

Going beyond

**to keep communities
safe and warm**



In this report

Strategic report

Highlights of the year	02
Business overview	04
Business model	06
Chair's statement	08
Chief Executive's review	10
RIIO-2 and RIIO-3	12
Financial review	14
Strategic and operational review	19
Section 172 statement	38
Our ESG materiality process	43
How we manage risk	44
Risk management	47
Non-financial and sustainability information statement	51
Climate-related financial disclosures	52

Corporate governance

Chair's statement on corporate governance	66
Group structure	67
Governance framework	68
Board of Directors	69
Corporate governance report	74
Safety Committee report	79
Sustainability Committee report	82
Audit & Risk Committee report	85
Nomination Committee report	89
Directors' Remuneration Committee report	91
Directors' remuneration policy	94
Annual report on remuneration	99
Directors' report	104

Financial statements

Independent auditor's report to the members of Cadent Gas Limited	108
Consolidated income statement	112
Consolidated statement of comprehensive income	113
Consolidated statement of financial position	114
Consolidated statement of changes in equity	115
Consolidated statement of cash flows	116
Notes to the consolidated financial statements	117
Company statement of financial position	164
Company statement of changes in equity	165
Notes to the company financial statements	166
Glossary	183



We go beyond to transport critical energy for the UK to keep communities...

*safe, warm
& connected*

We are the largest energy distribution company in the UK, carrying almost as much energy as the entire UK electricity distribution network. We serve the three largest cities of London, Birmingham and Manchester, delivering gas to c.11 million homes, businesses and 40,000 industrial customers. We are a leading voice in the energy sector and at the forefront of helping the UK achieve its ambition of net zero carbon emissions by 2050 in a way that is deliverable and ensures consumers are at the heart of the transition.

Highlights of the year

Financial

Revenue

£2,172m

(2024: £2,277m)

97% is for charges to gas shippers for transporting gas at prices set by Ofgem, our regulator. The gas shippers recover these costs from energy suppliers, who in turn recover these costs through consumers' energy bills. We don't own the gas in the network or profit from any movement in wholesale gas prices; we earn a return from the significant investment in the assets we operate.

Operating Costs

£1,527m

(2024: £1,384m)

Relates to amounts we spend on efficiently running our operations, delivering services to our customers, our Force for Good strategy and investing in the future of gas. It also accounts for depreciation representing amounts previously invested in our network assets.

Our operating costs include £299 million for the 6,361 people we directly employ, including £62 million of pension costs paid into our current and past employee pensions schemes.

Operating Profit

£645m

(2024: £893m)

This funds interest, tax, investment in upgrading the network and returns to shareholders.

Taxation

£111m

(2024: £160m)

The corporation tax paid on annual profits. We also paid £519 million in VAT, employee and property-related taxes to HMRC during the year. We manage our taxes transparently and efficiently. We do not use aggressive tax planning.

Finance Cost

£293m

(2024: £288m)

The annual cost for monies borrowed for investing in upgrading the gas network.

The responsible way we manage our finances ensures we maintain an investment grade credit rating from our three rating agencies (S&P, Moody's and Fitch), which reduces our borrowing costs.

Adjusted EBITDA

(Earnings before Interest, Tax, Depreciation, Amortisation, and Adjusting items)

£1,180m

(2024: £1,389m)

See our Financial review on page 14.

RAV

(Regulated Asset Value)

£13.1bn

(2024: £12.5bn)

The value of the Regulated Asset representing amounts previously invested in the network.

Dividends

£415m

(2024: £310m)

The amount paid to our parent company as a return on its investment in Cadent.

The allowed rate of return to fund a notional company is regulated by Ofgem. For the five years to March 2025, the dividend paid represents a return on regulated equity of 5.2%¹.

1. Return on regulated equity calculated as the dividend paid as a percentage of the equity share of the RAV within the notional company funding structure. 5.2% is below the current rate of return set for the notional company determined by Ofgem for the same period.

Net debt

£8,224m

(2024: £7,816m)

By borrowing to fund the investment in our network or the RAV, we are able to spread our significant investment costs equitably across generations. See note 25 of the consolidated financial statement.

Investment

£909m

(2024: £945m)

The amount that has been invested in upgrading the gas network for the future.

This is broadly consistent with the amount we will invest in each year of the five years of the RIIO-2 regulated price control period to 2026.

Operational performance

Network reliability

99.9%

(2024: 99.9%)

Emergencies responded to within the hour

98.8%

(2024: 98.6%)

Number of customer calls answered

1.3m

(2024: 1.4m)

Emergency calls answered within 30 seconds

92%

(2024: 94%)

Mains replaced

1,751km

(2024: 1,748km)

Fuel poor connections during RIIO-2 price control

4,521

(2024: 4,468)

 Read more on pages 20–22.

Cadent customer bill breakdown 2024/25

In 2024/25, a typical domestic customer paid £144 towards the cost of our services, down from £175 on average in RIIO-1 adjusting for the impact of inflation. Cadent does not decide amounts to charge end customers so the domestic bill impact is illustrative as our contribution to supplier costs.

Performance improvement Incentives

£1 Optimising our performance and putting the customer at the heart of everything we do.

Operating and maintaining the network

£18 Operating and maintaining the equipment and infrastructure to transport gas to you safely and reliably today.

Providing a 24-hour emergency and repair service

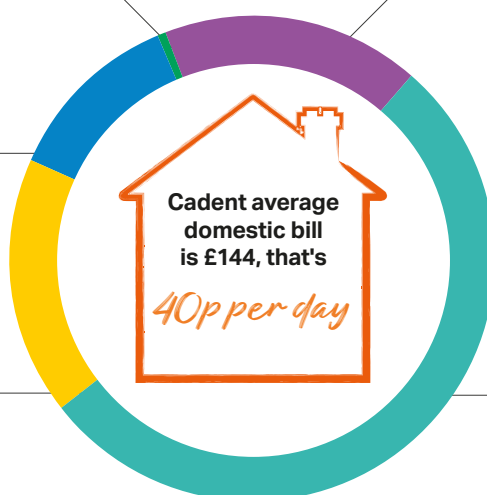
£22 Taking your calls, attending and repairing gas emergencies and escapes, and making it safe.

Taxes, licence and other fees

£22 Taxes, licence fees for industry regulation and business rates paid to local government.

Network investment

£81 Repaying the cost of past and present investment and replacing old assets to ensure the safe and reliable flow of gas long into the future.



In the Strategic report and Governance sections when we refer to customer, we are referring to our consumers, suppliers and shippers. Within the Financial statements when we refer to customer, we are referring only to our direct customers.

Business overview

We deliver gas to 11 million homes and businesses throughout the North West, West Midlands, East Midlands, East of England and North London. We also manage the National Gas Emergency Service on behalf of the gas industry.

Where we operate

North West

2.7m

homes and businesses

1,567

colleagues

West Midlands

1.9m

homes and businesses

1,054

colleagues

North London

2.2m

homes and businesses

1,524

colleagues

Eastern; East Midlands and East of England

4m

homes and businesses

2,216

colleagues

Liverpool

Manchester

Sheffield

Birmingham

Coventry

Leicester

Norwich

Cambridge

North London

Our purpose

Keeping people warm, while protecting the planet

Our values

Our values guide every decision and action we take to ensure integrity, safety and sustainability in all aspects of our work.



We work

together



We take

responsibility



We drive

performance



We shape

the future

Our ambitions

Our ambition is to be a force for good, providing an essential public service that ensures the safety, warmth and connectivity for communities across the UK.

Fuel a thriving world

Easier

warmth

Fairer

opportunities

Greener

society

Our RIIO-2 commitments

Delivering a quality experience for all of our customers and stakeholders.

We promise to provide a service experience of the highest quality to all of our customers, tailored specifically to their needs.

Providing a resilient network to keep the energy flowing.

We are focused on delivering a resilient network to keep the energy flowing safely and reliably to all of our customers.

Tackling climate change and improving the environment.

We are committed to meeting the net zero challenge and supporting the transition to a resilient energy system.

Trusted to act for our communities.

We are strengthening our reputation through the actions we take, ensuring our service is transparent, valued and trusted.



Business model

We play a vital role in the UK’s gas supply chain by delivering gas from source to consumer.

Although we don’t produce, own or sell the gas that flows through our pipes, our skilled teams work tirelessly to ensure that gas is delivered to every corner of our network, taking care of the environment while we do so.



Production & importation

Other companies extract, produce and import gas.



Transmission

National Gas owns, operates and maintains the gas National Transmission System (NTS), comprising of high-pressure pipelines and associated assets.



Cadent and other gas distribution networks

Management and safe delivery of gas to communities

- Transport gas to 11 million homes and businesses.
- Connect and disconnect homes and businesses to the gas network.
- Invest in and maintain, the gas network.
- Manage the National Gas Emergency Service.



Supply

Other companies:

- own and sell the gas that travels through the gas distribution network; and
- send gas bills to customers.

How we generate revenues

Gas distribution networks are natural monopolies and regulated by Ofgem and the current price control, RII0-2 runs from April 2021 to March 2026.

Revenue

To operate our business now, to invest in the future and reward delivery of positive customer outcomes.



Incentives

To improve our cost and service performance in areas that matter most to customers.



Innovation

Funding to help identify, develop and embed new technologies to facilitate the pathway to clean gas.



Outputs

Which form our service commitments to our customers and stakeholders.

Our stakeholders

We are committed to making life easier, fairer and greener for everyone we serve. Our commitment extends beyond delivering a reliable gas supply; we prioritise environmental stewardship and actively contribute to building a cleaner, greener and fairer future, while also prioritising the needs of the most vulnerable.



Customers and communities

We're increasing our engagement to deepen our understanding of customer priorities. We engage locally to address the diverse needs of our communities, creating meaningful connections and delivering tailored solutions.

Investors

We maintain transparent and informative communication with our investors, providing regular updates on our performance and strategic direction to ensure confidence and trust through robust data and governance.

Colleagues

We work together in an inclusive and diverse culture where everyone has a voice. We encourage open and mutual support to enhance collaboration, teamwork and always doing the right thing, living by shared values to achieve our collective objectives and strategic commitments.

Interest groups

We engage with a wide range of groups to gather insights, address concerns and create sustainable solutions, encouraging community involvement and environmental care.

Government and regulators

We actively engage with regulators, government bodies and the wider industry to ensure compliance, transparency, and alignment with regulatory standards, building trust and accountability within the industry.

Businesses and industry

We engage through transparent and informative communications, building positive relationships and promoting understanding of our company's activities, values, and contributions to society.

Chair's statement

"The role of gas will continue to provide vital resilience and is a core part of the UK's future energy scenario planning."

Sir Adrian Montague CBE
Chair



I am pleased to introduce Cadent's 2024/25 Annual report and accounts. This provides an overview of the company's strong performance in this penultimate year of the current regulatory period and the careful planning undertaken in readiness for the next, as well as addressing our strategy for the years to come.

At the outset, I would like to express the Board's appreciation for the effort and commitment demonstrated by everyone at Cadent in all that they have delivered for our customers and wider communities during the course of this year.

Continuous improvement in operational performance

Reflecting the ongoing focus on operational performance, customer satisfaction scores have continued to increase, with three of the four networks now sitting in the top four places in Ofgem's comparative league tables. As in previous years, it is also pleasing to see how operational teams come together during the few significant gas outage issues we have experienced, and note the positive reactions of the local communities to the support provided during what are often extremely challenging circumstances.

Unfortunately, we are seeing an increased frequency of such incidents being caused by third-party damage to gas assets, resulting in considerable impact to customers and significant costs to restore supply. In these cases, the speed and effectiveness of response by the Cadent teams has been crucial to resolving matters as quickly as possible to minimise disruption and keep customers safe and warm.

Planning for success

Over the past financial year, we have devoted considerable time to the development of the RIIO-3 business plan, which was successfully submitted to Ofgem in December 2024. The ambitious plan builds on the firm foundations of significantly improved customer service levels and frontier level cost efficiency, while seeking to continue pushing the boundaries for the sector.

It makes a clear statement on the need for continued investment in the existing infrastructure, to enable the gas network to continue playing a critical role in delivering net zero over the decades to come. The role of gas as a core element of UK energy remains key for both domestic heating and industrial power, will continue to provide vital resilience and must be a core part of the UK's future energy scenario planning.

The plan also reflects insights from the extensive stakeholder and customer engagement programme that the company ran, bringing out and reinforcing the critical importance placed on supporting those living in vulnerable situations and the environment. Accordingly, the RIIO-3 business plan builds on the existing commitments in relation to vulnerable customers and seeks to leverage innovative technology and best practice from other countries to deliver an ambitious programme of work to reduce methane emissions.

Collaborating with the Customer Challenge Group

We introduced a new Customer Challenge Group (CCG) in 2023, adding an additional layer of external challenge into the company's decision-making process. The relationship with the Group has matured significantly over the past 12 months, with frequent engagement with the Board providing helpful insights to aid oversight. The role of the CCG is to hold the company to account, constructively testing and questioning the strategy to improve outcomes for customers in a period of considerable change. The CCG played a significant role in the RIIO-3 business planning process and I am pleased to note the Group's response to Ofgem's Call for Evidence. This clearly described the robust process that management has taken to inform and evidence the business plan, along with the ambition shown, especially in areas such as environmental and social performance.

Governance

The Board seeks to maintain the highest standards of corporate governance and is deeply involved in developing the company's strategy in conjunction with management. In order to support oversight of the RIIO-3 business planning process, we introduced additional briefing sessions to routinely scheduled meetings, which have facilitated more regular updates and timely Board input. We have also engaged with a range of external advisers and stakeholders to add perspective and aid thinking.

“ We remain a leading voice on the importance of low carbon gases, such as biomethane and hydrogen, in the future energy mix to achieve net zero ambitions. ”

Being a force for good in society

The RIIO-3 business plan also builds on the pioneering work that the company has undertaken throughout RIIO-2 in supporting the most vulnerable in society. This is an area that my fellow Board members and I are very proud of, especially recognising the continued challenges households are facing right across the country, as the cost of essential goods and services, including energy, continue to rise.

The Cadent Foundation continues to focus its efforts on tackling fuel poverty and works alongside the company's wider social purpose programme to provide a range of interventions, ranging from professional energy and income management consultations to fully funded, in-home energy efficiency improvements. This year, the Foundation once again ran its £2 million Winter Support Fund, which helped more than 38,000 people during the coldest months of the year.

Board members have enjoyed undertaking visits to Centres for Warmth and other social purpose projects to see the work undertaken first hand. The Board also relishes hearing from the seven ED&I (Equity, Diversity and Inclusion) community groups and supporting their efforts. These groups, each sponsored by members of the Executive and management team, are making a tremendous contribution to Cadent's culture and I'm pleased to see that many of the initiatives they have delivered have received much deserved awards and recognition inside the industry and beyond this year.

Fuelling the future

We remain a leading voice on the importance of low-carbon gases, such as biomethane and hydrogen, in the future energy mix to achieve net zero ambitions. Progress continues with HyNet, the key project to bring hydrogen to the important industrial markets of the North West. Additionally, the company is engaging closely with the UK Government and the newly established National Energy System Operator (NESO), supporting the development of future energy policy. We continue to demonstrate strong support for the government's net zero plans and are expecting several key policy decisions in 2025/26, with shareholders continuing to invest in hydrogen-related projects in wait of these decisions.

Outlook

As we enter the final year of the current regulatory price control period, there are three key areas of focus for management and the Board. First, it is essential that operational performance remains at the increased levels that have been established, maintaining excellent customer standards and outstanding support for those living in the most vulnerable situations. Second, is securing the right outcome through the RIIO-3 business planning process; one that recognises the essential nature of the gas network for decades to come and enables continual investment into the world-class assets that the sector has built and maintained. We look forward to the draft and final determinations to be published later in this financial year. Third, and finally, to continue leading the sector to demonstrate the case for low-carbon gas as a core component of the UK's long-term energy planning, as the UK transitions towards net zero.

Sir Adrian Montague CBE
Chair

19 June 2025

Chief Executive's review

"As a leading voice in the energy sector, we're at the forefront of the transition to a greener future, I am proud of our sector-leading performance, innovation and social impact initiatives."

Steve Fraser
Chief Executive Officer



Welcome to my review of the year

It has been another busy year, and I am incredibly proud of our performance, working at pace to deliver strong customer service and operational delivery; while going above and beyond for those most vulnerable in our communities. We lead the sector across several key performance metrics, and I am pleased to see that our skills, and experience, have provided great outcomes for our communities, in safety, resilience and service levels, all the way through to our social impact.

As the UK's largest gas distribution network, we play a vital role to ensure our network is secure and reliable for the 11 million homes and businesses who rely on us every day. Our pioneering work in several areas; leading initiatives to drive down methane leakage with world-class innovation technologies, through to sector-leading programmes that support those living in the most vulnerable situations, are impressive. Furthermore, we continue working at pace and with a focus on efficiency in every area of our operation to keep our proportion of the gas bill as low as possible, while keeping people warm and navigating the challenges faced across the communities we serve.

The transformation we have made this year, has provided the foundation and investment to head into RIIO-3 with really strong operational performance and a great foundation for further improvements to stretch the frontier. I would like to thank our leadership teams, Board, and investors for their continued support to enable us to operate a world-leading gas network, critical to the energy needs of the UK.

As we prepare for our RIIO-3 regulatory period, we have seen several changes to our senior team. I would like to thank our Chief Financial Officer, Tony Bickerstaff, for his leadership over the last 12 months. Tony led the team through a transformative period, and I would like to give thanks for his experience and dedication during his time with us. Gary Baron has taken over as our new Chief Financial Officer and I look forward to working closely with him and his leadership team.

Strong performance

As we enter the final year of our RIIO-2 regulatory period, we have seen further positive trends in our performance. We can all be proud of the results we have achieved, with three of our networks in the top four across the Ofgem, Gas Distribution Network league table for our customer satisfaction measures.

We are on track to deliver our mains replacement programme with a positive outcome across all networks. Our connections performance holds the top industry positions and it is pleasing to see our teams drive excellent scores, operating at the frontier of the industry, demonstrating the impact of improvements and their leadership.

Network resilience

I would like to acknowledge the increase in third-party damage to our gas assets, where we experience large water ingress incidents across our network.

It only takes half an egg cup of water to disrupt gas supplies and these factors outside of our control, cause significant disruption and impact thousands of people within our communities. I would like to recognise the skilled engineering and support teams who work tirelessly, day and night, to restore gas supplies to keep people safe and warm.

Pushing the sector forward

Our RII0-2 plan set out to drive down our cost base and radically improve customer service – and I am proud to say that we have made huge strides in making this business one that truly puts customers at the heart of what we do. We have improved our customers' satisfaction with our services and will have delivered c.£625 million of operational efficiencies by the end of the RII0-2 period.

We need to continue to invest to maintain the truly world-class assets that we have, so that the gas network can play a crucial role in delivering net zero over the decades to come. We need to do that while tackling some significant cost pressures (particularly in the mandated iron mains replacement programme) and continuing to ensure our component of customers' gas bills remains affordable, while continuing to protect the most vulnerable in society.

We have been working collaboratively with our Customer Challenge Group (CCG) since it was established in November 2023. I would like to thank the Group and its Chair, Angela Love, for their work, guidance and engagement to date, to ensure they keep us on track with the priorities we set ourselves and hold us accountable for the commitments we are making as part of our business plan. You can find more detail about our commitments here – rio3.cadentgas.com.

Our culture

As the ED&I Executive Sponsor, I am pleased with the progress we have made to ensure that we create an inclusive environment for everyone, building a safe and well culture where fair and equitable opportunities are available for all.

We lead the sector with our seven employee community groups, and I am pleased to see the positive impact across several important areas, including driving both policy and industry changes. The groups engage at all levels across the business, and I have received feedback from our Board and external stakeholders about their approach to making a positive difference. We held several collaborative events this year, focused on a range of key areas and achieved several accreditations, which I am immensely proud of. Read more on page 27.

Going above and beyond

2025 marks the opening of our 350th Centre for Warmth, this milestone achievement is a testament to the dedication and commitment made by the teams involved to work across our communities to support those living in vulnerable situations. The award-winning programme works in high-deprivation areas across our network, with centres providing a lifeline for those who need it, promoting togetherness and social interaction. Our partnerships provide funding, resources, education and training, creating a connection between charities to expand the services they offer to vulnerable households, offering trusted advice and critical support for many.

Our Services Beyond the Meter programme is now fully embedded across the organisation. It is helping to ensure that none of our customers become vulnerable as a result of being temporarily cut off from their gas supply, while we make their home and appliances safe.

I am also pleased to see the landmark strategic partnership between Cadent and the Foundation who are working directly with Birmingham Community Healthcare NHS Foundation Trust Charity to create a brand new 'Well & Warm' service. A £2.4 million grant will fund the new service, designed specifically to support 100,000 of the most vulnerable people living in the city over the next two years, delivering crucial support for those in fuel, and general, poverty who would otherwise struggle to leave hospital, or remain healthy and warm at home.

This year we saw the Cadent Foundation mark its fifth anniversary, a milestone which allowed us to reflect on the difference our strategic funding has made to those living in fuel poverty. Supported by the continued commitment of Cadent investors to donate 1% of post-tax profits to help vulnerable customers, to date, we have supported over 172,000 people and awarded more than £25 million in funding. This is an area of the business that I am particularly proud of and looking forward to working closely with the team on the next phase of the Foundation's development.

Protecting the planet

Our environmental performance continues to improve year on year. Our overall Scope 1 and 2 carbon emissions have fallen by 5%. Once again, we were awarded sector leader status from GRESB for our Environmental, Social and Governance (ESG) performance, demonstrating our drive and ambition to reduce methane emissions by more than the UK's 30% target by 2030.

Waste management is a key priority for us. We have reduced the total volume of general waste from our office and depots by 19% compared to last year, increasing engagement, education and collaboration across our depots and supply chain. We can demonstrate this in our work to remove single-use plastic from our supply chain, see page 32.

Leading the future

Gas will remain the prominent source of home heating and we are continually striving to find greener ways to operate our business. We know there is no single solution to how we fuel our greener society, and we will need a range of energy options that are affordable, secure and resilient, while providing customers with choice.

We are continuing to work closely with the government, industry, and communities to establish great progress in our hydrogen trials across the UK, and I'm pleased to see these going well, particularly around making positive steps to decarbonise industrial and transportation use. You can read about our developments on page 35.

Our growing biomethane connections are a key part of our strategy to evolve decarbonisation across our network alongside hydrogen, hybrid heating schemes and reducing gas leakage. Our network is connected to 47 biomethane production sites and we are looking to increase these to support the UK's targets. This year, we published 'The Future of the Gas Network' report, which explains the different roles that the gas network plays today in the provision of energy and resilience for the range of consumers that we serve. We explain the important roles that we will play in support of the net zero energy transition here.

Outlook

As we approach the end of our regulatory RII0-2 period in March 2026, I reflect on a year where we have delivered our strongest ever performance and thank all our teams and colleagues who have worked to drive commitments and service levels. We know that things don't always go right first time, and we always act at pace to deal with issues and challenges up front. We have a critical role to play for society and we know that we must navigate a challenging 12 months ahead, facing cost pressures, operational efficiencies and stretching performance targets. We remain dedicated to maintaining and improving the very high standards we have set for ourselves. We will stretch the frontiers of operational performance in the gas sector and we will strive to exceed customer expectations in all that we do.

Steve Fraser

Chief Executive Officer

19 June 2025

RIIO-2 and RIIO-3

RIIO-2 is Ofgem's framework for setting price controls for the gas distribution networks. It sets out what we are expected to deliver from 2021-2026.

Providing a resilient network to keep the energy flowing



99.9%

Reliability keeping customers on gas.



1,705km

Of old metallic mains replaced each year – a distance greater than John O'Groats to Land's End.



35 mins

World-class emergency response service with average arrival time of 35 minutes.



>£500m

Cost efficiency savings for customers embedded in our plan.

Tackling climate change and improving the environment



14–17%

Reduction in leakage from our network.



CO2

Significant step towards carbon neutrality in our operations.



HyNet

Innovation to decarbonise the North West with hydrogen.



Clean Gas

Enabling capacity for greener resources.

Delivering a quality experience for all of our customers and stakeholders



Reliability

Reduction in time interrupted for customers in multi-occupancy buildings.



Affordability

Offering a suite of targeted interventions.



Priority Services

Raising awareness through direct conversations, partnerships and colleague training.



CO Safety

Raising awareness of the dangers of carbon monoxide across our networks.

Trusted to act for our communities



£6m p.a.

Profit invested back into our communities through our charitable foundation.



>10%

Saving p.a. in customer bills in real terms (excluding inflation).



Transparency

Simple, clear and comprehensive reporting against all of our customer commitments.



60%

Of colleagues giving back to our communities through volunteering.

Our ambitions and the golden thread of our RIIO-3 plan

Our RIIO-3 plan is built on strong foundations from RIIO-2. We will not stand still, and continue to push the boundaries for the sector.

This plan will take us on the next step of our journey and continues to ensure we do the very best for our customers. We need to continue to invest to maintain the truly world-class assets that we have, so that the gas network can play a crucial role in delivering net zero over the decades to come.

We need to do that, while tackling some significant cost pressures and continuing to ensure our component of customers' gas bills remains affordable, while continuing to protect the most vulnerable in society. This plan is a real manifestation of our purpose, which is 'keeping people warm, while protecting the planet'. There is a central 'golden thread' running through our plan, linking the solid foundations we have established to the four key outcomes set out by Ofgem, which we have embraced in our plan, and that our customers and stakeholders expect from us. We have ensured the overall plan is affordable, deliverable and financeable, ultimately delivering a plan that is not standing still, but pushing the sector forward to support our customers.

Our key outcome areas

Safe, secure and resilient supplies

To maintain investment in the gas network to ensure it continues to deliver world-class safety, reliability and resilience.

Infrastructure fit for a low-cost transition to net zero

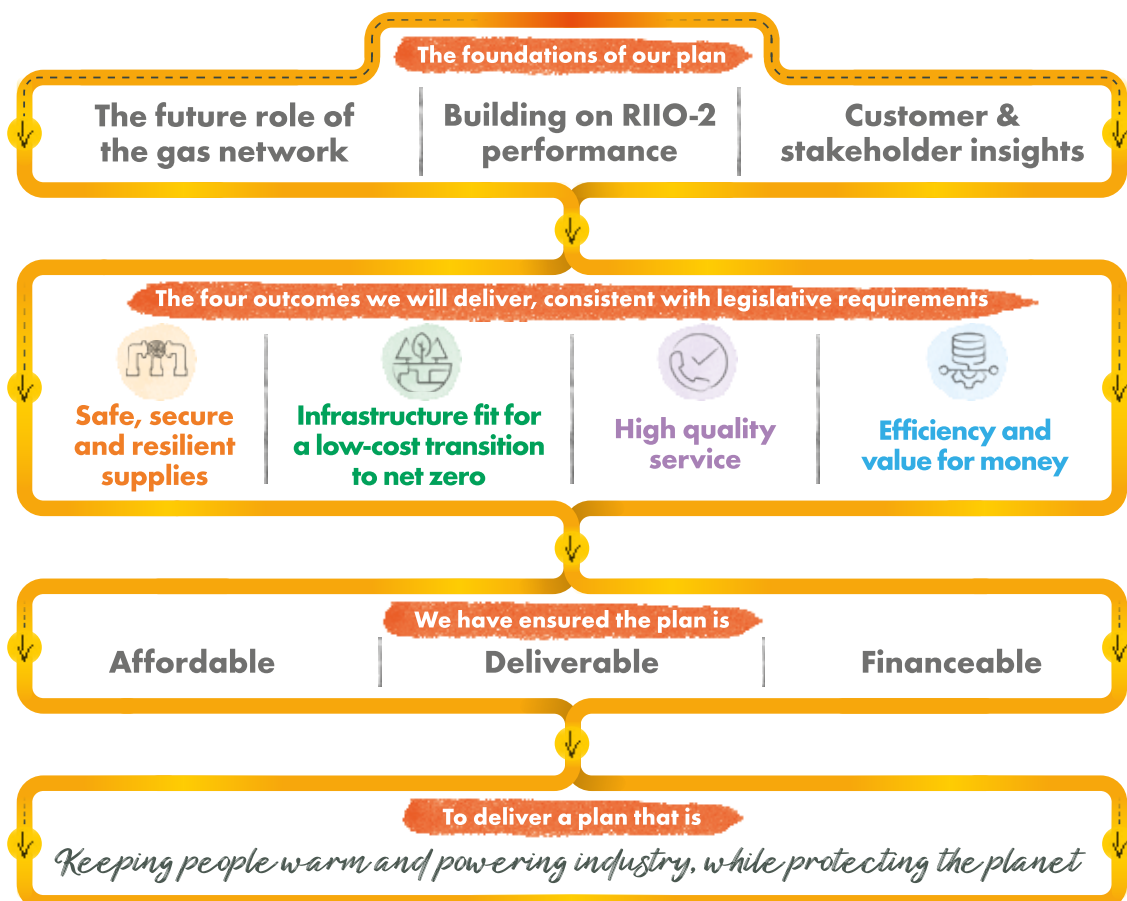
To drive down methane leakage from our pipes, we will reduce emissions of harmful greenhouse gases by rolling out the state-of-the-art technology we have invested in during RIIO-2.

High quality service

To drive a quality experience for all customers and to support customers in vulnerable situations by implementing and expanding the sector-leading initiatives we have developed over the past five years.

System efficiency and long-term value for money

To continue to innovate to reduce our costs, striving to be efficient in order to keep our component of the customer gas bill as low as possible, but also ensuring that the plan we put forward is investable, which is driven by the rate of return Ofgem sets and the overall incentive framework.



Financial review

"The Group delivered robust financial performance in the year, marginally outperforming expectations. Our balance sheet remains resilient, and we continue to invest responsibly in our assets, our people, our communities and in the future of gas."

Gary Baron
Chief Financial Officer



Overview

The financial year ending 31 March 2025 has been one of strong operational performance and continued strategic progress for the Group. We maintained a robust financial position while making important investments to support the resilience and decarbonisation of our network. We have submitted our business plan for the RIIO-3 regulatory period, which outlines a clear approach to cost efficiency and long-term investment in our assets. These proposals are designed to manage risk proactively and ensure the network remains reliable and resilient for the future. We are already preparing to deliver against the stretching targets from the start of the new regulatory period and look forward to working with Ofgem to ensure the Final Determination due later this year delivers on these outcomes for our customers.

Operating profit for the year was £645 million (2024: £893 million), reflecting lower transportation income in line with the regulated revenue mechanism. Operating costs were higher than the previous year, driven by increased support for vulnerable customers, investment in innovation and technology, and higher pass-through costs linked to external factors. These investments are aligned with our long-term purpose and support the delivery of sustainable returns.

Operating cash flow remained strong at £1,228 million (2024: £1,268 million), supporting healthy liquidity and a stable net debt position relative to our RAV. Our financial position continues to support our investment-grade credit ratings and provides a sound foundation for future investment.

We continue to invest in the long-term resilience of our network. Through our RIIO-2 plan, we are delivering over £4 billion of investment in the five-year to March 2026. In 2024/25, we invested over £900 million in our asset base, exceeding our mains replacement targets and delivering key asset health improvements. These efforts are central to maintaining a safe, reliable network and supporting the transition to low-carbon energy, while managing the impact on customer bills.

Investing to maintain a future-proofed, high-reliability organisation

Our balance sheet is dominated by the value of our physical assets and the corresponding borrowings, that fund our capital investment programmes. Capital investment was £909 million (2024: £945 million) and is primarily associated with the ongoing gas mains replacement programme, which saw 1,751 km of mostly cast-iron pipes replaced by polyethylene pipe during the year as planned.

Operating financial performance

Revenue was £2,172 million (2024: £2,277 million) driven primarily by our transportation charges (to recover our Regulatory Allowed Revenue), which are levied on gas shippers, who will then recover these costs from energy suppliers, who in turn recover these costs through consumers' energy bills. Each year our revenues are largely fixed in line with the profile set out by our price control settlement, which determines the pricing of our services to the gas shippers.

Any differences between our allowed revenues and the amounts collected through pricing are adjusted in future years. Revenues from gas distribution for the year ended 31 March 2025 decreased by £109 million. This was due to the reversal of prior-year recoveries linked to gas price volatility driven by the global political climate, and lower-than-forecasted costs for using the National Gas Transmission System (NTS) – a pass-through cost

that is reconciled over time. These impacts were partially offset by increased revenues to support investment in services for vulnerable customers, following the agreed repurposing of our fuel poor connections allowances.

Operating costs largely comprise pass-through costs (principally charges associated with our usage of the NTS and business rates) and employment costs of our direct workforce. Pass-through costs in the year increased by £32 million, this increase was largely attributable to increased business rates of £185 million (2024: £174 million) and exit capacity charges of £149 million (2024: £132 million). The Ofgem regulated pricing formula ensures we are reimbursed/deducted for variations in these pass-through costs over future periods.

Following agreement with Ofgem that we could re-purpose our fuel poor connection allowances, in RII0-2, to further support our most vulnerable customers, we spent £41 million in the year on vulnerability and carbon monoxide awareness (2024: £17 million). This additional £24 million spend has enabled us to support 350 Centre's for Warmth and accelerate the roll-out of collaborative Services Beyond the Meter initiatives.

Spend on technology and innovation projects has also increased to £66 million in the year (2024: £51 million) as we have mobilised projects to meet compliance with the enhanced cyber assessment framework as well as increasing investment in technology that will improve our operational performance as we transition into RII0-3 and beyond.

In managing the business, we use alternative performance measures (APM) including Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation and Adjusting Items (Adjusted EBITDA) as a measure of our financial performance as this represents a commonly accepted measure of the underlying operating performance of the company. The company does not believe that this measure is a substitute for IFRS measures but is useful in assessing the performance of the business on a comparable basis.

Adjusted EBITDA is a non-IFRS performance measure used by management to aid comparability of our results between periods. As such, it excludes significant business transactions and should not be used in isolation but considered alongside IFRS measures.



The nearest equivalent IFRS measure to adjusted EBITDA is profit for the year, which is presented in the consolidated income statement and reconciled below:

Adjusted EBITDA Reconciliation (APM)

	Reference ¹	2025 £m	2024 £m
Profit for the year		304	516
Add:			
Tax		109	174
Net finance costs	Note 9	232	203
Total operating profit	Page 112	645	893
Add:			
Depreciation and amortisation	Note 5	502	462
Adjusting items within operating costs	Note 6	33	34
Alternative performance measure:			
Adjusted EBITDA		1,180	1,389

1. Reference refers to notes to the consolidated financial statements on pages 117 to 163.

Adjusting items

Included within total operating profit of £645 million (2024: £893 million) are adjusting items of £33 million (2024: £34 million).

During the year, the Group initiated a voluntary redundancy programme for eligible employees to drive efficiency to our operations. The programme was formally announced in February 2025 and an amount of £19 million was recognised at March 2025 representing the outcome of the application process. In addition, a further amount of £14 million was charged in the year in relation to the next phase of our Operational Efficiency programmes. See note 6, on page 130, for further information. These activities are infrequent and adjusting in nature, and are financially material over the course of the multi-year exercise.

Included within finance income are adjusting items of £8 million (2024: £27 million) in relation to net gains on derivative financial instruments. This is due to changes in the mark-to-market values of index-linked swaps (RPI and CPI), which are not hedge accounted and have been impacted by the increase in the interest rate curve in the period, reducing the net present value of the future index-linked cash flows, as well as a combination of changes in market forecasts of RPI and CPI.

Cash flow and net debt

Borrowings (both current and non-current) at 31 March 2025 were £7,895 million (2024: £7,985 million) mainly comprising of fixed-rate and index-linked debt.

Our net debt at 31 March 2025 was £8,224 million (2024: £7,816 million). Net debt is a non-IFRS measure, which shows the overall debt situation and is calculated by netting the value of the company's gross borrowings, derivatives and lease liabilities with its cash and other similar short-term financial assets.

Financial review continued

The nearest equivalent IFRS measure is borrowings, which is presented in the consolidated statement of financial position and is reconciled below:

Net debt (see note 25 of the consolidated financial statements)

	2025 £m	2024 £m
Statutory results:		
Borrowings	7,895	7,985
Cash and financial investments	(184)	(598)
Derivatives	379	309
Lease liabilities	134	120
Alternative performance measure:		
Net debt	8,224	7,816

Cash and financial investments include restricted cash of £2 million (2024: £9 million).

Uses and sources of cash

Our ability to convert revenue to profit and cash is important and, by managing our operations efficiently and safely, we are able to generate sustainable operating cash flows.

Cash generated from operations in 2024/25 was £1,228 million, £40 million lower than in 2023/24, primarily due to lower operating profit partially resulting from a decrease in revenue offset by favourable movements in working capital.

Investing efficiently in the development of our network is essential to maintaining strong performance for our customers and long-term sustainable returns for our shareholders. Consequently, our net cash flow used in investing activities was £439 million (2024: £984 million), of which £883 million (2024: £965 million) is due to spend on the purchase of property, plant and equipment and intangible assets and £400 million was received from the reduction in financial investments. Cash flows from financing activities included £542 million (2024: £998 million) proceeds received from new debt raised in the year (see below) and £580 million (2024: £656 million) used to repay outstanding debt.

Borrowings

Driven by the need to fund our capital investment programme, we have a large debt book with varying maturities. Our ongoing borrowing requirement results from the need to refinance existing debt and borrow incrementally to fund investment in the business. To manage this ongoing requirement, we ensure continued access to capital markets through pro-active engagement with our debt investors and relationship banks.

Our financing strategy focuses on securing funding in advance of the requirement in order to reduce financing and liquidity risks. During the year, we have successfully refinanced a portion of our debt by securing new funding ahead of existing maturities. In April 2024, we raised €640 million under the Green Finance Framework published in March 2023, and used these proceeds to repay two tranches of bank debt that expired in June 2024 with carrying value of £208 million and to repay the remaining balance of €447 million on the €750 million public bond that matured in September 2024.

We have limited maturing debt over the next 12 months and, therefore, expect to have lower short-term financing requirements compared to recent years.

Net finance costs

Net finance costs of £232 million (2024: £203 million) were driven by external debt funding and remeasurements of our derivatives. The increase is largely attributable to higher interest rates on our borrowings and lower pension income.

As regulated revenues and Regulatory Asset Value (RAV) are currently index-linked to the Consumer Prices Index including owner occupiers' housing costs (CPIH), this offers protection against changes in inflation over the medium term. In addition, inflation-linked liabilities act as a hedge against fluctuations in inflation rates.

Along with the inflation-linked debt that we hold, we have previously entered into CPI-linked swaps totalling £1 billion and RPI-linked swaps totalling £400 million, increasing the proportion of our debt book that is hedged to inflation and aligning our position more closely to the Ofgem notional company for RII0-2.

Credit ratings

Cadent Gas Limited and the debt issued by its subsidiary Cadent Finance Plc, are rated by the three main credit rating agencies. The current ratings are Baa1 by Moody's, BBB by S&P and A- (with Issuer Default Rating of BBB+) by Fitch. The Moody's and Fitch ratings are unchanged from the previous financial year. The current S&P rating reflects the change announced in August 2024. The company seeks to maintain investment grade ratings on a consistent basis.

Liquidity

We maintain liquidity headroom to ensure that the Group can meet all financial obligations and to fund operations, even during periods of market disruption and times of uncertainty. We manage liquidity by requiring at least 12 months' liquidity available at all times, with at least two months' liquidity available within 24 hours.

As at 31 March 2025, liquidity was provided by a combination of cash, money market funds and committed bank facilities. All amounts held in the Money Market Funds £165 million (2024: £264 million) are redeemable on demand with same day settlement (subject to operational cut-off times). We also have access to Revolving Credit Facilities from our relationship banking group. In November 2024, the termination date of the facility was extended by two years to 4 November 2029.

The facility allows for drawings of up to £500 million with a further £200 million facility available to be lent down from the immediate parent company, Quadgas MidCo Limited. As at 31 March 2025, there were no drawings on any revolving facility.

Included within cash of £19 million at 31 March 2025 is an amount of £2 million received in grants. The use of this cash is restricted by the specific terms and conditions of each grant and is, therefore, not available for general use.

We also maintain a bond programme through Cadent Finance Plc, which allows efficient access to debt capital markets, in a range of different currencies. The combination of short-term liquid funds and access to longer-term borrowings allows us to keep a healthy level of liquidity.

Regulatory gearing

The level of adjusted net debt relative to our RAV is a key measure within the regulatory framework and also forms part of our banking covenants. Adjusted net debt is an APM (see reconciliation to net debt below) expressed as a percentage of RAV and indicates the level of debt employed to fund our regulated business. As a result of investment during the year, and the regulatory formula, our RAV grew by £0.6 billion to £13.1 billion in the year, against which we have an adjusted net debt (consistent with the regulatory measure) of £7,960 million, being 61% of RAV (2024: 60%).

	2025 £m	2024 £m
Net debt	8,224	7,816
Derivatives	134	86
Unamortised debt fees	21	18
Unamortised fair value adjustments	(203)	(229)
Accrued interest	(82)	(65)
Lease liabilities	(134)	(118)
Adjusted net debt	7,960	7,508

Taxation

In common with other companies with a large long-term asset portfolio we have a significant deferred tax provision that mainly relates to the benefits received in the past from tax allowances on capital expenditure before the depreciation on those assets has been charged to our profits. This provision will be released to the income statement as the depreciation catches up with the tax allowances received.

Our effective rate of corporation tax for the year, before adjusting items and remeasurements, is 26% (2024: 25.3%). The effective tax rate is slightly higher than the main rate of corporation tax as a result of non-tax deductible expenditure.

The current tax charge for the period benefits from an additional £121 million of capital allowances associated with the 100% expensing introduced by the Chancellor in March 2023. This reduced the current tax charge and tax liabilities by £30 million.

During the year, and in accordance with our obligations under Finance Act 2016 Schedule 19, we published our Tax Strategy statement (which can be found on the reports and publications pages of www.cadentgas.com).

Following the annual business review carried out by HMRC in the prior year, and subsequent engagement, we continue to maintain our low-risk rating.

Our contribution in respect of UK taxes borne and collected during the year ended 31 March 2025 was £304 million direct taxes (2024: £329 million) and £292 million indirect taxes (2024: £382 million).

Dividend

Our dividend policy is to have an appropriate distribution after having considered the forward committed cash requirements of the business to support our investment programmes, including the Cadent Foundation, and managing an appropriate level of gearing, as well as considering wider macro-economic factors and the broader performance of the business relative to a range of regulatory and customer performance metrics.

When considering dividends, we don't just look at a single year but the cumulative performance and payments over recent years and a forward assessment into future years. This policy ensures that we take into account wider macro-economic factors, such as the uncertainty created by the COVID-19 pandemic when we chose to defer dividends in the year to March 2021.

In making the decision to pay a dividend in the period, the Board robustly challenged the latest customer, operational and financial performance as well as considering:

- our regulatory performance, together with our customer and community commitments;
- customers benefitting from value for money and high-quality services;
- supporting households through the shareholder-funded Cadent Foundation;
- enhancing the environment in which we operate;
- the cumulative performance and payments over recent years and a forward assessment into future years;
- employees being rewarded for their hard work; and
- our investors earning a reasonable return on the equity they have invested in the business. This investment is critical for ensuring the efficient and economic operation of our network today and the investment requirements of the future.

We share outperformance with our customers through delivering efficiencies that result in lower bills; with our employees through responsible incentive-based bonuses; and with investors through sustainable dividends. We've been able to do this while delivering on our environmental targets, maintaining appropriate gearing and delivering strong financial resilience.

The Board also reviews the company's performance around employees, and executive pay. Executive pay disclosures are significantly enhanced relative to sector standards supported by a Remuneration Committee that target societal benefits such as performance on customer and sustainability measures alongside financial metrics. We also have transparent and low-risk policies in relation to how we interact with the tax authorities.

All of these factors were taken into account, as well as the Board reviewing the dividend policy and satisfying itself that a series of economic tests could be met. The company had more than £5 billion of distributable reserves at 31 March 2025. During the year, we paid dividends totalling £415 million (2024: £310 million).

Financial review continued



Pensions

We operate pension arrangements on behalf of our employees, some of whom are members of the defined benefit scheme (DB scheme), the 'Scheme', which is closed to new entrants. Membership of the defined contribution scheme is offered to all new employees.

The decrease in the Scheme's asset values was largely driven by a significant movement in gilt markets, corporate bonds and equities. These changes, among other factors, have contributed to the pension asset recognised on an IAS 19 basis at 31 March 2025 decreasing to £4,128 million, resulting in a decrease to the overall surplus to £340 million.

The table below sets out the key details of the pension surplus calculation.

	2025 £m	2024 £m
Present value of defined benefit obligation	(3,788)	(4,227)
Fair value of scheme assets	4,128	4,577
Surplus in scheme	340	350
Key actuarial assumptions:		
Discount rate – past service	5.55%	4.80%
Discount rate future service	– ¹	4.80%
Rate of increase in salaries	– ¹	2.25%
RPI inflation – past service	3.20%	3.25%
RPI inflation – future service	– ¹	3.10%

1. The Cadent Gas Pension Scheme closed to future accrual on 31 March 2024.

The last full actuarial valuation for the Scheme was carried out at 31 March 2022. A valuation at 31 March 2025 is currently underway.

The Group included an initial estimate of the impact of Guaranteed Minimum Pension (GMP) equalisation within its 31 March 2019 results with a revision at 31 March 2021 following the secondary ruling on GMP equalisation. The Group have currently used the same allowance of 0.2% of liabilities for GMP equalisation, as initially used and this is included in the calculation of the Defined Benefit Obligation at 31 March 2025.

The Trustees of the Scheme launched a consultation with members in early 2025 regarding GMP conversion. After careful consideration of member feedback, the Trustee and Cadent agreed to proceed with GMP conversion. This was confirmed to members in April 2025. The process for calculating GMP Equalisation and Conversion will be progressed over the coming year.

Supplier payment practices

We remain dedicated to treating all our supply chain partners fairly and ensuring prompt payments. Our latest reporting highlights continued improvements, with further reductions in late payments. The average payment time has improved to 28 days, 69% of all invoices are settled within 30 days and 31% within the 31–60-day range. Notably, from a SMEs point of view, with an average of 24 days to pay, we are consistently achieving a high level of efficiency, with 98.37% of SME invoices paid within 30 days and 99.9% settled within 60 days.

Accounting policies

Our Group financial statements are prepared in accordance with UK-adopted accounting standards and International Financial Reporting Standards as issued by the IASB and the company financial statements are prepared in accordance with UK Generally Accepted Accounting Practice including FRS 102.

Gary Baron
Chief Financial Officer

19 June 2025

Going beyond to keep everyone

safe, warm
& connected

Managing large-scale incidents

In January 2025, our East of England teams managed the largest incident of the year, when 3,000 properties in the Muswell Hill, Hornsey and Colney Hatch area of London were affected by a water ingress incident, after a burst water main damaged a nearby gas pipe and flooded the gas network, blocking the flow of gas to the area. There was a tremendous effort from the teams, pumping thousands of litres of water out of the gas network over a 16-day period during the winter.

Working with Barnet Council, Haringey Council and a number of voluntary groups, our teams co-ordinated efforts to ensure the customers on the Priority Services Register were visited on a regular basis, food vouchers were provided, along with alternative cooking and heating facilities.

A well-rehearsed strategy of managing water ingress incidents was set in motion to look after customers, co-ordinate efforts between utility companies and councils, and manage stakeholder queries. Co-ordination with the local electricity company was essential, to monitor electricity capacity, so customers weren't without both gas and electricity; that the water main was repaired; and customers were looked after if water had gone beyond the gas meter.

Customer care is crucial and during this incident, free shower facilities were arranged at sport centres, a customer centre was set up to answer queries, along with regular communications on a dedicated website and the local social media channels to keep customers informed of progress, along with keeping the local media updated.

Keeping stakeholders informed and updated throughout an incident is crucial from local councillors, MPs, regulators to Ministers. During this incident, we were able to arrange two meetings with Minister, Michael Shanks, Parliamentary Under Secretary of State (Department for Energy Security and Net Zero) to explain what had happened and how we were managing the incident to restore gas supplies safely and as quickly as possible, explain the challenges and the co-ordination efforts necessary to manage such incidents.



Strategic and operational review

Leading the way with a strong strategic and operational performance. Our investment focus seeks to provide solutions that contribute to net zero and sustainable ways of working.



Driving operational performance

Consistently great performance in our emergency response and repair

Customers value a rapid response to gas emergencies, followed by quick repair to the network and remediation of excavation works to clear site. These areas remain our focus of improvement initiatives, and after making a significant step change in the previous year, this period has been one of continually delivering great customer performance, maintaining our highest network scores of 9.67 in Eastern and North West, and achieving new record scores in the West Midlands and North London at 9.66 and 9.56 respectively. Our excellent performance has resulted in achieving maximum incentive position in three of our four regulatory networks, and with North London just 0.02 behind the threshold, achieving 87% of maximum incentive, which is a significant step up from previous years.

Our 2024/25 plans remained centred on learning from key consumer insights with a specific focus on reducing disruption from our works, notably on reducing the frequency and length of gas supply interruptions, and ensuring we complete reinstatement works efficiently and to a high standard. Critically, we have embedded a solid process in all networks to communicate with impacted customers after our works, ensuring they fully understand next steps after our attendance. Plans to improve our proactive messaging capability are being developed with a view to further enhance these communications.

Working with our contract partners and enhancing our ways of working for reinstatement works continues to deliver significant improvements in our same day and next day (D+1) response for customers. This is continually reinforced through the quality of training and coaching provided to our delivery teams.

Our customer strategy teams, charity partners and the Cadent Foundation continue their focus in developing our Services Beyond the Meter programme, to the benefit of supporting the journey for those most vulnerable.



Shaping experiences within our communities

In 2024/25, we entered our fourth year operating under our Contract Management framework, which has been hugely successful in improving the customer service improvements in RIIO-2. In our North London network, we made changes to the Contract Management framework to align with a Digital Performance Partner, which even in its transitional year, has brought immediate customer benefit and improvement to the score to achieve North London's best score to date.

This is the first year of the price control in which customer satisfaction performance has delivered a positive incentive outturn for all four of our regulatory networks, with Eastern and North West achieving maximum incentive available. Our wider customer strategy and delivery model continues to drive emphasis on local delivery partner accountability, which results in tailoring experiences to our local communities.

Our Network Directors drive new ways of working to improve customer and colleague satisfaction on the ground, while our teams and partners share our purpose and values to deliver first time, every time, and promote a collaborative and collective culture of responsibility.

This is proactively shared through a collaborative best practice forum across our networks to promote innovative new ideas and ensure quick and consistent adoption across networks to the benefit of all communities.



Best-in-class connection services

We continue to see significant benefits after bringing our connections services in house, aligning delivery and customer experience outcomes across our networks.

Our Eastern network finished top of the Connections satisfaction league table, with North West in second and North London in fourth, followed closely by West Midlands in fifth. All of our networks finished in a positive incentive position; with three networks achieving maximum available incentive in Connections, our best year to date. We have maintained our focus on key customer touchpoints, low lead times for completion and continue to invest in simplifying our application processes. This means we're continuing to deliver best-in-class performance once again.



We're winners at the Gas Industry Awards 2025!

Congratulations to all of the people and teams who were shortlisted for the IGEN Gas Industry Awards and Third Sector Business Charity Awards in April 2025.

We're excited to announce our winners at the IGEN Gas Industry Awards.

Customer Service Award – Services Beyond the Meter, an industry-leading service for our customers.

Early Career Achievement – Daniel Mee, Principal Integrity Engineer – for his work on 'Always Report Damage' among a variety of other projects.

Project of the year – Advanced leak reduction transformation with Picarro and Picarro ALD Technology.

We're really proud to be recognised against some very tough competition.

We also received a Highly Commended award in the Third Sector Business Charity Awards for our partnership work with Caribbean and African Health Network (CAHN), supporting communities with carbon monoxide, PSR, energy efficiency and income maximisation advice.

Congratulations to everyone for their hard work and great achievements.

Strategic and operational review continued

Responding to our customers

When things do go wrong, we know customers want issues resolving quickly, at the point of first contact and without unnecessary hassle. We are pleased to maintain already industry-leading levels of performance in our responsiveness, although we recognise there is always more to learn from dissatisfaction with our service. Our network teams continue to demonstrate agility and responsiveness in resolving issues and putting measures in place to make positive improvements.

Within our central General Enquiries team, a number of improvements have been made to reduce the physical handoffs such as geographical routing to regional contact teams before connecting to an adviser, ensuring a customer is speaking to the right person, first time, upon contact.

Looking ahead, we have recently consolidated all our regional contact teams from multiple disparate telephony platforms onto one common instance and solution.

This will not only support customer service innovation and self-serve opportunity, but greater business resilience and cross-flexing opportunity between work flows. Further technology-enabled enhancements are planned for next year to drive improvements, reduce time and costs.

Innovation in emergency call handling

While the backdrop of the 2022/23 period challenges remains, improvements to the agility and responsiveness of our call handling capability have delivered a regulatory outcome of 92% of calls answered within 30 seconds.

During the 2024/25 period, we have implemented cutting-edge geolocation technology within our emergency call handling team to capture exact location. The app developed allows customer service representatives to help locate people who are reporting a gas leak or fault at a location that doesn't have an address, enabling quicker response times and resolution on site on behalf of all gas networks and customers.

Complaints handling

Complaints	% closed in D1 ¹		Complaint metric score ²	
	2024/25	2023/24	2024/25	2023/24
Eastern	89.29	90.4	1.27	1.09
North London	91.51	92.0	1.22	1.03
North West	90.76	85.7	1.18	1.84
West Midlands	90.05	87.5	1.10	1.34

1. Same day closure.

2. Scoring of complaints resolution – Ofgem state scores should be below five in RIIO-2.

Emergency response times

	Eastern %	North London %	North West %	West Midlands %
Controlled (2hr)	99.24	98.54	98.84	99.03
Uncontrolled (1hr)	98.91	98.72	98.86	98.71

Responding to gas emergencies	Total
Calls to emergency number (for the whole of the UK gas sector)	1,322,809
% calls answered in 30 seconds	92%
Reported gas escapes	324,711
Escapes related to Cadent's network	62,203
Escapes related to other matters (CO, boilers etc. – not all Cadent network related)	315,336

Customer satisfaction

Performance by Network ¹ scored out of ten	Emergency response & repair		Planned works		Connections		Aggregate		GDN Rank
	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	
Eastern; East Midlands and East of England	9.67	9.67	9.16	9.05	9.41	9.27	9.41	9.33	2
North London	9.57	9.55	8.87	8.68	9.34	9.24	9.26	9.16	7
North West	9.68	9.67	9.17	8.91	9.39	9.16	9.41	9.25	2
West Midlands	9.66	9.63	9.14	8.85	9.19	9.08	9.33	9.19	4

1. The survey and scoring methodology in RIIO-2 has changed to include a greater depth of survey audiences, questions and channels.

Going beyond to keep everyone



The hidden dangers of stealing gas

Energy theft costs the industry £1.4 billion per year, which equates to £50 of everyone's energy bill. Last year (2024) alone, confirmed gas theft cases rose by 25%.

In 2022, we experienced an increasing number of incidents relating to gas meter tampering, which resulted in injuries and tragically fatalities. We recognised that action needed to be taken, so we brought teams together from across the gas industry to form a working group – including all the gas distribution networks, Gas Safe Register, British Gas, Stay Energy Safe in partnership with Crimestoppers, and the Retail Energy Code Company (RECCo) – to see what could be done to combat gas theft and protect lives.

Initial steps were taken to prevent the crime, which included canvassing of eBay and targeting engineers through Gas Safe Register. However, we recognised, this alone was not enough and that a national public awareness campaign was needed to drive public reporting, to reduce cases and make gas theft socially unacceptable.

The campaign

We teamed up with Stay Energy Safe to front the campaign to run over the winter, aimed at bringing mass education to the public, to help deter people from tampering with their gas meter and encouraging people to report gas theft suspicions to Stay Energy Safe. The key aim to make gas theft socially unacceptable, regardless of circumstances or situation – safety always comes first.

The campaign started with a video on online adverts across social channels, as well as radio adverts nationally and the gas industry sharing the messaging across their networks to reach as many communities as possible across the UK, with notable national TV coverage on BBC Breakfast, regional news programmes in the hot spot areas, ITV's Tonight programme and BBC's Morning Live.

Gas theft reports to Stay Energy Safe almost doubled throughout the campaign period, with the highest increase in October of **+61.5%**. Through this campaign alone, we reached over 33 million people and drove a **45%** uplift in reports to Stay Energy Safe compared with the same winter period the previous year.



Strategic and operational review continued

Health, safety and wellbeing

Following the implementation of our new incident management system in 2022, we have had over 200,000 reports from colleagues and contractors, about hazards, near misses, effective safety discussions and incidents. We're continuing to make improvements to the system to make the user experience better and improve our ability to analyse this information, including through trials in machine learning.

We continue to maintain a good, professional working relationship with the HSE, who maintain regulatory oversight of our operations.

We also maintain a relentless focus on improving our Occupational Health, Safety and Process Safety Performance to ensure the safety of our colleagues, our contractors, the community we work in and the environment.

Unified in safety

In October 2024, over 60 trade union safety representatives joined a number of speakers from Cadent, Trade Union and external SMEs for the Unified in Safety conference, the agenda encouraged those present to take a collaborative approach in improving trust, building psychological safety and speaking up.

We look forward to continuing to work in partnership with the Trade Union to ensure open dialogue, mutual trust and collaboration, fostering a safer and fairer workplace for everyone.

Safe + Well culture

Listening to feedback from our Safe and Well Survey, we are proud to announce we have new wellbeing providers, which offers an enhanced range of services.

- We have signed the Mental Health at Work Commitment,
- Publicly declared that mental health is a priority making sure we take an evidence-based approach,
- Improved our mental health training and introduced Zero Suicide Alliance training.

Alongside mandatory health surveillance, the Wellbeing team have launched free, confidential, wellbeing health delivered by the Occupational Health Team.

More than 890 wellbeing checks have been delivered, with 9% of our health checks finding high risks to health such as high blood pressure, cholesterol, or obesity. Here appropriate advice is given.

Last year we launched our Safe + Well Programme, which sits at the heart of our purpose 'keeping people warm, while protecting the planet' and aims to create a psychologically safe culture where continuous learning and improvement is embraced.

We are targeting occupational and process safety excellence enabling our people to perform at their best and ensure the safety of the communities we serve. Our aim is to positively impact both the wellbeing and health of all our people throughout their journey with us. Using feedback and insights from our people, Safe + Well identifies eight key themes to achieve our aim. We have a list of initiatives over the next two years to deliver improvements and we will continue to review these to ensure we are prioritising our resource to meet our ambitions.

Financial wellbeing

By taking care of our people, we are positioning ourselves to best deliver for our customers. To tackle financial hardships, we launched a financial emergency support scheme and introduced additional webinars covering budgeting and debt. Pay increases have consistently aligned with the voluntary Real Living Wage where applicable.

Lost time injury frequency rate per million hours worked

0.35

(2023/24: 0.51)

Leading the way in technology investment

Over the past 12 months we have grown our in-house technology and digital capability working alongside our IT strategic partners. This improved both resource allocation and services to our customers, ensuring we continue to meet our standards of service.

We have awarded a new multi-year contract for application and infrastructure support for critical IT systems, reflecting the flexibility and working practices required to deliver our RIIO-3 and remaining RIIO-2 commitments.

We are investing in creating a Delivery Framework that recognises an iterative approach to developing innovative solutions and milestone-driven IT delivery for technology changes requiring high reliability and quality in support of critical business processes.

We have introduced a Rapid Application Development capability that allows for small incremental bespoke solutions to be developed to enable business value at pace. This capability is also driving the delivery of our 'One App' approach in simplifying technology interactions for our field teams.

A key priority is optimisation of our technology landscape and significant progress has been made in removing technical and cost inefficiencies alongside improvement of our security posture. We continue to invest in moving to a clean core ever-green state to future proof our estate while also delivering overall support and maintenance efficiencies.

Our Geospatial Information System (GIS) modernisation programme completed its Phase 1, improving and simplifying data capture and editing for our teams in the field.

The objective of the programme is to migrate us to a cloud service platform and benefit from standardised, modern and easy to maintain components and reduce overall cost of the solution.

In line with our Digitalisation Strategy, which has been refreshed to include the submitted RIIO-3 plans, we have launched our Open Data Portal, providing stakeholders with a digital tool to access open datasets we publish.

We are in the process of refreshing our Emergency Contact Centre Telephony platform, which will provide additional capabilities including customers choice of interaction and real-time customer insights.

Our current Field Service Management solution finishes in 2026 and we are progressing with replacement solution selection to be implemented by September 2026.

Our resilience against security threats has continued to mature. We have merged the Physical and Cyber Security team into one, improving our understanding of the relevant risks and how we can most efficiently mitigate them. We are undertaking a Cyber OT (Operational Technology) transformation programme that will reduce risk, modernise our OT infrastructure and meet our regulatory obligations. Improvements to our overall ISMS (Information Security Management System) have included training and exercising, vulnerability management, supplier management and Identity and Access Management. Engagement continues with all stakeholders including our Board, Ofgem and the National Cyber Security Centre (NCSC), as well as taking opportunities to learn from others.

Global Technology Conference 2024

In September 2024, we were delighted to host our second Global Technology Conference at the Science Museum in London. With gas and information technology companies from around the world attending the conference, to help us with our mission to digitally transform our business in partnership with others.

We brought together thought leaders and technology partners to accelerate our collective change agenda, to decarbonise our future and understand the crucial role gas networks will play in delivering net zero.

With over 70 gas and information technology companies attending all with one goal in mind – to find technology solutions that enable more flexible ways of working that help decarbonise our industry and digitally transform the ways we operate. One of the key questions we asked the attendees – ‘Working in partnership, how can we bring new future innovative solutions to Cadent today?’

