

# Cadent

Your Gas Network



## Keeping people warm, while protecting the planet

Annual report and accounts 2025/26



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# Welcome to the Cadent annual report 2025/26



**We are the largest gas distribution company in the UK, carrying almost as much energy as the entire electricity distribution network. We transport gas to 11 million homes and businesses across the North West, West Midlands, East Midlands, East of England and North London – with a network of over 82,000 miles of pipes, most of them underground.**

We also manage the National Gas Emergency Service on behalf of the gas industry. Our investment in replacing the gas network protects the communities we serve – keeping homes warm, fuelling industry and reducing emissions – while supporting the transition to biomethane and hydrogen for a greener future. Our investment strengthens resilience, ensures continued reliability and future-proofs infrastructure – safeguarding gas supplies and delivering a world-class energy network for generations to come.

# Highlights of the year

## Financial

### Revenue

**£2,490m**

(2025: £2,172m)

### Operating Costs

**£1,601m**

(2025: £1,527m)

### Operating Profit

**£889m**

(2025: £645m)

### Adjusted EBITDA<sup>1</sup>

**£1,421m**

(2025: £1,180m)

### Finance Cost

**£357m**

(2025: £293m)

### Taxation paid

**£163m**

(2025: £111m)

### Regulated Asset Value

**£13.6bn**

(2025: £13.1bn)

### Dividends<sup>2</sup>

**£103.75m****per network**

(2025: £103.75m per network)

### Net debt<sup>3</sup>

**£8,651m**

(2025: £8,224m)

### Investment<sup>4</sup>

**£900m**

(2025: £909m)

1. Earnings before Interest, Tax, Depreciation, Amortisation, Impairment and Adjusting items. See our Financial review on page 13.
2. Total dividends paid £415m (2025: £415m) and has been allocated per network. 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. For the five years to March 2026, the dividend paid represents a return on regulated equity of 6.7%. The rate of return of 6.7% reflects a deferral of dividend from 2020/21 due to uncertainty during the COVID-19 pandemic, and performance against our customer metrics.
3. 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. See note 25 of the consolidated financial statements.
4. Investment includes additions to property, plant and equipment and intangibles but excludes right-of-use assets.

## Operational performance

### Network reliability

**99.9%**

(2025: 99.9%)

### Emergencies responded to within the hour

**99.6%**

(2025: 98.8%)

### Number of customer calls answered

**1.2m**

(2025: 1.3m)

### Emergency calls answered within 30 seconds

**93%**

(2025: 92%)

### Mains replaced

**1,621km**

(2025: 1,751km)

### Fuel poor connections during RIIO-2 price control

**4,583**

(2025: 4,521)

## Cadent customer bill breakdown 2025/26

In 2025/26, a typical domestic customer paid £162 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

**£35** Operating and maintaining the equipment and infrastructure to transport gas to you safely and reliably today.

### Providing a 24-hour emergency and repair service

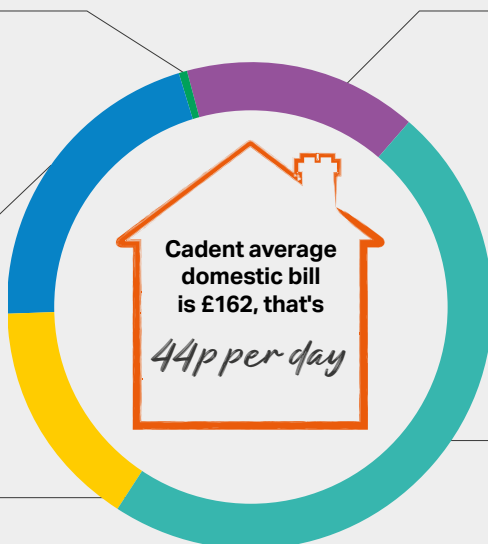
**£21** Taking your calls, attending and repairing gas emergencies and escapes, and making it safe.

### Taxes, licence and other fees

**£23** Taxes, licence fees for industry regulation and business rates paid to local government.

### Network investment

**£82** 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 customers, we are referring to our consumers, suppliers and shippers. Within the Financial statements, when we refer to customers, we are referring only to our direct customers.

# Business overview

## Where we operate

### North West

**2.7m**

homes and businesses

**1,453**

colleagues

### West Midlands

**1.9m**

homes and businesses

**1,007**

colleagues

### North London

**2.2m**

homes and businesses

**1,410**

colleagues

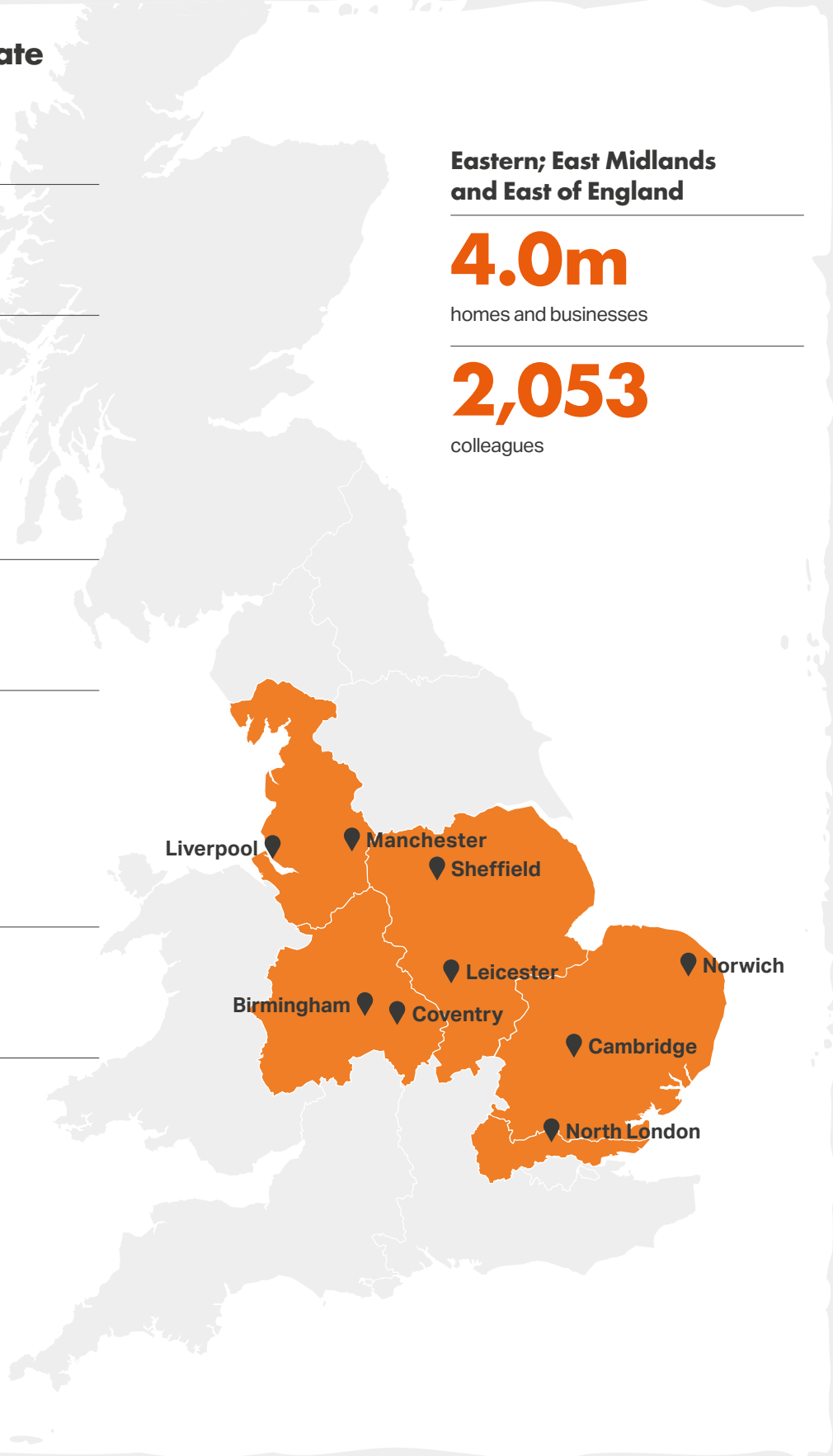
### Eastern; East Midlands and East of England

**4.0m**

homes and businesses

**2,053**

colleagues



## 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

We will 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.**

**Providing a resilient network to keep the energy flowing.**

**Tackling climate change and improving the environment.**

**Trusted to act for our communities.**

# Business model

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

While it is other parties that produce, own, and 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 and 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 are regulated by Ofgem, and the price control, RIIO-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.

### 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.

### Customer Challenge Group

This group provides independent challenge and insight on behalf of customers and communities. The Customer Challenge Group (CCG) reviews and scrutinises our plans, priorities and performance, including aspects of our RIIO business planning and delivery, helping to ensure our approach reflects customer needs, delivers value for money and supports those in vulnerable situations. Through constructive challenge and ongoing dialogue, the Group has informed elements of our strategy and commitments, strengthening confidence that customer perspectives are meaningfully embedded in our decision-making.

### 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.



## Chair's statement



**“The energy transition is the biggest challenge for our generation.”**

**John Holland-Kaye**  
Chair

The more I have got to know Cadent, the more impressed I have been by its culture. There is a genuine commitment to safety, to customer service and to the wellbeing and development of its people.

Safety is always our first priority. Our team works hard to keep people safe by replacing gas mains and responding quickly to any reports of potential gas leaks. We have also been innovating in the way we protect our workforce and the public on site, which is reflected in our industry-leading safety performance.

Our field force is at the heart of local communities, making sure that we maintain service to customers. We have made good progress in collaborating with other utilities to minimise disruption to the public by coordinating street works, and this is something we are looking to roll out nationally. We take our responsibility to our most vulnerable customers very seriously, through our Centres for Warmth, our VCMA initiatives and through the work of the Cadent Foundation.

Cadent is a company where everyone is encouraged and supported to fulfil their potential, and there are many examples of people working their way up through the business. I have enjoyed meeting the employee-led community groups, who help to create an inclusive environment, where people can be their best selves at work.

It is this positive culture, along with operational excellence and technical capability that has resulted in Cadent's significantly improved performance in the last few years, with two of our networks rated as the most efficient by Ofgem in its recent regulatory review for the forthcoming RIIO-3 price control. Everyone at Cadent should feel very proud of what they have achieved in the last five years.

Over the RIIO-3 period, we will maintain our focus on safety, reliability, and customer service, continuing to strengthen operational performance across all networks. The new regulatory settlement is very challenging, especially to achieve higher levels of productivity improvement than the rest of the UK economy, needing continued efforts to improve our efficiency and drive the sector forward.

The energy transition is the biggest challenge for our generation. All realistic future energy scenarios recognise that gas networks play a critical role in system resilience, especially during periods of low renewable generation. This winter reinforced that reality; our network responded to significant peaks in demand, driven by both domestic heating needs and increased reliance on gas for electricity generation during the coldest months. The future is likely to involve repurposing the critical national asset that is the gas network to accept hydrogen and biomethane, and developing hybrid heat pumps as a lower cost way to reduce carbon emissions, while keeping people warm.

This year, Sir Adrian Montague stepped down as Chair after over eight years, during which he has led the transformation of Cadent into the best performing gas distribution company in the UK. I know how much the Board has valued his wisdom, guidance and leadership, and what a great mentor he has been to the leadership team, and I would like to thank him on behalf of all of us.

**John Holland-Kaye**  
Chair

25 June 2026

# Chief Executive's review



**"I am proud of our sector-leading performance, innovation and social impact initiatives."**

**Steve Fraser**  
Chief Executive Officer

## Leading the way

As the largest distributor of power in the UK energy sector, we are at the forefront of the transition to a greener, more resilient future. I am proud of the progress we have made this year, stretching sector performance further, strengthening customer service, and delivering meaningful social impact across the communities we serve.

The past year has been one of significant momentum. In the final year of our RIIO-2 regulatory period, we focused on strengthening operational delivery, asset investment, supporting vulnerable communities, and preparing the business for the opportunities and expectations of RIIO-3. Our achievements reflect the capability and commitment of everyone across the business, our colleagues, supply chain, and our strategic partners.

## A year of progress

Throughout 2025/26, our teams worked at pace to maintain operational efficiency; while navigating challenges and ensuring we keep our share of customer bills as low as possible, despite a volatile climate. We continued to lead the sector across many areas and by delivering on our key regulatory performance targets, demonstrate that our skills and expertise lead to a safe and reliable gas network for the 11 million homes and businesses that rely on us every day.

Our work to reduce methane leakage delivers world class safety and resilience and has set new standards across the industry. These achievements have reinforced our role in shaping the UK's journey to decarbonisation.

## Pushing the frontier

The transformation undertaken during RIIO-2, has laid a solid foundation for the next five years, with our programme of improvements, driving efficiencies through embedding new processes, technology, and capability across the business.

We are now well positioned for the opportunities ahead, notwithstanding the significant challenges presented by the regulatory settlement. Our strategic direction remains clear – enhance operational excellence, deliver sector-leading customer outcomes, accelerate progress toward net zero, and maintain affordability for households and businesses.

Our RIIO-3 Business Plan submission in December 2024 was a significant achievement, delivering a first-class plan that earned the highest Ofgem Gas Distribution Network incentive. We have been working collaboratively with our Customer Challenge Group 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, helping keep us focused on the priorities we set ourselves and providing constructive challenge on the delivery of our business plan commitments. As we progress through the settlement process, we continue to work through several aspects of the determination. In March 2026, we sought permission to appeal a single aspect of the RIIO-3 settlement relating to efficiency. We are working with the Competition and Markets Authority (CMA) through this process, who will make their final determination by the end of September.

## Excellent operational leadership

Our final year of RIIO-2 has once again placed several of our networks among the top-ranked in the Ofgem league table for customer satisfaction. We're proud of our outcomes that push the boundaries for the sector. Our closing position for RIIO-2 can be found on our regulatory scorecard on page 11. The mains replacement programme progressed positively across all regions, supported by excellent operational leadership and a laser focus on safety and reliability.

## Culture and innovation

We have continued to review and evolve our organisational design to better serve our customers and communities, ensuring we have the right people and capabilities in place on which to build during the next phase. Our strong, inclusive culture continues to grow through our seven sector-leading employee community groups, which are driving positive change, shaping policy and creating connections across the industry.

# Chief Executive's review continued

We have also made significant improvements across our property and fleet portfolio, supported by award-winning technology and strategic partners, enabling our operational teams to thrive and positioning our support functions for industry-leading performance.

Our Safe+Well programme remains firmly embedded across the organisation, with a focus on Occupational Safety, Process Safety, Occupational Health, Wellbeing, and Technology. Over the past year, we have made strong progress in each of these areas. I was pleased to see the Safe+Well conference in October 2025 bring together hundreds of colleagues from every part of the business in a new and innovative approach to strengthen our engagement and cross functional collaboration.

We have advanced our hybrid operating model, enhancing both in-house technology and digital capabilities. This has been effectively complemented by the expertise of our IT Partners, who support maintenance and delivery of new or upgraded technologies. In parallel, we have developed our Operational Technology model as a key element of our Securing Operations Programme.

## Driving social impact

Our flagship Centres for Warmth programme reached an important milestone this year, with more than 420 centres now open. Through partnerships that provide funding, training, education and community resources, the programme delivers vital support where it is needed most. I was also pleased to see the success of our five local vulnerability conferences, which offered valuable opportunities to share best practice, learn from partners and strengthen community collaboration.

The Cadent Foundation marked its fifth anniversary this year and awarded over £4 million to initiatives tackling fuel poverty and vulnerability. In November, the Board welcomed Ofgem to one of our vital programmes in London, where they saw first-hand the essential role these spaces play in offering a welcoming environment and practical guidance for local communities. The visit provided important insight into community needs, showcased tailored energy advice in action, and demonstrated the lasting impact these projects create through education and awareness.

## Greener future progress

We have made significant progress toward our Greener Society goals, reinforcing our commitment to protecting the planet. Our environmental performance continued to improve, and we reduced our Scope 1 and 2 emissions by 5.09%, and once again achieved sector leader status from the Global Real Estate Sustainability Benchmark (GRESB) for ESG performance – achieving the maximum score of 100. This means we're now recognised as a global leader in the infrastructure asset class, setting industry benchmarks for sustainability and being awarded the five-star rating, reserved only for the top 20% of participants in the benchmark. Waste management from our operations and offices remains a key priority for us. During 2025/26, we have reduced general waste by 18% and sent less than 1% to landfill. I am also proud of our achievements in biodiversity, with a huge milestone reached

with one of our Above Ground Installation (AGI) sites in London achieving The Wildlife Trusts' Biodiversity Benchmark, a sector first within the gas distribution networks. You can read more about this on page 33.

Our gas network plays an important role in delivering reliable, low-cost and low-carbon gases. Our hydrogen research demonstrates the potential for hydrogen in industrial and transportation sectors. These are crucial steps as we work with government, industry and communities to shape the UK's future energy mix. Strengthening our collaboration through international partnerships with GRDF and Italgas has positioned us at the forefront of shaping a sustainable energy future – one built on innovation, digitalisation, security, and the collective expertise of Europe's leading gas distribution operators.

This year, we have made positive steps to scale biomethane as a cost-effective decarbonisation option; with 45 sites now in operation across our network. The production and injection of biomethane into the gas grid is another readily available means to displace natural gas with a greener alternative. We are targeting 20 TWh of biomethane in our network by 2035 and have nearly 5 TWh today. To deliver this, we are preparing our network to accommodate higher volumes of biomethane and engaging a range of key stakeholders on future policy to support the growth of the biomethane sector in the UK.

## Looking ahead

As we close out RIIO-2 and reflect on a very successful five years, I would like to personally thank Sir Adrian Montague, for his strong leadership and invaluable guidance for over eight years and wish him all the very best in his retirement from Cadent. I am delighted to welcome John Holland-Kaye as our new Chair. He is a strong addition to our Board, offering both fresh thinking and vital insights across many sectors. John's business calibre is second to none and I am confident he will play a key role in shaping the next phase of our journey.

The changes to our Board are positioning us for what is going to be a transformational period for Cadent, as we enter a new price control under RIIO-3 and begin a new defining phase in the industry. I would also like to extend my thanks to our Board, leadership teams and our investors for their continued support and guidance.

We enter this new period, with renewed focus, strengthened capability and a clear sense of purpose. The year ahead will bring continued cost pressures, challenging performance targets and a rapidly evolving energy landscape. Our commitment remains unwavering: to exceed customer expectations, to operate safely and efficiently, and to lead the sector towards a resilient, low-carbon future. Together, we will continue to stretch the frontier of operational performance and deliver critical energy, safety and warmth for customers, colleagues and communities.

## Steve Fraser

Chief Executive Officer

25 June 2026

# Our RIIO-2 outcomes (2021–2026)

**RIIO-2 is Ofgem’s framework for setting price controls for the gas distribution networks. It sets out what we have been required to deliver from 2021–2026.**

Output	RIIO-2	Commentary
<b>Delivering a resilient network to keep the energy flowing safely and reliably</b>		
Emergency call handling	✓	We have delivered our call handling standards across RIIO-2.
Emergency response – Uncontrolled	✓	We have continuously improved our emergency response times since the second year of the period, with all networks being above 99% attended in one hour in year five.
Emergency response – Controlled	✓	We have continuously improved our emergency response times since the second year of the period, with all networks being above 99% attended in two hours in year five.
Tier 1 mains	✓	We have achieved the Tier 1 mains price control deliverables (PCDs) targets for all networks.
Tier 1 services	✓	Tier 1 services are dependent on Tier 1 mains, we have replaced all services associated with the mains we have decommissioned.
NARM	✓	All networks are expected to meet NARM targets falling within the +/-5% deadband, to be confirmed later this year in specific NARM regulatory reporting.
London Medium Pressure	✓	We have replaced required mains and made governor interventions, also completing workload carried over from RIIO-1.
Capital Projects	✓	All projects within PCDs that were required have been completed, two were descoped during the price control.
High-rise building plans	✓	All high-rise building plans that could have been completed have been in all four networks.
<b>Providing a quality experience for all our customers and stakeholders</b>		
GSOP 4–11	✓	All our networks have achieved above 90% across RIIO-2.
Unplanned supply interruptions CSAT	✓	We have incrementally improved our Cadent performance each year of RIIO-2.
Planned supply interruptions CSAT	✓	We have incrementally improved our Cadent performance each year of RIIO-2.
Connections CSAT	✓	We have incrementally improved our Cadent performance each year of RIIO-2.
Complaints handling	✓	We have performed within our Minimum Performance Level throughout RIIO-2.
Unplanned interruptions – MOBs	✓	We have performed within our Minimum Performance Level throughout RIIO-2.
Unplanned interruptions – non-MOBs	✓	We have performed within our Minimum Performance Level throughout RIIO-2.
Collaborative streetworks	✓	We have delivered 37 collaborative streetworks projects across RIIO-2 saving 956 days of disruption.
Consumer vulnerability minimum standards	✓	Adhering to the Fair Treatment Guidance, we have ensured to treat our domestic customers fairly and continued to steer and support customers through the Priority Services Register (PSR).
Consumer vulnerability reputational incentive	✓	We have led the sector in furthering support for customers in vulnerable situations through CO Awareness, FPNES and the PSR campaigns, alongside our Centres for Warmth – performing well against the reputational incentive.
<b>Tackling climate change and improving the environment</b>		
Shrinkage reputational incentive	✓	We have driven shrinkage reductions greater than baseline targets across all our networks against a more challenging baseline than other companies.
Shrinkage financial incentive	✓	All our networks have met required targets or are in reward for the incentive.
Commercial electric vehicle (EV) Fleet	✓	We have delivered the most decarbonised Commercial Fleet in the sector in the face of a challenging outlook, with only logistical practicalities preventing full utilisation of the PCD maximum allowance.

RIIO-2 key:



Achieved annual or period output



Failed to achieve annual or five-year period output

# Our RIIO-3 commitments (2026–2031)

**Our RIIO-3 plan features 12 commitments that we will continue to deliver from the RIIO-2 period and features seven standout commitments, which go above and beyond, with some industry firsts.**

**This plan will take us on the next step of our journey will 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.**

## Safe, secure and resilient supplies



**Maintaining a safe network** by replacing over 7,700km of iron pipes with plastic to keep customers safe.

**Maintaining excellent reliability** with 99.9% network reliability through smart asset management. Only one-in-three customers will experience an unplanned gas interruption in their lifetime.

**Delivering a rapid emergency response** with network emergency calls answered within 30 seconds (>90%) and the highest priority emergencies attended within an hour (>97%).

**Keeping the network secure** with targeted operational resilience plans to manage evolving cyber, physical and climate change threats.

**Reducing emergency callouts and vulnerability** by further focusing beyond the meter on 'in the home' measures.



## Infrastructure fit for a low-cost transition to net zero



**Reducing our business carbon footprint.** 13%+ reduction from further decarbonising our vehicle fleet, property and energy usage.

**Improving waste management.** 2% year-on-year reduction in waste to landfill.

**Pioneering an advanced leakage management approach** using leakage detection and a digital platform for analytics to optimise replacement of up to 390km of mains over the period.



**Delivering insightful and open data** to the National Energy System Operator (NESO) and Regional Strategic Energy Planners with local authorities and electricity companies to support practical and efficient heat decarbonisation.



**Unlocking biomethane potential by facilitating up to 15TWh** potential biomethane production to connect to our network by 2032.



## High quality service



**Making a positive impact** by offering every household – which is vulnerable, as a result of a temporary gas supply outage – tailored welfare.

**Providing excellent customer service** by maintaining upper-quartile customer satisfaction levels on emergency, repair, planned and connection services and complaint handling.

Building on our sector-leading vulnerability strategy and initiatives to **deliver more support to those in fuel poverty for less funding.**



**Keeping our major cities moving by reducing roadworks and congestion** through collaborative streetworks schemes with other utilities and local authorities across our regions.



**Preparing for transition** by establishing a new customer satisfaction survey for our disconnections process and working with the HSE and Ofgem.



## Efficiency and value for money




**Continuing to drive efficiency** by setting Ofgem's efficiency benchmark for the sector with c.£200 million of further ongoing efficiency.

**Driving innovation** with a strategy focusing on green operations, a smart network and a connected workplace.

**Leveraging digital and data best practice** by creating a Data Sharing Infrastructure (DSI) and open data portal.

**Building workforce and supply chain resilience** by tackling skills gaps, driving efficiency through competition, collaboration and innovation, and driving workforce equity, diversity and inclusion.

 Our standout commitments

# Financial review



**“The Group delivered another year of solid financial performance to conclude a successful RIIO-2 period.”**

**Gary Baron**  
Chief Financial Officer

## Overview

The financial year ended 31 March 2026, and the RIIO-2 period as a whole, has been exceptionally strong. We close out RIIO-2 leading the sector in many aspects of customer, operational and financial performance. We have maintained a robust financial position throughout, while making significant investments to support the resilience and decarbonisation of our network, as well as enhancing asset health.

We have worked tirelessly to secure RIIO-3 funding that further supports responsible investment to strengthen network resilience. This includes enhancing the security of our IT and property estate, adopting a more proactive approach to leakage management, continuing our mains replacement programme, and improving customer experience, safety and workforce resilience. We are confident in our RIIO-3 plan, which has been rigorously tested through independent challenge, including by our Customer Challenge Group, to ensure it meets all of our stakeholder requirements.

Our total investment over RIIO-2 is £4.5 billion and we have taken the difficult, but necessary, steps over the past 18 months to transform the business in preparation for RIIO-3, including further evolving the operating model for replacement works and reducing headcount within business support areas. Following review of Ofgem's demanding Final Determinations, and in the context of the RIIO-2 period where we have overspent against our regulated allowances, we have referred one aspect of our plan, in relation to ongoing efficiency, to the Competition & Markets Authority (CMA). We expect to hear the outcome of our appeal to the CMA by the end of September.

Operating profit for the year was £889 million (2025: £645 million), reflecting higher transportation income in line with the regulated revenue mechanism. Operating costs were higher than the previous year, driven by higher depreciation in relation to our investment in the network, investment in innovation and technology, and higher pass-through costs linked to external factors that are recoverable. These investments are aligned with our RIIO-2 plans and support the delivery of our regulatory outputs and delivery of sustainable returns.

Operating cash flow remained strong at £1,402 million (2025: £1,228 million), supporting healthy liquidity and a stable net debt position relative to our RAV. Our financial position continues to support our strong investment-grade credit ratings and provides a solid foundation for future investment.

We continue to invest in the long-term resilience of our network. In 2025/26, we invested £900 million in our asset base, delivering the Health and Safety Executive's mains replacement targets and meeting all of our Price Control targets across asset health measures. We delivered over £4 billion of investment in the five years to 31 March 2026 and established ourselves in a strong position as we look forward to the new regulatory period, RIIO-3. This investment continues to be central to maintaining a safe and reliable network and supporting the transition to low-carbon energy, while managing the impact on customer bills.

Despite the geopolitical risk evolving, our financial profile remains resilient. At the time of preparing this report, the ongoing conflict in the Middle East continues to be a focus area as we ensure appropriate management and control of risks.

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

Our balance sheet is dominated by the value of our physical assets and the corresponding borrowings, which fund our capital investment programmes. Capital investment was £900 million (2025: £909 million) and is primarily associated with the ongoing gas mains replacement programme, which saw 1,621km of mostly cast-iron pipes replaced by polyethylene pipe during the year as planned.

# Financial review continued

## Operating financial performance

Revenue was £2,490 million (2025: £2,172 million) driven primarily by our transportation charges, 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 transportation revenues are set in line with the rules prescribed within the RIIO framework.

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 2026 increased by £306 million. In the year to March 2025, timing differences reduced our revenues and, so, the year to March 2026 reflects a return to a normalised level of earnings.

