabilities at the beginning of the period.

The amounts owed to Group undertakings include interest payable on ultimate parent SSE plc loan (note 14). Interest on the loan is charged at 4.00% (2025: 3.38%). No interest is payable on remaining elements owed to Group undertakings.

13. Creditors: amounts falling due after more than one year

	2026 £m	2025 £m
Loans and borrowings (note 14)	**3,773.7**	3,278.9
Loans due to ultimate parent (note 14)	**30.0**	30.0
Contract related liabilities (i)	**468.8**	167.0
Obligations under leases	**14.0**	12.6
	4,286.5	3,488.5

(i) Non-current contract related liabilities include customer contributions of £427.2m (2025: £136.2m). Of this balance, £296.5m represents customer contributions in respect of a regulator-directed transaction for future services associated with the Shetland link contribution. The balance will be released to the profit and loss account over 45 years being the estimated useful life of the related fixed asset.

Details of the interest rates in relation to the loans and borrowings are included in note 14.

14. Interest bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings which are held at amortised cost.

Analysis of Borrowings	2026 Weighted Average Interest Rate (iv)	2026 Face value £m	2026 Fair value £m	2026 Carrying amount £m	2025 Weighted Average Interest Rate	2025 Face value £m	2025 Fair value £m	2025 Carrying amount £m
Current								
3.38% Loan Stock repayable to SSE plc on 25 February 2026	3.38%	-	-	-	3.38%	450.0	437.7	450.0
Facility Advance - Internal	4.00%	970.0	970.0	970.0	-	-	-	-
Fixed Rate European Investment Bank repayable 20 May 2026	2.16%	300.0	296.6	300.0	-	-	-	-
Total current borrowings		1,270.0	1,266.6	1,270.0		450.0	437.7	450.0
Non-Current								
Other Loans – Revolving Credit Facility Advances(i)	4.75%	-	-	-	4.75%	340.0	340.0	340.0
5.63% Loan Stock repayable to SSE plc on 31 March 2028	5.63%	30.0	30.0	30.0	5.63%	30.0	30.1	30.0
Fixed Rate European Investment Bank repayable 20 May 2026	2.16%	-	-	-	2.16%	300.0	288.1	300.0
Floating Rate European Investment Bank repayable 9 March 2028	4.72%	100.0	102.1	100.0	5.54%	100.0	102.5	100.0
Floating Rate Term Loan repayable 30 September 2030	4.47%	250.0	255.8	250.0	-	-	-	-
Fixed Rate Eurobond repayable 24 March 2028	1.50%	250.0	234.0	249.7	1.50%	250.0	227.5	249.5
Between two and five years		630.0	621.9	629.7		1,020.0	988.2	1,019.5
Fixed Rate Eurobond repayable 4 September 2032(ii)	3.38%	801.9	782.7	800.5	3.38%	715.3	702.7	713.6
Fixed Rate Eurobond repayable 2 November 2033(iii)	3.38%	647.7	627.9	646.2	-	-	-	-
Fixed Rate Eurobond repayable 27 September 2035	2.25%	350.0	262.1	348.0	2.25%	350.0	252.4	347.8
Fixed Rate Eurobond repayable 24 March 2036	2.13%	250.0	180.2	248.8	2.13%	250.0	175.4	248.7
Fixed Rate Eurobond repayable 15 January 2044	5.50%	500.0	442.6	493.3	5.50%	500.0	448.3	493.0
Private Placement 30 June 2032	3.13%	175.0	154.6	175.0	3.13%	175.0	152.1	175.0
Private Placement 26 June 2034	4.73%	111.3	106.2	111.3	4.73%	111.3	107.9	111.3
Private Placement 11 February 2036	4.98%	112.7	109.4	112.7	-	-	-	-
Private Placement 30 June 2037	3.24%	175.0	136.7	175.0	3.24%	175.0	135.5	175.0
Private Placement 19 July 2039	5.59%	30.0	28.4	30.0	5.59%	30.0	28.4	30.0
Over five years		3,153.6	2,830.8	3,140.8		2,306.6	2,002.7	2,294.4
Total non-current borrowings		3,783.6	3,452.7	3,770.5		3,326.6	2,990.9	3,313.9
Fair value adjustment(v)				33.2				(5.0)
Total borrowings		5,053.6	4,719.3	5,073.7		3,776.6	3,428.6	3,758.9

(i) At 31 March 2026, Scottish Hydro Electric Transmission plc had no drawings under its £1.5bn revolving credit facility (2025: £340.0m). The £340.0m drawn at 31 March 2025 was classified as non-current within debt maturing in two to five years in accordance with IAS 1 paragraph 75A. The debt was repaid in April 2025, subsequent to the balance sheet date.