Following the success of our 2023 conference, we were presented with a number of questions at the conference and were able to bring the discussions and new technological solutions to reality. This event really supports our collaborative global partnerships and celebrates our innovative technologies.



Our colleagues

We have evolved our organisation design to ensure our colleagues are enabled to deliver strong performance against our RIIO-2 priorities for our customers, which will continue in readiness for RIIO-3. This ensures that we have the right people in place to drive performance, support our communities, and align our structure with long-term objectives, positioning us for ongoing success and growth.

Celebrating success

In July 2024, we hosted our second Cadent Heroes awards to celebrate our colleagues, who go the extra mile for customers and colleagues every day. Around 100 staff gathered in our Ansty office with our leadership team, where we heard about the amazing work of those that had been shortlisted. In total, 190 nominations were submitted over the seven categories.

This event showcased the exceptional people behind our networks. As we strive to build a diverse and talented workforce, we remain focused on initiatives such as recruitment, development and partnerships to ensure that every colleague can thrive. This includes our focus on fostering a culture of belonging and purpose through equity, diversity, and inclusion.

Recruitment diversity and inclusion

This year, we have launched several initiatives.

- **Anonymised Hiring Process pilot:** We have eliminated CV submissions to remove bias, focusing on candidates' responses to motivational questions. Hiring managers did not see any candidate personal details before the offer stage.
- **Gamified Assessments with a Social Mobility Focus:** We introduced online gamified assessments to create an engaging and fair initial evaluation, which provided insights into candidates' problem-solving abilities and alignment with our core values.
- **Targeted Outreach and Community Engagement:** We expanded our outreach efforts to include career fairs, partnerships with community organisations, and collaborations with educational establishments to attract a diverse pool of applicants.
- **Inclusive Candidate Experience:** We maintained accessible communication throughout the recruitment process, ensuring all candidates felt valued and informed.

The introduction of these initiatives resulted in a dramatic increase in our candidate pool diversity. For our Future Talent Programme, notably:

Year	Black, Asian and Minority Ethnic candidates
2024	55%
2023	31%

In addition to this:

- 35% of applicants for engineering roles were female;
- 12% of applications came from candidates over the age of 36; and
- we achieved a balanced diversity in every single position advertised.

This illustrates the tangible impact of our initiatives, and our commitment to a more inclusive and representative workforce.

Strategic and operational review continued

Such impacts include enhanced innovation, improved collaboration, and a stronger sense of belonging. In addition, increased social mobility has enriched our workforce with a wider range of experiences and perspectives, strengthening our ability to connect with, and serve, a broader customer base, while fostering a culture of equity and opportunity within the business.

Future Talent programmes

Our Future Field Force programmes continue breaking down barriers, with our removal of entry level criteria, this has seen a rise in applications and a more inclusive entry point. Functional skills training is included in this programme to support learners to achieve Level 2 in English and Mathematics, with 43 delegates having successfully achieved this, alongside the apprenticeship learning. In September 2024, new field force apprentices joined across four pathways, bringing our active learners to 162.

Building on the success of our welding apprenticeship, to meet a critical skill requirement, we maintained to offer this pathway, along with introducing Metrology and Mechatronic pathways, welcoming three new delegates into the Welding and Calibration Lab.

The Future Professional programme also grew, supporting 66 delegates across 15 external apprenticeship providers.

Levy use and accreditations

We invested in our Future Talent Programmes, achieving 93% Apprenticeship Levy utilisation rate with no funds lost. Through this, we funded a broader range of study paths, from apprenticeships to degree levels, alongside further education sponsorship for our colleagues.

The Future Engineer programme, accredited with IMechE and IGEM continues to provide pathways to EngTech registration or Chartership (IEng/CEng) supported by our mentoring community, with new engineers embarking on their HNC or Chartership paths this year.

Future skills

We are driving forward the development of learning for Hydrogen, alongside data and digital skills. We have also identified the learning required for SecOps (our action plan to enhance our resilience against cyber and physical attacks) to build data, software engineering and cybersecurity skills through the apprenticeship levy.

Technical training

We have an established in-house training infrastructure, featuring four bespoke training centres strategically located across our network, maximising the impact of our training initiatives. With a dedicated internal team, we are equipped to deliver operational training for up to 130 field force operatives daily. Our training centres provide a tailored environment for the development of our operational staff. By utilising our trainers and assessors, we maintain high standards of training quality and consistency, aligning with our organisational goals and standards. Our training team adapt quickly to changing operational needs and industry developments, which allows us to deliver the latest knowledge and skills to our staff using updated training content and methods.

Business and leadership

As part of our four leadership development programmes, we have added 12 modules to the Leader of Self and seven to the Leader of Others programmes, along with improved access to digital learning on SharePoint. For the Leaders of Leaders programme, we prioritised inclusivity alongside performance and opportunity to ensure a fair and equitable selection process.



Celebrating multiple wins at the Energy & Utility (EU) Skills Awards 2024 and IHR Awards

The EU Skills Conference and Awards event brings together industry leaders, experts, and key stakeholders to address the critical challenges and opportunities in the energy and utilities sector.

The awards celebrate the outstanding individuals and organisations that are shaping the future of the industry. At the latest awards we were delighted to celebrate a double win, recognising our commitment to creating fairer opportunities for all.

Speaking about the award wins, Keri Handford, People Director, said:

"I'm delighted that the Energy and Utility Skills judges recognised the work Cadent are doing to create a fair and inclusive workplace, where people feel their contributions are truly valued, and where they can learn, grow and thrive."

Attraction, Recruitment Campaign, or Initiative of the Year – We were recognised for our approach to attracting diverse talent in a way that aligns with our mission.

Employer of the Year – This award was recognition of our 'exceptional commitment' to fostering an inclusive and supportive workplace that puts colleagues at the core of operations through a range of initiatives, including comprehensive training."

Powering progress together

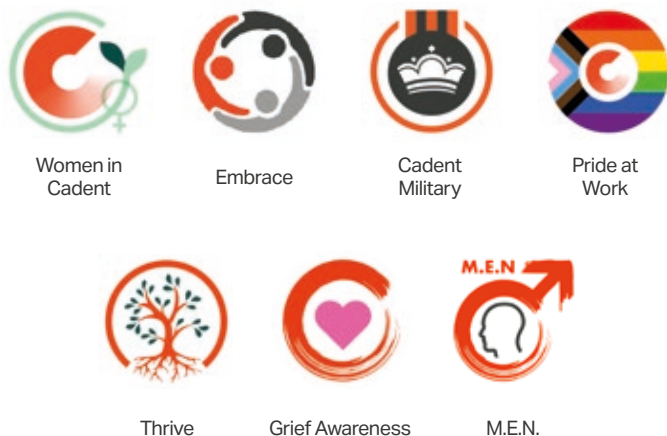
We have a number of external partnerships, including collaborations with the Department of Work and Pensions, the Careers and Enterprise Company, and colleges to deliver training to our colleagues, colleagues in our supply chain and students. We were proud to receive the 2025 Patron Status award for our commitment to supporting young talent in Liverpool.

We actively engage in working groups and boards within Energy & Utility Skills (EU Skills) giving us a voice and to shape the skills agenda relevant to our industry. We're represented across various other groups, including the Institute for Apprenticeships and Technical Education, the Apprenticeship and Technical Education Advisory Group, which enables us to participate in co-ordinated engagement with the government on critical issues.

Equity, diversity and inclusion

We pride ourselves on being a fair, respectful and inclusive workplace where everyone can thrive.

Our well-established colleague communities, cover a range of protected characteristics along with wellbeing and mental health. Our colleague-run communities help us to engage, create an inclusive culture of learning and act as a critical friend.



This year, we saw one of our newest communities, Grief Awareness, awarded as the winners of the 'Inclusion Award' at the Culture Pioneer awards for grief support and awareness trailblazers. They launched a podcast series with the National Bereavement Service, featuring real stories from our colleagues.

In partnership with our EDI community groups, we remain focused on leadership development, launching Anti-Racism e-learning, and introducing a Trans Equity Standard. We significantly enhanced family provisions by updating policies and increasing maternity/adoption provision to 12 months full pay.

At our annual EDI Conference, 'The Big Meet', we recognised outstanding achievements in inclusion, with 120 nominations across seven categories.

This year, we also celebrated a number of milestones and recognitions:

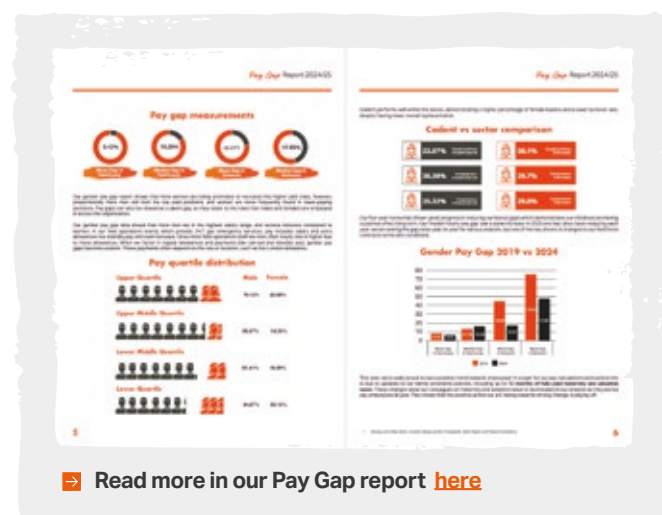
- partnered with Investing in Ethnicities, and sponsored the Outstanding Employer category at the Ethnicity Awards, affirming our dedication to being an anti-racist organisation;
- collaborated with the Business Disability Forum to build on our culture that has been recognised via becoming a Disability Confident Leader in 2024;
- named double winners at the Energy and Utility Skills 2024 awards for Employer of the Year and Attraction, Recruitment Campaign or Initiative of the Year Award, for our efforts in increasing diversity and fostering an inclusive and supportive workplace;
- achieved Silver on the Stonewall Workplace Equality Index;
- achieved the Royal National Institute for Blind People: Visibly Better Employer; and
- this year centred around culture being owned by our leaders through partnering and engagement. Including:
 - launching culture engagement videos to enhance belonging around our values;
 - leading Black History Month x Gas Distribution Network collaboration and Armed Forces Day Event;
 - hosting safe space sessions during the Southport riots; and
 - launching the award-winning Women in Operations shattering stereotypes campaign.

Gender and ethnicity pay reporting

We have seen a decrease in our gender pay gap compared to last year, maintaining its steady decline since the mandatory reporting. This demonstrates the effectiveness of the enhancements in our family provisions policy.

However, we have seen an increase in our ethnicity gap, reflecting growth in ethnic diversity in our talent schemes, enhanced ethnicity data disclosure and lower representation of ethnic diversity at the top of the organisation.

We are committed to transparency and driving changes, and we're confident that these gaps will reduce over time.



Strategic and operational review continued

Social impact and vulnerability

Centres for Warmth

Over the past 12 months we have increased the number of our fixed Centres for Warmth from 200 to over 350.

Unfortunately, while the cost-of-living crisis may be receiving less focus in the news, it is estimated that more than three million households within our network are living in, or close to, fuel poverty. Our Centres for Warmth initiative utilises existing community centres that have built up a comprehensive understanding of the needs of their local communities and established trust within them.

Every day, they welcome members of their communities, offering an increasing range of products and services to help them to stay safe, warm and independent in their homes.

The primary focus of our centres remains on supporting customers living in fuel poverty and through them we've provided more than 75,000 free income maximisation consultations (including debt consolidation) and directly improved the energy efficiency of more than 79,000 homes, including conversations to remove damp from homes.

This year, we've expanded the services offered by our centres, with increased focus on carbon monoxide safety, providing more than 36,000 free carbon monoxide alarms to homes unable to afford them. We've also focused on healthy eating initiatives, providing slow-cooking classes to around 55,000 members of our communities and distributing more than 10,000 free slow cookers – allowing families to cook healthy and cheap meals together.

Our centres have become pillars of communities, allowing local people to play a vital role in supporting their neighbours.

It is important that we are seen as a force for good, for our customers, colleagues, and in the communities that we serve.

We do this by focusing on three key outcomes: easier warmth, fairer opportunities and a greener society.

We are uniquely positioned to support those living in vulnerable situations. Like other gas distribution businesses, we directly engage with more consumers, often in their own homes than almost any other organisation across the country.

We've taken this natural opportunity to do good and amplified it by investing in cutting edge data to target our support to the communities that need it most. We continue to partner with over 185 leading charities and expert organisations to maximise our reach and build trust with those we are helping. And we have built a truly expert in-house delivery capability, including training all 4,000 front line colleagues how to identify and support customers living in vulnerable situations.

Our dedicated and expert Customer Safeguarding team oversee more than 100 separate initiatives each year to raise awareness of the Priority Services Register, keep communities safe from the potential dangers associated with gas (in particular carbon monoxide), help them to afford to keep their homes warm and go beyond the meter to fund a range of in-home interventions designed to increase energy efficiency and save consumers collectively over £102 million on their bills.

Recognising the scale of the challenges consumers in vulnerable situations find themselves in, especially with energy prices remaining high and the general cost of living continuing to impact so many, we continue to invest over 1% of our profits to support customers living in fuel poverty, via the Cadent Foundation.

Over the last 12-months

155,811

customers have received free, energy and income consultations, plus direct, hands-on support to claim benefits, seek grants, consolidate debt and make their homes more energy efficient.

£2,500

The average household is over £2,500 better off following these consultations, meaning that we've helped put over £190 million back in the pockets of some of the customers in the most vulnerable situations we serve, from this one initiative alone.



First Vulnerability Conference is a great success

In October 2024, we hosted our first Vulnerability Conference. The purpose of the conference was to facilitate and collaborate, while exploring best practice and innovative strategies, which effectively support our customers.

Over 170 delegates attended the event, and we were joined by representatives from our Centres for Warmth, Ofgem, government, many of our key partners and those who we support through our VCMA funding. The conference was the first of its kind to explore the vital role of utilities in supporting vulnerable customers. Industry leaders, policy makers and community organisations running large scale vulnerability programmes came together to discuss and explore best practice and innovative strategies to effectively support vulnerable customers. Helping to bring the conference to life were representatives of our 350 Centres for Warmth who enthralled the room with their personal stories of how the funding Cadent received from the VCMA fund is being used within the centres across our networks.



Going beyond to keep communities

warmin

Services Beyond the Meter

A broken gas boiler or cooker is costly, frustrating news for anyone. But when customers in vulnerable positions aren't able to cover the cost of repair or replacement, they face the stark choice of living without the appliance or taking out expensive credit they can't afford to cover the cost of repairs.

Services Beyond the Meter offers these customers another option. When our engineers identify an eligible, vulnerable customer, they can refer them to our strategic partners, National Energy Action (NEA) and Groundwork UK (GW UK). We fund these partners' dedicated teams who engage directly with the customer, assess their needs, and oversee the most appropriate solution, usually within 24 hours. Those solutions include repairs, replacements, carbon monoxide investigations, servicing and advice.

Over the last 12 months, we have expanded our team of trained in-home pipework and appliance engineers to 80. This has enabled us to expedite more gas restoration and assistance referrals. We have introduced the programme to several charity partners who can now make referrals. This broadens the scope for intervention and enables the team to take a more proactive approach to gas safety. We have introduced a clear process for referring out to our partners and into the team. This initiative has helped c7,700 customers to date. Some have received fully funded appliance repairs or replacements. Others have had potentially dangerous appliances identified, serviced and made safe, protecting their wellbeing as well as their warmth.

Strategic and operational review continued



Working together for a future without fuel poverty

In 2024, the Cadent Foundation marked its fifth anniversary, a milestone, which allowed us to reflect on the difference our strategic funding has made to those living in fuel poverty. Supported by the continued commitment of Cadent investors to donate 1% of post-tax profits to help vulnerable customers, to date, we have supported over 172,000 people and awarded more than £25 million in funding.

However, we recognise the depth of this challenge, as energy costs rise and heating allowances are withdrawn; fuel poverty continues to be a real issue for six million people in the UK¹. Our own research shows more people are worried about their energy bills this winter compared to last, highlighting a real potential impact on physical and mental wellbeing².

These statistics drive our funding and the working relationships with our charity partners, to develop projects that offer a combination of immediate help and sustainable solutions to those with low incomes and energy inefficient homes.

Our £2 million Winter Support Fund goes some way to providing immediate relief to those struggling with the cold and other pressures, giving communities across our networks a gateway to more holistic support and rapid access to hardship funds in times of crisis.

We know that being able to get this kind of immediate, practical help is crucial – but we also know that, on its own, it isn't a long-term solution. That lies in working even more closely with communities over an extended period. We've learnt that, to have the greatest impact, we need to build relationships and networks within the community, get insights into the day-to-day issues and understand what beneficiaries really need, so we can deliver solutions that make a real difference.

One example of this insight is from working with Citizens Advice, who report that most of the people in vulnerable situations needing our help struggle with multiple, complex issues. In 2024, their clients presented with 1.9 more issues than in previous years, and 8.5 issues on average³, demonstrating how fuel poverty is inextricably linked with other problems such as lack of food and clothing, poor mental health and substandard housing.

The Citizen's Advice funding offers holistic advice to tackle these issues and has supported clients with an average income gain of £2,540 per client, totalling 8.5 million, which is helping to tackle the various issues.

Our work recognises the correlation between cold homes and poor health, and in 2024, we collaborated on health-related projects including Care City and the Direct Access to Wellbeing Service (DAWS) with the Birmingham Community Healthcare Charity.

We have focused specifically on those susceptible to cold-related illnesses including those who have been in hospital, to support their return to a safe and warm home.

This level of engagement shown by the Stay Warm in Newham project is what gives us an in-depth understanding of the complex issues surrounding fuel poverty. By tackling it head on, through partnerships and research, we can tailor solutions that go beyond warming people's homes to improving their overall quality of life.

Bringing awareness to issues around fuel poverty remains important to us and, in publicising the Winter Support Fund and our projects, we have gained nationwide coverage, generating over 500 news stories and almost 100,000 social media impressions over the past year in media outlets including the BBC, GB News and the Daily Express.

We remain committed to scaling our efforts and exploring innovative partnerships to reach more people together, with both practical and sustainable support, where it's needed most.



Stay Warm in Newham

Stay Warm in Newham is a partnership between Groundwork and local charity The Renewal Programme, bringing together grassroots organisations, delivery partners, the local authority and public health to support the most vulnerable, socially excluded and financially precarious residents in the borough. In this area of East London, nearly a fifth (17.8%)¹ of households are in fuel poverty.

We awarded a £270,653 grant to deliver energy consultations, via the Groundwork's Green Doctors who offer energy saving advice as well as access to referrals to other services to help maximise their income and address other financial and health issues they may be facing.

1. NEA survey, September 2024.

2. Cadent Energy Diaries study, 2024.

3. Citizens Advice Caseworker Energy Project Progress Report Jan–Dec 2024.

Going beyond to keep customers

connected

Direct Access to Wellbeing Services

Earlier this year, we launched our major new landmark partnership with an NHS Charity. We're working directly with Birmingham Community Healthcare NHS Foundation Trust Charity and through this strategic partnership, will create a brand new 'Well & Warm' service.

The newly created 'Direct Access to Wellbeing Services Team' (DAWS) is funded by a £1.7 million grant from Cadent, alongside a further £700,000 from the Cadent Foundation, which will supply the energy advice partner, Act on Energy. The new team will operate within the NHS as part of Birmingham Community Healthcare Charity, working in the community and at hospitals across Birmingham, to offer a single point of contact for 'well and warm' advice and support, including a variety of fully funded financial, energy efficiency and carbon monoxide safety support.

Poverty rates and health are intrinsically linked and for those sadly living in fuel poverty, it really does have a significant knock-on effect to so many different areas of their lives. We are all incredibly excited about this flagship partnership with Birmingham Community Healthcare NHS Foundation Trust Charity. Not only is this the first time we've worked directly with the NHS but also being able to collaborate with our Cadent Foundation, means we're able to significantly extend the reach of the programme. The past few years have been challenging for public services in Birmingham and through this initiative, we will target vital energy, income, benefits and safety advice to those that need help the most and hopefully, have a direct and long-term impact on both the NHS and fuel poverty rates in the city.



Strategic and operational review continued

Protecting the planet

We completed a series of thought leadership research programmes exploring the connection between rising costs of living and customers' attitudes towards sustainability and subsequent behaviours. The Sustainable Energy Diaries series is published on our website and clearly demonstrates that, while customers (the general public) have embedded micro-habits to reduce their impact on the environment, these are way off what is necessary for the UK to achieve its net zero ambitions by 2050.

Consumers and several leading sustainability experts have conveyed a strong expectation that companies like ours should lead the way and take immediate action to help customers become more sustainable. While the government's climate change goal is to achieve net zero by 2050, we are committed to aiding this milestone sooner by upgrading our pipe network, restoring the UK's natural habitats through colleague volunteering, and finding ways to capture methane before it enters the atmosphere and put this into our distribution network.

Waste management is a key priority for us. We have reduced the total volume of general waste from our office and depots by 19% compared to last year. Overall, this reflects a 44.1% reduction in waste since the 2019/20 period.

We continued with colleague and depot engagement, education and communications of waste management, and collaborated with our waste contractors and local delivery partners leading to improve waste segregation rates. As a result, we are now sending only 2.99% of spoil waste from our street work activities and 1.38% of waste from our offices and depots to landfill.

We are passionate about preserving the natural environment and have worked over 2024/25 on site-specific biodiversity action plans, supporting our depots with the 'Depot in Bloom' funding

and completed a gap analysis against an external biodiversity benchmark. We have published our first Biodiversity Policy and aligned our environmental management system to the biodiversity benchmark requirements. Our networks are now ready for external certification that will take place next year.

We have made significant progress toward our greener society goals, and our commitment to protecting the planet remains strong. Our environmental focus is outlined in our Environmental Action Plan, which consists of 30 actions categorised into the following areas:

- decarbonising our business operations (11 actions);
- reducing our environmental impact (five actions);
- facilitating the transition to a low-emissions energy system (14 actions);
- our ongoing work to demonstrate hydrogen at scale is discussed in more detail on page 34.
- less than 2.99% of our waste from street works was sent to landfill last year;
- only 1.38% of our office and depot waste was sent to landfill;
- 100% renewable gas and electricity has been procured across the business;
- reduced emissions by more than 5% (for Scope 1 and 2 location-based – excluding shrinkage); and
- leading the sector in ESG reporting across global ESG benchmarks, including 'top rated' status from Sustainalytics.



Our first sustainability awards 2025

In April, we were proud to have hosted our first-ever virtual sustainability awards event – Cadent Congratulates. This inspiring event was all about celebrating our supply partners' outstanding achievements and positive impact across our sustainability strategy – from supporting local communities to driving environmental innovation. It was a fantastic opportunity to connect, share ideas, and reaffirm our commitment to delivering social value as part of our RIIIO-3 plan.

A huge congratulations to all the shortlisted suppliers and an even bigger shoutout to our incredible winners! We're inspired by every organisation that took part – thank you for helping us build a more sustainable, inclusive, and resilient future.

Depot in Bloom competition

At the start of 2025, we set our networks a Depot in Bloom competition to see how they could utilise up to £1,000 in funding and enhance the biodiversity and local habitats on their sites. With the support from colleagues and guidance from local site ecological plans, we received fantastic innovative entries.



Supporting our 30:30 target by improving measured biodiversity scores by 30% by 2030, the entries showcased how creative and dedicated our colleagues are in improving biodiversity on our sites.

Whether it was adding pollinator-friendly plants, creating a small wildlife habitat, or installing bird feeders, the networks have been hard at work. This includes:

- installation of bird and bat boxes – including the first resident of bats after only four weeks;
- up-cycling pallets into planters and bug hotels;
- creation of wildflower areas, with Wild Red clover, Greater Birdsfoot and Wild Carrot seeds;
- installation of bird feeders;
- sunflower growing competitions; and
- creation of new flower bed areas.

Lorna Pilbin, Environment Manager said “We received fantastic projects from across the networks, and can see how hard everyone has worked in creating these amazing spaces for wildlife”.

Lucy Walters, Fleet and Logistics Manager in the West Midlands said “The whole process has been a joy for everyone on site. We’re greeted by plants and flowers, which follows the theme around the site, it’s brimming with colour and the number of bees that we have has certainly increased”.

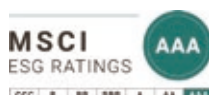
Environmental benchmarks

External benchmark assessments enables valuable insights into our performance. This understanding helps us create effective action plans for driving improvements. We were assessed against three leading Environmental, Social, and Governance (ESG) benchmarks: the Global Real Estate Sustainability Benchmark (GRESB), Sustainalytics, and Morgan Stanley Capital International (MSCI). The results were very positive, reflecting our commitment to ESG and our goal of creating a positive social impact.

Continuing to improve, report, review and collect ESG data, we demonstrate our dedication to environmental improvements and seek external recognition of our sustainability efforts. Additionally, we operate an Environmental Management System (EMS) certified to ISO 14001:2015 and an aligned biodiversity management system. We conduct annual internal and external audits and three lines of assurance against this standard to maintain compliance and continually enhance our procedures and systems.



➔ Read more in our Sustainability report [here](#)



Strategic and operational review continued

Future of gas

Energy policy context

There have been several developments relating to energy policy this year, and while these have slowed a little due to the General Election and change of government, they are still broadly aligned to delivering net zero by 2050. The incoming government is understandably more focused on short-term targets around the decarbonisation of the electricity network by 2030, which has less of an impact on our organisation. Despite this, there has been progress in policy development associated with home heating, hydrogen production, and storage, which provide useful context. The government continues to focus on the electrification of heat via heat pumps as the main route to decarbonise home heating and plans to consult on the role of hydrogen for heating in 2025. The government continues to focus on enabling hydrogen production and in October announced £22 billion of support for two industrial cluster projects, one of which is the carbon capture component of the HyNet project. HyNet continues to be our flagship hydrogen pipeline project. We anticipate that the business models that enable the hydrogen pipeline and hydrogen storage components of HyNet to be open for bids in 2025.

The new National Energy System Operator (NESO) was launched in October this year. This central body will be planning the main components of UK energy infrastructure. It has recently been responsible for defining and evaluating the plans to deliver a decarbonised electricity supply by 2030 and will take on responsibility for gas and hydrogen infrastructure planning in their Spatial Strategic Energy Plan by 2026. We are looking forward to working closely with them.

Throughout our interactions with external stakeholders, we find the understanding of the important role that our gas network plays to be not well understood. This leads to incorrect assumptions about how it may be used in the future. To support the aim of education we published a new report this year called *The Future of the Gas Networks*. This report explains the different roles that the gas network plays today in the provision of energy and resilience for the range of consumers that we serve and how connected our network is. The report then steps through the important roles that we will play in support of the net zero energy transition. These include:

1. enabling energy solutions – such as for power generation, flexibility services, energy storage, back up energy supplies, and hybrid heating systems;
2. reducing emissions while our customers still need gas – through projects that manage methane leakage reduction, grow biomethane connections and blend hydrogen; and
3. converting and readying the network for hydrogen – by completing the mains replacement programme, planning new and repurposed hydrogen pipelines, working in the industrial clusters on projects like HyNet.

The report is available on our website via our 'Insights' pages: <https://cadentgas.com/about-us/future-of-gas/insights>



The future of the gas network across Europe

In April 2025, we joined our European gas network and regulatory colleagues at the Biomethane Connect Europe event to discuss the future of the gas network across Europe and in particular, the role of biomethane, hosted by GRDF in Paris with the Gas Distributors for Sustainability (GD4S) group of companies.

Through carefully structured policy and subsidy support, France leads the way in biomethane production with over 700 connected sites producing 13 TWh of biomethane per year and an ambition for four-fold growth by 2030. Connecting two new sites every week is a testament to the collaboration between producers, networks and their energy regulator.

The European Union countries combined have the ambition to deliver 35 billion cubic metres of biomethane by 2030. This is equivalent to 366 TWh. The EU has over six times the population of the UK, but they have ten times the biomethane ambition.

It's clear that there is more potential here and aspects that can be directly applied in the UK. The utilisation of waste for the provision of energy seems like an obvious step and enabling farming communities to benefit also seems sensible. We look forward to further collaboration with our European neighbours and bringing the learning to the UK.

Helping industry decarbonise with hydrogen

We continue to focus on supporting the decarbonisation of industry by planning where new and repurposed hydrogen pipelines will be. Our regional hydrogen programmes include **HyNet, East Coast Hydrogen, Hydrogen Valley and Capital Hydrogen**. **HyNet** is the most advanced of these projects having completed the front-end engineering design for the route and the local consultation. Next steps are to submit the Development Consent Order, which we plan to do in 2025, subject to timings set out by the government on the Hydrogen Transport Business Model.

In March 2024, we submitted the re-opener to Ofgem for the **East Coast Hydrogen – North Phase 1 pipeline**. The re-opener requests £46 million of funding to progress the Front-End Engineering Design (FEED) and consenting of a section of the East Coast Hydrogen project. This project completed its pre-FEED and cost benefit analysis over 2023 and explores the pipeline routing for the connection of large-scale hydrogen production to industrial energy users from Immingham to Scunthorpe, Doncaster and Rotherham. The pipeline would look to deliver 3.6 TWh of hydrogen to ten initial cornerstone industrial users. Our engagement in regional stakeholder events have been very successful in building regional support from both hydrogen producers and users as well as local authorities, research and education communities. One of the requirements for operating an effective hydrogen pipeline is access to hydrogen storage. With limited locations of salt caverns and offshore gas fields we are exploring other options and have been successful in receiving a Strategic Innovation Fund award for the technical design of a novel project called **EMStor**. This is in collaboration with the British Geological Survey, Edinburgh University, Uniper, Star Energy, and Centrica Storage. This project is exploring how onshore depleted gas fields could be utilised for hydrogen storage.

We have also brought together a group of companies under a campaign called **Made with Hydrogen**. These companies have identified hydrogen as a key component of their decarbonisation strategies. Companies include Encirc (glass), Forterra (bricks), Kimberly-Clark (paper), Heidelberg (Asphalt), Liberty Steel (steel), Pilkington (glass), Tate and Lyle (sugar), and Toyota (automotive).

Hydrogen blending

We have maintained our support of the role of hydrogen blending as an enabler for increased hydrogen production in the UK. In early 2024, we completed our HyDeploy2 project, which delivered the technical and safety evidence to the Health and Safety Executive required to underpin the governments 'minded to' blend policy decision that they announced in early 2024. We anticipate the Health and Safety Executive will assess this evidence during 2025.

Hydrogen for heat

Over the year, we have continued to work on providing technical evidence for the government's hydrogen for heat programme. This was successfully submitted in September to the Department of Energy Security and Net Zero and the Health and Safety Executive who will evaluate the safety aspects of converting the gas network to hydrogen. This will be fed into the hydrogen for heat policy decision following the governments consultation during 2025. We continue to support the development of the SGN hydrogen neighbourhood trial in Fife, called H100. This project is expected to supply hydrogen through a new network to 300 customers who will have hydrogen boilers and new hydrogen gas meters installed in their properties.



East Midlands Hydrogen

Our hugely successful second East Midlands Hydrogen Summit drew a crowd of more than 140 people and was supported by several local MPs and the new East Midlands Mayor.

The East Midlands Hydrogen pipeline and the East London Hydrogen Pipeline will enable legacy manufacturing companies to decarbonise – hydrogen is a viable option for brick companies such as Ibstock Brick, Weinerberger and Forterra, and for the Tate and Lyle Sugar Refinery, which has been based in East London for decades.

Strategic and operational review continued

Engaging stakeholders

In the year, we continued to produce evidence and data-led material to assist in adding clarity to the energy transition. As well as the Future of the Gas Network report and the Made with Hydrogen campaign we completed a full evaluation of the governments proposed plan to shift energy policy costs from electricity to gas consumers. The purpose of the shift is to make electricity cheaper and gas more expensive for consumers, so that it encourages the uptake of heat pumps. Our analysis shows the regressive impact that this has on fuel poverty and those least able to pay for the energy transition. Our conclusion is that policy costs are better shifted to general taxation.

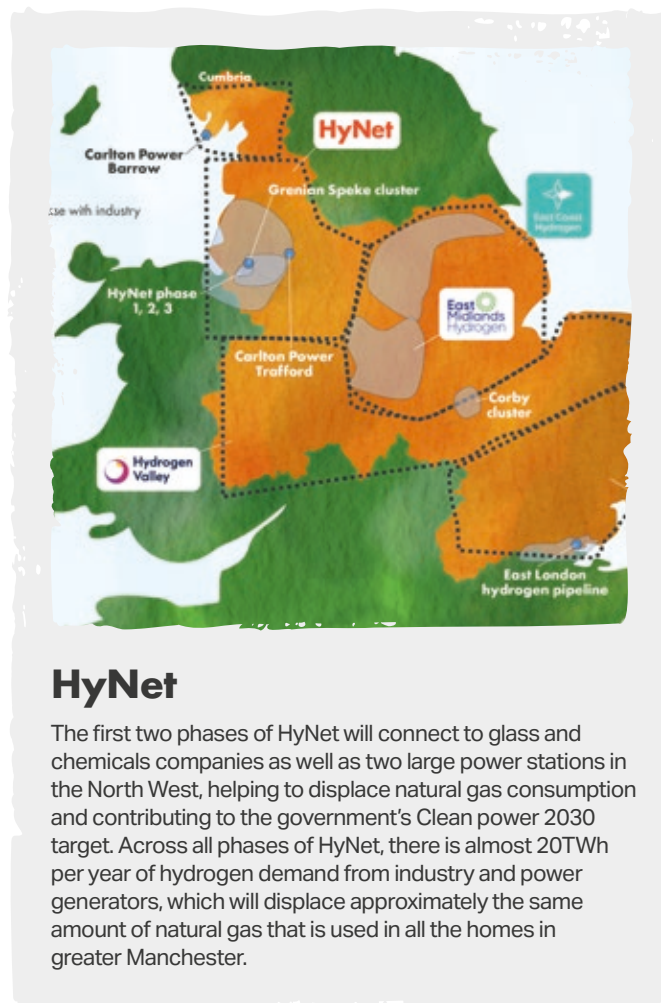
We also continued to work across trade and professional bodies (such as IGEN, Future Energy Networks, Hydrogen UK, Renewable Energy Association) and parliamentary groups (hydrogen and energy studies) with the aim of increasing the level of understanding about Cadent and our activities in relation to net zero. We continue to have positive engagement around hydrogen and biomethane and how these can be accelerated to support delivering net zero.

In terms of our political approach more broadly, we engaged with the three main parties covered by Cadent before, during and after the election. Firstly, maintaining the engagement built up over the previous years to help secure either positive references to hydrogen in manifestos, or at least not ruling it out at this stage. During the election campaign, we hosted site visits, including for the future Secretary of State for Science, Innovation and Technology. Since the election, we've proactively looked to engage with new ministers and MPs, and build on existing ones with Peers, for example.

This has included speaking at, and joining, APPGs, such as Hydrogen, Energy Studies and engaging with relevant Select Committee Members, including regular meetings with the new chair of the Energy Security and Net Zero Committee. We also attended all three main party conferences, speaking to senior spokespeople at each one, and taking part in fringe events.

Our engagement also encompassed not just future of gas, but broader aspects such as Centres for Warmth and vulnerability, including sites visits and parliamentary drop-ins, which can help facilitate broader conversations about the future of the network, while highlighting the positive work we do now.

We have also covered other areas such as biomethane, including a parliamentary launch of the IGEN report with the Energy Studies APPG. Regionally, we have continued to engage with the Metro Mayors in Cadent's area and hosted site visits to depots and briefed them on Cadent projects.



HyNet

The first two phases of HyNet will connect to glass and chemicals companies as well as two large power stations in the North West, helping to displace natural gas consumption and contributing to the government's Clean power 2030 target. Across all phases of HyNet, there is almost 20TWh per year of hydrogen demand from industry and power generators, which will displace approximately the same amount of natural gas that is used in all the homes in greater Manchester.

Biomethane

At the end of May 2024, we set up and mobilised the West Midlands pilot.

We brought cross-functional minds together as a virtual task team with a 'can do attitude' to identify how we can move to a process where connection offers always provide certainty of injection. The three high-level outcomes for the trial are to create capacity in the network, become easier to do business with and prepare the business for entry reinforcement. The development of a playbook methodology has formed the output of learnings to date and although the pilot is still underway it is supporting our advanced rollout to the Networks to fast-track analysis/meter installations to capture the summer low-demand window.



Growing biomethane connections

Biomethane is produced by fermenting organic matter, making use of feedstocks ranging from farm and animal waste to food and sewage waste, crops, and silage. The production and injection of biomethane into the gas grid offers a green and sustainable solution to waste management for industrial, commercial, and domestic users.

Growing biomethane connections is an important component of our decarbonisation strategy, alongside hydrogen, hybrid heating schemes and reducing gas leakage. Over the year, we have commissioned one new entry connection, one expansion to an existing site and had another two sites commissioned in February 2025. This will take our total number of entry connections to 47, heating the equivalent of 351,549 homes on an average demand day at maximum injection capacity.

Working with the biomethane producers we are progressing a range of projects to establish how we can greatly increase the amount of biomethane we can connect to the gas network. This includes things like reverse compression that enables more biomethane to enter our network at times of reduced demand; improved commissioning processes; and better utilisation of data for decision making.

We commissioned the first UK compressor to reverse the flow of gas back up the pressure tiers creating capacity and priority for biomethane injection. This is within our South Yorkshire network at Doncaster facilitating the expansion of the Lindholme Anaerobic Digestion plant. Testing of the asset and how it behaves under different operational conditions is ongoing and was completed in March 2025. The Lindholme expansion is a first for Cadent in that it both injects the gas produced on site and has an injection point to bring gas in via road tanker from other sites, maximising the Renewable Heat Incentive (RHI) subsidy.

Last year, we also consulted with our biomethane customers to establish areas for improvement. Our commissioning process came out as one of the top areas to improve and working closely with Future Biogas on their upcoming Gonerby Moor connection, we have implemented a new stage gate process, which we will test over the coming year. Better outcomes for biomethane customers were also achieved through changes to our approach to model data assessments with the development of concept entry reinforcement options, installing and refurbishing low flow meters, understanding the capacity created through ultra sonic meter upgrades and in turn improvements to the quality of data in our models. This was supported with customer insights analysis and the development of a new entry connections process with reinforcement in the offer.

Number of connections	EOE	EM	NW	WM	NL	Total	TWh
Biomethane	15	16	4	10	2	47	4.04
CNG	1	5	5	1	2	14	
Powergen	28	62	68	18	16	192	

Biomethane connections	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Actual	1	10	22	28	29	32	35	36	39	42	44	47
TWh Actual	0.07	0.64	1.44	1.78	2.03	2.38	2.52	2.63	2.87	3.13	3.35	4.04

Section 172 statement

This statement describes how the Directors have complied with, and are discharging, their duty to have regard to the matters in section 172(1) (a)–(f) of the Companies Act 2006 to promote the success of the company for the benefit of its members, taking into account its stakeholders, and to achieve the company's purpose.

Key stakeholders

The Board's assessment of the company's key stakeholders and its interactions with them is as follows:

Stakeholder	Why they matter to Cadent	What matters to them	How the Board interacts
Customers	Delivering for our customers defines our purpose. Generate the company's revenue and profit.	Reliable safe and economical supply of gas. Customer focused, responsive, and timely service.	Reports and presentations from: our Chief Executive Officer, Chief Operating Officer, Network Directors, People Director and Director of Health and Safety, which include regular review of customer satisfaction scores, to assist in striving for enhanced performance and safety-focused campaigns and oversight of customer vulnerability strategy. There is also engagement with the Customer Challenge Group to inform future thinking.
Employees	Our people execute our strategy for delivering our services for our customers. Embody our culture. Source of innovation and ideas for business improvement.	Recognition, reward, and development opportunities. Safe, supportive, and inclusive environment. Employee engagement with management and effective internal communications.	Reports on employee-related matters and regular internal communications updates from the Chief Executive Officer, Chief People Officer and Chief Operating Officer are provided to Board meetings, ensuring that employee-related issues and perspectives are factored into relevant decisions. A rolling programme of presentations from, and informal engagement with, EDI community representatives is in place, as well as regularly scheduled site visits enabling Board members to hear from our operational colleagues.
Shareholders	Provision of equity finance. Provision of experienced Non-Executive Directors to assist to steer and guide strategy.	Predictable, sustainable financial returns. Delivery of our strategy for our customers. Responsible and compliant business management and conduct. Governance, safety, and transparency. Clear strategic direction.	Interaction is through Board members and Board Committee members who are shareholder-appointed nominees (all shareholders have representation on the Board) and via the Annual report.
Communities and the environment	The company's activities impact local communities and the environment. By working to make these social impacts more positive and environmental impacts less harmful, the company earns its right to operate in accordance with its values and environmental and social responsibilities, and collaborate where appropriate.	Engagement with the community; understanding of environmental objectives and support where possible. Sponsorship, charitable donations, and volunteering to further social and environmental causes. The company demonstrating its environmental and social responsibilities.	Reports from the Chief Executive Officer, Chief Operating Officer, and members of the Senior Leadership Team on engagement with community leaders and residents with reference to operational work, support for customers through VCMA projects and net zero strategy objectives and initiatives. Scrutiny by, and reports from, the Sustainability Committee. Reports received on the work of the Cadent Foundation (see the Cadent Foundation Impact Dashboard, available at www.cadentgas.com).
Shippers	Generate the company's revenue and profit.	Reliable transportation of gas.	Reports on relevant matters from the Chief Financial Officer.

Stakeholder	Why they matter to Cadent	What matters to them	How the Board interacts
Suppliers	Provide the operational services, business support services and materials required to operate the business.	Trusted partnerships and prompt payments. Profitable workstreams.	Regular updates from the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer.
Ofgem	Regulates the company's conduct under its Licence and approves its business plans under the regulatory framework and price control regime.	Execution of the business plan for the benefit of customers. Compliance with Licence conditions and responsible behaviour. Constructive engagement on business and sector-wide matters.	Regular reports from the Chief Executive Officer, the company's Strategy and Regulation team and the Chief Operating Officer as appointed Board cyber representative.
Health and Safety Executive	Regulates and enforces the company's obligations in relation to workplace health, safety, and welfare.	Safe operation and maintenance of the network for customers, colleagues, and the public. Compliance with health and safety legislation and regulations and good working practices. Regular and constructive operational engagement.	Regular reports from the Chief Executive Officer, Chief Operating Officer and Director of Health and Safety on performance and improvement initiatives and feedback from interventions and routine liaison meetings. In-depth review by the Board Safety Committee.
UK Government	The future role of gas in the UK Government's energy policies and strategy directly impacts the company's longer-term prospects and strategy.	Security of affordable energy supplies to UK consumers and businesses. Industry input to help shape policy and strategy.	Regular updates from the Chief Executive Officer and the company's Strategy and Regulation Team on engagement, with particular reference to the future role of gas in the journey to net zero.
Debt providers	Provision of access to affordable debt funding to support the company's liquidity and investment needs from time to time.	Predictable, sustainable financial returns and repayment at maturity.	The Group's financing arrangements are overseen by the Board, supported by detailed review and feedback from the Group Finance Steering Committee. Both receive presentations from the Chief Financial Officer and Director of Corporate Finance describing engagement with the holders of debt instruments and associated strategy.
Citizens	The support and tolerance of the public is important when the company responds to incidents and/or its operations cause necessary disruption.	Gas safety and being protected from harm to individuals and their property. Minimal disruption to their daily lives and business activities.	Debriefs on major incidents including customer feedback and the steps taken by management to engage with the households, businesses and wider communities affected by any such incidents. Regular updates from the Chief Executive Officer, Chief Operating Officer, Network Directors and the Senior Leadership Team on safe working systems and support.

Section 172 statement continued

Key decisions

The key decisions taken by the Board during the year were as follows:

- approved the interim and year-end financial statements and the company's annual report;
- approved the RIIO-3 interim and final business plan submissions;
- approved the annual review and update to the EMTN Programme and listing of the Prospectus;
- approved the financing strategy for the financial year 2025/26;
- approved the Financial Plan 2025 and the Budget for the year to March 2026 including donation to Cadent Foundation;
- approved pay mandate for 2025 collectively bargained salary review;
- approved the 2025/26 Short-Term Incentive Plan Measures and 2025 Long-Term Incentive Plan Measures;
- approved payment of interim dividends to the sole shareholder of the company;
- approved the Network and Information Systems Annual Report for submission to Ofgem;
- reviewed and approved Principal Risks and the proposed Risk Appetite; and
- ongoing review and approval of the Future of Gas strategy.

In addition to decisions made, the Board provided oversight and stewardship of the company's execution and performance of the previously approved strategy and delivery of RIIO-2 price control requirements and commitments. The Board considers that, in providing such oversight and guidance, and taking the above decisions, the Board ensured consideration of the long-term interests of the company and relevant stakeholders, some examples of which are set out as follows.

Having regard to the likely consequence of decisions in the long term

Given Cadent's business as the owner and operator of a national infrastructure regulated entity, the Board must always take into account the long-term implications of its decisions. Shareholders have invested in the company due to its regulated nature, which provides relatively predictable and sustainable returns over an extended period. The shareholders are represented on the Board by their respective Shareholder Nominate Directors, who assist the Board in maintaining focus on the company's long-term interests.

The Board devoted considerable time to consideration of Cadent's net zero strategy, which is critical to the future success of the company. The annual strategy day included a 'Future of the Gas Networks' focus, providing an opportunity for in-depth consideration of the crucial roles the gas networks will play in the energy transition; enabling the rollout of low-carbon solutions, driving reductions in our emissions and converting and developing the network to distribute hydrogen. Aligned to this, the Board and its Committees reviewed a number of key initiatives Cadent is implementing to lower carbon emissions in its operations, including biomethane strategy, investment in technology to enable pro-active leakage interventions and progress against the Carbon Trust's Route to Net Zero, all of which have both current and long-term impact.

Considerable time was spent on the role of hydrogen within the net zero strategy. Decarbonisation of industry was a core topic, with recurring reports received on advancement of the HyNet industrial cluster project, including overall status, key milestones, and ongoing engagement with government in relation to the Hydrogen Transport Business Model, the latter being key to informing decisions on the project. Other areas of focus included hydrogen for domestic heating and successful submission of the technical and safety evidence to support this, the shifting policy landscape in the context of the new administration, and the role of the NESO in influencing this.

A key area of focus for the Board was the development of the RIIO-3 business plan. A comprehensive programme of engagement between the RIIO-3 Team and the Board ensured that the Board was well informed and able to contribute throughout the process to all aspects of the plan, this being relevant to both the next regulatory period and beyond. (The Board's oversight was supported by the work of the Committees, as referenced below).

During the year, the Board approved two interim dividend payments to the sole shareholder of the company. In assessing the appropriateness of the distributions, the Board had regard to financial resilience, the company's strong performance against the regulatory licence, successful delivery of customer and community commitments, and transparent and effective policies towards employees, tax, and Executive pay. It also reviewed the detailed financial analysis presented, including benchmarking of distribution levels against comparator networks, and considered other factors having the potential to impact on timing or amount. Briefing sessions for Sufficiently Independent Directors, held in advance of the Board meetings, supported their contribution to debate and robust challenge informing the decisions made.

When reviewing and approving the Financial Plan 2025, the Board had regard to the surrounding context of uncertain RIIO-3 outcomes, continued cost pressure through the supply chain and the measures in place to mitigate these. Against this backdrop, the Board gave careful consideration to a number of key factors, including the impact on mainstream customer bills, the provisions for vulnerable customers (including delivery against the Force for Good Framework and a commitment of 1% profits to the Cadent Foundation), and the strong progress towards successful RIIO-2 commitments. The Board also considered, and was satisfied that, in addition to meeting RIIO-2 outputs, the Financial Plan addressed additional investment required to insure readiness for RIIO-3 and financial flexibility to withstand downside risks.

Having regard to the interests of the company's employees

The interests of Cadent employees are a fundamental aspect of the Board's decision-making process. Accordingly, throughout the year, the Board has considered a range of employee-related matters.

The Board received and reviewed reports on further enhancements to the People Strategy, setting the approach for the remainder of the current regulatory period and ensuring readiness for the next. The People Vision – 'A thriving culture where things are simple, people can be themselves and deliver brilliantly for customers' – was well received and supported; as was the rounded approach taken to setting it, which involved wide ranging internal and external engagement and thorough consideration of the operational context. The Board carefully examined progress against the six priority projects underway to achieve the vision. These covered succession and development, organisational design, reward strategy, simplification of procedures, competency and employee experience, all of which facilitate change, while ensuring that an environment enabling people to thrive is embedded. The Board endorsed the approach, recognising its positive implications for employee interests as well as contributing to the company's long-term success.

Key to the successful implementation of the People Strategy is creating an inclusive culture. The Board received reports on progress with this including training introduced to aid cultural change; hiring trials supporting inclusive recruitment process improvements; and external recognition. Measurement and accountability were an area of focus, with the Board reviewing and endorsing updated measures, which enable progress to be tracked and areas requiring greater support to be identified. Oversight of gender and ethnicity pay reporting is addressed by the Remuneration Committee. In addition, the Board continues to receive reports from representatives of the Cadent EDI communities at each Board meeting. Through these presentations, which often include sharing of personal experiences and motivations, the Board is made aware of the passion and dedication to positively change the culture and is kept informed of the efforts and achievements of the communities in achieving this; providing affirmation that the EDI aims resonate with the workforce.

Cadent's approach to ensuring the safety, health and wellbeing of employees remained a priority area for the Board. Reports to the Board and the Safety Committee provided updates on progress with priority projects under the Safe + Well programme and positive colleague engagement with this, the latter being critical to its successful implementation. Additional safety-related topics reviewed included fatigue management and the safe driving plan, as well as the wellbeing programme, which was delivering tangible colleague health improvements. Examples of initiatives to support colleague mental health were also shared with the Board through safety moments and reports from Network Directors, providing assurance of the embedded approach to tackling this important area. Through review of the matters presented, the Board was assured of the proactive approach taken to the safety of colleagues. The importance attached to this was also emphasised through the Board's approval of safety-related measures in the short-term incentive plan.

In approving the pay mandate for field force, staff collective groups and those transferred into Cadent under TUPE regulations, the Board carefully considered the impact of cost pressures within the business in the context of the regulatory commitments to be delivered and the need to balance market forecasts, company National Insurance increases and affordability with maintaining retention, positive engagement and employee relations.

Having regard to the need to foster the company's business relationships with suppliers, customers, and others

The Board considered a range of customer-related topics relevant to current and future performance.

In relation to the current year, the Board reviewed detailed reports on customer satisfaction scores, informing its oversight of the company's delivery against regulatory outputs. The importance attached to such delivery was once again confirmed by the Board's approval of the inclusion of customer-related measures in the annual incentive plan with the aim of driving further performance improvements. Alongside this, a sharp focus was retained on implementation of the company's customer vulnerability strategy, which was carefully monitored by the Sustainability Committee with the assistance of comprehensive reports and focused papers.

The Board also monitored how the company ensured the safety and wellbeing of customers. The Safety Committee reviewed performance in relation to this through consideration of a comprehensive Safety Performance Dashboard, reports on gas safety awareness campaigns launched and sharing of best practice via industry groups. Additionally, the Board received updates on planned and implemented improvements in the Customer Call Centre and general contact methods to further enhance the customer experience.

Maintaining high levels of customer service in the next regulatory period was also a priority area for the Board. Through a series of RIIO-3 sessions, the Board oversaw development of the business plan, which aims to deliver leading customer service at an efficient cost. Interaction with the Customer Challenge Group provided assurance to the Board that the customer voice was reflected in the company's submission. In addition, the Sustainability Committee spent time considering the proposed customer vulnerability strategy, endorsing the proposed approach, which built on current core areas.

In relation to suppliers, the Board received regular reports regarding procurement strategy and relationship management. Updates were provided on the company's readiness to implement the provision of the new Procurement Act (effective February 2025), the purpose of which – improving and streamlining processes, benefitting prospective suppliers of all sizes – aligns with the company's procurement vision. Consistent with this, the Board was informed of initiatives to introduce enhanced automation into the procurement process, to reduce tender process times and allow for additional focus on supplier relationship management. The Board also received updates on payment practices reporting, noting the improvements in timing, which are critical to maintaining good supplier relationships.

Section 172 statement continued

The company maintaining constructive and effective relationships with regulators and wider stakeholders was an area of priority for the Board, given their significance to the regulatory and policy landscape in which the company operates. The Board received detailed updates on engagement with Ofgem as part of the RIIO-3 process as well as on routine engagement and topic specific meetings addressing both Cadent and broader industry-wide matters. The Board and Safety Committee were kept informed of ongoing liaison with the Health and Safety Executive including discussion regarding safety-related aspects of RIIO-3 in addition to routine meetings. In the context of the general election and change of government, the Board was kept updated on engagement and advocacy undertaken with all main parties relevant to energy policy and related projects.

Having regard to the impact of the company's operations on the community and the environment

In addition to steering the company's over-arching long-term net zero strategy, the Board focused on current performance impacting the environment and the communities in which Cadent operates, as well as oversight of development of relevant aspects of the RIIO-3 business plan.

The Sustainability Committee monitored and reported to the Board on the positive progress the company had made in fulfilling the initiatives encompassed in the RIIO-2 Environmental Action Plan and the aspirations encompassed in the Force For Good Framework to make a positive societal impact. Further, through the Sustainability Committee's input to development of the RIIO-3 Environmental Action Plan, the Board was assured that the proposed actions will reduce carbon emissions, minimise the company's impact on the physical environment in which it operates and are consistent with longer-term scenarios for the industry given the company's net zero objectives.

In addition, detailed reports were received and considered in relation to key areas of focus, to further increase understanding and inform decisions made. These included the role of hybrid heating solutions as part of the heat decarbonisation solution; the company's ambition to support growth in the biomethane sector; and ongoing projects to improve leakage management through investment in new technology and data, leading to effective proactive interventions. All were endorsed by the Board as consistent with implementation of the company's decarbonisation strategy.

Network resilience remained an area of priority for the Board. Through review of the Annual Resilience Plan by the Safety Committee, the Board was assured that appropriate measures were in place to maintain a safe, secure supply of gas, recognising the changing climate and differing seasonal challenges. The impact of water ingress incidents and the appropriateness of Cadent's response for the communities affected remained an area of focus. Incident-related reports and updates were provided, enabling the Board to satisfy itself that Cadent's response was well managed and effective.

As with previous years, the importance the Board attaches to continually improving environmental performance is reflected in the short and long-term incentive plan sustainability measures approved.

The Board approved an annual donation to the Cadent Foundation, having regard to the positive impact it strives to have on households living in fuel poverty. Throughout the year, the Board receives reports on grants made as well as updates on projects in flight and future strategy, aligning with the Foundation's objectives to provide support to communities within its networks.

Having regard to the desirability of the company maintaining a reputation for high standards of business conduct

The Board recognises the importance of maintaining and exemplifying high standards of business conduct to sustain public trust. Ensuring that the company consistently upholds these standards remains a priority. Notably, the Board effectiveness evaluation report identified the company's strong focus on compliance as a strength.

Through the oversight of the Audit & Risk Committee, the Board gains assurance that the company's ethical code of conduct, 'Always Doing the Right Thing,' is understood and embraced at Cadent and that the leadership team promotes a culture of 'Speaking Up'. These underpin the way in which Cadent colleagues work together and engage with our customers and wider stakeholders, acting responsibly with honesty and integrity.

The Board reviewed and approved the 2023/24 Modern Slavery Statement, which outlines and reaffirms Cadent's approach to preventing modern slavery and human trafficking from taking place in any part of the business. The Board endorsed the clear communication of expectations to suppliers, effective due diligence processes and focused training programmes. Additionally, the continued collaboration with the Sustainability School, Slave Free Alliance, and Utilities Against Slavery, as well as the identified focus areas for the upcoming year, were considered and supported.

In alignment with the commitment to continuous improvement, the Board was briefed on learnings and insights gained from incidents arising within the sector (and more broadly in the case of cyber-related events) as well as the proactive steps taken at Cadent relevant to these.

From a governance perspective, the Board conducted its annual review of the matrix of authorities delegated to the company by the Board and the associated governance to ensure that this remained appropriate and effective, and was satisfied that it did.

Having regard to the need to act fairly as between members of the company

The Group is ultimately owned by a consortium of infrastructure investment funds with each consortium member having nominated representation on the Board. The relationship between the shareholders and their respective rights are governed by private agreement. The Board does not grant any special rights or privileges to any shareholder or group of shareholders, aiming to act fairly and treat them equally. This includes implementing procedures to address any potential conflicts of interest and ensuring equal access to information for all shareholders.

Our ESG materiality process

The Sustainable Development Goals

The 17 United Nations Sustainable Development Goals (UN SDGs) outline what a sustainable future should look like.

They provide a framework for businesses to collaborate with the government and other partners to address climate change and reduce inequality on a global scale. We continuously review the UN Global Goals to identify where we can make the most significant contributions.

Our 'Support the Goals' rating evaluates our external statements in relation to the goals, using up to five defined criteria. We have maintained our five-star rating by clearly defining our priority goals, establishing measurable targets, detailing our actions to support these goals, sharing performance data, and educating our suppliers about them.

Our overarching aim is to reduce greenhouse gas emissions to net zero, aligning with the UK Government's ambition by 2050. To monitor and reduce our emissions, we measure our Business Carbon Footprint in accordance with the Greenhouse Gas Protocol. Until the Science Based Targets initiative (SBTi) releases its methodology for the oil and gas sector, our current net zero emission reduction targets cannot be officially verified. However, we have developed a pathway for reducing our Scope 1 and 2 emissions, which is essential to meet the Paris Agreement goal of limiting global warming to 1.5 degrees Celsius. Our market-based Scope 2 emissions (electricity procured for office and building use through contracts) are derived from REGO-certified renewable electricity from our suppliers.

For more information see pages 59–64.



Focusing on our material issues

It is important that we focus our actions on the topics that impact us most – and on which we have greatest impact.

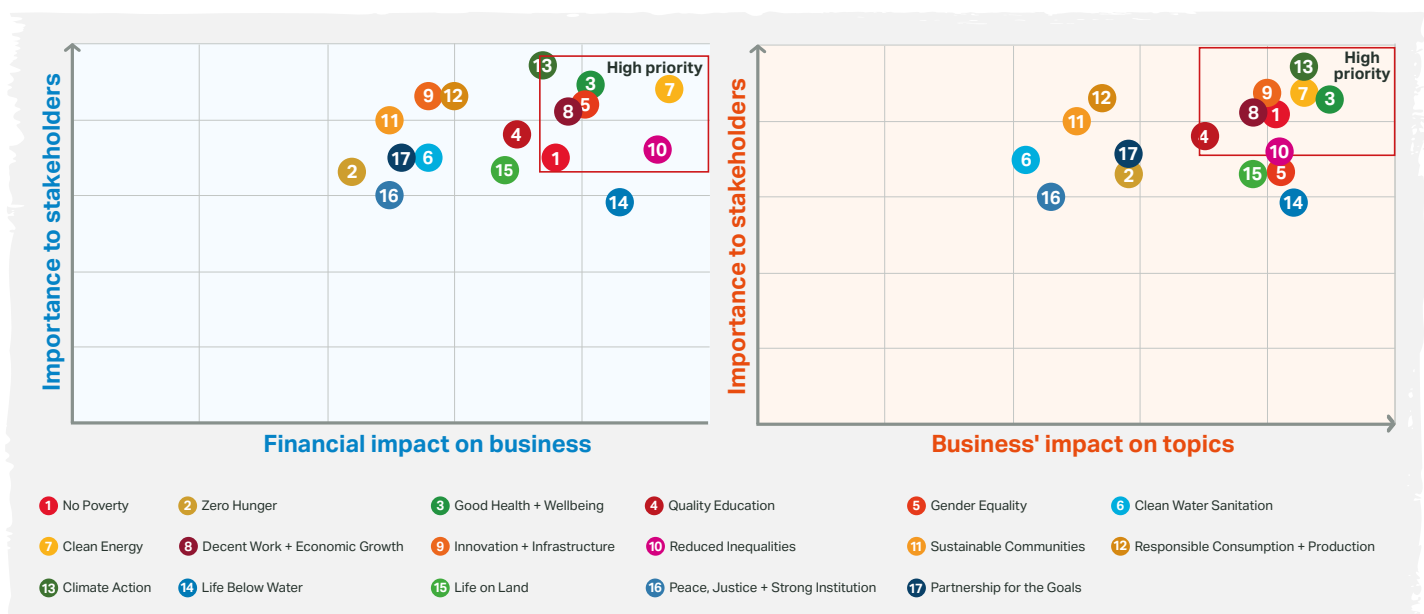
Assessments of topics that matter to a business are often confined to financial and operational matters. This is materiality. In 2023, we carried out a stakeholder survey that also explored the sustainability topics that affect us and that we affect. This is double materiality. Understanding these helps us, manage risks and opportunities.

Last year, we surveyed our customers, colleagues, and industry peers. Then, having framed our sustainability actions around the Sustainable Development Goals, we used the SDGs as the basis for the exercise.

The resulting double materiality matrices weighed the importance to stakeholders of a particular SDG against our ability to impact or be impacted by it. We then cross-referenced the two matrices to determine the SDGs that are of highest priority to us from both of these perspectives.

Our Force for Good strategy and the pillars that support it incorporate our identified material topics. Identifying these topics has informed the specific ESG-related data and information we collect and report on.