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 £71 million, this increase was largely attributable to the expected increase in exit capacity charges of £215 million (2025: £149 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 RIIO-2 to further support our most vulnerable customers, we spent £40 million in the year on vulnerability and carbon monoxide awareness (2025: £41 million). This spend has enabled us to maintain support for over 420 Centres for Warmth and accelerate the roll-out of collaborative Services Beyond the Meter initiatives.

Spend on technology and innovation projects has also increased to £73 million in the year (2025: £66 million) as we have increased investment in technology as we transition into RIIO-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 <sup>1</sup>	2026 £m	2025 £m
Profit for the year		415	304
Add:			
Tax		142	109
Net finance costs	Note 9	332	232
Total operating profit	Page 118	889	645
Add:			
Depreciation, amortisation and impairment	Note 5	527	502
Adjusting items within operating costs	Note 6	5	33
Alternative performance measure:			
Adjusted EBITDA		1,421	1,180

1. Reference refers to notes to the consolidated financial statements on pages 123 to 171.

## Adjusting items

Included within total operating profit of £889 million (2025: £645 million) are adjusting items of £5 million (2025: £33 million).

The Group carried out a transformation programme to improve the efficiency of our operations by restructuring the business. See note 6, on page 137, 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 costs are adjusting items of £42 million (2025: £8 million income) in relation to net losses on derivative financial instruments. This is due to the changes in the mark-to-market values of index-linked swaps (RPI & CPI), which are not hedge accounted and have been adversely impacted by increases in projected RPI and CPI rates resulting in a reduction in the net present value of future index-linked cash flows.

## Cash flow and net debt

Borrowings (both current and non-current) at 31 March 2026 were £8,375 million (2025: £7,895 million) mainly comprising of fixed-rate and index-linked debt.

Our net debt at 31 March 2026 was £8,651 million (2025: £8,224 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.

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

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

	2026 £m	2025 £m
Statutory results:		
Borrowings	8,375	7,895
Cash and financial investments	(279)	(184)
Derivatives	438	379
Lease liabilities	117	134
Alternative performance measure:		
Net debt	8,651	8,224

Cash and financial investments include restricted cash of £11 million (2025: £2 million).

**Uses and sources of cash**

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

Cash generated from operations in 2025/26 was £1,402 million, £174 million higher than in 2024/25, primarily due to higher operating profit partially resulting from an increase in transportation revenue offset by adverse movements in working capital, capital contributions and adjusting items.

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 £982 million (2025: £439 million), of which £893 million (2025: £883 million) is due to spend on the purchase of property, plant and equipment and intangible assets and £97 million (2025: £400 million received) was invested in financial investments. Cash flows from financing activities included £398 million (2025: £542 million) proceeds received from new debt raised in the year (see below) and £Nil (2025: £580 million) used to repay outstanding debt.

**Borrowings**

Driven by the need to fund our capital investment programme, we have a large, diverse 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 including the UK, Europe and the US, 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. Of our debt, 66% is at fixed rates, outperforming the funding index for cost of debt, with 29% of debt linked to inflation, aligned to the regulatory mechanism for RIIO-3.

On 23 September 2025, Cadent Finance Plc, a subsidiary of Cadent Gas Limited priced 53 million Swiss Franc (CHF), 1.86% Fixed Rate Notes with a settlement date of 14 October 2025 and a maturity date of 14 October 2037. On the same day, Cadent Finance Plc entered into a cross-currency swap, which converted the proceeds and all future interest and principal payment on the notes to GBP.

On 16 December 2025, Cadent Gas Limited entered into a £100 million bilateral floating rate term loan with one of its relationship banks. The loan was drawn on 29 January 2025 and matures on 1 January 2033.

On 19 February 2026, Cadent Finance Plc, a subsidiary of Cadent Gas Limited issued a £250 million 10.5 year fixed rate Green bond, maturing 19 October 2036, with a coupon of 5.625%, under its £7 billion Euro Medium Term Note Programme. The bond proceeds were swapped to floating rate immediately on issue.

**Net finance costs**

Net finance costs of £332 million (2025: £232 million) were driven by higher interest rates on our borrowings, and lower interest income on current asset investments. Also, higher remeasurement loss on derivatives not designated as hedges, driven by higher RPI and CPI rates relative to March 2025.

As regulated revenues and 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.

Along with the inflation-linked debt, 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 funding model for RIIO-3.

**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 ratings are unchanged from the previous financial year and have recently been affirmed with stable outlooks reflecting the strong performance expected into RIIO-3. 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 2026, liquidity was provided by a combination of cash, money market funds, bank deposits and committed bank facilities. All amounts held in the Money Market Funds £202 million (2025: £165 million) are redeemable on demand with same day settlement (subject to operational cut-off times). Fixed term bank deposits totalled £60 million (2025: £Nil) with average maturity of 90–125 days from inception. We also have access to Revolving Credit Facilities from our relationship banking group. 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 2026, £5 million of the facility at Quadgas MidCo Limited had been drawn down, with nothing drawn down from the Cadent Gas facility.

# Financial review continued

Included within cash of £17 million at 31 March 2026 is an amount of £11 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) 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 £0.5 billion to £13.6 billion in the year. Against our RAV, we have an adjusted net debt (consistent with the regulatory measure) of £8,351 million, being 61% of RAV (2025: 61%), well within our covenant ratios.

	2026 £m	2025 £m
Net debt	8,651	8,224
Derivatives	66	134
Unamortised debt fees	20	21
Unamortised fair value adjustments	(183)	(203)
Accrued interest	(86)	(82)
Lease liabilities	(117)	(134)
Adjusted net debt	8,351	7,960

## 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 25.5% (2025: 26%). 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 £122 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 £30.5 million.

In the next financial year, the amendments to Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), will become effective. As the parent company financial statements are prepared in accordance with FRS 102, with taxable profits determined on this basis, the adoption of the amendments will result in a material impact on our treatment of the revenue for our historic contributions to repex diversions projects received under UK GAAP, which is expected to lead to the acceleration of a tax charge of approximately £130 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](http://www.cadentgas.com)).

Following the award of our initial low-risk rating from HMRC in January 2023, the Group has continued to engage constructively through annual update discussions. A subsequent full Business Risk Review was completed in November 2025, which reaffirmed the Group's low-risk rating.

Our contribution in respect of UK taxes borne and collected during the year ended 31 March 2026 was £382 million direct taxes (2025: £304 million) and £288 million indirect taxes (2025: £292 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.

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:

- customers benefitting from value for money and high-quality services;
- supporting households in vulnerable situations through the shareholder-funded Cadent Foundation;
- 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 four regional gas distribution networks today, and the investment requirements of the future.

We share totex outperformance equally with our customers through Ofgem's Totex Incentive Mechanism (TIM), meaning when we deliver efficiencies, these also 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 2026. During the year, we paid dividends totalling £415 million (2025: £415 million).

## Pensions

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

The pension liability recognised on an IAS 19 basis at 31 March 2026 has increased to £3,850 million (2025: £3,788 million), coupled with a decrease in the fair value of the scheme assets in the year to £3,971 million (2025: £4,128 million), the net pension surplus has decreased by 64%.

The last full actuarial valuation for the Scheme was carried out at 31 March 2025.

As at 31 March 2025, the scheme was 98% funded on a Technical Provisions basis. The Group and the Trustee has agreed a schedule of contributions with the ambition of reaching full funding by March 2031.

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

	2026 £m	2025 £m
Present value of defined benefit obligation	(3,850)	(3,788)
Fair value of scheme assets	3,971	4,128
Surplus in scheme	121	340
Key actuarial assumptions:		
Discount rate – past service	5.95%	5.55%
RPI inflation – past service	3.35%	3.20%

The Group included an initial estimate of the impact of Guaranteed Minimum Pension equalisation (GMPE) within its 31 March 2019 results with a revision at 31 March 2021 following the secondary ruling on GMP equalisation. The Trustees of the Scheme have made significant progress to calculate the actual impact of GMP equalisation for the Scheme members. While not yet completed, the work undertaken to date indicates an estimated impact of 0.4% of liabilities. The Group have updated the allowance for GMP equalisation to 0.4% of liabilities in the calculation of the Defined Benefit Obligation at 31 March 2026, an increase of 0.2% from the 0.2% of liabilities initially used.

## Supplier update

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 27 days, 73% of all invoices are settled within 30 days and 27% within the 31–60-day range. Notably, from an SMEs point of view, with an average of 24 days to pay, we are consistently achieving a high level of efficiency, with 99.45% of SME invoices paid within 30 days and 99.9% settled within 60 days. This level of performance is industry leading and this was recognised in the year through Cadent being accredited by the Fair Payment Code and our Financial Services team winning the 'Transactional Finance Team' of the Year award at the Midlands Finance Awards 2025.

In the current year, we introduced increased cyber security compliance into our Supplier Code of Conduct. All suppliers must now achieve and maintain Cyber Essentials Plus certification as a minimum standard.

## 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

25 June 2026

# Keeping every home

*safe & warm*

## Make the Right Call campaign

**Over winter 2025/26 we saw outstanding results from our 'Make the Right Call' campaign, which reached over 9 million people and has made a real difference in supporting our Customer Centre teams by reducing non-emergency calls.**

Running from October 2025 to March 2026, the campaign encouraged customers to consider the most appropriate service for their issue before picking up the phone. By guiding people to the right channels, or services, whether that was online self-service, their gas supplier, or the Gas Safe Register, all contributed to the results seen. Compared to the same period 2024/25, we saw a peak 13% drop in non-emergency calls to

the Customer Centre during December alone. This allowed our advisers to focus on the people who needed immediate support and improved gas emergency response times. This success is thanks to a collaborative effort across a number of functional areas. We created clear and engaging social media assets that resonated with customers; working closely with the Customer Centre to ensure we reacted to network pressures. As we head into the rest of the year, we'll be building on this momentum for next winter.

The insights and lessons from the campaign will shape our future communications to continue to deliver brilliantly for our customers in a gas emergency.



# Strategic and operational review

## Driving operational performance

### Making customer journeys effortless in emergency response and repair

Customers value a rapid response to gas emergencies, followed by quick repair to the network and remediation of our works. While these areas remain our operational focus for improvements, this year we've invested in the upfront communication we provide to customers after calling the National Gas Emergency Service, with automated text updates enabling access to our web portal for self-service to the most common contact queries such as accessing a job report following our engineer attendance.

This investment in customer journey communication, underpinned the performance improvements seen during the year – with three networks recording their best customer satisfaction score of the RIIO-2 period, achieving 9.70, 9.70 and 9.59 in our Eastern, West Midlands and North London networks respectively. With the North West achieving 9.67, our excellent performance has resulted in reaching the maximum incentive position in all four regulatory networks, achieving 100% of potential incentive available for the first time.

Working with our delivery partners and enhancing our ways of working for reinstatement works continues to deliver significant improvements in our same-day and next-day response for customers. This is supported through the development of new visual performance management and reinforced through the quality of training and coaching provided to our delivery teams.

Our Services Beyond the Meter programme focuses on supporting customers in vulnerable situations, identifying where additional support may be required and working with our partners to ensure they receive the help they need to stay warm and independent in their homes.

## Shaping experiences within communities

In 2025/26, we entered a second year operating under our Digital Performance Partner framework in North London, which brought immediate customer benefit and improvements. This has delivered transformational improvement to the benefit of customers and communities in the network and delivered a step change in the customer satisfaction score for planned works in the RIIO-2 period, from 8.87 to 9.20. The success of this new Contract Management framework to align with a Digital Performance Partner has now been extended to the West Midlands network in the latter half of 2025/26, and we are seeing promising early returns, in readiness for success in the next price control period.

We have delivered year on year improvements across our networks during the RIIO-2 period, culminating with a 99% incentive earning being achieved in the final year. Our wider customer strategy and delivery model continues to drive emphasis on local delivery partner accountability and empowering our teams to which results in tailoring experiences to our local communities.

While our network directors drive new ways of working to improve customer and colleague satisfaction on the ground, our customer investment in the last year has focused on developing new products that deliver a consistently great experience for customers at scale – such as our adaptive new lettering tool that ensures customers are notified of upcoming planned works, and ensuring they remain up to date when plans change.



## 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 continue to maintain already industry-leading levels of performance in our responsiveness through the complaint handling performance metric, although we recognise there is always more to learn from dissatisfaction with our service. Investment in 2025/26 has focused on our telephony platform and improving agent experience with artificial intelligence (AI) and freeing up agents' time to speak to those most in need.

With all of our non-emergency customer contact now sitting within one platform, we have made a number of adviser enhancements to the benefit of customers. We've enabled Caller Intent at the point of incoming contact, that ensures the customer is directed to the right person first time, or given the right information for where the journey ends with us. We're now actively using AI evaluation forms on every call to ensure each adviser is utilising best practice and techniques that support providing a consistently great customer experience. We've also enabled AI summarisation to reduce wrap up time after each call and ensure we're ready and available for the next customer, minimising customer wait to connect.

With these improvements, in addition to the upfront communication provided to emergency call journeys, we've been effective in reducing overall customer contact by providing instant and effortless access to customer self-service and automation. Looking ahead, investment will focus on creating more opportunities through AI-assisted evaluation forms for a better experience when transitioning between teams, and giving us greater granularity of customer issues and real-time sentiment to intervene when it's necessary to do so.

Throughout the year, we have continued to strengthen our emergency preparedness and resilience through major national exercises and digital innovation. We simulated various emergencies, testing large scale incidents and embedding these lessons into our continuous incident training.

### Innovation in emergency call handling

Improvements to the agility and responsiveness of our call handling capability contributed to the delivery of a regulatory outcome of 93% of calls answered within 30 seconds.

During the 2025/26 period, we have introduced video calling capability when suitable to assist callers with the reporting of gas emergency situations. The technology enables the customer to show our call handler their situation and enables a two-way visual conversation, supporting customers specifically when explaining complex situations, and providing an additional opportunity to helping customers isolate the emergency control valve. Overall this has reduced the time taken to handle calls in the scenario where the reporter cannot easily or effectively explain their issue.



### New fleet launch and improved fleet award win

Our Fleet and Logistics team has undergone a remarkable transformation over the past two years and that has been recognised with the award for Most Improved Fleet Operator, at the FleetNews Awards 2026. This achievement reflects the hard work of the team with their new strategy focused on communication, sustainability, risk management and continual operational enhancement.

The company car fleet now sits at approximately 70% electric and 30% plug-in hybrid. Commercial vehicles have followed suit, with 16% of the fleet now fully electric. Investment in modern, lower-emission vehicles has reduced the average fleet age to 3.6 years, with all vehicles moving to a five-year replacement cycle by 2026.

The team also launched a pioneering Green Parts programme, reclaiming and reusing components from total-loss vehicles; cutting costs, reducing waste and returning vehicles to the road faster.

This year, we were also proud to announce the launch of our new emergency first-call operative fleet, which is a significant investment in our people, performance, and the future. This collaboration with Bri-Stor and Novuna Vehicle Solutions means we can deliver a modern, efficient, and future-ready fleet that strengthens our ability to serve our communities 24/7 and support our first-call operatives attending critical gas safety work.

## Customer satisfaction

Performance by Network <sup>1</sup> scored out of ten	Emergency response & repair		Planned works		Connections		Aggregate		GDN Rank
	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25	
Eastern; East Midlands and East of England	<b>9.70</b>	9.67	<b>9.21</b>	9.16	<b>9.30</b>	9.41	<b>9.40</b>	9.41	5
North London	<b>9.59</b>	9.57	<b>9.20</b>	8.87	<b>9.34</b>	9.34	<b>9.38</b>	9.26	6
North West	<b>9.67</b>	9.68	<b>9.18</b>	9.17	<b>9.42</b>	9.39	<b>9.42</b>	9.41	3
West Midlands	<b>9.70</b>	9.66	<b>9.08</b>	9.14	<b>9.45</b>	9.19	<b>9.41</b>	9.33	4

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

## Emergency response times

	Eastern %	North London %	North West %	West Midlands %
Controlled (2hr)	99.8	99.6	99.8	99.8
Uncontrolled (1hr)	99.5	99.6	99.6	99.7

Responding to gas emergencies	Total
Calls to emergency number (for the whole of the UK gas sector)	1,186,643
% calls answered in 30 seconds	93%
Reported gas escapes	313,867
Escapes related to Cadent's network	62,462
Escapes related to other matters (CO, boilers, etc. – not all Cadent network related)	306,293

## Complaints handling

During 2025/26, we have made a conscious effort to focus on reducing repeat customer contact and further enhancing the quality of our contact resolution, as a result D+1 closure rates did decrease but whilst still maintaining industry leading levels of performance on the complaint handling metric.

Complaints	% closed in D1 <sup>1</sup>		Complaint metric score <sup>2</sup>	
	2025/26	2024/25	2025/26	2024/25
Eastern	<b>87.78%</b>	89.29	<b>1.60</b>	1.27
North London	<b>82.27%</b>	91.51	<b>1.79</b>	1.22
North West	<b>85.57%</b>	90.76	<b>1.77</b>	1.18
West Midlands	<b>89.41%</b>	90.05	<b>1.24</b>	1.10

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

## Innovation and asset management

Over the year, we continued to invest significantly in the gas network, ensuring it remains safe, resilient and fit for the future. We successfully completed our RIIO-2 investment commitments, delivering our full programme of capital investment and completing all major projects planned for the period, including major schemes across the network. This represented the successful delivery of our total capital investment programme for the year and reflected strong performance in project delivery and cost control.

We strengthened our use of structured, risk-based asset management frameworks to assess asset health, safety risk, customer impact and long-term network resilience, ensuring decisions were transparent, consistent and evidence led.

During the year, we successfully completed a full ISO 55001 re-certification against the latest standards, with auditors providing

positive feedback on the strength, maturity and effectiveness of our asset management system. We also engage with colleagues across different jurisdictions and industries, sharing best practice and learning from others to inform continuous improvement and bring new thinking back into the UK gas sector.

Alongside core network investment, we use innovation to strengthen future capability and optionality. Key projects focused on improved pressure control and enhanced flow metering, supporting biomethane connections and better real-time system visibility. We also successfully completed our emissions management Strategic Innovation Fund project – Digital Platform for Leakage Analytics (DPLA), which consolidates emissions reporting into a single, integrated platform. DPLA will now move into rollout during RIIO-3 and will play a key role in transforming emissions management and reporting across the industry over the course of the period.



# Keeping communities

# safe

## Accelerating progress in advanced leak detection

Traditionally, gas escapes or gas leaks have been identified by our engineers with their hand-held gas detection equipment and members of the public, who call the National Gas Emergency Service.

We have now introduced a number of sniffer cars across our networks, working in partnership with Picarro and Veho Solutions. These cars are equipped with 'state-of-the-art' equipment, capable of detecting even the smallest of leaks.

These cars survey our network by driving over stretches of road, which have gas pipes below them, allowing us to detect leaks early and proactively find and fix them before they become noticeable. We will be surveying all of our low and medium-pressure gas pipes underneath the roads; that's around 90% of our network each year.

Each car is fitted with a gas analyser to detect natural gas molecules, an anemometer for gauging wind speed and wind direction and an advanced GPS system to pinpoint location. These cars operate at night with less traffic, lower wind speeds and fewer chemicals in the atmosphere.

This pioneering project will allow us to evolve into proactive operations and data-driven management to enhance safety and asset management, reduce emissions, and increase operational efficiency – transforming our industry.

# Strategic and operational review continued

## Health, safety and wellbeing

Keeping our people, customers and communities safe remains our highest priority.

Our Safe+Well programme brings together our approach to safety, health and wellbeing, focusing on five key areas: workplace safety, process safety, occupational health, wellbeing and the use of technology.

Over the past year, we have continued to make good progress across all of these areas. We also maintain a strong and constructive relationship with the Health and Safety Executive (HSE), our regulator, as we work to meet the highest standards.

### Promoting a strong safety culture

We promote a strong safety culture across the organisation. In October 2025, we hosted our annual Unified in Safety conference, bringing together 70 trade union safety representatives and industry experts. The event focused on key topics such as driver safety and how technology can support safer ways of working.

### Supporting health and wellbeing

We are committed to supporting our colleagues' health and wellbeing. During the year, we signed the Hand Arm Vibration Risk Reduction Pledge and were recognised by the Society of Occupational Medicine with an award for our contribution to workplace health and wellbeing.

Alongside our health monitoring programmes, we carried out more than 1,700 wellbeing checks for colleagues. These have also been enhanced to provide better follow-up support, helping colleagues make lasting improvements to their health.

## Reducing risks and improving safety

We focus on managing the most important risks in our business. Driver safety has been a key priority, supported by improvements in vehicles, technology and engagement. This has contributed to a 7% reduction in road traffic collisions over the past year.

Process safety – how we safely manage our operations, remains at the heart of what we do. We are working towards becoming a high-reliability organisation, where strong leadership and a positive culture help prevent incidents before they happen.

### Learning and improvements

The 2025 Safe+Well conference focused on process safety, giving colleagues a practical, hands-on experience of how incidents can happen and the part everyone plays in preventing them. It reinforced our commitment to achieving high standards in both occupational and process safety, helping our people work safely and confidently while protecting the communities we serve.

We have made good progress across all areas of the programme, improving our core systems and exploring how new technologies, including artificial intelligence, can support colleagues in real time and encourage safe, consistent behaviours every day.

Our focus on safety and learning has led to strong performance over the past year, with a low lost time injury frequency rate of 0.16.

### Lost time injury frequency rate per million hours worked

# 0.16

(2024/25: 0.35)

### Our immersive Safe+Well conference 2025



### Five wins at the IGEN Awards 2026

Hosted annually by the Institution of Gas Engineers and Managers (IGEM), the awards recognise and reward the outstanding achievements of individuals and organisations across the gas sector, shining a spotlight on innovative work and exceptional talent.

This year, colleagues, teams and partnerships were recognised across a range of categories spanning safety, engineering, innovation and net zero.

- **Special recognition:**  
Howard Forster, Chief Operating Officer
- **Safety Safe+Well:**  
Trailblazing a safety-first culture
- **Early Career Achievement:**  
Harveen Matharu, Senior Pipeline Engineer
- **Engineer of the year:**  
Danny Cheatham, Senior Integrity Engineer
- **Net Zero Innovation:**  
The intelligent gas grid

# Strategic and operational review continued

## Technology

### Strengthening our digital and security foundations

Over the past year, we have continued to improve how we use technology by combining our in-house expertise with support from trusted partners, ensuring we maintain existing systems while delivering new and improved services.

New roles, such as IT Business Partnering and Business Readiness, are helping us better understand business needs, prioritise work, and deliver change more effectively. The cyber security team has expanded to manage a multi-layered security environment with improved security technology deployments from our Securing Operations programme.

### Delivering change

A new Delivery Framework across IT brings a consistent approach to projects. New, practical digital tools such as our 'One App' initiative, make it easier for our field force teams to access the information they need in one place.

The deployment of increased physical and cyber security to our operational technology ensures better resilience against security threats. Company-wide cyber security training has intensified to build maturity and reinforce a positive security culture.

### Modernising systems

We are simplifying our technology to reduce complexity and improve overall resilience. During the year, we upgraded our customer facing systems to improve how we communicate and respond to customers. We introduced a new telephony platform for our Emergency Customer Contact Centre, making the service more reliable and responsive. Significant upgrades have also been made to our Customer Relationship Management (CRM) solution, improving customer engagement and establishing a future-proof platform for further enhancements. Our operational technology refresh, along with security upgrades, is continuing at pace.

### Investing in the right tools

We have invested in technologies to improve quality, efficiency and integration, including automated testing and better ways for our systems to work together. This helps us deliver changes more quickly and effectively. We are exploring the use of artificial intelligence (AI) to support better decision-making, used to support our people, not replace them. We are developing a comprehensive AI framework and governance structure to ensure secure, safe and ethical usage.



### Looking ahead

We received positive feedback from Ofgem on our RIIO-3 technology plans and are now focused on delivering them in a practical and achievable way. A key priority is the rollout of our new Field Service Management system, which is on track to be completed by October 2026. Our Securing Operations Programme is progressing in line with our regulatory commitments as part of meeting the Enhanced Cyber Assessment Framework. We continue to work closely with our regulators and industry partners to share learning and improve our approach.

**“We remain committed to optimising our technology landscape by reducing technical debt and inefficiencies, while simultaneously enhancing security and resilience and progressing towards a clean core evergreen state.”**

## Our people and culture

We continue to review and evolve our organisation design to deliver for customers and communities, supporting RIIO-2 commitments while strengthening readiness for RIIO-3 and ensuring the right people and capabilities are in place.

### Celebrating success

Recognising the contribution of our people remains a core priority. We celebrate success and acknowledge the everyday contributions colleagues make to customers, communities and one another.

In July 2025, we hosted our annual Cadent Heroes event, recognising colleagues who consistently go above and beyond. Performance and values-led behaviours were celebrated through CEO Spotlight Awards, High Five recognition and peer-to-peer appreciation through Cadent Congratulates, with achievements shared on the Social Wall.

We also celebrated colleagues whose work was recognised externally. Two apprentices were shortlisted for Gas Industry Apprentice of the Year at the Energy and Utility Skills Awards 2025, with Zameer Samit winning. Liz Brand was recognised as a Fertility Ally/Champion at the Fertility Friendly Awards 2025. These achievements reflect the professionalism and commitment across the organisation.

Our wellbeing approach was recognised through awards for Best Financial Wellbeing Programme and Outstanding Contribution to Workplace Health and Wellbeing.

Our commitment to equity, diversity and inclusion continues to be recognised through industry accreditations, including the Armed Forces Covenant Gold Employer Award, Disability Confident Leader status, Culture Pioneers Award for Inclusion, Employee Resource Group of the Year for Fertility Matters, and Race Equality Matters Bronze Trailblazer. We also maintain Menopause Friendly and Fertility Friendly employer accreditations.

### Recruitment diversity and inclusion

This year, we delivered a range of talent attraction initiatives focused on widening access to employment and removing barriers for candidates.

We adopted a skills-based hiring approach, prioritising transferable skills and potential over traditional career pathways, and removed unnecessary entry requirements. Accessibility is embedded into our Applicant Tracking System, enabling candidates to request reasonable adjustments from the point of application.

Targeted outreach was strengthened in diverse communities, including engagement with women studying STEM subjects and increased support for the Armed Forces community through partnerships such as Pathfinder Magazine and other military employment channels.

These initiatives generated over 5,346 completed applications, with 55.48% from ethnically diverse backgrounds and 32.10% female representation, helping broaden access to employment and deliver social value.

## Future talent schemes, accreditations and levy use

Attracting and developing future talent is key to building a sustainable skills pipeline within the energy sector. Our Future Talent programmes strengthen technical and professional capability, with over 100 active learners progressing across Future Field Force, Future Engineer and Future Professional pathways.

These programmes support specialist technical development, alongside expanded Higher National Certificate options in Instrumentation & Control and Electrical & Electronic Engineering.

Our IMechE- and IGEM-accredited Future Engineer programme has been enhanced through in-house mentoring by professionally registered mentors, supporting progression towards professional registration and chartership.

The Apprenticeship Levy funds employer-provided and externally delivered apprenticeships, as well as targeted upskilling to address current and emerging skills gaps.

### Award winning teams



# Strategic and operational review continued

## Future skills and technical training

Preparing for future skills requires accessible approaches. By embedding inclusive design, investing in flexible pathways and removing barriers to progression, we support colleagues to adapt as skills requirements evolve.

Our technical training approach combines varied teaching methods, accessible materials and collaborative learning to support engagement and operational performance.