(ii) The 3.375% €950m Eurobond maturing 4 September 2032 has been swapped to Sterling giving an effective interest rate of 4.91%.

(iii) The 3.375% €750m Eurobond maturing 2 November 2033 has been swapped to Sterling giving an effective interest rate of 5.20%.

(iv) The weighted average interest rates for the year ended 31 March 2026 was 4.05% (2025: 3.80%) and the weighted average remaining term was 6.4 years (2025: 7.4 years).

(v) The fair value adjustment relates to the change in the carrying amount of the borrowings as a result of fair value hedges that are in place. The movement in the fair value adjustment is recognised in the income statement with a corresponding movement on the hedging instrument also being recognised in the income statement.

15. Deferred tax liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2026 £m	2025 £m	**2026 £m**	2025 £m	**2026 £m**	2025 £m
Accelerated capital allowances	**-**	-	**928.2**	656.5	**928.2**	656.5
Other timing differences	**(17.2)**	-	**-**	-	**(17.2)**	-
Fair value movement on derivatives	**(6.9)**	-	**4.7**	2.8	**(2.2)**	2.8
Net tax liabilities	**(24.1)**	-	**932.9**	659.3	**908.8**	659.3

	1 April 2025 £m	**Recognised in income £m**	**Recognised in equity £m**	**31 March 2026 £m**
Movement in deferred tax during the year	**659.3**	**258.1**	**(8.6)**	**908.8**

	1 April 2024 £m	Recognised in income £m	Recognised in equity £m	31 March 2025 £m
Movement in deferred tax during the year	485.0	167.9	6.4	659.3

16. Equity

Share capital	**2026 £m**	2025 £m
Allotted, called up and fully paid:		
354,300,000 ordinary shares of £1.00 each	**354.3**	354.3

Hedge reserve

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedge derivative instruments related to hedged transactions that have not yet occurred.

17. Pensions

1% (2025: 1%) of the Company's employees are members of the Scottish Hydro-Electric Pension Scheme which provides defined benefits based on final pensionable pay. As there is no contractual agreement or stated Group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is another member of the Group.

New employees can join a defined contribution scheme with the Company matching the members' contributions up to 6% of salary, increasing to a further 3% after two years of service and a further 3% after ten years continuous service. The scheme is managed by Aviva.

The Company's share of the total contribution payable to the pension schemes during the year was £26.1m (2025: £20.0m).

18. Derivatives and financial instruments

The Group's Treasury department is responsible for managing the banking and liquidity requirements of the Company, risk management relating to interest rate and foreign exchange exposures, and for managing the credit risk relating to the banking counterparties with which it transacts. Short-term liquidity is reviewed daily by the department while the longer-term liquidity and funding position is reviewed on a regular basis by the Transmission Executive Committee and the SSE plc Board. The department's operations are governed by policies determined by the Board and any breaches of these policies are reported to the Tax and Treasury Committee and the Group Audit Committee. The Group's policy is to ensure, as far as possible, that the Company has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to either the Group's or the Company's reputation.

The Company has access to a £1.5bn committed Revolving Credit Facility arranged in October 2024, which was fully undrawn at 31 March 2026. In November 2025, the Company also obtained access to a £1.5bn internal facility from SSE plc, of which £970m was drawn at 31 March 2026, leaving £530m available.

These committed facilities, together with the Company's proven access to capital markets, were in place to support the Company's funding obligations for the RIIO-T3 price control period investment plan. During the year, the Company issued £984m of new Eurobond and bank term loan debt and a £113m private placement, giving total new external debt of approximately £1.1bn. The Company also drew £970m under the internal facility with SSE plc. The Directors have considered stress testing sensitivities to the Company's cash flows and funding projections, including negative and positive sensitivities on operating cash flows, uncommitted capital expenditure and other mitigating actions, and concluded that the Company has sufficient headroom to continue as a going concern.

(i) Currency risk

The Company presents its financial statements in pounds Sterling. The Company is exposed to foreign currency risk arising from transactions denominated in currencies other than Sterling. As a result, it is subject to foreign currency exchange risk arising from exchange rate movements which may be reflected in the Company's transaction costs or in the underlying Sterling value of foreign currency assets and liabilities.

The Company's policy is to use forward contracts and swaps to manage its exposures to foreign exchange risk. All such exposures are transactional in nature and relate primarily to procurement contracts, capital project expenditure, long-term plant servicing and maintenance agreements, and financing arrangements denominated in foreign currencies. The policy is to seek to hedge 100% of the Company's currency requirements arising under committed contracts.

Significant exposures are reported to, and discussed by, the Tax and Treasury Committee on an ongoing basis and additionally form part of the bi-annual Treasury report to the Audit Committee.

(ii) Interest rate risk

Interest rate risk arises from the Company's exposure to changes in the value of financial assets and liabilities, and to variability in future cash flows, resulting from movements in market interest rates.