➔ Read more in our Sustainability report [here](#)

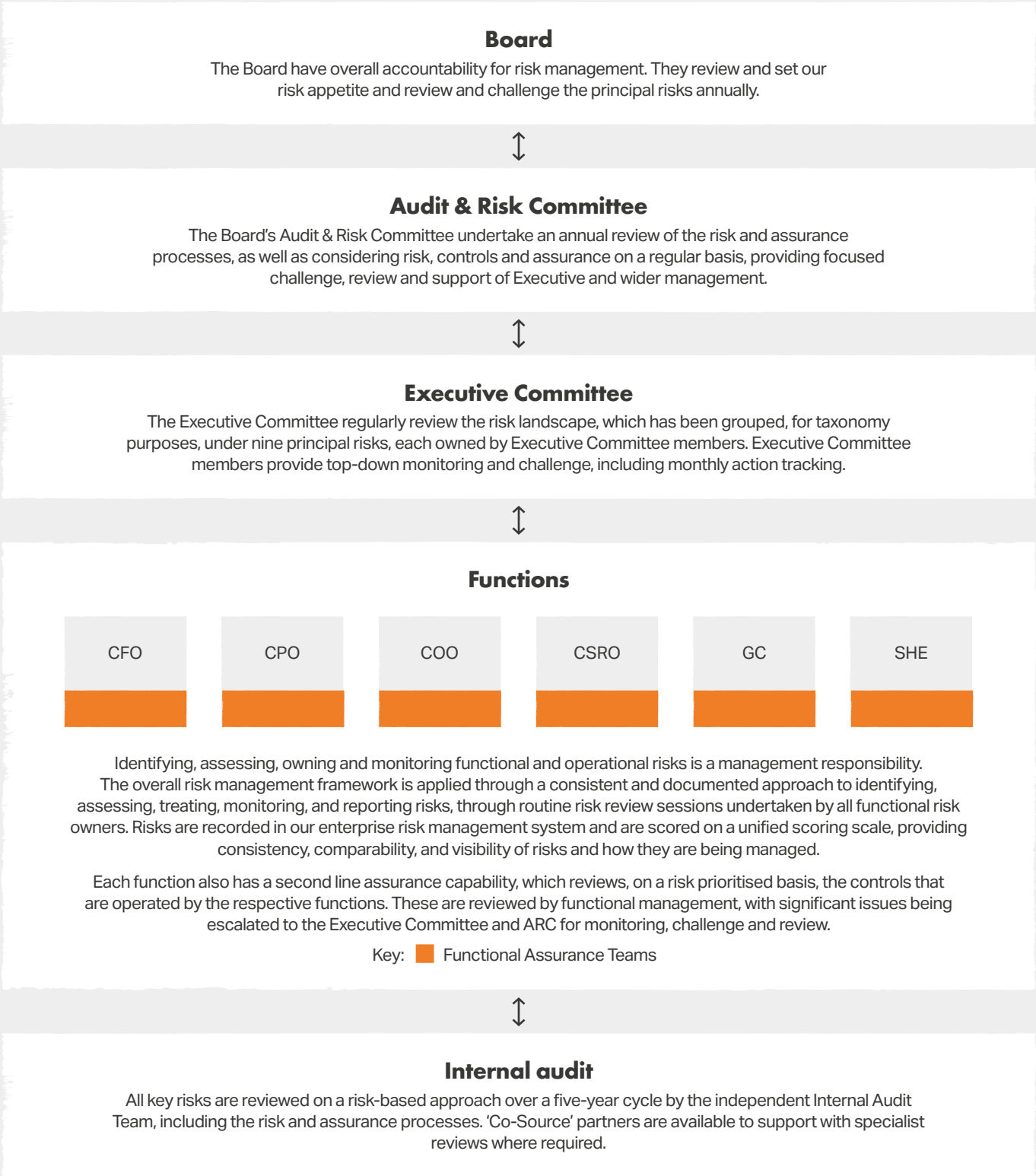


How we manage risk

Risk management overview

The Board is committed to protecting and developing our reputation and business interests, and has overall accountability for risk management within the business. The management of risk is embedded within our day-to-day business activities supported by a 'top-down, bottom-up' Enterprise Risk Management (ERM) process that ensures our risk management is aligned to our strategic priorities and objectives.

The diagram below summarises our approach to risk management.



Risk is all about uncertainty, and our risks will continue to evolve due to future events, changes and external factors, therefore, regular horizon scanning and the identification and management of emerging risks is important in driving effective strategic planning. This allows us to monitor and understand the potential implications and build these into our decision-making processes.

Risk owners all have a responsibility for horizon scanning, which is undertaken during regular risk review sessions.

A non-exhaustive list of some key emerging risks that we are actively monitoring is set out below.

		Time Horizon		
Emerging Risks	Causal Factors	Short 0–2 years	Medium 2–5 years	Long 5–10 years
Intensifying geopolitical events impact supply chains and commodity prices	Societal and political	<div></div>	<div></div>	
Workforce Resilience – adapting to changing requirements and increasing competition for resources (PR 24 investment proposals)	Operational		<div></div>	
Extreme weather events	Environmental	<div></div>		
Emerging Risk/Opportunity	Causal Factors	Time Horizon		
Automation and AI	Technological	<div></div>	<div></div>	

Risk appetite

Our risk appetite is integrated into our risk management framework at both a strategic and operational level. The strategic risk appetite utilises a framework where each principal risk has been assessed against five outcomes ranging from 'averse' to 'hungry'. These outcomes are aligned to a measurable risk tolerance that we utilise to understand if the business is performing, at a strategic

level, within the agreed principal risk appetite. If risks, taking into consideration existing controls, do not meet our target appetite, a proactive management response will be taken, most commonly enhancement of existing controls or the addition of new ones.

Risks and resulting actions are reviewed and managed operationally via our risk management framework. This is in addition to our standard risk escalation process to the Executive, Audit & Risk Committee and the Board.

Integrated risk appetite

Strategic risk appetite

Operational risk appetite

Operational risk appetite targets aligned to strategic risk appetite outcomes












- Set by Board
- Aligned to principal risks
- Sets appetite for risk-based decision making
- Measured by an agreed tolerance
- Periodically reviewed at Board level



- Managed by risk owners
- Aligned to functional risks
- Sets appetite for treatment of risks
- Measured against target risk scores
- Regularly reviewed within our Enterprise Risk Management system

How we manage risk continued

Principal risk	Appetite	Risk appetite statement
Operational risks		
Cyber, physical security breach, data issues or critical system failure		We have a minimal appetite for risk as our technology and systems become ever more integrated into our network operations. We will maintain particular focus on critical systems and sensitive data to ensure the continued reliability of our assets and services to our communities that rely on them.
Effectively managing assets and network reliability		Maintaining the reliability and safety of our assets is at the core of what we do. Our future investment plans reflect our desire to further improve resilience to ensure we deliver a safe and reliable service to meet increasing customer and stakeholder expectations.
Securing critical resources and engagement		We take a cautious approach to ensuring we have stocks and supplies available to support our processes. We are a people-focused organisation, which recognises the value of those who work for us and the importance of supporting their wellbeing.
Regulatory and compliance risks		
Legal and regulatory compliance		As a regulated business, compliance with legislative and regulatory requirements is fundamental to our ability to operate. We have no appetite for failing in our legal and regulatory duties.
Safety, health and environment		We have zero appetite for compromising the safety of those who work for us and the communities we serve, and we are proactive in supporting safety, health and environmental matters across our operations.
Strategic risks		
Changes in the external landscape		Although we cannot control the external environment in which we operate, we are proactive in helping shape the future of our industry and facilitating the UK's net zero ambitions.
Climate change		We have set ambitious targets to minimise our own impact on the environment and continue to pursue opportunities to contribute to the UK's net zero ambition and protect our assets and networks from the effects of climate change.
Protecting customers' interests (Opportunity)		There are always opportunities for us to do more to keep both current and future customers safe and warm with access to affordable energy. We are proactive in seeking out these opportunities, with a particular focus on those customers in a vulnerable situation.
Financial risks		
Macro-economic and financial		We have a minimalist appetite, meaning we take very limited risk, when exposing the business to financial risks.

Scale of risk appetite:



Averse
 Minimalist
 Cautious
 Open
 Hungry

Risk management


Principal risks

The directional trends of our principal risk exposures are presented in the following tables, arranged alphabetically. Each entry includes additional information on the measures in place to manage these risks.

Trend:  Increased risk  Reduced risk  No change

Operational risks

Cyber, physical security breach, data issues in the summary table or critical system failure

What is the risk?	What are we doing to manage the risk?	Trend
There is a risk that the assets, people, systems and data we rely on to support our operations may be a target for cyber and security threats, suffer from system failures or are subject to data issues. Such events could lead to potential safety consequences, loss of supply or data and potentially enforcement action from regulators and reputational damage.	<ul style="list-style-type: none"> Benchmarked security and cyber security policies, processes and technologies are in place, and security response and business continuity management plans are regularly tested. Our critical processes, systems, and security controls are designed on a risk-based approach with a comprehensive framework of protective, detective, responsive and recovery controls. Collaboration with Ofgem, the Department for Energy Security and NetZero (DESNZ) on key cyber risks and development of an enhanced Critical National Infrastructure security strategy. Engagement with the National Cyber Security Centre (NCSC) and participation in their Early Warning Service. Cyber Assurance Framework and assessment to ensure compliance with the Network and Information Security Regulations. Dynamic cyber awareness training and education for all employees. Data management framework in place to ensure robust data governance and swift escalation of data issues for prioritised remediation. 	 The cyber threat continues to increase against a backdrop of heightened geopolitical tensions increasing the cyber threat from hostile foreign state actors and cyber criminals using ever more sophisticated attack methods.


Effectively managing assets and network reliability

What is the risk?	What are we doing to manage the risk?	Trend
There is a risk that our asset management framework does not deliver the right service to our customers and stakeholders. Failure to effectively manage individual assets or our networks could lead to asset failures, which may result in a failure to provide great customer service, a safety or environmental incident or failure to meet our regulatory standards of service.	<ul style="list-style-type: none"> Asset management framework that is independently accredited to ISO55001 standard. Delivery of the iron mains replacement programme to remove all iron mains within 30m of a property by 2032. Suite of engineering policies and standards. A dedicated Plant Protection team who work closely with third parties who may carry out work close to our assets. Experienced engineering and asset management teams who ensure good-quality asset investment decisions are made, which deliver legislative and regulatory commitments. Weather forecast and demand modelling. Process Safety Risk Control Standards. Fail safe asset design. Alarm and fault management. 	 Continual maintenance and investment is required to maintain the high degree of reliability and service that our customers expect.

Risk management continued


Operational risks continued

Securing critical resources and engagement

What is the risk?	What are we doing to manage the risk?	Trend
<p>There is a risk that we cannot secure or do not maintain the engagement with our direct workforce and those engaged through our partners and supply chain.</p> <p>We rely on stocks and supplies being available when they are most needed. If they were not, this would significantly impact the service that we are able to provide to our customers.</p>	<ul style="list-style-type: none"> • Strategic workforce planning to understand long-term resource requirements. • Competitively benchmarked rewards packages incentivise performance aligned to the company's objectives. • Succession plans are in place across the business. • Support development of STEM subjects. • Talent and training programmes, including those for graduates and apprentices. • Monitoring of the availability of skilled teams with our partners, targeted supplier development programmes are in place where required. • Stock holding in place to service activities across all Networks. • Lead times monitored, based on supplier delivery requirements and product criticality. • Automated process in place to replenish stock at 'trigger points', which are regularly reviewed. • Dynamic stock holding (i.e. we increase stock holding during periods of higher demand such as 'winter'). 	 <p>The external environment remains challenging with disruption from geopolitical events creating global supply chain pressures and competition for skilled resources in key areas from domestic infrastructure investment.</p>

Regulatory and compliance risks

Legal and regulatory compliance


What is the risk?	What are we doing to manage the risk?	Trend
<p>Failure to comply with legal and regulatory requirements could result in disruption to the operational business, penalties and damage to our reputation.</p> <p>We set high standards of ethics and compliance that we expect those working for us to follow. As a regulated business, compliance with legislative and regulatory requirements is fundamental to our ability to operate.</p>	<ul style="list-style-type: none"> • Dedicated operational teams focus on the delivery of our standards of service. • A governance framework closely monitors our regulatory output delivery and ensures that emerging risks and issues are escalated and managed in a timely manner. • A strong ethical and compliance culture underpinned by our value of 'We take responsibility' and reinforced through our guide to ethical conduct 'Always doing the right thing', ethical training and communications including a strong 'tone from the top'. • An assurance process, which includes our compliance with legal and regulatory obligations. • Horizon scanning to identify legal and regulatory changes and developments. • Licence obligation matrix ensures clear ownership of each licence condition. • Governance requirements of the Companies Act 2006 and the Wates Principles, which we report against on an annual basis. 	 <p>Legal and regulatory regime remains stable with no fundamental changes in our inherent risks or controls.</p>

Safety, health and environment

What is the risk?	What are we doing to manage the risk?	Trend
<p>Safety will always be a top priority and, while major incidents are rare, human factors, asset and system malfunctions carry an inherent risk of harm to those who work for us and the communities we serve.</p> <p>The wellbeing of colleagues is also critical, as is the impact that our operations could have on the environment.</p>	<ul style="list-style-type: none"> • Safety, Health and Environmental Management System accredited to 14001, and underpinned by a HSE accepted Safety Case. • Visible leadership and commitment to health, safety, environmental and security matters, including a programme of senior leadership safety visits. • Suite of safety, health and environmental policies and management standards. • Incident response, investigation and review processes. • Structures in place for cross-industry sharing of good practice and learning. • An employee assistance programme, as well as psychological and physiotherapy services for all colleagues. • Human factors and safety critical task analysis. • Promoting physical activity and wellbeing through Wellhub and free unlimited use of online exercise classes. 	 <p>No fundamental changes in our inherent risks or controls.</p>

Strategic risks


Changes in the external landscape

What is the risk?	What are we doing to manage the risk?	Trend
There is a risk that changes in the external landscape, due to factors such as geopolitical or domestic events and subsequent political pressures lead to either inertia in decision making or decision making, which does not support our strategic priorities, such as supporting the achievement of net zero through the use of hydrogen.	<ul style="list-style-type: none"> Monitoring of external developments to understand potential disruptive forces, to enable us to proactively manage them. Engagement with national and regional stakeholders to ensure we understand policy, customer drivers and the regulatory landscape. We continue to contribute to the net zero transition debate. Close working partnerships with the Energy Innovation Centre and with DESNZ, Ofgem and third parties to share innovations and implement best practice. 	 <p>Uncertainty remains over the final RII0-3 settlement, although the clarification provided through e.g. the Sector Specific Methodology, has removed some uncertainty.</p> <p>There is an increasing political movement to defer net zero ambitions in favour of short-term priorities, such as defence spending, which may lead to prolonged reliance on gas.</p> <p>Further clarity on the future role of the network is also expected following the government's Heat Policy decision, which is now scheduled for the end of 2025.</p>

Climate change

What is the risk?	What are we doing to manage the risk?	Trend
<p>The risks and opportunities associated with climate change present themselves in three ways.</p> <ol style="list-style-type: none"> The opportunity to help drive forward the UK's hydrogen economy for decarbonisation. The risk that our own operations contribute to climate change. The risk that our own assets and operations are impacted by climate change. 	<ul style="list-style-type: none"> Future of Gas programme to consider future scenarios and how we can support the delivery of the UK's hydrogen economy. An established work programme to ensure our business is hydrogen ready. Provision of safety and technical evidence through innovation projects to demonstrate the viability of hydrogen. By connecting more sustainable sources of gas, such as biomethane, we are already providing consumers with more sustainable energy. Reduction of our own carbon footprint, including replacement of iron gas pipes, which reduces leakage, using electric vehicles and biomethane powered HGVs. Extreme weather framework and flood threat analysis. Alignment of Scope 1 and 2 emissions to the Carbon Trust net zero route. Working partnership with The Wildlife Trusts to achieve the biodiversity benchmark. Working to achieve net habitat gain in areas associated with our activities. Our Environmental Action Plan outlines a range of initiatives that we will deliver our commitments and targets on climate change and biodiversity loss protection. Governance structures, including the Resilience Committee and Natural Events Working Group, are in place to progress mitigation and ensure appropriate oversight and escalation. 	 <p>The impacts of climate change continue to be felt across our networks.</p> <p>The government's Heat Policy decision is now expected by the end of 2025. There, however, appears to be a general acceptance from the government and Ofgem, that in the absence of hydrogen there will be a continued need for our network for some time to transport natural gas.</p> <p>Our RII0-3 business plan submission contained bold carbon abatement plans, which we hope will enable us to significantly reduce our own leakage emissions in future but require Ofgem's endorsement and funding.</p>

Protecting customers' interests

What is the risk?	What are we doing to manage the risk?	Trend
There is an opportunity that we could be doing more to keep both current and future customers safe and warm with access to affordable energy, which we must exploit.	<ul style="list-style-type: none"> Clear customer targets are closely monitored, with improvement plans in place where necessary. Regular reviews of the customer experience journey. Support provided to fuel poor customers on energy efficiency, carbon monoxide safety and assistance in restoring or replacing faulty appliances. Special measures are in place for customers on the Priority Services Register. Two volunteering days a year for all colleagues. Matched giving programme on charitable fundraising. 	 <p>No fundamental changes in our inherent risks or controls but customer performance continues to improve.</p>

Risk management continued

Financial risk

Macro-economic and financial risk

What is the risk?	What are we doing to manage the risk?	Trend
<p>Liquidity risk is the risk that the Group does not have sufficient funds to meet the obligations or commitments resulting from its business operations or associated with its financial instruments, as they fall due.</p>	<ul style="list-style-type: none"> A prudent level of liquid assets and committed funding facilities consistent with the Board-approved treasury policy. As at 31 March 2025, liquidity was provided by a combination of immediately available cash and money market funds (£184 million) and committed bank facilities (£500 million). The Board is responsible for monitoring the policies, setting limits on the maturity of liquidity and deposit funding balances, and taking any action as appropriate. Access to Revolving Credit Facilities (RCFs) from our relationship banking group for drawings of up to £500 million by Cadent Gas Limited – undrawn as at 31 March 2025. With a further RCF facility of £200 million being available from the immediate holding company Quadgas MidCo – undrawn as at 31 March 2025. 	 <p>The level of liquidity remains strong and well in excess of minimum requirements. The pro-active refinancing activity in the year has further supported liquidity.</p>
<p>Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract as they fall due. Credit risk arises principally from trade finance and treasury activities. In accordance with IFRS 9, the Directors have considered and quantified the exposure of the Group to counterparty credit risk and do not consider there to be a material credit risk adjustment required.</p>	<ul style="list-style-type: none"> Dedicated standards, policies and procedures are in place to control and monitor credit risk. Creditworthiness of each of our 47 principal shippers (direct customers) is closely monitored in line with industry-wide parameters. Exposure to shipper credit losses mitigated in most cases by the protection given by the Uniform Network Code (the industry governance contract). The Code requires customers to pay monthly and to provide security for their transportation services minimising the risk of payment default. In addition, the 'Supplier of Last Resort' (SoLR) process ensures future revenues are not impacted. In line with our treasury policies, our counterparty credit exposure is monitored against the counterparty credit limits. Counterparty credit ratings and market conditions are reviewed continually with limits being revised and utilisation adjusted, if appropriate. 	 <p>The drivers of credit risk remain unchanged. Customer credit remains concentrated on the same large shippers where protections exist via industry code. The level of treasury-related credit risk on financial investments remains largely unchanged with investment subject to minimum credit rating criteria.</p>
<p>Market risk is the risk that future cash flows of a financial instrument, or the fair value of a financial instrument, will fluctuate because of changes in market prices. Market prices include foreign exchange rates, interest rates, inflation, equity and commodity prices. The main types of market risk to which the Group is exposed are interest rate and inflation risk.</p> <p>The Group has no significant transactional foreign exchange or equity exposure. The Group is exposed to short-term commodity price volatility, particularly gas prices.</p>	<ul style="list-style-type: none"> The Board reviews and approves policies for managing market risks on an annual basis. The Board also approves all new hedging instruments. The management of market risk is undertaken by reference to risk limits, approved by the Chief Financial Officer or Director of Corporate Finance under delegated authority from the Board. The Group borrows in the major global debt markets at fixed, index-linked and floating rates of interest. Volatility associated with these markets is managed using derivatives, where appropriate, to generate the desired exposure. The debt book is c.30% inflation hedged, which provides strong protection to downside inflation risk. Cadent does not take long-term market risk in relation to gas prices. In the short term, there is exposure, however, regulatory mechanisms are in place to ensure recovery of costs driven by changes in market prices over time. Cadent is exposed to the risk of commodity price movements where volatility impacts real input costs to our investment programme. Regulatory mechanisms are in place with the ambition to mitigate this volatility. 	 <p>The external economic landscape remains volatile, and while inflation levels have reduced and expectations are for interest rates to follow suit, there are still economic and geopolitical uncertainties.</p>
<p>Financial management risk is the risk that we could be exposed to loss, fraud or inefficiency if there are weaknesses in our day-to-day financial management controls.</p>	<ul style="list-style-type: none"> We operate a comprehensive financial controls framework across the business that seeks to identify and mitigate the risk of loss, fraud or misstatement of our financial performance. We undertake cyclical reviews of the controls over our key financial processes to ensure that they remain relevant, fit for purpose and are operating as expected. Dedicated second and third line resources undertake assurance activities over the controls framework to provide confidence in its ongoing operation. 	 <p>The stable nature of the regulatory business, alongside focus on a robust controls framework supports a stable environment.</p>

Non-financial and sustainability information statement

This statement is prepared in compliance with sections 414 CA and CB (A1 and A2) of the Companies Act 2006. The required climate-related financial disclosures, set out below, can be found in the section of this report headed Climate-related Financial Disclosures and are incorporated into this statement by reference.

Reporting requirements

- (a) a description of the company's governance arrangements in relation to assessing and managing climate-related risks and opportunities;
- (b) a description of how the company identifies, assesses, and manages climate-related risks and opportunities;
- (c) a description of how processes for identifying, assessing, and managing climate-related risks are integrated into the company's overall risk management process;
- (d) a description of:
 - (i) the principal climate-related risks and opportunities arising in connection with the company's operations; and
 - (ii) the time periods by reference to which those risks and opportunities are assessed;
- (e) a description of the actual and potential impacts of the principal climate-related risks and opportunities on the company's business model and strategy;
- (f) an analysis of the resilience of the company's business model and strategy, taking into consideration different climate-related scenarios;
- (g) a description of the targets used by the company to manage climate-related risks and to realise climate-related opportunities and of performance against those targets; and
- (h) a description of the key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities, and of the calculations on which those key performance indicators are based.

Climate-related financial disclosures

Our strategy for responding to climate change

In 2024/25 Cadent emitted 1.17 million tCO₂e of greenhouse gas emissions (Scope 1 and 2 location-based). Our own net zero strategy is split into three distinct areas.

- 1) Decarbonising our business operations.
- 2) Reducing our environmental impact.
- 3) Facilitating the low emissions energy system transition.

Our Environmental Action Plan states our ambition and targets for our current price control period, RIIO-2. We are aligned to becoming net zero by 2050 based on our 2019/20 baseline.

The delivery of net zero on our own operations by 2050 requires an unprecedented amount of change, investment and collaboration. Hydrogen and biomethane will play an important role as an energy source for industry, transport, power generation and heating buildings and homes, that's why we're acting now.

We continue to showcase how the gas industry can, and will, tackle climate change as we keep on championing a whole systems approach to decarbonisation, emphasising the role of green hydrogen and biomethane as low-carbon alternatives to natural gas.

As the UK's largest gas distribution network, Cadent is an influential voice on the importance of green gases such as hydrogen and biomethane in the future energy mix to achieve net zero. Our ambition is to be a leader in the energy sector, helping to achieve the UK's net zero target in a way that is deliverable and that ensures consumers are at the heart of the transition. There is still a long way to go in demonstrating how greener alternatives can support the huge task of decarbonising industry and domestic heating at scale, but our green gas projects are progressing well.

We have been leading several projects and trials, as well as meeting leaders across the political spectrum, industrial users, and multinational energy companies to establish key relationships for hydrogen production and blending. We believe that the gas network offers a seamless and familiar transition to a cleaner, greener future, with our recent Future of the Gas Network report demonstrating our long-term commitment to decarbonise energy, while minimising the impact to consumers.

We voluntarily adopt the 11 TCFD disclosure recommendations, and in doing so, we consider these disclosures to be fully compliant with the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. Where aspects of our disclosures appear elsewhere in our Annual Report they are clearly referenced at the beginning of each section.

Maintaining full compliance this year, we have included climate-related scenarios and completed the first stage of our assessment into the physical and transitional risks facing the Group under 1.5°C, 2.3–2.8°C and 4°C increasing temperature scenarios, with the outcomes detailed in this disclosure.

Governance

TCFD recommended disclosures	Our disclosures
a) Describe the Board's oversight of climate-related risks and opportunities	Corporate Governance Report Pages 74 to 78 TCFD Pages 52 to 53
b) Describe management's role in assessing and managing climate-related risks and opportunities	How we manage risk Pages 44 to 50 TCFD Pages 55 to 57

Climate-related issues are a fundamental component of Cadent's governance framework at both Board and management levels.

Board's oversight of climate-related risks and opportunities

The Board is responsible for overseeing key climate-related risks and opportunities, aligning with the government's commitment to decarbonise all sectors of the UK economy to achieve net zero by 2050. This oversight includes the company's Future of Gas Programme and Environmental Action Plan, which encompass our three net zero strategic areas mentioned above.

At each Board meeting, the CEO updates on progress in relation to Future of Gas, Sustainability and Environment. Additionally, time is dedicated at every meeting for the consideration of net zero-related papers and presentations to inform the Board's stewardship of the business. Continuing areas of focus this year included progress with our HyNet North West industrial decarbonisation project, the role of biomethane and evidence relevant to the heat policy decision currently anticipated to be made by government in 2025. The Financial Plan addresses related expenditures. This is carefully considered and approved then monitored through financial reporting at each Board meeting throughout the year. The Board also approved sustainability and energy transition-related incentive measures, demonstrating their commitment to addressing climate-related issues.

Additionally, acknowledging the importance of our Future of Gas Programme in addressing climate-related risks and opportunities, we convene an annual strategy session to allow for thorough reflection and deliberation on our Net Zero Strategy.

All presentations are conducted by members of our Executive and Senior Leadership Team, with contributions from external specialist speakers and consultants where helpful to support the discussion.

The Board is supported by the work of its Committees. You can learn more about the Committees' work and their scheduled meetings on pages 74 to 93.

Audit & Risk Committee	Sustainability Committee	Safety Committee	Remuneration Committee	Nomination Committee
<p>Duties include reviewing and reporting to the Board on the adequacy and effectiveness of the company's internal controls, external audit findings and the procedure for the identification, assessment and reporting of business risks, including climate-related risks.</p>	<p>Provides scrutiny and oversight of the scope, adequacy, and effectiveness of the company's approach to setting and delivering against its sustainability strategy. It also monitors environmental key performance indicators and progress against our RIIO-2 Environmental Action Plan and recommends environmental performance measures for approval by the Remuneration Committee. This year, it also contributed input to the proposed RIIO-3 Environmental Action Plan.</p>	<p>Provides independent assurance to the Board regarding the scope, adequacy and effectiveness of the company's management of safety, including the integrity and resilience of operational assets relative to climate-related factors.</p>	<p>Duties include the consideration and approval of short-term and long-term incentive plan measures, which include environmental and energy transition performance measures; monitoring progress against those measures and reporting such progress to the Board.</p>	<p>Ensures sustainability-related skills and experience form part of recruitment and succession planning considerations for independent and Executive Directors and Senior Executives.</p>

Committee Chairs report to the Board following each meeting. This practice ensures that the examination and deliberation of matters undertaken by the Committees are incorporated into the Board's decision-making process. Committee members are chosen based on their relevant skills and expertise. Additional information regarding our Board members' experience can be found on pages 69 to 73.

The Board adheres to statutory duties under Section 172 of the Companies Act 1986 and the Wates Corporate Governance Principles for Private Companies when making decisions and providing oversight on climate-related issues. Further details of these are available on pages 38 to 42. The Board considers these duties and principles, as well as the actual and anticipated impact on company strategy, risks, and opportunities, when determining which matters are sufficiently material to report.

Management's role in assessing and managing climate-related risks and opportunities

Our climate-related risks and opportunities are identified, assessed, and managed by our Executive Committee. Specific focus areas are delegated to Executive Sub-Committees that report to the Executive Committee. These include the Net Zero Transition Committee, which oversees the delivery of the Future of Gas Programme and, in conjunction with the Safety and Engineering Committee, monitors environmental performance, including progress against our RIIO-2 Environmental Action Plan. The Resilience Committee is responsible for directing and overseeing matters related to all aspects of security, resilience, and safeguarding within Cadent, including the impact of climate change. These Committees meet monthly, led by Executive Members, to track the progress of action plans and ensure commitments made to prepare the business for the transition to net zero are met.

The Executive Committee also receives updates from the Strategy and Regulation Function, detailing our progress against the Future of Gas Programme. Additionally, the Internal Audit and Assurance Teams provide information regarding the identification, assessment, and management of our risks, controls, and assurance activities, including those related to climate risks. Details on organisational risk management practices can be found on page 47.

We discuss papers at our sub-Committees and Executive Committee before presenting them to the Board or Board Committees, ensuring comprehensive input and debate. Overlapping attendees between these Committees and the Board ensures effective sharing of information and strategic thinking between the Board and the operational business.

Climate-related financial disclosures continued

Strategy

TCFD recommended disclosures	Our disclosures
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Principal risks Pages 44 to 50 TCFD Pages 54 to 57
b) Describe the impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning.	Strategic performance Pages 44 to 50 TCFD Pages 54 to 57
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	TCFD Page 57

Overview of our climate-related risks and opportunities

Our core business activity is the ownership, operation and maintenance of a pipeline network responsible for transporting natural gas from the national transmission system to where it is needed across the 11 million industrial, commercial and residential consumers across our regions. Cadent, being domiciled and having all assets and earnings in the UK, assesses its climate-related risks and opportunities at that level.

Natural gas is both a fossil fuel and a greenhouse gas. Leakage of methane from our network releases greenhouse gases and contributes to climate change. Our long-term focus is the conversion of our pipelines to transport low-carbon alternatives to natural gas, such as hydrogen and biomethane. We have a duty to continue to serve all customers throughout the transition to clean energy. We will supply customers with methane until they no longer need it while also supporting other customers with the switch to low-carbon technologies – either through conversion of our asset, provision of new infrastructure or through eventual disconnection.

We are fully committed to tackling climate change seeing ourselves as an enabler for decarbonisation, with hydrogen and biomethane being an important part of our low emissions system solution. Firstly, we enable energy solutions that provide flexibility, resilience and reduce consumption, such as access to gas for flexible power generation and for hybrid heating systems, by continuing to safely and reliably provide gas as we transition. Secondly, we drive reductions in emissions, while our customers still need gas, so the gas that is used creates as few emissions as possible. This includes our focus on reducing gas leaks and boosting biomethane. The climate-related risks and opportunities that could significantly impact our finances or reputation are outlined as follows. This section includes our methods for measuring each risk and opportunity, along with our strategic responses that support our resilience assessments. To assess the relative materiality, we established scope of impact, timeframe and likelihood for each risk and opportunity using internal analysis, market data and information from subject matter experts across our business.

The climate-related risks and opportunities were evaluated up to 2050, defining the time horizons for likely occurrence as follows: short term (0–3 years), medium term (3–10 years) and long term (10+ years). The time horizons selected were driven by our regulatory framework with short term covering the majority of the current price control period, medium term to take us beyond the next price control period and long term for the period to 2050. The financial impact of each risk/opportunity aligns with our internal risk management framework (the risks identified feed in the Principal Risk and level 2 risks – see below) with very significant representing an impact of typically >£25 million, major representing an impact of typically £8–25 million, moderate representing an impact of typically £3–8 million and minor representing an impact of typically £500k–£3 million.

Our risk and opportunity assessments can be seen in the table on page 55.



Flood Resilience Framework

In December 2024, we submitted our Climate Adaptation Report – Fourth Round Response to Ofgem. In this response, we highlighted our operational learnings to guide future storm and flood resilience planning.

Storm Babet hit the UK between 18 and 21 October 2023, leading to widespread societal disruption. Our East Midlands and North West Networks were the most significantly impacted part of our network. The storm provided us with the first opportunity to test our operational Engineering Management Procedure for Extreme Weather Events (Flooding). We used the Environment Agency's Targeted Flood Warning Service to successfully identify 61 flood alerts and flood warnings (fluvial and tidal flooding) for sites across our network (i.e. Offtakes, PRS's and District Governors). We also used the Flood Guidance Statement from the Flood Forecasting Centre to identify sites and above ground assets potentially at risk of flooding. In total, 82 exposed pipeline sections and 80 sites were identified to be in Amber risk areas. This allowed us to prepare contingency plans within the first day of the alert so we could ready our resources, while the impact of the storm was monitored.

Read our Climate Adaptation Report – Fourth Round Response – December 2024 – <https://documents.cadentgas.com/view/186582564/>.

Risk/opportunity type and description		Our response
Transitional risk (Policy and legal/market): 1. government heat policy does not set out a role for the gas networks to provide future domestic energy needs; or 2. market demand does not materialise.		<p>The future of the gas network needs to be seen in context of the wider transition to net zero and the pathway we follow. Stood in 2025, that pathway is highly uncertain, with a variety of potential scenarios capable of playing out between now and 2050. While these different pathways create uncertainty about the balance of roles the gas network will play over time, in all pathways it is clear there will be a need for a gas network of some description well into the 2040s and beyond.</p> <p>1. We have successfully submitted the final hydrogen safety evidence for the government's Hydrogen Heating Programme, including the quantitative risk assessment (QRA). The Health and Safety Executive (HSE) is currently conducting their assessment and is expected to publish their findings in 2025.</p> <p>We are continuing to collaborate with the government and other stakeholders to analyse and provide the necessary evidence for the development of policy frameworks that will encourage investment in new hydrogen infrastructure. This includes production, storage, transportation, and end-use assets.</p> <p>Additionally, we have submitted the technical and safety evidence required to support a decision on hydrogen blending and are now awaiting the HSE's assessment. We are working with SGN on the H100 trial, in which over 180 homes are expected to be converted to hydrogen heating. We are also coordinating with European partners on delivering smaller trials where some customers are already using hydrogen to heat their homes.</p> <p>Our ongoing programme, which examines the future role of gas, continues to explore the economics of supply and demand for hydrogen in meeting domestic energy needs, ensuring it remains a cost-effective and attractive option for consumers.</p> <p>2. There is a high confidence across all net zero pathways that hydrogen demand will emerge in hard to abate industrial processes and in electricity power generation and storage assets, supporting the widespread deployment of renewables. Where pathways diverge largely focuses on the scale of hydrogen demand for homes and businesses. A key determinant of this demand is the government's Heat Policy decision due at the end of 2025, a decision we are providing supporting evidence as per (1) above. Assuming there is a positive Heat Policy decision, we are working across the value chain to ensure consumers are aware of the option of hydrogen and what it means for them. In addition to support for trials, which provide social and technical proof of concept, we are working with appliance manufacturers to bring forward the development of hydrogen ready and hydrogen boilers, appliances, which will cost roughly the same as a gas boiler today. There is also good reason, for example on cost and technical grounds, to believe that, should the government allow consumers to choose it as an option, some customers would demand hydrogen. This is something we would work with retailers and appliance manufacturers to develop suitable propositions.</p>
Timeframe	Long term (10+years)	
Likelihood	Equally likely as unlikely	
Financial impact	Very significant impact to revenue	
Cost of response	Very significant impact to operating costs	
Residual risk	Equally likely as unlikely	
Physical risk: Consequences (Operational disruptions, supply chain challenges, etc.) due to extreme weather events becoming more frequent and more severe.		<p>Our Resilience Policy Statement sets out our framework for both business and gas supply resilience and signposts our Gas Transporter Safety Case, required by the Gas Safety Management Regulations 1996 (as accepted by the HSE and reviewed every three years). Our Safety Case is the primary repository of risk controls for gas supply. The environmental risks covered in the Safe Case are: temperature extremes, natural severe weather damage and subsidence/ground movement.</p> <p>Triggered by our Action Reporting Process (ARP) fourth round reporting, we evaluated the recent historical climate events and identified flood risk as the most significant current climate threat to our network. Accordingly, we have developed a flood resilience framework.</p> <p>We continue to engage with the Department for Energy Security and Net Zero through the CS-NOW project regarding resilience metrics and minimum levels of service and resilience across various asset classes.</p> <p>We published our fourth Climate Change Adaptation Report in 2024 and we have been working to ensure that the frameworks we developed are effective in addressing physical risks and preparing our network for future challenges. We utilise the Met Office UK Climate Projection (UKCP18) tool and take into account projections extending to the end of this century, as much of our network infrastructure generally has an operational life expectancy of 30 to 80 years.</p>
Timeframe	Short (0–3 years) Medium (3–10 years) Long term (10+years)	
Likelihood	Equally likely as unlikely	
Financial impact	Major impact to operating cost	
Cost of response	Major impact on investment	
Residual risk	Less likely	
Transition opportunity Cadent to grow revenue streams through non regulated activities and/or to increase our RAV through the development of the network to support net zero demands.		<p>We recognise the significant role hydrogen will need to play in supporting the UK's economy, as we seek to decarbonise our business, while ensuring energy resilience. All Hydrogen scenarios present opportunities for Investment, RAV growth and extending the economic life of our assets in the medium and long term driven by significant capital investment.</p>
Timeframe	Medium (3–10 years) Long term (10+years)	
Likelihood	Likely	
Financial impact	Very significant impact on revenue and investment	
Cost of response	Major impact on investment	
Residual risk	Likely	

Climate-related financial disclosures continued

Strategy

Risk/opportunity type and description		Our response
Transition opportunity: Opportunities exist to accelerate reduction in our business carbon footprint through policy statements that provide funding for a faster transition to hydrogen.		We have undertaken a number of engineering studies across our footprint (in collaboration with other gas networks and National Gas), for new and potentially re-purposed 100% hydrogen pipelines that will connect hydrogen production to high energy users, enabling them to switch away from natural gas. Where pipeline programmes do not currently exist, such as in the West Midlands, we are engaging with high gas users to understand whether or not they may need hydrogen to decarbonise and are sharing this information for planning purposes to DESNZ and NESO. The hydrogen pipeline projects include HyNet North West, East Coast Hydrogen, Capital Hydrogen and Hydrogen Valley. Given the huge demand for low-carbon hydrogen from industry and power generation customers across our network areas, it is our intention to progress these programmes through all stages of engineering design, planning and construction, subject to the availability of funding from the Hydrogen Transport Business Model.
Timeframe	Medium (3–10 years) Long term (10+years)	
Likelihood	Equally likely as unlikely	
Financial impact	Very significant impact on revenue and investment	
Cost of response	Major impact on investment	
Residual risk	Equally likely as unlikely	
Transition opportunity: Cadent to play a significant role in the creation of a future hydrogen economy (skills/supply chain/commercial models/etc.).		Cadent has a set ten commitments in support of the development of the UK's hydrogen economy. We will play a central role in constructing new hydrogen infrastructure to help make hydrogen a reality. For example, we are part of the consortium for the HyNet industrial cluster in the North West. This pipeline is the most advanced of its kind in the UK and we've recently completed public consultation on our routing and design proposals. The next step is for the government to finalise the business models for hydrogen pipelines and storage and open the competition for bidding. If successful, this will enable commissioning of the pipeline by 2030. As we progress further industrial decarbonisation projects like HyNet, we will start to provide jobs and support economic growth in the areas we are working within.
Timeframe	Medium (3–10 years) Long term (10+years)	
Likelihood	Equally likely as unlikely	
Financial impact	Very significant impact on revenue and investment	
Cost of response	Major impact on operating costs	
Residual risk	Equally likely as unlikely	
Transitional risk (Policy and legal): Failure to decarbonise our business operations to meet our carbon emissions targets, leading to reputational damage and adverse financial impacts.		We regularly monitor and report on Scope 1, 2 and 3 emissions, tracking a reduction in our Business Carbon Footprint following the implementation of cross-function projects. We regularly engage and communicate our performance of the current environmental strategy to stakeholders, which will enhance our ability to influence regulatory funding for further decarbonisation. We are actively investing in network upgrades of pipework, replacing iron mains with PE pipes to reduce the methane emissions from the distribution network. We continue to work with The Carbon Trust on reviewing our upstream and downstream emissions in the value chain, regularly reviewing and increasing the scope of monitoring. We are also on their Route to Net Zero pathway. We'll demonstrate the positive environmental outcomes delivered through our Environmental Action Plan and innovation projects in this space to justify additional regulatory incentivisation to go further in subsequent price controls.
Timeframe	Short term (0–3 years)	
Likelihood	Low	
Financial impact	Minor to moderate impact on revenue	
Cost of response	Major impact investment	
Residual risk	Low	
Transitional risk (Policy and legal): Access to green capital may be restricted if investor sentiment deteriorates.		Maintain a diverse source of funding in both green and conventional markets. Support investor understanding of our contribution to decarbonisation, green credentials and ESG performance through continuous investor work. We have continued to access capital markets using the Green Finance Framework published in March 2023.
Timeframe	Medium term (3–10 years)	
Likelihood	Equally likely as unlikely	
Financial impact	Moderate access to capital	
Cost of response	Moderate access to capital	
Residual risk	Less likely	

Climate-related scenario analysis

TCFD recommends that a climate scenario analysis should use a range of scenarios to ensure a diversity of future outcomes have been considered. In line with this guidance, and with consideration to the industry Cadent operates in, three climate scenarios were developed to evaluate both the potential physical climate-related risks as well as potential transitional impacts.

The scenario data is modelled using the Net Zero Emissions by 2050 (NZE) and Stated Policies (STEPS) scenarios, developed by the International Energy Agency (IEA), and the SSP1–1.9, SSP2–4.5 and SSP5–8.5 scenarios developed by the Intergovernmental Panel on Climate Change (IPCC).

The low-emissions scenario (net zero) assumes a rapid phase out of fossil fuels, enabling the world to reach net zero by 2050 and limit global warming to 1.5°C with little to no overshoot. Presenting relatively low physical climate-related risks, the scenario does lead to severe transitional risks as the energy industry is decarbonised, enabling to explore the resilience of Cadent's net zero transition strategy and emissions reduction plan.

The medium-emissions scenario (stated policies) assumes that the moderate and heterogeneous climate ambition reflected in today's policy settings continues over the 21st century, resulting in an approximately 2.6°C global warming. While not all national emissions reduction targets are achieved, the demand for all fossil fuels will decline by 2030 in advanced economies, even though global climate action continues to be disjointed and uncoordinated. Therefore, this scenario presents moderate to severe physical and transitional risks providing a framework for exploring how Cadent's current strategy resists the stress of facing both physical and transitional risks.

The high-emissions scenario (Too little, too late) relies on IPCC's SSP5–8.5 climate scenario data, assuming that the reliance on fossil fuels continues, with little to no climate policy action, leading to an exponential increase in GHG emissions and a 4°C global warming by 2100. While this scenario has been criticised as too extreme, its inclusion in the climate scenario analysis enables us to explore the potential physical climate-related risks under a 'worst case scenario'. Due to the uncertainties regarding climate feedback cycles, we are currently unable to accurately predict when climate tipping points, which can lead to rapid warming and potentially irreversible consequences for the world, might be reached. Therefore, all projections of future global temperature rise are probabilistic in nature: as an example, while the medium-emissions scenario presumes a 2.6°C global warming, it includes a 10% chance of a temperature rise above 3.2°C in 2100, posing severe physical climate-related risks. Hence, modelling for an extreme 4°C warming enables us to gain a comprehensive understanding of the physical climate-related risks that may occur and develop appropriate mitigation strategies.

The climate scenario analysis was undertaken in February 2023.

The climate scenario analysis was carried out over two workshops and reviewed in January 2025 with representatives from Cadent's ESG, Risk, Legal and Operational teams. The first workshop focused on identifying the potential climate-related risks and opportunities for Cadent under the three potential climate pathways. The second workshop was dedicated to quantifying the potential impacts of the identified risks and opportunities, developing suitable mitigation strategies and assessing business resilience.

For further detail on the scenario analysis, including the link to key sources of estimation uncertainty within the financial statements, see note 2 to the consolidated financial statements.

Physical risk

The insights from our scenario modelling show that all scenarios will result in physical impacts to our gas network across consistent areas of our operations; however, the impacts are most material in a high-emissions scenario. A full climate assessment was produced for the highest priority hazards; prolonged and heavy rainfall leading to flooding, extreme high and low temperatures and drought cycles. For the remainder lower priority hazards, a qualitative approach was undertaken; sea level rises, warm and wetter conditions, followed by heavy rainfall and/or wind, storm surge and wave height. Cadent is developing strategies and mitigation plans to manage these emerging risks. Cadent is also working with the Department for Energy Security and Net Zero and the wider onshore UK gas industry to develop and promote standards and best practice. The societal response to climate change has also been considered in the context of hazards to the gas network. Impacts of the weather hazards on the network are likely to come in the form of an altered dependency between weather, and supply and demand. Interconnections between different industry sectors is a source of risk for Cadent, with failures from one sector frequently causing impacts. We are continuing to progress our physical risk analysis to inform our strategic planning and investment choices. Further detail can be found in our Climate Change Adaptation Report.

Transitional risk

There is significant transitional risk, particularly from low and medium-emission scenarios. Although all plausible pathways to net zero contain hydrogen and biomethane, there is a wide range of projections for hydrogen demand volumes and use cases, and the time frame this will all occur over. Hydrogen is not the only solution to decarbonisation and will be used in combination with other technologies, such as renewable electricity, heat pumps, heat networks and biomethane. The uncertainty over which pathway the UK will follow to reach net zero creates transitional risk for all energy utilities associated with accurately planning infrastructure development. The infrastructure we need can take several years to deliver. We are mitigating this by working closely with the government, regulators, system operators, regional and local authorities and customers to understand need and build 'whole system' plans that minimise uncertainty and risk.

Climate-related financial disclosures continued

Risk Management

TCFD recommended disclosures	Our disclosures
a) Describe the organisation's processes for identifying and assessing climate-related risks.	Principal risks Pages 44 to 50 TCFD Page 58
b) Describe the organisation's processes for managing climate-related risks.	Principal risks Pages 44 to 50 TCFD Page 58
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Principal risks Pages 44 to 50 TCFD Page 58

Identifying and assessing climate change risks and opportunities

New and emerging climate-related risks and opportunities are identified and assessed through horizon scanning, which is undertaken as part of our wider risk management framework. The risk that we fail to respond to 'climate change' is one of our 'Principal Risks', overseen by our Executive, Board and Board Committees. This principal risk has been sub-categorised into the following three elements, which are recorded as individual 'level 2' risks, each with a responsible risk owner.

Reducing our impact on climate change – The risk we do not appropriately assess and/or mitigate our impact on climate change.

Adapting to climate change – The risk that we fail to adequately adapt to potential climate change scenarios that impact our assets and operations for example, heat waves, droughts, floods, storms, and wildfires.

Net zero – The risk that the gradual but continual decarbonisation of the energy system, including ensuring an end to the unabated use of fossil fuels such as natural gas may lead to a reduction in the use of gas networks in the future.

However, the potential for biomethane and hydrogen to support the transition to cleaner energy also presents opportunities for the continued use of our networks.

Managing climate change risks and opportunities

Each of the three level 2 risks, and all associated operational risks and opportunities are routinely assessed against our risk appetite, which, for climate change is 'Cautious'. This balances both the opportunities and risks that climate change presents.

If risks, taking into consideration existing controls, do not meet our target appetite, a proactive management response will be taken, most commonly enhancement of existing controls or the addition of new ones. Risks and resulting actions are reviewed and managed operationally via our risk management framework, as described within the Principal risks section of this report on pages 44 to 50, however, given their importance, climate change risks and opportunities (or issues) are given a specific focus via our Board Sustainability Committee. This is in addition to our standard risk escalation process to the Executive, Audit & Risk Committee and the Board.

Risks that require resilience planning and response to ensure we are prepared if the risk is to materialise, for example, extreme weather events, are similarly escalated and challenged via the Executive Resilience Committee to the Board and its Committees.

Integration of climate risk management into the overall risk management framework

The Board have an overall responsibility for risk management, which includes downside risks and upside opportunities. They discharge this by overseeing and challenging management, who have the responsibility for identifying and assessing risks and opportunities within our overall governance structure.

As well as each of the three elements of climate change risks and opportunity being reviewed in their own right, they are also considered as part of our wider risk management framework.

As a result, when business decisions are being considered, a range of potentially competing risks including climate change will be considered, while seeking to achieve the overall risk appetite set by the Board. For example, leakage detection technology is being trialled, which is seen as an opportunity to reduce leakage across our network.

Integrated risk appetite

Strategic risk appetite

Operational risk appetite targets set using strategic risk appetite outcomes



- Set by Board
- Aligned to principal risks
- Sets appetite for risk-based decision making
- Measured by an agreed tolerance
- Periodically reviewed at Board level

Operational risk appetite



- Managed by risk owners
- Aligned to functional risks
- Sets appetite for treatment of risks
- Measured against target risk scores
- Regularly reviewed within our Enterprise Risk Management System

Metrics and Targets

TCFD recommended disclosures	Our disclosures
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	TCFD Pages 59 to 61
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks.	Pages 62 to 64 TCFD Pages 59 to 61
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Page 62 TCFD Pages 60 to 61

Measuring our progress

We measure and manage a wide range of metrics, which help us assess how well we are doing to minimise our risks in a changing future. These metrics are reported each year in our SECR (Streamlined Energy Carbon Reporting) table (see page 63), which provides a transparent assessment of our performance for the current year and provides the previous year's data for comparison. Other reports that are relevant include our annual Sustainability Report, Social Impact Report and Annual Environmental Report.

Climate change metrics and targets

Our metrics and targets enable us to measure our impact on the environment, monitor our performance and demonstrate our commitment to reducing the impacts of climate change. We are committed to reducing our impact by achieving net zero for our Scope 1 and 2 emissions (location-based) by 2050 and we are actively measuring Scope 3 emissions within our supply chain. Our GHG emissions reduction targets are science-based aligned, developed in conjunction with The Carbon Trust in 2021. While we await an updated science-based target methodology from the SBTi, we have pursued external accreditation of our carbon accounting, management and GHG emission reduction from The Carbon Trust.

This has been certified to ISO 14064-3, which provides the standard the validation and verification of greenhouse gas assertions.

Further metrics support and complement our broader sustainability ambition, including reducing our energy consumption, enhancing the natural environment through biodiversity programmes, and responsible recycling of many waste streams through our office and operational sites. These metrics are detailed in our Environmental Action Plan and are reported against annually in our Annual Environmental Report.

We are working towards collecting a broader range of data from our suppliers to understand our Scope 3 emissions and will move this forward during the remainder of RIIO-2. This is part of our commitment to 'work with our suppliers to extend the measures of, and continually reduce, Scope 3 indirect emissions'. Quarterly review meetings are in place with suppliers to review their Scope 3 emissions and improve reporting (see page 63 for progress to date).

We continued to be certified against The Carbon Trust's Route to Net Zero 'Taking Action' level, addressing the recommendations through action plans and as part of this reviewed our Scope 3 categories to ensure we are taking action against the areas in our supply chain where we can make the most material difference.

Our metrics are monitored monthly through management's Safety and Engineering Committee and Executive Committee.

The Board-level Sustainability Committee has oversight of the metrics and targets at each Committee meeting.

Our Environmental Action Plan commitments are monitored by our management RIIO-2 Environmental Steering Group, which is led by a member of the Executive team.

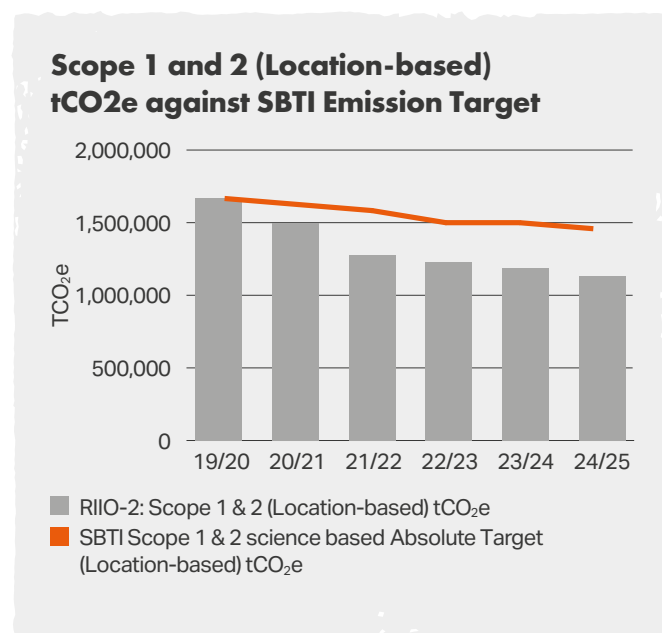
Our progress against our commitments is published annually as part of our Annual Environmental Report, with the latest report published October 2024.

Scope 1, Scope 2, and Scope 3 GHG emissions

Our current GHG reduction target, developed with The Carbon Trust, is to reduce Scope 1 and 2 emissions (location-based), by 43% by 2036 (2019/20 Base Year, equating to a well below 2-Degree pathway). This target is set and based on our current RIIO-2 regulatory settlement and is supported by initiatives and commitments made in our Environmental Action Plan. We are dedicated to monitoring our performance and reviewing it, updating as necessary based on the latest climate science and models, as we recognise that the future energy landscape will change rapidly during this period.

The SECR disclosure details GHG emissions and energy use data (Scope 1, 2 and 3 emissions) for 1 April 2024 to 31 March 2025 can be found on page 63.

Our Executive remuneration is aligned to our long-term sustainability ambition (see page 94).



Climate-related financial disclosures continued

Metrics and targets continued

This table sets out the cross-industry metrics and targets relevant to our business, against which we have reported together with areas where we intend to develop our reporting in the future.

Cross-industry metrics and targets	Disclosure	Reference
GHG emissions (Scope 1, Scope 2 and Scope 3; emissions intensity)	Emissions disclosure has been included for the entire value chain, covering emissions from our operations, fleet, Polyethylene (PE) pipes and contractor commercial vehicles, as well as intensity metrics.	See page 59 and table on page 60
Transition risks – the amount and extent of assets or business activities vulnerable to transition risks	Cadent recognises that there are a range of possible futures regarding how our network is used and the role that hydrogen has to play. Scenarios range from high hydrogen throughput into our existing network, through to slow decarbonisation driving a multi heat solution through to a high electrification route and we are continuing to assess what impact these scenarios will have on our asset lives.	See climate-related scenario analysis on page 57
Physical risks – the amount and extent of assets or business activities vulnerable to physical risks	Disclosure has been included within the physical risk section within the Strategy section. Further information can be found in our fourth-round Climate Change Adaptation Report published in 2024.	See physical risk disclosure on page 57
Climate-related opportunities – the proportion of revenue, assets or other business activities aligned with climate-related opportunities	Climate-related opportunities have been included within the Strategy section. The amounts have not been quantified as detailed modelling is dependent upon a number of key policy decisions in the UK.	See opportunities disclosed on page 56 & 57
Capital deployment – the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities	Climate-related risks/opportunities have been included within the Strategy section. Capital deployment figures not disclosed as the detailed modelling required is dependent upon a number of policy decisions in the UK without which difficulties remain in planning infrastructure development.	See risk and opportunities disclosed on page 55 and 56
Remuneration (% remuneration recognised in current period that is linked to climate-related considerations, and how these are factored in)	Remuneration policies for Executive Directors include elements linked to climate considerations including STIP (waste reduction, non-operational energy and tier 1 mains replacement) and LTIP (tier 1 mains replacement and progress against our Environmental Action Plan).	See Directors' Remuneration Committee report on pages 91 to 93

Describe the targets

Our ambition is to reach net zero by 2050 in line with the UK Government's decarbonisation strategy. Shrinkage, which include the leakage of gas from the network contributes the most significant impact in our GHG Scope 1, which we are working to reduce through our mains replacement programme and facilitating the flow of natural gas alternatives across our network.

We have consistently reduced our GHG emissions beyond the absolute target defined in our science-aligned targets versus the baseline year 2019/20, and this was verified as part of our GHG audit conducted by The Carbon Trust. For 2024/25 our SBTi emission target was 1,458,161 tCO₂e and the actual was 1,133,066.77 tCO₂e, a 22% reduction against the baseline.

Our Scope 1 key emissions areas are:

1.35%

fuel use for our commercial and company vehicles

Switching our commercial vehicles to electric, and employee company cars to either electric or hybrid is key to reducing our business carbon footprint. To support this, we have installed 140 charging points across our sites, and are installing faster chargers for our operational fleet. Additionally, we have a fleet of 335 HGVs, which run on biomethane. We have been working towards a 15% reduction in our business mileage intensity by the end of March 2026, and are already at a 48.5% intensity reduction in 2024/25, compared with the 2019/20 baseline.

0.49%

emissions from gas used at our sites

We remain committed in our procurement of 100% certified renewable energy to meet our energy needs and are also trialling the use of hydrogen or solar-powered generators at construction sites.

97.81%

emissions from shrinkage from the gas network (leakage, theft and operational use gas)

Methane is a strong greenhouse gas, with a 100-year global warming potential 27–30 times that of CO₂. A small part of the gas we transport in our network is lost, which is known as shrinkage (gas lost from our network through old pipes, theft of gas or the gas used to operate our assets). The most effective action we can take to reduce leakage remains the replacement of these assets, by upgrading our pipeline network with modern, more durable materials.

In addition, the level of leakage is a function of the system pressures that we operate the network to. If pressures are reduced then leakage reduces, although the extent to which we can do this is capped by the need to maintain a safe operating pressure to deliver supplies to end customers. We are also able to reduce leakage by applying gas conditioning to joints within the iron pipes.

Theft of gas is one of the components of shrinkage. We will maximise the benefits to customers and stakeholders by an anti-theft of gas incentive, and our ambition is to recover at least £8 million over the RIIO-2 period. In 2024/25, 403 theft cases are under investigation, and currently recovered £3.1million from theft of gas cases.

Our most material Scope 3 emissions currently measured are:

38.75%

emissions from production of PE pipe

The environmental impact of raw materials and derived products purchased and consumed by our business is important.

To understand our most significant emissions we have considered our most material purchases by volume. Polyethylene (PE) pipe is the number one raw material purchased, which is used in our Mains Replacement Programme. During RIIO-2, we have worked closely with the supply chain in reducing the embodied carbon in the PE pipe. Our supplies have been working tirelessly, improving the energy efficiency in the manufacturing process, reducing scrap and improving transportation efficiency that all contributed to decreasing embodied carbon reported to Cadent. In 2024/25, 15,294.22 tonnes of CO₂ came from the manufacture of PE pipe.



57.12%

emissions from contractor commercial vehicles

The fleet of commercial vehicles used by our local delivery partners is vast. Our commitment over the RIIO-2 period is 'to work with suppliers to reduce emissions'. As the market for electric vehicles and alternative fuels such as hydrogenated vegetable oil (HVO) grows, we are committed to address the issue of emissions from our contractor commercial vehicles. In 2024/25, 22,541.87 tonnes of CO₂ came from our local delivery partner vehicle emissions.

We deliver on our commitments to enabling transmission of a low-emission energy system through funding, hydrogen conversion, facilitating connections and reporting. We have also included enhanced disclosures in the financial statements prepared under IFRS to explain how we have considered the financial impacts of climate change, in particular evaluating the impact of new net zero commitments and the effect this has had on judgements and estimates such as the useful economic life of our gas assets.

See note 2 to the financial statements for details. This remains a recurring area of focus for the Audit & Risk Committee.

Accelerating towards environmental sustainability with our green fleet

We're thrilled to share our company car fleet has undergone a significant green transformation.

We've said goodbye to all our Internal Combustion Engine (ICE) and mild hybrid company cars and embracing a future powered by electric and hybrid technology.

This means our large fleet of up to 1,232 company cars, now proudly consists of:

1. 68% Electric Vehicles (EV); and
2. 32% Plug-in Hybrid Electric Vehicles (PHEV).

This change has not only reduced our carbon footprint but also set a new standard in our commitment to green initiatives. The average CO₂ emission per vehicle across our fleet is an impressive 9.4g, a figure that speaks volumes about our dedication to reducing carbon emissions.

Climate-related financial disclosures continued

Business carbon footprint

The Science Based Targets initiative (SBTi) Oil and Gas methodology is in development, meaning we are unable to verify our targets and emission reduction pathway with this body at this point in time. However, we have developed emission reductions targets for Scope 1 and 2 emissions (location-based) on trajectories necessary for us to meet the Paris Agreement target of limiting global warming by well below 2 degrees Celsius. We have undertaken screening of our Scope 3 emissions and identified action plans to improve data quality, quantity and assurance in reporting. We have worked with the Carbon Trust and have successfully met their 'Taking Action' threshold against their Route to Net Zero works and now annually have our Scope 1, 2 and part of our Scope 3 data externally audited.

Our business carbon footprint (BCF) is reported below and includes Scope 1, 2 and 3 emissions, including shrinkage and is reported in tCO₂e and uses the 2024 DESNZ conversion factors.

In 2024/25, our total BCF decreased compared to 2023/24 by 4.21%, for Scope 1, 2 and 3 emissions including shrinkage. This has been driven by reduction in emission leakage, own use gas, energy use our offices and depots, commercial fleet and embodied carbon in Polyethylene (PE) Pipe.

When reporting our Scope 1 and 2 BCF, excluding shrinkage emissions, we have decreased our emissions by 13.2%.

We continue with our EAP action plans to reduce our carbon footprint, and to date have made progress in the following areas.

- **Scope 1** – 504 EV first responder vehicles are now fully electric. 3,942.41 tCO₂e emission reduction since 2019/20.
- **Scope 1** – The purchase of renewable gas, contracted to heat our office and depot locations from sources such as biogas, landfill gas or syngas (market-based method).