## Partnerships

Through partnerships with organisations including the Department for Work and Pensions and Energy & Utility Skills, we support pathways into employment, help remove barriers to work and contribute to the co-development of the Candidate Commitment Charter, strengthening fair and inclusive recruitment practices across the sector

## Equity, diversity and inclusion

We are committed to being a fair, respectful and inclusive workplace where everyone can thrive. Our employee-led community groups, covering protected characteristics as well as wellbeing and mental health, are embedded within our culture and help foster understanding and belonging.

During National Inclusion Week, we worked with other Gas Distribution Networks to celebrate diversity and share learning across the industry. Activities included depot visits, allyship panel discussions and immersive learning experiences exploring visible and invisible disabilities.

## Gender pay and ethnicity pay

Across the RIIO-2 period, we have achieved an overall reduction of more than 30% in our gender pay gaps, demonstrating sustained progress over the five-year period. We remain committed to progress on both gender and ethnicity pay.

Our ethnicity pay gap decreased across all four areas this year, reflecting improvements in representation and progression of colleagues from ethnic minority backgrounds, including at leadership levels.

Our gender pay gap increased this year, in three measures following a positive change to working hours in certain operational roles, where hours reduced from 42 to 40 with no reduction in pay. As these roles are predominantly male, this change impacted median measures.

➔ [Read more in our Pay Gap Report 2025/26 here.](#)

## Embracing benefits

Our technology-driven benefits platform, MyRewards, provides access to reward, recognition and wellbeing support. This year, we introduced Total Reward Statements through MyRewards, giving colleagues a clear view of the full value of their reward, and expanded wellbeing support through our partnership with Wellhub.

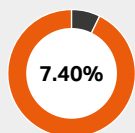
Financial wellbeing remained a priority, with enhancements to the Financial Wellbeing Hub informed by colleague feedback from the Safe+Well survey.

## Colleague engagement and communication

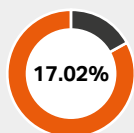
This year, we launched TeaPoint TV, a digital engagement platform bringing company news and relevant content directly to colleagues across depots and offices, supporting access to information through video and QR-enabled content.

### Gender pay gap

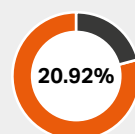
Pay gap measurements: 2025



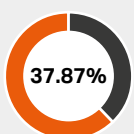
Mean gap in hourly pay



Median gap in hourly pay



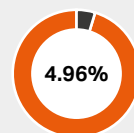
Mean gap in bonuses



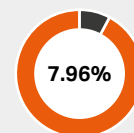
Median gap in bonuses

### Ethnicity pay gap

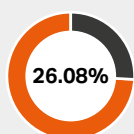
Pay gap measurements: 2025



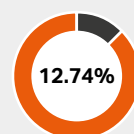
Mean gap in hourly pay



Median gap in hourly pay



Mean gap in bonuses



Median gap in bonuses

## Social impact and vulnerability

We closed the 2025/26 performance year with £39.5 million invested in Vulnerability and Carbon Monoxide Awareness (VCMA) initiatives, nearly double the combined investment of other GDNs, reinforcing our position as a sector leader.

Over the past five years, we have invested £108.5 million, supporting more than 225 projects across all networks. These range from local organisations such as Big C Cancer Support in Norwich to national partners including St John Ambulance, delivering wide-reaching community benefits. Our projects promote awareness of the Priority Services Register, improve community safety by addressing gas-related risks, particularly carbon monoxide, and support households to maintain affordable warmth. They also provide in-home interventions to improve energy efficiency, helping reduce household bills.

We recognise the ongoing challenges faced by customers in vulnerable circumstances, particularly due to sustained high energy prices and cost-of-living pressures. We remain committed to supporting those experiencing fuel poverty.

### Centres for Warmth

Our Centres for Warmth are community hubs that help local people support one another. Through these centres and wider VCMA projects, we aim to be recognised as a positive force for customers, colleagues and communities. Our approach focuses on three outcomes: easier warmth, fairer opportunities and a greener society.

We engage directly with a wide range of customers, including those in vulnerable situations, and prioritise communities most in need. We work with charities and expert partners to extend our reach, while our trained frontline colleagues are equipped to support customers facing vulnerability.

Last year, our network of centres grew from 350 to over 420, providing trusted, local access to targeted support.

This year, centres expanded their services through the introduction of Warm Wash Centres, supported by the Cold Truth campaign. Ten centres now offer free laundry facilities, helping people living in damp or cold homes. These centres also provide energy efficiency and gas safety advice, supporting families to take practical steps to manage fuel poverty.

## New £500k community centre opens its doors in Kirkdale

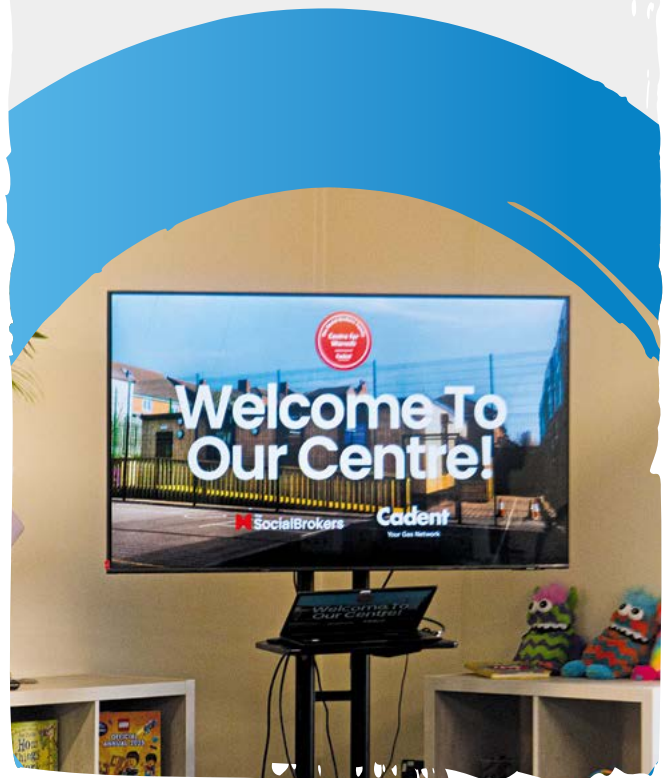
**The Kirkdale St Lawrence Centre for Warmth, a new £500,000 community facility, officially opened on 2 April 2025 in Liverpool. Led by The Social Brokers in partnership with Cadent, the centre provides a warm, safe space for the community through its Safer Homes, Stronger Families programme.**

Located at Kirkdale St Lawrence Primary School, the centre was opened by former Liverpool captain Jamie Carragher, marking a significant moment for the local community.

Designed by local residents, the centre provides a safe and inclusive space for parents, schoolchildren and the wider community. Trained professionals offer confidential support on home safety, energy efficiency, benefits and support for families with children who have additional needs.

This centre is a significant milestone for Cadent as the first purpose-built Centre for Warmth funded by the business.

Phil Burrows, Head of Customer Vulnerability and Social Purpose at Cadent, added: "When we started working with The Social Brokers a year ago, we had a dream to build something special for the local community. Seeing the new facilities up and running, is something that we should all be proud of."



# Strategic and operational review continued

## Local Vulnerability Conference success

Our five local conferences provided valuable opportunities to share best practice, learn from partners and strengthen collaboration across our networks. While we work with many organisations throughout the year, these events created a platform to bring partners together and build stronger connections. More than 350 delegates attended, with over 100 organisations represented, including key partners supported through VCMA funding. Centres for Warmth representatives also contributed by sharing how VCMA funding is being used to deliver real impact within communities.



## The Cold Truth Campaign

Our research<sup>1</sup> highlights the reality of fuel poverty and poor housing conditions across the UK, with many people living in cold, damp homes for an average of five years.

Through initiatives such as Warm Wash Centres and targeted training, we are helping families improve their living conditions, health and wellbeing.

Our support includes:

- **Warm Wash Centres:** Ten centres across some of the UK's most deprived areas, including Liverpool, Birmingham, Leicester and London, provide free laundry facilities alongside a warm, safe environment. They also act as advice hubs, helping people improve energy efficiency, reduce bills and stay safe.
- **Engineering training:** Engineers are trained to identify signs of damp in homes and connect customers with charity partners who can offer further support.
- **Practical advice for households:** In partnership with Groundwork, we provide simple, low-cost steps to help households manage cold and damp conditions, improving comfort and energy efficiency.

1. <https://cadentgas.com/thecoldtruth>.



## Mobile Advice Centres

Our Mobile Advice Centres (MACs) provide confidential, tailored support to rural and harder-to-reach communities. Operating across multiple regions, including the North West, West Midlands and North London, they work with partners such as YES Energy Solutions and Citizens Advice to deliver energy efficiency guidance, income maximisation support, carbon monoxide safety awareness, Priority Services Register enrolment and specialist referrals.

Thousands of customers have benefitted from face-to-face engagement, including the distribution of carbon monoxide alarms and access to financial and wellbeing support.

Over the past year, MACs delivered 4,116 energy efficiency advice conversations, supported 8,463 income maximisation cases, raised carbon monoxide awareness with 4,148 people and distributed 1,573 alarms. They also promoted the Priority Services Register to over 4,000 customers, completed 773 registrations and made 552 referrals to specialist support services.

As the programme expands, it remains focused on reaching more isolated communities, strengthening partnerships and ensuring consistent, accessible support across all regions.

# Keeping homes

# warm & well

## Housing Plus Group – Warmth Matters

**The Warmth Matters project delivered by Housing Plus Group in collaboration with the Cadent Foundation, provides joined-up energy and financial advice to low-income households across Shropshire, Staffordshire, and Telford & Wrekin, helping them stay warm, manage rising energy costs and improve their quality of life.**

Support is delivered by a dedicated Energy Adviser, who works alongside the Money Matters team, ensuring households receive joined-up help that reflects their wider financial situation, not just their energy needs. This includes welfare benefits advice, support with tenancy issues, and free, impartial debt advice, helping households address the underlying pressures that contribute to fuel poverty. In addition, as part of the project extension, 20 Community Energy Champions from across the local area are being trained to strengthen local awareness and provide support.

Alongside advice, the project delivers practical improvements that make an immediate difference. Support includes help with accessing discount schemes, resolving energy debt, and providing low-cost items such as draught excluders, slow cookers and heated blankets to help households stay warm, while keeping costs down. A Switcher smart thermostat pilot for households experiencing repeated damp and mould issues alongside health concerns, is helping reduce energy bills, while providing data to support proactive property maintenance.

Our partnership with Housing Plus Group was recognised at the ASCP (Housing and Communities) Safety and Compliance Awards 2025, where we jointly won Best Initiative to Combat Fuel Poverty. The award recognises the strength of our collaborative approach and the real-world impact of combining tailored energy advice with wider financial and wellbeing support.



## Strategic and operational review continued



### Working together for a future without fuel poverty

Driven by rising costs and changing policies, there is growing recognition that cold homes are not just a winter problem, but a year-round threat to health and wellbeing.

With six million people<sup>1</sup> struggling with the cost of their energy bills, fuel poverty has become a critical national issue. However, this isn't just an affordability issue; cold homes are estimated to cost the NHS approximately £860 million<sup>2</sup> each year because they exacerbate mental and physical health issues such as respiratory and cardiovascular problems. Many of the most vulnerable households are falling through the gaps in national or local support schemes, receiving little or no support.

As a result, we've strengthened our focus on providing long-term, sustainable solutions for those most in need. This year, we distributed over £4 million in grants and supported more than 70,000 people with energy efficiency advice and measures, focused on in-home, tailored support. We know that, while emergency support is vital, lasting impact comes from helping people change how they use energy, improve the condition of their homes, and build confidence and the tools to manage costs over time. Our latest Warm Fund plays an important role here. The £1 million fund enables partners to deliver practical in-home measures at any time of year, alongside advice that continues to make a difference long after the initial support is provided.

Throughout 2025, we worked with more partners that support people with health conditions, from preventing illness to supporting recovery and reducing hospital admissions, such as the Direct Access to Wellbeing Service (DAWS) in Birmingham, delivered in partnership with Act on Energy. When our Foundation Advisory Board visited this project earlier this year we saw first-hand how health, housing and energy support can come together at the point when people need it most.

This same tailored, preventative approach also underpins our work in communities, helping our partners to not only reach further but deliver support that feels relevant and accessible.

With greater emphasis on enabling communities themselves, initiatives such as Housing Plus Group's Community Energy Champions show how local knowledge and peer support can help to build confidence and awareness from within, increasing overall impact. At the same time, Groundwork's Green Doctor Academy is helping to create a more diverse, representative workforce, opening up opportunities to people from different backgrounds, languages and experiences.

In addition to these benefits, projects delivered through trusted organisations on the ground are better placed to find people who are often missed by mainstream programmes, including disabled households, those who are digitally excluded, and people facing multiple other barriers to support. Our new Stay Warm In programme, with Groundwork integrates Green Doctors into local organisations and is already demonstrating the vital role that building trust within communities plays in supporting the most vulnerable households. In November, we hosted a visit with Ofgem to see at first hand our Green Doctors project in London (as shown in the photo below). This offered an opportunity to demonstrate how our targeted approach to support those in fuel poverty is achieving tremendous results. We saw the programme in action and the important role that local, face-to-face support plays in reaching those often missed by mainstream programmes.

Fuel poverty is complex, and there are no quick fixes, but by investing in people, partnerships, communities and sustainable solutions that deliver lasting impact, we can help people not just to stay warm, but to live healthier, safer and more stable lives.



1. <https://www.nea.org.uk/help-fight-fuel-poverty/>  
 2. <https://www.gov.uk/government/publications/committee-on-fuel-poverty-summer-update/committee-on-fuel-poverty-summer-update>



## Keeping industry

# powered

### Why hydrogen could power a cleaner, greener manufacturing era

When burned, hydrogen doesn't release carbon emissions, making it one of the cleanest forms of energy available and a vital element in the UK's net zero strategy. While it presents a huge decarbonisation opportunity for all gas users, it's especially critical for energy-intensive industries such as glass and paper manufacturers and brick-makers.

Hydrogen offers a way to balance the green energy system because, in a decarbonised world, we'll need a renewable gas to generate electricity when it's not windy or sunny. Some sort of renewable gas power will be essential for manufacturers, because their industrial processes – which run at very high temperatures – are neither technically feasible nor affordable to electrify. We are actively developing hydrogen pipelines that support industrial decarbonisation. These include the HyNet project in the North West and the H2 East Humber to Nottinghamshire Pipeline. Ultimately, the aim is that smaller regional networks will join up to create a secure, reliable and resilient national supply.

UK manufacturers certainly seem interested in hydrogen's potential, with producers of paper, sugar, ceramics, glass and asphalt, among others, trialling it at their plants. They've found that it's compatible with their current processes and temperatures. Making and delivering hydrogen creates jobs, and it also secures the future of manufacturers by enabling them to be globally competitive in a world where people want green goods.

# Strategic and operational review continued

## Environmental performance and sustainability

### Protecting the planet

Since 2022, Cadent and Think Insight & Strategy have conducted annual research with customers to understand key issues relating to energy usage, behaviours, sustainability and the cost-of-living crisis. We continue the series of thought leadership research programmes exploring the connection between the rising cost of living, energy use and customers' attitudes towards sustainability, environmental pressures and future energy use.

In our latest Energy Diaries (2025), 'Voice of Small Organisations', we have explored our commitment to understanding the immediate needs of our customers, including businesses and small charities. The 2025 report reveals the reality for many of the UK's small businesses and charities, and the role energy companies play in sustainability. Small organisations are facing a unique set of challenges – SMEs are grappling with rising costs and charities are trying to help more people with fewer resources. We found that 55% strongly agreed it was important to reduce gas emissions to improve the energy system for future generations, and 52% of charities and 39% of small and medium-sized businesses are anxious if they will be operating in five years due to running costs. Over half of charities (52%) and nearly two-in-five SMEs (39%) fear they may not survive the next five years due to rising energy costs and growing demand for their services.

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. Action we are taking includes upgrading our pipe network to reduce leakage, restoring the UK's natural habitat and greening the gas in our network.

📄 **Read more in our Energy Diaries report:**  
[https://cadentgas.com/getmedia/97cf5017-53b0-4cfb-9b1e-2a1a9840142f/Energy\\_Diaries\\_Report\\_2025.pdf](https://cadentgas.com/getmedia/97cf5017-53b0-4cfb-9b1e-2a1a9840142f/Energy_Diaries_Report_2025.pdf)

### Environmental action plan progress

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 3.46% of our waste from street works was sent to landfill last year;
- only 0.38% of our office and depot waste was sent to landfill;
- 100% renewable gas and electricity have been procured across the business;
- reduced emissions by more than 5.09% reduction (2025/26: 1,080,467.53 and 2024/25 1,134,525.55) (for Scope 1 and 2 location-based – including shrinkage);
- leading the sector in ESG reporting across global ESG benchmarks, including Infrastructure Asset Class Leader status with GRESB (exemplifying success in action, setting the pace for the industry, translating strong governance and operational excellence into real-world performance and long-term value); and
- triple AAA rated with MSCI, Medium-risk with Sustainalytics and B rated with CDP.

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 standards to maintain compliance and continually enhance our procedures, practices and systems.

## Waste Awareness Day

Waste management from our operations and offices remains a key priority for us. During 2025/26, we have reduced general waste by 18% (from 2024/25) and sent 0.38% to landfill, 51.93% to recycling and 47.69% for reuse or diversion from landfill. This has been due to continued effort across the organisation in understanding how our waste is generated, best practice for segregation and storage on sites and looking at the most suitable waste disposal options.

Colleagues from across the business recently came together for Waste Awareness Day. Opened by Richard Sansom, East Midlands Network Director, with input from Lucy Picken from the Supply Chain Sustainability School, Mark O'Brien from our waste contractor Biffa, and our Network Safety, Health and Environment Advisers.



## Biodiversity Benchmark

The Tatling End Above Ground Installation (AGI), located near the M25 in our North London Network, and Craven Arms in the West Midlands, have both achieved The Wildlife Trusts' Biodiversity Benchmark. These are the first sites in any UK gas distribution network to do so.

This is a huge milestone for us and a clear demonstration of how we're delivering on our commitment to keep people warm, while protecting the planet.

It is thanks to the passion and hard work of our colleagues who made it happen and led on our biodiversity action plans throughout RIIO-2.

### Why this matters

Tatling End and Craven Arms locations play a vital role in managing gas pressure and heating gas before it enters the underground network, ensuring safe and reliable supply to homes and businesses. Now, they are also a beacon for biodiversity.

The Wildlife Trusts' assessor praised the steps already taken and our future plans, which include:

- planting more trees and hedgerows;
- creating a small wetland area; and
- enhancing habitats to secure biodiversity net gain.

We've also built strong links with local biodiversity groups, beekeepers, bat and bird specialists to make this site a thriving home for wildlife.

Aden Loomes explains how it all started in North London:

"One of the first things we had to do was find a suitable site to make this our first".

"We went round a number of different sites, which took us to Tatling End, where the Surrey Wildlife Trust came and helped us develop an action plan. On site, we cleared the land – which had become a bit of a dumping ground, and put up signage to prevent that from happening again. We went to talk to local bird and bat groups, as well as beekeepers. At different times of the year, we'll aim to bring all this to the site."

"There are only certain times of the year when you can do this – new hedgerows, for example, can only really be planted from November to March aligning to nature's calendar."

# Strategic and operational review continued

## Future of gas

Our gas network plays an important role in delivering reliable, low-cost and low-carbon gases. We continue to focus on the gas network playing three key roles in support of decarbonisation.

- Enabling energy solutions that provide flexibility and resilience such as gas to power generation and **hybrid heating**.
- Reducing emissions, while our customers still need gas, through managing our methane leakage, growing **biomethane** connections and blending hydrogen in our network.
- Converting and developing the network to distribute for **hydrogen** to where it is needed when customers are ready.

Our Future of the Gas Network report, and others mentioned in this section are available on our website via our 'Insights' page: <https://cadentgas.com/about-us/future-of-gas/insights>.



## Hydrogen: Advancing our core projects

We continue to develop our regional hydrogen programmes to help displace natural gas consumption for industry and power generators. Our 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 pipeline route through local consultation. The Department for Energy Security and Net Zero intends to launch a competition to select the first regional hydrogen pipeline in 2026 and we are considering our bid for HyNet in the North West. Ofgem has also approved funding for the front-end engineering design of our East Coast Hydrogen Phase 1 project.

In parallel, we have amplified our support for hydrogen through the Made with Hydrogen campaign. This campaign aligns our messaging with industrial sectors such as glass, bricks, steel, and food manufacturing that cannot easily electrify, to signal to government the importance of near-term delivery of hydrogen as a route to decarbonisation for industry.

On hydrogen blending, we have supplied the Health and Safety Executive (HSE) with all necessary evidence for it to commence its formal assessment of hydrogen blending in the distribution network at 20% blends, and in the transmission network at 5%. We expect to hear from the HSE late 2026/early 2027.

Reflecting this progress, we received the CEO's Award at the Hydrogen UK Awards in 2025. This recognises our commitment to developing hydrogen infrastructure to support the decarbonisation of industry and power generation.

## Domestic hybrid heating systems: practical, near-term system benefits

We advocate for consumer choice in home heating. Hybrid heating systems have become popular in Europe because they reduce carbon emissions, consumer costs, and the need for costly electricity grid reinforcement. Hybrids combine a small heat pump for baseload space heating with a gas boiler for hot water heating and top-up heating in Winter (when the heat pump is less efficient). This year, we published our Recommendations for Hybrid Heating report, which highlights these benefits, and published work with the Green Gas Taskforce showing that hybrids paired with biomethane represent a lower cost heating decarbonisation solution for at least 30% of households. We are also exploring trialling hybrids in selected homes on our network, to build real-world evidence of their efficacy and value to the energy system.

## Political and policy engagement: delivering an orderly transition

We regularly meet with politicians across the main political parties to emphasise the important role the gas networks play in the energy transition. In 2025, the Department for Energy Security and Net Zero (DESNZ) launched the Midstream gas system review, to explore how the role of the gas networks may change during the energy transition. The review forms a series of consultations, focusing on resilience, affordability, and delivering an orderly operational transition. The process is expected to run over 2026, and we are working closely to provide necessary supporting evidence.

We also work with trade and professional bodies (such as the Institute of Gas Engineers & Managers, Future Energy Networks, Hydrogen UK, Renewable Energy Association) and parliamentary groups (hydrogen and energy studies) to build a wider understanding of our business and our activities in relation to net zero.

Lastly, we continue our positive engagement with the new National Energy System Operator (NESO) as it develops its strategic and central plans and begins to consider how regional energy system plans will be developed.

## Biomethane: scaling a cost-effective decarbonisation option

Biomethane is produced by fermenting organic matter, such as animal waste and agricultural residues. The production and injection of biomethane into the gas grid is another readily available means to displace natural gas with a greener alternative.

We are targeting 20 TWh of biomethane in our network by 2035 and have nearly 5 TWh today. To deliver this, we are preparing our network to accommodate higher volumes of biomethane and engaging government stakeholders on future policy to support the growth of the biomethane sector in the UK.

Our network cannot currently accommodate the levels of biomethane we are targeting. We are working with developers on identifying optimal locations for network reinforcements, such as installing reverse compressors, to enable us to transport more biomethane. As part of the RII0-3 price control settlement, we have secured initially £80 million of funding from Ofgem for these network reinforcements, with further potential depending on policy evolution and demand across our networks.

To ensure we use this funding efficiently, we have launched our new entry reinforcement assessment window process. The assessment windows are being run regularly (the first opened in January 2026) and will help us collate and optimise connection requests and prioritise our network reinforcement plans. We will launch more assessment windows over 2026/27.

Additionally, we cofounded and extensively supported the Green Gas Taskforce (a campaign group of the GB gas networks, largest biomethane producers and industry associations) to advocate for more biomethane production in the UK. Our work with the Taskforce has been very effective in building momentum for biomethane. This year we delivered two reports, Accelerating Biomethane and Reducing the Cost of Net Zero with Biomethane, to guide policy design ahead of the Department of Energy Security and Net Zero's (DESNZ's) biomethane policy consultation, which is expected in 2026. Encouragingly, the National Energy System Operator's (NESO's) 2025 Future Energy Scenarios indicated that at least 64 TWh (nearly 10x current production) will be essential to deliver net zero in the UK.

Number of connections	EOE	EM	NW	WM	NL	Total	TWh
Biomethane	14	16	3	10	2	45	4.79
CNG	1	5	4	1	2	13	–
Powergen	29	65	16	18	69	197	–

Biomethane connections	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26
Actual	10	22	28	29	32	25	36	39	42	44	47	45 <sup>1</sup>
TWh Actual	0.64	1.44	1.78	2.03	2.38	2.52	2.63	2.87	3.13	3.35	4.04	4.79

1. This year, we supported producers in expanding production from sites already connected. This includes one large expansion, which equated to five average sized new connections.

## Strengthening international collaboration with Italgas and GRDF to advance Europe's energy transition

We have taken two significant steps to deepen international cooperation in support of a smarter, more resilient, and sustainable European energy system, renewing a major collaboration agreement with Italgas and signing a new Memorandum of Understanding (MoU) with GRDF.

With Italgas, we have renewed the Memorandum of Understanding originally signed in 2023, reaffirming a shared commitment to innovation, digitalisation, and accelerating the energy transition across gas distribution networks. This updated agreement strengthens a long-standing partnership that has developed over several years through extensive exchanges of operational insights, engineering expertise, and technological innovation. Over the next three years, the partnership will intensify joint work across several strategic areas critical to transforming Europe's gas infrastructure.

Building on these expanding international partnerships, we have also signed a new MoU with GRDF – the largest

gas distribution operator in France. The agreement creates a framework for collaboration between two of Europe's leading gas distribution system operators. This partnership focuses on sharing best practice and advancing innovation to support a fair, affordable, and effective energy transition for communities across the UK and France. By working together, the two organisations aim to maximise the flexibility and reliability of gas infrastructure to support the wider energy system, accelerate renewable energy deployment, and reduce greenhouse gas emissions from their operations and across their value chains. Together, these collaborations position us at the forefront of shaping a sustainable energy future – one built on innovation, digitalisation, security, and the collective expertise of Europe's leading gas distribution operators.



## 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. It also describes how stakeholder insight has informed the Board's principal decisions during the year including consideration of the relative importance of key stakeholder groups and balancing their interests when making strategic, financial and operational decisions.

Further detail on how stakeholder considerations are reflected in Cadent's strategy, performance and risk management is set out across the Strategic Report, including the Strategic and Operational Review, Sustainability disclosures and Risk sections.

### Key stakeholders

The Board recognises that different stakeholders have varying levels of influence on the Company's long term success. Customers, regulators and employees are considered particularly critical to delivering Cadent's strategy, reflecting their role in regulatory performance, customer outcomes and safe operation of the network. The Board's assessment of the company's key stakeholders and its interactions with them are as follows:

Why they matter to Cadent	What matters to them	How the Board interacts	How stakeholder views influenced Board decisions
<b>Customers</b>			
Delivering for our customers defines our purpose. In addition, customers generate the Company's revenue and profit.	Reliable safe and economical supply of gas.  Customer-focused, responsive, and timely service.	Regular reports and presentations are provided by our Chief Executive Officer, Chief Operating Officer, Network Directors, People Director, and Chief of Health, Safety and Engineering. These documents include ongoing reviews of customer satisfaction scores, performance metrics, and initiatives, all aimed at supporting efforts to achieve better performance. The work of the Customer Challenge Group also assists to inform Board thinking.	Customer insights informed decisions in relation to the on-going RIIO-3 process (see page 38), including vulnerability support (see pages 40 and 88) and service commitments (see page 12).  Customer performance metrics and satisfaction data were considered in Board decisions on operational investment, customer service improvements and incentive measures (see pages 12 and 39 for customer related regulatory outputs and incentive measures; including alignment between performance metrics and management incentives).
<b>Employees</b>			
Our people execute our strategy for delivering our services for our customers; embody our culture; and are a 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.	Employee feedback, including through engagement surveys and EDI initiatives, informed Board decisions on the People Strategy and organisational delivery (see pages 25–26 and 39).  Insights from Board site visits and direct engagement with Cadent colleagues informed decisions relating to safety, culture and operational delivery (see pages 39 and 85, including health and safety and workforce engagement reporting)
<b>Shareholders</b>			
Provide equity finance and experienced Non-Executive Directors to steer and guide strategy.	Strong operational and safety performance.  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 (all shareholders have representation on the Board) and via the Annual report.	Shareholder perspectives informed Board decisions on dividend distributions, capital allocation and financial strategy (see pages 16 and 38 including financial performance and RIIO-3 regulatory context), alongside consideration of the impact on customers, employees and communities.