The Company manages this risk by maintaining a fixed interest rate profile. The Company's policy is to ensure that an appropriate proportion of debt is fixed, either directly through the debt instruments themselves or through the use of derivative financial instruments. Derivative instruments used to manage interest rate risk include interest rate swaps, forward rate agreements and where debt is raised in currencies other than Sterling, cross-currency interest rate swaps. These practices serve to reduce the volatility of the Company's financial performance.

Interest rate derivatives are primarily used to hedge risk relating to existing borrowings; in certain circumstances, derivatives may also be used to hedge forecast borrowings. Any such pre-hedging is unwound at the time of pricing the underlying debt, either through cash settlement on a net present value basis or by transacting offsetting trades. Floating rate borrowings mainly comprise facilities with banks, loans from the European Investment Bank and intra-group borrowings. At the reporting date, the Company also held surplus cash, which gives rise to interest rate exposure.

The impact of a change in interest rates is dependent on the specific details of the financial asset or liability in question. Changes in fixed rate financial assets and liabilities, which account for the majority of loans and borrowings, are not measured at fair value through the income statement and are therefore not sensitive to interest rate movements in profit or loss. Changes in variable rate assets and liabilities, including those arising from floating rate borrowings and forecast interest cash flows, are managed through the use of derivative financial instruments, including fixed-to-floating cross-currency interest rate swaps. Where fair value hedge accounting is applied, changes in the fair value of both the hedged items and the hedging instruments that are attributable to interest rate risk are recognised in the income statement.

Where cash flow hedge accounting is applied, the effective portion of movements in the hedging instruments is initially recognised in other comprehensive income and subsequently reclassified to the income statement as the hedged cash flows affect profit or loss.

Accordingly, the Company's interest rate exposure reflects its variable rate debt, surplus cash, forecast interest cash flows and related derivative instruments, rather than its fixed rate instruments.

(iii) Fair values

The fair values of the Company's financial assets and financial liabilities, and the carrying amounts in the balance sheet are analysed below. Balances included in the analysis of primary financial assets and liabilities include cash and cash equivalents, loans and borrowings, trade debtors and trade creditors, all of which are disclosed separately.

Summary fair values

The fair values of the primary financial assets and liabilities together with their carrying values are as follows:

	2026 Carrying value £m	**2026 Fair Value £m**	2025 Carrying value £m	2025 Fair Value £m
Financial Assets (i)				
Trade and intercompany debtors	**1.7**	**1.7**	13.0	13.0
Derivative financial assets	**82.1**	**82.1**	29.5	29.5
Financial Liabilities				
Trade and intercompany creditors	**121.8**	**121.8**	74.6	74.6
Loans and borrowings	**4,073.7**	**3,719.3**	3,278.9	2,960.8
Loans due to ultimate parent	**1,000.0**	**1,000.0**	480.0	467.8
Derivative financial liabilities	**49.0**	**49.0**	16.7	16.7

(i) Cash and cash equivalents are not included in the table above as the carrying value is considered to approximate fair value.

19. Capital commitments

	2026 £m	2025 £m
Contracted but not provided for	**6,688.1**	3,509.2

Contracted for but not provided capital commitments include the fixed contracted costs of the Company's major capital projects. In practice contractual variations may arise on the final settlement of these contractual costs. The increase from prior year relates to large capital projects entering into contract prior to the main construction phases.

20. Net Debt

Reconciliation of movements in financing liabilities	**At 31 March 2025 £m**	Financing cash flows **New Borrowings £m**	Financing cash flows **Repayment of borrowings £m**	Financing cash flows **Repayment of lease creditor £m**	Non-cash movements **Fair Value movement £m**	Non-cash movements **Lease liabilities £m**	Non-cash movements **Re-classification £m**	**At 31 March 2026 £m**
Loan Stock	30.0	-	-	-	-	-	-	30.0
Fixed Rate EIB	300.0	250.0	-	-	-	-	(300.0)	250.0
Floating Rate EIB	100.0	-	-	-	-	-	-	100.0
Fixed Rate Eurobonds	2,048.4	734.0	-	-	30.7	-	-	2,813.1
Private Placement	490.5	112.7	-	-	7.4	-	-	610.6
Total Long-term liabilities	**2,968.9**	**1,096.7**	**-**	**-**	**38.1**	**-**	**(300.0)**	**3,803.7**
Bank Loans	340.0	-	(340.0)	-	-	-	300.0	300.0
Internal Loans	-	970.0	-	-	-	-	-	970.0
Loan Stock	450.0	-	(450.0)	**-**	**-**	**-**	-	-
Total Short-term liabilities	**790.0**	**970.0**	**(790.0)**	-	-	-	**300.0**	**1,270.0**
Lease liabilities	13.3	-	-	(1.8)	-	3.6	-	15.1
Total loans and borrowings	**3,772.2**	**2,066.7**	**(790.0)**	**(1.8)**	**38.1**	**3.6**	**-**	**5,088.8**