- **Scope 1** – Embed company car policy, where employees can only purchase electric or hybrid vehicles. In 2024/25, we now have 1,232 company cars in our fleet, consisting of 68% EV and 32% PHEV, reducing the associated BCF from diesel and petrol company cars by 655 tCO₂e since the start of RIIO-2.
- **Scope 2** – The purchase of renewable electricity from sources such as solar and wind for use in our offices, depots and operations (market-based method).
- **Scope 3** – Decrease of emissions associated with private vehicles used for business mileage by 74 tCO₂e. This reflects a continued focus on efficient ways of working through our hybrid working policies and options of EV and Hybrid cars on the market.
- **Scope 3** – Embodied carbon in PE pipe has made steady progress, with our suppliers continuing to implement green initiatives, such as solar panels, renewable energy contacts and low-emissions vehicles for transportation. The current year includes improvements in accuracy of emissions factors that were not present in the previous period and therefore the amounts for PE pipes are not comparable.

We continue to work towards improving our Scope 3 data collection and assessment process, aligned to the GHG Protocol, and during 2024/25, now include further categories such as emissions associated with waste management and hotel stays. Excluding shrinkage, our Scope 3 emissions make up the majority of the BCF at 61.36%. Further understanding of our emissions in this area will enable us to work more closely with our supply chain and services. Regular contractor and supply chain meetings also focus on this agenda in reducing embedded carbon in the products and services we use.



Streamlined Energy and Carbon Reporting (SECR)

The table quantifies our business carbon footprint in tonnes of CO₂ equivalent and shows performance of our emission reduction activities against our RIIO-2 targets. GHG emissions and energy use data for 1 April 2024 to 31 March 2025.

	Reporting year 2024-25	Comparison reporting year 2023-2024
Scope 1 and 2 (Direct emissions)		
Scope 1		
Gas usage from our sites (Location-based)/tCO ₂ e	826.25	869.79
Gas usage from our sites (Market-based)/tCO ₂ e	0	0
Natural gas shrinkage (Leakage + Theft of Gas + Own use of gas)/tCO ₂ e	1,112,988.39	1,166,662.60
Fuel usage from Commercial vehicles, company cars and plant machinery/tCO ₂ e	15,326.75	17,858.17
Emissions from refrigeration equipment/tCO ₂ e	54.26	151.90
Total Scope 1	1,129,195.65	1,185,542.46
Scope 2		
Purchased electricity for own use (Location-based)/tCO ₂ e	3,871.12	4,267.32
Purchased electricity for own use (Market based)/tCO ₂ e	0	0
Total Scope 2	3,871.12	4,267.32
Total Scope 1 and 2 (Location-based)/tCO₂e	1,133,066.77	1,189,809.78
Total Scope 1 and 2 Excluding Shrinkage (Leakage + Theft of Gas + Own use Gas/Location-based)/tCO₂e	20,078.37	23,147.18
Total Scope 1 and 2 (Market-based)/tCO₂e	1,128,369.40	1,184,672.67
Scope 1 and 2 Energy consumption/kWh	1,054,879,257.40	1,109,050,188.27
Intensity metric: Total scope 1 and 2 (location-based) tCO ₂ e per £m turnover	521.78	522.53
Intensity metric: Total scope 1 and 2 (Location based) tCO ₂ e per km of our gas network	10.28	10.81
Scope 3 (Indirect emissions)		
Business travel/tCO ₂ e (Rail, Air, Ferry, Car Hire, Hotel stays and Private vehicle (grey fleet) use)	657.35	682.83*
Emissions from production and delivery of purchased PE pipe/tCO ₂ e	15,294.22	6,864.42
Contractor vehicles/tCO ₂ e	22,541.87	27,379.29
Purchased Goods and Services (e.g. Aerial Surveys)/tCO ₂ e	104.41	95.99*
Waste Management/tCO ₂ e	869.47	977.63*
Embodied Carbon in products, goods and services/tCO ₂ e	N/A	N/A
Total Scope 3 emissions/tCO₂e	39,467.32	34,243.71
Total annual net emissions/tCO₂e	1,172,534.08	1,224,053.49
Intensity metric: Total emissions/tCO₂e per km of network length	10.64	11.12
Intensity metric: Total emissions/tCO₂e per £m turnover	539.96	537.57
Intensity metric: Total emissions/tCO₂e per GWh throughput	5.11	5.50

Background

All data is for the period 1 April 2024 to 31 March 2025 and relates to the business carbon footprint reported to the Regulator. (*) Denotes that these figures have been updated for final regulatory submission. We have also started to report the emissions associated with Scope 1 HVO fuels under Commercial Fleet, and Scope 3 emissions for Hotel stays, Waste and Aerial surveys.

Methodology: All data provided here is in line with the annual carbon footprint reporting to Ofgem using the 2024 DESNEZ conversion factors, and is updated annually. Shrinkage is calculated using GWP25 (for methane) in line with Ofgem RIG guidance. Additional lines for Scope 3 reporting, such as contractor vehicles, have been added here for full disclosure and in line with annual returns to Ofgem. Since 2021/22, Private Vehicle user is reported under Scope 3, and not Scope 1 as per the Greenhouse Gas Protocol and Ofgem guidance for RIIO-2. Where market-based factors are stated, these are provided annually by our electricity suppliers. The total annual net emissions figure uses a location-based methodology. Intensity metrics had been agreed upon via the Energy Networks Association (ENA) in 2020.

Climate-related financial disclosures continued

Business carbon footprint continued

Environmental, Social and Governance (ESG) sustainability benchmark assessments

In 2024, we completed the Sustainalytics ESG assessment and the result was a risk rating score of 15.7, (low risk). For 2024/25, we have been recognised as one of the top performing companies rated by Sustainalytics and awarded top-rated company status for our industry.

Our performance in GRESB (Global Real Estate Sustainability Benchmark) resulted in a sector leading score of 99 out of 100 and rated five stars against our peers.

MSCI (Morgan Stanley Capital International) assessment continues to be rated positively with the top score of an AAA rating.

This reflects our continued commitment to ESG and creating a positive social impact.

Our sustainable supply chain

We have continued to work closely with our supply chain partners during 2024/25, hosting our Global Technology Conference, where suppliers were able to network and learn more about our environmental and sustainability agenda, supporting us on our road to net zero, driving down emissions and working towards a circular economy.

We continued our partnership with the Supply Chain Sustainability School, with over 3,513 supplier attendees at workshop events and suppliers completing over 4,218 of e-learning hours in 2024/25.

Shrinkage

Our business carbon footprint is predominantly influenced by shrinkage emissions, accounting for 98.23% of our Scope 1 and Scope 2 emissions (location-based). Shrinkage emissions have reduced by 4.6% since 2023/24. We are aware of the climate impact that natural gas can cause from the distribution network and are addressing this through mains repair works. These works include ongoing maintenance, upgrades, and pipe replacement. This activity is helping to drive the replacement of historic cast iron pipe with PE (polyethylene pipe), which helps reduce leaks and our emissions. In 2024/25, our leakage from the network was only 0.42% of total gas throughput.

Circular economy and waste

To support the circular economy approach to resource use and waste management, we want to use and value materials for longer, but to also factor in re-use and recycling where possible. We continue with our EAP commitments to measure and reduce our use of resources and waste reduction required for mains replacement works. We have made progress in collaborative work with our contract partners to monitor and measure the volume of first-use aggregate in these works, as well as any spoil generated that is sent to the landfill. During RIIO-2, we aim to meet the following.

- Less than 5% of our waste from excavations is sent to landfill.
 - 2.99% was achieved in 2024/25.
- Less than 10% of backfill is first use aggregate in North West and East of England, and less than 5% in West Midlands and North London.
 - 0.47% for North West meeting this target.
 - 1.93% for East of England meeting this target.
 - 2.80% for West Midlands meeting this target.
 - 1.19% for North London, meeting this target.

We continued our focus on reducing general waste disposal from offices through ongoing projects initially set in 2021/22.

Continuing this through 2024/25 has led to a decrease in general waste sent from depots by 220.13 tonnes. Greater awareness of waste segregation, improved signage and controls suggest increased dry mixed recycling volumes, as our colleagues improved waste segregation at source. This continued effort across all Networks has led to us reducing our general waste generation by 41% since 2020/21 and exceeding our target of 5% and stretch target of 8% for the financial year.

2.99%

waste from excavations was sent to landfill in 2024/25. Our target is less than 5%

Rated 1st globally

out of 96 gas utilities, Sustainalytics ESG risk rating

Corporate governance



In this section

Chair's statement on Corporate governance	66
Group structure	67
Governance framework	68
Board of Directors	69
Corporate governance report	74
Safety Committee report	79
Sustainability Committee report	82
Audit & Risk Committee report	85
Nomination Committee report	89
Directors' Remuneration Committee report	91
Directors' Remuneration Policy	94
Annual Report on Remuneration	99
Directors' report	104

Chair's statement on Corporate governance

Development of the RIIO-3 business plan has been a priority area for the Board.

Sir Adrian Montague CBE
Chair



In compliance with the requirement to provide a statement of corporate governance arrangements, I confirm that Cadent has adopted the Wates Corporate Governance Principles for Large Private Companies (Wates Principles). The subsequent pages outline the application of these principles over the year. Information regarding the directors' performance of their duties under Section 172 of the Companies Act 2006, which complement the Wates Principles approach, are set out on pages 38 to 42.

There has been much to occupy the Board this year, including a significant focus on development of the RIIO-3 Business Plan; oversight of progress with the company's net zero ambitions against the backdrop of a changing political landscape and the continuing delivery of strong customer performance. Regular engagement with the Chair of the Customer Challenge Group has been crucial to providing the Board with assurance that the RIIO-3 Business Plan had been subjected to independent review and challenge, and responds to the Board's priority that the customer voice is reflected. Updates on all aspects of Cadent's net zero programme have been received and carefully considered. The Board has maintained close oversight of developments with the HyNet industrial cluster project and examined and endorsed Cadent's plans to support growth in the biomethane sector, contributing to the reduction in methane emissions in accordance with Cadent's decarbonisation strategy. The Board also monitored the company's performance relative to its operational commitments and regulatory requirements, ensuring safe, effective and efficient delivery for customers.

The work of the Board Committees continues to play an important role in supporting the Board in its deliberations and oversight. The Board has benefitted from the in-depth review, constructive challenge and direction that the Committees provide within their respective areas of focus. Further information on the work of the Committees can be found on page 77.

In addition to the executive updates it receives, the Board ensures it hears directly from a wide range of Cadent employees. This is achieved through a rolling programme of site visits on both strategic and routine operational projects; regular 'show and tell' sessions demonstrating various aspects of the business; presentations and informal engagement with representatives from the seven EDI communities; and individual meetings on areas of interest. Through such engagement, the Board hears first-hand views on life at Cadent, providing helpful insights to inform consideration of people strategy and culture, and equity, diversity and inclusion initiatives underway.

We conducted an externally facilitated review of the Board's effectiveness. I was delighted that the report highlighted the 'overwhelmingly positive' responses to the supporting questionnaires, confirming that the Board is functioning effectively and acknowledging progress made in areas previously identified for improvement. As always, there is incremental room for improvement, with recommendations discussed and actioned to introduce further refinements.

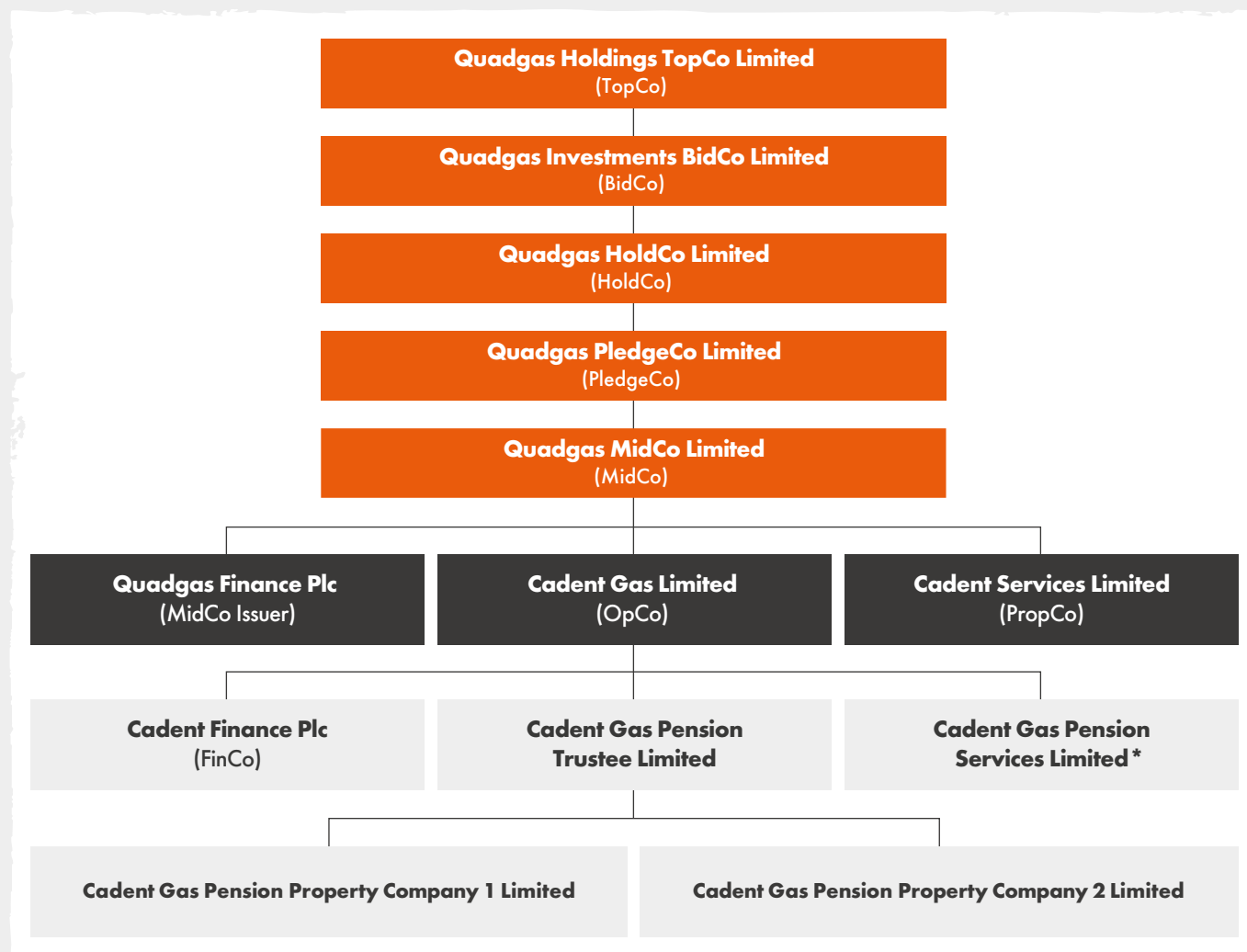
Finally, I would like to recognise the contribution of Anthony Bickerstaff, who stepped down from the Board in September 2024. I am pleased to welcome Gary Baron whose appointment as Chief Financial Officer and Board member, effective April 2025, was approved in March 2025 following a successful period serving on an interim basis. I look forward to Gary's continuing valuable input in shaping the company's financial strategy and performance.

Sir Adrian Montague CBE
Chair

19 June 2025

Group structure

The ultimate parent company of the Group is Quadgas Holdings TopCo Limited (TopCo). The chart below sets out the ownership structure of the companies within our Group as at 31 March 2025.



* Dissolved 7 June 2025.

Our owners

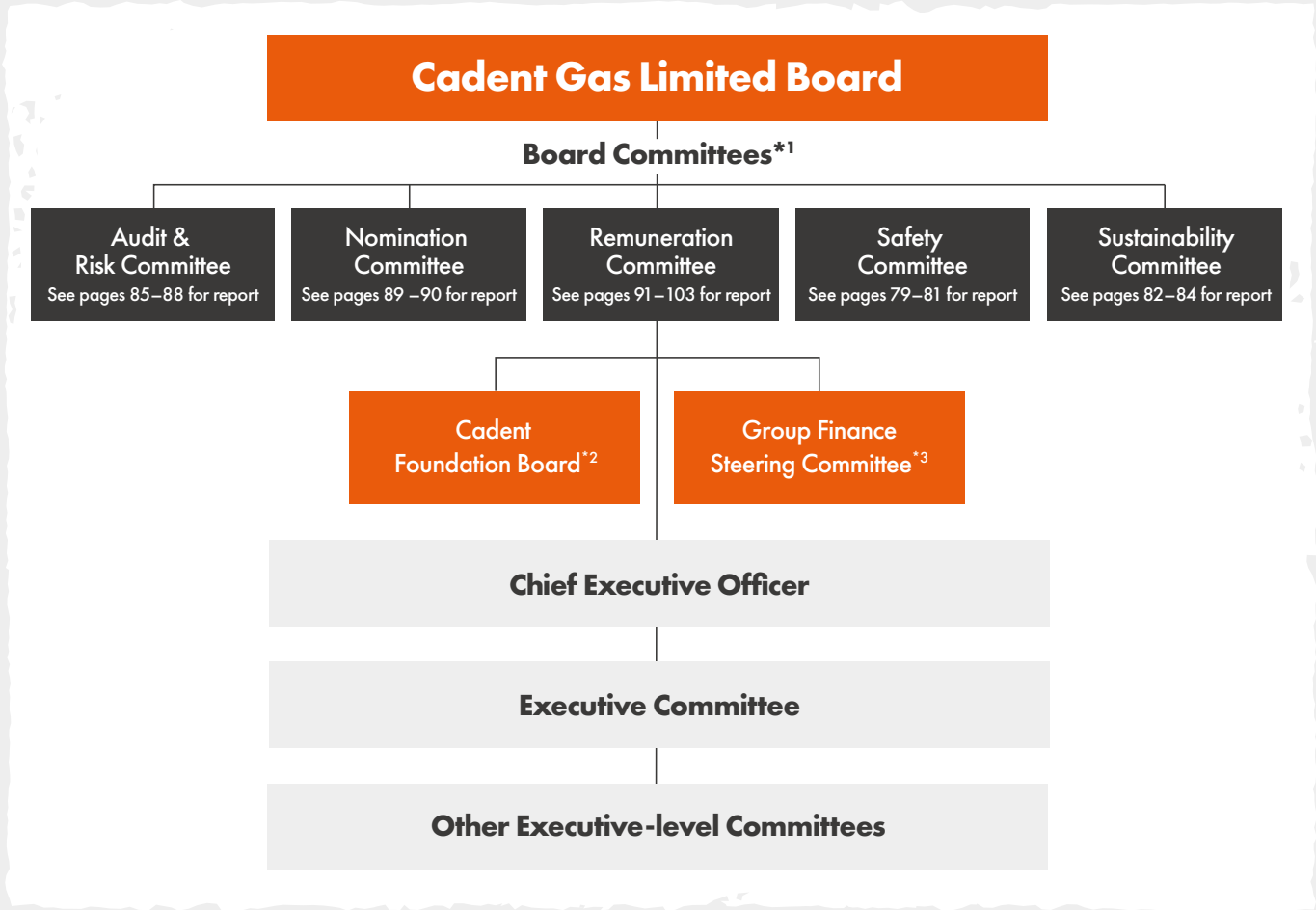
The Quadgas Group is owned by a consortium of investors (the 'shareholders') who hold shares in Quadgas Holdings TopCo Limited.

Shareholders' Agreement

The company is a party to a private agreement between the shareholders of TopCo (the 'Shareholders' Agreement), which governs how the shareholders manage their investment in the Quadgas Group. This includes a schedule of matters reserved to the TopCo shareholders and to the TopCo Board of Directors, as well as rights in relation to the appointment and removal of Directors of the company and procedural provisions relating to the administration of meetings. The Board operates within the provisions of this agreement and seeks to ensure that its requirements are met at all times.

Governance framework

Within Cadent Gas Limited, our governance structure is set out below:



1. Following conclusion of the Grenfell Public Inquiry in September 2024, the Board approved closure of The Steering Committee for the Public Inquiry and Related Matters established to oversee Cadent's involvement as a Core Participant.

2. Providing oversight to the Cadent Foundation. (Members: Catherine Bell (Chair), Tony Ballance (Cadent Executive), Mark Braithwaite, Sir Adrian Montague, Paul Smith, and Linda Minnis (Charities Trust)).

3. A specialist forum for review and discussion on financing matters to inform Board decision making. (Members: Eduard Fidler (Chair), Gary Baron, Mark Braithwaite Emma Howell, Sir Adrian Montague and Alistair Ray)

Board of Directors

The following pages show details of the Directors of Cadent Gas Limited and their membership on Board Committees, for the 2024/25 financial year (including Gary Baron CFO appointed 1 April 2025).

Our Board consists of three Executive Directors, three Sufficiently Independent Directors (including the Chair) and eleven Shareholder Nominated Directors. Collectively, the Sufficiently Independent Directors and Shareholder Nominated Directors are the Non-Executive Directors on the Board. All the Non-Executive Directors (including the Chair) have been appointed by Quadgas Holdings TopCo Limited (TopCo), the ultimate parent company of Cadent Gas Limited.

Details of Alternate Directors appointed from time to time, in accordance with the company's articles of association and the agreement between the shareholders of TopCo, to participate in Board meetings when their principal Shareholder Nominated Director is unable to attend, are available in the Directors' report on page 104.

Executive Directors



Steve Fraser

Chief Executive Officer

Appointed

September 2019

Skills and experience

Steve has over 20 years' experience of managing and transforming infrastructure businesses, latterly as Chief Operating Officer and a main Board Director of the FTSE100 water company United Utilities.

He has a degree in Management Studies and a Masters in Engineering Management from UMIST, he also holds a diploma in Advanced Management from Harvard University.

After leaving education, Steve trained in utilities operations working across water, electricity, and latterly high-pressure gas pipelines.

He became a Director of Bethell Group where he worked to establish them as a leading player in the energy services sector prior to joining United Utilities in 2005 to run the global outsourcing division Energy and Contracting Services working across the UK, Europe and the Middle East.

Other key external appointments

Steve is a Non-Executive Director at Southern Water Services Limited.



Howard Forster

Chief Operating Officer

Appointed

July 2021

Skills and experience

Howard joined Cadent as Chief Operating Officer in March 2019. He has operational responsibility for all of Cadent's networks, as well as all asset investment and construction programmes, new connections business, and engineering and asset management functions with operational oversight and responsibility for all of Cadent's work in the field, from planning, dispatching emergency engineers, maintaining the supply and balance of the network and leading end to end the programmed investment across the 135,000km of network infrastructure, serving 11 million homes and businesses.

Prior to joining Cadent, he was the Operations Director of Northern Gas Networks for over eight years, joining prior to the development of the RIIO-1 Ofgem regulatory framework and, therefore, was involved in the regulatory engagement process for RIIO-GD1. Prior to that, he was a partner at EC Harris (now part of Arcadis) for more than ten years, leading the power distribution sector and primarily involved in construction project management and controls for major investment programmes, assisting in several utility company acquisitions in the sector across the world.



Gary Baron

Chief Financial Officer

Appointed

1 April 2025

Skills and experience

Gary was appointed Chief Financial Officer in April 2025 having joined Cadent in 2022 as Director of Finance and Property, and served as interim Chief Financial Officer from September 2024. He has over 20 years' experience in senior financial, commercial and operational roles across the UK utilities sector, including 17 years at FTSE-listed United Utilities, where he was ultimately Group Controller and a board member of several profitable non-regulated businesses.

As CFO, Gary leads Cadent's financial strategy, ensuring strong governance, regulatory compliance and long-term value creation. He has significant experience of operating within regulatory frameworks and has supported the successful delivery of numerous multi-billion-pound Totex programmes. Gary brings broad leadership experience from previous roles spanning Audit, Treasury, Management Accounting, Financial Reporting, Property, Programme Management and Operational Control. A Fellow of the Institute of Chartered Accountants in England and Wales, Gary is committed to driving robust financial performance, balance sheet resilience and sustainable business outcomes.

Board of Directors continued

Sufficiently Independent Directors



Sir Adrian Montague CBE

Chair

Appointed

July 2017

Committee membership

Nomination (Chair)

Skills and experience

Sir Adrian's previous roles include Chair of TheCityUK Advisory Council, Aviva Group plc, 3i Group, Anglian Water Group, Michael Page International plc, London First, British Energy Group plc, Friends Provident plc, Cross London Rail Links Ltd, Hurricane Exploration plc and Manchester Airports Group. He is a former Deputy Chair of Network Rail Ltd, Partnerships UK plc and UK Green Investment Bank plc.

From 1999–2001, he held senior positions connected with the implementation of the government's policies to expand the use of private finance in the provision of public infrastructure, first as the Chief Executive of the Treasury Taskforce, then as Deputy Chair of Partnerships UK plc. Before 1999, he was the Global Head of Project Finance at Dresdner Kleinwort Benson, having joined the bank in 1993, after 20 years as a lawyer with Linklaters & Paines.

Sir Adrian was awarded a CBE in 2001 and is a law graduate of Cambridge University.

Other key external appointments

Sir Adrian is currently the Non-Executive Chair of the Porterbrook Group and Thames Water Utilities. He is also a Trustee of the Commonwealth War Graves Foundation and a member of the Cadent Foundation Advisory Board.



Dr Catherine Bell CB

Appointed

September 2016

Committee membership

Nomination; Remuneration; Safety; Sustainability

Skills and experience

Catherine had an extensive executive career in the Civil Service including in the Department for Business, where she led work on a wide range of trade, industry and regulatory issues, including high-level reviews of competition policy and utility regulation. She led the Department as Permanent Secretary. Catherine is also a former member of the Competition Appeals Tribunal.

In 2005, Catherine moved to non-executive roles, building up wide experience in the public, private and regulated sectors including the Department of Health, Horder Healthcare, the Civil Aviation Authority, Swiss Reinsurance GB Limited, United Utilities Group plc, National Grid Gas Limited and National Grid Electricity Limited.

Catherine was awarded a CB (Companion of the Order of Bath) in 2003.

Other key external appointments

Chair of the Cadent Foundation Advisory Board.



Paul Smith

Appointed

February 2021

Committee membership

Audit & Risk; Nomination; Remuneration (Chair); Sustainability (Chair)

Skills and experience

Paul is an experienced Executive with a portfolio of Non-Executive Director appointments across the Utility, Energy and Infrastructure sectors

Prior to these he was Managing Director of SSE's Generation and Gas Storage business – with responsibility for one of the largest portfolios of power generation assets in the UK and Ireland.

Earlier in his career he worked in the Chemical Industry for ICI plc and Dupont in a range of senior production, engineering and project roles. Paul was the Non-Executive Chair of Diversified Energy-from-Waste Management Ltd, a company overseeing the interests of a group of joint venture Energy-from-Waste businesses; and a Non-Executive of Orbital Marine Ltd, a renewable energy company with the most powerful tidal generator in the world.

As a Chartered Chemical Engineer, he is a Fellow of the Institution of Chemical Engineers and also a Fellow of the Energy Institute.

Other key external appointments

Paul is currently the Non-Executive Chair of Capstone Infrastructure Corporation, an independent power producer in Canada; a Non-Executive Director of Green Recovery Projects Ltd; a Senior Adviser to Icon Infrastructure LLP and to A.T. Kearney Ltd (management consultants). Paul is also a member of the Cadent Foundation Advisory Board.

Shareholder Nominated Directors



Mark Braithwaite

Appointed

March 2017

Committee membership

Audit & Risk (Chair); Nomination; Remuneration

Skills and experience

Mark has retired from Macquarie where he was the Head of Portfolio and Coverage for MAM Real Assets, having previously held senior financial executive roles in the energy and utility sectors in the UK. Mark is a fellow of the Institute of Chartered Accountants in England and Wales and a fellow of the Association of Corporate Treasurers.

Other key external appointments

Mark is a Non-Executive Director of Elenia Oy, an electricity distribution company in Finland and a trustee of a wildlife charity in the UK. Mark is also a member of the Cadent Foundation Advisory Board.



Mark Mathieson

Appointed

November 2018

Committee membership

Safety (Chair)

Skills and experience

Mark was appointed as a Managing Director in Macquarie Infrastructure and Real Assets (MIRA) in October 2018. Mark has over 30 years' experience in utility infrastructure at both Executive and Non-Executive levels. He spent 26 years at SSE, one of the UK's largest energy companies including ten years as a member of the Executive team, where he was MD of the Networks Division with full P&L responsibility for managing 3-regulated electricity. He was also CEO at Green Highland Renewables, the UK's largest developer and owner of run-of-river hydroelectric schemes.

Mark has a Bachelor of Engineering in Electrical and Electronic Engineering from Heriot-Watt University in Scotland and he is a Chartered Engineer and a Fellow of the Institution of Engineering and Technology.

Other key external appointments

Mark holds several other Non-Executive directorship roles for companies and funds within MAM's investment portfolio.



Neil Corrigan

Appointed

May 2022

Committee membership

Safety; Sustainability

Skills and experience

Neil is an Operating Partner for Macquarie Asset Management providing specialist support for their investments in utility infrastructure businesses.

Prior to joining MAM, Neil held multiple leadership roles at Severn Trent Plc covering regulation, strategy, business development, M&A and corporate finance. Most recently, he had full P&L and operational accountability for the group's diversified renewables division, Severn Trent Green Power, covering biomethane production from waste, onshore wind, solar and hydro power. Before that, Neil was a management consultant at McKinsey & Company focusing on utilities, energy and infrastructure and at Coca-Cola as a strategy analyst. He has an undergraduate degree in Industrial Engineering and holds an MBA from London Business School.

Other key external appointments

Neil is a Non-Executive Director of Southern Water.



Eduard Fidler

Appointed

November 2018 as

Alternate Director

June 2019 as a Director

Committee membership

Nomination; Remuneration; Sustainability

Skills and experience

Eduard is a Managing Director at Allianz Capital Partners. He leads asset management activities for a number of Allianz's direct infrastructure investments. Eduard has over 15 years' experience in energy and infrastructure investment and asset management. Prior to joining Allianz, Eduard was a senior member of Blackrock's Global Energy & Power team (formerly part of First Reserve), and before this investing and managing utility investments at Macquarie Infrastructure and Real Assets. He began his professional career at AMEC plc in corporate strategy and project engineering. Eduard is a CFA® Charterholder, and a graduate of Mechanical Engineering from the University of British Columbia.

Other key external appointments

Eduard is a Non-Executive Director of Elenia Oy, Delgaz Grid SA and Neuconnect.

Board of Directors continued

Shareholder Nominated Directors continued



Graham Cooley

Appointed
January 2024

Committee membership
Sustainability

Skills and experience

Graham started his career in the power sector in 1989, joining the CEGB and becoming Business Development Manager at National Power plc and then International Power plc, developing energy storage and new generation technologies. Graham has raised a total of over £600 million for British Cleantech SMEs. Graham was CEO of ITM Power plc, the first hydrogen-related company listed on the London Stock Market, a founding member of the UK Government's Hydrogen Advisory Council and a Board Member of RenewableUK.

Graham has a PhD in Physics, an MBA, and is a Fellow of The Energy Institute (FEI), The Institute of Metals, Minerals and Mining (FIMMM), The Institution of Engineering and Technology (FIET) and was awarded the Lifetime Fellowship Award by The Bessemer Society.

Other key external appointments

Graham is Chair of Light Science Technologies, Chair of Cap-XX and Non-Executive Director of Gellion, Trustee of The Arcola Theatre and Patron at CleanupUK. Graham is also a member of the Cadent Foundation Advisory Board.



Emma Howell

Appointed
March 2024

Alternate
Desmond Wilkins
(appointed August 2021)

Committee membership
Audit & Risk; Nomination;
Sustainability

Skills and experience

Emma is Co-Head of the Infrastructure team at Federated Hermes, having previously been Head of Asset Management. Emma is responsible for all aspects of the investment team activities at Federated Hermes Infrastructure and is a member of the Infrastructure Investment Committee. Emma was previously a Director at Deloitte LLP and is a qualified Chartered Accountant.

Other key external appointments

Emma represents infrastructure mandates on various portfolio company boards, including Eurostar and Iridium Hermes Roads.



Simon Fennell

Appointed
May 2019 as
Alternate Director
June 2019 as a Director

Committee membership
Audit & Risk; Nomination;
Sustainability; Safety

Skills and experience

Simon is an Investment Director at Amber Infrastructure, a leading sponsor, developer, fund and asset manager of infrastructure, real estate, and sustainable energy projects. Simon joined Amber in 2012 and during his time at Amber he has contributed to the origination and asset management of a wide variety of infrastructure assets in the water and energy sectors. He is responsible for the day-to-day management of Amber's electricity transmission investments – with responsibility for one of the largest portfolios of offshore electricity transmission assets in the UK.

Simon started his career working on combined cycle gas turbine power station build projects in the UK and subsequently went on to qualify as a chartered accountant and is a fellow of the Institute of Chartered Accountants in England and Wales.

Other key external appointments

Simon holds a number of directorship roles within Amber Infrastructure's investment portfolio.



Alistair Ray

Appointed
July 2023

Committee membership
Audit & Risk; Nomination

Skills and experience

Alistair co-founded Dalmore Capital in 2009 and is CIO. He is a Dalmore shareholder and board member, as well as being on the Executive, Investment and Operations committees. Alistair has held senior positions in the infrastructure investment business, including at Edison Capital, Noble Group, Merrill Lynch and 3i Infrastructure plc. He was a founding member of the infrastructure team at 3i and was involved in the acquisition of Anglian Water and the purchase of stakes in Oiltanking GmbH.

Alistair holds a Bachelor of Engineering honours degree.

Other key external appointments

Board membership of Cory and Tideway.

Shareholder Nominated Directors continued



Deven Karnik

Appointed

March 2017

Alternate

Abdulla Al-Ansari
(appointed May 2018)

Skills and experience

Deven is the Head of Infrastructure at Qatar Investment Authority (QIA). He has nearly 30 years of principal investing and investment banking experience in power, utilities and infrastructure. Prior to joining QIA in 2013, Deven was a Managing Director at Morgan Stanley, and before that he was a Managing Director at Dresdner Kleinwort. He has also worked at Jardine Fleming and Binder Hamlyn. Deven has previously served as a Director of Affinity Water Limited.

Deven is a member of the Institute of Chartered Accountants in England and Wales.

Other key external appointments

Deven is a Non-Executive Director of HK Electric Investments Limited and an alternate Non-Executive Director of Heathrow Airport Holdings Limited.



David Xie

Appointed

May 2017 as
Alternate Director
August 2018 as a Director

Alternate

Minzhen (Orlando) Wang
(appointed May 2021)

Skills and experience

David is a Director of China Investment Corporation (CIC). He is responsible for CIC's infrastructure investments globally, in particular in the transport, utilities, digital and energy transition sectors. Prior to joining CIC, David worked 11 years in various roles at Merrill Lynch.

David is a Bachelor of Science graduate of the Pennsylvania State University and has an MBA degree from Georgetown University.

Other key external appointments

David is a Non-Executive Director of Heathrow Airport Holdings Limited.



Hua (Helen) Su

Appointed

August 2018 as
Alternate Director
May 2021 as a Director

Alternate

Minzhen (Orlando) Wang
(appointed May 2021)

Skills and experience

Helen Su is currently a Senior Vice President at CIC Capital Corporation (CIC Capital), focusing on the infrastructure sector. Prior to joining CIC, Helen worked in the Investment Banking Department at Credit Suisse in Hong Kong.

Corporate governance report

Purpose and leadership

Pursuant to the Companies (Miscellaneous Reporting) Regulations 2018, the company applied the Wates Corporate Governance Principles for Large Private Companies during the year. Our Board is committed to maintaining the highest standards of corporate governance, appropriate to Cadent's size, the critical public service it provides, and regulatory framework under which it operates. This approach is crucial for achieving our purpose, values, and commitments. The Board promotes the company's success by considering various factors and stakeholder interests.

Purpose

Our purpose is keeping people warm, while protecting the planet. This encompasses all that we do on a day-to-day basis to ensure we fulfil our regulatory commitments and advance our net zero strategy.

The Board oversees operational performance and delivery of regulatory outputs through comprehensive reports presented by members of the Executive Team. These reports encompass all aspects of operational performance, including customer satisfaction, mains replacement, safety, asset data, supply resilience and system operation; as well as addressing key aspects of future planning, such as organisational transformation. In addition, Network Directors present focused updates on their areas, highlighting initiatives to further enhance performance. Through these reports the Board gains assurance that the organisation's purpose is well understood and effectively managed and delivered. These insights also guide strategic planning and decisions, and have informed the Board's input to development of the RIIO-3 Business Plan.

In addition to operational performance, achieving the company's net zero goals is a critical part of its purpose. To keep informed of developments and facilitate in-depth consideration of key areas, the Board dedicates time at each meeting for net zero-related discussions, as well as holding an annual strategy day. Topics covered during the course of the year included updates on hydrogen projects, with particular focus on the HyNet industrial cluster; progress with the hydrogen quantitative risk assessment; biomethane strategy; hybrid heating; and the energy policy landscape. Senior business leads and external consultants provide detailed papers and presentations to support the Board's strategic decisions, guidance and oversight. All shareholders are represented on the Board, ensuring their views shape deliberations and decisions.

Values and Culture

Our purpose is underpinned by our core values – we work together; we take responsibility; we drive performance; and we shape the future – and the associated behaviours. These values are integral to Cadent's culture, consistently reflected in all reports to the Board, and inform its oversight and decision-making processes.

The Board has continued to oversee the progression of our EDI strategy, with key deliverables for the year being hiring refinements, behavioural change, succession and representation shifts. Reports are received detailing progress against the clear and measurable ambitions set. In addition, at each Board meeting, the Board hears directly from representatives from one of our seven employee-led ED&I communities, providing helpful insights on initiatives underway and an opportunity for the Board to commend the valuable contribution the communities make to achieving the cultural change we are aiming for.

Our commitment to employee safety, health, and wellbeing is central to our culture. The Safe+Well Framework, designed to

create a psychologically safe culture where continuous learning and improvement are embraced, is now well embedded.

A range of workstreams underly our targeted areas of occupational and process safety excellence, facilitating optimal performance and ensuring the safety and health of the communities we serve. The Safety Committee monitors the progress of these workstreams and reviews employee engagement to ensure effective implementation and sustained momentum.

A significant aspect of our culture is delivering a positive societal impact for our customers, colleagues and wider communities. Our established Force for Good Framework provides the structure through which we achieve this; focusing on the key outcomes of 'Easier Warmth', 'Fairer Opportunities' and 'Greener Society'. Employees are encouraged to engage in activities related to achieving these objectives and appreciate the opportunity to make a positive difference to the communities in which we operate. A performance dashboard enables our Sustainability Committee to monitor progress.

Our long-standing ethical framework, 'Always Doing the Right Thing', sets the expected high conduct standards we require of our employees. It is an integral part of our induction process and a mandatory feature of ongoing training. Endorsed by the Board, it is promoted by leadership and our network of ethics champions, ensuring it remains well embedded and front of mind.

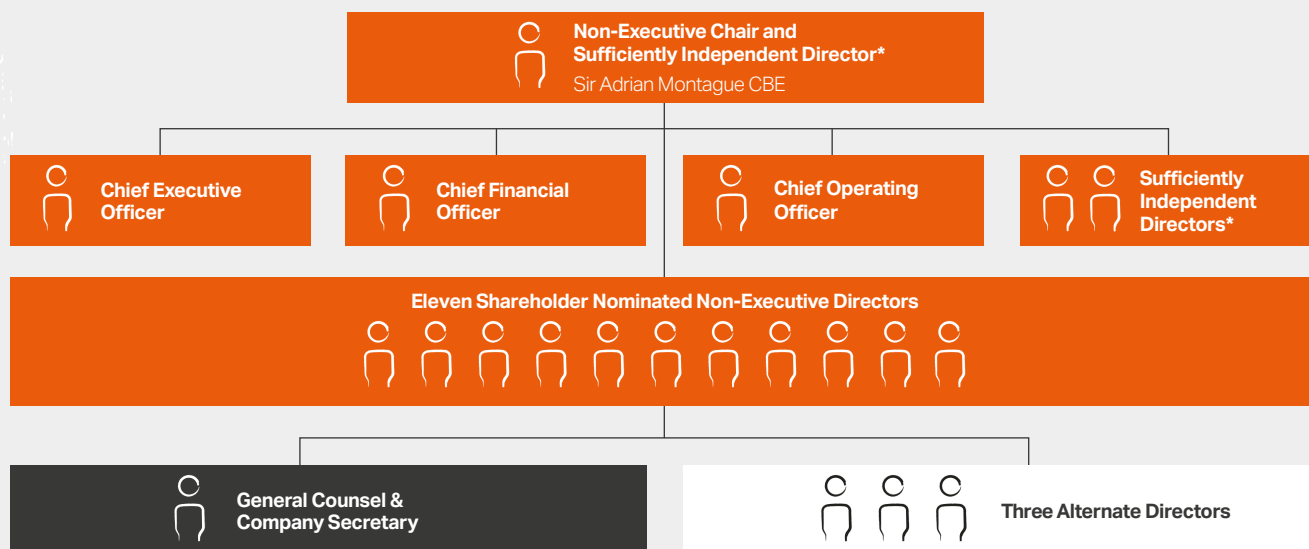
Strategy

The Board has committed considerable time to the development of the company's RIIO-3 Business Plan, recognising its importance to the business model and its role in generating long-term sustainable value. Additional meetings to those routinely scheduled were introduced providing opportunities for Board deliberation and input at every part of the process and on all aspects of the plan, including workload, costs, asset health, outputs, plan ambition, and financeability. Our Board Committees – in particular Sustainability and Safety – assisted with scrutiny of areas falling within their remit, including customer vulnerability strategy, the Environmental Action Plan, methane emissions reduction and the mains replacement programme. Engagement with the Customer Challenge Group provided re-assurance to the Board that the plan had received robust, independent challenge and reflected customer priorities. The Board approved and wholly endorsed the Business Plan submitted in December 2024. Subsequently, the Board's considerations have turned to the company's preparations for receipt of the Draft Determination in Summer 2025, which are ongoing. Alongside development of the RIIO-3 Business Plan, the Board has continued to carefully monitor delivery of the company's RIIO-2 commitments, assisted by the reporting process described under 'Purpose'. The Board has also maintained its focused oversight of Cadent's cyber security measures and controls, in relation to which it was assisted by briefings from external consultants who provided expert guidance to inform thinking, as well receiving reports on the company's industry thinking initiative Operations 4.0.

Inevitably, the company's net zero ambitions are integral to the company's strategy, through which it achieves its purpose. The Board retains close oversight of progress made and provides input and guidance to the evolution and refinement of strategy, this being key to the long-term success of the company. You can read more about this under 'Purpose'.

The company's strategy, values, and culture promote appropriate workforce behaviours. Board oversight is ensured through our Nominated Non-Executive, Sufficiently Independent, and Executive Directors' combined experience.

Our Board composition



* As defined in the Ofgem Gas Transporter Licence, under Standard Special Condition A42.

Board composition

Each of our Directors bring a wealth of experience, knowledge and expertise to the company.

Chair

Our Board is led by our Independent Chair, Sir Adrian Montague CBE, who is responsible for the effective running and management of the Board.

Our Chair works closely with the General Counsel & Company Secretary to ensure all Directors have appropriate information for each board meeting and sufficient time is allocated for meaningful and constructive discussions.

The roles of Chair and Chief Executive Officer are separate, with clear divisions in responsibilities.

Balance and diversity

The composition of the Board is partly determined by the Shareholders' Agreement. Of particular note is the experience the Board has in the areas of the regulated utility sector, infrastructure, safety, sustainability, government and regulation. To read more about our Directors' skills and experience, please see their biographies on pages 69 to 73.

We acknowledge that the Board may benefit from greater diversity, however, the Board does not operate a formal Board Diversity policy or set targets for gender or other representation on the Board, since Board appointments are a matter reserved to the shareholders of TopCo, under the Shareholders' Agreement. Our shareholders are, of course, encouraged within their own organisations to consider Board diversity when nominating Directors to the Board.

Size and structure

Our Board composition

The names and biographies of all the Board of Directors on the company are published on pages 69 to 73. As at 31 March 2025, the company Board comprised the following.

Non-Executive Chair and Sufficiently Independent Director*: Sir Adrian Montague CBE. Appointed in accordance with the agreement between the shareholders of the company's ultimate parent company, Quadgas Holdings TopCo Limited (TopCo).

Sufficiently Independent Directors*: (2) Dr Catherine Bell and Paul Smith. It is a requirement of our Gas Transporter Licence to appoint two Sufficiently Independent Directors, to provide independent challenge and input to the Board. (Our Chair is also a Sufficiently Independent Director).

Executive Directors: (3) Chief Executive Officer – Steve Fraser, Chief Financial Officer - Gary Baron and Chief Operating Officer – Howard Forster.

Shareholder Nominated Non-Executive Directors: (11) nominated by TopCo, representing members of the consortium of investors in TopCo.

General Counsel & Company Secretary: Diane Bennett.

Alternate Directors: (3) appointed in accordance with the agreement between the shareholders of TopCo Limited to participate in Board meetings when their principal Shareholder Nominated Director is unable to attend.

Corporate governance report continued

Director responsibilities

Board activities

The Board planned and held seven formal meetings and one interim board meeting. In addition, the following meetings were held:

- a strategy day focusing on the future of the gas networks and Cadent's net zero strategy;
- four sessions focusing on development of the RIIO-3 Business Plan submission and a further detailed session on the HyNet industrial cluster;
- six 'show and tell' sessions, highlighting aspects of Cadent's operational performance; and
- six informal sessions with Cadent's employee-led ED&I Communities.

Additionally, a rolling programme of site visits for Board members provides the opportunity to observe Cadent's day-to-day operations; Cadent's social impact, through Centres for Warmth; and ongoing major projects. Several of the Board members, in particular the Committee Chairs, also devote significant time to their role outside of, and between, the scheduled Board and Committee meetings. This includes meeting with members of the management team and the company's external advisers to guide and support the work discussed at the formal meetings.

Effectiveness

The Board's effectiveness is assessed each year, with external support on alternate years. Independent Audit Limited facilitated this year's evaluation using their online governance assessment service, Thinking Board®. The process involves completion of online questionnaires by all Board members and regular Board/Committee attendees; observation of a set of scheduled meetings by an Independent Audit Limited representative; and production of a report. The use of broadly consistent questions and themes enabled straightforward comparison with assessments from previous years, with scores showing improvement to the last externally facilitated review in 2022. Feedback was extremely positive, indicating that the Board is functioning effectively, with few reservations expressed. The strengths identified included the level of trust and openness the Board operates in, the strength of the Committees and how ESG considerations are taken into account in strategic decision making. Inevitably, some areas for further enhancement were identified, which were discussed by the Board and actions agreed. These centred around areas of focus for future Board agendas, including the impact of technology; political and policy landscapes; and refinements at Committee level.

Committee membership was also reviewed, resulting in the appointment of a small number of additional Committee members. A refresh of the Directors' Skills Matrix informed this process, ensuring that specialist skills and expertise are well utilised for the benefit of the company. The annual review of the Committees' Terms of Reference was also undertaken. No revisions were necessary on this occasion.

Development and training

During the year, our Directors continued to develop their knowledge of the business and kept abreast of their duties as Directors. Development was achieved through a combination of the following:

- briefings and technical details provided throughout the year in papers and presentations at Board and Committee meetings;
- a dedicated Strategy day in June 2024; and
- engagement with members of the workforce during site visits and 'show and tell' sessions.

We recognise that the Directors, in their roles as Directors or members of a committee, may need to take independent professional advice to perform their duties, and this option is available to them if required.

Director responsibilities

The Board and each Director understand their accountability and responsibilities, and work with executive management to ensure that company policies and practices support effective decision making to deliver long-term value.

Accountability

Board responsibilities

The roles of Chair and Chief Executive Officer are separate, with clear divisions in responsibilities.

- The Chair is responsible for the effective running and management of the Board, working collaboratively with the shareholders and management team.
- The Chief Executive Officer is responsible for the day-to-day management of the business.

The key roles and responsibilities of the remaining Directors are as follows.

- The Chief Financial Officer is responsible for the financial objectives and performance of the company.
- The Chief Operating Officer is responsible for operational performance.

The Sufficiently Independent Directors are responsible for providing independent judgement on issues and constructive challenge on Board decision-making processes, particularly in the following key elements:

- strategy: to challenge constructively and to contribute to the development of strategy, including in relation to the increasing importance of the UK's move towards carbon net zero and the future of gas in that context;
- performance: to scrutinise the performance of management in meeting agreed goals and objectives, and to monitor the reporting of performance;
- risk: to scrutinise and challenge accuracy of financial information, and access whether the financial controls and systems of risk management seem robust and defensible, based upon the presentations and information made available to them by management and the company's internal and external auditors;

- safety and ethics: to support and promote a positive 'tone from the top' on health and safety, and ethical leadership; and
- people: to be responsible for determining appropriate levels of remuneration for Executive Directors and to have a role in appointing, and where necessary removing, senior management and in succession planning.

The Non-Executive Shareholder Directors are appointed in accordance with the Shareholders' Agreement and are responsible for providing constructive challenge to the Board's decision-making process including in respect of those areas that the Sufficiently Independent Directors focus on. An additional key part of the Non-Executive Directors' role is to support executive management in developing and remaining focused on the longer-term strategy for the business, including the future of gas, as well as to keep under review the principal and emerging risks to the successful execution of the strategy.

The Board is supported by the General Counsel & Company Secretary who provides advice on corporate governance matters as well as legal advice. The Board continually reviews our internal corporate governance practices and external developments in corporate governance and seeks the advice of the General Counsel & Company Secretary implementing sound and effective corporate governance practices.

Conflicts of interest

Given the composition of the Board, with Non-Executive Shareholder Nominated Directors, we are aware that potential conflicts of interest may arise. Our Directors are conscious of their statutory duties in relation to conflicts of interest and their duty to make the Board aware of any situations that may create a conflict of interest. The General Counsel & Company Secretary maintains a register of Directors' interests and the Board reviews and considers any potential conflicts of interest as they arise.

Commitment

During their employment with the company, the Executive Directors are required to gain the prior agreement of the Board before accepting and providing any services or agreeing to provide any Directorships to any other business.

The Chair and other Sufficiently Independent Directors serve under letters of appointment, where they have confirmed that they are able to devote sufficient time to meet the expectations of their roles.

Group policies framework

An executive-level Policy Committee oversees the operation of the policy framework and ensures policy review at the appropriate frequency and forum (including the Board for several Group policies). The company operates several Group policies that reflect appropriate governance for a company of its size and standing, these include ethical business conduct, anti-bribery and corruption; whistleblowing; data privacy and protection; social media; records management; information security; health and safety; social impact; environmental; gifts and hospitality; and HR policies and processes. The Board has also approved the Group's tax strategy statement for the year, which has been published on the company's website: cadentgas.com/about-us/our-company/corporate-governance

Delegations of Authority

The Board has approved a matrix of Delegations of Authority that sets out which key matters (within clearly defined monetary limits) may be authorised at various levels of the governance framework, from those matters reserved to the investor shareholders of TopCo, to those reserved to the Board, or delegated to the Chief Executive Officer and Chief Finance Officer and sub-delegated to other members of management. This is reviewed annually to ensure it remains appropriate.

Committees

The Board has established several Committees to carry out specific duties. This allows the Board to operate more efficiently, concentrating on providing leadership and decision making for the business. Each of our Committees has Board-approved Terms of Reference setting out their respective remits, and these Terms of Reference are kept under regular review including to reflect emerging best practice. The Board and Committee governance framework can be found on page 68.

 You can read about each Committee in the Committee reports that follow this section.

Integrity of information

We recognise the importance of providing the Board with timely, concise and quality information to enable them to provide leadership and decision making for the company, taking account of its long-term interests and its stakeholders. We see this as a two-way information flow between the Board and business, and to be effective we have put in place good governance practices around the Board meetings and the information provided to those Board meetings.

Before each meeting, typically a week ahead, the Board and Committees receive a detailed agenda and papers. The papers are drafted and sponsored by Senior Executives within the company and, where required, Senior Executives will be invited to the meeting to present and discuss the matters contained in their paper. We follow a pre-set template for Board papers to allow consistency of reporting, enable a focus on the key matters and for the Board to be clear about what is being asked of them. During our meetings, the Directors may request additional actions to be taken, and those actions are agreed by the Board and a follow-up procedure, managed by the Company Secretariat team, ensures their completion. Also, additional briefings and meetings are scheduled, as and when necessary.

The Board also engages with, and obtains information directly from, certain stakeholders to complement and provide independent assurances, to balance the information in the reports of management.

 See our Section 172 Statement on pages 38 to 42 for more information.

Corporate governance report continued

Opportunity and risk

Opportunity

The Board retains strategic oversight of the company's future of gas programme as it plans for a hydrogen future and the manner in which this contributes to meeting the overriding challenge of the UK Government's ambitions on net zero. Stewardship is provided by the Board to encourage the company to create, pursue and utilise opportunities to move the company in a way that will help secure long-term value. You can read more about the way in which we are supporting the energy transition, over which the Board has stewardship, and the key collaborative projects with which we are involved at pages 31 to 37. At the same time, the Board remains fully cognisant of the need to balance these ambitions with the fundamental business requirement to deliver for our customers today by ensuring our infrastructure is operated and maintained safely, and that our response services are still effective and efficient as possible, all within the agreed price control framework.


Our Delegations of Authority (described on page 77) set authority limits on significant capital and operational expenditure.

Risk

The Board sets the company's appetite for risk and effective risk management (financial and non-financial), including reputational risk. The Board assigns its responsibility for ensuring that risk management and internal control systems are effective across the business, to the Audit & Risk Committee. The Committee annually reviews the company's risk appetite and profile, risk management processes, internal controls and receives regular internal audit and related compliance reports. (These include compliance with our licence conditions, which is recognised as a principal risk and reviewed as part of the routine compliance process.) The Audit & Risk Committee also receives regular reports on specific and emerging risks and how these are managed, through the operation of the risk management system. To read more about our risk management model and our principal risks and uncertainties, please read the Financial Review and risk management section of the Strategic report on pages 14 to 18 and 44 to 46.

Responsibilities

The Board, supported by the Audit & Risk Committee, maintains oversight over the company's internal control framework and is supportive of management's ongoing plans to enhance this and strive for continuous improvement of the framework. As stated, regular reports are provided to enable the Audit & Risk Committee and Board to gain an understanding of the principal and emerging risks, and to make robust decisions and plans monitored to conclusion.

 For more information see pages 85 to 88 of the Audit & Risk Committee report.

Remuneration

The Board has established a Remuneration Committee to support decisions on remuneration, and you can read about the work of the Committee in the Directors' Remuneration Committee report on pages 91 to 93. A separate Annual Report on Remuneration is set out on pages 99 to 103.

Succession

The Board has an established Nomination Committee to consider, and make recommendations to, the Board for the long and short-term strategy plans for succession of our Executive Directors, members of our Executive Committee and their direct reports, our Chair and Sufficiently Independent Directors.

 For more information see pages 89 to 80 of the Nomination Committee report.

Stakeholder relationships and engagement

You can read more about the Board's approach to stakeholder engagement in our Section 172 Statement in the Strategic report on pages 38 to 42.

Safety Committee report

The Safety Committee has supported the Board through scrutiny and oversight of Cadent's safety performance.

Mark Mathieson

Chair of the Safety Committee



Key highlights of the year

Safety assurance:

- Oversight of safety performance including operational safety and critical risk analysis and management.
- Review of incident investigation methodology.
- Reports and deep dives on key focus areas.

Wellbeing of employees:

- Updates received on Safe+Well Framework and safety culture.
- Review of progress against safe driving plan.
- Oversight of fatigue management developments.
- Update on personal protective equipment introduced.
- Update on statutory health management and employee wellbeing.

Safety internal audits:

- Review of safety-related internal audits conducted and associated actions taken.
- Approval of safety-related internal audit plan 2025/26.

Framework and business plan:

- Reviewed performance against short-term incentive plan safety measures for 2024/25 and approved measures for 2025/26 for recommendation to the Remuneration Committee.

Climate related:

- Reviewed Resilience Plan.

The Committee's wide ranging work this year has included oversight and guidance on strategic safety initiatives, employee wellbeing, operational safety performance, and examination of selected topics. Through its consideration of these areas, the Committee is assured that Cadent is both delivering a strong safety performance and continually seeking to improve it.

Delivery of the multi-year Safe+Well programme, aimed at improving wellbeing, health and safety through psychological safety and a learning culture remained a key focus area for the Committee. It received and considered updates on priority projects within the programme, including Cadent's plans to strengthen high-reliability organisation traits through workstreams covering leadership, competence, communications, design making, risk controls and management of supply chain. The emphasis on process safety was endorsed by the Committee. In addition, members of the Committee attended Cadent's Safe+Well conference. This enabled them to experience first-hand how safety themes are presented and provided an opportunity to engage with employees and suppliers in attendance, providing helpful insights to aid the Committee's oversight. The importance of maintaining the momentum and engagement generated by the conference and management's strategies to achieve this were discussed at the subsequent Committee meeting.

Safety Committee report continued

Additional aspects of employee health and wellbeing considered included the wellbeing programme, which the Committee was pleased to learn was delivering measurable employee health improvements through the use of data and technology; and further updates on the Safe Driving Improvement Plan and approach to fatigue management, which remained areas of focus.

Technical updates received and deep dives undertaken included a report on amendments to the Gas Safety (Management) Regulations (relevant to Cadent's critical sector role as Emergency Reporting Service Provider); an overview of actions and initiatives relating to the operation of assets in multi-occupancy buildings; and an update on the successful transition to a new construction operating model in the London network. Through these reports, the Committee was kept informed of evolving regulations and processes and reviewed the effectiveness of how the company managed these.

A continuing priority for the Committee was assessing the quality of incident investigations and gaining assurance that emerging learning is acted on and embedded. The Committee was appraised of, and welcomed the introduction of Tripod, a barrier-based approach to investigation, adopted to further improve the quality of investigations, enhance the competence of investigators and enable the identification and assessment of barriers that contribute to incidents. The Committee was able to satisfy itself of the effectiveness of the new approach through the presentation of high-potential incident investigation outcomes and subsequent actions at each Committee meeting.

The Committee monitored operational safety and wellbeing through a data-driven report detailing performance against key indicators, safety target trend analysis, and progress with safety improvement plans. The reports also summarised interactions with the Health & Safety Executive and provided external insights on cross-sector engagement and campaigns. This comprehensive performance overview assisted the Committee's considerations and provided a helpful basis for constructive discussions with the management team.

Throughout the year, the Committee received regular reports from the Internal Audit team on safety-related audits conducted both internally and by external consultants. The Committee spent time understanding the operational context underlying the outcomes, examined the potential for any broader implications and sought assurance that recommended actions had been implemented and properly embedded.

In the March 2024 meeting, the Committee reviewed and approved safety measures for the company-wide 2025/26 short-term incentive plan for recommendation to the Remuneration Committee. The Committee endorsed management's proposals to maintain current categories of measures for the final year of the regulatory period. These measures aim to ensure that no one is harmed during work for Cadent, address areas of safety risk within the organisation and align with the regulator's focus areas. Numerical targets and weightings were carefully considered to ensure the measures effectively drive year-on-year improvement in safety performance.

Looking ahead, the Committee will maintain its focus on the company's approach to process safety and the ongoing development of the existing disciplined framework. It will also maintain oversight of operational safety performance, placing emphasis on leading indicators, to ensure that opportunities to further enhance the current strong safety performance are fully utilised.

Role and composition of the Safety Committee

The role of the Safety Committee is to assist the Board by providing assurance regarding the scope, adequacy and effectiveness of the Company's management of safety.

The Committee reports to the Board on its proceedings and makes recommendations it deems appropriate on areas within its remit.

The Committee is appointed by the Board and comprises three Shareholder Nominated Directors and one Sufficiently Independent Director.

On behalf of the Safety Committee,

Mark Mathieson

Chair of the Safety Committee

19 June 2025

Meetings

During the year, four meetings were held.



May 2024

Main purpose

- Received a report on Safe + Well Conference and next steps.
- Received a report relating to the composition of personal protective equipment.
- Received a report on the introduction of the Tripod methodology for incident investigation.
- Received an update on gas escape management.
- Received a report on the HSE's annual major accident hazard pipeline review.
- Received an update on the annual liaison meeting with the HSE.
- Received an internal audit update.
- Reviewed a high-potential incident including associated actions and learnings.
- Reviewed the Safety, Health and Wellbeing Performance Pack.

Key additional attendees

Chair of the Board; Chief Executive Officer; Chief Operating Officer; General Counsel & Company Secretary; Director of Safety, Health and Environment; Director of Engineering; Head of Customer Centre Operations; Head of Internal Audit; and Safety Senior Adviser.



July 2024

Main purpose

- Reviewed progress against 2024/25 short-term incentive plan safety measures.
- Received a report on critical safety risk assessment and management.
- Received and discussed a report on Operator Licence obligations and compliance.
- Received an update on progress against the safe driving plan.
- Received a report on delivery of the Safe+Well Programme.
- Received an internal audit update.
- Reviewed a high-potential incident including associated actions and learnings.
- Received an update on fatigue management.
- Reviewed the Safety, Health and Wellbeing Performance Pack.

Key additional attendees

Chair of the Board; an investor nominated director; Chief Executive Officer; Chief Operating Officer; General Counsel & Company Secretary; Director of Safety, Health and Environment; Director of North London Network; Head of Commercial Fleet and Logistics; and Head of Internal Audit.



November 2024

Main purpose

- Received a presentation on the industry's Theft of Gas Campaign.
- Received an update on regulatory submissions relating to fatigue.
- Reviewed progress against 2024/25 short-term incentive plan safety measures.
- Reviewed and noted the Resilience Plan Summary 2024/25.
- Received and considered an update on North London Operating Model.
- Received a GSMR and Safety Case Update.
- Received a report on management of risks and controls associated with assets in multi-occupancy buildings.
- Received an internal audit update.
- Reviewed a high-potential incident including associated actions and learnings.
- Reviewed the Safety, Health and Wellbeing Performance Pack.