Why they matter to Cadent	What matters to them	How the Board interacts	How stakeholder views influenced Board decisions
<b>Communities and the environment</b>			
The Company's activities affect local communities and the environment. By increasing positive social impact and reducing environmental harm, Cadent earns its right to operate and upholds its values and responsibilities	Community engagement and support for environmental objectives Sponsorship, donations and volunteering for social and environmental causes Demonstrating environmental and social responsibility.	Reports from the Chief Executive Officer, Chief Operating Officer and Senior Leadership Team on community engagement, VCMA projects, net zero initiatives and operational matters. 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 <a href="http://www.cadentgas.com">www.cadentgas.com</a> )	Engagement with communities and wider stakeholders informed Board decisions on the Environmental Action Plan, Force for Good Framework and RIIO 3 commitments (see pages 40 and 88, including oversight by the Sustainability Committee). Community insight influenced investment in social impact and vulnerability initiatives, including Centres for Warmth and VCMA programmes (see pages 27–29 and 88).
<b>Shippers</b>			
Collect revenue	Reliable transportation of gas.	Reports on relevant matters from the Chief Financial Officer.	Reports from the CFO informed Board oversight of shipper related matters (see pages 39 and 51, including revenue collection and associated risk).
<b>Suppliers</b>			
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.	Reports on supplier engagement informed the Board's operational oversight of supplier relationship management and cyber security risk management (see pages 39, and 92 including supplier relationship strategy, risk and oversight by the Audit and Risk Committee).
<b>Ofgem</b>			
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.	Reported engagement with Ofgem informed Board decisions on the RIIO 3 process and subsequent appeal (see page 38 including regulatory strategy and response to draft determinations).
<b>Health and Safety Executive</b>			
Regulates and enforces the company's obligations in relation to workplace health, safety, and welfare.	Safe operation and maintenance of the network for customers, employees, and the public. Compliance with health and safety legislation and regulations, and good working practices.	Regular reports from the Chief Executive Officer, Chief Operating Officer and Chief of Health, Safety and Engineering on performance and improvement initiatives and feedback from interventions and routine liaison meetings. In-depth review by the Board Safety Committee.	Reported engagement with the HSE informed the Board's consideration of safety operations, culture and strategy. This helped ensure that regulatory expectations were reflected in relevant decision-making (see pages 39 and 85, including Safety Committee oversight and safety performance reporting).
<b>UK Government</b>			
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. Supporting UK economic growth and development of the energy sector. 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.	Reports on engagement with UK government stakeholders informed the Board's consideration of strategic matters relating to the future role of gas. These included investment in hydrogen and biomethane, and the Company's long-term strategy (see pages 31 and 38 including energy transition strategy and policy engagement).
<b>Debt providers</b>			
Provision of access to affordable debt funding to support the company's liquidity and investment needs from time to time.	Predictable, sustainable financial returns. Full and timely repayment of obligations (no default risk). Maintenance of strong and stable credit ratings.	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.	Reports on engagement with existing and potential debt investors informed the Board's consideration of financing matters, including approval of the implementation of the 2025/26 Financing Strategy (see page 15, including liquidity, funding and credit metrics); and development of the financing strategy for 2026/27.

## 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 response to the RIIO-3 Draft Determinations, ongoing engagement with Regulator and appeal to the Competition and Markets Authority;
- approved the annual review and update to the EMTN Programme and listing of the Prospectus;
- approved the financing strategy for the financial year 2026/27;
- approved the Financial Plan 2026 and the Budget for the year to March 2027 including donation to the Cadent Foundation;
- approved pay mandate for 2026 collectively bargained salary review;
- approved 2026/27 Short-term Incentive Plan Measures and 2026 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;
- approved the appointment of the incoming Chair of the Board;
- 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 below.

### 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 to ensure the company's long-term interests stay at the forefront. During the year, matters considered included the following.

Cadent's Future of Gas Programme and decarbonisation strategy are essential to the future success of the company. The Board maintained focus on these through detailed presentations and updates at routinely scheduled meetings and the annual strategy day. Topics addressed included planned expansion of biomethane capacity; the future biomethane policy framework; and status updates on the HyNet project. Time was also dedicated to consideration of the political landscape, and the implications of policy change; alongside Cadent's advocacy and influencing strategy. The Board was supported by the work of the Sustainability Committee, which reviewed the RIIO-3 Environmental Action Plan and ongoing pro-active leakage intervention initiatives as well as monitoring progress against the Carbon Trust's Route to Net Zero, all of which have both current and long-term effects. These reports and analyses helped the Board maintain a thorough and

up-to-date understanding of relevant issues, supporting longer-term decision-making and continued endorsement of the company's strategy.

#### ■ See page 31 for more about Cadent's Future of Gas Programme and Decarbonisation Strategy.

The outcome of the RIIO-3 price control process remained a priority area for the Board, this being relevant to both RIIO-3 and future regulatory periods. Regular reports and analysis were received from the RIIO-3 team throughout the process, with the Board approving the tone and key themes of the response to the Draft Determinations; the approach to ongoing engagement with the regulator; and, ultimately, an appeal to the Competition and Markets Authority on the technical ground of ongoing efficiency, which remains in progress. These decisions were informed by engagement with customers and regulators to ensure stakeholder priorities and regulatory expectations were reflected.

Consistent with the Dividend Policy and the Financial Plan 2025, the Board approved two interim dividend payments to the sole shareholder of the company. Factors considered in assessing the appropriateness of the distributions included, demonstration of company performance, including performance under the regulatory licence; performance and responsibilities with regard to customers; contribution and performance in the communities Cadent serves; and transparency of policies towards employees, tax, and executive pay. In considering these matters, the Board explicitly balanced shareholder returns with the interests of customers, employees and communities. The Board also reviewed the outcomes of economic tests supporting the proposed quantum, additional matters identified as relevant to timing and amount and, for the second dividend, a paper on capital considerations relevant to RIIO-3. In keeping with established practice, briefing sessions for sufficiently independent directors were held ahead of papers being presented for approval, facilitating their informed participation in discussions before decisions were made.

In approving the Financial Plan 2026, the Board took account of the wider context in which it was developed, including delivery of RIIO-3 Final Determination outputs, the unfunded efficiency gap and the potential nominal return percentage. It also considered support for vulnerable customers through the Force for Good Framework, the planned contribution to the Cadent Foundation and the need to maintain momentum on regulatory delivery. Remaining areas of uncertainty were acknowledged, including the possible effects of the conflict in the Middle East on the macro-environment and ongoing input cost pressures. Debt requirements were thoroughly assessed and the Financial Plan 2026 was approved.

### Having regard to the interests of the company's employees

The Board places great importance on the interests of Cadent employees when making decisions and, as a result, employee-related matters have been considered throughout the year, with employee insights and engagement informing the Board's consideration.

The Board received updates on the People Strategy, outlining plans for the remainder of the RIIO-2 period, the transition into RIIO-3 and beyond, and how Cadent will meet current and future needs of our people and the business. Topics covered included organisational delivery structures and associated processes; and plans to attract, develop and retain talent. The latter included consideration of the people experience, including reward strategy; succession planning and talent management; learning and development transformation; and the people technology roadmap. The Board was satisfied that the activities outlined were both consistent with the long-term success of the company and delivering a positive employee experience. The Board was also briefed on the legislative changes encompassed in the Employment Rights Act 2025 and the development of a robust implementation plan in response to these.

An inclusive culture is recognised as a core element of delivering the People Strategy, helping our people feel safe, supported and part of our shared purpose. The year's themes centred on sustaining success and driving progress, were presented and endorsed as the right areas of focus for advancing Cadent's inclusion ambition. The practice of inviting representatives from one of Cadent's seven EDI communities to speak at each Board meeting has continued, creating opportunities for direct engagement and open discussion around everyday challenges community members face and the pro-active steps taken at Cadent to address them. Collectively, these presentations and updates add insight and context to Board decision-making.

The Board and Safety Committee received wide ranging reports on the implementation of Cadent's Safe+Well Strategy and related initiatives, reflecting the Board's continuing commitment to employee safety, health and wellbeing. These covered progress against the overarching strategy and the data-driven outcomes achieved and sustained through wellbeing interventions. The Safety Committee also received briefings on enduring improvement plans, such as fatigue management and the safe driving plan, which have delivered year-on-year improvements. The Board gained assurance of strong employee engagement through response rates and feedback received

to the Safe+Well survey. Safety moments delivered by Network Directors highlighted regional themes and development areas, demonstrating the depth of the safety culture across the business.

The importance attached to employee safety was once again reflected in the safety-related measures approved for inclusion in the short-term incentive plan.

The Board approved the pay mandate for the 2026 salary review for the collectively bargained employee groups as well as noting the budget for the leadership population. Factors considered in reaching this decision included costs pressures within the business and the need to balance affordability in alignment with the Business Plan, while also supporting retention, engendering employee engagement and positive employee relations. A rolling programme of visits to Cadent operational sites enabled the Board to hear first hand insights from the Cadent colleagues they met, informing decision making.

### 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 and ongoing relationships with suppliers and wider stakeholders.

Delivering excellent customer service is central to Cadent, and accordingly integral to decisions made.

The Board closely monitors the fulfilment of required regulatory outputs through comprehensive performance reports presented to each Board meeting. Strong delivery for customers underpins decisions referenced in this statement including approval of dividends, the 2026 Financial Plan, and the 2026 salary budget.

As well as monitoring operational performance, the Board reviews customer satisfaction through reports on client satisfaction survey results. The significance attached to these results is reflected in the Board's decision to maintain the inclusion of customer service delivery and efficient complaint management as short-term incentive plan measures.

Ensuring the safety of customers is fundamental, with the Safety Committee carefully monitoring safety performance through a detailed dashboard presented at every meeting. In addition, reports are received on improvement initiatives and actions taken to implement recommendations from incident investigations. These support continuing endorsement of Cadent's safety strategies.

The implementation and continuing evolution of customer vulnerability strategy remained a key area of focus. The Sustainability Committee maintained oversight of this, with the Committee's input and guidance being instrumental to ensuring that the RIIO-3 Business Plan incorporated sustained support.

The Board recognises the importance of a effective and constructive relationships with suppliers and endorsed the approach for achieving this through consideration of a number of reports. The Audit and Risk Committee reviewed strategies to manage supplier-related cybersecurity risks, including initiatives aimed at enhancing supplier risk management. The Board also examined how risks associated with shipper and supplier credit

## Section 172 statement continued

and liquidity are managed. Further, Cadent's demonstration of its commitment to sustainability, community engagement, and supply chain resilience through the annual Supply Chain Sustainability Awards was welcomed.

Maintaining productive and effective relationships with regulators and broader stakeholders remained important to the Board, given their impact on the company's regulatory and policy environment. Updates on engagement with Ofgem during the RIIO-3 process, as well as communications with the Health and Safety Executive, shaped the Board's approval of related steps taken. Reports outlining further engagement with Ofgem and the HSE offered valuable insights into Cadent's alignment with broader regulatory perspectives. Additionally, papers on Cadent's advocacy and influencing initiatives within the political landscape contributed to the Board's strategic discussions.

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

In addition to guiding the company's overarching long-term strategy as previously outlined, the Board reviewed current performance factors affecting the environment and local communities where Cadent operates. It also reviewed initiatives aimed at making a positive difference and maintained oversight of relevant aspects of the RIIO-3 process.

Throughout the year, the Sustainability Committee has monitored and reported to the Board on Cadent's positive performance towards fulfilling RIIO-2 Environmental Action Plan commitments, which aim to improve environmental performance and reduce Cadent's impact through decarbonisation projects. The Committee also oversaw activities under the Force for Good Framework, through which Cadent seeks to deliver positive societal impact. In addition, input and guidance were provided on Cadent's engagement with Ofgem in relation to the RIIO-3 Environmental Action Plan, customer vulnerability strategy, and methane emissions reduction efforts, all of which contribute positively to the way in which Cadent conducts its operations.

Alongside monitoring RIIO-2 performance and input to the RIIO-3 process, the Sustainability Committee received focused presentations on matters such as Cadent's advanced leakage management approach. This transformative approach proactively targets methane leakage using advanced data, analytics and intervention programmes. The Committee also reviewed results from the 2025 Environmental, Social, and Governance benchmarking, which provides external evaluations of Cadent's sustainability performance. These reports serve to deepen the Board's understanding and support decision-making.

Resilience of gas supply has long been a priority for Cadent, and a key deliverable for the communities it serves. The Sustainability Committee reviewed Cadent's Winter Plan 2025/26, proactive initiatives based on learnings from third-party significant loss of supply incidents and exercises undertaken. Through these presentations the Committee, and in turn the Board, were satisfied that the processes and procedures in place were well considered and effective.

The Board's continuing commitment to achieving positive environmental impact is also reflected in the short and long-term incentive plan sustainability measures approved.

An annual donation to the Cadent Foundation was approved, supporting its aim of providing sustainable solutions to fuel poverty, helping households to stay safe and warm. The Board receives regular reports on grants made and outputs achieved for communities within the Cadent geography.

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

The Board recognises that high standards of business conduct are essential to sustaining public trust and protecting Cadent's reputation. Ensuring that the company consistently upholds these standards remains a priority.

Through the oversight of the Audit and 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 2024/25 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 clear communication of expectations to suppliers, effective due diligence processes and training programmes. Ongoing collaboration with the Sustainability School and Utilities Against Slavery, and support of Slave Free Alliance and Hope for Justice, together with the identified focus areas for the coming year, were also considered and endorsed.

In alignment with the commitment to continuous improvement, the Board was briefed on newly introduced statutory and corporate governance requirements and the proactive steps taken at Cadent to ensure compliance with these, as well as learnings derived from third-party incidents.

The Board also 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

## Our sustainability progress

### 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°C. 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 62–70.

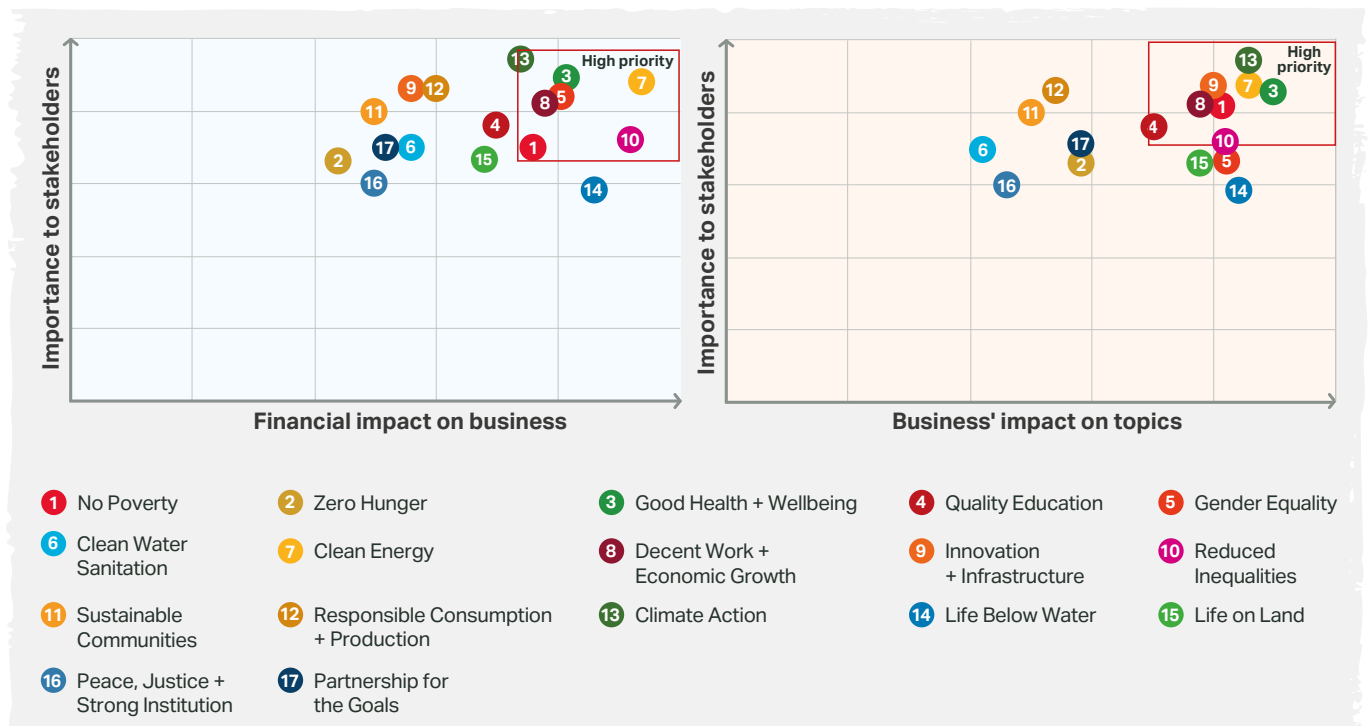


### Sustainability benchmarks

Understanding our ESG (Environmental, Social and Governance) performance allows us to better identify opportunities that drive performance year on year. We complete a range of industry-recognised benchmarks, providing independent assessment of our current performance, and provide our external stakeholders with critical information when making financial and non-financial decisions.

In 2025/26 we completed the following benchmarks: Global Real Estate Sustainability Benchmark (GRESB), Sustainalytics, Morgan Stanley Capital International (MSCI) and the Carbon Disclosure Project (CDP).

We were delighted to achieve the maximum score of 100 for our GRESB assessment, and we are now recognised as a global leader in the infrastructure asset class, setting industry benchmarks for sustainability and being awarded the five-star rating, reserved only for the top 20% of participants in the benchmark. We maintained our AAA rating from MSCI, are considered medium-risk with Sustainalytics and were awarded a B rating by CDP.



# Our ESG materiality process continued

## Our Double-Materiality assessment

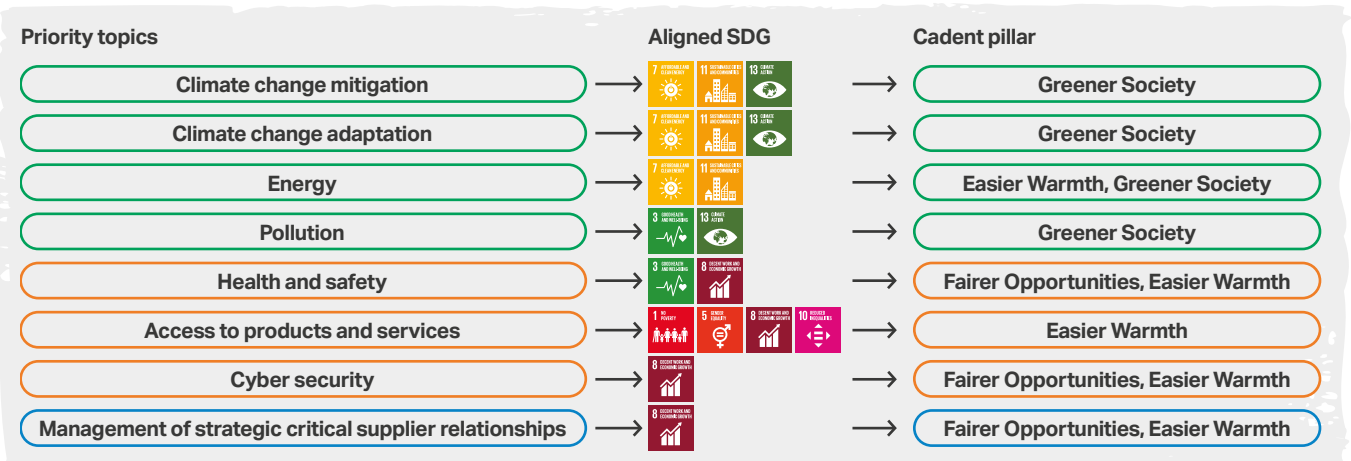
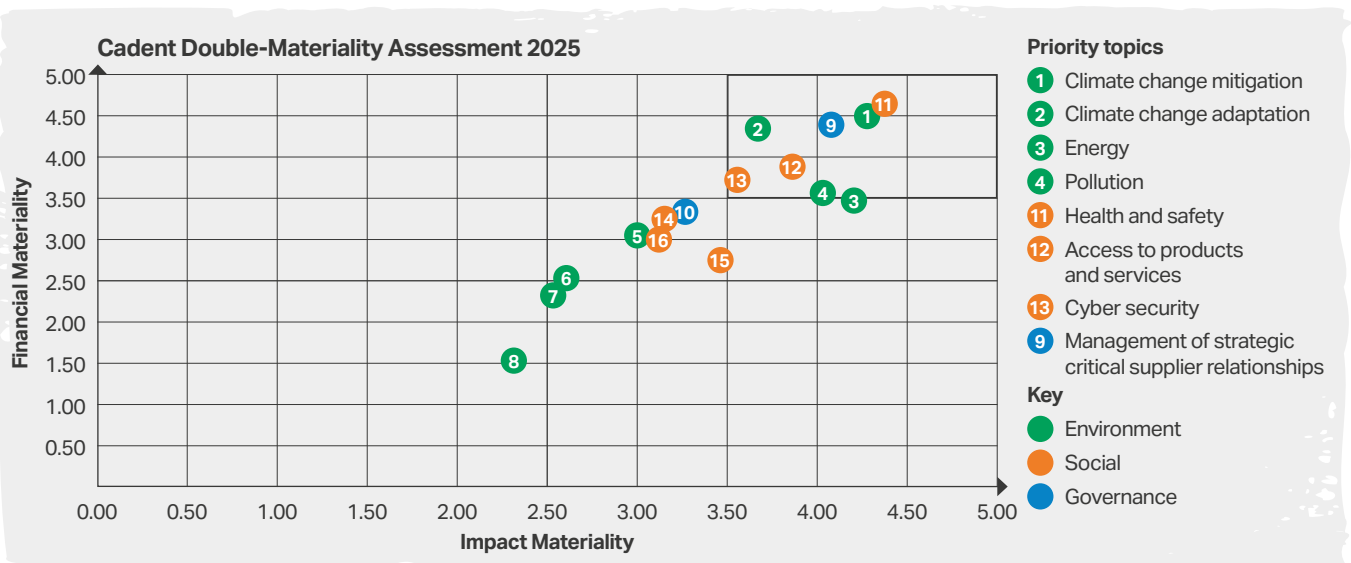
Double materiality helps organisations establish the sustainability issues of greatest relevance or highest priority to them. The concept forms part of several frameworks and standards, such as the Global Reporting Initiative (GRI) and the European Sustainability Reporting Standards (ESRS). In 2025, we updated our Double-Materiality Assessment to ensure we focus our efforts on the highest priority sustainability issues to aid and develop our non-financial reporting.

The sustainability topics were decided upon by reviewing our current strategy and work undertaken across the value chain. The wider industry context was also examined. Internal and external stakeholders, such as our Investors, Suppliers, Customers, Employers, and Leaders were involved in the assessment to ensure the review of sustainability issues was comprehensive, and so that the results produced were representative of the considerations of various members and interested parties.

The priority topics identified were:

- Climate change mitigation › Climate change adaptation › Energy › Pollution › Health and safety › Access to products and services › Cyber security › Management of strategic critical supplier relationships;
- the results of the assessment provide vital context, reasoning and evidence for work undertaken towards any non-financial objectives. Reviewing issues from these inward and outward-facing perspectives is what makes this process a double materiality assessment. This differentiates it from traditional materiality assessments that look solely at the impact of issues on the business and its stakeholders;
- Our Force for Good ambition and the pillars that support it incorporate our identified material topics. While the result of this materiality assessment has led to the identification of priority topics for the company to focus its sustainability actions on, it must be noted that this does not diminish the relevance of the other topics included in the assessment to Cadent. All topics included and reviewed as part of the assessment are in some way relevant to Cadent.

➔ **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.

### Board

The Board have overall accountability for risk management. They review and set our risk appetite, and review and challenge the principal risks annually.



### Audit & Risk Committee

The Board's Audit & Risk Committee undertake an annual review of the risk and assurance processes, as well as considering risk, controls and assurance on a regular basis, providing focused challenge, review and support of Executive and wider management.



### Executive Committee

The Executive Committee regularly review the risk landscape, which has been grouped, for taxonomy purposes, under ten principal risks, each owned by Executive Committee members. Executive Committee members provide top-down monitoring and challenge, including monthly action tracking.



### Functional Assurance Teams

Finance	People	Operations	Strategy and Regulation	General Counsel	Safety, Health and Environment	Transformation and Programmes
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Identifying, assessing, owning and monitoring functional and operational risks is a management responsibility. The overall risk management framework is applied through a consistent and documented approach to identifying, assessing, treating, monitoring, and reporting risks, through routine risk review sessions undertaken by all functional risk owners. Risks are recorded in our enterprise risk management system and are scored on a unified scoring scale, providing consistency, comparability, and visibility of risks and how they are being managed.

Each function also has a second line assurance capability, which reviews, on a risk prioritised basis, the controls that are operated by the respective functions. These are reviewed by Functional management, with significant issues being escalated to the Executive Committee and Audit & Risk Committee (ARC) for monitoring, challenge and review.



### Internal audit

All key risks are reviewed on a risk-based approach over a five-year cycle by the independent Internal Audit team, including the risk and assurance processes. 'Co-source' partners are available to support with specialist reviews where required.






# How we manage risk continued

Emerging risks	Causal factors	Time horizon		
		Short (<2 years)	Medium (2–5 years)	Long (5–10 years)
Sustained geopolitical pressures impact supply chains, commodity prices, and macroeconomic metrics.	Geopolitical			
AI-enabled escalation of cyber threats, increasing the speed, realism, and sophistication of malicious activity by threat actors.	Technological			
Extreme weather events, increasing the frequency and severity of physical impacts on network operations.	Environmental			
Emerging opportunities	Causal factors	Time horizon		
Automation and AI, supporting improved safety, resilience, efficiency, and decision-making across the network.	Technological			
Expansion of biomethane in the network to support the journey towards net zero, while providing energy resilience.	Strategic			

Principal risk (alphabetical order)	Appetite	Risk appetite statement
<b>Operational risks</b>		
<b>Cyber, physical security breach, data issues or critical system failure</b>	2	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.
<b>Effectively managing assets and network reliability</b>	2	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.
<b>Recruiting and retaining talent*</b>	3	We are a people-focused organisation that recognises the need to invest in, develop, and adapt how we attract, retain, and support our people in order to sustain the skills and capability required to deliver our objectives.
<b>Securing critical goods and services*</b>	3	We adopt a cautious approach to securing and maintaining access to critical goods and services, ensuring sufficient stocks and supply arrangements are in place to support safe and reliable operations.
<b>Regulatory and compliance risks</b>		
<b>Legal and regulatory compliance</b>	1	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.
<b>Safety, health and environment</b>	1	We have no 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.
<b>Strategic risks</b>		
<b>Changes in the external landscape</b>	4	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.
<b>Climate change</b>	3	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.
<b>Protecting customers' interests</b>	3	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 customers in vulnerable situations.
<b>Financial risks</b>		
<b>Macroeconomic and financial</b>	2	We have a minimalist appetite, meaning we take very limited risk, when exposing the business to financial risks.