Reconciliation of movements in financing liabilities	At 31 March 2024 £m	Financing cash flows New Borrowings £m	Financing cash flows Repayment of borrowings £m	Financing cash flows Repayment of lease creditor £m	Non-cash movements Fair Value movement £m	Non-cash movements ease liabilities £m	Non-cash movements Re-classification £m	At 31 March 2025 £m
Loan Stock	480.0	-	-	-	-	-	(450.0)	30.0
Fixed Rate EIB	299.9	-	-	-	0.1	-	-	300.0
Floating Rate EIB	100.0	-	-	-	-	-	-	100.0
Fixed Rate Eurobonds	1,338.1	713.5	-	-	(3.2)	-	-	2,048.4
Private Placement	350.0	141.3	-	-	(0.8)	-	-	490.5
Total Long-term liabilities	2,568.0	854.8	-	-	(3.9)	-	(450.0)	2,968.9
Bank Loans	-	340.0	-	-	-	-	-	340.0
Fixed Rate EIB	-	-	-	-	-	-	-	-
Loan Stock	300.0	-	(300.0)	-	-	-	450.0	450.0
Total Short-term liabilities	300.0	340.0	(300.0)	-	-	-	450.0	790.0
Lease liabilities	11.3	-	-	(1.1)	-	3.1	-	13.3
Total loans and borrowings	2,879.3	1,194.8	(300.0)	(1.1)	(3.9)	3.1	-	3,772.2

21. Joint Operation

At 31 March, the Company held a 50% interest (2025: 50%) in Eastern Green Link 2 Limited, and a 50% interest (2025: 100%) in Eastern Green Link 3 Limited. Eastern Green Link 2 Limited was incorporated on 22 February 2023. While the Company's shareholding and voting rights in Eastern Green Link 2 Limited are held on a 50:50 basis, the terms of the shareholders' agreement provide for the parties' respective economic entitlement to the asset being created to be allocated on a 45:55 basis, with the Company holding a 45% economic interest. Eastern Green Link 3 Limited was incorporated on 6 June 2024 and became a joint operation on 29 January 2026, following completion of the shareholders' agreement, with the Company's interest and economic entitlement held on a 50:50 basis.

During the year, the Company reassessed the accounting treatment of its interest in Eastern Green Link 3 Limited following completion of the shareholders' agreement. Management assessed the arrangement under IFRS 11 Joint Arrangements and concluded that Eastern Green Link 3 Limited met the definition of a joint operation from 29 January 2026, as the shareholders' agreement gives the Company joint control and rights to its share of the underlying assets, obligations and related project costs. As a result, Eastern Green Link 3 Limited ceased to be accounted for as a subsidiary and is accounted for as a joint operation from that date, with the Company recognising its share of the related assets, liabilities, income and expenditure.

Eastern Green Link 2 Limited continued to be accounted for as a joint operation during the year.

Company name	Relation	Country of incorporation	Registered address	2026 Holding %	2025 Holding %	Principal Activity
Eastern Green Link 2 Ltd	Joint Operation	England and Wales	No. 1 Forbury Place, 43 Forbury Road, Reading, RG1 3JH	**50%**	50%	Power Transmission
Eastern Green Link 3 Ltd	Joint Operation	England and Wales	No. 1 Forbury Place, 43 Forbury Road, Reading, RG1 3JH	**50%**	100%	Power Transmission

Eastern Green Link 2 Limited and Eastern Green Link 3 Limited are distinct joint operations between the Company and National Grid Electricity Transmission plc, with each project delivering its own 2GW subsea high voltage connection.

22. Provision

As at 31 March 2026, the provision for community benefit funding amounted to £3.3m (2025: £1.8m). Of this amount, £2.5m is expected to be utilised within one year and is classified as current liabilities, and £0.8m is expected to be utilised after more than one year and is classified as non-current liabilities.

	£m
Balance at 1 April 2025	1.8
Charged in the year	2.6
Utilised during the year	(1.1)
Balance at 31 March 2026	**3.3**

	£m
Current	2.5
Non-Current	0.8

23. Ultimate parent company

The Company is 75% (2025: 75%) owned by SSE plc and 25% (2025: 25%) owned by OTPP. SSE plc is the ultimate parent company and is registered in Scotland. The largest and smallest Group in which the results of the Company are consolidated is that headed by SSE plc. The consolidated financial statements of the Group (which include those of the Company) are available from the Company Secretary, SSE plc, Inveralmond House, 200 Dunkeld Road, Perth, PH1 3AQ or by accessing the Company's website at www.sse.com.