Key additional attendees

Chair of the Board; two investor nominated directors; Chief Executive Officer; Chief Operating Officer; General Counsel & Company Secretary; Director of Health, Safety and Environment; Director of Operational Performance; Head of Health & Safety and Energy Trans; and Head of Internal Audit.



March 2025

Main purpose

- Received an update from the Director of Health & Safety.
- Reviewed and approved the proposed short-term incentive plan safety targets for 2025/26 for recommendation to the Remuneration Committee.
- Reviewed progress against 2024/25 short-term incentive plan safety measures.
- Received a presentation on Cadent's High Reliability Organisation programme.
- Received an update on the Iron Mains Risk Reduction Programme.
- Reviewed an update on statutory health management and employee wellbeing.
- Received a presentation on technology enabling health and safety.
- Reviewed a Human Factors update.
- Reviewed a high-potential incident including associated actions and learnings.
- Received an update on internal safety audits and approved the planned safety audits for 2025/26.
- Reviewed the Safety, Health and Wellbeing Performance Pack.

Key additional attendees

Chair of the Board; one non-executive investor appointed director; Chief Executive Officer; Chief Operating Officer; General Counsel & Company Secretary; Director of Health & Safety; Director of Engineering; Director of East Midlands Network; Head of Internal Audit; Head of Engineering, Head of Occupational Health and Wellbeing; and a Product Manager.

Sustainability Committee report

Sustainability strategy for RIIO-3 and performance oversight have been priorities for the Committee.

Paul Smith

Chair of the Sustainability Committee



Key highlights of the year

Ensuring Cadent's Positive Social and Environmental Impact:

- Monitoring performance of commitments under Force for Good Framework.
- Reviewing employee engagement with Cadent's sustainability agenda.

Strategic guidance:

- Review and input to RIIO-3 strategy on methane emissions; Environmental Action Plan and Customer Vulnerability.
- Oversight of biomethane strategy.

Sustainable Operations:

- Review of progress with the Carbon Trust's Route to Net Zero actions.
- Reviewing delivery of RIIO-2 Environmental Action Plan.
- Reviewed ESG benchmarking outcomes.
- Review of commercial EV strategy.

Sustainability Internal audits:

- Received update on progress with sustainability-related audit actions.

Performance targets:

- Approved environmental-related performance targets for 2024/25 for recommendation to the Remuneration Committee.


I am delighted to present my first report as Chair of the Sustainability Committee, a role I assumed from Perry Noble in May 2024. I would like to acknowledge Perry's excellent leadership of the Committee, which was handed over in great shape.

My first action, in collaboration with the Committee, was to review our remit and scope to identify key areas for examination to support the Board. This helped shape the Committee's activities for the year.

An area of focus for the Committee was reviewing and providing feedback on relevant aspects of the RIIO-3 Business Plan. Three important areas were considered: customer vulnerability strategy; the Environmental Action Plan; and methane emissions. With regard to customer vulnerability, the Committee supported the continuation and built on the existing core areas of awareness and accessibility; carbon monoxide safety; affordability and fuel poverty; and services beyond the meter. It also explored the consequences of a reduced funding award and confirmed the existence of plans to mitigate impact on customers should this occur. In relation to the environmental action plan, the Committee provided oversight as the plan was developed; sought and received assurance that input from relevant stakeholder groups was incorporated; and endorsed the cost-benefit-focused approach to maximise impact derived from expenditure, while responding to all aspects to Ofgem's requirements. Regarding methane emissions, the Committee has consistently challenged the company to identify opportunities to reduce these. It was pleased, therefore, to endorse plans for

the integration of gas detection technologies and advanced data analytics in order to reduce carbon emissions as well as improving safety and reducing customer bills. The level of ambition applied to all aspects of the RIIO-3 Business Plan was also carefully considered and supported.

In addition to providing input relevant to the next regulatory period, the Committee maintained close oversight of sustainable performance in the current regulatory period. This included reviewing regular updates on performance against the current Environmental Action Plan. Focused reports were received on key elements of the plan, such as commercial EV fleet commitments and actions taken against the Carbon Trust's recommended long-term actions to advance from the 'taking action' tier to 'advancing' in their externally recognised global certification scheme. The Committee also received a detailed paper on Cadent's biomethane strategy providing foundational information to inform its ongoing support for the Board in this strategic area. Additionally, the Committee was kept updated on Cadent's standing in ESG benchmarking undertaken, acknowledging this as an important independent assessment of performance.

 You can read more about how performance is measured and the associated reports issued under the 'Metrics and targets' section of the Climate-related Financial Disclosures.

A significant focus area for the Committee is monitoring delivery against Cadent's commitments to make a positive and lasting difference to the communities in which it works. Particular emphasis was placed on delivery of Cadent's customer vulnerability strategy, in relation to which the Committee was also kept informed of the separate, complementary work undertaken by the Cadent Foundation. More generally, a performance dashboard detailing progress against the areas of easier warmth, fairer opportunities and greener society is provided at each meeting to inform oversight. The Committee was delighted to note that all measures were rated 'green' at the September 2024 meeting and maintained this status to year end, providing assurance to the Committee of operational effectiveness in these areas.

The Committee also considers Cadent's culture, recognising that employee engagement is crucial to the successful implementation of Cadent's sustainability agenda. The Committee endorsed the inclusion of questions relevant to this in the Safe+Well survey. It reviewed the positive survey results and management's insights on how these findings complemented pre-existing engagement measures and how they would shape future engagement plans to further extend reach across the workforce.

In the final meeting of the year, the Committee reviewed and approved sustainability-related performance measures for recommendation to the Remuneration Committee. The measures proposed for both the short-term and long-term incentive plans built on the actions and reductions achieved over the RIIO-2 period, continuing to drive performance in waste management and decreasing Scope 1 and 2 emissions. In approving the measures for recommendation, the Committee examined the positive engagement the waste reduction measures generated with operational colleagues. It also sought and received assurance that the company's efforts to reduce leakage, which fell outside the scope of these measures, were suitable and ongoing. Having approved the continuation of the existing categories of measures for the final year of the regulatory period, the Committee will explore the development of future sustainability measures once RIIO-3 outcomes are known.

Next year's priorities for the Committee are completion of delivery of RIIO-2 outputs and readiness to meet RIIO-3 commitments, including a continuing focus on driving down methane emissions, delivering against the customer vulnerability strategy and greater oversight of implementation of the biomethane strategy.

Role and composition of the Sustainability Committee

The role of the Sustainability Committee is to assist the Board by providing assurance regarding the scope, adequacy and effectiveness of the Company's sustainability strategy, and to oversee its efficient implementation.

The Committee reports to the Board on its proceedings following each meeting and makes recommendations it deems appropriate on areas within its remit.

The Committee is appointed by the Board and comprises five Shareholder Nominated Directors and two Sufficiently Independent Directors.

On behalf of the Sustainability Committee,

Paul Smith

Chair of the Sustainability Committee

19 June 2025

Sustainability Committee report continued

Meetings

During the year, three meetings were held.



May 2024

Main purpose

- Reviewed scope and role of Committee.
- Received an update on Cadent's certification and planned activities against the Carbon Trust's Route to Net Zero.
- Considered and fed back on Cadent's proposed RIIO-3 methane emissions strategy.
- Considered and fed back on Cadent's proposed RIIO-3 Environmental Action Plan.
- Reviewed the Force for Good Performance Dashboard.
- Noted issue of the Annual Sustainability Report.

Key additional attendees

Chair of the Board; Chief Executive Officer; Chief Operating Officer; Chief Financial Officer; General Counsel & Company Secretary; Director of Sustainability and Social Purpose; Director of Health, Safety and Environment; Head of Strategic Investment Planning; and a representative from Independent Audit (for purpose of Board effectiveness review).



September 2024

Main purpose

- Received an update on Cadent's customer vulnerability strategy progress and reviewed proposals for RIIO-3 strategy.
- Received an update on progress against the RIIO-2 Environmental Action Plan.
- Further reviewed and provided additional feedback on Cadent's proposed RIIO-3 Environmental Action Plan.
- Received a report on employee engagement with Cadent's sustainability agenda.
- Received an update on progress with Carbon Trust audit actions.
- Reviewed the Force for Good Performance Dashboard.
- Noted a paper presented to the Cadent Foundation Board on Cadent's Social Purpose Programme.

Key additional attendees

Chair of the Board; one non-executive investor appointed director; Chief Executive Officer; Interim Chief Financial Officer; Chief Operating Officer; Director of Health Safety & Environment; General Counsel & Company Secretary; and Director of Sustainability and Social Purpose.



January 2025

Main purpose

- Reviewed and approved the environmental targets for the 2024/25 financial year for recommendation to the Remuneration Committee.
- Received an update on progress against the RIIO-2 Environmental Action Plan.
- Received an overview of the RIIO-3 Environmental Action Plan submission.
- Considered a biomethane update paper.
- Reviewed a customer vulnerability update.
- Received a summary of ESG benchmarking outcomes.
- Received an overview of progress against the commercial EV strategy.
- Reviewed the Force for Good Performance Report.

Key additional attendees

Chair of the Board; Chief Executive Officer; Chief Operating Officer; Interim Chief Financial Officer; Chief Strategy & Regulation Officer; General Counsel & Company Secretary; Director of Safety and Sustainability; Director of Sustainability and Social Purpose; Head of Fleet and Logistics; and Environment Manager.

Audit and Risk Committee report

“The Committee reviewed and challenged the company’s risks and controls, focusing on resilience to external forces.”

Mark Braithwaite

Chair of the Audit & Risk Committee



Key highlights of the year

Financial reporting:

- Reviewed and recommended to the Board the approval of the 2023/24 annual accounts and financial statements.
- Reviewed and recommended to the Board the approval of the interim accounts and financial statements.
- Reviewed climate-related risks and opportunities and disclosures.

Internal control, risk and assurance:

- Oversaw performance and delivery against risk controls and assurance processes.
- Reviewed positive progress on managing asset-related risk and improving data management and quality.

Cyber security:

- Continuing focus on cyber controls and assurance; operational performance and transformation; and regulatory compliance.

Internal audit:

- Reviewed outcomes of internal audits completed in 2024/25 and approved the proposed Internal Audit plan for 2025/26.

External audit:

- Recommended the reappointment of the external auditors for 2024/25.
- Reviewed the external auditors report on the 2023/24 accounts and financial statements.
- Reviewed the external auditor's report on the 2024 interim accounts and financial statements.
- Reviewed the external audit report and plan on the 2024/25 accounts and financial statements.

During the year, the Committee challenged and reviewed the company's risk profile, which is increasingly interconnected and continues to be driven by the broader regulatory, macro-economic and geopolitical environment. Against this backdrop, the Committee has both challenged and supported management in relation to a broad range of topics including operational, resilience, financial, regulatory and cyber risks.

Regular Internal Audit reports relating to the status of the control environment have been reviewed by the Committee. The Committee has undertaken a deep dive of the risks, which are managed by the Executive Committee, to satisfy itself that mitigation plans are effective and constructively challenged, management proposed timescales to bring these risks back in line with the risk appetite. The Committee has also monitored the completion of improvement actions to ensure there is suitable management focus in addressing these areas.

Audit and Risk Committee report continued

The Committee's focus on cyber risk has been driven in response to increasing threats but also increases in regulatory expectations and scrutiny. This has been supplemented by a review of lessons learned from internal emergency exercises aimed at testing company resilience to vulnerabilities as well as from reviewing external incidents which, while not directly impacting Cadent, offered insight into potential threats; the CrowdStrike incident being an example of this. Through regular reports and discussion, the Committee has challenged management to ensure that mitigation plans are robust to the threats and continue to meet increasing regulator expectations. The Committee has also played a key role in monitoring and challenging the delivery of a substantial cyber improvement programme, which will improve controls across the business, incorporating both physical and digital assets.

The Committee oversaw a robust financial audit programme, where positive action and proactive steps taken by management allowed the accounts to be prepared to the high standard expected within an accelerated timescale.

Reports on assurance activity, progress and trends were reviewed and evaluated. (It was agreed that assurance of RIIO-3 submissions would be reported directly to the Board who retained oversight of the overall process.) The company's network asset data risks and associated improvement project were also considered to ascertain management's progress in improving controls in this critical area.

The Committee has continued to monitor developments in corporate governance. This has included endorsing the adoption of certain enhancements proposed by the Financial Reporting Council, which are voluntary for Cadent, to further enhance existing good practice. In addition, the Committee has overseen steps taken by the Internal Audit Team to ensure adherence to the newly published Institute of Internal Audit Global standards. Furthermore, the Committee has also reviewed the preparatory steps taken by management to ensure compliance with the new corporate criminal offence of failure to prevent fraud.

The Committee has adopted a proactive, preventative mindset to drive the prevention of recurring issues by focusing on lessons learned and thematic root cause analysis across the second and third lines of assurance. This has informed the strategic focus of the Internal Audit Team's reviews for the coming year.

Role and composition of the Audit & Risk Committee

The Audit & Risk Committee plays an important governance role on behalf of the Board, dedicated to giving assurance to the Board that internal control and risk management systems are reliable and that Cadent reports appropriately on financial performance, including consideration of climate-related risk.

The Committee is appointed by the Board, with a minimum requirement of three Non-Executive Directors, two of whom shall be Investor Nominated Non-Executive Directors, and one member must be a Sufficiently Independent Director, bringing independent challenge. Paul Smith performed this latter role. Key to the successful operation of the Committee is the requirement that one member is a financial expert with recent and relevant experience and Mark Braithwaite, as Chair, brings this experience to the Committee.

For the remaining key judgements and estimates, the Committee was satisfied with the assumptions made and the accounting treatments adopted. Committee membership can be found on pages 69 to 73.

Mark Braithwaite

Chair of the Audit & Risk Committee

19 June 2025

Meetings

The Committee is required to meet and make recommendations to the Board, before the Board is asked to approve interim financial statements and the annual report and accounts. During the year, five meetings were held.



May 2024

Main purpose

- **Cyber security update:** received and considered update.
- **Risk and Assurance Report:** reviewed the Executive Risk Register and associated controls and actions to manage risk and the Central Assurance Team's assurance report for the six-month period to 31 March 2024.
- **Internal audit:** reviewed the internal audit activity update.
- **Ethics and business conduct:** reviewed ethics and business conduct reporting and case management for the six-month period to March 2024.
- **Governance:** approved sign-off process for 2023/24 Short-term Incentive Plan and Long Term Incentive Plan.

Key additional attendees

Chair of the Board; one non-executive investor nominated director; Chief Executive Officer; Chief Financial Officer; Chief Operating Officer; Chief Information Officer; General Counsel & Company Secretary; Director of Digital Risk and Security; Head of Internal Audit; Head of Risk & Assurance; and a representative from Independent Audit (for purpose of Board effectiveness review).



June 2024

Main purpose

- **External audit:** reviewed Deloitte's final audit report, on their audit of the company for year ending 31 March 2024. Satisfied itself of the auditor's independence and recommended the reappointment of Deloitte as auditors for 2024/25 to the relevant Boards.
- **Financial statements:** reviewed and recommended to the Board for approval the 2023/24 annual accounts and financial statements, including the adoption of the going concern assumption.

Key additional attendees

Chair of the Board, three non-executive investor nominated directors: Chief Executive Officer; Chief Financial Officer; General Counsel & Company Secretary; Director of Finance; and External Auditors.



July 2024

Main purpose

- **Cyber security update:** received and considered update.
- **Internal audit update:** reviewed the internal audit team's annual review and activity update for the period to June 2024.

Key additional attendees

Chair of the Board; one non-executive investor nominated director; Chief Executive Officer; Chief Financial Officer; Chief Operating Officer; Chief Information Officer; General Counsel & Company Secretary; Director of Finance; Director of Digital Risk & Security; and Head of Internal Audit.



November 2024

Main purpose

- **Cyber update:** received report on emergency exercise insights and liaison with regulator.
- **Internal audit update:** reviewed the internal audit activity report, internal audit standards assessment, and audit plan update.
- **Risk and Assurance Report:** reviewed a report for the pre-ceeding six-month period covering the Executive risk register and progress against associated actions to manage risk; and the Central Assurance Team's assurance report.
- **Risk and Assurance Process review:** considered the effectiveness of risk management and assurance processes.
- **Business conduct:** reviewed ethics and business conduct reporting and case management for the six-month period to October 2024.
- **Asset Data Improvement update:** received an update on positive progress made against the Asset Information Strategy.
- **External audit:** Considered the report on the 2024 interim accounts and financial statements and the audit interim review report for the six months ended 30 September 2024; and reviewed external auditor's 2024/25 audit plan.
- **Financial statements:** Reviewed and recommended the six months ended 30 September 2024 interim accounts and financial statements to the Board for approval.

Key additional attendees

Chair of the Board; one non-executive investor nominated director; Chief Executive Officer; Interim Chief Financial Officer; Chief Operating Officer; General Counsel & Company Secretary; Director of Finance; Director of Operational Performance; Head of Internal Audit; Head of Risk & Assurance; and External Auditors.



March 2025

Main purpose

- **Internal audit:** Reviewed progress against the 2024/25 internal audit plan and approved the proposed 2025/26 internal audit plan and Internal Audit Charter.
- **Financial Reporting Council (FRC) correspondence:** noted the FRC's positive routine review of the Group holding company's accounts.
- **Corporate governance update:** received an update presentation from external auditors.
- **Audit Plan update** – received an update on the 2024/25 audit plan.
- **Significant accounting matters:** reviewed significant accounting matters and areas of judgement.
- **Auditor Independence review:** received report assessing external auditor independence.
- **Non-audit services policy:** Approved the non-audit services policy for the year.

Key additional attendees

Chair of the Board; Chief Executive Officer; interim Chief Financial Officer; Chief Operating Officer; General Counsel & Company Secretary; Group Financial Controller; Head of Internal Audit and External Auditors.

Audit and Risk Committee report continued

Financial reporting and summary of significant issues reviewed

The Committee's review of the financial statements included reviews of the accounting policies, significant financial reporting issues and key judgements and estimates underpinning the financial statements, as disclosed within notes 1 and 2 of the financial statements on pages 117 to 184. The significant financial reporting issues considered in relation to the accounts are detailed in the table below.

Areas of focus	Conclusions
Going concern basis for the financial statements	The Committee reviewed the evidence and assumptions underpinning the use of the going concern basis in preparing the accounts and in making the statements in the Directors Report on going concern, particularly in light of the recent macro-economic and geopolitical volatility impacting inflation and interest rates. The assessment involved consideration of the extent of any operational disruption, inflationary pressures, demand for the company's services, the extent of any contractual obligations due or anticipated within one year, breach of financial covenants and unexpected regulatory action, any potential liquidity and working capital shortfalls and access to existing sources of capital. Consideration was also given to the FRC publication "Guidance on the Going Concern Basis of Accounting and Related Reporting, including Solvency and Liquidity Risks" to ensure that the best practice recommendations were incorporated into the assessment. On the basis of their assessment, the Committee was satisfied that it was appropriate to recommend to the Board that the Group and company continue to adopt the going concern assumption in its financial statements.
Climate change	The Committee considered the increased focus upon climate-related risks and disclosures, particularly those required by the Task Force on Climate-related Financial Disclosures (TCFD) and the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. It was noted that this continued to be an important area of focus for the business, and the business was taking measures such as replacing cast iron pipes, making the network hydrogen-ready and reducing leakage, all of which contributed to an improved future environment and increased safety. The business was also working to develop a pathway to the transition to green gases that makes sense economically. The Committee challenged management to include appropriate disclosures for climate-related risks in these financial statements that are compliant with the requirements and for consistency in disclosure across the annual report and accounts. The Committee also reviewed management's judgement regarding useful economic lives of its assets and agreed with management's conclusion that our network will continue to be used to transport gas (methane, hydrogen, other alternatives such as biomethane or a combination of these) beyond 2050. It was agreed that further sensitivity disclosures would be included to address any risk to asset lives arising from the Sector Specific Methodology Decision (SSMD).
Pension valuation and assumptions	The Committee considered whether the recognition of the surplus was appropriate following consideration of legal and actuarial advice and the guidance in accounting standards. The Committee questioned the key assumptions adopted in the calculation of the surplus, particularly in light of the volatility seen in the year, and concluded the assumptions were appropriate. Particular focus was given to the mortality assumptions applied including assumptions over the core base tables and future improvements in mortality.
Adjusting items	The Committee considered the application of the Group's accounting policy during the year, and reviewed the items included within adjusting items to challenge whether they were appropriate to be included. The Committee confirmed that management's classification of adjusting items associated with restructuring activities and gains or losses recorded in the income statement arising from changes in the fair value of derivative financial instruments to the extent that hedge accounting is not achieved or is not effective, was appropriate and in line with the company's policy.
Fixed assets	The Committee concluded that management had appropriately considered the useful lives and carrying values of property, plant and equipment, and intangible assets, including reviewing any contractual arrangements and operational requirements relating to particular assets. This review included consideration of any impact that climate change may have on the future use of our network and any proposals arising from Ofgem's SSMD. They also considered management's review of classification between capex and opex, given that this has been raised as a significant audit risk by the external auditors.
IT controls	The Committee reviewed the operation of Cadent's IT controls following the significant system changes, which have taken place in the past, noted the progress that had been made and challenged management to continue the progress on IT controls.
Derivatives	The Group uses a number of complex derivative financial instruments including inflation-linked (both RPI and CPI) swaps, which are included in the balance sheet at fair value. In addition, the Group has entered into transactions in the period including cross currency swaps on new debt. Historically, debt raised in foreign currencies has been swapped to a fixed GBP rate on issue, but more recently has been swapped from fixed to floating and then progressively swapped back to fixed in order to better match financing costs to regulatory allowances. This introduces an additional degree of complexity to the accounting with the need to recognise both cash flow and fair value hedge relationships. The Committee considered the accounting for derivatives given the complexity of the valuations and following the introduction of fair value hedge relationships in the year.

Nomination Committee report

“Implementing succession planning strategy has been a key focus for the Committee.”

Sir Adrian Montague CBE
Chair



Key highlights of the year

- Commenced search for successor to the Chair of the Board.
- Recommended appointment of Chief Financial Officer.
- Recommended Executive appointments.
- Considered accountabilities, performance and succession planning at Executive level.

This year, the Committee's activities included implementing the succession strategy established in the previous year, involving commencing the search for a successor for the role of Chair of the Board; evaluating and recommending an Executive Director appointment to the Board; considering and recommending other Executive appointments; and maintaining oversight of talent and succession planning at Executive level. These actions are essential to ensuring effective Board succession and that the appropriate leadership is in place in readiness to address the challenges of the new regulatory period and to continue advancing the company's net zero strategy.

A key area of focus for the Committee was initiating the search for my successor as Chair of the Board. Specialist external consultants assisted in preparing a comprehensive role specification, incorporating input from all Board members, and identifying potential candidates. The process is advancing well, with the Committee expecting to recommend an appointment to the Board by Summer 2025.

The Committee considered a number of Executive appointments during the course of the year, which aimed to further strengthen Steve Fraser's team in readiness for RIIO-3. Based on their observed contributions to the business, the Committee was pleased to recommend Dave Garner as Director of Health and Safety and Bianca Cooper as Transformation and Programme Director. These appointments were approved and took effect in April 2024 and January 2025 respectively. Then, in March 2025, the Committee was pleased to recommend to the Board the appointment of Gary Baron as Chief Financial Officer (CFO) and Executive Director. This recommendation followed Gary's successful tenure as interim CFO after the departure of former CFO Tony Bickerstaff in September 2024. In making the recommendation, the Committee members recognised Gary's strong operational financial management and assured contribution to long-term strategy, including net zero ambitions, during his interim period in role. They unanimously agreed he has the skills required as CFO for the upcoming regulatory period and beyond. The Board approved the Committee's recommendation, with Gary's appointment effective from 1 April 2025.

Nomination Committee report continued

In addition to the individual appointments considered, the Committee also received an update on revised structures and accountabilities of the Executive Team as well as the annual in-depth overview of performance and succession planning. This instilled confidence on the suitability and experience of the business leadership.

In the coming year, the Committee will conclude the process for appointment of a Chair successor and will maintain its overview of senior leadership succession planning to support preparedness for the upcoming new regulatory period.

Role and composition of the Nomination Committee

The Nomination Committee is responsible for reviewing the long and short-term strategy and plans for succession of all Executive Directors, members of the Executive Committee, the Chair and the Sufficiently Independent Directors, in conjunction with our investors. In doing so, the Committee keeps under review the balance and diversity of skills, knowledge, experience of Board members and those in these roles. The Committee also reviews and provides guidance on the company's Talent and Succession Strategy, including reviewing plans relating to roles reporting into the Executive Team and their direct reports.

The Committee has three categories of business, upon which it makes recommendations to the Board. Firstly, in respect of potential candidates to fill Executive and Sufficiently Independent Director roles as and when they arise, or to fill strategic appointment requirements; secondly in relation to the terms of the proposed service contracts of Executive Directors or Sufficiently Independent

Directors, including their initial remuneration package (in line with existing approved remuneration policies and in conjunction with the Remuneration Committee); and thirdly on any matters relating to the continuation in office of any Executive Director or Sufficiently Independent Director (including the suspension or termination of service and remuneration reviews in the case of Sufficiently Independent Directors). In conducting its business, the Committee will take soundings from the Chief Executive Officer and seek guidance from the Chief People Officer, General Counsel & Company Secretary, and external advisers and consultants, as appropriate.

The Committee is made up of a minimum of three Non-Executive Directors, one of whom is required to be a Sufficiently Independent Director, two of whom shall be Investor Nominated Non-Executive Directors, and none of whom are Executive Directors. The Committee's membership can be found on pages 69 to 73.

Meetings

During the year, five meetings were held.

The company's commitment to inclusion and diversity can be found in the Strategic report on page 27, under the heading Equity, diversity and inclusion.

On behalf of the Nomination Committee,

Sir Adrian Montague CBE
Chair of the Nomination Committee

19 June 2025

Directors' Remuneration Committee report

"The Committee has consistently ensured that remuneration is linked to clear evidence of performance outcomes, in alignment with Cadent's business strategy."

Paul Smith

Chair of the Remuneration Committee



Key activities during the year

Executive Incentives Review:

- Reviewed the Short-Term Incentive Plan (STIP) and the Long-Term Incentive Plan (LTIP).

Salary review:

- Reviewed Executive Directors' salaries in the context of delivery of a high-quality service for customers, the external market and the interests of stakeholders.

Incentive plans:

- Reviewed 2024/25 Short-Term Incentive Plan (STIP) and 2022 Long-Term Incentive Plan (LTIP) outcomes.
- Selected performance measures and set targets for 2025/26 STIP and 2025 LTIP, with a focus on delivering strong performance for all stakeholders.
- Considered the structure of the 2025 LTIP award.

Introduction

As Chair of the Remuneration Committee, I am pleased to provide an overview of the remuneration arrangements for the Executive Directors and Cadent's workforce for the financial year ending 31 March 2025.

This year, Cadent has demonstrated exceptional performance in operational delivery, safety, sustainability, and customer service. The Remuneration Committee has diligently focused on structuring remuneration arrangements that incentivise the achievement of outcomes aligned with the interests of all Cadent's stakeholders, including customers, regulators, shareholders, and the broader workforce.

- Customers:** This includes promoting efficiency and delivering value for money to customers. Providing excellent customer service remains a priority for Cadent, resulting in consistent improvements in customer satisfaction scores year on year.

Cadent's commitment to supporting customers in vulnerable situations has reached millions of households. The initiatives include energy efficiency advice, income management support, and tailored in-home interventions. The Centre for Warmth programme partners with community centres to provide services such as benefit and debt support, energy efficiency advice and cooking classes. Cadent has supported nearly 500,000 individuals directly and provided high-level advice approximately 19 million times. Over the last five years the Cadent Foundation has awarded more than £25m to support energy efficiency advice, income management and tailored in-home interventions. In the last year, the Foundation has helped over 31,000 people stay safe, warm and independent in their homes.

- Communities:** Cadent gives all employees two paid days a year to volunteer for the good causes that align to the social impact framework of making life easier, fairer, and greener. 60% of employees have given back to the communities in 2024/25 through volunteering. Additionally, the Cadent Foundation Community Fund gives colleagues the opportunity to nominate and fundraise for charities important to their local community.

Directors' Remuneration Committee report continued

- **Domestic Gas Consumers:** In 2024/25 a typical domestic customer paid £144 towards the cost of Cadent's services, down from £175 at the start of RIIO-1 adjusting for the impact of inflation, (further details can be found on page 3). This reduction in cost has been achieved through an increased focus on innovation and efficiency improvements.
- **Employees:** Cadent employees consistently ensure that commitments to customers are met. Cadent is dedicated to paying all employees at least the voluntary Real Living Wage and providing a comprehensive range of benefits to support their financial, physical, and mental wellbeing. This includes access to financial and wellbeing resources, gym memberships to promote an active and healthy lifestyle, and 24-hour access to a Virtual GP for employees and their immediate family members.

Incentive outcomes for the year 2024/25

The Committee has taken the Company's continued strong operational performance into account, along with delivery against longer-term goals when determining appropriate targets and remuneration outcomes.

The Remuneration Committee exercises its judgement when selecting measures, setting targets and in determining the outcomes of the STIP and LTIP, and in exceptional circumstances will follow a Discretionary Framework to ensure consistency, fairness and transparency in decision making.

While no adjustments have been made to incentive outcomes, the Committee has noted the strong management of incidents, including Muswell Hill, and positive feedback received from the local community. This recognition underscores Cadent's commitment to maintaining a secure and resilient energy network that promptly addresses emergency situations, while ensuring customer satisfaction.

Short-Term Incentive Plan

Performance under the STIP is evaluated based on a scorecard of metrics, including efficient and exceptional service delivery for customers, maintaining the safety, security, and resilience of the business, achieving economic targets, and progressing in the decarbonisation of operations.

The company has demonstrated strong performance across all measures. High customer satisfaction scores have been achieved across Emergency Response Services, Planned Work and Connections Services, with complaints handling reflecting industry-leading closure rates. Cadent's dedicated approach to ensuring the safety and wellbeing of its employees has resulted in excellent safety performance.

Strong performance has also been seen against a range of measures set by industry regulator, Ofgem, with Cadent consistently meeting emergency service standards, providing a secure, reliable and safe system that keeps people warm, while protecting the planet. The mains replacement programme is progressing as planned, with the upgrade and replacement of iron mains with plastic, longer-lasting pipes. This ensures that Cadent will continue to provide communities with a safe and reliable gas supply, while investing in cleaner and greener alternatives for the future.

The scorecard outcomes, together with the Remuneration Committee's assessment of individual performance elements, resulted in a payout equal to 95.74%, 91.74% and 95.74% of the maximum STIP opportunity for Steve Fraser, Howard Forster and Anthony Bickerstaff (equivalent to £1,048,397, £316,413 and £315,724 respectively).

The Committee is satisfied that the outcome is appropriate and fair, being between target and maximum given the strong performance during the year.

Further details of the STIP are provided on pages 96 onwards.

Long-Term Incentive Plan

The 2022-25 LTIP award granted in 2022/23 is due to vest in 2025/26 based on performance during the three years to 31 March 2025.

Performance under the LTIP was assessed by the Committee against the scorecard of measures. Stretch performance has been achieved in relation to the Customer Strategy, supporting customers living in fuel poverty, through delivery of the Fuel Poor Network Extension scheme, providing energy and income advice to 1.65 million customers and directly supporting over 650,000 customers with one-to-one consultations. The implementation of the environmental plan has achieved remarkable success in the Company's carbon reduction efforts. Additionally, there has been significant progress in ensuring a resilient network, minimising unplanned interruptions to consumers' gas supply.

Strong progress has been made on the future energy transition towards net zero. Cadent has assumed a leading position in the energy sector, striving to further the United Kingdom's net zero ambitions. The management's initiatives focus on placing consumers at the forefront of the energy transition and include advancements in several regional hydrogen projects aimed at the decarbonising industry. Biomethane connections continue to be an important part of the strategy to support decarbonisation.

Delivery against the strategy and wider stakeholder objectives within the LTIP has resulted in a payout equal to 72% of the maximum LTIP opportunity for Steve Fraser, Howard Forster and Anthony Bickerstaff. (equivalent to £1,219,819, £437,781 and £457,297 respectively).

Further details of the LTIP are provided on pages 96 onwards.

Executive Director changes'

Anthony Bickerstaff stepped down from the Board as Chief Financial Officer during the year. Gary Baron has been appointed to the Board as Chief Financial Officer from 1 April 2025 and details of his remuneration will be included in the Annual report and accounts 2025/26.

Annual salary review and policy application for 2025/26

This year, the Committee carried out its annual review of salaries of the Executive Directors and considered a range of external factors including market data on salary increases and inflation data, along with considerations of the wider workforce. In addition to reviewing the internal differentials and external competitiveness, the Committee looked at the performance of the company and the tenure of the Executive Directors.

Activities of the Committee 2024/25

The Committee held four scheduled meetings during the year. Activities of the Committee during the year included approving the outcomes of the 2024/25 STIP awards, salary reviews for the Executive Directors and setting targets for the 2025/26 STIP and 2025 LTIP.

Disclosure enhancements

As a private limited company, Cadent is not required to produce a Directors' Remuneration Report. However, the Committee aims to provide transparency and acknowledges evolving best practices concerning detailed disclosure. Therefore, the Committee believes that continuing to provide a Directors' Remuneration Report is appropriate and that the contents of the report will be informative to our stakeholders.

Conclusion

For the 2024/25 financial year, the Committee believes that it has operated remuneration as intended under the policy and that it has appropriately and reasonably exercised its judgement as outlined above.

Paul Smith

Chair of the Remuneration Committee

19 June 2025

Directors’ remuneration policy

The following section provides details of our Directors’ remuneration policy, which we intend to continue to apply over the course of the next year. The policy is reviewed on an ongoing basis and is approved by the Remuneration Committee and the Board.

There may be circumstances from time to time when the Committee will consider it appropriate to apply some judgement and exercise discretion in respect of this policy. This ability to apply discretion is highlighted where relevant in the policy, and the use of discretion will always be in the spirit of the policy.

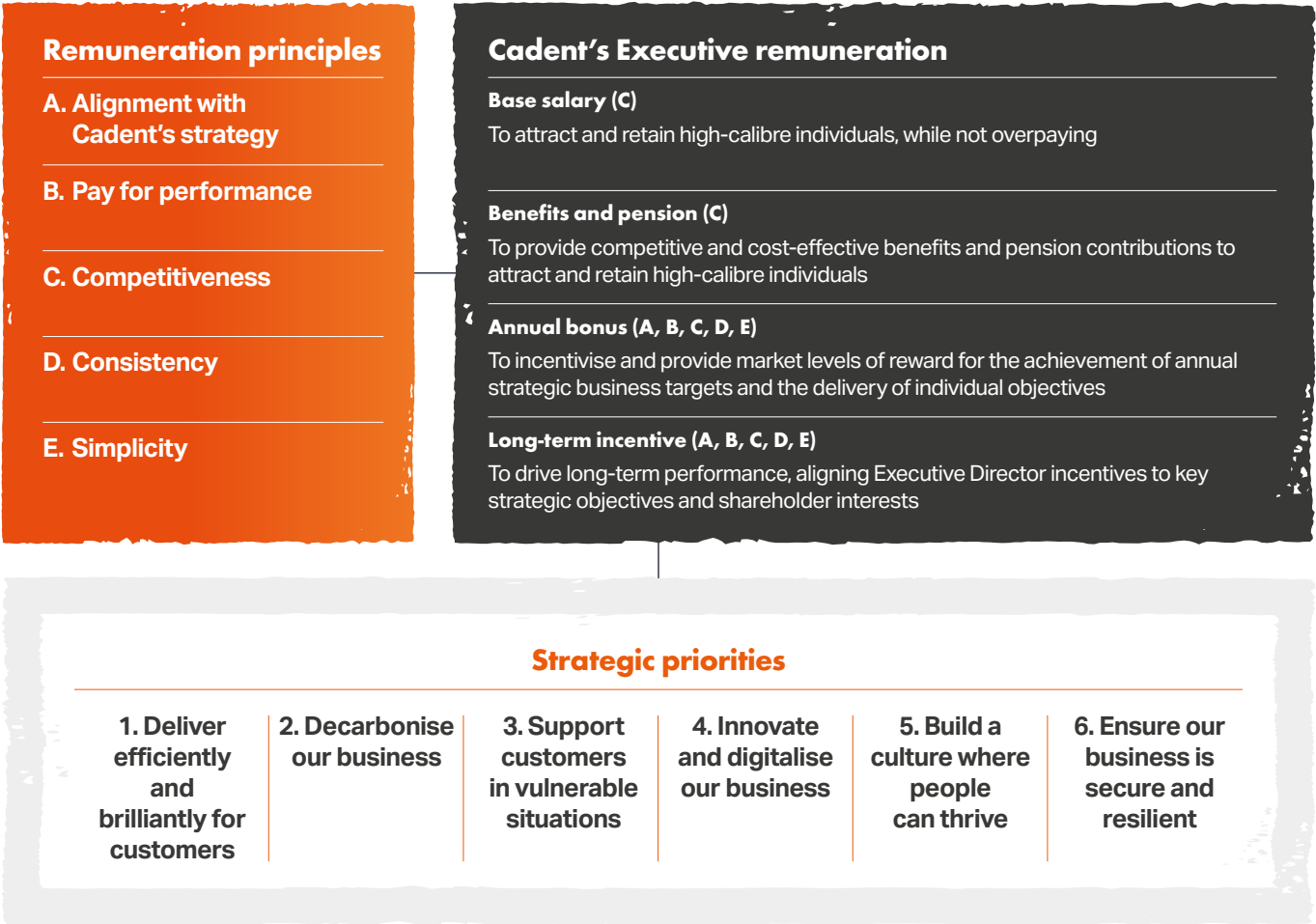
Our peer groups

The Committee reviews its remuneration practices against appropriate peer groups annually to make sure we remain competitive in the relevant markets. The primary focus for reward market comparisons is general industry and utilities sector companies with similar levels of revenue. These peer groups are considered appropriate for a complex regulated business of our size.

Reward principles

The following principles govern Cadent’s approach to remuneration policy for our Executive Directors, and following review, are unchanged since last year:

- **Alignment with Cadent’s strategy:** the Executive Directors’ remuneration package should be strongly linked to the achievement of stretch targets that are seen as indicators of the execution of Cadent’s strategy in the short and long term. Targets should be set with an emphasis on providing long-term and sustainable positive outcomes for our stakeholders, particularly our customers.
- **Pay for performance:** most of the Executive Directors’ remuneration should be linked directly to Cadent’s performance through variable pay schemes. The structures should incentivise both collective and individual performance, reinforcing the skills, behaviours and values, which underpin our future success.
- **Competitiveness:** remuneration levels should be determined by reference internally against Cadent senior management and externally against companies of comparable size, complexity, and scope to enable Cadent to attract and retain key talent.
- **Consistency:** the remuneration structure for Executive Directors should generally be consistent with the remuneration structure for Cadent’s senior management, while retaining flexibility to react to necessary changes within the organisation and externally. This consistency builds a culture of alignment with Cadent’s purpose and a common approach to sharing in Cadent’s success.
- **Simplicity:** remuneration arrangements should be simple, clear, valued, and easy to understand (both by participants and external stakeholders in relevant remuneration disclosures). This includes the structure and associated performance targets.



Directors' remuneration policy continued

Salary

(to attract, motivate and retain high-calibre individuals, while not overpaying)

Operation	Maximum levels	Performance metrics, weighting and time period applicable
Salaries are targeted broadly at mid-market level and reviewed annually taking into account: <ul style="list-style-type: none"> business and individual contribution; the individual's skills and experience; scope of the role, including any changes in responsibility; and market data in the relevant comparator group. 	No prescribed maximum increase. Any increases are generally aligned to salary increases received by other company employees and to market movement. Increases in excess of this may be made at the Committee's discretion in circumstances such as a significant change in responsibility, progression in the role and alignment to market level.	Not applicable.

Benefits

(to provide competitive and cost-effective benefits to attract and retain high-calibre individuals)

Operation	Maximum levels	Performance metrics, weighting and time period applicable
Benefits provided include: <ul style="list-style-type: none"> company car or a cash alternative; private medical insurance; annual health screening; life assurance. personal accident insurance; and opportunity to purchase additional benefits under flexible benefits schemes available to all employees. 	Benefits have no predetermined maximum, as the cost of providing these varies from year to year.	Not applicable.

Pension

(to reward sustained contribution and assist attraction and retention)

Operation	Maximum levels	Performance metrics, weighting and time period applicable
Executive Directors are eligible to participate in a defined contribution (DC) scheme and will receive pension contributions of up to 12% of salary for the defined contribution scheme or cash in lieu. DC benefits (or equivalent cash in lieu of) are equal to the pension available to the workforce (currently up to 12% of salary). In line with market practice, pensionable pay for Executive Directors includes salary only.	Steve Fraser and Howard Forster receive cash in lieu of pension equal to 12% of salary. Life assurance provision of eight times pensionable salary is provided on death in service. Group income protection is also provided.	Not applicable.

Directors' remuneration policy continued

Short-Term Incentive Plan (STIP)

(to incentivise and reward the achievement of strategic business targets and the delivery of annual individual objectives)

Operation	Maximum levels	Performance metrics, weighting and time period applicable
<p>Performance metrics and targets are agreed at the start of each financial year and are aligned with strategic business priorities. Targets are set with reference to the business plan. Awards are paid in cash.</p> <p>Awards are subject to clawback and malus provisions.*</p>	<p>The maximum award for the Chief Executive Officer is 150% of salary.</p> <p>The maximum award for the Chief Financial Officer and the Chief Operating Officer is 80% of salary.</p>	<p>A majority of the STIP is based on performance against corporate measures (both financial and non-financial), with the remainder based on performance against individual objectives. Individual objectives are role specific.</p> <p>The Committee sets measures that it considers appropriate in each financial year and has discretion to increase or reduce the amount payable, taking account of overall business performance, significant safety or customer service standard incidents, environmental and governance issues.</p> <p>The payout levels at threshold, target and stretch performance levels are 0%, 50% and 100% of the maximum award, respectively.</p>

Long-Term Incentive Plan (LTIP)

(to drive long-term performance, aligning Executive Director incentives to key strategic objectives and shareholder interests)

Operation	Maximum levels	Performance metrics, weighting and time period applicable
<p>Performance metrics and targets are agreed at the start of each financial year and are aligned with strategic business priorities over a three-year period, reflecting the creation of long-term value within the business. Targets are set with reference to the business plan. Awards are paid in cash.</p> <p>Awards are subject to clawback and malus provisions.*</p>	<p>The maximum award for the Chief Executive Officer is 250% of salary.</p> <p>The maximum award for the Chief Financial Officer and the Chief Operating Officer is 160% of salary.</p>	<p>The LTIP is based on performance against corporate measures (both financial and non-financial), set over a three-year period.</p> <p>The Committee sets measures that it considers appropriate in each financial year and has discretion to increase or reduce the amount payable, taking account of overall business performance, significant safety or customer service standard incidents, environmental and governance issues.</p> <p>The payout levels at threshold, target and stretch performance levels are 0%, 50% and 100% of the maximum award, respectively.</p>

* The company may reduce performance-related remuneration prior to payment ("malus") or require repayment of payments already made to an individual, ("clawback"). In the case of clawback, this may be dealt with by way of deduction from any sums due in the future (including salary and future cash bonus). Circumstances under which malus or clawback provisions may be enacted include if a material misstatement of the Company's financial results has occurred which has resulted in an overpayment (irrespective of fault) or if a Director engages in misconduct in the period between the award date and payment date.

Fees for Chair and other NEDs (to attract NEDs who have a broad range of experience and skills to oversee the implementation of our strategy).

NEDs, other than the Chair and Sufficiently Independent Directors (SIDs), receive no fees. No Shareholder Nominated Directors are separately remunerated by the company in their capacity as Directors of the company. The fees of the Chair, in accordance with the Committees Terms of Reference, are decided by the Remuneration Committee. To avoid a situation in which any individual is involved with decisions on their own remuneration, the fees of the SIDs are decided by the Board excluding the SIDs.

NEDs do not participate in incentive, pension or benefit plans. However, they are eligible for reimbursement for all company-related expenses. In instances where these costs are treated by HMRC as taxable benefits, the company also meets the associated tax cost to the Non-Executive Directors through a PAYE settlement agreement with HMRC.

NEDs, including the Chair, do not have employment contracts. The SIDs' appointments are subject to Letters of Appointment. There is no provision for termination payments.

Differences in remuneration policy for all employees

The remuneration policy for the Executive Directors is designed with regard to the policy for employees across the company as a whole. However, there are some differences in the structure of remuneration policy for the senior executives. In general, these differences arise from the development of remuneration arrangements that are market competitive for our various employee categories. They also reflect the fact that, in the case of the Executive Directors, a greater emphasis tends to be placed on performance-related pay in the market, in particular long-term performance-related pay. This reflects the longer-term nature of the business, in particular in relation to outcomes over the RIIO regulatory periods.

All employees are entitled to base salary, benefits, and pension contributions. Many employees are eligible for a STIP award based on company and individual performance. Eligibility and the maximum opportunity available is based on market practice for the employee's job band. Field force employees receive a monthly performance bonus based on team performance.

In addition, a total of 31 senior management employees are eligible for the 2022–2025 LTIP scheme.

Consideration of remuneration policy elsewhere in the company

In setting the remuneration policy, the Committee considers the remuneration packages offered to employees across the company. As a point of principle, salaries, benefits, pensions and other elements of remuneration are assessed regularly to ensure they remain competitive in the markets in which we operate. In undertaking such assessment, our aim is to be at mid-market level for all job bands, including those that are subject to union negotiation.

As would be expected, we have differences in pay and benefits across the business, which reflect individual responsibility and there are elements of remuneration policy, which apply to all, for example, flexible benefits.

When considering annual salary increases, the Committee reviews the proposals for salary increases for the employee population generally, as it does for any other changes to remuneration being considered.

Policy on recruitment remuneration

Salaries for new Executive Directors appointed to the Board will be set in accordance with the terms of the remuneration policy at the time of appointment, and in particular, will take account of the appointee's skills and experience as well as the scope and market rate for the role.

Where appropriate, salaries may be set below market level initially, with the Committee retaining discretion to award increases in salary in excess of those of the wider workforce and inflation to bring salary to a market level over time, where this is justified by individual and company performance.

Benefits consistent with those offered to other Executive Directors under the remuneration policy at the time of appointment will be offered, taking account of local market practice. The Committee may also agree that the company will meet certain costs associated with the recruitment, for example legal fees, and the Committee may agree to meet certain relocation expenses or provide tax equalisation as appropriate.

Pensions for new Executive Directors appointed to the Board will be set in accordance with the terms of the remuneration policy at the time of appointment.

Ongoing incentive pay (STIP and LTIP) for new Executive Directors will be in accordance with the remuneration policy at the time of appointment.

For an externally appointed Executive Director, the company may offer additional cash payments that it considers necessary to buy out current entitlements from the former employer that will be lost on recruitment to Cadent. Any such arrangements would reflect the delivery mechanisms, time horizons and levels of conditionality of the remuneration lost. In order to facilitate buy-out arrangements as described above, existing incentive arrangements will be used to the extent possible.

In exceptional circumstances, the Committee may use discretion to grant an additional short or long-term incentive award on joining, where it believes such an award is necessary to secure the recruitment of an Executive Director.

For an internally appointed Executive Director, any outstanding variable pay element awarded in respect of the prior role will continue on its original terms.

Fees for a new Chair or Non-Executive Director will be set in line with the policy at the time of appointment.

Directors’ remuneration policy continued

Service contracts and policy on payment for loss of office

Executive Directors have service contracts, which are terminable by either party, normally with six months’ notice.

The contracts contain provisions for payment in lieu of notice, at the sole and absolute discretion of the company. Such contractual payments are limited to payment of salary only for the remainder of the notice period. Such payments would be phased on a monthly basis, over a period not greater than six months, and the Executive Director would be expected to mitigate any losses where employment is taken up during the notice period.

In the event of a Director being made redundant, a minimum of statutory compensation would apply and the relevant pension plan rules may result in the early payment of an unreduced pension. For the avoidance of doubt, such compensation would be made in addition to any contractual payments.

On termination of employment, no STIP or LTIP award would generally be payable. However, the Committee has the discretion to deem an individual to be a ‘good leaver’, in which case a STIP or LTIP award would be payable on the termination date, based on performance during the financial year up to termination. Examples of circumstances in which a Director would be treated as a ‘good leaver’ include redundancy, retirement, illness, injury, disability and death. Any STIP or LTIP award would be prorated and would be subject to performance achieved against the objectives for the scheme performance period.

Sufficiently Independent Directors’ (including the Chair) appointments are subject to three months’ notice by either party. No compensation is payable to SIDs if they are required to stand down.

External appointments

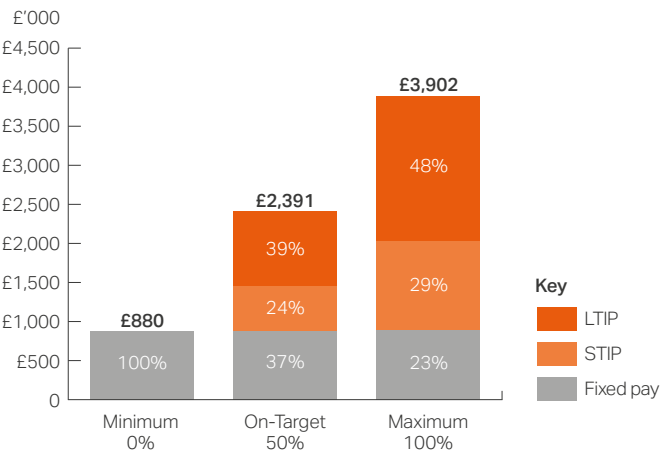
Executive Directors may, with the approval of the Board, accept external appointments as Non-Executive Directors of other companies and retain any fees received for the appointment. Experience as a Board member of another company is considered to be valuable personal development, that in turn is of benefit to the company.

Total remuneration opportunity

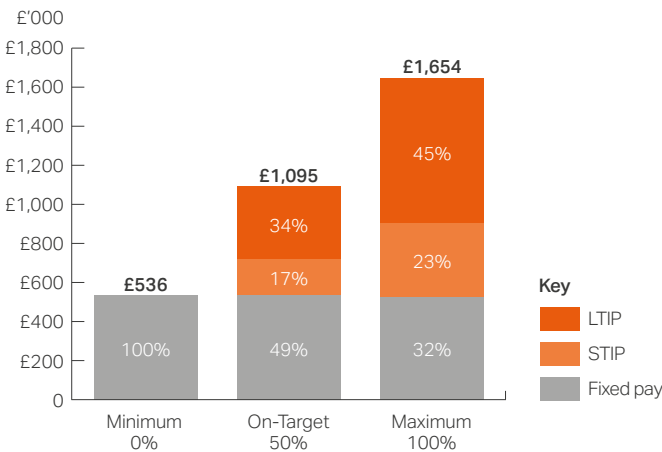
The total remuneration for Steve Fraser and Howard Forster that could result from the current remuneration policy for the year.

2025/26 under three different performance levels (minimum, when only fixed pay is receivable, on target and maximum) is shown below.

Steve Fraser



Howard Forster



Notes

- 1. ‘Fixed pay’ consists of salary, pension and benefits as provided under the remuneration policy.
- 2. Using salaries effective from July 2025.
- 3. Benefits are as shown in the Single total figure of remuneration table for 2024/25 on page 99.
- 4. Pay in lieu of pension of 12% of salary for Steve Fraser and Howard Forster.
- 5. STIP calculations are based on 150% of salary for Steve Fraser and 80% of salary for Howard Forster.
- 6. LTIP calculations are based on maximum of 250% of salary for Steve Fraser and maximum of 160% of salary for Howard Forster.
- 7. LTIP and STIP payout is 50% of maximum for on-target performance.

Annual report on remuneration

Role of the Remuneration Committee

The Committee is responsible for recommending to the Board the remuneration policy for Executive Directors and the other members of the Executive Committee and for the Chair, and for implementing this policy. The aim is to align remuneration policy to company strategy and key business objectives and ensure it reflects our shareholders', customers', and regulators' interests.

Single total figure of remuneration – Executive Directors

The following table shows a single total figure of remuneration earned in respect of qualifying service for 2024/25, together with comparative figures for 2023/24.

	Salary £000		Benefits-in-kind £000		STIP £000		LTIP £000		Pension £000		Other £000		Total £000	
	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
Steve Fraser	730	671	34	64	1,049	858	1,220	962	88	81	–	–	3,121	2,636
Howard Forster	432	368	15	13	317	242	438	412	52	45	–	–	1,254	1,080
Anthony Bickerstaff	413	397	5	5	316	258	458	314	50	48	–	–	1,242	1,022

Notes:

Salary: There was no change to Steve Fraser's salary during 2024/25. Howard Forster's salary increased from £374,434 to £450,000 and Anthony Bickerstaff's salary increased from £400,192 to £416,200 from July 2024.

Benefits-in-kind: Benefits-in-kind include private medical insurance, life assurance, and a car/cash alternative. For Steve Fraser this also includes an accommodation allowance up to 31 May 2024.

STIP: STIP outcome based on performance assessment of 95.74%, 91.74% and 95.74% of maximum for Steve Fraser, Howard Forster and Anthony Bickerstaff respectively. The maximum STIP opportunity was 150% of salary for Steve Fraser and 80% of salary for Howard Forster and Anthony Bickerstaff. Further details are set out on page 100.

LTIP: LTIP outcome based on performance assessment of 72% of maximum for Steve Fraser, Howard Forster and Anthony Bickerstaff, calculated with reference to average eligible earnings over the performance period. The LTIP earned relates to the performance for the three years from 2022/23 to 2024/25 inclusive. Steve Fraser's LTIP maximum increased to 250% with effect from 1 April 2024.

Pension: Steve Fraser, Howard Forster and Anthony Bickerstaff all received a cash allowance, based on 12% of salary, in lieu of participation in a pension arrangement payment.

Performance against targets for STIP 2024/25

STIP awards are earned by reference to the financial year and paid in June. In relation to the bonus measures, threshold, target and stretch performance levels are pre-determined by the Committee and pay out at 0%, 50% and 100%, respectively, and on a straight-line basis in between threshold and target performance, and target and stretch performance.

Performance under the STIP is assessed against a scorecard of measures, including customer, economic, safety, sustainability and business metrics.

The company performed well against customer, safety, sustainability, financial and business metrics. The scorecard outcomes, together with the Remuneration Committee's assessment of the individual performance element, resulted in a payout equal to 95.74%, 91.74% and 95.74% of the maximum STIP opportunity for Steve Fraser, Howard Forster and Anthony Bickerstaff respectively (equivalent to £1,048,397, £316,413 and £315,724 respectively).

The Committee noted that the STIP scorecard result is used for all employees who participate in the bonus plan. The Committee is satisfied that the resulting outcome is appropriate and fair, being between target and maximum given the strong performance during the year.

Annual report on remuneration continued

The resulting outcomes of STIP awards for 2024/25 are shown in the table below:

	Weighting	Threshold (0% of max)	Target (50% of max)	Stretch (100% of max)	Actual	Steve Fraser %	Howard Forster %	Anthony Bickerstaff %
Economic outcome – EBITDA	28%	£1,493m	£1,523m	£1,538m	See notes	87.66	87.66	87.66
Customer Service	12%	See commentary below			See notes	100	100	100
Complaint Handling	4%	See commentary below			See notes	100	100	100
Safety – Lost Time Injury Frequency Rate	5.6%	0.62	0.58	0.54	0.35	100	100	100
Safety – Performance	2.4%	600	800	1000	1834	100	100	100
Safety – Investigations	2.4%	1 per Network every 6 months	1 per Network every 3 months	2 per Network every 3 months	Stretch performance	100	100	100
Safety – Safe and Well Delivery	2.4%	Assessment by Safety Committee				66.7	66.7	66.7
Sustainability – % waste reduction	3.2%	1130 Tonnes	1107 Tonnes	1072 Tonnes	Out performed stretch	100	100	100
Mains Replacement Programme	12%	6088km Tier 1	6152km Tier 1	Deliver 102.1km Tier 2 & 3	Out performed stretch	100	100	100
Regulatory Measures	8%	Assessment by Remuneration Committee				100	100	100
Individual Performance	20%	Assessment by Remuneration Committee				100	80	100
Total	100%					95.74%	91.74%	95.74%

Notes:

EBITDA (Group): Group EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) excludes the impact associated with the implementation of IFRS 15 and IFRS 16. Group EBITDA is before exceptionals and remeasurements. This excludes all pass-through costs agreed as part of the RIIO-2 settlement with Ofgem. Adjustments to the target reflect changes in inflation, accounting standards, one-off costs and workload.

Customer Service: Targets and stretch targets were put in place for each of Cadent's four regulatory networks for Customer Satisfaction (Emergency Response & Repair, Planned work, Connections) and Complaints handling. Target being each regulatory network meeting a target score rate and stretch being all networks meeting their target scores and having two networks in the top four of the Gas Distribution Networks' league table. We have continued to see significant progress in our Customer Satisfaction league table achievements over the course of 2024/25.

Lost Time Incidents: Lost Time Injury Frequency Rate calculated by reference to number of incidents divided by aggregate hours worked (on a rolling 12-month basis).

Safety Performance: Safety engagement visits carried out across the business.

Safety Investigations: High potential incident investigation with Safety Committee assessment.

Safety: Safe and Well Delivery – Safety Committee assessment of Safe & Well Survey delivery, focusing on psychological safety, technology implementation, and wellbeing and health.

Sustainability – waste reduction: Targets based on the total permissible waste in tonnes (excludes spoil, PE pipe and recycled waste).

Mains Replacement Programme: Delivery of the mains replacement programme (HSE output). Threshold and Target are based on cumulative Tier 1 mains replacement km over the RIIO-2 period to 31 March 2025. Stretch is based on cumulative Tiers 2 and 3 delivery over the RIIO-2 period.

Regulatory Measures: Scorecard of measures against RIIO-2 delivery targets.

2024/25 STIP as proportion of base salary

	Max STIP	Outcome	STIP £000
Steve Fraser	150% of salary	95.74% of max	1,049
Howard Forster	80% of salary	91.74% of max	317
Anthony Bickerstaff	80% of salary	95.74% of max	316

Performance against targets for 2022–25 LTIP

LTIP awards are earned by reference to rolling three-year financial periods and paid in the June following the end of the third performance period.

The performance period for the 2022–25 LTIP award ended on 31 March 2025 and this award will vest in June 2025. In relation to the performance measures, and in the same way as for the STIP, threshold, target and stretch performance levels are pre-determined by the Committee and pay out at 0%, 50% and 100%, respectively, and on a straight-line basis in between threshold and target performance and between target and stretch performance.

The performance targets for the LTIP 2022–2025 award are shown in the table below:

	Weighting	Threshold (0% of max)	Target (50% of max)	Stretch (100% of max)	Actual	Outcome (% of max)
RIIO-2 Customer Strategy	20%	Based on supporting customers living in fuel poverty and Priority Services			See Notes for all measures	100%
Economic Outcome	20%	Commercially Sensitive				50%
Sustainability Commitment	20%	Based on financial cost of the Mains Replacement Programme and Environmental Action Plan CO ₂ reduction				50%
RIIO-2 Commitment: Resilient Network	10%	All networks exceed min performance level for average interruption duration over the 3 years.	All networks exceed minimum performance level by 5%	All networks exceed minimum performance level by 10%	See notes	100%
Energy and Business Transition	30%	Assessment by Remuneration Committee				73.3%
Total	100%					72%

Notes:

RIIO-2 Customer Strategy: Supporting customers living in fuel poverty and raising awareness of the Priority Services Register.

Economic outcome: Commercially sensitive information.

Sustainability Commitment: This is based on % carbon reduction based on science-based targets to achieve 42.5% carbon reduction over a 15-year period and Mains Replacement financial costs.

RIIO-2 commitment: Resilient Network: Performance levels of unplanned interruptions across the whole network.

Energy and Business Transition: Assessment by the Remuneration Committee on progress against key milestones.

The overall outcome for the 2022–25 LTIP was 72% of maximum. Steve Fraser's maximum opportunity was 250% of salary, Howard Forster's and Anthony Bickerstaff's maximum opportunity was 160% of salary, and therefore the outcome corresponds to a 180%, 115% and 115% of salary respectively (for this purpose, salary is based on the average eligible earnings earned over the performance period). As reported last year, in April 2024, Steve Fraser's LTIP maximum increased to 250%.

2022–25 LTIP as a proportion of base salary

	Max opportunity	LTIP outcome	LTIP £000
Steve Fraser	250% of salary	72% of max	1,220
Howard Forster	160% of salary	72% of max	438
Anthony Bickerstaff	160% of salary	72% of max	458

Annual report on remuneration continued

Single total figure of remuneration – Non-Executive Directors

The following table shows the single total figure of remuneration earned for Sufficiently Independent Directors in respect of qualifying service for 2024/25 and for 2023/24.

	2024/25 £'000	2023/24 £'000
Sir Adrian Montague CBE	345	342
Dr Catherine Bell CB	75	64
Paul Smith	90	76

Notes:

- 1. Dr Catherine Bell's fee increased in June 2024 by £12,500 for chairing the Cadent Foundation Committee.
- 2. Paul Smith's fee increased in April 2024 by £12,500 for chairing the Sustainability Committee.

Payments for loss of office

There were no payments for loss of office during the year.

Payments to past Directors

There were no payments to past Directors during the year.

Advisers to the Remuneration Committee

FIT Remuneration Consultants fees for advice to the Committee in 2024/25 were £25,633.

The Committee reviews the objectivity and independence of the advice it receives from its advisers each year. It is satisfied that they provided credible and professional advice.