\* The increase in principal risk headings reflects a presentational refinement, splitting 'Securing Critical Resources' into 'Recruiting and Retaining Talent' and 'Supply Chain Resilience', with the underlying risk assessment and appetite being unchanged from prior year.

**Risk appetite key:**

				
Averse	Minimalist	Cautious	Open	Hungry


# How we manage risk continued

## Operational risk

### Cyber, physical security breach, data issues or critical system failure

What is the risk?	What are we doing to manage the risk?	Trend
<p>The 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, suboptimal decision-making, loss of supply or data and potentially enforcement action from regulators and reputational damage.</p>	<ul style="list-style-type: none"> <li>• Benchmarked security and cyber security policies, processes and technologies are in place, security response and business continuity management plans are regularly tested.</li> <li>• Security response and business continuity management plans are regularly tested.</li> <li>• Critical processes, systems, and security controls are designed on a risk-based approach with a comprehensive framework of protective, detective, responsive and recovery controls.</li> <li>• Collaboration with Ofgem, National Energy System Operator, the Department for Energy Security and Net zero, National Protective Security Authority and Energy Resilience Group members on key cyber, physical and personnel Security risks and intelligence sharing.</li> <li>• Implementation of an enhanced Critical National Infrastructure security strategy.</li> <li>• Engagement with the National Cyber Security Centre and participation in their Early Warning Service.</li> <li>• Delivery of controls to comply with Enhanced profile for the NCSC's Cyber Assurance Framework and assessment to ensure compliance with the Network and Information Security Regulations.</li> <li>• Intelligence-led security awareness training and education for all employees.</li> <li>• Data management framework in place to ensure robust data governance and swift escalation of data issues for prioritised remediation.</li> <li>• Supplier assurance assessment informs Cadent of security risks within supply chain.</li> <li>• Improved risk management capabilities for cyber-physical assets in Cadent Gas Distribution Networks.</li> </ul>	<p> The security risk continues to develop in terms of capability and intent against a backdrop of geopolitical instability. This includes physical sabotage, cyber incidents and insider threat. Cadent continues to deliver enhancements to its security defences and business continuity measures. This will facilitate Cadent's mission of being a high reliability organisation, while collaborating at industry, government and national agency level to meet the current threat landscape.</p>

### Effectively managing assets and network reliability

What is the risk?	What are we doing to manage the risk?	Trend
<p>The risk that our asset management framework does not deliver the right service to our customers and stakeholders.</p> <p>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.</p>	<ul style="list-style-type: none"> <li>• Asset management framework that is independently accredited to ISO55001 standard.</li> <li>• Delivery of the iron mains replacement programme to remove all iron mains within 30m of a property by 2032.</li> <li>• Suite of engineering policies and standards.</li> <li>• A dedicated Plant Protection team who are available to offer assistance and advice to customers or third parties who may carry out work close to our assets.</li> <li>• Experienced engineering and asset management teams who ensure good-quality asset investment decisions are made, which deliver legislative and regulatory commitments.</li> <li>• Weather forecast and demand modelling.</li> <li>• Process safety Risk Control Standards.</li> <li>• Fail safe asset design.</li> <li>• Alarm and fault management.</li> </ul>	<p> Continual maintenance and investment is required to maintain the high degree of reliability and service that our customers expect.</p>


Risk trend:  Improving  Stable  Deteriorating

## Operational risk continued

### Securing critical goods and services



What is the risk?	What are we doing to manage the risk?	Trend
<p>There is a risk that we are unable to secure or maintain access to the critical goods, services, and contractors required to operate and maintain our gas distribution network, which could adversely impact the level of service provided to customers.</p>	<ul style="list-style-type: none"> <li>• Demand forecasting and scenario planning in place to anticipate seasonal peaks and supply chain disruption.</li> <li>• Supplier vetting and resilience assessments in place to provide assurance over capability, capacity, and continuity.</li> <li>• Framework agreements, call-off arrangements, and contractual terms in place to support quality and continuity of supply.</li> <li>• Annual value plan of procurement activities to support strategic planning to ensure continuity of supply.</li> <li>• Alternative and secondary suppliers in place for critical goods and services to reduce single-supplier dependency.</li> <li>• Supplier lead times monitored, reflecting delivery requirements and product criticality.</li> <li>• Stock holding in place across all networks, with levels flexed in response to demand, including increased holding during peak periods (e.g. winter).</li> <li>• Automated process in place to replenish stock at defined trigger points, which are regularly reviewed.</li> </ul>	<p></p> <p>The external environment remains challenging, with geopolitical uncertainty contributing to ongoing supply chain pressures and increased competition for resources, driven by sustained domestic infrastructure investment.</p>

### Recruiting and retaining talent

What is the risk?	What are we doing to manage the risk?	Trend
<p>There is a risk that we cannot attract, develop, engage, or retain the talent required to operate our business effectively and deliver our strategic objectives.</p> <p>Failure to sustain a resilient, inclusive, and well supported workforce could impact the delivery of our purpose and overall business performance.</p>	<ul style="list-style-type: none"> <li>• Strategic workforce planning to understand long-term resource requirements.</li> <li>• Competitively benchmarked rewards packages incentivise performance aligned to the company's objectives.</li> <li>• Succession plans are in place across the business.</li> <li>• Capability and skills assurance processes in place for safety-critical and regulated roles, including ongoing competence assessment and refresher training.</li> <li>• Support development of STEM subjects.</li> <li>• Talent and training programmes, including those for graduates and apprentices.</li> <li>• Workforce engagement and listening mechanisms in place (e.g. surveys, forums, employee networks) to inform people strategy and continuous improvement.</li> <li>• Diversity, equity, and inclusion initiatives in place to broaden access to talent and support a resilient and representative workforce.</li> </ul>	<p></p> <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>

# How we manage risk continued


## Regulatory and compliance risk

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"> <li>• Dedicated operational teams focus on the delivery of our standards of service.</li> <li>• A governance framework closely monitors our regulatory output delivery and ensures that emerging risks and issues are escalated and managed in a timely manner.</li> <li>• A strong ethical and compliance culture underpinned by our value of 'We take responsibility' and reinforced through our guide to ethical conduct of 'Always doing the right thing', ethical training and communications including a strong 'tone from the top'.</li> <li>• An assurance process, which includes our compliance with legal and regulatory obligations.</li> <li>• Horizon scanning to identify legal and regulatory changes and developments.</li> <li>• Licence obligation matrix ensures clear ownership of each licence condition.</li> <li>• Governance requirements of the Companies Act 2006 and the Wates Principles, which we report against on an annual basis.</li> </ul>	 <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 is the foundation of all our operations. Although major incidents are rare, we recognise that ongoing vigilance is essential, as human factors and potential asset and system failures continue to pose inherent risks to our colleagues and the communities we serve.</p> <p>The wellbeing of our employees is, therefore, critical, alongside careful consideration of the potential impacts our operations may have on the environment.</p>	<ul style="list-style-type: none"> <li>• Network operated in line with an HSE accepted Safety Case (required under the Gas Safety Management Regulations).</li> <li>• Safety, Health and Environmental Management System accredited to ISO 14001 and ISO 45001.</li> <li>• Visible leadership and commitment to health, safety, environmental and security matters, including a programme of senior leadership safety visits.</li> <li>• Comprehensive safety and engineering management system aligned with legislative requirements and codes of practice.</li> <li>• Incident response, investigation and review processes.</li> <li>• Structures in place for cross-industry sharing of good practice and learning.</li> <li>• An employee assistance programme, as well as psychological and physiotherapy services for all employees.</li> <li>• Human factors and safety-critical task analysis.</li> <li>• Promoting physical and mental wellbeing through Wellhub and free unlimited use of gyms and other fitness facilities.</li> </ul>	 <p>We continue to make improvements to our safety, health and environment regime. We have achieved ISO 45001 certification for the first time, which is a significant milestone that recognises our commitment to Occupational Health and Safety Management.</p>


Risk trend:  Improving  Stable  Deteriorating

## Strategic risk

### Changes in the external landscape


What is the risk?	What are we doing to manage the risk?	Trend
<p>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 that does not support our strategic priorities, such as supporting the achievement of net zero through the use of hydrogen.</p>	<ul style="list-style-type: none"> <li>Monitoring of external developments to understand potential disruptive forces, to enable us to proactively manage them.</li> <li>Engagement with national and regional stakeholders to ensure we understand policy, customer drivers and the regulatory landscape.</li> <li>We continue to contribute to the net zero transition debate.</li> <li>Close working partnerships with the Energy Innovation Centre and with Department for Energy Security and Net Zero (DESNZ), Ofgem and third parties to share innovations and implement best practice.</li> </ul>	<p></p> <p>We now have certainty over the RII0-3 price control following the Final Determination received in December 2025. This sets clarity on the outputs we must deliver and the revenues we will receive for the next five-year period. This includes funding for innovation and decarbonisation initiatives. 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 expected to be published in 2026.</p>

### Protecting customers' interests

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



# How we manage risk continued

## Strategic risk continued

Climate change		
What is the risk?	What are we doing to manage the risk?	Trend
<p>The risk and opportunities associated with climate change and biodiversity present themselves in three ways:</p> <ol style="list-style-type: none"> <li>1. the opportunity to help drive forward the UK's hydrogen economy for decarbonisation;</li> <li>2. the risk that our own operations contribute to climate change; and</li> <li>3. the risk that our own assets and operations are impacted by climate change or negatively impacting biodiversity.</li> </ol>	<ul style="list-style-type: none"> <li>• 'Future of Gas' programme to consider future scenarios and how we can support the delivery of the green gas economy.</li> <li>• By connecting more sustainable sources of gas, such as biomethane, we are already providing consumers with more sustainable energy.</li> <li>• Reduction of our own carbon footprint, including replacement of iron gas pipes, which reduces leakage, using electric vehicles and biomethane powered HGVs.</li> <li>• Extreme weather framework and flood threat analysis.</li> <li>• Alignment of Scope 1 and 2 emissions to the Carbon Trust Net Zero route.</li> <li>• Partnership with The Wildlife Trust to achieve the biodiversity benchmark.</li> <li>• Working to achieve net habitat gain in areas associated with our activities.</li> <li>• Our Environmental Action Plan outlines a range of initiatives that we will deliver our commitments and targets on climate change and biodiversity loss protection.</li> </ul>	<p></p> <p>The impacts of climate change continue to be felt across our networks. We remain committed to achieving net zero Scope 1 and 2 emissions by 2050, using a 2019/20 baseline. We are already reducing our footprint by deploying enhanced leakage detection, lowering our own gas and fuel consumption, and transitioning our fleet to EVs.</p> <p>Changes in the external landscape (incl. on UK net zero ambition) are referenced in the Changes in the external landscape risk. The most preferred 2050 scenario from the National Energy System Operator suggest a 300 TWh gas system by 2050, broadly split between equal proportions of natural gas (with Carbon Capture, Utilisation, and Storage, or other offsetting), hydrogen and biomethane.</p> <p>There is general acceptance from Government and Ofgem that, in the absence of hydrogen, and due to the slow roll out of heat pumps, there will be a continued network for some time to transport natural gas.</p>

## Financial risk

Macroeconomic and financial risk		
What is the risk?	What are we doing to manage the risk?	Trend
<p><b>Liquidity risk</b> 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"> <li>• A prudent level of liquid assets and committed funding facilities consistent with the Board-approved treasury policy.</li> <li>• As of 31 March 2026, liquidity was provided by a combination of immediately available cash, money market funds, fixed-term cash deposits, and committed bank facilities (£500 million).</li> <li>• 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.</li> <li>• 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 2026. With a further RCF facility of £200 million being available from the immediate holding company Quadgas MidCo – £195 million undrawn and available as at 31 March 2026.</li> </ul>	<p></p> <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>

Risk trend:  Improving  Stable  Deteriorating

## Financial risk continued

## Macroeconomic and financial risk continued

What is the risk?	What are we doing to manage the risk?	Trend
<p><b>Credit risk</b> 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"> <li>• Dedicated standards, policies and procedures are in place to control and monitor credit risk.</li> <li>• Creditworthiness of each of our 46 principal shippers (direct customers) is closely monitored in line with industry-wide parameters.</li> <li>• Exposure to shipper credit losses mitigated in most cases by the protection given by the Uniform Network Code (the industry governance contract).</li> <li>• 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.</li> </ul>	<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><b>Market risk</b> 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 risk, inflation risk and exchange risk in relation to debt issued in foreign currency. The Group has no significant transactional foreign exchange or equity exposure. The Group is exposed to commodity price volatility, particularly gas prices.</p>	<ul style="list-style-type: none"> <li>• The Board reviews and approves policies for managing market risks on an annual basis. The Board also approves all new hedging instruments.</li> <li>• 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.</li> <li>• 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.</li> <li>• The debt book is now c. 31% inflation hedged, which provides strong protection to downside inflation risk.</li> <li>• 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.</li> <li>• 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 that are designed to mitigate this volatility.</li> </ul>	<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><b>Financial management risk</b> 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"> <li>• 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.</li> <li>• 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.</li> <li>• Dedicated second and third-line resources undertake assurance activities over the controls framework to provide confidence in its ongoing operation.</li> </ul>	<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 as follows, 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

As the UK's largest gas distribution network, delivering around 35% of the nation's energy, most of our climate impact sits within Scope 1, which includes leakage from the Network. We recognise we play a central role in supporting a credible and affordable pathway to net zero. Our strategy, therefore, is to evolve our network to enable the scale-up and transportation of green gases such as biomethane and hydrogen, reducing leakages in the network (i.e. fugitive emissions), supporting electrification (through hybrids – a combination of gas boiler and heat pump – and providing resilience for the electricity network through dispatchable gas-to-power generation), and ensuring consumers benefit from a secure, affordable transition. We are making progress, growing the volume of biomethane we transport in our network, proactively reducing emission leakage using advanced analytics and new high-sensitivity emissions detectors, and preparing parts of the network for hydrogen when customers are ready and appropriate policy frameworks are in place.

This strategy aligns with the National Energy System Operator's Future Energy Scenarios, which highlight the continued need for a balanced mix of energy carriers. These include natural gas with Carbon Capture Utilisation and Storage (CCUS), biomethane (with the potential for negative emissions where carbon capture is applied), and hydrogen for industry, transport, flexible power and, where appropriate, heating.

In 2025/26, Cadent generated 1.080 MtCO<sub>2e</sub> of Scope 1 and 2 emissions (location-based) from fleet, buildings, gas use and methane leakage. Through our Environmental Action Plan, we remain committed to achieving net zero Scope 1 and 2 emissions by 2050, using a 2019/20 baseline. We are already reducing our footprint by deploying enhanced leakage detection, lowering our own gas and fuel consumption, and transitioning our fleet to electric vehicles.

We comply with the 11 disclosure recommendations from the Task Force for Climate-related Financial Disclosures (TCFD), 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 conducted a full review of our climate-related financial disclosures. Regarding governance of climate change internally, no significant changes have occurred and the process of managing climate change issues remains as previously disclosed. In terms of strategy, a new scenario analysis was conducted to ensure the most up-to-date information on climate-related issues is being considered within the business. This also meant revisiting and amending previously identified climate-related risks and opportunities. The risk management process employed for climate-related issues remains the same, and our disclosures for metrics and targets have been updated accordingly.

Cadent remains committed to reducing its own emissions, enabling lower carbon energy for customers, and ensuring the gas network continues to provide resilience, affordability and security as the UK moves toward net zero.

## Governance

TCFD recommended disclosures	Our disclosures
a) Describe the Board's oversight of climate-related risks and opportunities	Corporate Governance report pages 80–84 TCFD pages 53–54
b) Describe management's role in assessing and managing climate-related risks and opportunities	How we manage risk pages 43–51 TCFD pages 55–60

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 Cadent's approach to climate-related risks and opportunities, ensuring alignment with the UK Government's commitment to achieve net zero by 2050. This includes oversight of the Future of Gas Programme, the Environmental Action Plan (EAP), and the broader strategic programmes supporting our net zero transition.

At each Board meeting, the Chief Executive Officer provides updates on strategy, including the Future of Gas programme, sustainability progress, and environmental performance. In addition, regular agenda time is dedicated to consideration of net zero related matters, supported by detailed papers, presentations, and insights from internal experts and external advisers.

Throughout the year, the Board focused on key areas including:

- progress against the RII0-2 EAP and development of the RII0-3 EAP;
- biomethane scale up and hydrogen strategy, the latter including the HyNet project;
- resilience of the network in the context of climate-related risks; and
- financial planning to support the energy transition.

The Board reviews and approves investment plans related to climate strategy and incentive measures to drive sustainability and energy transition outcomes.

The Board is supported by the work of its Committees. You can learn more about the Committees' work and their scheduled meetings on pages 85 to 99.

Committee Chairs report to the Board after each meeting, ensuring that Committee discussions and findings are fully considered in Board deliberations and decisions. Committee members are appointed based on their relevant skills and expertise. Additional information regarding our Board members' experience can be found on pages 75 to 79.

# Climate-related financial disclosures continued

## Governance continued

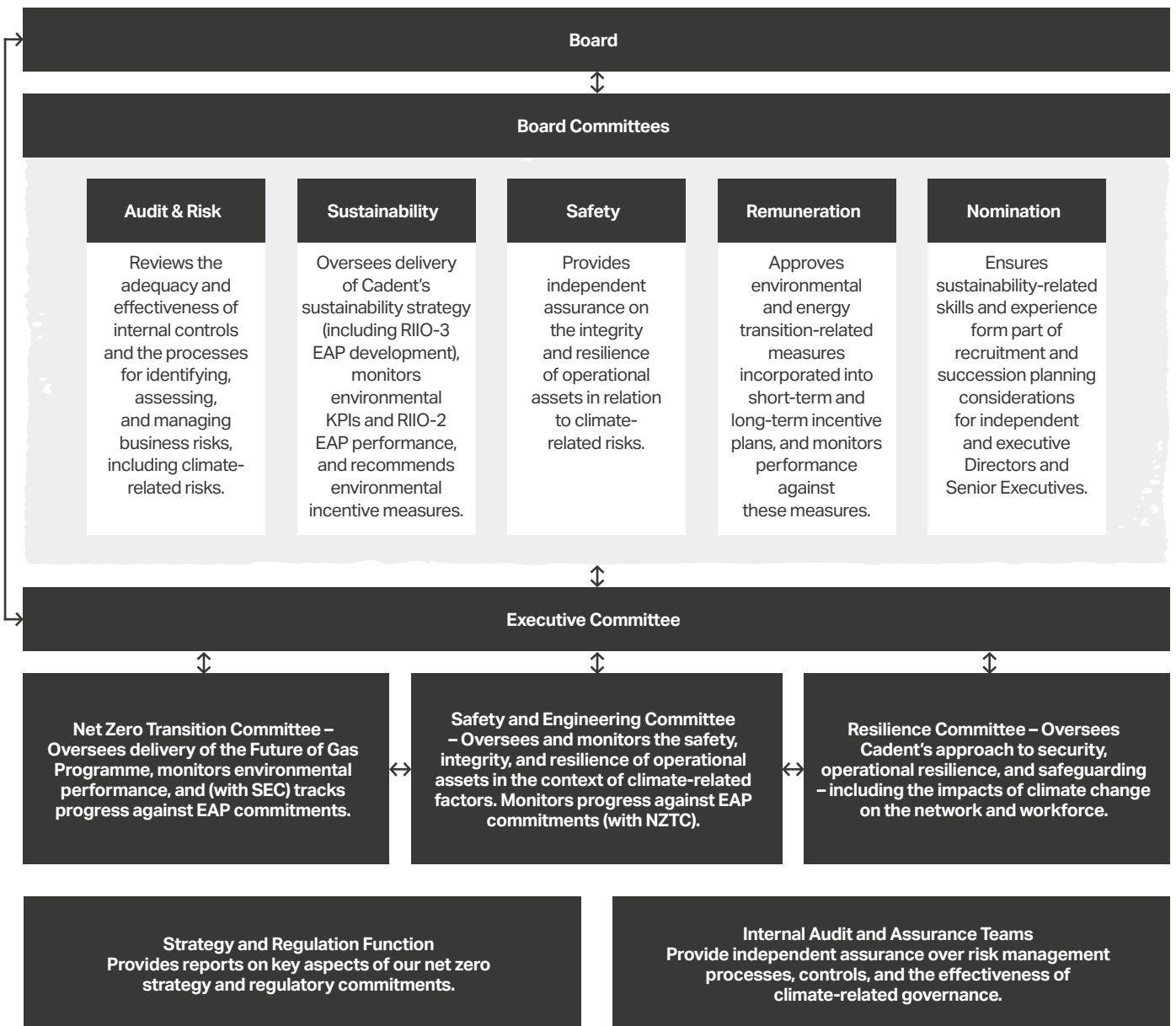
The Board operates in line with its statutory duties under Section 172 of the Companies Act 1986 and follows the Wates Corporate Governance Principles. These considerations inform the Board’s judgement of what matters are sufficiently material to disclose and shape its approach to long-term oversight of climate-related impacts. Further details of these are available on pages 36–40.

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

The Executive Committee has operational responsibility for climate-related risks and opportunities supported by a number of Sub-Committees and functional reporting lines.

Sub-Committees meet monthly and are led by Executive Members to ensure accountability and timely decision making. Outputs from their work and from functional reports inform the Executive Committee’s oversight and, where appropriate, the papers presented to the Board and its Committees.

Overlapping membership between the Executive Committee, Sub-Committees, and the Board supports smooth information flow and alignment between strategic direction and operational delivery. Sustainability related experience continues to be incorporated into recruitment, training, and succession planning for Directors, senior leaders, and Executives.



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 43–51 TCFD pages 55–60
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Strategic performance pages 43–51 TCFD pages 55–60
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	TCFD pages 59–60

## 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.

Because natural gas is a fossil fuel and methane leakage contributes to climate change, our long-term strategy is to transition our network to low-carbon gases, such as hydrogen and biomethane. We will continue to supply methane while supporting customers to adopt low-carbon alternatives, through network conversions, new infrastructure and management of connections and disconnections.

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. This includes our focus on reducing gas leaks and boosting biomethane in the network. The climate-related risks and opportunities that could significantly impact our finances or reputation are outlined as follows and this section includes our methodology for measuring each risk and opportunity. We'll also provide 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.

## Updating our disclosures

For the year 2025/26 we completed a full review of the climate-related risks and opportunities affecting the business. The updated scenario analysis conducted this year allowed for a re-evaluation of risks and opportunities for Cadent, building on those previously disclosed by updating and adding further insight into how these issues might affect the business given its current strategy. The impacts of climate change on the business were considered assuming differing levels of global temperature change and the physical and transitional consequences associated with this. The climate scenarios examined as part of the new analysis provide a different lens on the future – ranging from policy-driven energy transitions (IEA) to socioeconomic development pathways (IPCC), together these scenarios give a balanced, decision useful picture of possible futures. The scenarios used were:

- the International Energy Agency's (IEA) Stated Policies scenario (STEPS);
- the IEA's Net Zero scenario (NZE);
- the Intergovernmental Panel on Climate Change's (IPCC) Sustainability scenario (SSP1-2.6);
- IPCC's Middle of the Road scenario (SSP2-4.5); and
- IPCC's Regional Rivalry scenario (SSP3-7).

The main changes in the risks and opportunities disclosed this year, compared to last include: the risks concerning government heat policy setting out a limited role for gas networks in the future and market demand for gas not materialising are now being treated as two separate risks rather than interrelated ones. This takes the total number of risks disclosed separately from four last year to five this year. In terms of opportunities, the previously disclosed opportunity about the possibility of growing revenue streams through non-regulated activities has been amended to mention that this applies to activities in the wider Group. The other opportunities, previously centred on carbon reduction from faster transition to hydrogen and Cadent's role in the creation of a future hydrogen economy, have been updated to also include other lower-carbon gases (e.g. biomethane) rather than solely hydrogen.

Both climate-related risks and climate-related opportunities for Cadent are assessed in terms of the financial impact they might have, the timeframe over which they would occur, and their likelihood. The timeframe, likelihood, financial impact, cost of response and residual risk associated with our identified climate-related risks and opportunities have been reassessed and updated, where necessary, following a comprehensive review of their relevance and materiality to the business in the current financial year and full disclosure has been included under the relevant risk or opportunity.

# Climate-related financial disclosures continued

## Strategy

In terms of financial impact, the metric used for climate-related issues aligns with our internal risk management framework:

- very significant represents an impact of typically >£25 million;
- major represents an impact of typically £8–25 million;
- moderate represents an impact of typically £3–8 million; and
- minor represents an impact of typically £500k–£3 million.

In terms of timeframes used, the time horizons for the likely occurrence as follows:

- short term (0–3 years);
- medium term (3–10 years); and
- long term (10+ years).

Regarding likelihood:

- the term 'remote' refers to a less than 10% chance of the matter occurring within the timeframe;
- the term 'less likely' refers to a more than 10% but less than 40% chance of the matter occurring within the timeframe;
- the term 'equally likely as unlikely' refers to a more than 40% but less than 60% chance of the matter occurring within the timeframe;
- the term 'more likely' refers to a more than 60% but less than 90% chance of the matter occurring within the timeframe; and
- the term 'almost certain' refers to a more than 90% to 100% chance of the matter occurring within the timeframe.

The time horizons selected were driven by our regulatory framework with short term covering the majority of the new price control period, with the medium term taking us to the end of RII0-4 in 2036, and long term for the period up to 2050.

Our risk and opportunity assessments can be seen in the table below.