The Committee considers the views of the Chair on the performance and remuneration of the Chief Executive Officer, and of the Chief Executive Officer on the performance and remuneration of the other members of the Executive Committee. The Committee is also supported by the General Counsel & Company Secretary who acts as Secretary to the Committee, the Chief People Officer and People Director, Centre of Expertise. No other advisers have provided significant services to the Committee in the year.

Statement of implementation for 2025/26

Remuneration policy will be implemented during 2025/26 as described below.

Salary

The Committee carried out a review of salaries for the Executive Directors during the year, considering the position across our wider workforce, and external factors such as market data on salary increases and inflation data.

It was agreed that the salary for Steve Fraser and Howard Forster should be increased by 3.5% effect from 1 July 2025. The table below sets out the resulting rates of salary:

	From 1 July 2025	From 1 July 2024
Steve Fraser	£755,550	£730,000
Howard Forster	£465,750	£450,000

STIP measures for 2025/26

The STIP targets are considered commercially sensitive and consequently, will be disclosed after the end of the financial year in the 2025/26 annual report on remuneration. The structure of the scheme will remain largely the same as that of 2024/25.

	Weighting
EBITDA (excluding pass through costs)	28%
Lost Time Injury Frequency Rate (LTIFR) performance	3.20%
Safety Performance	3.20%
Safety Investigations	3.20%
Safe and Well Delivery	3.20%
Waste Reduction	3.20%
Mains Replacement Programme	12%
Customer Service	12%
Complaints Handling	4%
Regulatory Measures	8%
Individual Performance	20%

Steve Fraser's target STIP will be at 75% of salary (maximum 150% of salary), while Howard Forster's target STIP will be 40% of salary (maximum 80% of salary).

The total weighting of individual performance for 2025/26 is 20%.

The targets have been set in the context of the business plan and external factors. The Remuneration Committee retains discretion in exceptional circumstances over the 2025/26 measures and targets.

LTIP to be awarded in 2025/26

The LTIP targets are considered commercially sensitive and consequently, will be disclosed after the end of their performance period in the 2027/28 annual report on remuneration. Measures to be used for the 2025/26 award are shown in the table below:

	Weighting
Customer Strategy	20%
Economic Outcome	25%
Sustainability	20%
Asset Health	15%
Energy System Transition	10%
Delivery of SecOps27	10%

For the 2025/26 award, the target and maximum will be 125% and 250% of salary respectively for Steve Fraser, and 80% and 160% of salary respectively for Howard Forster.

Fees for the independent Chair and the other Sufficiently Independent Directors (SIDs)

The fees for the Sufficiently Independent Directors' (SIDs) for the forthcoming year are detailed in the table below.

	Fee From 1 July 2025	Fee From 1 July 2024
Chair	£345,000	£345,000
Sufficiently Independent Director	£67,500	£65,000
Additional fee for Chair of Remuneration Committee	£13,000	£12,500
Additional fee for Chair of Sustainability Committee	£13,000	£12,500
Additional fee for Chair of Cadent Foundation Committee	£13,000	£12,500

A review was undertaken of the fees for the Chair and Sufficiently Independent Directors during the year, considering market data for comparable companies with similar sized turnover and companies with a similar market cap. It was agreed that the fees for the SIDs will increase to £67,500 with the additional Committee Chair fees increasing to £13,000 with effect from 1 July 2025. No changes were recommended for the Chair.

The Directors' Remuneration Report has been approved by the Board and signed on its behalf by:

Paul Smith

Chair of the Remuneration Committee

19 June 2025

Directors’ report

Principal activities and business review

A full description of the Group’s and company’s principal activities, businesses, key performance indicators and principal risks and uncertainties is contained in the Strategic report on pages 01 to 64, which are incorporated by reference into this report.

Directors

The Directors (and former directors) of the company during the period and up to the date of signing of the financial statements were:

Current Directors

Sir A Montague CBE	
(Chair)*	
G L Baron	(Appointed 1 April 2025)
Dr C E D Bell CB*	
M W Braithwaite	
A Carta	(Appointed 22 May 2025)
Dr G E Cooley	
N R V Corrigan	
S Fennell	
E B Fidler	
H N Forster	
S R Fraser	
E Howell	
D A Karnik	
M W Mathieson	
A G Ray	
P R Smith*	
H Su	
M Wang**	
D L Wilkins**	
D J Xie	

Former Directors

A M Al-Ansari**	(Resigned 22 May 2025)
A Bickerstaff	(Resigned 30 September 2024)
W D G Price**	(Resigned 23 October 2024)

* Sufficiently Independent Director.

** Alternate Director.

Corporate governance

A full report on corporate governance can be found on pages 74 to 78. Incorporated by reference into this report.

Future developments

Details of future developments have been included within the Strategic report on pages 01 to 64.

Dividends

During the year, the company paid ordinary dividends totalling £415m, £207.5m in September 2024 and £207.5m in January 2025 (2023/2024: ordinary dividends totalling £310m). No further dividends are proposed for the current financial period.

Charitable and political donations

Charitable donations made by the Group during the year totalled £0.5 million (2023/24: £4.8 million).

The company made no political donations during the year (2023/24: £Nil).

Research and development

Total expenditure on research and development was £27m during the period (2023/24: £24m).

Employees

Information on the Group’s employment policies (including on the selection, employment, training, career development and promotion of disabled employees) and employee involvement can be found on pages 25 to 27. Details of how the Directors have engaged with employees can be found in the Section 172 Statement on pages 38 to 42.

Stakeholder Engagement

Details of how the Directors have engaged with suppliers, customers and other stakeholders can be found in the Section 172 Statement on pages 38 to 42.

Environmental policy

Information on the Group’s environmental initiatives can be found in the ‘Our strategy for responding to climate change’ on page 52, and on pages 32 to 33 in ‘Protecting the planet’, where you will find our environmental responsibility reports, policies and other information, which is incorporated into this Directors’ report by reference.

Directors’ indemnity

Cadent Gas Limited gives Directors’ indemnities to Cadent Gas Officers. Quadgas HoldCo Limited gives indemnities to Officers of other Group companies. Separately, there is a Directors’ and Officers’ liability insurance policy for the benefit of the Group’s Directors.

Going concern

The Group’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Strategic report on pages 01 to 64. In addition, note 28 of the financial statements includes the Group’s objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Group has

considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas. Having considered the reasonable worst-case scenario, the Group continues to have headroom against the Group committed facilities disclosed in note 21. In addition, the ability to raise new financing was considered and it was concluded, that the Group has the ability to continue to have access to the debt capital markets if needed.

Despite recent macro-economic volatility impacting inflation, energy prices, US Government and retaliatory tariffs and the ongoing conflicts in the Middle East and Ukraine, the Group has not been significantly impacted as a result of protections in place through the regulatory price control. The Group continues to closely monitor and manage the impacts of changes in the macro-economic environment. Having made enquiries and reassessed the principal risks, the Directors consider that the company and its subsidiary undertakings have adequate resources to continue in business.

In determining the relevant assessment period, the Directors have considered the principal risks and specific factors impacting the Group and have made the judgement that, given there are no planned events in the medium term which would significantly impact the length of the assessment period including any major refinancing or the expiry of existing facilities, the minimum period of 12 months from signing the accounts is a sufficient period for the assessment. The Board's consideration of the going concern status of the Group is an extension of the annual business planning process. The process includes financial forecasting for a period of at least 12 months from the date of this report, a robust risk management assessment, regular budget reviews as well as scenario planning incorporating industry trends, considering any emerging issues and economic conditions. The business strategy aims to enhance the Group's long-term prospects by making sure our operations and finances are sustainable and resilient.

Considerations are also made by the Directors for a reasonable worst-case scenario that factors in deliberately negative sensitivities such as a decline in transportation revenue, inflationary pressures on our cost base, fluctuations in pass through costs, a major operational incident and unexpected regulatory action, all of which are assumed to materialise concurrently.

In both the base case and downside scenario, the Group has sufficient headroom on its existing banking facilities to maintain sufficient liquidity over the forecast period, the Group has net current liabilities of £188 million (2024: £221 million asset) primarily due to higher trade and other payables compared with trade and other receivables and cash and financial investments. The carrying value of the debt as at 31 March 2025 is £7,895 million. The Group is bound by certain financial covenants with regards to its debt agreements and banking facilities. For debt issued by Cadent Gas Limited and Cadent Finance Plc, the most relevant covenant is adjusted net debt to RAV. In both the base case and downside scenario, the Group has sufficient headroom over its covenants. In addition to the headroom tests above, reverse stress testing was performed, which resulted in scenarios that were considered to be highly unlikely due to the regulatory protection afforded and predictability of cash flows.

Based on the above, the Directors have concluded that the Group is well placed to manage its financing and other business risks satisfactorily and have a reasonable expectation that the Group will have adequate resources to continue in operation for at least 12 months from the signing date of these consolidated financial statements. The Directors therefore consider, having concluded that there are no material uncertainties, that it was appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Control and risk management

The Group has established internal control and risk management systems in relation to the process for preparing consolidated financial statements. The key features of these internal control and risk management systems are:

- the risk assurance function and management conduct various checks on internal financial controls periodically;
- management regularly monitors and considers developments in accounting regulations and best practice in financial reporting, and, where appropriate, reflects developments in the consolidated financial statements. Appropriate briefings and/or training are provided to key finance personnel on relevant developments in accounting and financial reporting. The Audit & Risk Committee is also kept apprised of such developments;
- the financial statements are subject to review by the financial reporting function for unusual items, unexplained trends and completeness. Any unexplained items are investigated;
- the financial reporting function compares the financial statements to the management accounts received during the year and obtains explanations for any material differences;
- the Group's consolidation, which consolidates the results of each business entity and makes appropriate adjustments, is subject to various levels of review by the financial reporting function; and
- the Audit & Risk Committee and the Board review the draft consolidated financial statements. The Audit & Risk Committee receives reports from management on significant judgements, changes in accounting policies, changes in accounting estimates and other pertinent matters relating to the consolidated financial statements.

Post balance sheet events

There are no other post balance sheet events.

Treasury management

The management of the company and the execution of the company's strategy are subject to a number of financial risks. The Directors have identified the need to manage the company's material financial risks, including liquidity, credit, interest rate risks and foreign currency risks. These risks are monitored through a treasury management function, which invests surplus funds, mitigates foreign exchange exposure and manages borrowings for the Group. Details on our financial risk management are set out in note 28 of the financial statements.

Major shareholdings

As at 31 March 2025, 100% of the company's share capital was held by Quadgas MidCo Limited.

Directors' report continued

Auditor

A resolution to reappoint Deloitte LLP as auditor of the company will be proposed for shareholder approval.

Disclosure of information to auditor

Having made the requisite enquiries, so far as the Directors in office at the date of the approval of this report are aware, there is no relevant audit information of which the auditor is unaware, and each Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Statement of Directors' responsibilities

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, the Directors have elected to prepare the Group financial statements in accordance with UK-adopted international accounting standards. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, and applicable law), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 Group and company and of the profit or loss of the Group and company for that period. In preparing the parent financial statements, the Directors have elected to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs, as issued by the IASB, have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 102, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- 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 the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Group and company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors' report was approved by the Board and signed on its behalf by,

Steve Fraser
Chief Executive Officer

19 June 2025



Financial statements

In this section

Independent auditor's report	108
Consolidated income statement	112
Consolidated statement of comprehensive income	113
Consolidated statement of financial position	114
Consolidated statement of changes in equity	115
Consolidated statement of cash flows	116
Notes to the consolidated financial statements	117
Company statement of financial position	164
Company statement of changes in equity	165
Notes to the company financial statements	166
Glossary	183

Independent auditor's report to the members of Cadent Gas Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Cadent Gas Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31st March 2025 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows;
- the related notes 1 to 36 to the consolidated financial statements; and
- the related notes 1 to 23 to the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, 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 group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- evaluation of financing facilities including nature of facilities, repayment terms and covenants;
- assessment of the reasonableness of assumptions used in the forecasts;
- assessment of amount of headroom in the forecasts (cash and covenants);
- evaluation of sensitivity analysis;
- assessment of the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts; and
- assessment of the appropriateness of the going concern disclosures in the financial statements.

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 group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 group's and the parent 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 group or the parent 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.

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

Extent to which 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit, in-house legal counsel and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These include the license conditions imposed by the office of Gas and Electricity Markets (Ofgem).

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, climate change, pensions, financial instruments and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Independent auditor's report to the members of Cadent Gas Limited continued

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our procedures performed to address it are described below:

- Judgement over the classification of non-Mains Replacement Programme ("non-MRP") expenditure as being capital or operational in nature.

The group invests heavily in fixed assets and more specifically in the infrastructure and gas network as part of its regulatory commitments and sustainability plans; ranging from major replacement projects to minor repairs and maintenance works.

Cadent have a Health and Safety Executive requirement to perform mains replacement works on their network. During the year the group has invested £905m in property, plant, and equipment, excluding leased assets (2024: £942m).

We have identified a risk that non-MRP expenditure which is operating in nature is incorrectly capitalised into fixed assets. Incorrect identification and mapping of activities in the financial accounting and reporting software platform, may lead to the overstatement of fixed assets and hence operating profit.

As the classification of such capital expenditure and operating expenditure directly affects the group's financial performance, we identified that there was a potential risk of fraud through manipulation of this balance.

Further details are included within note 1(e) and note 13 of the financial statements.

We have performed the following procedures in response to the fraud risk identified:

- tested relevant controls related to the fixed assets cycle including those specifically associated with the classification of non-MRP expenditure;
- challenged management's judgement and their policies relating to the classification of capital expenditure, operating expenditure, and infrastructure maintenance expenditure;
- tested a sample of capital projects by inspecting supporting documentation from subcontractors regarding the works completed and assessed whether such works were capitalised or expensed appropriately;
- for internal payroll costs capitalised, on a sample basis, inspected the timesheets and chargeable rates for employees and assessed whether the employees worked on capital projects; and
- completed a reconciliation between the fixed assets register and the general ledger.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

Report on other legal and regulatory requirements

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 the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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.

**Jane Whitlock ACA (Senior statutory auditor)**

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

19 June 2025

Consolidated income statement

For the year ended 31 March 2025

	Notes	2025 £m	2025 £m	2024 £m	2024 £m
Revenue	4		2,172		2,277
Operating costs					
Before adjusting items		(1,494)		(1,350)	
Adjusting items	6	(33)		(34)	
Total operating costs			(1,527)		(1,384)
Total operating profit			645		893
Finance income					
Before adjusting items	9	53		58	
Adjusting items	6/9	8		27	
Total finance income			61		85
Finance costs					
Before adjusting items	9	(293)		(288)	
Total finance costs			(293)		(288)
Profit before tax					
Before adjusting items		438		697	
Adjusting items	6	(25)		(7)	
Total profit before tax			413		690
Tax					
Before adjusting items	10	(115)		(176)	
Adjusting items	6/10	6		2	
Total tax			(109)		(174)
Profit after tax					
Before adjusting items		323		521	
Adjusting items	6	(19)		(5)	
Profit for the year			304		516

The results reported above relate to continuing activities.

The notes on pages 117 to 163 are an integral part of the financial statements.

Consolidated statement of comprehensive income

For the year ended 31 March 2025

	Notes	2025 £m	2024 £m
Profit for the year		304	516
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	27	(6)	(396)
Tax on remeasurements of post-employment benefit obligations	10	2	99
Total items that will never be reclassified to profit or loss		(4)	(297)
Items that may be reclassified subsequently to profit or loss			
Net gain in respect of cash flow hedges		62	17
Net loss in respect of cost of hedging reserve		(16)	(9)
Amortisation of cost of hedging reserve		8	5
Tax on net gain in respect of cash flow hedges	10	(12)	(3)
Total items that may be reclassified subsequently to profit or loss		42	10
Other comprehensive income/(expense) for the year, net of tax		38	(287)
Total comprehensive income for the year		342	229

The results reported above relate to continuing activities.

The notes on pages 117 to 163 are an integral part of these financial statements.

Consolidated statement of financial position

As at 31 March 2025

	Notes	2025 £m	2024 £m
Non-current assets			
Intangible assets	12	17	31
Property, plant and equipment	13	12,292	11,832
Investments in associates	14	–	–
Pension and other post-retirement benefit assets	27	340	350
Derivative financial assets	17	25	16
Total non-current assets		12,674	12,229
Current assets			
Derivative financial assets	17	–	3
Inventories	15	16	16
Corporation tax		3	4
Trade and other receivables	16	190	211
Current asset investments	18	165	569
Cash and cash equivalents		19	29
Total current assets		393	832
Total assets		13,067	13,061
Current liabilities			
Trade and other payables	19	(459)	(365)
Borrowings	21	(82)	(655)
Lease liabilities	22	(20)	(21)
Provisions	23	(20)	(12)
Total current liabilities		(581)	(1,053)
Net current liabilities		(188)	(221)
Total assets less current liabilities		12,486	12,008
Non-current liabilities			
Derivative financial liabilities	17	(404)	(328)
Borrowings	21	(7,813)	(7,330)
Lease liabilities	22	(114)	(99)
Deferred tax liabilities	10	(1,806)	(1,806)
Provisions	23	(59)	(56)
Accruals and deferred income	20	(15)	(41)
Total non-current liabilities		(10,211)	(9,660)
Total liabilities		(10,792)	(10,713)
Total net assets		2,275	2,348
Equity			
Share capital	24	–	–
Cash flow hedge reserve/(deficit)		37	(13)
Cost of hedging reserve		1	9
Retained earnings		7,530	7,645
Other deficit		(5,293)	(5,293)
Total equity		2,275	2,348

The notes on pages 117 to 163 are an integral part of these financial statements.

The consolidated financial statements on pages 112 to 163 were authorised and approved for issue by the Board of Directors on 19 June 2025 and were signed on its behalf by:

G L Baron

Director
Cadent Gas Limited



19 June 2025

Company registration number: 10080864

Consolidated statement of changes in equity

For the year ended 31 March 2025

	Share Capital £m	Cash flow Hedge (Deficit)/ Reserve £m	Cost of Hedging Reserve £m	Other Deficit £m	Retained Earnings £m	Total £m
At 1 April 2024	–	(13)	9	(5,293)	7,645	2,348
Profit for the year	–	–	–	–	304	304
Other comprehensive income/(expense) excluding amortisation of cost of hedging reserve	–	50	(16)	–	(4)	30
Amortisation of cost of hedging reserve	–	–	8	–	–	8
Total comprehensive income/(expense) for the year	–	50	(8)	–	300	342
Equity dividends (note 11)	–	–	–	–	(415)	(415)
At 31 March 2025	–	37	1	(5,293)	7,530	2,275

	Share Capital £m	Cash flow Hedge Deficit £m	Cost of Hedging Reserve £m	Other Deficit £m	Retained Earnings £m	Total £m
At 1 April 2023	–	(27)	13	(5,293)	7,736	2,429
Profit for the year	–	–	–	–	516	516
Other comprehensive income/(expense) excluding amortisation of cost of hedging reserve	–	14	(9)	–	(297)	(292)
Amortisation of cost of hedging reserve	–	–	5	–	–	5
Total comprehensive income/(expense) for the year	–	14	(4)	–	219	229
Equity dividends (note 11)	–	–	–	–	(310)	(310)
At 31 March 2024	–	(13)	9	(5,293)	7,645	2,348

The cash flow hedge (deficit)/reserve in relation to cross-currency interest rate swap contracts will be recycled to the income statement over the life of the hedged items.

Other deficit comprises the merger (deficit)/reserve arising from the acquisition of the gas distribution trade and assets from National Grid Gas Plc. This merger reserve will reduce distributable profits. As the amounts included in other deficits are not attributable to any of the other classes of equity presented, they have been disclosed as a separate classification of equity.

The notes on pages 117 to 163 are an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 March 2025

	Notes	2025 £m	2024 £m
Cash flows from operating activities			
Total operating profit		645	893
Adjustments for:			
Adjusting items	6	33	34
Depreciation and amortisation	12/13	502	462
Increase in inventories	15	–	(1)
Decrease in trade and other receivables		15	4
Increase/(decrease) in trade and other payables	30	41	(129)
Capital contribution income		(44)	(43)
Changes in provisions		1	(3)
Gain on disposal of property, plant and equipment		(2)	(2)
Changes in pensions and other post-retirement obligations		7	–
Capital contributions received		42	63
Cash flows relating to adjusting items		(12)	(10)
Cash generated from operations		1,228	1,268
Tax paid		(111)	(160)
Net cash inflow from operating activities		1,117	1,108
Cash flows from investing activities			
Purchases of intangible assets		(4)	(3)
Purchases of property, plant and equipment	31	(879)	(962)
Disposals of property, plant and equipment		3	2
Interest received		41	21
Net decrease/(increase) in financial investments		400	(42)
Net cash flow used in investing activities		(439)	(984)
Cash flows from financing activities			
Proceeds received from loans		542	998
Cash (paid)/received on derivatives hedging loan proceeds		(2)	18
Repayment of loans		(580)	(656)
Cash received from early termination of derivatives		–	4
Repayment of lease liabilities	22	(31)	(22)
Interest paid on loans		(225)	(180)
Cash received on interest settlement of derivatives		23	32
Dividends paid to shareholders	11	(415)	(310)
Net cash flow used in financing activities		(688)	(116)
Net (decrease)/increase in cash and cash equivalents		(10)	8
Net cash and cash equivalents at the start of the year		29	21
Net cash and cash equivalents at the end of the year		19	29
Comprising:			
– Cash ¹		19	29
– Overdraft		–	–
		19	29

1. Cash of £19 million (2024: £29 million) includes £2 million (2024: £9 million), which has specific restrictions over its use. See note 1(s) for details.

Notes to the consolidated financial statements

For the year ended 31 March 2025

1 Summary of significant accounting policies

Cadent Gas Limited is a private company limited by shares and is incorporated and domiciled in the United Kingdom and is registered in England and Wales. The address of its registered office is Pilot Way, Ansty, Coventry, CV7 9JU, United Kingdom. Its principal activity is the transportation of gas.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the current year and previous year presented, unless otherwise stated.

(a) Basis of preparation

Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates (the 'functional currency'). The financial statements are presented in pounds sterling, which is also the company's functional currency.

Going concern

The financial statements for the Group have been prepared on the going concern basis under the historical cost convention modified to include certain items at fair value.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in this Strategic report on pages 1 to 64. In addition, note 28 to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas. Having considered the reasonable worst-case scenario (more detail can be found in the Directors' report), the Group continues to have headroom against the Group committed facilities disclosed in note 21. In addition, the ability to raise new financing was considered and it was concluded, that the Group has the ability to continue to have access to the debt capital markets if needed.

Despite recent macro-economic volatility impacting inflation, energy prices, US Government and retaliatory tariffs and the ongoing conflicts in the Middle East and Ukraine, the Group company has not been significantly impacted as a result of protections in place through the regulatory price control. The Group continues to closely monitor and manage the impacts of changes in the macro-economic environment. Having made enquiries and reassessed the principal risks, the Directors consider that the company and its subsidiary undertakings have adequate resources to continue in business.

In determining the relevant assessment period, the Directors have considered the principal risks and specific factors impacting the Group and have made the judgement that, given there are no planned events in the medium term, which would significantly impact the length of the assessment period including any major refinancing or the expiry of existing facilities, the minimum period of 12 months from signing the accounts is a sufficient period for the assessment. The Board's consideration of the going concern status of the Group is an extension of the annual business planning process. The process includes financial forecasting for a period of at least 12 months from the date of this report, a robust risk management assessment, regular budget reviews as well as scenario planning incorporating industry trends, considering any emerging issues and economic conditions.

The business strategy aims to enhance the Group's long-term prospects by making sure our operations and finances are sustainable and resilient.

Considerations are also made by the Directors for a reasonable worst-case scenario that factors in deliberately negative sensitivities such as a decline in transportation revenue, inflationary pressures on our cost base, fluctuations in pass-through costs, a major operational incident and unexpected regulatory action, all of which are assumed to materialise concurrently.

In both the base case and downside scenario, the Group has sufficient headroom on its existing banking facilities to maintain sufficient liquidity over the forecast period. The Group has net current liabilities of £188 million (2024: £221 million) primarily due to higher trade and other payables compared with trade and other receivables and cash and financial investments. The Group is bound by certain financial covenants with regards to its debt agreements and banking facilities. For debt issued by Cadent Gas Limited and Cadent Finance Plc, the most relevant covenant is adjusted net debt to RAV. In both the base case and downside scenario, the Group has sufficient headroom over its covenants. In addition, to the headroom tests above, reverse stress testing was performed, which resulted in scenarios that were considered to be highly unlikely due to the regulatory protection afforded and predictability of cash flows.

Based on the above, the Directors have concluded that the Group is well placed to manage its liquidity and other business risks satisfactorily and have a reasonable expectation that the Group will have adequate resources to continue in operation for at least 12 months from the signing date of these consolidated financial statements. The Directors therefore consider, having concluded that there are no material uncertainties, that it was appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Notes to the consolidated financial statements continued

For the year ended 31 March 2025

1 Summary of significant accounting policies continued

(a) Basis of preparation continued

Consideration of climate change

In preparing the financial statements, the Directors have considered the impact of climate change, particularly in the context of the risks identified in the TCFD disclosure on pages 52 to 64 this year, which have resulted in an impact on the assessment and consideration of the financial reporting judgements and estimates. In particular, the Directors considered the impact of climate change in respect of the carrying value and useful economic lives (UEL) of property, plant and equipment – note 13.

While there is currently no known short to medium-term impact expected from climate change, the Directors are aware of the ever-changing risks attached to climate change and will regularly assess these risks against judgements and estimates made in preparation of the Group's financial statements.

Consolidated financial statements

The consolidated financial statements of Cadent Gas Limited have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and UK-adopted International Financial Reporting Standards (IFRS Standards) as issued by the International Accounting Standards Board (IASB).

(b) Basis of consolidation

The consolidated financial statements include the results of Cadent Gas Limited and its subsidiaries, Cadent Gas Pension Trustee Limited, Cadent Gas Pension Property Company 1 Limited, Cadent Gas Pension Property Company 2 Limited, Cadent Gas Pension Services Limited, Cadent Finance Plc and associate undertakings, (the Group). Results are included from the date of acquisition or incorporation and excluded from the date of disposal.

Subsidiaries are consolidated where the Group has the power to control a subsidiary. Control is achieved when the Group becomes entitled to the variable returns of the subsidiary and becomes exposed to its risks, and has the power to affect these risks and returns.

Associates are accounted for on an equity basis where the Group holding is 20% or more and the Group has the power to exercise significant influence.

Acquisitions are accounted for using the acquisition method, where the purchase price is allocated to the identifiable assets acquired and liabilities assumed on a fair value basis and the remainder recognised as goodwill.

Cadent has an agreement with the Charities Trust to contribute at least 1% of profit after tax into a Donor Advised Fund (DAF). We have concluded that the DAF is not controlled by the Group as the Charities Trust have the power to overrule decisions that do not align with the objectives of the DAF and the requirements of IFRS 10 have not been met in respect of (1) rights to variable returns; and (2) its ability to affect the amount of investor returns. Therefore, this has not been consolidated as part of the Group.

(c) New IFRS accounting standards and interpretations

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2024. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. These are:

- IFRS S1, General Requirements for Disclosure of Sustainability-related Financial Information*
- IFRS S2, Climate-related Disclosures*
- Amendments to IAS 1, Classification of Liabilities as Current or Non-current
- Amendments to IAS 1, Non-current liabilities with covenants
- Amendments to IFRS 16, Lease Liability in a sale and leaseback
- Amendments to IAS 7 and IFRS 7, Supplier finance arrangements

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS18, Presentation and disclosure in financial statements*
- IFRS19, Subsidiaries without Public Accountability: Disclosures*
- Amendments to IFRS 9 and IFRS 7, Classification and Measurement of Financial Instruments*
- Amendments on IFRS 9 and IFRS 7, Contracts Referencing Nature-dependent Electricity*
- Amendments to IAS 21, Lack of Exchangeability*
- Annual improvement 2024

* Denotes that the standard or interpretation has not yet been adopted by the UK (United Kingdom).

1 Summary of significant accounting policies continued

(c) New IFRS accounting standards and interpretations continued

The Directors are currently assessing the likely impact of the adoption of the Standards listed on the financial statements of the Group in future periods.

The Financial Reporting Council (FRC) issued amendments to FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and other FRSs, following its periodic review. The amendments outline a number of changes to FRS 102 including a new model of revenue recognition; lease accounting and various other incremental improvements and clarifications. The effective date of the amendments is for accounting periods beginning after 1 January 2026 with the year ended 31 March 2027 being the first year Cadent Gas Limited will be impacted by the proposals. The company is currently assessing the likely impact of the proposals on the financial statements of the company.

(d) Intangible assets

Intangible assets relate to software, which is written down (amortised) over the period in which we expect to receive a benefit from the asset.

Identifiable intangible assets are recorded at cost less accumulated amortisation and any provision for impairment. Intangible assets, other than goodwill and those assets with indefinite useful lives (the gas distribution Licence), are tested for impairment only if there is some indication that the carrying value of the assets may have been impaired. Software customisation and configuration costs relating to software not controlled by the Group are expensed over the period such services are received.

Impairment of assets is calculated as the difference between the carrying value of the asset and the recoverable amount, if lower. Recoverable amount is the higher of fair value less costs to sell or estimated value in use at the date the impairment review is undertaken. Where such an asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which that asset belongs is estimated. Impairment is recognised in the income statement and are disclosed separately. Any assets, which suffered impairment in a previous period, are reviewed for possible reversal of the impairment at each reporting date.

Internally generated intangible assets arising from development (or from the development phase of an internal project), such as software, are recognised only if all of the following criteria are satisfied: an asset is created that can be identified; the completion of the asset must be technically feasible so that it is available to use or sell; the intention to complete the intangible asset and use it or sell it; the ability to use or sell the intangible asset; it is probable that the asset will generate future economic benefits; the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and that the development cost of the asset can be measured reliably. Where no internally generated intangible asset can be recognised, development expenditure is recorded as an expense in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets are amortised on a straight-line basis over their estimated useful economic lives as follows:

Amortisation periods	Years
Computer software	5
Computer licenses	3

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

(e) Property, plant and equipment and depreciation

We operate a gas distribution business and, therefore, have a significant physical asset base. We continue to invest in our networks to maintain reliability, create new customer connections and ensure our networks are flexible and resilient. We also continue to invest in research and innovation to support the energy transition to net zero. Our business plan envisages these additional investments will be funded through a mixture of cash generated from operations and the issue of new debt.

Property, plant and equipment assets are recorded at cost, less accumulated depreciation and impairment losses. Cost includes the purchase price of the asset, any payroll and finance costs incurred, which are directly attributable to the construction of property, plant and equipment assets, as well as the cost of any associated asset retirement obligations.

The cost of these assets primarily represents the amount initially paid for them. A depreciation expense is charged to the income statement to reflect annual wear and tear and reduced value of asset over time. Depreciation is calculated by estimating the number of years we expect the asset to be used (useful economic life) and charging the cost of the asset to the income statement equally over this period.

Notes to the consolidated financial statements continued

For the year ended 31 March 2025

1 Summary of significant accounting policies continued

(e) Property, plant and equipment and depreciation continued

Property, plant and equipment assets includes assets, which the Group's interest comprises legally protected statutory or contractual rights of use. Additions represent the purchase or construction of new assets, including capital expenditure for safety and environmental assets, and extensions to, enhancements to, or replacement of existing assets. Continued investment and future forecasted spend will be incurred with an aim to make the network usable for alternative technologies and energies.

Contributions received towards the cost of altering, diverting or relocating a tangible fixed asset are included in trade and other payables as deferred income and credited to revenue once the performance obligation has been met, for example the alteration, diversion or relocation has been completed.

Contributions received towards the cost of tangible assets from customers for connections to the gas distribution networks are initially recognised as deferred income and credited to revenue once the performance obligation has been met for example, at the point the connection has been completed, the contribution is credited to revenue.

No depreciation is provided on freehold land or assets in the course of construction. Other items of property, plant and equipment are depreciated, on a straight-line basis, at rates estimated to write off their book values over their estimated useful economic lives. In assessing the estimated useful economic lives, consideration is given to any contractual arrangements and operational requirements relating to particular assets.

Climate change is a global challenge and an established risk to business, people and the environment across the world. We have a role to play in limiting warming by improving our energy management, reducing our carbon emissions and by helping our customers do the same. Certain elements of the financial statements are dependent on the future use of our network. The UK's target of reducing all greenhouse gas emissions to net zero in the future will impact how our network can be used. In preparing these financial statements, we have assumed that our network can be adapted to use alternative technologies in line with our policy, albeit at this stage there is insufficient information to determine how specific assets will be used.

We recognise that there are a range of possible futures regarding how our network is used and the role that hydrogen and other green gases have to play. Scenarios range from high hydrogen through our existing network, through to slow decarbonisation driving a multi heat solution through to a high electrification route and we are continuing to assess what impact these scenarios would have on our asset lives.

The broad based assumptions applied do not allow for meaningful sensitivities on our useful economic lives at individual asset classes under the different scenarios proposed. The granularity is not available by asset. As a result, we have applied some broad sensitivities based on our existing asset lives and what additional depreciation would be required if any of the scenarios would effectively result in shortened lives (e.g. net zero by 2040, 2045 or 2050). See note 29 for further details.

Depreciation periods	Years
Freehold and leasehold buildings	Up to 50
Plant and machinery	30 to 50
Motor vehicles and other equipment	Up to 10

(f) Impairment of fixed assets

Impairment reviews are carried out if there is some indication that impairment may have occurred, or where otherwise required to ensure that fixed assets are not carried above their estimated recoverable amounts. In the current year, this has included the consideration of the impact of climate change. Impairments are recognised in the income statement, and, where material, are disclosed as an adjusting item. Impairment reversals are recognised when, in management's opinion, the reversal is permanent.

Impairments of fixed assets are calculated as the difference between the carrying value of the net assets of cash-generating units, including where appropriate, investments, and their recoverable amounts. Recoverable amount is defined as the higher of net realisable value or estimated value in use at the date the impairment review is undertaken. Net realisable value represents the amount that can be generated through the sale of assets. Value in use represents the present value of expected future cash flows discounted on a pre-tax basis, using the estimated cost of capital of the income-generating unit.

(g) Financial instruments

Initial recognition

Financial assets are classified in accordance with the business model assessment under IFRS 9. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to, or deducted from, the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

1 Summary of significant accounting policies continued

(g) Financial instruments continued

Classification and measurement

Financial instruments are classified at inception into one of the following categories, which then determines the subsequent measurement methodology:

Financial assets are classified into one of the following three categories:

- financial assets at amortised cost; or
- financial assets at fair value through other comprehensive income (FVTOCI); or
- financial assets at fair value through profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:

- financial liabilities at amortised cost; or
- financial liabilities at fair value through profit and loss (FVTPL).

Loans receivable are carried at amortised cost using the effective interest method less any allowance for estimated impairments. Impairments are calculated using the expected credit loss approach by calculating the probability of default and the estimated recoverable amount given default. A loss allowance is established for impairments using the expected credit loss approach by calculating the probability of default and the estimated recoverable amount given default.

Borrowings, which include interest-bearing loans, are recorded at their initial fair value, which normally reflects the proceeds received, net of direct issue costs less any repayments. Subsequently, these are stated at amortised cost, using the effective interest method. Any difference between proceeds and the redemption value is recognised over the term of the borrowing in the income statement using the effective interest method.

Accretion on inflation-linked borrowings is accounted for on an accrual basis to the income statement, and are added to the carrying value of the debt instrument to the extent that they are not settled in the period in which they arise.

Assets and liabilities on different transactions are only netted if the transactions are with the same counterparty, a legal right of set off exists and the cash flows are intended to be settled on a net basis. Gains and losses arising from changes in fair value are included in the income statement in the period they arise, unless hedge accounting applies.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Hedge accounting

Derivative financial instruments (derivatives) are recorded at fair value. The fair value of financial derivatives is calculated by discounting all future cash flows by the market yield curve at the reporting date and adjusting for own and counterparty credit and funding risk adjustments. The market yield curve for each currency is obtained from external sources for interest and foreign exchange rates. Where the fair value of a derivative is positive, it is carried as a derivative asset and where negative, as a liability. Balance sheet presentation of derivatives have been determined based on the final maturity date. A derivative that matures within one year has been classified as current and a derivative that matures after one year has been classified as non-current.

The accounting treatment of derivatives and other financial instruments classified as hedges depends on their designation, which occurs at the start of the hedge relationship.

Cash flow hedges

Changes in the effective portion of the fair value of derivative financial instruments that are designated as hedges of future cash flows are recognised directly in other comprehensive income, with any ineffective portion being recognised immediately in the income statement where relevant. Cash flow hedge accounting is discontinued when the hedging instrument no longer qualifies for hedge accounting. At this point, any cumulative gains or losses on the hedging instrument recognised in other comprehensive income are retained until the forecast transaction occurs or transferred to the income statement for the period if the hedged transaction is no longer expected to occur.

Fair value hedges

Changes in the fair value of derivative financial instruments that are designated as fair value hedges are recognised in the income statement. Gains or losses in respect to the hedged risk is recorded as a fair value adjustment in the same line of the income statement as the hedged item. Fair value hedge accounting is discontinued when the hedging instrument no longer qualifies for hedge accounting. At this point, the changes in fair value on the hedging instrument will continue to be recognised in the income statement, while the hedged item will no longer be adjusted for fair value changes.

Notes to the consolidated financial statements continued

For the year ended 31 March 2025

1 Summary of significant accounting policies continued

(g) Financial instruments continued

Foreign currency

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the date of the transaction or at average monthly rates where exchange rates do not fluctuate significantly.

Foreign currency monetary assets and liabilities held at year end are translated into sterling at period end exchange rates.

Exchange differences on monetary items are taken to the income statement. Exceptions to this are where the monetary items are designated as effective cash flow hedges. Such exchange differences are initially deferred in equity.

Non-monetary items are translated at the historical exchange rates.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Impairment of financial assets

Financial assets are impaired by calculating the probability of default and the estimated recoverable amount given default, which is used to calculate the expected credit loss. The Group has taken default to be defined as a counterparty that has entered administration.

The Group recognises loss allowances for expected credit losses (ECL) on financial instruments that are not measured at FVTPL, namely:

- trade receivables;
- loan receivables; and
- other receivables.

The Group measures the loss allowances at an amount equal to the 12 month expected credit loss. The way this is calculated is based on the applied impairment methodology, as described below:

Stage 1: For financial assets where there has not been a significant increase in credit risk since initial recognition, and were not credit impaired on recognition, the Group recognises a loss allowance based on the 12 month expected credit loss.

Stage 2: For financial assets where there has been a significant increase in credit risk since initial recognition, and were not credit impaired, the Group recognises a loss allowance for lifetime expected credit loss.

Stage 3: For financial assets, which are credit impaired, the Group recognises the lifetime expected credit loss.

A significant increase in credit risk would be as a result of any change in circumstances specific to the counterparty or to the wider economic environment whereby the risk of default could be said to have been significantly increased within reasonable thresholds.

Evidence that the financial asset is credit impaired includes the following:

- significant financial difficulties of the counterparty; or
- a breach of contract such as default or past due event; or
- the restructuring of the loan or advance by the Group that the Group would not consider otherwise; or
- it is probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for an associated security because of financial difficulties.

(h) Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

Accrued income is amounts due from customers for goods sold or services performed in the ordinary course of business, which has not yet been invoiced.

Trade receivables and accrued income are initially recognised at the transaction price and are subsequently measured at amortised cost less a loss allowance.

1 Summary of significant accounting policies continued

(i) Trade and other payables

Trade payables are initially recognised at amortised cost and subsequently measured at amortised cost. Due to their short maturities, the fair value of trade and other payables approximates their book values.

Deferred income mainly comprises contributions received from customers relating to capital and replacement projects. These are credited to the income statement once the project is complete.

The treatment is dependent on the type of the project. For further details on assessment of performance obligations see note 1(n) Revenue.

(j) Inventories

Inventories are stated at the lower of weighted average cost and net realisable value. Where applicable, cost comprises direct materials and direct labour costs as well as those overheads that have been incurred in bringing the inventories to their present location and condition.

(k) Tax

The tax charge for the period is recognised in the income statement, the statement of comprehensive income or directly in equity according to the accounting treatment of the related transaction. The tax charge comprises both current and deferred tax.

Current tax assets and liabilities are measured at the amounts expected to be recovered from, or paid to, the tax authorities. The tax rates and tax laws used to compute the amounts are those that have been enacted or substantively enacted by the reporting date.

The calculation of the total tax charge involves a degree of estimation and judgement, and management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes positions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the balance sheet liability method and is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit or loss.

Deferred tax liabilities are generally recognised on all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available, against which deductible temporary differences can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction (other than a business combination) that affects neither the accounting nor the taxable profit or loss.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries except where the company is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all, or part of, the deferred tax asset to be recovered. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authorities and the company intends to settle their current tax assets and liabilities on a net basis.

(l) Provisions for liabilities

Provisions for liabilities are recognised where a legal or constructive obligation exists at the reporting date, as a result of past events where the amount of the obligation can be reliably estimated and where the outflow of economic benefit is probable.

Provision is made for decommissioning and environmental costs, based on future estimated expenditure, discounted to present values. An initial estimate of decommissioning and environmental costs attributable to property, plant and equipment is recorded as part of the original cost of the related property, plant and equipment.

Changes in the provision arising from revised estimates or discount rates or changes in the expected timing of expenditures that relate to property, plant and equipment are recorded as adjustments to their carrying value and depreciated prospectively over their remaining estimated useful economic lives; otherwise such changes are recognised in the income statement.

Other provisions consist of claims (whether covered by insurance or not) including employer liability claims, and other provisions related to the operation of our gas networks. Where amounts are material, third-party valuations are performed.

Notes to the consolidated financial statements continued

For the year ended 31 March 2025

1 Summary of significant accounting policies continued

(m) Dividends

Dividend income is recognised when the right to receive payment is established. Dividend distributions to the company's shareholders are recognised as a liability until paid in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

(n) Revenue

Revenue largely comprises sales value derived from the distribution of gas, including an assessment of the value of services provided, but not invoiced, at the period end. It excludes value-added tax and intra-group sales.

The sales value for the distribution of gas is largely determined from the amount of system capacity sold for the year (capacity revenue), and the amount of gas transported for the year (commodity revenue), evaluated at contractual prices. The customers for the distribution of gas are shippers. The single performance obligation for these revenue streams was deemed to be the provision of a safe gas transportation network between the National Gas Transmission network to end consumers (customers of the shippers) and being able to transport gas around the network. The performance obligation is satisfied over time as the shippers immediately control and consume the benefits that Cadent Gas provides over time by having a network available to shippers (capacity) and transporting the gas around the network (commodity). Although capacity and commodity revenue are invoiced separately, the services are not distinct (the nature of the promise is to transfer a combined service) and only one performance obligation exists.

Income from shippers is governed by the credit rules within the Uniform Network Code (the Industry Code by which Cadent Gas is bound). These set out the level of credit relative to the RAV for each counterparty's credit rating. The Group minimises customer credit risk by ensuring all customers can adequately demonstrate the ability to pay debts as they fall due. These include company credit ratings, letters of credit from a financial institution, parent company guarantees, independent assessment, payment history allowance and advanced cash deposits. Typical payment terms are 14 days.

When revenue for the year exceeds the maximum amount permitted by the regulatory agreement, adjustments will be made to future prices to reflect this over-recovery, a liability for the over-recovery is not recognised, as such an adjustment to future prices relates to the provision of future services. Similarly, an asset is not recognised where a regulatory agreement permits adjustments to be made to future prices in respect of an under-recovery.

Other income comprises all activities outside the regulated business principally relating to cash fees paid by customers, typically property owners/developers, for connections fees and typically developers or large infrastructure projects for altering, diverting or relocating part of our existing network. There are also non-material revenue streams for call handling services (emergency telephone service for all gas distribution networks) and metering services (the provision of meter installation and repair services).

For fees paid by customers, the performance obligation is satisfied when either the new connection to our network or alteration/diversion of our network is completed and control passes to the customer on this completion of the physical installation ready for the first flow of gas. Significant judgement was applied for connections to determine whether the connection service was distinct from the provision of future network services. Cadent judged that customers for the connection service can benefit from that connection service in conjunction with future gas supply services that are readily available. For call handling services, the performance obligation is satisfied over time with the provision of an emergency call handling service to customers. For metering services, the performance obligation is satisfied on completion of the installation or the repair and control passes when the meter is operational. Customers for metering services are typically the gas supplier and distinct from the ongoing supply of gas. Typical payment terms are 30 days for our other revenue.

Where amounts from customers in relation to Supplier of Last Resort (SoLR) claims are received, it is deemed that Cadent Gas is operating as an agent in this transaction as the amounts collected directly onto the SoLR with no control over the amount and it does not receive any commission. Cadent Gas therefore present the amounts collected and amounts paid on a net basis per the requirements of IFRS 15.

The UK's target of reducing all greenhouse gas emissions to net zero by 2050 will impact how our network can be used in the future, and how we generate revenue. See note 2 for further details.

(o) Adjusting items

Adjusting items are items of income and expenditure that, in the judgement of management, should be disclosed separately on the basis that they are important to the understanding of our financial performance and may significantly distort the comparability of financial performance between periods. The disclosure and classification of adjusting items may not be comparable between companies, and the exclusion of adjusting items impacts the presentation of financial performance and cash flows.

Management utilises an adjusting items framework that follows a three-step process, which considers the nature of the event, the financial materiality involved and any particular facts and circumstances. In considering the nature of the event, management focuses on whether the event is within the Group's control and how frequently such an event typically occurs. In determining the facts and circumstances, management considers factors such as ensuring consistent treatment between favourable and unfavourable transactions, precedent for similar items, number of periods over which costs will be spread or gains earned and the commercial context for the particular transaction.

1 Summary of significant accounting policies continued

(o) Adjusting items continued

Items of income or expense that are considered by management for designation as adjusting items include items such as significant restructurings, significant write-downs or impairment of non-current assets, integration of acquired businesses, gains or losses on disposals of businesses or investments, debt redemption costs as a consequence of transactions such as significant disposals or issues of equity and the impact on brought-forward deferred tax balances arising from corporation tax rate changes.

Adjusting items within finance income comprise gains and losses recorded in the income statement arising from the changes in fair value of the derivative financial instrument (with the exception of the amount relating to accretion, which is included within interest) to the extent that hedge accounting is not achieved or it is not effective. These fair values increase or decrease because of changes in the financial indices and prices, over which we have no control. Further details relating to adjusting items are provided in note 6.

(p) Pensions

The company operates both a defined contribution (DC) and a defined benefit (DB) pension scheme.

For the DC pension scheme, the company pays contributions into a Master Trust on behalf of the employee and has no further obligations to employees. The risks associated with this type of plan are assumed by the member.

For the DB pension scheme, members receive benefits on retirement, the value of which is dependent on factors such as salary and length of pensionable service. The cost of providing benefits in a DB scheme is determined using the projected unit method, with actuarial valuations being carried out at each reporting date by a qualified actuary. This valuation method is an accrued benefits valuation method that makes allowance for projected earnings.

The DB scheme closed to future accrual on 31 March 2024. The company's obligation in respect of the DB pension scheme is calculated by projecting the estimated amount of future benefit payments that employees have earned for pensionable service in prior periods.

The company takes advice from independent actuaries relating to the appropriateness of key assumptions applied, which include life expectancy of members, expected salary and pension increases, and inflation. It should be noted that comparatively small changes in the assumptions used may have a significant effect on the amounts recognised in the income statement and the statement of other comprehensive income and the net surplus recognised in the statement of financial position.

Remeasurements of net retirement obligations are recognised in full in the period in which they occur in the statement of other comprehensive income.

(q) Leases

The company leases offices, operational buildings, land, equipment and vehicles. Rental contracts typically range from 6 months to 10 years, however, land and building leases can be significantly longer.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

IFRS 16 has been applied for all leases (except as noted below), the company:

- Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16;
 - Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and
 - Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.
- Right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (with a lease term of 12 months or less) and leases of low-value assets (deemed less than £3,500) the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

Measurement

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option; and
- lease payments to be made under reasonably certain extension options.

Notes to the consolidated financial statements continued

For the year ended 31 March 2025

1 Summary of significant accounting policies continued

(q) Leases continued

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee of a term similar to that of the lease contract.

The lease liability is presented as a separate line in the consolidated statement of financial position, split between current and non-current liabilities.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Variable lease payments

Some leases contain variable payment terms. These include:

- Leases for equipment, which contain fixed value increases over the life of the lease e.g. final balloon payments. These are included in the lease liability as the amounts are known;
- A gas storage facility for which the rental payments are linked to RPI, and potential future increases in lease payments are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset; and
- Leased equipment where the lease payments are variable as they are based on usage. These costs are not included in the lease liability in line with IFRS 16 because the payments do not meet the definition of a liability until the use occurs. Instead these are recognised in the profit and loss account as and when the expense is incurred.

Right-of-use assets

Right-of-use assets are measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position. The right-of-use assets are presented within property, plant and equipment in the consolidated statement of financial position.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

(r) Other reserves

Other reserves comprise the merger reserve arising from the acquisition of the gas distribution trade and assets from National Grid Gas plc. On 1 October 2016, Cadent Gas Limited acquired the trade and assets of the Gas Distribution business from National Grid Gas plc. This acquisition was accounted for as a business combination under common control as the entities were under the common control of National Grid plc. As such, Cadent Gas Limited selected to apply predecessor accounting and this resulted in the excess of the consideration paid over the carrying value of the net assets, being recorded as a separate component of equity and a merger reserve of £5,165 million was recognised. Subsequent to this, Cadent Gas Limited recognised its share of the pension sectionalisation and the recognition of pension deficit of £128 million net of deferred tax was recognised against the merger reserve. This merger reserve will reduce distributable profits. As the amounts included in other reserves are not attributable to any of the other classes of equity presented, they have been disclosed as a separate classification of equity.

1 Summary of significant accounting policies continued

(s) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position and are considered as part of cash management.

The Group classifies cash flows as either operating, investing or financing as per the requirements of IAS 7-Statement of cash flows. In determining the classification, the Group considers what is most appropriate to the business.

The Group receives monies in the form of grants. The use of this cash is restricted by the specific terms and conditions of each grant and, therefore, is not available for general use.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements

Areas of judgement that have the most significant effect on the amounts recognised in the financial statements are as follows:

- The determination and judgement that connections and transportation services are not distinct services and, therefore, there is only one performance obligation for revenue from the distribution of gas. We judged that customers for the connection service can benefit from that connection service in conjunction with future gas supply services that are readily available, and hence the performance obligation is met and revenue is recognised once the new connection is completed;
- The recognition of a surplus in respect of the defined benefit pension scheme reflects legal and actuarial advice that we have taken regarding recognition of surpluses under IFRIC 14. We have concluded that the Group has an unconditional right to a refund from the plan, in the event of a winding-up – **note 27**;
- The categorisation of restructuring costs as an adjusting item under the adjusting items framework. In making this determination, management has concluded that, after taking into account the facts and circumstances, the restructuring programme is within our control and occurs infrequently and, therefore, have applied a materiality threshold over the life of the exercise consistent with our accounting policies. This is consistent with judgements made in previous years relating to this and other restructuring programmes – **note 6**; and
- The judgement that the network can be used for alternative technologies beyond 2050. The UK's target to achieve net zero by 2050 will change how fossil fuels are used, which will also impact how our network is used. The UK Government is exploring different pathways including the production and use of hydrogen and other green gases to achieve net zero, although there remains uncertainty about significant aspects of the UK energy sector plans under net zero.

We recognise that there are a range of possible futures regarding how our network is used and the role that hydrogen, biomethane and other green gases have to play. Scenarios range from high hydrogen through our existing network, through to slow decarbonisation driving a multi heat solution through to a high electrification route and we are continuing to assess what impact these scenarios would have on our asset lives.

Given the information currently available regarding these plans and the initial feasibility studies completed regarding the use of alternative gases through our network and the large scale production of these gases, we have judged that our network will continue to be used to transport gas (methane, biomethane, hydrogen, other green gases or a combination of these) beyond 2050, and that these gases will be available in sufficient quantities. Subsequent pages detail the estimates we have made regarding useful lives when applying this judgement to our financial statements – **notes 12 & 13**.

Notes to the consolidated financial statements continued

For the year ended 31 March 2025

2 Critical accounting judgements and key sources of estimation uncertainty continued

Key sources of estimation uncertainty

Key sources of estimation uncertainty that have significant risk of causing material adjustment to the carrying amounts of assets and liabilities in the next financial year are as follows:

- Determination of useful lives and carrying values of property, plant and equipment and intangible assets. In assessing the estimated useful economic lives, consideration is given by management to any contractual arrangements and operational requirements relating to particular assets. Currently, our assets are being depreciated out to 2055 and changes made to the UELs could have a material impact on the depreciation recognised in the next financial year. The UK's target to achieve net zero by 2050 may impact the UELs of our plant and machinery, if our network can no longer be used beyond this point. We recognise that there are a range of possible futures regarding how our network is used and the role that hydrogen and other green gases have to play. Scenarios range from high hydrogen through our existing network, through to slow decarbonisation driving a multi heat solution through to a high electrification route and we are continuing to assess what impact these scenarios would have on our asset lives. Given the information currently available about how the UK will achieve net zero using alternative technologies (particularly greener gases such as hydrogen and biomethane) and ahead of the Government Heat Policy decision, it is still reasonable to assume that the network will continue to be used beyond 2050 in its current form or adapted to accommodate further biomethane connections or hydrogen. Management have, therefore, assumed that our network assets can be adapted to use alternative technologies and hence have useful lives that extend beyond 2050 in line with our policy. However, if future developments in technology or the climate change agenda indicate that the UELs of our network assets are limited to 2050, the depreciation charge recognised in future periods would increase by a material amount. Given there is political and regulatory uncertainty, with the heat policy decision expected in the short term, which could result in material adjustments to the carrying value of our network assets, we deem determination of UELs to be a key source of estimation uncertainty. See note 29 for impact on depreciation charge under different modelling scenarios – **notes 12 & 13**;
- The estimation of liabilities for pensions and other post-retirement benefits include a number of key assumptions, which include life expectancy of members, expected salary and pension increases, and inflation. The company takes advice from independent actuaries relating to the appropriateness of any key assumptions applied – **note 27**; and
- The fair value of derivative financial instruments relating to index-linked swaps are measured using discounted cash flows. The future cash flows are estimated based on expectations of inflation rates (for RPI swaps based on market forecasts and for CPI swaps based on the currently unobservable spreads to the liquid RPI inflation markets) and interest rates, both of which are subjective and fluctuate on a daily basis. Projected cash flows are then discounted back using discount factors that are derived from the applicable interest rate curves adjusted for management's estimate of counterparty and own credit risk, where appropriate.

In order to illustrate the impact that changes in assumptions could have on our results and financial position, we have included sensitivity analysis in **note 29**.

3 Segmental analysis

The Directors believe that the whole of the company's activities constitute one single segment. Operating segments are reported in the manner consistent with internal reporting to the Chief Operating Decision Maker, which has been identified as the Executive Committee who report to the Board of Directors.

The company's country of domicile is the United Kingdom and is the country in which it generates all of its revenue. The company's assets are all located within the United Kingdom. As such, all risks and opportunities in relation to climate change have been considered at a UK level.

4 Revenue

	2025 £m	2024 £m
Revenue from distribution of gas	2,109	2,218
Other income	63	59
	2,172	2,277

Geographical analysis of revenue is not provided as the company's operations are all undertaken in the UK for customers based in the UK.

The performance obligation for the distribution of gas is satisfied over time as the shippers immediately control and consume the benefits that Cadent Gas provides over time by having a network available to shippers and transporting the gas around the network. Other income comprises all activities outside the regulated business with the performance obligation being satisfied at a point in time (see note 1(n) for further detail).

	2025 £m	2024 £m
Analysis of revenue by major customer		
Customer A	382	274
Customer B	344	266
Customer C	253	299
Customer D	131	317
	1,110	1,156

Three customers contributed 10% or more to the Group's revenue during the year to 31 March 2025 (2024: four).

5 Operating profit

	2025 £m	2024 £m
Operating profit is stated after charging:		
Depreciation and amortisation	502	462
Payroll costs (see note 7)	299	279
Inventory consumed	28	25
Shrinkage	32	29
Rates	185	174
Research and development expenditure	26	22
Exit capacity charges	149	132

Shrinkage is the leakage of methane from our gas networks and is addressed through the mains repair, maintenance and replacement programme. This activity means we replace damaged or low-quality pipes with new plastic alternatives, which results in lower leakage from the network.

Exit capacity charges are charges associated with the Group's usage of the National Gas Transmission System (NTS).

	2025 £000	2024 £000
Services provided by the company's auditor		
Audit services		
Fees payable to the Group's auditors for the audit of the financial statements	906	884
Fees payable for the audit of the subsidiary company financial statements	60	59
Other services		
Fees payable to the company's auditors for audit-related assurance services	109	107
Other non-audit services	160	194

Fees payable to the Group's auditor for audit-related assurance services represent fees payable for services in relation to engagements, which are carried out by the auditors such as interim reviews. Other non-audit services in 2025 relate to services provided in connection with raising of debt, grant claims or reports required by the regulator.

Notes to the consolidated financial statements continued

For the year ended 31 March 2025

6 Adjusting items

Adjusting items are items of income and expenditure that, in the judgement of management, should be disclosed separately on the basis that they are important to an understanding of our financial performance and may significantly distort the comparability of financial performance between periods. The disclosure and classification of adjusting items may not be comparable between companies, and the exclusion of adjusting items impacts the presentation of financial performance and cash flows.

Adjusting items within finance income comprise gains or losses recorded in the income statement arising from changes in the fair value of derivative financial instruments to the extent that hedge accounting is not achieved or is not effective.

	2025 £m	2024 £m
Adjusting items included within operating costs:		
Restructuring costs ⁽ⁱ⁾	33	10
Costs associated with the closure of the Cadent Gas Pension Scheme ⁽ⁱⁱ⁾	–	24
	33	34
Adjusted items included within finance income:		
Net gains on derivative financial instruments ⁽ⁱⁱⁱ⁾	(8)	(27)
Total included within profit before tax	25	7
Included within taxation:		
Tax on adjusting items		
Tax credit on restructuring activities and costs associated with closure of the Cadent Gas Pension Scheme	(8)	(9)
Tax charge on net gains on derivative financial instruments	2	7
	(6)	(2)
Total adjusting items after tax	19	5
Analysis of total adjusting items after tax		
Total adjusting items included within operating costs after tax	25	25
Total adjusting items included within finance income after tax	(6)	(20)
	19	5

(i) Management are completing a transformation programme to improve the efficiency of our operations by restructuring the business. During the year, the Group recognised £33 million in adjusting items in relation to our Operational Efficiency programmes and Voluntary Redundancy programme in order to drive efficiency (cumulative expenditure £43 million). These activities are infrequent and adjusting in nature, and are financially material over the course of the multi-year exercise.

(ii) The DB scheme closed to future accrual on 31 March 2024. In the prior year, the Group recognised £24 million in adjusting items, which related to the closure.

(iii) Net gains on derivative financial instruments comprise gains arising on derivative financial instruments reported in the income statement. These exclude gains and losses for which hedge accounting has been effective, which have been recognised directly in other comprehensive income or which are offset by adjustments to the carrying value of debt.

7 Employment numbers and costs

The average number of persons (including Executive Directors) employed by the Group was 6,361 (2024: 6,215) and can be analysed as follows:

	2025	2024
Field force	2,804	2,770
Office and other administrative staff	3,557	3,445
Total	6,361	6,215

	2025 £m	2024 £m
Wages and salaries	342	318
Social security costs	42	38
Other pension costs	62	60
	446	416
Less: payroll costs capitalised	(147)	(137)
	299	279

Key management comprises the Board of Directors of the company including Executive and Non-Executive Directors who have managerial responsibility for the businesses of Cadent Gas Limited.

	2025 £000	2024 £000
Salaries and other short-term employee benefits	3,821	3,358
Long-term benefits	2,116	1,688
Post-employment benefits	190	174
	6,127	5,220

8 Directors' emoluments

The Directors' emoluments were as follows:

	2025 £000	2024 £000
Aggregate emoluments (including salary, fees, bonuses and benefits in kind)	3,821	3,358
Aggregate amounts receivable under long-term incentive schemes	2,116	1,688
Post-employment benefits	190	174
	6,127	5,220

Highest paid Director

The highest paid Director's emoluments were as follows:

	2025 £000	2024 £000
Total amount of emoluments and amounts receivable (excluding shares) under long-term incentive schemes	3,033	2,555
Post-employment benefits	88	81

Notes to the consolidated financial statements continued

For the year ended 31 March 2025

9 Finance income and costs

	2025 £m	2024 £m
Finance income		
Interest income from pensions	16	33
Interest income from financial investments	37	25
Finance income before adjusting items	53	58
Adjusting items ⁽ⁱ⁾	8	27
Total finance income	61	85
Finance costs		
Interest expense on financial liabilities held at amortised cost:		
Bank loans and overdrafts	36	37
Bonds ⁽ⁱⁱ⁾	225	209
Derivatives ⁽ⁱⁱⁱ⁾	26	37
Unwinding of discounts on provisions and lease liabilities	6	5
Total finance costs	293	288
Net finance costs	232	203

(i) Includes a net foreign exchange gain on financing activities of £56 million (2024: £53 million). These amounts are fully offset by foreign exchange gains and losses on derivative financial instruments measured at fair value. Also includes a gain of £0.2 million (2024: £21 million) relating to the remeasurement of derivatives not designated as hedges and a £7 million gain (2024: £6 million) on redemption swaps.

(ii) Included within finance costs in bonds is £1 million (2024: £19 million) of accretion on RPI-linked debt instruments with 7-10 year tenor (cumulative: £252 million) and £18 million (2024: £49 million) RPI-linked debt instruments of >10 years tenor (cumulative: £295 million).

(iii) Included within finance costs in derivatives is net interest received on derivatives of £29 million. Also included is £20 million (2024: £28 million) of accretion on RPI-linked swaps with tenor >10 years (cumulative: £188 million), £25 million (2024: £33 million) on CPI-linked swaps (cumulative: £170 million) with 7-10 years tenor and £10 million (2024: £14 million) on CPI-linked swaps (cumulative: £65 million) with tenor >10 years.

10 Taxation

Tax charged/(credited) to the income statement

	2025 £m	2024 £m
Tax before adjusting items	115	176
Tax on adjusting items (see note 6)	(6)	(2)
Total tax expense	109	174

Taxation as a percentage of profit before tax

	2025 %	2024 %
Before adjusting items	26.0	25.3
After adjusting items	26.4	25.2

The tax charge for the year can be analysed as follows:

	2025 £m	2024 £m
Current tax		
UK corporation tax at 25%	115	161
UK corporation tax adjustment in respect of prior years	4	(1)
Total current tax	119	160
Deferred tax		
UK deferred tax current year	(8)	14
UK deferred tax adjustment in respect of prior years	(2)	–
Total deferred tax	(10)	14
Total tax charge	109	174

10 Taxation continued**Total tax credited to other comprehensive income and equity**

	2025 £m	2024 £m
Deferred tax		
Financial instrument	12	3
Remeasurements of post-employment benefit obligations	(2)	(99)
Total tax charged/(credited) to other comprehensive income and equity	10	(96)

The tax charge for the year after adjusting items is higher than (2024: higher) the standard rate of corporation tax in the UK of 25% (2024: 25%).

	Before Adjusting Items 2025 £m	After Adjusting Items 2025 £m	Before Adjusting Items 2024 £m	After Adjusting Items 2024 £m
Profit before tax				
Before adjusting items	438	438	697	697
Adjusting items	n/a	(25)	n/a	(7)
Profit before tax	438	413	697	690
Profit before tax multiplied by UK corporation tax rate of 25% (2024: 25%)	110	104	174	173
Effect of:				
Expenses not deductible for tax purposes	4	4	4	3
Non-taxable income	–	–	(1)	(1)
Prior-year adjustments	1	1	(1)	(1)
Total tax	115	109	176	174

Factors that may affect future tax charges

Future tax charges and tax payments will be affected by the level of corporate interest restriction arising in the Group. There is a significant amount of uncertainty as to the quantum of the restriction in future periods as it will depend on factors affecting profitability and interest. Future profitability will be impacted by changes in accounting standards and future regulatory pricing settlements. Interest charges will be impacted by the rates of interest and inflation.

Pillar 2 applies from 1 January 2024 to multinational groups with revenues in excess of €750 million. The Pillar 2 rules look to ensure multinational groups (MNEs) pay an effective tax rate (ETR), as calculated under Pillar 2 of at least 15% in each jurisdiction where they are located. If the Pillar 2 ETR is below 15%, a top-up tax will be applied to achieve the internationally agreed 15%. The Group has assessed the impact of this legislation and is not expecting any increase in taxes payable given the group is not a multinational enterprise and the group effective tax rate is comfortably higher than 15% (as calculated under the GloBe rules). The Group has applied the exception under IAS 12, such that Cadent neither recognises or discloses information about deferred tax assets and liabilities related to Pillar 2 income taxes.

Notes to the consolidated financial statements continued

For the year ended 31 March 2025

10 Taxation continued

Taxation included within the statement of financial position

The following are the major deferred tax assets and liabilities recognised, and the movements thereon, during the current and prior reporting period:

	Accelerated Tax Depreciation £m	Pensions £m	Financial Instruments £m	Other Net Temporary Differences £m	Total £m
At 1 April 2024	1,717	86	16	(13)	1,806
Credited to income statement	(9)	(1)	–	–	(10)
(Credited)/charged to other comprehensive income and equity	–	(2)	12	–	10
At 31 March 2025	1,708	83	28	(13)	1,806
Deferred tax assets	–	–	–	(13)	(13)
Deferred tax liabilities	1,708	83	28	–	1,819
At 31 March 2025	1,708	83	28	(13)	1,806

	Accelerated Tax Depreciation £m	Pensions £m	Financial Instruments £m	Other Net Temporary Differences £m	Total £m
At 1 April 2023	1,713	181	7	(13)	1,888
Charged to income statement	4	4	6	–	14
(Credited)/charged to other comprehensive income and equity	–	(99)	3	–	(96)
At 31 March 2024	1,717	86	16	(13)	1,806
Deferred tax assets	–	–	–	(13)	(13)
Deferred tax liabilities	1,717	86	16	–	1,819
At 31 March 2024	1,717	86	16	(13)	1,806

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net. The deferred tax balances (after offset) for statement of financial position purposes consist solely of deferred tax liabilities of £1,806 million (2024: £1,806 million).

11 Dividends

	2025 £m	2024 £m
Interim dividend of £917.00 per ordinary share amounting to £155,000,000 was declared on 22 September 2023 and paid on 28 September 2023	–	155
Second interim dividend of £917.00 per ordinary share amounting to £155,000,000 was declared on 24 January 2024 and paid on 25 January 2024	–	155
Interim dividend of £1,227.60 per ordinary share amounting to £207,500,000 was declared on 25 September 2024 and paid on 26 September 2024	208	–
Second interim dividend of £1,227.60 per ordinary share amounting to £207,500,000 was declared on 23 January 2025 and paid on 27 January 2025	207	–
	415	310

No further dividends are proposed for the current financial period.

12 Intangible asset

	Software £m
Cost:	
At 1 April 2024	175
Additions	4
Disposals	–
At 31 March 2025	179
Accumulated amortisation:	
At 1 April 2024	(144)
Amortisation charge for the year	(18)
Disposals	–
At 31 March 2025	(162)
Net book value:	
At 31 March 2025	17
At 31 March 2024	31

	Software £m
Cost:	
At 1 April 2023	200
Additions	3
Disposals	(28)
At 31 March 2024	175
Accumulated amortisation:	
At 1 April 2023	(152)
Amortisation charge for the year	(20)
Disposals	28
At 31 March 2024	(144)
Net book value:	
At 31 March 2024	31
At 31 March 2023	48

Notes to the consolidated financial statements continued

For the year ended 31 March 2025

13 Property, plant and equipment

	Land and Buildings £m	Plant and Machinery £m	Assets in the Course of Construction £m	Motor Vehicles and Other Equipment £m	Right-of- use Assets £m	Total £m
Cost						
At 1 April 2024	230	13,690	52	248	159	14,379
Additions	12	836	33	24	40	945
Reclassifications	(6)	21	(17)	2	–	–
Disposals	(2)	(1)	–	(22)	(9)	(34)
At 31 March 2025	234	14,546	68	252	190	15,290
Accumulated depreciation and impairment						
At 1 April 2024	(60)	(2,272)	–	(170)	(45)	(2,547)
Charge for the year	(15)	(409)	–	(34)	(26)	(484)
Disposals	2	1	–	21	9	33
At 31 March 2025	(73)	(2,680)	–	(183)	(62)	(2,998)
Net book value:						
At 31 March 2025	161	11,866	68	69	128	12,292
At 31 March 2024	170	11,418	52	78	114	11,832

Depreciation has been calculated on a straight-line basis over the estimated useful life of the asset. In assessing the estimated useful economic lives, management give consideration to any contractual arrangements and operational requirements relating to particular assets. See note 1(e) for the estimated useful lives of each asset category, and note 29 for sensitivity analysis over the residual lives of assets.

The UK's target to achieve net zero by 2050 may impact the UELs of our plant and machinery if our network can no longer be used beyond this point. We recognise that there are a range of possible futures regarding how our network is used and the role that hydrogen and other green gases such as biomethane have to play. Given the information currently available about how the UK will achieve net zero using alternative technologies (particularly greener gases such as hydrogen and biomethane), and ahead of the Government Heat Policy decision, it is still reasonable to assume that the network will continue to be used beyond 2050 in its current form or adapted to accommodate further biomethane connections or hydrogen.

The net book value of right-of-use assets comprises:

	2025 £m	2024 £m
Land and buildings	68	61
Plant and machinery	–	1
Motor vehicles and other equipment	60	52
	128	114

The net book value of land and buildings comprises:

	2025 £m	2024 £m
Freehold	122	133
Long leasehold (over 50 years)	31	31
Short leasehold (under 50 years)	8	6
	161	170

13 Property, plant and equipment continued

	Land and Buildings £m	Plant and Machinery £m	Assets in the Course of Construction £m	Motor Vehicles and Other Equipment £m	Right-of- use Assets £m	Total £m
Cost						
At 1 April 2023	206	12,786	73	231	124	13,420
Additions	28	865	22	27	41	983
Reclassifications	(2)	41	(43)	4	–	–
Disposals	(2)	(2)	–	(14)	(6)	(24)
At 31 March 2024	230	13,690	52	248	159	14,379
Accumulated depreciation and impairment						
At 1 April 2023	(46)	(1,892)	–	(156)	(33)	(2,127)
Charge for the period	(15)	(381)	–	(28)	(18)	(442)
Disposals	1	1	–	14	6	22
At 31 March 2024	(60)	(2,272)	–	(170)	(45)	(2,547)
Net book value:						
At 31 March 2024	170	11,418	52	78	114	11,832
At 31 March 2023	160	10,894	73	75	91	11,293

14 Investments in associates

The Group has an equity stake of 45.57% in Xoserve Limited, which was previously fully impaired.

Details of associate undertakings are set out below:

Company	Class of share held	Place of business and country of incorporation	Percentage held	Principal activities
Xoserve Limited	Convertible redeemable, ordinary share of £0.01 designated as an A Share in the capital of the company	Registered address Lansdowne Gate, 65 New Road, Solihull, B91 3DL, United Kingdom. Incorporated in England and Wales	45.57%	Gas transportation transaction services
Encodar Limited	Ordinary share of £1.00 designated as a F, G, H and I Share in the capital of the company	Registered address Radcliffe House Blenheim Court, Warwick Road, Solihull, B91 2AA, United Kingdom. Incorporated in England and Wales	44.44%	Management of the Uniform Network Code for gas transportation

Outstanding balances with associates are shown in note 33.

15 Inventories

	2025 £m	2024 £m
Raw materials and consumables	16	16
	16	16

Inventories are stated after provisions for impairment of £1,305,000 (2024: £838,000).

Notes to the consolidated financial statements continued

For the year ended 31 March 2025

16 Trade and other receivables

	2025 £m	2024 £m
Amounts falling due within one year:		
Trade debtors	6	11
Amounts owed by other Group companies	–	5
Other debtors	–	2
Prepayments	11	9
Accrued income	173	184
	190	211

In determining the recoverability of trade and other receivables, the Group considers any change in credit worthiness of the counterparty from the date credit was initially granted up to the reporting date.

The movement in loss allowance for the year was as follows:

	2025 £m	2024 £m
At 1 April	5	11
Amounts utilised/written off in the year	(1)	(6)
At 31 March	4	5

When judging if a financial asset should be valued using the lifetime expected loss calculation, the Group needs to assess if there has been a significant increase in credit risk.

The Group takes a simplified approach and considers all receivables to be in stage 2 immediately. When assessing if a financial asset has reached level 3 (credit impaired), the following information is considered:

- existing or anticipated adverse changes in economic conditions that are expected to lead to a significant decrease in the counterparty's ability to meet its debt obligations;
- actual or expected significant reduction of the profitability of the counterparty; and
- significant movement in credit risk derived from observable market data relating to the same or similar counterparty.

The Group has assessed whether there is any impact of macro-economic and geo-political volatility on the recoverability of trade and other receivables. The impact was deemed to be limited given the nature of the business in that our principal commercial exposure relates to shipper income, which is governed by Section V of the Gas Transportation Uniform Network Code. There are a number of actions the Group takes to mitigate credit risks and any changes to the Uniform Network Code will need to be agreed across the gas industry with involvement from Ofgem. These include holding security in the form of cash, obtaining letters of credit and ensuring major diversionary work is invoiced in advance of the work commencing.

The impairment under the expected credit loss has been calculated by grouping customers into two distinct segments with significantly different customer bases and customer credit profiles. These segments are distinguished as follows:

- other income: diversions receivables, damages receivables, emergencies receivables, other receivables; and
- shipper income: capacity accrued income, commodity accrued income.

16 Trade and other receivables continued

Other income

Other income included within trade debtors relates to any income stream, which involves rechargeable construction work done on the network where the costs can be charged to another party. Examples include diversions income for diversions of gas pipes, charges for damages to gas pipes and rechargeable emergency repairs.

The loss allowance of the receivable balance is calculated using the expected loss model and is calculated using a matrix based on the number days past due plus any specific adjustments. Specific adjustments have been made based on forward looking information specific to any counterparty or counterparty segment, which would lead the Group to adjust the normal matrix based calculation.

2025	Not due £m	Current £m	1–6 months £m	6–12 months £m	Over 1 year £m	Total £m
Total trade debtors balance	3	–	1	1	2	7
Expected credit loss	–	–	–	–	(1)	(1)
Balance after loss allowance	3	–	1	1	1	6

2024	Not due £m	Current £m	1–6 months £m	6–12 months £m	Over 1 year £m	Total £m
Total trade debtors balance	9	1	1	–	2	13
Expected credit loss	–	–	–	–	(2)	(2)
Balance after loss allowance	9	1	1	–	–	11

Shipper income

Shipper income relates to all income received from gas shippers and is included within accrued income. These amounts relate to two different elements: capacity and commodity income. Typically, shippers will settle within 14 days.

The Group minimises customer credit risk by ensuring all customers can adequately demonstrate the ability to pay debts as they fall due. These include company credit rating, letter of credit from a financial institution, parent company guarantee, independent assessment, payment history allowance and advanced cash deposits.

The shippers are required to pay on strict schedules and failure to pay on the predetermined date will result in sanctions being placed on the customer account, which are designed to reduce the Group's risk, such as refusal to give more credit.

Historic volatility in gas prices had a wide impact on our industry and a number of shippers and gas suppliers ceased trading in previous financial years. Our exposure to credit losses from these counterparties is mitigated in most cases by the protection given by the Uniform Network Code (the industry governance contract). The Code requires customers to provide security for their transportation services, requires them to pay monthly and links to a supplier of last resort (SoLR) process which ensures a defaulting shipper's customers are reallocated to another shipper who picks up forward liabilities. At 31 March 2025, the outstanding debt with these failed customers was £3 million (2024: £3 million) for which a specific provision exists, which remains outstanding and is subject to our existing credit procedures.

2025	Not due £m	Current £m	1–6 months £m	6–12 months £m	Over 1 year £m	Total £m
Total accrued income balance	173	–	–	–	3	176
Expected credit loss	–	–	–	–	(3)	(3)
Balance after loss allowance	173	–	–	–	–	173

2024	Not due £m	Current £m	1–6 months £m	6–12 months £m	Over 1 year £m	Total £m
Total accrued income balance	184	–	–	–	3	187
Expected credit loss	–	–	–	–	(3)	(3)
Balance after loss allowance	184	–	–	–	–	184

Notes to the consolidated financial statements continued

For the year ended 31 March 2025

17 Derivative financial instruments

The fair values of derivative financial instruments are as follows:

	2025		
	Assets £m	Liabilities £m	Total £m
Amounts falling due within one year	–	–	–
Amounts falling due after more than one year	25	(404)	(379)
	25	(404)	(379)

	2024		
	Assets £m	Liabilities £m	Total £m
Amounts falling due within one year	3	–	3
Amounts falling due after more than one year	16	(328)	(312)
	19	(328)	(309)

For each class of derivative the notional contract amounts* are as follows:

	2025 £m	2024 £m
Cross-currency interest rate swaps	2,302	2,129
Interest rate swaps	1,761	639
Inflation-linked swaps	1,400	1,400
	5,463	4,168

* The notional contract amounts of derivatives indicate the gross nominal value of transactions outstanding at the reporting date.

18 Current asset investments

	2025 £m	2024 £m
Current asset investments	165	569
	165	569

Amounts held relate to investments in money market funds of £165 million (2024: £266 million) with typical maturity dates within 90 days and £Nil (2024: £303 million) of fixed term deposits with an average maturity of 90–125 days from inception.

19 Trade and other payables

	2025 £m	2024 £m
Trade creditors	150	86
Amounts owed to other Group companies	4	–
Other tax and social security	13	10
Other creditors	49	60
Accruals	110	101
Deferred income	133	108
	459	365

Other creditors principally relate to deposits from customers as part of managing customer credit risk. Due to the short-term nature of trade creditors, the fair value approximates its book value.

20 Accruals and deferred income

	2025 £m	2024 £m
Accruals and deferred income (due after more than one year)	15	41
	15	41

Accruals and deferred income mainly comprise fees received from customers for capital projects.

21 Borrowings

	2025 £m	2024 £m
Amounts falling due within one year		
Bank loans	2	210
Bonds	80	445
	82	655
Amounts falling due after more than one year		
Bank loans	550	549
Bonds	7,263	6,781
	7,813	7,330
Total borrowings are repayable as follows:		
Less than one year	82	655
In one–two years	400	–
In two–three years	–	400
In three–four years	848	–
In four–five years	1,052	848
More than five years	5,513	6,082
	7,895	7,985

Borrowings, which include interest-bearing loans, are recorded at their initial fair value, which normally reflects the proceeds received, net of direct issue costs less any repayments. Subsequently, these are stated at amortised cost, using the effective interest method. Any difference between proceeds and the redemption value is recognised over the term of the borrowing in the income statement using the effective interest method.

Notes to the consolidated financial statements continued

For the year ended 31 March 2025

21 Borrowings continued

Currency	Listing Status	Notional (including accretion)* £m	Rate	Maturity Date	Carrying Value £m	Fair Value £m
Fixed rate						
GBP	Listed	850	Fixed	22-Sep-28	858	772
EUR ¹	Listed	427	Fixed	05-Jul-29	442	444
GBP	Listed	100	Fixed	31-Jan-30	101	111
EUR ²	Listed	537	Fixed	19-Mar-30	523	456
USD ³	Listed	52	Fixed	25-Apr-30	51	54
USD ⁴	Listed	58	Fixed	25-Jul-30	58	62
GBP	Listed	100	Fixed	19-Mar-31	100	94
USD ⁵	Listed	151	Fixed	19-Mar-31	155	147
EUR ⁶	Listed	439	Fixed	11-Mar-32	416	349
GBP	Listed	30	Fixed	15-Dec-32	30	35
GBP	Listed	45	Fixed	31-Jan-33	45	52
EUR ⁷	Listed	547	Fixed	16-Apr-33	538	549
JPY ⁸	Listed	68	Fixed	19-Jul-33	52	49
GBP	Listed	300	Fixed	14-Mar-34	299	317
GBP	Listed	200	Fixed	19-Mar-34	200	183
GBP	Listed	300	Fixed	10-Oct-35	299	227
GBP	Listed	315	Fixed	11-Jan-36	297	327
GBP	Listed	700	Fixed	22-Sep-38	705	497
GBP	Listed	225	Fixed	19-Mar-39	225	195
GBP	Listed	300	Fixed	21-Mar-40	296	224
GBP	Listed	800	Fixed	22-Sep-46	801	496
		6,544			6,491	5,640
Floating rate						
GBP	Unlisted	400	SONIA	23-Mar-27	400	408
GBP	Unlisted	150	SONIA	21-Oct-30	151	161
		550			551	569
Index-linked						
GBP	Listed	195	RPI-linked	02-May-39	263	231
GBP	Listed	200	RPI-linked	10-Aug-48	297	244
GBP	Listed	200	RPI-linked	14-Aug-48	293	240
		595			853	715
Overdraft						
Total		7,689			7,895	6,924

* Indexed-linked debt notional is the accreted value.

¹ Euro amount is 5 00m.² Euro amount is 625m.³ Dollar amount is 65m.⁴ Dollar amount is 75m.⁵ Dollar amount is 200m.⁶ Euro amount is 500m.⁷ Euro amount is 640m.⁸ JPY amount is 10bn.

21 Borrowings continued

On 16 April 2024, Cadent Finance Plc, a subsidiary of Cadent Gas Limited, issued a 9 year fixed rate Green bond with a notional value of €640 million and coupon of 3.75% under its £7 billion Euro Medium Term Note Programme. This bond is guaranteed by, and proceeds were on lent to, Cadent Gas Limited. The bond proceeds were swapped to sterling (£548.5 million) immediately on issue.

On 11 October 2024, having received lender approval, Cadent Gas Limited extended the termination date of its bank facilities by two years to 4 November 2029.

The Group continues to have at its disposal sufficient undrawn, committed borrowing facilities at competitive rates for the medium term of up to £500 million at Cadent Gas level with a further £200 million facility available to be lent down from the immediate parent company, Quadgas MidCo Limited.

The fair value of borrowings at 31 March 2025 was £6,924 million (2024: £6,834 million). Where market values were available, the fair value of borrowings (Level 1) was £4,658 million (2024: £4,515 million). Where market values were not available, the fair value of borrowings (Level 2) was £2,266 million (2024: £2,319 million), calculated by discounting cash flows at prevailing interest rates. The notional amount outstanding of the debt portfolio at 31 March 2025 was £7,689 million (2024: £7,713 million) (including accretion).

The Group is bound by certain financial covenants with regards to its debt agreements and banking facilities. For debt issued by Cadent Gas Limited and Cadent Finance plc, the most relevant covenant is adjusted net debt to RAV.

22 Lease liabilities

a) Amounts recognised in the statement of financial position

	2025 £m	2024 £m
Current	20	21
Non-current	114	99
	134	120

	2025 £m	2024 £m
Lease liabilities are repayable as follows:		
Year 1	20	21
Year 2	15	20
Year 3	9	16
Year 4	4	10
Year 5	1	6
More than 5 years	85	47
	134	120

The Group does not face a significant liquidity risk with regard to its lease liabilities. See note 28 (financial risk management) for further analysis.

All lease liabilities are denominated in sterling.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities was 3.86% for the current financial year (2024: 3.51%).

In line with IFRS 16 leases, short-term leases (less than 12 months) and low value leases (less than £3,500) will continue to be recognised on a straight-line basis as an expense in profit or loss. The value of such payments can be seen in the table below.

b) Amounts recognised in the statement of profit or loss

	2025 £m	2024 £m
Depreciation of right-of-use assets (see note 13)	26	18
Expense relating to short-term leases (included within operating expenses)	–	–
Expense relating to variable lease payments not included in lease liabilities (included within operating expenses)	2	2

The total cash outflow for leases for the year to 31 March 2025 was £31 million (2024: £22 million).

Notes to the consolidated financial statements continued

For the year ended 31 March 2025

23 Provisions for liabilities

	Environmental £m	Restructuring £m	Other £m	Total £m
At 1 April 2024	28	2	38	68
Charged to the income statement	–	18	4	22
Released to the income statement	(1)	–	–	(1)
Utilised	–	(8)	(2)	(10)
At 31 March 2025	27	12	40	79

	Environmental £m	Restructuring £m	Other £m	Total £m
Current	1	12	7	20
Non-current	26	–	33	59
At 31 March 2025	27	12	40	79

Environmental provision

The environmental provision represents the estimated restoration and remediation costs relating to old gas manufacturing sites and depots owned by the company (discounted using a real rate of 1.75% (2024: 1.5%)). Cash flows are expected to be incurred between 2025 and 2084.

A number of factors affect the calculation of the provision including the impact of regulation, the accuracy of the site surveys, unexpected contaminants, transportation costs, the impact of alternative technologies and climate change regulations, and changes in the discount rate. The provision incorporates our best estimate of the financial effect of these uncertainties, but future material changes in any of the assumptions could materially impact on the calculation of the provision.

The undiscounted amount of the provision at 31 March 2025 is £42 million (2024: £41 million), being the undiscounted best estimate liability having regard to these uncertainties.

Restructuring

During the year, management initiated a voluntary redundancy programme for eligible employees, in order to drive efficiency to a level expected by our economic regulator Ofgem. The programme was formally announced in February 2025 and an amount of £15 million of restructuring provision was recognised at March 2025 representing management's best estimate of the outcome of the application process. In addition, a further amount of £3 million was charged in the year in relation to the next phase of our Operational Efficiency programme.

The associated costs for the restructuring programme are expected to be settled within 1 year. See note 6.

Other provisions

The other provisions consist of claims (whether covered by insurance or not) including employer liability claims, and other provisions relating to the operation of our gas networks.

The estimation of the provision for claims (whether insured or not) is based on projections of liabilities that are subject to potentially large amounts of estimation, since the ultimate liability of claims is subject to the outcome of events that have not yet occurred. Examples of these events include jury decisions, court interpretations, legislative changes, changes in the medical condition of claimants, public attitudes and social/economic conditions such as inflation. In our judgement, through the use of independent actuaries we have employed techniques and assumptions that are appropriate to project the liabilities.

Where amounts are material, third party valuations are performed. Any insurance proceeds are recognised as an asset when virtually certain of recovery. The provision has been discounted based on future cash flows. The majority of claims are expected to be settled within 10 years.

24 Share capital

	2025 £m	2024 £m
Allotted, called up and fully paid		
169,030 ordinary shares of £1 each	–	–

Each share carries the right to one vote on a poll. The right to vote is determined by reference to the register of members. All dividends shall be declared and paid according to the amounts paid up on the shares. The shares do not carry any rights as respects to capital to participate in a distribution (including on a winding-up) other than those that exist as a matter of law. The shares are not redeemable.

25 Net debt

Net debt is a non statutory measure which shows the overall debt situation. Net debt is calculated by netting the value of a company's liabilities and debts with its cash and other similar short-term financial assets.

	2025 £m	2024 £m
Decrease/(increase) in borrowings and derivatives	40	(364)
Repayment of lease liabilities	31	22
Net interest paid on borrowings and derivatives	202	148
Changes in net debt arising from financing activities	273	(194)
(Decrease)/increase in cash and cash equivalents	(10)	8
(Decrease)/increase in financial investments	(441)	21
Changes in net debt arising from cash flows	(178)	(165)
Changes in fair value of financial assets	11	(17)
Foreign exchange movements	56	58
Net interest charge on the components of net debt	(258)	(262)
Other non-cash changes	(39)	(40)
Movement in net debt (net of related derivative financial instruments)	(408)	(426)
Net debt (net of related derivative financial instruments) at the start of the year	(7,816)	(7,390)
Net debt (net of related derivative financial instruments) at the end of the year	(8,224)	(7,816)

Composition of net debt:

	2025 £m	2024 £m
Cash, cash equivalents and current asset investments	184	598
Borrowings	(7,895)	(7,985)
Derivatives	(379)	(309)
Lease liabilities	(134)	(120)
Total net debt	(8,224)	(7,816)

Notes to the consolidated financial statements continued

For the year ended 31 March 2025

25 Net debt continued

Analysis of changes in net debt:

	Borrowings £m	Derivatives £m	Lease Liabilities £m	Net Financing Activities £m	Cash and Cash Equivalents £m	Bank Overdrafts £m	Net Cash and Cash Equivalents £m	Current Asset Investments £m	Total £m
At 1 April 2024	(7,985)	(309)	(120)	(8,414)	29	–	29	569	(7,816)
Cash flow	263	(21)	31	273	(10)	–	(10)	(441)	(178)
Fair value gains and losses	34	(23)	–	11	–	–	–	–	11
Foreign exchange movements	56	–	–	56	–	–	–	–	56
Interest (charged)/received	(263)	(26)	(6)	(295)	–	–	–	37	(258)
Other non-cash changes	–	–	(39)	(39)	–	–	–	–	(39)
At 31 March 2025	(7,895)	(379)	(134)	(8,408)	19	–	19	165	(8,224)

Balances at 31 March 2025 comprised:

Non-current assets	–	25	–	25	–	–	–	–	25
Current assets	–	–	–	–	19	–	19	165	184
Current liabilities	(82)	–	(20)	(102)	–	–	–	–	(102)
Non-current liabilities	(7,813)	(404)	(114)	(8,331)	–	–	–	–	(8,331)
At 31 March 2025	(7,895)	(379)	(134)	(8,408)	19	–	19	165	(8,224)

	Borrowings £m	Derivatives £m	Lease Liabilities £m	Net Financing Activities £m	Cash and Cash Equivalents £m	Bank Overdrafts £m	Net Cash and Cash Equivalents £m	Current Asset Investments £m	Total £m
At 1 April 2023	(7,623)	(213)	(98)	(7,934)	21	–	21	523	(7,390)
Cash flow	(162)	(54)	22	(194)	8	–	8	21	(165)
Fair value gains and losses	(12)	(5)	–	(17)	–	–	–	–	(17)
Foreign exchange movements	58	–	–	58	–	–	–	–	58
Interest charged	(246)	(37)	(4)	(287)	–	–	–	25	(262)
Other non-cash changes	–	–	(40)	(40)	–	–	–	–	(40)
At 31 March 2024	(7,985)	(309)	(120)	(8,414)	29	–	29	569	(7,816)

Balances at 31 March 2024 comprised:

Non-current assets	–	16	–	16	–	–	–	–	16
Current assets	–	3	–	3	29	–	29	569	601
Current liabilities	(655)	–	(21)	(676)	–	–	–	–	(676)
Non-current liabilities	(7,330)	(328)	(99)	(7,757)	–	–	–	–	(7,757)
At 31 March 2024	(7,985)	(309)	(120)	(8,414)	29	–	29	569	(7,816)

26 Capital and other commitments

	2025 £m	2024 £m
Contracts for future capital expenditure not provided in the financial statements	242	320
Letters of credit facility	150	150
	392	470

27 Pensions

The Group sponsors two pension schemes for its employees.

Defined contribution (DC) scheme

For the DC pension arrangement, the company pays contributions into separate funds on behalf of the employee and has no further obligations to employees. The risks associated with this type of plan are assumed by the member.

MyPension, the company's DC arrangement, was established on 1 February 2019 under Master Trust and received a bulk transfer from National Grid's YouPlan in August 2019. Under the standard contribution structure, the company double matches member contributions to MyPension up to a maximum member contribution of 6%. MyPension is the qualifying scheme used for automatic enrolment and new hires are enrolled into MyPension.

The amount recognised as an expense for the defined contribution scheme was:

	2025 £m	2024 £m
Current period contributions	42	34

Defined benefit (DB) scheme

The Cadent Gas Pension Scheme (CGPS – the 'Scheme') was established to receive a transfer from Section C of the National Grid UK Pension Scheme. The bulk transfer took place on 30 September 2020 and Section C has now been wound up.

Members receive benefits on retirement, the value of which is dependent on factors such as salary and length of pensionable service. The company underwrites both financial and demographic risks associated with this type of scheme. The Scheme closed to future accrual on 31 March 2024.

The cost of providing benefits in a DB scheme is determined using the projected unit method, with actuarial valuations being carried out at each reporting date by a qualified actuary. This valuation method is an accrued benefits valuation method that makes allowance for projected earnings.

The DB scheme closed to future accrual on 31 March 2024. The Company's obligation in respect of the DB pension scheme is calculated by projecting the estimated amount of future benefit payments that employees have earned for pensionable service in prior periods.

The company takes advice from independent actuaries relating to the appropriateness of any key assumptions applied, which include life expectancy of members, expected salary and pension increases, and inflation. It should be noted that comparatively small changes in the assumptions used may have a significant effect on the amounts recognised in the income statement and the statement of other comprehensive income and the net asset recognised in the statement of financial position. For sensitivity analysis, see note 29.

Remeasurements of net retirement obligations are recognised in full in the period in which they occur in the statement of other comprehensive income.

The Scheme is funded with assets held in a separate trustee administered fund. The arrangements are managed by a trustee company with a board consisting of company-appointed and member-nominated directors. The directors are required to manage the arrangements in accordance with local regulations and the arrangements' governing documents, acting on behalf of its beneficiaries.

The arrangements are subject to independent actuarial funding valuations at least every three years.

The last full actuarial valuation for the Scheme was carried out at 31 March 2022. A valuation at 31 March 2025 is currently underway.

The results of the latest valuations are shown below:

Last full actuarial valuation	31-Mar-2022	31-Mar-2019
Actuary	Willis Towers Watson	Willis Towers Watson
Market value of scheme assets at latest valuation	£6,542m	£6,674m
Actuarial value of benefits due to members	£6,441m	£6,755m
Market value as percentage of benefits	102%	99%
Funding surplus/(deficit)	£101m	£(81)m

Notes to the consolidated financial statements continued

For the year ended 31 March 2025

27 Pensions continued

Cadent Gas Pension Scheme

Under the security arrangements agreed for the Scheme, the Group retains a £150 million letter of credit facility to provide security to the Scheme Trustees should it be required.

The Scheme ceased to allow new hires to join from 1 April 2002, and the Scheme closed to future accrual on 31 March 2024. All employees have the option of joining the DC arrangement.

The DB scheme closed to future accrual on 31 March 2024. The closure to future accrual has been treated as a plan amendment under IAS 19, with a past service cost of £15 million recognised equal to the size of the resulting change in the value of the Defined Benefit Obligation (DBO) as well as £8 million in transition payments.

The Group included an initial estimate of the impact of GMP equalisation within its 31 March 2019 results with a revision at 31 March 2021 following the secondary ruling on GMP equalisation. The Group have currently used the same allowance of 0.2% of liabilities for GMP equalisation, as initially used and this is included in the calculation of the DBO at 31 March 2025.

The Trustees of the Scheme launched a consultation with members in early 2025 regarding GMP conversion. After careful consideration of member feedback, the Trustee and Cadent Gas Limited agreed to go ahead with GMP conversion. This was confirmed to members in April 2025. The process for calculating GMP Equalisation and Conversion will be progressed over the coming year.

In June 2023, the UK High Court issued a ruling in the case of Virgin Media Limited versus NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes. A subsequent appeal was dismissed in July 2024 by the Court of Appeal. The Group has no reason to believe that the ruling in the case will have any financial impact but will continue to assess the position.

Risks

The DB pension obligations and other post-retirement benefit liabilities are exposed to the primary risks outlined below.

Liabilities are calculated using discount rates set with reference to yields on high-quality corporate bonds prevailing in the UK debt markets and will fluctuate as yields change. Scheme funds are invested in a variety of asset classes, principally: government securities, corporate bonds and property. Consequently, actual returns will differ from the underlying discount rate adopted and, therefore, have an impact on the net balance sheet position.

Changes in inflation will affect both current and future pension payments and are partially mitigated through investment in inflation matching assets and hedging instruments.

On 25 November 2020, the government and UK Statistics Authority's joint consultation response on RPI reform was published. This confirmed their intention to amend the RPI calculation methodology to be aligned to that already in use for the calculation of the CPI including housing (known as CPIH) with effect from 2030.

The RPI inflation adopted is based on market implied RPI inflation less an inflation risk premium adjustment of 0.3% per annum to allow for distortions in bond markets that can lead to the market implied rate of RPI being overstated.

Longevity is also a key driver of liabilities and changes in expected mortality will have a direct impact on liabilities. The liabilities are, in aggregate, relatively mature, which serves to mitigate this risk to some extent.

The Scheme's investment strategy seeks to balance the level of investment return sought with the aim of reducing volatility and risk. In undertaking this approach, reference is made both to the maturity of the liabilities and the funding level of that plan. A number of further strategies are employed to manage underlying risks, including liability matching asset strategies, diversification of asset portfolios, interest rate hedging and management of foreign exchange exposure.

The pension liability recognised on an IAS 19 basis at 31 March 2025 has decreased to £3,788 million (2024: £4,227 million), coupled with a decrease in the fair value of the scheme assets in the year to £4,128 million (2024: £4,577 million), the net pension surplus has decreased by 3%.

The recognition of the net defined benefit asset in relation to CGPS reflects legal and actuarial advice that management have taken regarding recognition of surpluses under IFRIC 14. Management have concluded that the Group has an unconditional right to a refund from the plan, in the event of a winding-up. The Trustees must seek the agreement of the company to any benefit augmentation beyond the provisions set out in the Scheme Rules.

27 Pensions continued

The following tables represent the amounts in the financial statements.

Amounts recognised in the statement of financial position

	2025 Total £m	2024 Total £m
Present value of funded obligations	(3,785)	(4,224)
Fair value of plan assets	4,128	4,577
	343	353
Present value of unfunded obligations	(3)	(3)
Net defined benefit asset	340	350

	2025 Total £m	2024 Total £m
Represented by:		
Liabilities	(3,788)	(4,227)
Assets	4,128	4,577
	340	350

Amounts recognised in the income statement and statement of other comprehensive income

	2025 Total £m	2024 Total £m
Included within operating costs		
Administration costs	7	4
Defined contribution scheme costs	42	34
Defined benefit scheme costs:		
Current service cost	–	7
Past service cost	13	15
	62	60
Included within finance costs		
Net interest credit	(16)	(33)
Total included in income statement	46	27
Remeasurements of net retirement benefit obligations	(344)	95
Return on plan assets greater or less than discount rate	350	301
Total included in the statement of other comprehensive income	6	396

Reconciliation of the net defined benefit asset

	2025 Total £m	2024 Total £m
Opening net defined benefit asset	350	729
(Charge)/credit recognised in the income statement	(4)	7
Employer contributions	–	10
Other movements	(6)	(396)
Closing net defined benefit asset	340	350

Notes to the consolidated financial statements continued

For the year ended 31 March 2025

27 Pensions continued

Changes in the present value of defined benefit obligations (including unfunded obligations)

	2025 Total £m	2024 Total £m
Opening net defined benefit liability	4,227	4,195
Current service cost	–	7
Interest cost	196	200
Past service cost	13	15
Actuarial (gains)/losses – experiences	(20)	177
Actuarial losses/(gains) – demographic assumptions	16	(72)
Actuarial gains – financial assumptions	(340)	(10)
Benefits paid	(304)	(285)
Closing net defined benefit liability	3,788	4,227

Changes in the fair value of plan assets

	2025 Total £m	2024 Total £m
Opening fair value of plan assets	4,577	4,924
Interest income	212	233
Return on assets less than assumed	(350)	(301)
Administration costs	(7)	(4)
Employer contributions paid	–	10
Benefits paid	(304)	(285)
Closing fair value of plan assets	4,128	4,577
Actual return on plan assets	(138)	(68)
Expected contributions to plans in the following year	–	13

Asset allocations

Within the asset allocations below, there is significant diversification across regions, asset managers, currencies and bond categories.

	2025 Quoted £m	2025 Unquoted £m	2025 Total £m	2024 Quoted £m	2024 Unquoted £m	2024 Total £m
Equities	–	135	135	–	157	157
Corporate bonds	1,660	–	1,660	1,792	–	1,792
Property	–	126	126	–	266	266
Government securities ⁱ⁾	999	–	999	1,307	–	1,307
Diversified alternatives ⁱⁱ⁾	–	1,030	1,030	–	976	976
Other	–	178	178	–	79	79
Total	2,659	1,469	4,128	3,099	1,478	4,577

i) Includes short sold Gilts of £330 million (2024: £217 million).

ii) Includes return seeking non-conventional asset classes of £658 million (2024: £579 million) and secure income assets of £371 million (2024: £397 million).

The investment strategy for CGPS is formulated specifically in order to manage risk, through investment in diversified asset classes, including the use of liability matching assets, and where appropriate, through the employment of interest rate and inflation hedging instruments. The asset allocation at 31 March 2025 is as follows:

	2025 %	2024 %
Equities	3	3
Other	97	97
	100	100

27 Pensions continued

Actuarial assumptions

Cadent Gas Limited has applied the following financial assumptions in assessing defined benefit liabilities.

	2025 %	2024 %
Discount rate – Past service ⁽ⁱ⁾	5.55	4.80
Discount rate – Future service ⁽ⁱ⁾	—*	4.80
Rate of increase in salaries ⁽ⁱⁱ⁾	—*	2.25
Rate of increase in RPI – Past service ⁽ⁱⁱⁱ⁾	3.20	3.25
Rate of increase in RPI – Future service ⁽ⁱⁱⁱ⁾	—*	3.10

* The Cadent Gas Pension Scheme closed to future accrual on 31 March 2024.

i) The discount rate for pension liabilities has been determined by reference to appropriate yields on high quality corporate bonds prevailing in the UK debt market at the reporting date.

ii) A promotional scale has also been used where appropriate. The assumption stated is that relating to service since 1 April 2013. The assumption for the rate of increase in salaries for service before this date was 3.25% at 31 March 2024.

iii) This is the key assumption that determines assumed increases in pensions in payment and deferment. Consistent with the derivation of the discount rate, the RPI assumption reflects the duration of the active liabilities adopted in the calculation of future service obligations.

For sensitivity analysis, see note 29.

Assumed life expectations for a retiree aged 65.

	2025 years	2024 years
Today		
Males	19.8	19.6
Females	22.5	22.3
In 20 years		
Males	21.1	20.9
Females	24.0	23.8

Maturity profile of DB obligations

The weighted average duration of the DB obligation at 31 March 2025 is 11 years.

Notes to the consolidated financial statements continued

For the year ended 31 March 2025

28 Financial risk management

Our activities expose us to a variety of financial risks including currency risk, interest rate risk, credit risk, capital risk and liquidity risk. Our risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential volatility of financial performance from these risks. We use financial instruments, including derivative financial instruments, to manage risks of this type.

This note describes our approach to managing risk, including an analysis of assets and liabilities by currency type and an analysis of interest rate category for our net debt. We are required by accounting standards to also include a number of specific disclosures, (such as a maturity analysis of contractual undiscounted cash flows) and have included these requirements below.

Risk management related to financing activities is carried out by a central treasury department under policies approved by the Finance Committee of the Board. The objective of the treasury department is to manage funding and liquidity requirements, including managing associated financial risks, to within acceptable boundaries. The Finance Committee provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, liquidity risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

We have exposure to the following risks, which are described in more detail below:

- Credit risk;
- Liquidity risk;
- Interest rate risk;
- Currency risk; and
- Capital risk.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on their contractual obligations resulting in a financial loss to the Group. This risk is inherent in our commercial business activities. We are exposed to credit risk on our cash and cash equivalents, derivative financial instruments, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

Historic volatility in gas prices had a wide impact on our industry and a number of shippers and gas suppliers ceased trading in previous financial years. The company assessed whether there is any impact on our credit risk and it was deemed to be limited given the nature of the business. Our exposure to credit losses from these counterparties is mitigated in most cases by the protection given by the Uniform Network Code (the industry governance contract). The Code requires customers to provide security for their transportation services, requires them to pay monthly and links to a SOLR process, which ensures a defaulting shipper's customers are reallocated to another shipper who picks up forward liabilities.

The carrying amount of financial assets and loss allowance are as follows:

	Notes	Gross Carrying Amount £m	Loss Allowance £m	Net Carrying Amount £m
For year ended 31 March 2025				
Cash and cash equivalents		19	–	19
Derivative financial assets	17	25	–	25
Trade receivables	16	7	(1)	6
Accrued income	16	176	(3)	173
Current asset investments	18	165	–	165
For year ended 31 March 2024				
Cash and cash equivalents		29	–	29
Derivative financial assets	17	19	–	19
Trade receivables	16	13	(2)	11
Accrued income	16	187	(3)	184
Current asset investments	18	569	–	569

28 Financial risk management continued

(a) Credit risk continued

Counterparty credit risk

Counterparty risk arises from the investment of surplus funds and from the use of derivative instruments. Our limits are managed by the central treasury department of the Group.

As at 31 March 2025, we had exposure to various financial institutions. In accordance with our treasury policies, counterparty credit exposure utilisations, which at 31 March 2025 is £184 million (2024: £598 million), are monitored daily against the counterparty credit limits. Counterparty credit ratings and market conditions are reviewed continually with limits being revised and utilisation adjusted, if appropriate. Derivative financial assets are only entered into with banks with a strong Investment Grade Credit rating, which should reduce the likelihood of significant losses. Management does not expect any significant losses from non performance by these counterparties as all the counterparties have a credit rating between A- to AAA.

Customer credit risk

The Group's principal commercial exposure relates to income from shippers, which is governed by the credit rules within the Uniform Network Code. These set out the level of credit relative to the RAV for each credit rating. The Group minimises customer credit risk by ensuring all customers can adequately demonstrate the ability to pay debts as they fall due. These include company credit rating, letter of credit from a financial institution, parent company guarantee, independent assessment, payment history allowance and advanced cash deposits.

	2025 £m	2024 £m
Accrued income	173	184
Collateral held	(34)	(40)
Exposure net of collateral	139	144

Collection activities are monitored on a daily basis and late payment will result in sanctions being placed on the relevant accounts.

The utilisation of credit limits is regularly monitored and collateral is collected against these accounts when necessary. Management does not expect any significant losses of receivables that have not been provided for, as shown in note 16.

Offsetting financial assets and liabilities

The following tables set out financial assets and liabilities, which are subject to offset and to enforceable master netting arrangements or similar agreements. The tables show the amounts that are offset and reported net in the statement of financial position. Amounts, that cannot be offset under IFRS, but which could be settled net under terms of master netting agreements if certain conditions arise, and with collateral received or pledged, are shown to present Cadent Gas's net exposure.

Financial assets and liabilities on different transactions are only reported net if the transactions are with the same counterparty, a legal right of offset exists and the cash flows are intended to be settled on a net basis.

Amounts, which do not meet the criteria for offsetting on the statement of financial position but could be settled net in certain circumstances principally relate to derivative transactions under ISDA (International Swaps and Derivatives Association) agreements where each party has the option to settle amounts on a net basis in the event of default of the other party.

Cadent Gas has similar arrangements in relation to bank account balances and bank overdrafts, and trade payables and trade receivables, which are subject to general terms and conditions. However, these balances are immaterial.

Notes to the consolidated financial statements continued

For the year ended 31 March 2025

28 Financial risk management continued

(a) Credit risk continued

	Gross Carrying Amounts £m	Gross Amounts Offset £m	Net Amount Presented in Statement of Financial Position £m	Financial Instruments £m	Cash Collateral Received/ Pledged £m	Net Amount £m
As at 31 March 2025						
Assets						
Derivative financial instruments	25	–	25	(25)	–	–
Liabilities						
Derivative financial instruments	(404)	–	(404)	25	–	(379)
Total at 31 March 2025	(379)	–	(379)	–	–	(379)

	Gross Carrying Amounts £m	Gross Amounts Offset £m	Net Amount Presented in Statement of Financial Position £m	Financial Instruments £m	Cash Collateral Received/ Pledged £m	Net Amount £m
As at 31 March 2024						
Assets						
Derivative financial instruments	19	–	19	(19)	–	–
Liabilities						
Derivative financial instruments	(328)	–	(328)	19	–	(309)
Total at 31 March 2024	(309)	–	(309)	–	–	(309)

(b) Liquidity risk

We determine our liquidity requirements by the use of both short-term and long-term cash flow forecasts. These forecasts are supplemented by a financial headroom analysis, which is used to assess funding adequacy for at least a 12-month period and maintain adequate liquidity for a continuous 12-month period.

We believe our contractual obligations, including those shown in capital and other commitments in note 26 can be met from existing cash and investments, operating cash flows and internal or external financing that we reasonably expect to be able to secure in the future, together with the use of committed facilities if required.

Our debt agreements and banking facilities contain covenants, including those relating to the periodic and timely provision of financial information by the issuing entity, and financial covenants such as maintaining an investment grade credit rating. Failure to comply with these covenants, or to obtain waivers of these requirements, could in some cases trigger a right, at the lender's discretion, to require repayment of some of our debt, and may restrict our ability to draw upon our facilities to access the capital markets.

28 Financial risk management continued

(b) Liquidity risk continued

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities and derivative assets and liabilities as at the reporting date:

	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 3 years £m	Due 3 years and beyond £m	Total £m
At 31 March 2025					
Non-derivative financial instruments					
Borrowings	–	(400)	–	(7,769)	(8,169)
Lease liabilities	(32)	(26)	(20)	(90)	(168)
Interest on payments on borrowings ⁱ⁾	(237)	(235)	(217)	(1,786)	(2,475)
Other non-interest bearing liabilities	(326)	–	–	–	(326)
Derivative financial liabilities					
Derivative contracts – receipts	132	146	104	1,556	1,938
Derivative contracts – payments	(91)	(340)	(124)	(2,005)	(2,560)
Derivative financial assets					
Derivative contracts – receipts	70	69	69	1,427	1,635
Derivative contracts – payments	(82)	(81)	(81)	(1,473)	(1,717)
Total at 31 March 2025	(566)	(867)	(269)	(10,140)	(11,842)

i) The interest on borrowings is calculated based on borrowings held at 31 March without taking account of future issues. Floating rate interest is estimated using a forward interest rate curve as at 31 March. Payments are included on the basis of the earliest date on which the company can be required to settle.

	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 3 years £m	Due 3 years and beyond £m	Total £m
At 31 March 2024					
Non-derivative financial liabilities					
Borrowings	(590)	–	(400)	(7,309)	(8,299)
Lease liabilities	(24)	(23)	(18)	(81)	(146)
Interest on payments on borrowings ⁱ⁾	(224)	(216)	(214)	(1,869)	(2,523)
Other non-interest bearing liabilities	(257)	–	–	–	(257)
Derivative financial liabilities					
Derivative contracts – receipts	117	119	115	1,487	1,838
Derivative contracts – payments	(71)	(76)	(310)	(1,922)	(2,379)
Derivative financial assets					
Derivative contracts – receipts	411	26	26	669	1,132
Derivative contracts – payments	(419)	(31)	(28)	(663)	(1,141)
Total at 31 March 2024	(1,057)	(201)	(829)	(9,688)	(11,775)

i) The interest on borrowings is calculated based on borrowings held at 31 March without taking account of future issues. Floating rate interest is estimated using a forward interest rate curve as at 31 March. Payments are included on the basis of the earliest date on which the company can be required to settle.

Notes to the consolidated financial statements continued

For the year ended 31 March 2025

28 Financial risk management continued

(c) Interest rate risk

Interest rate risk arises from our long-term borrowings. Borrowings issued at variable rates expose us to cash flow interest rate risk, partially offset by cash held at variable rates. Borrowings issued at fixed rates expose us to fair value interest rate risk.

Our interest rate risk management policy is to seek to minimise total financing costs (being interest costs and changes in the market value of debt) subject to constraints. We do this by using fixed and floating rate debt and derivative financial instruments including interest rate swaps and forward rate agreements. Derivative financial instruments used to manage interest rate risk are designated as both cash flow and fair value hedges.

To assess hedge effectiveness, the changes in the fair value of the hedging derivative is compared with changes in the fair value of a hypothetical derivative. An amount equal to the excess of the cumulative change in the fair value of the hedging derivative over the cumulative change in the fair value of the hypothetical derivative is recorded as ineffectiveness. Ineffectiveness is expected to arise from the effect of counterparty and the Group's own credit risk on the fair value of the derivative, which is not reflected in the hypothetical derivative. Ineffectiveness could also arise from currency basis, which is present in the hedging derivative but excluded from the hypothetical derivative.

Cadent operates under a regulatory environment where its prices are linked to inflation meaning its operating profits and cash flows are, therefore, exposed to changes in inflation. In order to mitigate and partially offset this risk, Cadent has raised index-linked debt, which pays interest based on an amount that is adjusted for the change in inflation during the life of the debt instrument. Similarly, Cadent has also entered into index-linked derivatives, which effectively change the fixed and floating interest payments on nominal debt to ones based on an amount that is adjusted for the change in inflation during the life of the derivative instrument. Since April 2021, we have entered into CPI-linked swaps, totalling £1 billion and maturing in 2028 and 2031, increasing the proportion of our debt book that is hedged to inflation, aligning our position more closely to the average exposure to inflation across our industry. These are in addition to the £400 million of RPI-linked swaps held.

The table in note 21 (borrowings) sets out the carrying amount, by contractual maturity, of borrowings that are exposed to interest rate risk before taking into account interest rate swaps.

During 2025, net debt was managed using derivative instruments to hedge interest rate risk as follows:

	Fixed Rate £m	Floating Rate £m	Index- linked ⁽ⁱ⁾ £m	Other ⁽ⁱ⁾ £m	Total £m
As at 31 March 2025					
Financial investments	–	184	–	–	184
Borrowings ⁽ⁱⁱ⁾	(6,491)	(551)	(853)	–	(7,895)
Lease liabilities	–	–	–	(134)	(134)
Pre-derivative position	(6,491)	(367)	(853)	(134)	(7,845)
Derivative effect	1,383	(32)	(1,730)	–	(379)
Net debt position⁽ⁱⁱⁱ⁾	(5,108)	(399)	(2,583)	(134)	(8,224)

i) Represents financial instruments, which are not directly affected by interest rate risk, including investments in equity or other non-interest bearing instruments.

ii) Index-linked represents RPI and CPI derivative instruments.

iii) The impact of 2024/25 short-dated interest rate derivatives is included.

During 2024, net debt was managed using derivative instruments to hedge interest rate risk as follows:

	Fixed Rate £m	Floating Rate £m	Index- linked £m	Other ⁽ⁱ⁾ £m	Total £m
As at 31 March 2024					
Financial investments	–	598	–	–	598
Borrowings ⁽ⁱⁱ⁾	(6,388)	(551)	(1,046)	–	(7,985)
Lease liabilities	–	–	–	(120)	(120)
Pre-derivative position	(6,388)	47	(1,046)	(120)	(7,507)
Derivative effect	1,391	(26)	(1,674)	–	(309)
Net debt position⁽ⁱⁱⁱ⁾	(4,997)	21	(2,720)	(120)	(7,816)

i) Represents financial instruments which are not directly affected by interest rate risk, including investments in equity or other non-interest bearing instruments.

ii) Index-linked represents RPI and CPI derivative instruments.

iii) The impact of 2023/24 short-dated interest rate derivatives is included.

28 Financial risk management continued

(d) Currency risk

We are exposed to foreign exchange risk arising from non-sterling future commercial transactions and non-sterling recognised assets and liabilities.

Our policy for managing foreign exchange risk is to hedge contractually committed foreign currency cash flows over a prescribed minimum size. Where foreign currency cash forecasts are less certain, our policy is to hedge a proportion of the cash flows based on the probability of those cash flows occurring. Instruments used to manage foreign exchange transaction risk include foreign exchange forward contracts and foreign exchange swaps.

During 2025, derivative financial instruments were used to manage foreign currency risk as follows:

As at 31 March 2025	Sterling £m	Euro £m	JPY £m	USD £m	Total £m
Financial investments	184	–	–	–	184
Borrowings	(5,660)	(1,919)	(52)	(264)	(7,895)
Lease liabilities	(134)	–	–	–	(134)
Pre-derivative position	(5,610)	(1,919)	(52)	(264)	(7,845)
Derivative effect	(2,614)	1,919	52	264	(379)
Net debt position	(8,224)	–	–	–	(8,224)

During 2024, derivative financial instruments were used to manage foreign currency risk as follows:

As at 31 March 2024	Sterling £m	Euro £m	JPY £m	USD £m	Total £m
Financial investments	598	–	–	–	598
Borrowings	(5,865)	(1,797)	(52)	(271)	(7,985)
Lease liabilities	(120)	–	–	–	(120)
Pre-derivative position	(5,387)	(1,797)	(52)	(271)	(7,507)
Derivative effect	(2,429)	1,797	52	271	(309)
Net debt position	(7,816)	–	–	–	(7,816)

Effect of hedge accounting on the financial position and performance

a) The impact of hedging instruments designated in a hedge relationship as at 31 March 2025 are as follows:

	Notional Amount (GBP m)	Carrying Amount of the Hedging Instrument		Fair Value Changes	Line Item in Consolidated Statement of Financial Position where Hedging Instrument is Reported
		Assets	Liabilities		
Cash flow hedges					
Cross-currency interest rate swaps	1,870	11	(35)	3	Derivative financial assets/liabilities
Interest rate swaps	897	13	(4)	14	Derivative financial assets/liabilities
Fair value hedges					
Cross-currency interest rate swaps	432	1	–	(3)	Derivative financial assets
Interest rate swaps	864	–	(35)	(28)	Derivative financial liabilities

Notes to the consolidated financial statements continued

For the year ended 31 March 2025

28 Financial risk management continued

(d) Currency risk continued

The impact of hedging instruments designated in a hedge relationship as at 31 March 2024 were as follows:

	Notional Amount (GBP m)	Carrying Amount of the Hedging Instrument		Fair Value Changes	Line Item in Consolidated Statement of Financial Position where Hedging Instrument is Reported
		Assets	Liabilities		
Cash flow hedges					
Cross-currency interest rate swaps	1,697	14	(41)	(36)	Derivative financial assets/liabilities
Interest rate swaps	324	1	(6)	(5)	Derivative financial assets/liabilities
Fair value hedges					
Cross-currency interest rate swaps	432	4	–	4	Derivative financial assets
Interest rate swaps	315	–	(7)	(7)	Derivative financial liabilities

b) The impact of hedged items designated in a hedge relationship as at 31 March 2025 are as follows:

	Carrying Amount of the Hedged Item (GBP m)		Fair Value Changes	Line Item in Consolidated Statement of Financial Position where Hedging Instrument is Reported	Cash flow Hedge Reserve	Cost of Hedging Reserve
	Assets	Liabilities				
Cash flow hedges						
Non GBP denominated debt	–	(2,235)	56	Borrowings	37	1

The impact of hedged items designated in a hedge relationship as at 31 March 2024 were as follows:

	<u>Carrying Amount of the Hedged Item (GBP m)</u>		Fair Value Changes	Line Item in Consolidated Statement of Financial Position where Hedging Instrument is Reported	Cash flow Hedge Deficit	Cost of Hedging Reserve
	Asset	Liabilities				
Cash flow hedges						
Non GBP denominated debt	–	(2,120)	53	Borrowings	(13)	9

c) The impact of the hedging relationships on the consolidated income statement and other comprehensive income.

The above hedging relationships affected the consolidated income statements for year ended March 2025 are as follows:

	Change in Value of Hedging Instrument Recognised in OCI	Hedge Ineffectiveness Recognised in Consolidated Income Statement	Line Item in Consolidated Income Statement where the Hedge Ineffectiveness is Reported	Amount Reclassified from Cash Flow Hedge Reserve to Consolidated Income Statement	Line Item in the Consolidated Income Statement
Cash flow hedges					
Interest rate risk & FX risk	50	–	Adjusting items	(56)	Finance costs before adjusting items

The above hedging relationships affected the consolidated income statements for year ended March 2024 are as follows:

	Change in Value of Hedging Instrument Recognised in OCI	Hedge Ineffectiveness Recognised in Consolidated Income Statement	Line Item in Consolidated Income Statement where the Hedge Ineffectiveness is Reported	Amount Reclassified from Cash Flow Hedge Reserve to Consolidated Income Statement	Line Item in the Consolidated Income Statement
Cash flow hedges					
Interest rate risk & FX risk	14	–	Adjusting items	(53)	Finance costs before adjusting items

28 Financial risk management continued

(e) Capital risk management

The capital structure of the Group consists of shareholders' equity, as disclosed in the consolidated statement of changes in equity, and net debt (note 25). Our objectives when managing capital are: to safeguard our ability to continue as a going concern, to remain within regulatory constraints of our regulated operating company and to maintain an efficient mix of debt and equity funding, thus achieving an optimal capital structure and cost of capital. We regularly review and manage the capital structure as appropriate in order to achieve these objectives.

Maintaining appropriate credit ratings for our regulated company is an important aspect of our capital risk management strategy and balance sheet efficiency. We monitor our balance sheet efficiency by RAV gearing calculated as adjusted net debt (net debt adjusted for unamortised debt fees, unamortised fair value adjustments, accrued interest, lease liabilities and derivatives) expressed as a percentage of RAV, which indicates the level of debt employed to fund our regulated business. The adjusted net debt to RAV ratio at 31 March 2025 is 61% (2024: 60%).

(f) Fair value analysis

The financial instruments included in the statement of financial position are measured at fair value. These fair values can be categorised into hierarchy levels that are representative of the inputs used in measuring the fair value. The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
As at 31 March 2025				
Assets				
Fair value through profit and loss (FVTPL) instruments	165	–	–	165
Derivative financial instruments	–	25	–	25
Liabilities				
Derivative financial instruments	–	(235)	(169)	(404)
Total	165	(210)	(169)	(214)
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
As at 31 March 2024				
Assets				
Fair value through profit and loss (FVTPL) instruments	266	–	–	266
Derivative financial instruments	–	19	–	19
Liabilities				
Derivative financial instruments	–	(182)	(146)	(328)
Total	266	(163)	(146)	(43)

Level 1: Financial instruments with quoted prices for identical instruments in active markets.

Level 2: Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are based directly or indirectly on observable market data.

Level 3: Financial instruments valued using valuation techniques where one or more significant inputs are based on unobservable market data.

The Level 3 derivative financial instruments comprise £1 billion of CPI-linked inflation swaps maturing in 2028 and 2031, which are traded based on a spread to liquid RPI inflation markets. As the market for CPI swaps is still maturing with the spreads not currently observable in their own liquid market, these swaps have been classified as Level 3 instruments. The fair values for these instruments are calculated by using market forecasts of inflation indices obtained from third party valuation data to produce a series of future cash flows. These are then discounted back to a net present value to which model-derived credit and funding valuation adjustments are applied. As these instruments are linked to CPI, higher inflation forecasts across the life of the instruments will result in a larger liability at maturity, negatively impacting the fair value. Conversely, a reduction in inflation forecasts across the life of the instruments will reduce the liability at maturity and positively impact the fair value. Indicatively, a 1% change in the first 12 months of the inflation indices used to calculate the fair values of the Level 3 derivative financial instruments would change the fair values by £11.6 million, with an increase in the inflation indices reducing the fair values and vice versa. Fair values will also be impacted by movements in interest rate curves, which are used to derive the discount rates used in calculating the net present values of the instruments.