Risk/opportunity type and description		Our response
<b>Transitional risk (Policy and legal/reputational):</b> Government heat policy sets out a limited role for the gas networks to provide future domestic energy needs.		The future of the gas network should be viewed in context of the wider transition to net zero and the pathway we follow. Currently, that pathway is 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.  We are working with government, industries and communities to unlock the potential of greener gas (hydrogen and biomethane) across the UK. The government is preparing to launch the Hydrogen Transport Business Model to support the design and construction of one hydrogen network. We are considering whether to submit proposals for our HyNet hydrogen network, to meet customers and stakeholder requirements for hydrogen in the North West of England.  We have successfully submitted the technical and safety evidence for blending hydrogen (up to 20% concentration by volume) to the Health and Safety Executive (UK) (HSE), which will inform their recommendations to the government. While this review takes place, we are continuing to progress works to develop an effective market framework to enable hydrogen blending and to consider operational implications and implementation.  In September 2024, we published our 'Future of the Gas Network' report setting out our strategy for the decarbonisation of the gas network. We followed this with a report (in April 2025) with specific recommendations on the benefits of hybrid heating. We continue to refine our understanding of hybrids and gather learnings from European countries.  On biomethane, we co-founded the Green Gas Taskforce, a collaboration with other gas networks, biomethane producers and trade bodies, to establish what is needed to enable biomethane to grow to its full potential in the UK. As part of this, we have led a report for the Taskforce on the Economics of Biomethane, which evidenced that more biomethane production can reduce the cost of delivering net zero by £174 billion.
<b>Timeframe</b>	Long term (10+ years)	
<b>Likelihood</b>	Equally likely as unlikely	
<b>Financial impact</b>	Very significant impact to revenue	
<b>Cost of response</b>	Very significant impact to operating costs	
<b>Residual risk</b>	Equally likely as unlikely	

Risk/opportunity type and description	Our response
<p><b>Physical risk:</b> Consequences (Operational disruptions, supply chain challenges, etc.) due to extreme weather events becoming more frequent and more severe.</p> <p><b>Timeframe</b>      Short (0–3 years)                           Medium (3–10 years)                           Long term (10+ years)</p> <p><b>Likelihood</b>        Remote</p> <p><b>Financial impact</b>    Moderate impact to operating cost</p> <p><b>Cost of response</b>    Moderate impact on investment</p> <p><b>Residual risk</b>        Remote</p>	<p>The physical effects of climate change are already being experienced by all, in terms of extreme temperatures and weather patterns, and under all climate scenario pathways this will continue to play out to differing extents. Any severe impacts on Cadent's business activities, assets, and operations could lead to failures and losses of supply along its network.</p> <p>Increasing temperature impacts all plant and equipment and increases could affect rating and asset performance, most notably ancillary IT and telecommunications equipment. However, core gas equipment is inherently resilient, predominantly underground thereby eliminating the impact of extreme and ambient temperature increases and designed to operate at high temperatures (in excess of any expected average increase) and there should be minimal impact on the gas network controls, however, there may be ancillary impacts or an impact on longer-term asset deterioration.</p> <p>There are clear climate signals that the frequency and intensity of flooding events is likely to increase in future increasing assets that are exposed to flood risk and also increasing the intensity of those already exposed. Some assets benefit from inherent protection by asset location, asset design and the presence of public flood defences. Flood risk assessments have identified assets, which are at risk of exposure, with work planned through RIIO-3 to understand changes under climate change scenarios and then identify assets, which are potentially at risk of being impacted by the exposure. Regarding storms, gas network assets are mainly located underground, and above ground equipment is low rise and designed and constructed to be resilient to storms, although a level of risk remains from extreme weather events and the impact of other structures (slopes, trees, etc.) and assets on ours (power resilience).</p> <p>In terms of wildfires, this is an emerging risk with current low risk to gas infrastructure, typically limited to rural AGIs and oftakes, but requires surveillance. Wildfire risks to underground pipelines is limited and managed through operational response.</p> <p>A full assessment of all physical climate-related risks is available in our latest Climate Adaptation report with further detail provided in our Climate Resilience Strategy.</p> <p><b>➔ Read our Climate Adaptation report here.</b></p>
<p><b>Transition risk (Market):</b> Market demand for gas does not continue to materialise in the future.</p> <p><b>Timeframe</b>        Long term (10+ years)</p> <p><b>Likelihood</b>        Less likely</p> <p><b>Financial impact</b>    Moderate impact to revenues</p> <p><b>Cost of response</b>    Moderate impact on investment</p> <p><b>Residual risk</b>        Less likely</p>	<p>We are fully aware of the decarbonisation demands of society and shifting focuses for gas. We have been developing our plan around three routes for home heating decarbonisation – hybrid heating, biomethane and hydrogen.</p> <p>Regarding hydrogen for heat, we have collaborated with the other gas networks to complete the full suite of technical and safety evidence required under the DESNZ hydrogen heat programme, which was provided to the HSE for evaluation. We will ensure an efficient and effective hydrogen blending regime can operate at the earliest opportunity, with the end consumers protected financially by paying for the energy they received, and from unsafe gas blends.</p> <p>Regarding biomethane, Cadent has connected 45 biomethane injection points across its networks, which shows the growth in demand for this fuel source. We are improving our connections process and preparing to reinforce our network, using funding from Ofgem in our RIIO-3 price control period, to enable more injection of this green gas into our network.</p> <p>The Cadent network continues to supply energy, supporting the UK's need for backup electricity generation through peaking power plants. To date, 192 plants are connected to the Cadent network, generating approximately 2.3 GWh of electricity, with an additional 29 connections in the pipeline. The gas network supports the growth of high-tech industries by providing a dependable alternative energy source to electrify Data Centres. Cadent plays a crucial role in meeting the energy needs of our customers.</p>

# Climate-related financial disclosures continued

## Strategy continued

Risk/opportunity type and description	Our response
<p><b>Transitional risk (Policy, legal and reputational)</b> Failure to decarbonise our business operations to meet our carbon emissions targets, or not setting sufficiently ambitious targets, leading to reputational damage and adverse financial impacts.</p> <p><b>Timeframe</b> Medium (3–10 years)</p> <p><b>Likelihood</b> Less likely</p> <p><b>Financial impact</b> Moderate impact on revenue</p> <p><b>Cost of response</b> Moderate impact investment</p> <p><b>Residual risk</b> Less likely</p>	<p>Failing to decarbonise business operations has the potential to negatively impact the organisation from a financial perspective. Examples of this include increased cost of compliance (or payment for potential non-compliance) with emissions reduction regulations, costs relating to staff recruitment and retention because of a deteriorated company image, and adverse financial impact from reputational damage amongst customers.</p> <p>Cadent regularly reviews and reports internally and externally the business’ carbon footprint against the net zero pathway target. We review and monitor our emission reduction against the latest climate science targets and are now in our fifth year of third-party verification on our Scope 1, 2 and partial scope 3 emissions data.</p> <p>We continue to explore solutions and provide evidence that supports the least cost and least disruptive options for our customers to decarbonise their heating (specifically through hybrid heating, biomethane and hydrogen).</p>
<p><b>Transitional risk (Policy and legal)</b> Access to capital may be restricted if investor sentiment deteriorates.</p> <p><b>Timeframe</b> Medium (3–10 years)</p> <p><b>Likelihood</b> Equally likely as unlikely</p> <p><b>Financial impact</b> Moderate access to capital</p> <p><b>Cost of response</b> Moderate access to capital</p> <p><b>Residual risk</b> Less likely</p>	<p>There is the potential for the company to lose access to funding linked to environmental credentials if these diminish. This funding is significant for various business activities, including those relating to climate-related issues. Loss of funding could lead to potential wider security risks given the network Cadent operates and supports.</p> <p>Cadent’s strategy is to maintain a diverse source of funding in both green and conventional markets. We aim to support investor understanding of our contribution to decarbonisation, green credentials and ESG performance through continuous investor work, including related reports and achievements of certain standards. We have continued to access capital markets using the Green Finance Framework published in April 2025.</p>
<p><b>Transition opportunity (Market):</b> Cadent to grow revenue streams through non-regulated activities in the wider group and/or to increase our RAV through the development of the network to support net zero demands.</p> <p><b>Timeframe</b> Medium (3–10 years) Long term (10+ years)</p> <p><b>Likelihood</b> More likely</p> <p><b>Financial impact</b> Very significant impact on revenue and RAV</p> <p><b>Cost of response</b> Very significant impact on investment</p> <p><b>Residual risk</b> More likely</p>	<p>Hydrogen and biomethane will need to play a significant role in the UK’s economy for decarbonisation. All hydrogen and biomethane 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> <p>The National Energy System Operator’s latest Future Energy Scenarios highlight that the UK must produce 64 TWh of biomethane annually by 2050 – up from just 7 TWh today – to meet legally binding climate targets, including net zero. There is significant untapped potential: recent research from the Green Gas Taskforce estimates the UK could technically produce up to 120 TWh of biomethane by 2050, without affecting domestic food production. We currently have 45 biomethane sites connected to our network, providing over 4TWh of low-carbon gas – enough to heat 350,000 homes. Our ambition is to support a rapid expansion of biomethane production of up to 20TWh by 2035. For us, this means facilitating up to 15TWh of biomethane production to connect to our network by 2032, through a transformed commercial, operational, and regulatory framework that creates capacity on the network.</p> <p>Hydrogen is set to play a key role in the UK’s clean energy future, and we are leading the way in developing regional hydrogen programmes that will help decarbonise industry, power, and homes. Our network is being upgraded so it can safely transport hydrogen, making us ready to support new hydrogen projects as they emerge. We are working on pioneering initiatives like HyNet, which aims to create one of the UK’s first hydrogen industrial clusters. By investing in hydrogen-ready infrastructure and collaborating closely with local partners, we are helping to create a flexible, resilient energy system that can adapt to future needs. Our goal is to make hydrogen a practical and affordable option for customers, while supporting the UK’s ambition to become a global leader in clean energy.</p> <p><b>➔ Read our Long-term Development Plan here.</b></p>

Risk/opportunity type and description		Our response
<b>Transition opportunity (Policy/legal)</b> Opportunities exist to accelerate reduction in our business carbon footprint through policy statements that provide funding for a faster transition to hydrogen and other low carbon gases.		Further government policy, guidance and action around the transition to net zero and the role gas networks play as part of this would accelerate the business' opportunities to reduce emissions across all Scopes (1, 2 and 3). Cadent will support government plans for large scale trials of hydrogen conversion. The government already has its Clean Power Mission, which schemes like HyNet that Cadent are involved in can support through low carbon electricity production.
<b>Timeframe</b>	Medium (3–10 years) Long term (10+ years)	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 45 biomethane production sites and we are looking to increase these to support the government's targets.
<b>Likelihood</b>	Equally likely as unlikely	
<b>Financial impact</b>	Major impact on revenue and investment	
<b>Cost of response</b>	Major impact on investment	
<b>Residual risk</b>	Equally likely as unlikely	
<b>Transition opportunity (Technological)</b> Cadent to play a significant role in the development of greener gases used in the UK economy (skills/ supply chain/commercial models, etc.).		Cadent is working with government, industries and communities to unlock the potential of greener gases (hydrogen and biomethane) across the UK, reduce our gas leakage and explore the value of hybrid heating systems in giving consumers choice in how they decarbonise. Increasing our biomethane connections is a key part of our strategy. Our network is connected to 45 biomethane production sites and we are looking to increase these to support the UK's climate targets, while delivering enhanced energy security.
<b>Timeframe</b>	Medium (3–10 years) Long term (10+ years)	We continue to work collaboratively with Anaerobic Digestion (AD) companies and the GDNs through the 'Customer Entry Forum' to drive standardisation for biomethane connections. Through this forum, the biomethane community expressed one of the key barriers to connecting is the cost of reinforcement with the cost recovered from a single 'triggering' party rendering many projects uneconomically viable. An industry review of these pricing arrangements is in progress.
<b>Likelihood</b>	Equally likely as unlikely	
<b>Financial impact</b>	Very significant impact on revenue and investment	
<b>Cost of response</b>	Major impact on operating costs	
<b>Residual risk</b>	Equally likely as unlikely	The Green Gas Support Scheme (GGSS) has provided the market with a sustainable financial and environmental future for biomethane to be injected into the gas grid as a direct replacement for natural gas. We continue to work on innovative ways to unlock capacity within constrained periods of the gas network to take biomethane during the low demand summer months.

### Climate-related scenario analysis

This year, Cadent carried out a full review of the climate-related risks and opportunities affecting the business. As part of this, and in line with TCFD recommendations, an updated scenario analysis was conducted, where the impacts of climate change on the business were considered assuming differing levels of global temperature change and the physical and transitional consequences associated with this.

The International Energy Agency's (IEA) scenarios were used as they are a reputable source of information regarding global energy projections, which are also explicitly linked to projections and scenarios of climate change. In particular, the IEA's latest World Energy Outlook report provided relevant and useful evidence of energy and climate change projections for Cadent's review of climate-related issues this year. The information explored as part of the scenarios was also supplemented by the National Energy System Operator's (NESO) Future Energy Scenarios, to give further context to energy transitions in the UK, which in turn helped us to map climate change scenarios more accurately for our business.

The scenario data is modelled using the Net Zero Emissions by 2050 (NZE) and Stated Policies (STEPS) scenarios, developed by the IEA, and the SSP1-2.6, SSP2-4.5 and SSP3-7 scenarios developed by the Intergovernmental Panel on Climate Change (IPCC).

The low-emissions scenario (IEA NZE) 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 the exploration of the resilience of Cadent's net zero transition strategy and emissions reduction plan.

The medium-emissions scenario (IEA STEPS) was used as it presents the implications of climate change under the current level of ambition of policies to address the issue and imagines that this continues to the end of the 21st century. It is imagined that global temperature rise would reach 2.6°C in this scenario. This would mean that, although not all national emissions reduction targets are achieved, the demand for all fossil fuels would decline by 2030 in advanced economies,

# Climate-related financial disclosures continued

## Strategy continued

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 SSP3-7 climate scenario data, and assumes that the reliance on fossil fuels continues at current levels, with little to no climate policy action, leading to large increases in GHG emissions and a 4°C global warming by 2100. This scenario is included in the climate scenario analysis to enable us to explore the potential physical climate-related risks under a 'worst case scenario' and develop appropriate mitigation strategies.

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 updated scenario analysis conducted this year allowed for a re-evaluation of risks and opportunities for Cadent, building on those previously disclosed by updating and adding further insight into how these issues might affect the business given its current strategy. The process took place over the final quarter of calendar year 2025, and involved two workshops, both attended by representatives from Cadent's Strategic, ESG, Risk, Legal, Operational and Financial teams.

The first workshop focused on updating the climate-related risks and opportunities for Cadent under the potential climate pathways. The second workshop was focused on quantifying the potential financial impacts of the identified risks and opportunities, developing suitable mitigation strategies and assessing business resilience.

For further details 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.

📖 **Read more in our Fourth Round Climate Change Adaptation report here.**

### 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 timeframe 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 43–51 TCFD page 61
b) Describe the organisation's processes for managing climate-related risks.	Principal risks pages 43–51 TCFD page 61
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Principal risks pages 43–51 TCFD page 61

### 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 43 – 51. 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, such as, 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 opportunities 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 deployed across the business, which is seen as an opportunity to reduce leakage across our network.

## Integrated risk appetite

### 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 targets

- 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

# Climate-related financial disclosures continued

## Metrics and targets

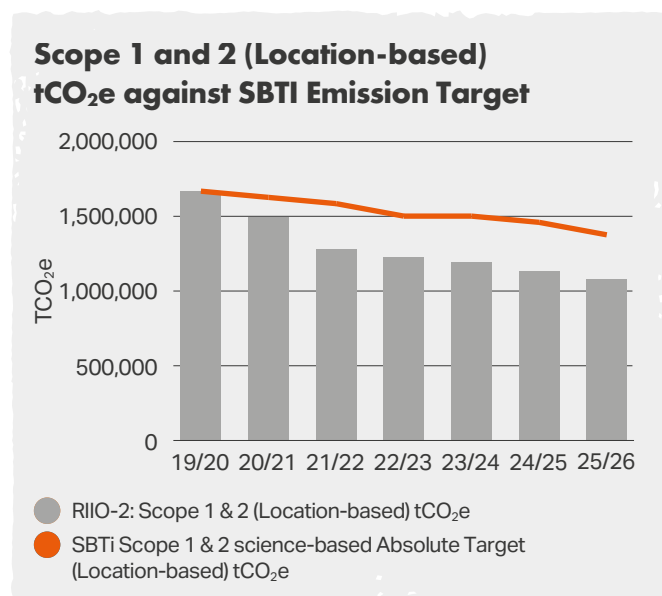
TCFD recommended disclosures	Our disclosures
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	TCFD pages 62–65
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks.	pages 67–68 TCFD pages 62–65
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	page 67 TCFD pages 62–65

### 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. 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. These metrics are reported each year in our Streamlined Energy Carbon Reporting (SECR) table (see page 68), which provides a transparent assessment of our carbon emission performance for the current year and provides the previous year’s data for comparison. Our Scope 1, 2 and partial Scope 3 (Category 6 – business travel) have third-party verified in accordance with ISO 14064-3.



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 Scope 1 and 2 emissions reduction target was developed with the Carbon Trust in 2021, and aligned with the science-based target initiative pathway.

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 annually in our Annual Environmental report. Our Environmental Action Plan commitments are monitored by the Environmental Action Plan Working Group, chaired by our Director of Safety, Health and Environment.

We continue to review the reporting of our indirect emissions from the supply chain, both up and down stream of Cadent's activities and operations. During 2025/26, we started to report on emissions associated with fuel and energy related activities and waste generation from our offices and operations. 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 our mains replacement contractors to review their Scope 3 emissions and review opportunities to reduce these (see page 65 for progress to date).

Our metrics are monitored monthly through the Safety and Engineering Committee and Executive Committee, and the Board-level Sustainability Committee has oversight of the metrics and targets at each Committee meeting.

Our progress against our commitments is published annually as part of our Annual Environmental report, with the latest report published in October 2025.

### Scope 1, Scope 2, and Scope 3 GHG emissions

Our current GHG reduction target is to reduce Scope 1 and 2 emissions (location-based), by 43% by 2036 against a 2019/20 baseline year – aligned with a well below 2°C pathway. We are committed to monitoring and reviewing our performance, updating it as necessary in line with the latest climate science and modelling, recognising that the future energy landscape is likely to change rapidly over this period.

The SECR disclosure details GHG emissions and energy use data (Scope 1, 2 and 3 emissions) for 1 April 2025 to 31 March 2026 can be found on page 68.

➤ **Our Executive remuneration is aligned with our long-term sustainability ambition (see page 100).**

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)	We disclose emissions across our direct and indirect emissions, including the value chain. This includes emissions from our operations, fleet, Polyethylene (PE) pipes and contractor commercial vehicles, as well as intensity metrics.	See pages 67-68 and table on page 68
Transition risks – the amount and extent of assets or business activities vulnerable to transition risks	Cadent recognises that there is 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 and a high electrification route. We are continuing to assess what impact these scenarios will have on our assets.	See climate-related scenario analysis on page 59
Physical risks – the amount and extent of assets or business activities that are 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 60
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 pages 58 and 59
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 are 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 pages 56 to 59
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 97 to 99

## Describe the targets

Cadent is leading in efforts to support the UK in meeting its 2050 emissions-reduction ambitions. Shrinkage – primarily methane leakage from the network – remains the most significant impact in our GHG Scope 1. We are working to reduce through our mains replacement programme and facilitating the flow of low-carbon 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. For 2025/26 our net zero emissions target was 1,374,837 tCO<sub>2</sub>e, and the actual was 1,080,467.53 tCO<sub>2</sub>e, a 35% reduction against the baseline (baseline was 1,659,151 tCO<sub>2</sub>e).



# Climate-related financial disclosures continued

## Metrics and targets continued

### PE pipe manufacturer Radius Systems has net zero carbon emissions targets validated by SBTi

Radius Systems Ltd is a leading UK-based manufacturer of polyethylene (PE) pressure pipe for the distribution of natural gas and hydrogen, amongst other uses. In 2022, the directors of the business acknowledged the damage being done to the environment due to human activity, and committed the business to net zero greenhouse gas emissions by 2045 as our vital response to managing climate change and sustaining our quality of life in the future.

With the support of energy and carbon consultants Envantage, Radius quantified their Scope 1, 2 and 3 emissions in accordance with the Greenhouse Gas Protocol: A Corporate Reporting Standard and set science-based targets for their reduction to zero by 2045. These targets were submitted to the Science Based Targets Initiative (SBTi) in December 2024 and were validated in March 2025.

Understanding the composition of Radius's GHG inventory has enabled them to: understand the scale and nature of the challenge ahead; identify opportunities for immediate action; and plan for the elimination of greenhouse gas emissions from all of their operations over the next 20 years.

Looking forward, Radius has already developed some strategies to support their drive to net zero and will be working hard with their supply chain and Cadent to develop more.

"We are proud that Radius Systems Ltd is one of only 30 corporate-scale building products manufacturers in the world to have committed to reach net zero greenhouse gas emissions across its value chain by 2050 – in fact by 2045 – consistent with the reductions required to keep warming to 1.5°C. With the support of our supply chain and our customers we can, and we must, make our contribution to the vital global endeavour to limit human-induced climate change" Simon Jones, Sustainability Manager, Radius Systems Ltd.



# 94.70%

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

After carbon dioxide, methane is the second greatest contributor to climate change. In fact, methane's ability to trap heat in the atmosphere is even stronger than that of carbon dioxide. On a 100-year timescale, methane's global warming potential is 29.88 times that of carbon dioxide. 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 assets that have a high leak rate and 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. Additional leakage reductions can be achieved through the application of gas conditioning at yarn joints within the iron pipe network, over time, the mains replacement programme will replace a large proportion of the mains that benefit from gas conditioning.

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. By 2025/26, a total of 1,952 theft of gas cases were under investigation, and £9.6 million has been recovered from theft of gas cases, meaning we have met our RIIO-2 target. We are supporting the Stay Energy Safe awareness campaign, together with the gas industry, to show the dangers of gas theft; to reduce and deter meter tampering as a harmful crime; and to promote anonymous reporting. The aim is to make gas theft socially unacceptable, regardless of circumstances or situation – safety always comes first.

### Our Scope 1 key emissions areas are:

# 1.15%

### fuel use for our commercial and company vehicles

Switching our commercial vehicles to electric and transitioning employee company cars to either electric or hybrid, has been central to supporting the reduction of our business carbon footprint. To support this shift, we have installed 67 charging points across our sites and have rolled out faster chargers for our operational fleet. In addition, we have a fleet of 6 HGV's which run on CNG (compressed natural gas). We have achieved a 44% reduction in our business mileage intensity since 2019/20 against a target set at the start of RIIO-2 of a 15% reduction.

## Reducing the loss of methane from the network

Cadent's advanced leakage management approach has a simple aim: to detect leaks faster, make the network more efficient and safer, and ultimately lower customer bills. It comprises three parts: data collection, analysis, and intervention.

### Scale of the challenge

Compared to the size of the gas networks, methane leakage is minimal, with just 0.4% of all gas transported through the country's pipes lost through leaks. However, it has a significant impact on both customer bills and the environment. Tackling leakage, therefore, massively drives down the environmental impact of the gas network.

Current methods of identifying and addressing leaks on the gas network still largely rely on someone smelling gas and reporting it. Picarro's collaboration with Cadent began in November 2021, with the goal of advancing methane emissions reduction, network safety, and regulatory leadership. This partnership has demonstrated how Cadent's emission reduction can be accelerated, how operational efficiencies can be achieved and has driven our regulators to support us, including the adoption of a new emergency repair threshold based on emission flow rate rather than traditional concentration-based methods. This approach, validated through joint work with regulatory bodies such as HSE and Ofgem, has modernised Cadent's leak response and contributed to measurable reductions in public reported escapes and overall emissions.

The vehicles are fitted with Picarro's advanced leakage detection (ALD) technology, which comprises four gas inlets on the front, to sniff out the leaks; an anemometer on the roof, which measures wind direction and speed; and an analyser, effectively a computer, in the boot. Data from this technology flows into the DPLA platform, where the Leak Indications (LI) that it produces are categorised, which dictates the intervention applied to them.

# 0.08%

## emissions from gas used at our sites

We remain committed to our procurement of 100% certified renewable energy to meet our energy needs, and have continued to trial several hydrogen or solar alternative plant and machinery at construction sites.

## Our Scope 2 emissions are

# 0.28%

## of our overall business carbon footprint (location-based) from electricity consumption

We remain committed to our procurement of 100% certified renewable energy to meet our energy needs, supported by annual Renewal Energy Guarantees of Origin. We have installed solar PV across 6 of our locations and reduced our electricity consumption by 1.17 GWh since 2024/25.

## Our most material Scope 3 emissions currently measured are:

# 1.04%

## emissions from the production of PE pipe

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

To understand the 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 to reduce the embodied carbon in the PE pipe. Our suppliers have been working tirelessly, improving the energy efficiency in the manufacturing process, reducing scrap and improving transportation efficiency, which all contributed to decreasing embodied carbon reported to Cadent. In 2025/26, 11,639.68 tonnes of CO<sub>2</sub> came from the manufacture of PE pipe.

# 2.27%

## 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 was '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 addressing the issue of emissions from our contractor commercial vehicles. In 2025/26, 25,528.08 tCO<sub>2</sub>e came from our local delivery partner vehicle emissions, a 13% increase compared with 2024/25 due to the final year of RIIO-2 mains replacement delivery plan.

# Climate-related financial disclosures continued

## Metrics and targets continued

### Reducing Scope 3 emissions

Cadent has partnered with one of its Principal Contractors, Stanmore Quality Services (SQS), to conduct a six-month operational trial across the North London network. The objective was to understand the real-world impact of switching from traditional diesel to Hydrotreated Vegetable Oil (HVO) across SQS's plant, fleet, and machinery. This initiative formed a key part of Cadent's strategy to reduce Scope 3 emissions within its supply chain.



Hydrotreated Vegetable Oil (HVO) is a renewable diesel made by hydrotreating vegetable oils, animal fats, or waste oils to produce a fuel that is chemically almost identical to conventional diesel. Because of this, it can be used as a direct drop-in replacement for fossil diesel, while significantly reducing CO<sub>2</sub> emissions.

SQS agreed to transition all relevant diesel-powered assets used on Cadent projects to HVO fuel for a six-month period. Throughout the trial, the trial team monitored fuel consumption, operational performance, maintenance requirements, and emissions data.

The case study demonstrated several positive outcomes:

- significant emissions reduction: HVO fuel delivered a substantial decrease in Scope 3 carbon emissions compared to diesel, reducing SQS's fuel emissions by approximately 74% compared to the previous six-month period;
- no operational disruption: Machinery and vehicles performed reliably with no measurable loss in power or efficiency;
- minimal transition barriers: HVO was compatible with existing equipment, requiring no modifications or downtime; and
- improved air quality benefits: Lower particulate and NO<sub>x</sub> emissions supported cleaner working environments for our workforce and local communities.

Bradley Worrell, Environmental Specialist, said: "This trial with Stanmore Quality Services has shown that switching from diesel to HVO can deliver meaningful carbon reductions without disrupting performance and programme. It proves that practical, low-carbon alternatives are already within reach, and that collaboration across our supply chain is key to accelerating Cadent's progress on Scope 3 emission reduction."

### Net zero and financial impact

We recognise the urgent challenges faced by successfully navigating the different pathways to deliver net zero, an area we are leading in to develop a hydrogen-energy future and increase biomethane connections. We have included enhanced disclosures in the financial statements prepared under IFRS to explain how we have considered the financial impacts of climate change, 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. Additionally, our ESG credentials strengthen discussions with all three credit rating agencies, with these credentials being considered as the maintenance of a robust overall rating.

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

# Climate-related financial disclosures

## Business carbon footprint

Our business carbon footprint (BCF) includes Scope 1, 2 and 3 emissions, including shrinkage and is reported in tCO<sub>2</sub>e using DESNZ's 2025 conversion factors.

In 2025/26, our total BCF decreased compared to 2024/25 by 5.09%, 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 15% since 2024/25.

In April 2025, the SBTi paused the development of an Oil and Gas Standard, and we are unable to seek formal verification of our net zero pathway and targets.

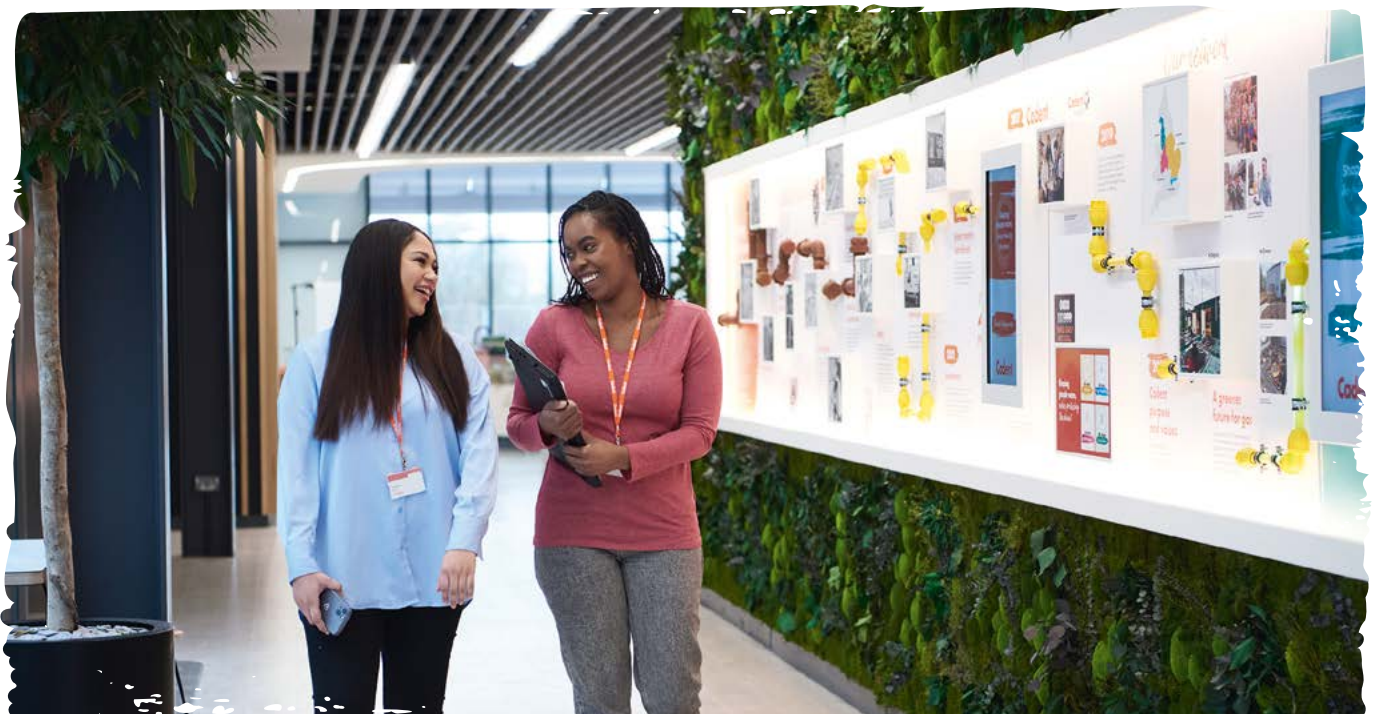
During 2025/26, we have remodelled our emissions and reduction trajectory based on the latest climate science against a well below 1.5C pathway and ahead of the next price control period.

We delivered the following progress during the final year of our RIIO-2 Environmental Action Plan to reduce our carbon footprint.

- **Scope 1** – 505 EV first responder vehicles in our Fleet, delivering 6320.21 tCO<sub>2</sub>e. emission reduction since the start of RIIO-2 (2021/22).
- **Scope 1** – Ongoing 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** – Continued EV/Hybrid company car policy. In 2025/26, our 1,135 fleet, comprised of 68% EV and 32% Hybrid. For our commercial fleet, we are leading with 453 EV across the networks and have installed 344 home chargers for our First Responders.
- **Scope 2** – Continued procurement of renewable electricity, supported by Renewable Energy Guarantees of Origin (REGOs), 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 46.11 tCO<sub>2</sub>e since 2021/22. 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 progress due to supplier initiatives during the manufacturing and transportation process. Projects have included solar panels on sites, renewable energy contracts and low-emissions transport.
- **Scope 3** – We've expanded our reporting categories under Scope 3 to now include emissions associated with waste from offices and operations and hotel stays by employees. We continue to explore data quantity and quality through our supply chain to further improve reporting upstream and downstream of our operations.

Excluding shrinkage, our Scope 3 emissions make up the majority of our BCF at 66.35%. Further understanding of our emissions in this area will help us work more effectively with suppliers, supported by regular contract engagement focused on reducing embedded carbon.



# Climate-related financial disclosures continued

## Business carbon footprint continued

### Streamlined Energy and Carbon Reporting (SECR)

The table below sets out our business carbon footprint in tonnes of CO<sub>2</sub> equivalent (tCO<sub>2</sub>e). GHG emissions and energy use data for 1 April 2025 to 31 March 2026, and figures marked \* have been updated following Regulatory submission.

	Reporting year 2025/26	Comparison reporting year 2024/25
<b>Scope 1 and 2 (Direct emissions)</b>		
<b>Scope 1</b>		
Gas usage from our sites (Location-based)/tCO <sub>2</sub> e	930.36	826.25
Gas usage from our sites (Market-based)/tCO <sub>2</sub> e	–	–
Natural gas shrinkage (Leakage + Theft of Gas + Own use of gas)/tCO <sub>2</sub> e	1,063,413.80	1,118,318.29*
Fuel usage from Commercial vehicles, company cars and plant machinery/tCO <sub>2</sub> e	12,987.06	15,326.75
Emissions from refrigeration equipment/tCO <sub>2</sub> e	33.86	54.26
<b>Total Scope 1</b>	<b>1,077,365.08</b>	<b>1,134,525.55*</b>
<b>Scope 2</b>		
Purchased electricity for own use (Location-based)/tCO <sub>2</sub> e	3,102.45	3,871.12
Purchased electricity for own use (Market based)/tCO <sub>2</sub> e	–	–
<b>Total Scope 2</b>	<b>3,102.45</b>	<b>3,871.12</b>
<b>Total Scope 1 and 2 (Location-based)/tCO<sub>2</sub>e</b>	<b>1,080,467.53</b>	<b>1,138,396.67*</b>
<b>Total Scope 1 and 2 Excluding Shrinkage (Leakage + Theft of Gas + Own use of Gas/ Location-based)/tCO<sub>2</sub>e</b>	<b>17,053.73</b>	<b>20,078.38</b>
<b>Total Scope 1 and 2 (Market-based)/tCO<sub>2</sub>e</b>	<b>1,076,436.02</b>	<b>1,133,699.30*</b>
Scope 1 and 2 Energy consumption/kWh	999,411,044.50	1,054,369,913.99*
Intensity metric: Total Scope 1 and 2 (Location-based) tCO <sub>2</sub> e per £m turnover	434.00	524.24*
Intensity metric: Total Scope 1 and 2 (Location-based) tCO <sub>2</sub> e per km of our gas network	8.66	9.12*
<b>Scope 3 (Indirect emissions)</b>		
Business travel/tCO <sub>2</sub> e (Rail, air, car hire, hotel stays and private vehicle (grey fleet) use)	460.00	657.35
Contractor vehicles/tCO <sub>2</sub> e	25,528.08	22,541.87
Purchased Goods and Services (e.g. aerial surveys)/tCO <sub>2</sub> e	11,799.79	15,398.63
Waste Management/tCO <sub>2</sub> e	603.98	869.47
Fuel and Energy-related activities/tCO <sub>2</sub> e	4,089.54	N/A
<b>Total Scope 3 emissions/tCO<sub>2</sub>e</b>	<b>42,481.39</b>	<b>39,467.32</b>
<b>Total annual net emissions/tCO<sub>2</sub>e</b>	<b>1,122,948.92</b>	<b>1,177,863.98*</b>
<b>Intensity metric: Total emissions/tCO<sub>2</sub>e per km of network length</b>	<b>9.00</b>	<b>9.44*</b>
<b>Intensity metric: Total emissions/tCO<sub>2</sub>e per £m turnover</b>	<b>451.06</b>	<b>542.41*</b>
<b>Intensity metric: Total emissions/tCO<sub>2</sub>e per GWh throughput</b>	<b>5.23</b>	<b>5.13*</b>

### Background

All data is for the period 1 April 2025 to 31 March 2026 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 on the emissions associated with Scope 1 HVO fuels under Commercial Fleet, kWh from commercial fleet electricity charge, and Scope 3 emissions for hotel stays, waste from our operations and offices and Well to tank under Category 3 for Fuel and Energy-related activities.

Methodology: All data provided here is in line with the annual carbon footprint reporting to Ofgem using the 2025 DESNEZ conversion factors, which are 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 reflect full disclosure under Ofgem requirements and reporting. Since 2021/22, Private Vehicles for business use 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 energy (gas and electric) 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 for all gas distribution networks.

## Environmental, Social and Governance (ESG) sustainability benchmark assessments

Throughout 2025/26, we continue to perform in the upper quartile across each of the three external benchmarks we participate in, setting the standard amongst UK gas utilities, and are the only UK Gas Distribution business to complete disclosure through CDP.

In August 2025, we received a Sustainalytics ESG risk rating score of 21.9 (medium risk). Effective 1 July 2025, Sustainalytics stopped collecting non-public information from issuers to enhance transparency and rely solely on publicly available information. Our score moved from low-risk to medium-risk reflecting the methodology change.

Our GRESB (Global Real Estate Sustainability Benchmark) benchmark achieved a sector-leading score of 100 out of 100 and rated five stars against our peers. We are now recognised as a global leader in the infrastructure asset class.

The MSCI (Morgan Stanley Capital International) rating remained at AAA, reflecting our continued strong ESG performance.

More can be found about our sustainability commitments through our Sustainability Policy at: [www.cadentgas.com](http://www.cadentgas.com).

We voluntarily completed CDP's climate assessment and were awarded a B rating, classed as 'Management' level.

### Our sustainable supply chain

We have continued to work closely with our supply chain partners during 2025/26, 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 1,577 (supplier attendees at training) at workshop events and suppliers completing over 4,358 e-learning modules in 2025/26.

### Circular economy and waste

We continue to support the circular economy approach by reducing resource use, reusing where possible and increasing recycling. Working with our contractors on mains replacement, we are monitoring the use of virgin aggregate and the tonnage of spoil sent to landfill. We achieved the following performance for waste and resource use:

- 3.46% of our waste from excavations was sent to landfill, against a target of less than 5%; and
- against a target of less than 10% of backfill is virgin first-use aggregate in North West and East of England, and less than 5% in West Midlands and North London:
  - North West: 0.01% met this target;
  - East of England/ East Midlands: 1.63% met this target;
  - West Midlands: 2.85% met this target; and
  - North London: 2.08% met this target.



## Supplier Sustainability Awards

**In 2026, the Procurement Team launched Cadent's Sustainability Awards. This awards ceremony celebrates the exceptional achievements of our supply partners who are making a positive impact across Cadent's three sustainability pillars.**

Shortlisted suppliers from across the organisation were invited to our headquarters in Ansty to see if they'd won a coveted Cadent Congratulates Sustainability Award.

Over 50 high-level entries competed for an eventual nine category wins, split by small, medium and large suppliers, across our three pillars of Easier Warmth, Fairer Opportunities and Greener Society.

Speedy Hire was named Overall Winner for delivering impactful programmes that advance both sustainability and inclusion. Their successful trial of battery-powered tools and lighting cuts fuel use, noise and emissions, while maintaining safety and productivity together with their sector-leading 'Part of the Family' strategy that drives measurable improvements in wellbeing, retention and future skills, demonstrating real leadership in building a sustainable and inclusive workforce.

A huge congratulations to all the shortlisted suppliers and an even bigger shoutout to our incredible 2026 winners! We're inspired by every organisation that took part – thank you for helping us build a more sustainable, inclusive, and resilient future.

# Climate-related financial disclosures continued

## Business carbon footprint continued

### Recycled aggregate

Cadent partnered with JN Civils to implement a sustainable solution for processing their operational waste materials. Cadent produces substantial volumes of waste material through its operations and historically, much of this material would have been sent to landfill, contributing to higher environmental impact and increased costs. JN Civils and Cadent sought a more efficient and environmentally responsible alternative that would support waste reduction, material reuse, and compliance with internal and regulatory targets.

JN Civils now provides access to a recycling washing plant constructed in 2025, capable of processing waste streams into high-quality recycled aggregates. Waste material generated by Cadent is transported to the washing facility, where it is processed and converted into recycled aggregates. With the new processing capacity, JN Civils can now process Cadent material and have this reintroduced into the supply chain and, where appropriate and supporting a circular economy model.



The partnership has delivered clear environmental and operational benefits:

- reduction in waste sent to landfill;
- increased recovery and reuse of materials;
- decreased reliance on virgin aggregates;
- lower overall carbon footprint associated with material sourcing and disposal; and
- demonstrable progress toward environmental and sustainability targets.

Office and depot waste reduction initiatives continue to deliver strong performance, with depot general waste down by 134 tonnes in 2025/26 from the previous year. Improved segregation, signage and controls have increased recycling rates. Since 2020/21, we have reduced general waste by 49%, exceeding annual targets set each year.

The Networks have led on several initiatives to raise awareness, such as re-ordering the waste skips in the yards, weekly skip inspections, trialling on-van waste segregation bags and hosting the first Waste Awareness Day. This event brought colleagues from across the business, our waste contractors and the Supply Chain Sustainability School to reflect on process and manage our environmental impact through waste. Workshops looked at barriers, challenges and sharing of best practice from around Cadent.

# 3.46%

waste from excavations was sent to landfill in 2025/26. Our target is less than 5%.

# GRESB Sector Leader

Five-star rated, Infrastructure Asset Class Leader (Gas Distribution companies) and Infrastructure Asset Super Class Leader (Network Utilities).



GRESB  
INFRASTRUCTURE  
sector leader 2025



# Corporate governance

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## Chair's statement on corporate governance



**Board priorities have included the price control process and RIIO-3 readiness.**

**John Holland-Kaye**  
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 following pages detail the application of these principles over the past year. Directors' duties under Section 172 of the Companies Act 2006, which align with the Wates Principles, are addressed on pages 36 to 40.

The Board maintained close oversight of Cadent's strategic priorities, operational performance and readiness for the next regulatory period. Particular focus was given to the RIIO-3 price control process, cyber resilience, the Future of Gas programme and the People Strategy. The Board was satisfied that Cadent concluded RIIO-2 successfully and has a clear plan to deliver strong customer outcomes under the RIIO-3 settlement.

The Board Committees continued to play a key role in supporting the Board through their detailed review and scrutiny. Their contributions enhance the Board's decision-making and oversight. More details about the Committees' work are available on pages 85 to 109.

A structured programme of site visits, "show and tell" sessions and engagement with Cadent's EDI communities gave Board members regular opportunities to hear directly from Cadent colleagues and gain insight into culture, people strategy and EDI priorities.

During the year, an internally facilitated Board effectiveness review confirmed that the Board and Committees are operating well, with balanced agendas and appropriate support and challenge for the executive team. Suggested refinements were discussed and actioned.

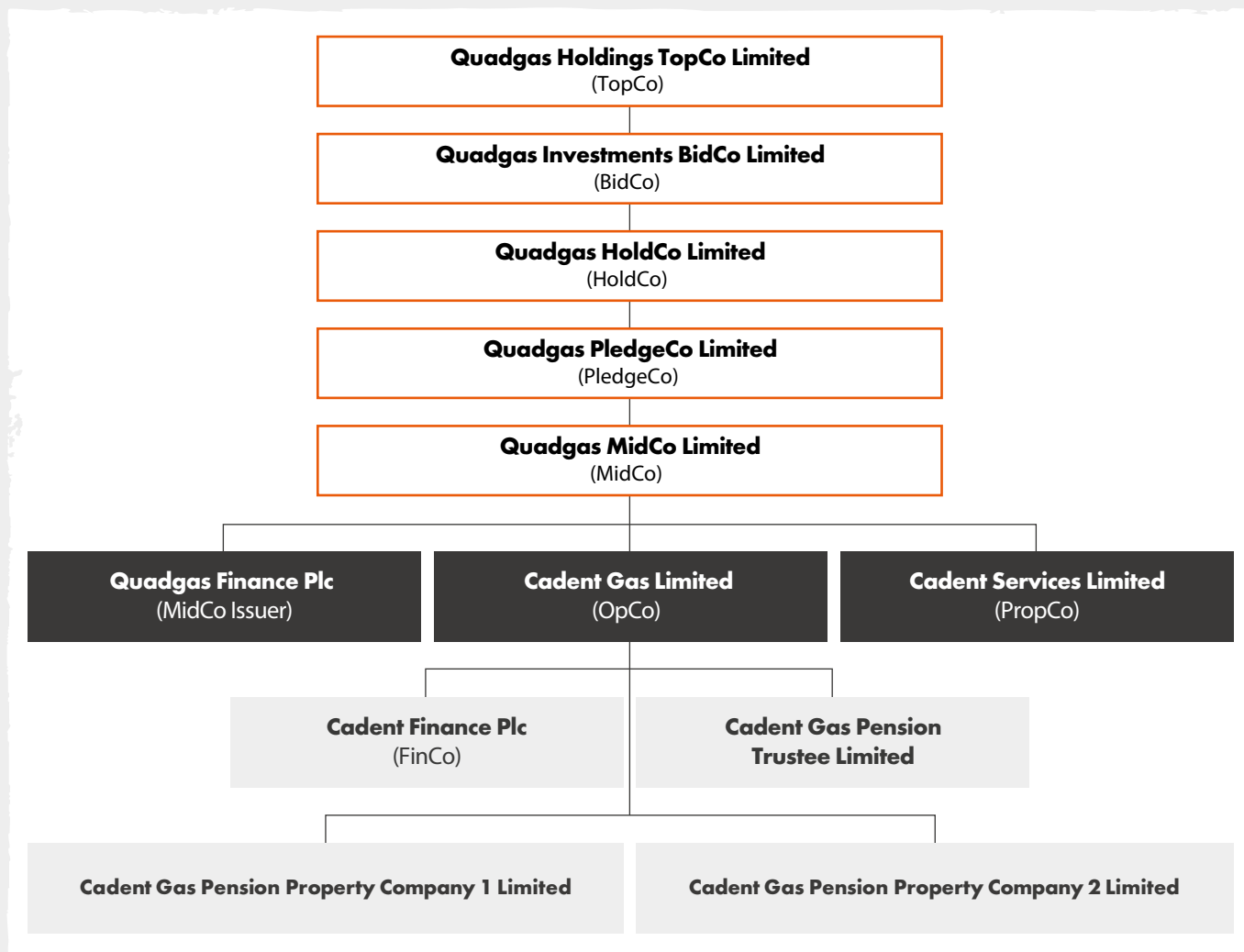
Finally, I would like to recognise the considerable contributions made by former Chair, Sir Adrian Montague and non-executive director David Xie who stepped down in January 2026 and March 2026 respectively. I am also pleased to welcome Sara Sulaiman and Bo Fang to the Board as non-executive directors, with Sara joining in October 2025 and Bo in March 2026.

**John Holland-Kaye**  
Chair

25 June 2026

# 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 2026.



## Our owners

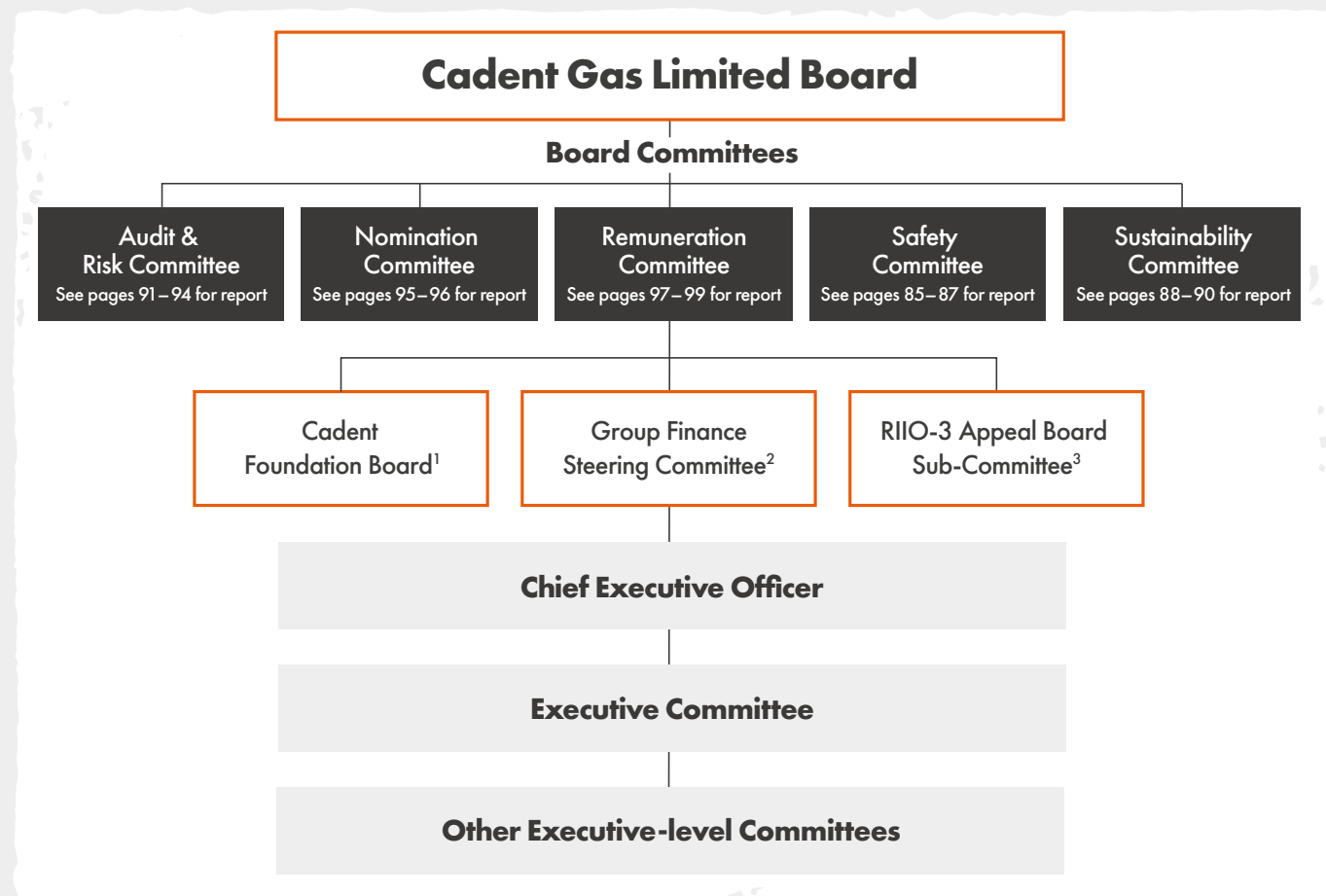
The Quadgas Group is owned by a consortium of investors (the shareholders) who hold shares in Quadgas Holdings TopCo Limited.

## 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. Providing oversight to the Cadent Foundation. (Members: Catherine Bell (Chair), Gary Baron (Cadent Executive), Mark Braithwaite, Graham Cooley, Emma Howell, Paul Smith, and Linda Minnis (Charities Trust.))
2. A specialist forum for review and discussion on financing matters to inform Board decision-making. (Members: Eduard Fidler (Chair), Gary Baron, Mark Braithwaite, John Holland-Kaye, Emma Howell, Alistair Ray and Sara Sulaiman.)
3. Established in January 2026, to provide strategic oversight and guidance on significant decisions arising during the CMA appeal process. (Members: John Holland-Kaye, Steve Fraser, Catherine Bell, Mark Braithwaite, Neil Corrigan, Simon Fennell and Ed Fidler.)

# Board of Directors

## The following pages show details of the Directors of Cadent Gas Limited and their membership on Board Committees, for the 2025/26 financial year.

Our Board consists of three Executive Directors, three Sufficiently Independent Directors (including the Chair), one Independent Director and eleven Shareholder Nominated Directors. 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 110.

## 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 Board Director of the FTSE100 water company United Utilities. He has a degree in Management Studies and a master's degree 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 Manchester Airports Holdings 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**  
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 and Independent Directors



**John Holland-Kaye**  
Chair  
Sufficiently Independent  
Director

#### Appointed

February 2026 as Chair  
(previously appointed SID from  
September 2025)

#### Committee membership

Nomination (Chair); Group Finance  
Steering Committee; Cadent  
Foundation Board

#### Skills and experience

John brings over 30 years of leadership experience across executive and non-executive roles in complex, regulated sectors, including energy, transport and utilities. He served as CEO of Heathrow Airport from 2014 to 2023, leading its transformation into one of the world's leading airports. Having joined Heathrow in 2009 as Commercial Director, he later became Development Director, overseeing a £1 billion annual capital programme and delivering Terminal 2 on time and to budget. Earlier in his career, he held senior roles including Divisional CEO at Taylor Wimpey, Managing Director of National Sales at Bass Brewers and Manager at L.E.K. Consulting. John brings extensive experience of working with government, regulators and investors, alongside significant board experience, including non-executive roles at Thames Tideway, Thames Water and Mace, and expertise in safety, sustainability and stakeholder engagement.

#### Other key external appointments

John is Non-Executive Chair for Sizewell C; Board Adviser for Stonehaven Global and Chair of Governors at Bedford School.



**Dr Catherine Bell CB**  
Sufficiently Independent  
Director

#### Appointed

September 2016

#### Committee membership

Nomination; Remuneration;  
Safety; Sustainability; Cadent  
Foundation Board (Chair)

#### 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**  
Sufficiently Independent  
Director

#### Appointed

February 2021

#### Committee membership

Audit & Risk; Nomination;  
Remuneration (Chair);  
Sustainability (Chair);  
Cadent Foundation Board

#### 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.

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

#### Other key external appointments

Paul is currently the Non-Executive Chair of Capstone Infrastructure; a Non-Executive Director of Green Recovery Projects Ltd; a Senior Adviser to Icon Infrastructure LLP and to A.T. Kearney Ltd (management consultants).



**Mark Braithwaite**  
Independent Director

#### Appointed

November 2025 as Independent Director (previously appointed Shareholder Nominated Director from March 2017)

#### Committee membership

Audit & Risk (Chair);  
Group Finance Steering;  
Nomination; Remuneration;  
Cadent Foundation Board

#### 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 trustee of a wildlife charity in the UK.

## Shareholder Nominated Directors



### Deven Karnik

**Appointed**  
March 2017

**Alternate**  
Arturo Carta  
(appointed May 2025)

#### Skills and experience

Deven is the Head of Infrastructure at Qatar Investment Authority (QIA). He has over 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.



### Simon Fennell

**Appointed**  
June 2019 as a Director  
(previously appointed Alternate Director from May 2019)

#### Committee membership

Audit & Risk; Nomination; Safety; Sustainability

#### 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.



### Mark Mathieson

**Appointed**  
November 2018

**Committee membership**  
Nomination; Safety (Chair)

#### Skills and experience

Mark was appointed as a Managing Director in Macquarie Infrastructure and Real Assets (MAM) 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 three regulated electricity companies. 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.



### Eduard Fidler

**Appointed**  
June 2019 as a Director  
(previously appointed Alternate Director from November 2018)

#### Committee membership

Group Finance Steering (Chair); 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



### Hua (Helen) Su

#### Appointed

May 2021 as a Director (previously appointed Alternate Director from August 2018)

#### Alternate

Xiaotian (Zoe) Sun (appointed March 2026)

#### Skills and experience

Helen 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.



### Neil Corrigan

#### Appointed

May 2022

#### Committee membership

Audit & Risk; 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.



### Alistair Ray

#### Appointed

July 2023

#### Committee membership

Audit & Risk; Group Finance Steering; Nomination

#### Skills and experience

Alistair co-founded Dalmore Capital in 2009 and is CIO. He is a Dalmore board member, as well as being on the Executive and Investment committees. As CIO, Alistair is responsible for the asset management and investments into infrastructure assets on behalf of Dalmore investors. Prior to establishing Dalmore, Alistair held senior positions in infrastructure investment businesses, including at Edison Capital, Noble Group, Merrill Lynch and as a founding member of the infrastructure team at 3i Infrastructure plc. Alistair currently sits on the boards of Cory and Cadent and, until recently, sat on the board of Thames Tideway.

Alistair holds a Bachelor of Engineering honours degree.



### Graham Cooley

#### Appointed

January 2024

#### Committee membership

Sustainability; Cadent Foundation Board

#### 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 Gelion, Trustee of The Arcola Theatre and Patron at CleanupUK.



## Emma Howell

**Appointed**  
March 2024

**Alternate**  
Desmond Wilkins  
(appointed August 2021)

**Committee membership**  
Audit & Risk; Group Finance  
Steering; Nomination;  
Sustainability; Cadent  
Foundation Board

**Skills and experience**  
Emma is Head of the  
Infrastructure team at Federated  
Hermes, having previously been  
Co-Head of Infrastructure and  
Head of Asset Management.  
She is responsible for all aspects  
of the Investment team's  
activities at Federated Hermes  
Infrastructure and is a member  
of the Infrastructure Investment  
Committee. Emma has over  
20 years' experience in the  
infrastructure sector and prior to  
joining Federated Hermes, was a  
Director at Deloitte LLP.