Notes to the consolidated financial statements continued

For the year ended 31 March 2025

28 Financial risk management continued

(f) Fair value analysis continued

Movements in the year to 31 March for assets and liabilities measured at fair value using Level 3 valuations inputs are as follows:

	2025 £m	2024 £m
At 1 April	(146)	(124)
Net gain for the year	9	10
Settlements	(32)	(32)
At 31 March	(169)	(146)

The net gain for the year is shown within interest in the income statement.

29 Sensitivity analysis

In order to give a clearer picture of the impact on our results or financial position of potential changes in significant estimates and assumptions, the following sensitivities are presented. These sensitivities are hypothetical, as they are based on assumptions and conditions prevailing at the period end, and should be used with caution. The effects provided are not necessarily indicative of the actual effects that would be experienced because our actual exposures are constantly changing.

The sensitivities in the table below show the potential impact in the income statement (and consequential impact on net assets) for a range of different variables, each of which have been considered in isolation (i.e. with all other variables remaining constant). There are a number of these sensitivities, which are mutually exclusive and, therefore, if one were to happen, another would not, meaning a total showing how sensitive our results are to these external factors is not meaningful.

We are further required to show additional sensitivity analysis for changes in interest and exchange rates and these are shown separately in the subsequent table due to the additional assumptions that are made in order to produce meaningful sensitivity disclosures.

The sensitivities included in the table below all have an approximately equal and opposite effect if the sensitivity increases or decreases by the same amount unless otherwise stated. For example a 5% increase in value of unquoted properties would increase net assets by £6 million. A 5% decrease would have an equal but opposite effect.

	2025		2024	
	Income Statement £m	Net Assets £m	Income Statement £m	Net Assets £m
As at 31 March				
Additional annual depreciation charge if the useful lives of network assets end in 2050 due to UK net zero target	(51)	(51)	(47)	(47)
Additional annual depreciation charge if the useful lives of network assets end in 2045	(143)	(143)	(130)	(130)
Additional annual depreciation charge if the useful lives of network assets end in 2040	(299)	(299)	(267)	(267)
Pensions and other post-retirement benefits ⁽ⁱ⁾ (pre-tax)				
Discount rate decrease of 0.5% ⁽ⁱⁱ⁾	1	(211)	1	(245)
Discount rate increase of 0.5% ⁽ⁱⁱ⁾	(1)	193	(1)	224
RPI rate increase of 0.5% ⁽ⁱⁱⁱ⁾	1	(184)	1	(214)
One year increase to life expectancy at age 65	–	(128)	–	(155)
Value of unquoted properties increases by 5%	–	6	–	13
Value of unquoted equities increases by 5%	–	7	–	8
Index-linked derivatives				
Change in one year rate of inflation by 1% ^(iv)	17	17	17	17

i) The changes shown are a change in the annual pension or other post-retirement benefit service charge and change in the defined benefit obligations.

ii) A change in the discount is likely to occur as a result of changes in bond yields, and as such, would be expected to be offset to a significant degree by a change in the value of the bond assets held by the plans.

iii) The projected impact resulting from a change in RPI reflects the underlying effect on pensions in payment, pensions in deferment and resultant increases in salary assumptions.

iv) This represents the change in value of our index-linked derivatives of a modeled 1% adjustment in the market's forecast of the underlying inflation indices over the following 12 months.

29 Sensitivity analysis continued

	2025		2024	
	Income Statement £m	Net Assets £m	Income Statement £m	Net Assets £m
As at 31 March				
No hedge accounting for our derivative financial instruments (post-tax)	50	50	14	14
Financial risk				
UK RPI rate change of 0.5%	6	6	7	7
UK CPI rate change of 0.5%	5	5	6	6
UK interest rate change of 0.5%	3	3	3	3

Financial instruments assumptions

Our financial instruments are sensitive to changes in market variables, being UK interest rates and the UK RPI and CPI rate. The changes in market variables impacts the valuation of our borrowings, deposits and derivative financial instruments. The analysis illustrates the sensitivity of our financial instruments to the changes in market variables.

The following main assumptions were made in calculating the sensitivity analysis:

- the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives portfolio and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 March 2025;
- the statement of financial position sensitivity to interest rates relates only to derivative financial instruments and FVTPL investments, as debt and other deposits are carried at amortised cost and so their carrying value does not change as interest rates move;
- the sensitivity of accrued interest to movements in interest rates is calculated on net floating rate exposures on debt, deposits and derivative instruments; and
- changes in the carrying value of derivatives from movements in interest rates of designated cash flow hedges are assumed to be recorded fully within equity.

30 Cash flows from movement in trade and other payables

The following adjustments have been made to reconcile from the movement in balance sheet heading to the amount presented in the cash flow from the movement in trade and other payables. This is in order to more appropriately reflect the cash impact of the underlying transactions.

	2025 £m	2024 £m
Trade and other payables		
Opening balance at 1 April	(365)	(513)
Closing balance at 31 March (note 19)	(459)	(365)
Balance sheet movement	94	(148)
Movement in payables, of a capital nature, reclassified to investing activities		
– Property, plant and equipment	(26)	21
– Intangible	–	2
Movement in payables, reclassified elsewhere in operating activities		
– Adjusting items	(2)	7
– Group tax relief	(4)	–
– Capital contributions	(25)	(8)
– Pensions	4	(3)
Movement as shown in consolidated statement of cash flows	41	(129)

Notes to the consolidated financial statements continued

For the year ended 31 March 2025

31 Cash flows from purchases of property, plant and equipment

	2025 £m	2024 £m
Property, plant and equipment additions (note 13)	(945)	(983)
Movement in property, plant and equipment payables, of a capital nature, reclassified to investing activities (note 30)	26	(21)
Other adjustment	–	1
Right-of-use assets additions (note 13)	40	41
Movement as shown in consolidated statement of cash flows	(879)	(962)

32 Contingent liabilities

(a) Environmental claims

The environmental provision (see note 23) has been set up to deal with the costs of statutory decontamination of the Cadent Gas Limited's old gas-manufacturing sites. Other claims have arisen from time to time, however, none of these have been significant. It is not possible to determine the level of such future claims, however, based upon experience, the Directors do not consider a provision necessary.

(b) Litigation

Through the ordinary course of operations, the company is party to various litigation, claims and investigations. The Directors do not expect the ultimate resolution of any of these proceedings to have a material, adverse effect on the company's results of operations, cash flows or financial position.

(c) Guarantees and letters of credit

Group undertakings have entered into bonds and guarantees in the normal course of business. No liability is expected to arise in respect of bonds, guarantees or letters of credit.

33 Related party transactions

A related party is a company or individual who also has an interest in us. The related parties identified include the immediate parent, ultimate parent, fellow subsidiaries, associated undertakings, investments and key management personnel.

	2025 £m	2024 £m
Income:		
Goods and services supplied to other related parties	–	–
	–	–
Expenditure:		
Services rendered from associates	12	15
	12	15
Outstanding balances at 31 March in respect of income and expenditure:		
Amounts payable to other related parties	–	–
Amounts payable to associates	1	–

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions. Amounts receivable from, or payable to, related parties in respect of sales and expenditure are ordinarily settled one month in arrears. The amounts outstanding are unsecured and will be settled in cash.

Amounts of £Nil have been provided at 31 March 2025 and recognised as an expense (2024: £Nil) during the year in respect of bad or doubtful debts for related party transactions.

Information relating to dividends and pension fund arrangements are disclosed in notes 11 and 27 respectively. For details of Directors' and key management remuneration, refer to note 8.

34 Subsequent events

There are no post balance sheet events.

35 Ultimate parent company

The ultimate parent and controlling company is Quadgas Holdings TopCo Limited and the immediate parent company is Quadgas MidCo Limited. The largest and smallest group which includes the company and for which consolidated financial statements are prepared are headed by Quadgas Holdings TopCo Limited and Quadgas MidCo Limited respectively. Quadgas Holdings TopCo Limited is registered in Jersey and Quadgas MidCo Limited is registered in England and Wales.

Copies of Quadgas MidCo Limited's consolidated financial statements can be obtained from the Company Secretary, Quadgas MidCo Limited, Pilot Way, Ansty Park, Coventry, CV7 9JU, United Kingdom.

Copies of Quadgas Holdings TopCo Limited's consolidated financial statements can be obtained from the Company Secretary, Quadgas Holdings TopCo Limited, 3rd Floor 37 Esplanade, St. Helier, JE1 1AD, Jersey.

36 Subsidiary undertakings

The list below contains all subsidiaries included within the Cadent Gas Group.

Name of subsidiary	% Holding	Principal activity	Country of incorporation
Cadent Finance Plc	100	Provision of long-term finance	England and Wales
Cadent Gas Pension Trustee Limited	100	Trustee of occupational pension scheme	England and Wales
Cadent Gas Pension Property Company 1 Limited	100*	Trustee of property assets of occupational pension scheme	England and Wales
Cadent Gas Pension Property Company 2 Limited	100*	Trustee of property assets of occupational pension scheme	England and Wales
Cadent Gas Pension Services Limited**	100	Management of pension services	England and Wales

* Indirect ownership.

** Cadent Gas Pension Services was dissolved on 7 June 2025.

The registered address for all subsidiaries is Pilot Way, Ansty Park, Coventry, CV7 9JU, United Kingdom.

Company statement of financial position

As at 31 March 2025

	Notes	2025 £m	2024 £m
Non-current assets			
Intangible assets	7	17	31
Property, plant and equipment	8	12,165	11,720
Investments	9	–	–
Pension and other post-retirement benefit obligations	6	340	350
Derivative financial assets	12	25	16
Total non-current assets		12,547	12,117
Current assets			
Derivative financial assets	12	–	3
Inventories	10	16	16
Debtors	11	192	209
Corporation tax		3	4
Financial and other investments	13	165	569
Cash at bank and in hand		19	29
Total current assets		395	830
Total assets		12,942	12,947
Current liabilities			
Creditors	14	(505)	(815)
Borrowings	16	(3)	(211)
Provisions for liabilities	17	(20)	(12)
Total current liabilities		(528)	(1,038)
Net current liabilities		(133)	(208)
Total assets less current liabilities		12,414	11,909
Non-current liabilities			
Derivative financial liabilities	12	(404)	(328)
Borrowings	16	(549)	(550)
Provisions for liabilities	17	(1,658)	(1,659)
Creditors	15	(8,115)	(7,602)
Total non-current liabilities		(10,726)	(10,139)
Total liabilities		(11,254)	(11,177)
Total net assets		1,688	1,770
Equity			
Share capital	18	–	–
Cash flow hedge reserve/(deficit)		37	(13)
Cost of hedging reserve		1	9
Retained earnings		6,602	6,726
Other deficit		(4,952)	(4,952)
Total equity		1,688	1,770

The company has elected to take exemption under Section 408 of the Companies Act 2006 from preparing the parent company profit and loss account. The profit for the year of £295 million (2024: £501 million) is disclosed in the statement of changes in equity.

The notes on pages 166 to 182 are an integral part of the financial statements.

The financial statements on pages 164 to 182 were approved by the Board of Directors on 19 June 2025 and signed on its behalf by:

G L Baron

Director

Cadent Gas Limited

Company registration number: 10080864



Company statement of changes in equity

For the year ended 31 March 2025

	Share Capital £m	Cash Flow Hedge (Deficit)/ Reserve £m	Cost of Hedging Reserve £m	Other Deficit £m	Retained Earnings £m	Total £m
At 1 April 2024	–	(13)	9	(4,952)	6,726	1,770
Profit for the year	–	–	–	–	295	295
Other comprehensive income/(expense) excluding amortisation of cost of hedging reserve	–	50	(16)	–	(4)	30
Amortisation of cost of hedging reserve	–	–	8	–	–	8
Total comprehensive income/(expense) for the year	–	50	(8)	–	291	333
Equity dividends	–	–	–	–	(415)	(415)
At 31 March 2025	–	37	1	(4,952)	6,602	1,688

	Share Capital £m	Cash Flow Hedge Deficit £m	Cost of Hedging Reserve £m	Other Deficit £m	Retained Earnings £m	Total £m
At 1 April 2023	–	(27)	13	(4,952)	6,832	1,866
Profit for the year	–	–	–	–	501	501
Other comprehensive income/(expense) excluding amortisation of cost of hedging reserve	–	14	(9)	–	(297)	(292)
Amortisation of cost of hedging reserve	–	–	5	–	–	5
Total comprehensive income/(expense) for the year	–	14	(4)	–	204	214
Equity dividends	–	–	–	–	(310)	(310)
At 31 March 2024	–	(13)	9	(4,952)	6,726	1,770

The cash flow hedge (deficit)/reserve in relation to cross-currency interest rate swap contracts will be recycled to the income statement over the life of the hedged items.

Other deficit comprises the merger reserve arising from the acquisition of the gas distribution trade and assets from National Grid Gas plc. This merger reserve will reduce distributable reserves each year by the amount amortised. In the year ended 31 March 2025, distributable reserves were reduced by an accumulated realisation of £970 million (31 March 2024: £856 million). As the amounts included in other reserves are not attributable to any of the other classes of equity presented, they have been disclosed as a separate classification of equity.

Notes to the company financial statements

For the year ended 31 March 2025

1 Summary of significant accounting policies

We are required to include the stand-alone balance sheet of our parent company, Cadent Gas Limited, under the Companies Act 2006, and the statement of changes in equity has been disclosed under Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102). The following disclosures provide additional information to the stakeholders.

Cadent Gas Limited is a private company, incorporated and domiciled in the United Kingdom and registered in England and Wales. The address of its registered office is Cadent, Pilot Way, Ansty Park, Coventry, CV7 9JU, United Kingdom.

The principal accounting policies applied in the preparation of these financial statements are set out as below. These policies have been consistently applied to the current year and previous year presented, unless otherwise stated.

(a) Basis of preparation

The financial statements for the company have been prepared on the going concern basis under the historical cost convention modified to include certain items at fair value. Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates (the 'functional currency'). The financial statements are presented in pounds sterling, which is also the company's functional currency.

The statement of financial position shows net assets of £1,688 million at 31 March 2025 (2024: £1,770 million) with a profit for the financial year of £295 million (2024: £501 million). Operating profit was lower compared to 2024 driven by lower revenue and higher operating costs, in particular pass-through and depreciation costs.

Despite recent macro-economic volatility impacting inflation, energy prices, US Government and retaliatory tariffs and the ongoing conflicts in the Middle East and Ukraine, the company has not been significantly impacted as a result of protections in place through the regulatory price control. The company continues to closely monitor and manage the impacts of changes in the macro-economic environment. Having made enquiries and reassessed the principal risks, the Directors consider that the company and its subsidiary undertakings have adequate resources to continue in business.

The Directors are satisfied that the company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements are signed. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The detailed disclosures for each company within the Group can be seen within the 2025 Annual Reports and Financial Statements.

(i) Parent company financial statements

The parent company financial statements have been prepared in accordance with applicable UK accounting and financial reporting standards (FRS) and the Companies Act 2006. The financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

As permitted by Section 408 of the Companies Act 2006, no profit or loss account or cash flow statement is presented for the parent company. The profit for the year is disclosed in the statement of changes in equity.

As permitted by FRS 102, the company has taken advantage of the disclosure exemptions available under that standard in relation to capital management, fair value disclosures, sensitivity analysis, standards not yet effective, related party transactions and statement of cash flows.

(b) New accounting standards and interpretations

As noted above, the 2025 Annual Report and Financial Statements have been prepared under FRS 102.

The Financial Reporting Council (FRC) issued amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and other FRSs, following its periodic review. The amendments outline a number of changes to FRS 102 including a new model of revenue recognition, lease accounting and various other incremental improvements and clarifications. The effective date of the amendments is for accounting periods beginning after 1 January 2026 with the year ended 31 March 2027 being the first year Cadent Gas Limited will be impacted by the proposals. The company is currently assessing the likely impact of the proposals on the financial statements of the company.

There are no other new accounting standards, or amendments to existing standards, which have a significant impact on the company accounts.

(c) Intangible assets

Intangible fixed assets, which consist of software licences are carried at amortised historical cost less any provisions for impairment. Software licences are reviewed each year and where they are redundant, an impairment charge is made to the income statement. Software customisation and configuration costs relating to software not controlled by the Group are expensed over the period such services are received.

Intangible assets under development are not amortised. Intangible assets are amortised on a straight-line basis over their estimated useful economic lives as follows:

Amortisation periods	Years
Computer software	5
Computer licenses	3

1 Summary of significant accounting policies continued

(d) Property, plant and equipment and depreciation

We operate a gas distribution business and, therefore, have a significant physical asset base. We continue to invest in our networks to maintain reliability, create new customer connections and ensure our networks are flexible and resilient. We also continue to invest in research and innovation to support the energy transition to net zero. Our business plan envisages these additional investments will be funded through a mixture of cash generated from operations and the issue of new debt.

Property, plant and equipment assets are recorded at cost, less accumulated depreciation and impairment losses. Cost includes the purchase price of the asset, any payroll and finance costs incurred, which are directly attributable to the construction of property, plant and equipment assets, as well as the cost of any associated asset retirement obligations.

The cost of these assets primarily represents the amount initially paid for them. A depreciation expense is charged to the income statement to reflect annual wear and tear and reduced value of asset over time. Depreciation is calculated by estimating the number of years we expect the asset to be used (useful economical life) and charging the cost of the asset to the income statement equally over this period.

Property, plant and equipment assets includes assets, which the company's interest comprises legally protected statutory or contractual rights of use. Additions represent the purchase or construction of new assets, including capital expenditure for safety and environmental assets, and extensions to, enhancements to, or replacement of, existing assets. Continued investment and future forecasted spend will be incurred with an aim to make the network usable for alternative technologies and energies.

Contributions received towards the cost of tangible fixed assets from customers for connections to the gas distribution network are initially recognised as deferred income and credited to revenue once the connection has been completed. Contributions received towards the provision of ongoing access to a supply of services are recognised initially as deferred income and revenue is subsequently recognised over the period in which the service is provided. Contributions received towards the altering, diverting or relocating a tangible fixed asset are included in creditors as deferred income and credited on a straight-line basis to the profit and loss account over the estimated useful economic lives of the asset to which they relate.

No depreciation is provided on freehold land or assets in the course of construction. Other items of property, plant and equipment are depreciated, on a straight-line basis, at rates estimated to write off their book values over their estimated useful economic lives. In assessing the estimated useful economic lives, consideration is given to any contractual arrangements and operational requirements relating to particular assets.

Climate change is a global challenge and an established risk to business, people and the environment across the world. We have a role to play in limiting warming by improving our energy management, reducing our carbon emissions and by helping our customers do the same. Certain elements of the financial statements are dependent on the future use of our network. The UK's target of reducing all greenhouse gas emissions to net zero in the future will impact how our network can be used. In preparing these financial statements we have assumed that our network can be adapted to use alternative technologies in line with our policy albeit at this stage there is insufficient information to determine how specific assets will be used.

We recognise that there are a range of possible futures regarding how our network is used and the role that hydrogen and other green gases have to play. Scenarios range from high hydrogen through our existing network, through to slow decarbonisation driving a multi heat solution through to a high electrification route and we are continuing to assess what impact these scenarios would have on our asset lives.

The broad based assumptions applied do not allow for meaningful sensitivities on our useful economic lives at individual asset classes under the different scenarios proposed. The granularity is not available by asset. As a result, we have applied some broad sensitivities based on our existing asset lives and what additional depreciation would be required if any of the scenarios would effectively result in shortened lives (e.g. net zero 2040, 2045 or 2050). See note 29 of the consolidated financial statements for further details.

Depreciation periods	Years
Freehold and leasehold buildings	Up to 50
Plant and machinery	30 to 50
Motor vehicles and other equipment	Up to 10

(e) Investments

Investments in subsidiary undertakings and associated companies are held at cost, less any provisions for impairment. On disposal of investments in subsidiaries and associated companies, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

Impairment reviews are carried out if there is some indication that impairment may have occurred, or where otherwise required to ensure that investments are not carried above their estimated recoverable amounts. Impairments are recognised in the income statement, and, where material, are disclosed separately.

Notes to the company financial statements continued

For the year ended 31 March 2025

1 Summary of significant accounting policies continued

(e) Investments continued

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is defined as the higher of fair value less costs of disposal or estimated value in use at the date the impairment review is undertaken. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Impairment reversals are recognised when, in management's opinion, the reversal is permanent.

(f) Impairment of fixed assets

Impairment reviews are carried out if there is some indication that impairment may have occurred, or where otherwise required to ensure that fixed assets are not carried above their estimated recoverable amounts. In the current year, this has included the consideration of the impact of climate change. Impairments are recognised in the income statement, and, where material, are disclosed as an adjusting item. Impairment reversals are recognised when, in management's opinion, the reversal is permanent.

Impairments of fixed assets are calculated as the difference between the carrying value of the net assets of income-generating units, including where appropriate, investments, and their recoverable amounts. Recoverable amount is defined as the higher of net realisable value or estimated value in use at the date the impairment review is undertaken. Net realisable value represents the amount that can be generated through the sale of assets. Value in use represents the present value of expected future cash flows discounted on a pre-tax basis, using the estimated cost of capital of the income-generating unit.

(g) Financial instruments

Initial recognition

Financial assets are classified in accordance with the business model assessment. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to, or deducted from, the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Classification and measurement

Financial instruments are classified at inception into one of the following categories, which then determines the subsequent measurement methodology.

Financial assets are classified into one of the following three categories:

- financial assets at amortised cost; or
- financial assets at fair value through other comprehensive income (FVTOCI); or
- financial assets at fair value through profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:

- financial liabilities at amortised cost; or
- financial liabilities at fair value through profit and loss (FVTPL).

Loans receivable are carried at amortised cost using the effective interest method less any allowance for estimated impairments. A loss allowance is established for impairments using the expected credit loss approach by calculating the probability of default and the estimated recoverable amount given default.

Borrowings, which include interest-bearing loans, are recorded at their initial fair value, which normally reflects the proceeds received, net of direct issue costs less any repayments. Subsequently, these are stated at amortised cost, using the effective interest method. Any difference between proceeds and the redemption value is recognised over the term of the borrowing in the income statement using the effective interest method.

Accretion on inflation-linked borrowings is accounted for on an accrual basis to the income statement, and are added to the carrying value of the debt instrument to the extent that they are not settled in the period in which they arise.

Assets and liabilities on different transactions are only netted if the transactions are with the same counterparty, a legal right of set off exists and the cash flows are intended to be settled on a net basis. Gains and losses arising from changes in fair value are included in the income statement in the period they arise, unless hedge accounting applies.

For financial assets carried at amortised costs, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

1 Summary of significant accounting policies continued

(g) Financial instruments continued

Classification and measurement continued

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit and loss.

Hedge accounting

Derivative financial instruments (derivatives) are recorded at fair value. The fair value of financial derivatives is calculated by discounting all future cash flows by the market yield curve at the reporting date and adjusting for own and counterparty credit and funding risk adjustments. The market yield curve for each currency is obtained from external sources for interest and foreign exchange rates. Where the fair value of a derivative is positive, it is carried as a derivative asset and where negative, as a liability. Balance sheet presentation of derivatives have been determined based on the final maturity date. A derivative that matures within one year has been classified as current and a derivative that matures after one year has been classified as non-current.

The accounting treatment of derivatives and other financial instruments classified as hedges depends on their designation, which occurs at the start of the hedge relationship.

Cash flow hedges

Changes in the effective portion of the fair value of derivative financial instruments that are designated as hedges of future cash flows are recognised directly in other comprehensive income, with any ineffective portion being recognised immediately in the income statement where relevant. Cash flow hedge accounting is discontinued when the hedging instrument no longer qualifies for hedge accounting. At this point, any cumulative gains or losses on the hedging instrument recognised in other comprehensive income are retained until the forecast transaction occurs or transferred to the income statement for the period if the hedged transaction is no longer expected to occur.

Fair value hedges

Changes in the fair value of derivative financial instruments that are designated as fair value hedges are recognised in the income statement. Gains or losses in respect to the hedged risk is recorded as a fair value adjustment in the same line of the income statement as the hedged item. Fair value hedge accounting is discontinued when the hedging instrument no longer qualifies for hedge accounting. At this point, the changes in fair value on the hedging instrument will continue to be recognised in the income statement, while the hedged item will no longer be adjusted for fair value changes.

Foreign currency

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the date of the transaction or at average monthly rates where exchange rates do not fluctuate significantly.

Foreign currency monetary assets and liabilities held at year end are translated into sterling at period end exchange rates. Exchange differences on monetary items are taken to the income statement. Exceptions to this are where the monetary items are designated as effective cash flow hedges. Such exchange differences are initially deferred in equity.

Non-monetary items are translated at the historical exchange rates.

Derecognition

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Notes to the company financial statements continued

For the year ended 31 March 2025

1 Summary of significant accounting policies continued

(g) Financial instruments continued

Impairment of financial assets

Financial assets are impaired by calculating the probability of default and the estimated recoverable amount given default, which is used to calculate the expected credit loss. The company has taken default to be defined as a counterparty that has entered administration.

The company recognises loss allowances for expected credit losses (ECL) on financial instruments that are not measured at FVTPL, namely:

- trade receivables;
- loan receivables; and
- other receivables.

The company measures the loss allowances on financial instruments at an amount equal to the 12 month expected credit loss (representing a stage 1 financial model). The way this is calculated is based on the applied impairment methodology, as described below:

Stage 1: For financial assets where there has not been a significant increase in credit risk since initial recognition, and were not credit impaired on recognition, the company recognises a loss allowance based on the 12 month expected credit loss.

Stage 2: For financial assets where there has been a significant increase in credit risk since initial recognition, and were not credit impaired, the company recognises a loss allowance for lifetime expected credit loss.

Stage 3: For financial assets, which are credit impaired, the company recognises the lifetime expected credit loss.

A significant increase in credit risk would be as a result of any change in circumstances specific to the counterparty or to the wider economic environment whereby the risk of default could be said to have been significantly increased within reasonable thresholds.

Evidence that the financial asset is credit impaired includes the following:

- significant financial difficulties of the counterparty; or
- a breach of contract such as default or past due event; or
- the restructuring of the loan or advance by the Group that the Group would not consider otherwise; or
- it is probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for an associated security because of financial difficulties.

(h) Trade and other debtors

Trade debtors are amounts due from customers for goods sold or services performed in the ordinary course of business. Accrued income is amounts due from customers for goods sold or services performed in the ordinary course of business, which has not yet been invoiced.

Trade debtors and accrued income are initially recognised at the transaction price and are subsequently measured at amortised cost less a loss allowance.

(i) Trade and other payables

Trade payables are initially recognised at amortised cost and subsequently measured at amortised cost. Due to their short maturities, the fair value of trade and other payables approximates their book values.

Deferred income mainly comprises contributions received from customers relating to capital and replacement projects. These are credited to the statement either:

- Once the project is complete; or
- Over the estimated useful economic lives of the assets to which they relate.

The treatment is dependent on the type of the project. For further detail see note 1(n) Revenue.

(j) Inventories

Inventories are stated at the lower of weighted average cost and net realisable value. Where applicable, cost comprises direct materials and direct labour costs as well as those overheads that have been incurred in bringing the inventories to their present location and condition.

(k) Tax

Current tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amounts are those that have been enacted, or substantively enacted, by the reporting date.

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or the right to pay less tax, at a future date, at tax rates expected to apply when the timing differences reversed, based on tax rates and tax laws that have been enacted, or substantively enacted, by the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

1 Summary of significant accounting policies continued

(k) Tax continued

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(l) Provisions for liabilities

Provisions for liabilities are recognised where a legal or constructive obligation exists at the reporting date, as a result of past events where the amount of the obligation can be reliably estimated and where the outflow of economic benefit is probable.

Provision is made for decommissioning and environmental costs, based on future estimated expenditure, discounted to present values. An initial estimate of decommissioning and environmental costs attributable to property, plant and equipment is recorded as part of the original cost of the related property, plant and equipment.

Changes in the provision arising from revised estimates or discount rates or changes in the expected timing of expenditures that relate to property, plant and equipment are recorded as adjustments to their carrying value and depreciated prospectively over their remaining estimated useful economic lives; otherwise such changes are recognised in the income statement.

Other provisions consist of claims (whether covered by insurance or not) including employer liability claims, and other provisions related to the operation of our gas networks. Where amounts are material, third party valuations are performed.

(m) Dividends

Dividend income is recognised when the right to receive payment is established. Dividend distributions to the company's shareholders are recognised as a liability until paid in the company's financial statements in the year in which the dividends are approved by the company's shareholders.

(n) Revenue

The UK's target of reducing all greenhouse gas emissions to net zero by 2050 will impact how our network can be used in the future, and how we generate revenue. See note 2.

Revenue largely comprises sales value derived from the distribution of gas, including an assessment of the value of services provided, but not invoiced, at the period end. It excludes value added tax and intra-group sales.

The sales value for the distribution of gas is largely determined from the amount of system capacity sold for the year, and the amount of gas transported for the year, evaluated at contractual prices on a monthly basis.

When revenue for the year exceeds the maximum amount permitted by the regulatory agreement, adjustments will be made to future prices to reflect this over-recovery, a liability for the over-recovery is not recognised as such an adjustment to future prices relates to the provision of future services. Similarly, an asset is not recognised where a regulatory agreement permits adjustments to be made to future prices in respect of an under-recovery.

Contributions received towards the altering, diverting or relocating a tangible fixed asset are included in creditors as deferred income and credited on a straight-line basis to revenue over the estimated useful economic lives of the asset to which they relate.

(o) Pensions

The company operates both a defined contribution (DC) and a defined benefit (DB) pension scheme.

For the DC pension scheme, the company pays contributions into a Master Trust on behalf of the employee and has no further obligations to employees. The risks associated with this type of plan are assumed by the member.

For the DB pension scheme, members receive benefits on retirement, the value of which is dependent on factors such as salary and length of pensionable service. The cost of providing benefits in a DB scheme is determined using the projected unit method, with actuarial valuations being carried out at each reporting date by a qualified actuary. This valuation method is an accrued benefits valuation method that makes allowance for projected earnings.

The DB scheme closed to future accrual on 31 March 2024. The company's obligation in respect of the DB pension scheme is calculated by projecting the estimated amount of future benefit payments that employees have earned for pensionable service in prior periods.

The company takes advice from independent actuaries relating to the appropriateness of key assumptions applied, which include life expectancy of members, expected salary and pension increases, and inflation. It should be noted that comparatively small changes in the assumptions used may have a significant effect on the amounts recognised in the income statement and the statement of other comprehensive income and the net surplus recognised in the statement of financial position.

Remeasurements of net retirement obligations are recognised in full in the period in which they occur in the statement of other comprehensive income.

Notes to the company financial statements continued

For the year ended 31 March 2025

1 Summary of significant accounting policies continued

(p) Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are charged to the income statement on a straight-line basis over the term of the lease.

Assets for use in the company's business where the company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments and are included in property, plant and equipment and depreciated accordingly.

The obligations related to finance leases, net of finance charges in respect of future years, are included within borrowings. The interest element of the rental obligation is charged to the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the obligation for each accounting period.

(q) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position and are considered as part of cash management.

The company receives monies in the form of grants. The use of this cash is restricted by the specific terms and conditions of each grant and, therefore, is not available for general use.

(r) Adjusting items

Adjusting items and remeasurements are items of income and expenditure that, in the judgement of management, should be disclosed separately on the basis that they are important to an understanding of our financial performance and may significantly distort the comparability of financial performance between periods. The disclosure and classification of adjusting items may not be comparable between companies, and the exclusion of exceptional items impacts the presentation of financial performance and cash flows.

Management utilises an adjusting items framework that follows a three-step process, which considers the nature of the event, the financial materiality involved and any particular facts and circumstances. In considering the nature of the event, management focuses on whether the event is within the company's control and how frequently such an event typically occurs. In determining the facts and circumstances, management considers factors such as ensuring consistent treatment between favourable and unfavourable transactions, precedent for similar items, number of periods over which costs will be spread or gains earned and the commercial context for the particular transaction.

Items of income or expense that are considered by management for designation as adjusting items include items such as significant restructurings, write-downs or impairment of non-current assets, integration of acquired businesses, gains or losses on disposals of businesses or investments, debt redemption costs as a consequence of transactions such as significant disposals or issues of equity and deferred tax rate changes.

Adjusting items within finance income comprise gains and losses recorded in the income statement arising from the changes in fair value of the derivative financial instrument (with the exception of the amount relating to accretion, which is included within interest) to the extent that hedge accounting is not achieved or it is not effective. These fair values increase or decrease because of changes in the financial indices and prices over which we have no control.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements

Areas of judgement that have the most significant effect on the amounts recognised in the financial statements are as follows:

- The recognition of revenue in relation to connections and whether the service was distinct from the provision of future network services. We judged that the economic benefit for the connection service can be reliably measured once the new connection is completed and hence revenue is recognised at that point;
- The recognition of a surplus in respect of the defined benefit pension scheme reflects legal and actuarial advice that we have taken regarding recognition of surpluses under FRS 102. We have concluded that the company has an unconditional right to a refund from the plan, in the event of a winding-up – **note 6**;

2 Critical accounting judgements and key sources of estimation uncertainty continued

Critical accounting judgements continued

- The categorisation of restructuring costs as an adjusting item under the adjusting items framework. In making this determination, management has concluded that, after taking into account the facts and circumstances, the restructuring programme is within our control and occurs infrequently and, therefore, have applied a materiality threshold over the life of the exercise consistent with our accounting policies. This is consistent with judgements made in previous years relating to this and other restructuring programmes – **note 6 of the consolidated accounts**; and
- The judgement that the network can be used for alternative technologies beyond 2050. The UK's target to achieve net zero by 2050 will change how fossil fuels are used, which will also impact how our network is used. The UK Government is exploring different pathways including the production and use of hydrogen and other green gases to achieve net zero, although there remains uncertainty about significant aspects of the UK energy sector plans under net zero.

We recognise that there are a range of possible futures regarding how our network is used and the role that hydrogen, biomethane and other green gases have to play. Scenarios range from high hydrogen through our existing network, through to slow decarbonisation driving a multi heat solution through to a high electrification route and we are continuing to assess what impact these scenarios would have on our asset lives.

Given the information currently available regarding these plans and the initial feasibility studies completed regarding the use of alternative gases through our network and the large scale production of these gases, we have judged that our network will continue to be used to transport gas (methane, biomethane, hydrogen, other green gases or a combination of these) beyond 2050, and that these gases will be available in sufficient quantities. See subsequent pages for details of the estimates we have made regarding useful lives when applying this judgement to our financial statements – **notes 7 & 8**.

Key sources of estimation uncertainty

Key sources of estimation uncertainty that have significant risk of causing material adjustment to the carrying amounts of assets and liabilities in the next financial year are as follows:

- Determination of useful lives and carrying values of property, plant and equipment and intangible assets. In assessing the estimated useful economic lives, consideration is given by management to any contractual arrangements and operational requirements relating to particular assets. Currently, our assets are being depreciated out to 2055 and changes made to the UELs could have a material impact on the depreciation recognised in the next financial year. The UK's target to achieve net zero by 2050 may impact the UELs of our plant and machinery, with a current deemed life of up to 50 years, if our network can no longer be used beyond this point. We recognise that there are a range of possible futures regarding how our network is used and the role that hydrogen and other green gases have to play. Scenarios range from high hydrogen through our existing network, through to slow decarbonisation driving a multi heat solution through to a high electrification route and we are continuing to assess what impact these scenarios would have on our asset lives. Given the information currently available about how the UK will achieve net zero using alternative technologies (particularly greener gases such as hydrogen and biomethane) and ahead of the Government Heat Policy decision, it is still reasonable to assume that the network will continue to be used beyond 2050 in its current form or adapted to accommodate further biomethane connections or hydrogen. Management have, therefore, assumed that our network assets can be adapted to use alternative technologies and hence have useful lives that extend beyond 2050 in line with our policy. However, if future developments in technology or the climate change agenda indicate that the UELs of our network assets are limited to 2050, the depreciation charge recognised in future periods would increase by a material amount. Given there is political and regulatory uncertainty, with the heat policy decision expected in the short term, which could result in material adjustments to the carrying value of our network assets, we deem determination of UELs to be a key source of estimation uncertainty. See note 29 of the consolidated accounts for impact on depreciation charge under different modelling scenarios – **notes 7 & 8**.
- The estimation of liabilities for pensions and other post-retirement benefits include a number of key assumptions, which include life expectancy of members, expected salary and pension increases, and inflation. The company takes advice from independent actuaries relating to the appropriateness of any key assumptions applied – **note 6**.
- The fair value of derivative financial instruments relating to index-linked swaps are measured using discounted cash flows. The future cash flows are estimated based on expectations of inflation rates (for RPI swaps based on market forecasts and for CPI swaps based on the currently unobservable spreads to the liquid RPI inflation markets) and interest rates, both of which are subjective and fluctuate on a daily basis. Projected cash flows are then discounted back using discount factors that are derived from the applicable interest rate curves adjusted for management's estimate of counterparty and own credit risk, where appropriate.

Sensitivities have been considered in note 29 of the consolidated accounts.

3 Auditor's remuneration

Auditor's remuneration in respect of the company is set out below:

	2025 £000	2024 £000
Audit services		
Audit fee of company	906	884
Other services		
Fees payable to the company's auditors for audit-related assurance services	83	82
Other non-audit services	102	143

Notes to the company financial statements continued

For the year ended 31 March 2025

3 Auditor's remuneration continued

Fees payable to the company's auditor for audit-related assurance services represent fees payable for services in relation to engagements, which are carried out by the auditors such as interim reviews. Other non-audit services in 2025 relate to services provided in connection with the raising of debt, grant claims or reports required by the regulator.

4 Number of employees, including Directors

The average number of persons (including Executive Directors) employed by the company was 6,361 (2024: 6,215). Further details are provided in note 7 to the consolidated financial statements.

5 Key management compensation

Key management comprises the Board of Directors of the company, including Executive and Non-Executive Directors who have managerial responsibility for Cadent Gas Limited. Details of key management personnel compensation are provided in note 8 to the consolidated financial statements.

6 Pensions

Substantially all the company's employees are members of either the defined benefit Cadent Gas Pension Scheme or the MyPension defined contribution scheme.

The disclosures required by FRS 102 are the same as those required by IAS 19 (revised) and are provided in note 27 to the consolidated financial statements.

7 Intangible assets

	Software £m
Cost:	
At 1 April 2024	175
Additions	4
Disposals	–
At 31 March 2025	179
Accumulated amortisation:	
At 1 April 2024	(144)
Amortisation charge for the year	(18)
Disposals	–
At 31 March 2025	(162)
Net book value:	
At 31 March 2025	17
At 31 March 2024	31
	Software £m
Cost:	
At 1 April 2023	200
Additions	3
Disposals	(28)
At 31 March 2024	175
Accumulated amortisation:	
At 1 April 2023	(152)
Amortisation charge for the year	(20)
Disposals	28
At 31 March 2024	(144)
Net book value:	
At 31 March 2024	31
At 31 March 2023	48

8 Property, plant and equipment

	Land and Buildings £m	Plant and Machinery £m	Assets in the Course of Construction £m	Motor Vehicles and other Equipment £m	Total £m
Cost					
At 1 April 2024	230	13,690	52	253	14,225
Additions	12	836	33	24	905
Reclassifications	(6)	21	(17)	2	–
Disposals	(2)	(1)	–	(22)	(25)
At 31 March 2025	234	14,546	68	257	15,105
Accumulated depreciation and impairment					
At 1 April 2024	(60)	(2,272)	–	(173)	(2,505)
Charge for the year	(15)	(409)	–	(35)	(459)
Disposals	2	1	–	21	24
At 31 March 2025	(73)	(2,680)	–	(187)	(2,940)
Net book value:					
At 31 March 2025	161	11,866	68	70	12,165
At 31 March 2024	170	11,418	52	80	11,720

Depreciation has been calculated on a straight-line basis over the estimated useful life of the asset. In assessing the estimated useful economic lives, management give consideration to any contractual arrangements and operational requirements relating to particular assets. See note 1(d) for the estimated useful lives of each asset category, and note 29 of the consolidated financial statements for sensitivity analysis over the residual lives of assets.

The net book value of motor vehicles and other equipment at 31 March 2025 included £1,916,000 (2024: £1,904,000) relating to assets purchased under finance leases.

The net book value of land and buildings comprises:

	2025 £m	2024 £m
Freehold	122	133
Long leasehold (over 50 years)	31	31
Short leasehold (under 50 years)	8	6
	161	170

	Land and Buildings £m	Plant and Machinery £m	Assets in the Course of Construction £m	Motor Vehicles and other Equipment £m	Total £m
At 1 April 2023	206	12,786	73	236	13,301
Additions	28	865	22	27	942
Reclassifications	(2)	41	(43)	4	–
Disposals	(2)	(2)	–	(14)	(18)
At 31 March 2024	230	13,690	52	253	14,225
Accumulated depreciation and impairment					
At 1 April 2023	(46)	(1,892)	–	(158)	(2,096)
Charge for the year	(15)	(381)	–	(29)	(425)
Disposals	1	1	–	14	16
At 31 March 2024	(60)	(2,272)	–	(173)	(2,505)
Net book value:					
At 31 March 2024	170	11,418	52	80	11,720
At 31 March 2023	160	10,894	73	78	11,205

Notes to the company financial statements continued

For the year ended 31 March 2025

9 Investments

	Shares in Subsidiary Undertakings £m	Investments in Associates £m	Total £m
Cost			
At 1 April 2024 and 31 March 2025	-	-	-
Provision			
At 1 April 2024 and 31 March 2025	-	-	-
Net book value			
At 1 April 2024 and 31 March 2025	-	-	-

The company's subsidiary undertakings as at 31 March 2025 were as follows:

Name of subsidiary	% Holding	Principal activity	Country of incorporation
Cadent Finance Plc	100	Provision of long-term finance	England and Wales
Cadent Gas Pension Trustee Limited	100	Trustee of occupational pension scheme	England and Wales
Cadent Gas Pension Property Company 1 Limited	100*	Trustee of property assets of occupational pension scheme	England and Wales
Cadent Gas Pension Property Company 2 Limited	100*	Trustee of property assets of occupational pension scheme	England and Wales
Cadent Gas Pension Services Limited**	100	Management of pension services	England and Wales

* Indirect ownership.

** Cadent Gas Pension Services Limited was dissolved on 7 June 2025.

The registered address of all subsidiaries is Cadent, Pilot Way, Ansty Park, Coventry, CV7 9JU, United Kingdom.

10 Inventories

	2025 £m	2024 £m
Raw materials and consumables	16	16
	16	16

Inventories are stated after provisions for impairment of £1,305,000 (2024: £838,000).

11 Debtors

	2025 £m	2024 £m
Amounts falling due within one year:		
Trade debtors	6	11
Other debtors	-	2
Prepayments	13	12
Accrued income	173	184
	192	209

Trade debtors and accrued income are initially stated at the transaction price and are subsequently measured after a loss allowance has been made of £4,000,000 (2024: £5,000,000).

12 Derivative financial instruments

The fair values of derivative financial instruments are as follows:

	2025		
	Assets £m	Liabilities £m	Total £m
Amounts falling due within one year	–	–	–
Amounts falling due after more than one year	25	(404)	(379)
	25	(404)	(379)

	2024		
	Assets £m	Liabilities £m	Total £m
Amounts falling due within one year	3	–	3
Amounts falling due after more than one year	16	(328)	(312)
	19	(328)	(309)

For each class of derivative the notional contract amounts* are as follows:

	2025 £m	2024 £m
Cross-currency interest rate swaps	2,302	2,129
Interest rate swaps	1,761	639
Inflation-linked swaps	1,400	1,400
	5,463	4,168

* The notional contract amounts of derivatives indicate the gross nominal value of transactions outstanding at the reporting date.

Cadent Finance Plc raises long-term finance, through access to capital markets, for its immediate parent, Cadent Gas Limited. Amounts raised by Cadent Finance Plc, including any related derivatives, are passed on to the company on identical terms. The only derivative held with an external counterparty by the company is £400 million notional of RPI-linked swaps with a fair value of £161 million liability at 31 March 2025 (2024: £128 million liability) with a maturity date in March 2027. The remainder of the fair value in the table above relates to intercompany cross currency, interest rate and inflation-linked swaps with Cadent Finance Plc. As a result of the intercompany funding, both the total value of the loans and derivatives are identical in both the consolidated accounts and the company accounts albeit the loans and derivatives held in the company will consist of external and intercompany balances (see note 14 and note 15 for disclosure of the intercompany loan balances). The disclosure requirements for derivatives required by FRS 102 are the same as those required by IFRS and are provided in note 28 to the consolidated financial statements.

13 Financial and other investments

	2025 £m	2024 £m
Financial and other investments	165	569
	165	569

Amounts held relate to investments in money market funds of £165 million (2024: £266 million) with typical maturity dates within 90 days and £Nil (2024: £303 million) of fixed-term deposits with average maturity of 90–125 days from inception.

14 Creditors: amounts falling due within one year

	2025 £m	2024 £m
Trade creditors	150	86
Amounts owed to Group undertakings	83	441
Other tax and social security	13	10
Other creditors	49	60
Accruals	110	101
Deferred income	100	117
	505	815

Notes to the company financial statements continued

For the year ended 31 March 2025

15 Creditors: amounts falling due after more than one year

	2025 £m	2024 £m
Amounts owed to subsidiary undertakings	7,263	6,781
Accruals and deferred income	852	821
	8,115	7,602

Amounts owed to subsidiary undertakings reflect external debt raised by Cadent Finance Plc and passed on to Cadent Gas Limited. The amounts are usually passed on to Cadent Gas Limited on identical terms to the amounts raised in Cadent Finance Plc. The amounts are unsecured with phased repayments to August 2048.

Deferred income mainly comprises contributions received in respect of capital projects.

16 Borrowings

	2025 £m	2024 £m
Amounts falling due within one year		
Bank loans	2	210
Finance leases	1	1
	3	211
Amounts falling due after more than one year		
Bank loans	549	549
Finance leases	–	1
	549	550

	2025 £m	2024 £m
Total borrowings are repayable as follows:		
Less than one year	3	211
In one–two years	400	–
In two–three years	–	401
In three–four years	–	–
In four–five years	–	–
More than five years	149	149
	552	761

The notional amount outstanding of the debt portfolio at 31 March 2025 was £552 million (2024: £758 million), including accretion.

The company's borrowings comprise a mixture of unlisted floating rate and indexed-linked debt, which has been issued out of, or novated into, the company. The table below summarises the bank debt, including their fair values.

Currency	Listing Status	Notional (including accretion) £m	Rate	Maturity Date	Carrying Value £m	Fair Value £m
Floating Rate						
GBP	Unlisted	400	SONIA	23-Mar-27	400	408
GBP	Unlisted	150	SONIA	21-Oct-30	151	161
		550			551	569
Finance lease obligation less than one year		1			1	1
Total		551			552	570

16 Borrowings continued

On 16 April 2024, Cadent Finance Plc, a subsidiary of Cadent Gas Limited, issued a 9 year fixed rate Green bond with a notional value of €640 million and coupon of 3.75% under its £7 billion Euro Medium Term Note Programme. This bond is guaranteed by, and proceeds were on lent to, Cadent Gas Limited. The bond proceeds were swapped to sterling (£548.5 million) immediately on issue.

The fair value of borrowings at 31 March 2025 was £570 million (2024: £781 million). Where market values were available, fair value of borrowings (Level 1) was £Nil (2024: £Nil). Where market values were not available, the fair value of borrowings (Level 2) was £570 million (2024: £781 million), calculated by discounting cash flows at prevailing interest rates.

None of the company's borrowings are secured by charges over assets of the company.

The company is bound by certain financial covenants with regards to its debt agreements and banking facilities. For debt issued by the company the most relevant covenant is net debt to adjusted RAV.

Obligation under finance leases

	Minimum lease payments	
	2025 £m	2024 £m
Amounts payable under finance leases:		
Within one year	1	1
In the second to fifth years inclusive	1	1
After five years	–	–
Minimum lease obligations	2	2
	Present value of minimum lease payments	
	2025 £m	2024 £m
Amounts payable under finance leases:		
Within one year	1	1
In the second to fifth years inclusive	–	1
After five years	–	–
Present value of lease obligations	1	2
Analysed as:		
Amounts due for settlement within 12 months (shown under current liabilities)	1	1
Amounts due for settlement after 12 months	–	1
	1	2

It is the company's policy to lease certain items of its motor vehicles and other equipment under finance leases. The average lease length is eight years at inception. For the year ended 31 March 2025, the average effective borrowing rate was 3.48% (2024: 3.48%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in sterling.

Notes to the company financial statements continued

For the year ended 31 March 2025

17 Provisions for liabilities

	Environmental £m	Deferred Tax £m	Other £m	Total £m
At 1 April 2024	28	1,603	40	1,671
Charged to the income statement	–	–	22	22
Released to the income statement	(1)	(16)	–	(17)
Utilised	–	–	(10)	(10)
Credited to other comprehensive income and equity	–	12	–	12
At 31 March 2025	27	1,599	52	1,678

	Environmental £m	Deferred Tax £m	Other £m	Total £m
Current	1	–	19	20
Non-current	26	1,599	33	1,658
	27	1,599	52	1,678

Environmental provision

The environmental provision represents the estimated restoration and remediation costs relating to old gas manufacturing sites and depots owned by the company (discounted using a real rate of 1.75% (2024: 1.5%)). Cash flows are expected to be incurred between 2025 and 2084.

A number of factors affect the calculation of the provision including the impact of regulation, the accuracy of the site surveys, unexpected contaminants, transportation costs, the impact of alternative technologies and climate change regulations, and changes in the discount rate. The provision incorporates our best estimate of the financial effect of these uncertainties, but future material changes in any of the assumptions could materially impact on the calculation of the provision.

The undiscounted amount of the provision at 31 March 2025 is £42 million (2024: £41 million) being the undiscounted best estimate liability having regard to these uncertainties.

Deferred tax

Deferred taxation comprises:

	2025 £m	2024 £m
Accelerated capital allowances	1,499	1,514
Other timing differences	100	89
Deferred tax liability	1,599	1,603

Other provisions

The other provisions consist of claims (whether covered by insurance or not) including employer liability claims, restructuring and other provisions relating to the operation of our gas networks.

The estimation of the provision for claims (whether insured or not) is based on projections of liabilities that are subject to potentially large amounts of estimation, since the ultimate liability of claims is subject to the outcome of events that have not yet occurred. Examples of these events include jury decisions, court interpretations, legislative changes, changes in the medical condition of claimants, public attitudes and social/economic conditions such as inflation. In our judgement, through the use of independent actuaries we have employed techniques and assumptions that are appropriate to project the liabilities.

Where amounts are material, third party valuations are performed. Any insurance proceeds are recognised as an asset when virtually certain of recovery. The provision has been discounted based on future cash flows. The majority of claims are expected to be settled within 10 years.

During the year management initiated a voluntary redundancy programme for eligible employees, in order to drive efficiency to a level expected by our economic regulator Ofgem. The programme was formally announced in February 2025 and an amount of £15 million of restructuring provision was recognised at March 2025 representing management's best estimate of the outcome of the application process. In addition, a further amount of £3 million was charged in the year in relation to the next phase of our Operational Efficiency programme.

The associated costs for the restructuring programme are expected to be settled within 1 year. See note 6 of the consolidated accounts.

18 Share capital

	2025 £m	2024 £m
Allotted, called up and fully paid		
169,030 ordinary shares of £1 each	–	–

Each share carries the right to one vote on a poll. The right to vote is determined by reference to the register of members. All dividends shall be declared and paid according to the amounts paid up on the shares. The shares do not carry any rights as respects to capital to participate in a distribution (including on a winding-up) other than those that exist as a matter of law. The shares are not redeemable.

19 Capital and other commitments

	2025 £m	2024 £m
Contracts for future capital expenditure not provided in the financial statements	242	320
Letters of credit facility	150	150
	392	470

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2025 £m	2024 £m
Less than one year	22	21
In two–five years	34	51
More than five years	78	46
	134	118

20 Related parties

The following material transactions are with an associate of the company, which is not wholly owned by Quadgas Holdings TopCo Limited and are in the normal course of business. Other related party transactions are not disclosed in accordance with the exemptions available under FRS 102.

	2025 £m	2024 £m
Income:		
Goods and services supplied to other related parties	–	–
	–	–
Expenditure:		
Services rendered from associates	12	15
	12	15
Outstanding balances at 31 March in respect of income and expenditure:		
Amounts payable to other related parties	–	–
Amounts payable to associates	1	–

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions. Amounts receivable from, or payable to, related parties in respect of sales and expenditure are ordinarily settled one month in arrears. The amounts outstanding are unsecured and will be settled in cash.

No amounts have been provided at 31 March 2025 (2024: Nil) and no expense has been recognised during the year in respect of bad or doubtful debts from the above related party transactions.

Details of key management compensation are provided in note 8 to the consolidated financial statements.

Notes to the company financial statements continued

For the year ended 31 March 2025

21 Contingent liabilities

(a) Environmental claims

The environmental provision (see note 17) represents the estimated restoration and remediation costs relating to old gas manufacturing sites owned by the company. Other claims have arisen from time to time, however, none of these have been significant. It is not possible to determine the level of such future claims, however, based upon experience, the Directors do not consider a provision necessary.

(b) Litigation

Through the ordinary course of operations, the company is party to various litigation, claims and investigations. The Directors do not expect the ultimate resolution of any of these proceedings to have a material adverse effect on the company's results of operations, cash flows or financial position.

(c) Guarantees and letters of credit

Fellow subsidiaries have entered into bonds and guarantees in the normal course of business. No liability is expected to arise in respect of bonds, guarantees or letters of credit.

22 Subsequent events

There are no post balance sheet events.

23 Ultimate parent company

The ultimate parent and controlling company is Quadgas Holdings TopCo Limited and the immediate parent company is Quadgas MidCo Limited. The largest and smallest group, which includes the company and for which consolidated financial statements are prepared, are headed by Quadgas Holdings TopCo Limited and Quadgas MidCo Limited respectively. Quadgas Holdings TopCo Limited is registered in Jersey and Quadgas MidCo Limited is registered in England and Wales.

Copies of Quadgas MidCo Limited's consolidated financial statements can be obtained from the Company Secretary, Quadgas MidCo Limited, Pilot Way, Ansty Park, Coventry, CV7 9JU, United Kingdom.

Copies of Quadgas Holdings TopCo Limited's consolidated financial statements can be obtained from the Company Secretary, Quadgas Holdings TopCo Limited, 3rd Floor 37 Esplanade, St. Helier, JE1 1AD, Jersey.

Glossary

Term	Definition
Adjusted EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation, and Adjusting items
Annual report	the company's annual report and accounts for the year ended 31 March 2025
BCF	Business Carbon Footprint
Biomethane	bio-substitute natural gas
Board	Board of Directors of Cadent Gas Limited
Cadent or company	Cadent Gas Limited
Cadent Foundation	Supported by Cadent, the Cadent Foundation work with charitable organisations and strive to help households improve their financial wellbeing and become more energy efficient through advice, support and practical measures
Cadent Military Community	Our community group, a network to actively support service leavers entering the business, our current reservists and those that have previously served
Centres for Warmth	one of our largest VCMA projects offering support to some of the most deprived areas across our network
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Chair	Chair of the Board and any of the Committees
CNG	Compressed Natural Gas
COO	Chief Operating Officer
Community Groups	Employee-led groups which drive discussions and change internally to represent the communities we serve
Complaints	The algorithm is driven from % day 1 closures, % day 31 closures, repeated complaints and ombudsman complaints received
Consumer	A person who purchases goods and services for personal use
CPI	Consumer Price Index
CSAT	Customer satisfaction
Customer	In the Strategic report and Governance sections when we refer to customer, we are referring to our consumers, suppliers and shipper. Within the Financial statements when we refer to customer, we are referring only to our direct customers
Customer Challenge Group	The group provide expert review and independent challenge of the strategic decision making across multiple topics aligned to RIIO-3 priorities
DAWS	Direct Access to Wellbeing Services
DB	Defined Benefit
DC	Defined Contribution
DESNZ	Department for Energy Security & Net Zero
Directors	the Directors of Cadent Gas Limited
EAP	Environmental Action Plan – explains how we will take responsibility for the environmental impacts of our network and business operations during the RIIO-2 period and how we will drive improvements in our environmental performance throughout this period
EDI	Equity, Diversity and Inclusion
Embrace	Our community group, a network to raise awareness of and drives discussion on issues affecting colleagues from an ethnic minority background, and of all religions

Glossary

 continued

Term	Definition
Emmaus	Our charity partner, helping people to work their way out of homelessness, providing meaningful work, training, support and a stable home for as long as someone needs it
ENA	Energy Networks Association is a not-for-profit industry body representing the companies which operate the electricity wires, gas pipes and energy system in the UK and Ireland
ESG	Environmental, Social, and Governance (ESG) – three central factors in measuring the sustainability and societal impact of an investment in a company or business
FRC	Financial Reporting Council
GHG	Greenhouse gases
Gigawatt	A gigawatt is a unit of energy equal to a billion watts. There are 1,000 gigawatts in a terawatt
GRESB	GRESB (Global Real Estate Sustainability Benchmark) assesses and benchmarks Environmental, Social and Governance (ESG) performance
Groundwork UK	a federation of charities mobilising practical community action on poverty and the environment across the UK
Group	The Group comprises Cadent Gas Limited, Cadent Finance Plc, Cadent Gas Pension Trustee Limited, Cadent Gas Pension Property Company 1 Limited, Cadent Gas Pension Property Company 2 Limited and Cadent Gas Pension Services Limited
GSOP	Guaranteed Standards of Performance
HMRC	His Majesty's Revenue and Customs
HSE	Health and Safety Executive
HyDeploy	A project to inject a blend of natural gas and hydrogen into the network at Keele University
HyNet	New 100km regional hydrogen pipeline project in the North West
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IGEM	Institution of Gas Engineers and Managers
ISO	International Organisation for Standardisation
ISO 14001	sets out the criteria for an environmental management system and can be certified to. It maps out a framework that a company or organisation can follow to set up an effective environmental management system
ISO 55001	Asset management standard developed for the use of people or businesses involved in asset management
LGBTQ+	Lesbian, gay, bisexual, transgender and queer or questioning
LTIFR	Lost Time Injury Frequency Rate, the number of lost time injuries occurring in a workplace per 1 million hours worked
LTIP	Long-Term Incentive Plan
Mains Replacement Programme	A program to replace aging gas mains with modern materials
National Gas Emergency Service	0800 111 999 a free emergency number that anyone can call if they smell gas or suspect carbon monoxide
National Transmission System (NTS)	Transports high pressure natural gas around Great Britain via thousands of miles of pipelines
NEA	National Energy Action is a fuel poverty charity that works to eradicate fuel poverty and campaigns for greater investment in energy efficiency
NED	Non-Executive Director

Term	Definition
NESO	National Energy System Operator
NET ZERO	Target to negate amount of greenhouse gases by reducing emissions by 2050
NGN	Northern Gas Network
Ofgem	Office of Gas and Electricity Markets
P&L	Profit & Loss
PE pipes	Polyethylene pipes
PPE	Personal protective equipment at work
Pride at Work	Our community group, a welcoming and safe space where our Lesbian, Gay, Bisexual, Transgender, Queer (LGBTQ+) and allied members can thrive and feel included
PSR	The Priority Services Register is a service provided by energy suppliers and network operators to support customers in vulnerable situations. It provides extra support in emergencies or free services
RAV	Regulated Asset Value
REGO	Renewable Energy Guarantees of Origin (REGO) scheme provides transparency to consumers about the proportion of electricity that suppliers source from renewable electricity
RHI	Renewable Heat Incentive subsidy
RIIO	Ofgem's regulatory framework (Revenue = Incentives + Innovation + Outputs)
RIIO-1	The RIIO-1 price control set out the outputs that the Gas Distribution Networks (GDNs) need to deliver for their consumers, and the associated revenues they are allowed to collect, for the eight year period from 1 April 2013 until 31 March 2021
RIIO-2	RIIO-2 is the current price control for Cadent and the other three network companies, who own and operate the gas distribution networks in Great Britain. This is the second price control period using the RIIO framework and started in April 2021
RIIO-3	RIIO-3 is the next price control for Cadent and the other three network companies, who own and operate the gas distribution networks in Great Britain
RPI	Retail Price Index
Safe+Well	Cadent's internal programme focused on safety and employee wellbeing
SBTi	Science Based Targets initiative
Scope 1	All Direct Emissions from owned or controlled sources
Scope 2	Indirect Emissions from the generation of purchased electricity, steam, heating and cooling
Scope 3	All Other Indirect Emissions that occur in a Cadent's value chain
Services beyond the meter	provides a follow-on service for customers living in vulnerable situations if their gas installation is suspected to be emitting carbon monoxide and has been isolated by Cadent
SGN	The gas distribution company that covers Scotland and a section of southern England including parts of Devon, Milton Keynes and South London
Shrinkage	Gas lost from the network due to leakage, theft, or operational use
SID	Sufficiently Independent Director
STIP	Short-Term Incentive Plan
Supply Chain Sustainability School	The School is a collaboration between clients, contractors and first tier suppliers who want to build the skills of their supply chains
Thrive	Our community group, a network to raise awareness of and support people with disabilities, making our workplace accessible and supportive to all

Glossary continued

Term	Definition
TUPE	Transfer of Undertakings (Protection of Employment) regulations
TWh	Terawatt hours, a measure of energy use
UK GAAP	United Kingdom Generally Accepted Accounting Practice
UN SDGs	United Nations Sustainable Development Goals, a framework for businesses to work together with the Government and other partners to tackle climate change and figure inequality on a global scale
VCMA	Vulnerability and Carbon Monoxide Allowance
Wates Principles	The six Wates Corporate Governance Principles for large private companies
Women in Cadent	Our community group, a network of colleagues from across our business, who are all committed to creating equality and supporting women's professional and personal development
WWU	Wales & West Utilities
2006 Act	The Companies Act 2006



Cadent
Pilot Way
Ansty Park
Coventry
CV7 9JU

www.cadentgas.com