Emma is a qualified  
Chartered Accountant.

**Other key external  
appointments**  
Board Director of Eurostar Group  
and Rivington Energy.



## Sara Sulaiman

**Appointed**  
October 2025

**Committee membership**  
Group Finance Steering;  
Remuneration

**Skills and experience**  
Sara joined Macquarie in  
June 2025 and is a Managing  
Director at Macquarie Asset  
Management. She has over 25  
years' experience in the energy,  
industrials and infrastructure  
sectors within industry as well as  
investment banking and principal  
investing. She started her career  
at Petroleum Development  
Oman and Shell Chemicals  
and then moved to corporate  
finance advisory and investment  
banking at KPMG and Simmons  
and Company International, a  
boutique energy investment bank.  
Since then, Sara has accumulated  
over 14 years of experience as a  
principal investor; starting at Arle  
Capital Partners, a mid-market  
European private equity fund and  
most recently at the Infrastructure  
Investment Group within J.P.  
Morgan Asset Management  
where Sara had portfolio and  
origination responsibilities  
across utilities, midstream and  
adjacent sectors. During her  
time at J.P. Morgan, Sara was  
a Non-Executive Director on  
the boards of Southern Water,  
Nortegas (a Spanish regulated  
gas distribution business), and  
North Sea Midstream Partners.  
Sara is an Omani national,  
with a B.A. in Economics  
from Yale University and an  
MPhil in Economics from  
the University of Cambridge.  
She is a CIMA-qualified  
management accountant.

**Other key external  
appointments**  
Board Director for London  
City Airport.



## Bo Fang

**Appointed**  
March 2026

**Alternate**  
Xiaotian (Zoe) Sun  
(appointed March 2026)

**Skills and experience**  
Bo 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, Bo worked  
in the investment department  
at China National Petroleum  
Corporation (CNPC).

# Corporate governance report

## Purpose and leadership

Pursuant to the Companies (Miscellaneous Reporting) Regulations 2018, the Company applies the Wates Corporate Governance Principles for Large Private Companies. Our Board is committed to maintaining governance arrangements that are proportionate to Cadent's scale, the critical public service we provide, and the regulatory framework under which we operate. This approach supports delivery of our purpose, values and commitments, and promotes the Company's long-term success for the benefit of stakeholders.

### 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 papers cover every element of operations, including customer satisfaction, mains replacement, safety, asset data, supply resilience and system operation; they also discuss future planning topics like organisational transformation. Additionally, Network Directors share targeted updates about their specific areas, showcasing projects aimed at improving performance. Through these updates, the Board is assured that the organisation's purpose is clearly understood, efficiently managed, and successfully delivered. These insights also guide strategic planning and decisions.

Alongside operational performance, the company's Future of Gas Programme is integral to its purpose. The Board's broad oversight and input is informed through a standing slot at each Board meeting where papers and updates on key aspects of the programme are considered. Senior business leaders and external consultants deliver presentations covering topics such as planned biomethane scale-up and ongoing enabling initiatives; status updates on the HyNet project; and insights and analysis of significant policy decisions, the wider political context and their impact on Cadent and the programme. The Board also holds an annual strategy day, allowing opportunity for extended reflection and discussion outside the standard board cycle.

### Values and culture

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

The Board has continued to oversee the progression of our EDI strategy through scrutiny of focused reports from the Chief People Officer and his Senior Leadership team. Priorities for 2025/26 included sustaining success through ongoing visible leadership engagement as well as advancing disability confidence and further strengthening anti-racism efforts.

In addition, at every Board meeting, representatives from one of our seven employee-led ED&I communities share updates on ongoing initiatives, practical steps taken to bring about cultural change and the positive difference this makes to the employee experience.

Employee safety, health and wellbeing are priorities within Cadent's culture. Overseen by the Safety Committee, all key aspects of health and safety management, including occupational safety, process safety and occupational health and wellbeing were developed and improved during the year. This demonstrates the commitment to deliver the Safe+Well Framework, aimed at going beyond routine management of occupational health to enrich the health and wellbeing of employees. Reports were also received on Safe+Well survey feedback, illustrating employee engagement with the framework.

Our established Force for Good Framework remains the over-arching structure through which Cadent delivers positive societal impact for our customers, colleagues and wider communities. Focusing on outcomes of 'Easier Warmth', 'Fairer Opportunities' and 'Greener Society', employee engagement is crucial to its success, with the opportunity to make a positive difference being an important element of Cadent culture. The Sustainability Committee retains oversight of progress by review of a performance dashboard presented at each Committee meeting.

Our long-standing ethical framework, 'Always Doing the Right Thing', sets out the expected high standards for employee conduct. It is an established element of our induction process and a mandatory feature of ongoing training. Content was refreshed this year, ensuring it remains aligned and current. 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

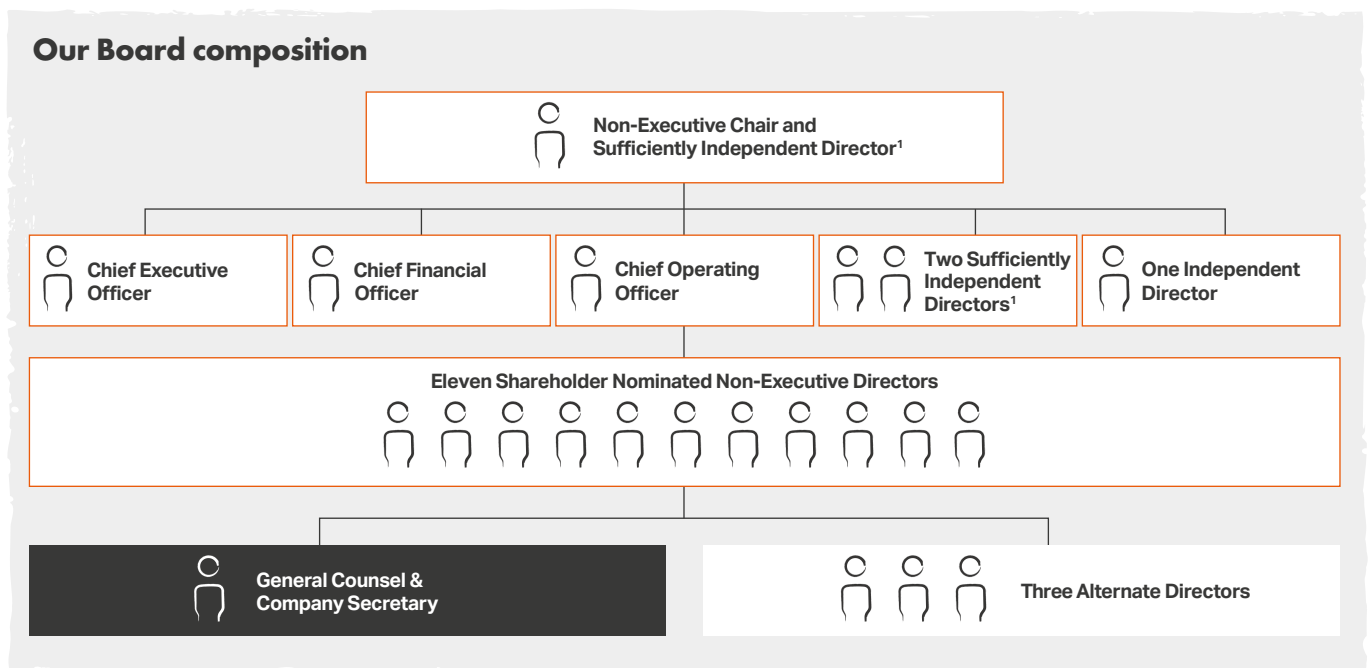
The RIIO-3 process has continued to be a significant focus for the Board. In-depth reports have been received from senior business leads at every stage of the process, with additional meetings scheduled to ensure timely consideration of developments. Following receipt of the Draft Determinations, the Board examined analysis on their implications for Cadent and the proposed strategy to address these, including the tone and key themes for the formal response submitted. The Safety and Sustainability Committees provided valuable input to these deliberations on matters falling within their respective remit. The Board's oversight and input continued following receipt of the Final Determinations, leading to a decision to appeal to the Competition and Markets Authority, which is currently ongoing. The Board also retained a sharp focus on operational close out of the RIIO-2 period through routine performance reports and sought and received assurance from the Executive team of Cadent's preparedness for the RIIO-3 period to deliver required outputs for customers.

The Board has consistently monitored cyber security, receiving updates on the Securing Operations programme, through which Cadent is delivering its required regulatory outputs; and briefings on Cadent’s cyber security posture and proactive steps to enhance resilience. These updates, together with input from external consultants, have guided the Board’s understanding and oversight.

The company’s net zero goals are a fundamental part of its strategy for fulfilling its purpose. As noted under ‘Purpose’ on the previous page, the Board actively reviews progress and offers input and guidance as the strategy develops and evolves, which is essential for the company’s long-term success.

The company’s strategy, values, and culture encourage appropriate workforce conduct. Board oversight is provided by Directors with diverse experience, including Nominated Non-Executive, Sufficiently Independent, Independent and Executive members.

➔ **For more information about how the Board addresses purpose and leadership, please refer to the Section 172 Statement on pages 36 to 40.**



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

## Board composition

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

### Chair

Our Board is led by our Independent Chair, John Holland-Kaye, 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 note is the experience the Board has in the areas of the regulated utility sector, infrastructure, safety, sustainability, ESG, government and regulation. To read more about our Directors’ skills and experience, please see their biographies on pages 75 to 79.

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.

# Corporate governance report continued

## Size and structure

### Our Board composition

The names and biographies of all the Board of Directors of the company are published on pages 75 to 79. As at 31 March 2026, the company Board comprised the following.

- Non-Executive Chair and Sufficiently Independent Director: John Holland-Kaye. 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.)
- Independent Director: Mark Braithwaite. During the year, Mark Braithwaite was re-classified from Investor Director to Independent Director, reflecting that he no longer represents any shareholder interests.
- 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.

## Director responsibilities

### Board activities

The Board planned and held eight formal meetings and three interim board meetings. In addition, the following meetings were held:

- a strategy day focusing on Cadent's long-term role in the energy transition;
- a cyber security-focused session with Ofgem;
- a session focusing on the RIIO-3 draft determination response and engagement with Ofgem;
- three '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

An evaluation of Board effectiveness is undertaken annually, with external facilitation on alternate years. This year the assessment was conducted internally. Board members were invited to provide feedback on implementation of the recommendations arising from the previous year's evaluation, as well as commenting on any other aspects of Board management that they wished to raise. Feedback was positive, confirming that agreed actions had been appropriately addressed. Responses also indicated that both the Board and Committees are operating effectively, balancing strategic topics with regular updates. The executive team feels both supported and challenged. Suggested refinements included topics benefitting from increased focus and a small number of administrative improvements. An action plan addressing these was presented and approved for implementation.

Preparation for the 2026/27 review is already underway. This will be an externally facilitated review, which will assist in shaping Board activity following the commencement of a new regulatory period and transition to a new Chair.

Committee membership was also considered, with new appointments largely reflecting Board member changes and factoring in the skills and expertise reflected in the updated Directors' Skills Matrix. The annual evaluation of the Committees' Terms of Reference was also undertaken. No substantive amendments were required.

### 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 2025; 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 Directors 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; and
- 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 assess 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 Independent Director performs a similar role to the sufficiently independent directors. (His previous appointment as a shareholder nominated director precludes his appointment as sufficiently independent within the terms of the Licence).

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, Sufficiently Independent Directors and Independent Director 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.

#### 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 74.

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

# Corporate governance report continued

## 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 36 to 40 for more information.**

## Opportunity and risk

### Opportunity

The Board actively shapes Cadent's role in the energy transition by directing and challenging the Future of Gas programme to ensure it delivers tangible progress towards a low-carbon network. During the year, the Board reviewed and influenced key proposals on hydrogen and other low-carbon gas solutions, focusing on where Cadent can credibly invest, partner, and scale activity to support the UK's net zero ambitions while maintaining regulatory compliance and long-term value.

In practice, this has involved targeted deep-dives into priority programmes and regional initiatives, where the Board has scrutinised business cases, challenged underlying assumptions (including demand, affordability and regulatory support), and guided management on where to prioritise or defer investment. This has helped to refine the Company's approach to innovation, ensuring resources are concentrated on initiatives with a clear pathway to delivery and customer benefit.

The Board has also balanced these future opportunities with continued delivery of core operational performance. It has monitored how investment in transition activities impacts resilience, customer costs and service delivery, ensuring that safe, reliable network operations and emergency response performance are not compromised.

Financial discipline has remained central to decision-making. Through application of the Delegations of Authority framework, the Board has reviewed and approved significant investment

proposals, ensuring that expenditure is proportionate, aligned to strategy and supported by robust analysis. This has resulted in more targeted capital allocation, with increased scrutiny applied to higher-risk or less mature opportunities.

### Risk

The Board has actively overseen the Company's principal and emerging risks, focusing on how these are evolving alongside the energy transition and wider external pressures. During the year, it reviewed regular risk reporting and conducted targeted deep-dives into key areas, including network resilience, regulatory change, cyber security and major programme delivery.

The Board has challenged the effectiveness of mitigation plans, tested key assumptions and sought assurance that controls are operating as intended, with clear accountability in place. Where gaps were identified, it has monitored the timely delivery of remedial actions, supported by updates from the Audit and Risk Committee.

This approach has strengthened the control environment and ensured that risk considerations remain integrated into strategic and operational decision-making, with a clear understanding of the trade-offs associated with key investment and delivery choices.

### 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 91 to 94 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 97 to 99. A separate Annual report on remuneration is set out on pages 105 to 109.

### 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 95 to 96 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 36 to 40.

# Safety Committee report



**“The Committee’s oversight supports continuous improvement across safety performance, culture and critical risk management.”**

**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.
- Reports on incident investigations and delivery of recommended actions.
- Reports and deep dives on key focus areas.

### Wellbeing of employees:

- Updates received on Safe+Well Survey, Conference, Framework, and safety culture.
- Oversight of fatigue management developments.
- Updates on employee health and wellbeing management.

### Safety internal audits:

- Review of safety-related internal audits conducted and associated actions taken.
- Approval of safety-related internal audit plan 2026/27.

### Framework and business plan:

- Review of performance against short-term incentive plan safety measures for 2025/26 and approved 2026/27 measures for recommendation to the Remuneration Committee.

### Regulatory:

- Overview of safety-related RIIO-3 submissions.
- Overview of regulator engagement.

During the year, the Safety Committee supported the Board with effective oversight of Cadent’s safety performance, spanning operational safety, process safety, and critical risk management. The Committee also reviewed and monitored the safety-related elements of Cadent’s Business Plan for the upcoming regulatory period. Through reports received, the Committee was assured of the strong safety ethos at Cadent and the drive for further improvement.

Employee health, wellbeing, and safety culture remained central to the Committee’s agenda. Regular updates were received on the delivery of the Safe+Well programme, which remains the cornerstone of Cadent’s approach to improving occupational safety, process safety, occupational health, and wellbeing. Progress against the programme’s multi-year plan was reviewed, alongside the supporting communication and engagement activity – including the annual conference, attended by Committee members – all of which were designed to further embed a strong and positive safety culture across the organisation.

The Committee considered the results of the Safe+Well survey and the actions being taken in response. It also received detailed updates on Cadent’s Wellbeing Health Checks programme, noting the positive and measurable improvements being achieved in key health indicators through early intervention, coaching and follow up.

Mental health and fatigue management were areas of particular focus. The Committee received updates on Cadent’s mental health framework, the support available to colleagues and continuous learning culture. In relation to fatigue, the Committee reviewed enhancements to Cadent’s Fatigue Risk Management System, including the introduction of new monitoring tools and training. The Committee took assurance from the sustained emphasis on proactive management of fatigue risk as part of Cadent’s wider approach to operational resilience.

## Safety Committee report continued

Recognising the importance of Cadent demonstrating the needs case for all safety critical work, the Committee maintained close oversight of the safety-related aspects of the RIIO-3 plan throughout the price control process. This covered the Iron Mains Risk Reduction Programme, Asset Health, and Emergency Service, as well as ongoing engagement with the regulators.

The Committee also considered a range of technical and strategic updates, including quantitative risk assessment across Cadent's asset base, third-party activity and protection of pipelines, High Reliability Organisation (HRO) programme progress, and the use of technology to enhance safety and risk control. The Committee was pleased to note the tangible progress being made in embedding HRO principles and in deploying digital solutions that support control of risk in addition to monitoring it.

Consistent with its focus on leading indicators, the Committee considered a number of high-potential incidents throughout the year. The Committee endorsed the continued use and further embedding of Tripod-based investigation methodologies, which support a more rigorous barrier-based approach to identifying root causes and systemic learning. Follow-up reporting enabled the Committee to track completion of recommended actions and to be satisfied that inherent risks identified were understood and measures were implemented to prevent recurrence.

At each meeting, the Committee received a Safety, Health and Wellbeing Reporting Pack providing a comprehensive overview of safety performance by reference to key indicators, trend analysis, progress against improvement plans and interactions with the Health and Safety Executive. The latter was complemented by focused updates on the annual intervention plan, major accident hazard pipeline reviews, and alignment with strategic objectives, with the Committee welcoming the constructive relationship maintained.

Regular reports were received from Internal Audit. The Committee reviewed audit findings in detail, sought confirmation that root causes were understood, and monitored the implementation and embedding of agreed actions. The safety aspects of the internal audit plan for 2026/27 were also approved.

The Committee reviewed performance against health and safety-related incentive measures within the 2025/26 Short-term Incentive Plan and considered proposals for 2026/27 measures for recommendation to the Remuneration Committee. Reflecting the commencement of a new regulatory period, an updated approach was adopted, combining a mixture of leading and output elements. In considering such measures the Committee sought and received assurance from management that they would drive the right behaviours, reinforce leading indicators, and support sustained improvement in safety performance.

Looking forwards, the Committee will maintain its focus on process safety, critical risk management, and the continuing evolution of Cadent's already strong safety culture under the Safe+Well programme. Emphasis will be placed on leading indicators, data quality, learning from incidents and the effective use of technology to strengthen risk control; maintaining performance, while continuing to learn, adapt and improve.

### 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

25 June 2026

## Meetings

During the year, four meetings were held.

### May 2025



#### Main purpose

- Received an update on recent developments.
- Reviewed progress against 2025/26 Short-term Incentive Plan safety measures.
- Received a report on Cadent's Safe+Well survey responses.
- Received a supervisor project update.
- Received an update on internal audits undertaken and actions progressed.
- An update on audit actions undertaken.
- Reviewed a high-potential incident including associated actions and learnings.
- Reviewed the Safety, Health and Wellbeing Performance report.

#### Key additional attendees

Chair of the Board; one Investor Nominated Director, Chief Executive Officer; Chief Operating Officer; General Counsel & Company Secretary; Director of Safety, Health and Environment; Director of Engineering; Head of Internal Audit; and Mechanical Engineer.

### July 2025



#### Main purpose

- Received an update on recent developments.
- Reviewed progress against 2025/26 Short-term Incentive Plan safety measures.
- Received a report on voluntary redundancy programme resource assurance.
- 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.
- Reviewed an update on human factors at Cadent.
- Received an internal audit update.
- Received an update on a previously reviewed high-potential incident and a recent high-potential incident including associated actions and learnings.
- 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 Operational Performance; Head of Commercial Fleet and Logistics; Head of Internal Audit; Human Factors Specialist; and Future Engineer.

### November 2025



#### Main purpose

- Received an update on recent developments.
- Reviewed progress against 2025/26 Short-term Incentive Plan safety measures.
- Received an update on mental health.
- Received a report on RIIO-3 safety-related submissions.
- Received a report on strategic alignment with the Health and Safety Executive ten-year vision.
- Reviewed a quantitative risk assessment update.
- Reviewed a deep dive on management of third-party activity near Cadent assets.
- Reviewed an update on Cadent's High Reliability Organisation programme.
- 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; one Sufficiently Independent Director; one Investor Nominated Director; Chief Executive Officer; Chief Operating Officer; General Counsel & Company Secretary; Director of Health and Safety; Director of Engineering; Head of Engineering; Head of Internal Communications; and Integrity Engineer.

### March 2026



#### Main purpose

- Received an update on recent developments.
- Reviewed progress against 2025/26 Short-term Incentive Plan safety measures and approved 2026/27 measures for recommendation to the Remuneration Committee.
- Received an occupational health and wellbeing update.
- Received an update on fatigue management.
- Received a report on the HSE's annual major accident hazard pipeline review.
- Received a Permitry update.
- Received an update on technology-enabling health and safety.
- Received an update on internal safety audits and approved the planned safety audits for 2026/27.
- Reviewed the Safety, Health and Wellbeing Performance Pack.

#### Key additional attendees

Chair of the Board; one Non-Executive Investor Appointed Director; one Sufficiently Independent Director; Chief Executive Officer; Chief Operating Officer, General Counsel & Company Secretary, Director of Health & Safety; Director of Engineering; Head of Internal Audit; Head of Engineering; Head of Occupational Health and Wellbeing; and a Wellbeing Manager.

# Sustainability Committee report



**“ The Committee focused on resilience and customer outcomes, alongside preparation for RIIO-3 delivery. ”**

**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.
- Review of, and input to, Cadent’s Force for Good ambition.

### Strategic guidance:

- Review and input to RIIO-3 strategy on advanced leakage management, Environmental Action Plan and Customer Vulnerability and Draft Determination outcomes.
- Oversight of resilience framework and related subject-specific presentations.

### Sustainable operations:

- Update on Cadent’s carbon reduction pathway and science-based targets initiative.
- Review of RIIO-2 Environmental Action Plan delivery.
- Review of ESG benchmarking outcomes.
- Update on Annual Environmental reporting.

### Sustainability Internal Audits:

- Updates from Internal Audit on sustainability-related audits.

### Performance targets:

- Review of progress against existing environmental-related performance targets and considered future measures for recommendation to the Remuneration Committee.

The Committee’s agenda over the year reflected the dual focus required as Cadent approached the end of the RIIO-2 period, while preparing for the commencement of RIIO-3. The Committee sought to provide the Board with assurance that existing commitments were being delivered effectively, while also offering constructive challenge and guidance on the sustainability aspects of Cadent’s future strategy.

During the year, the Committee maintained oversight of sustainability-related aspects of the RIIO-3 process. It received updates on Draft Determinations and monitored subsequent engagement with Ofgem ahead of issue of the Final Determination outcomes. By this process, the Committee was satisfied with Cadent’s approach to engagement and submission of additional material in support of its ambitious plan.

Resilience and adaptability remained a standing area of focus. The Committee received a series of updates on the work underway to strengthen resilience and manage risk, covering extreme weather preparedness; winter planning; lessons learned from third-party significant loss of supply events; crisis and emergency management exercises; an external review of power resilience; and incident communications. These sessions deepened the Committee’s understanding of the risks and enabled it to explore whether planned activity was sufficient to maintain and further enhance Cadent’s resilience framework.

Cadent’s delivery against commitments to make a positive and lasting difference in the communities where it operates remained a priority. The Committee reviewed and supported proposed updates to Cadent’s Force for Good Framework, which provides a clear strategic structure for delivering social and sustainability ambitions across Easier Warmth, Fairer Opportunities, and a Greener Society. The revisions reflected a continued focus on supporting customers in vulnerable situations, treating colleagues, customers, and the supply chain fairly, and enabling a low and just climate transition.

The Committee welcomed the fact that the Sustainability Challenge Group (a Sub-Committee of the Customer Challenge Group) had contributed input into the development of the strategy, helping to shape the planned changes (consistent with their input on customer vulnerability, Force for Good ambition, advanced leakage detection and shrinkage submissions for the Business Plan). Ongoing performance against the current framework was tracked through the 'Force for Good' dashboard presented at each meeting, with consistently 'green' ratings indicating continued operational effectiveness.

Detailed updates were received on positive progress with Cadent's RIIO-2 Environmental Action Plan and strategy to reduce carbon emissions. The Committee received briefings on developments in advanced leakage detection and data-led intervention planning. The clear environmental and safety benefits associated with these activities were recognised. Regarding Cadent's carbon reduction pathway and science-based targets initiative, the Committee noted the continuing engagement with the Carbon Trust, ensuring Cadent received independent, consistent, and sector-leading advice for the RIIO-3 period. In relation to biomethane strategy, the Committee heard how lessons learnt from a European gas distribution company leading in biomethane injection were informing Cadent's thinking, which it supported.

Independent benchmarking and assurance remained an important source of insight. The Committee received updates on Cadent's performance across a range of ESG benchmarks, noting its continued strong relative position, while recognising that stakeholder expectations continue to increase.

The Committee also reviewed Cadent's Annual Environmental Report and wider sustainability reporting, encouraging management to maintain and further strengthen clarity, consistency and the supporting evidence base in recognition of evolving reporting requirements.

Throughout the year, the Committee received updates from the Internal Audit Team on sustainability-related audits and associated actions. These reports instilled confidence that the audit process provided strong assurance and that findings were being translated into tangible improvements.

At the year's final meeting, the Committee reviewed performance against current sustainability-related incentive measures and considered proposed measures for future periods. The Short-term Incentive Plan proposal advanced Cadent's waste reduction strategy, while the long-term incentive measures built on momentum established through the RIIO-2 period regarding carbon emission reduction and support for vulnerable customers. The measures underwent detailed scrutiny and refinement ahead of recommendation to the Remuneration Committee. Through this process the Committee was satisfied that the measures were sufficiently ambitious and aligned with Cadent's long-term sustainability priorities.

As Cadent enters the RIIO-3 period, the Committee will maintain a strong focus on resilience, customer vulnerability, and emissions reduction, as well as oversight of Cadent's biomethane strategy. This focus will help provide assurance to the Board that Cadent is meeting its regulatory commitments and advancing its sustainability ambition.

### **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

25 June 2026

# Sustainability Committee report continued

## Meetings

During the year, three meetings were held.

### May 2025



#### Main purpose

- Received an update on recent developments.
- Received an update on progress against the RIIO-2 Environmental Action Plan and RIIO-3 submissions.
- Reviewed an update on the Resilience Framework.
- Received an update on learnings from a visit to a European company leading in biomethane injection.
- Considered and fed back on Cadent's RIIO-3 approach to advanced leakage detection.
- Received a report and fed back on Cadent's RIIO-3 approach to customer vulnerability.
- Received an update from Internal Audit.
- 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 Regulatory Strategy; Director of Safety, Health & Environment; People Director; and Head of Internal Audit.

### September 2025



#### Main purpose

- Received an update on recent developments.
- Received a report on sustainability aspects of Ofgem's RIIO-3 Draft Determination.
- Received a resilience update on the Winter Plan 2025/26 and learnings from a third-party loss of supply incident.
- Received an update on Cadent's carbon reduction pathway and science-based targets initiative.
- Received an update on Annual Environmental Reporting and an update on ESG benchmarking.
- Reviewed the Force for Good Performance Dashboard.
- Noted the Annual Environmental Report.

#### Key additional attendees

Chair of the Board; Chief Executive Officer; Interim Chief Financial Officer; Chief Operating Officer; Director of Safety, Health & Environment; General Counsel & Company Secretary; People Director; Head of Environment and Resilience; Integrity Engineer and a Policy Officer.

### January 2026



#### Main purpose

- Received an update on recent developments.
- Reviewed progress on 2025/26 STIP and 2023 environmental targets, and considered environmental targets for the 2026/27 STIP and 2026 LTIP for recommendation to the Remuneration Committee.
- Resilience – received a presentation on exercises, power resilience and incident communications management.
- Received a summary of ESG benchmarking outcomes.
- Reviewed and fed back on Force for Good Framework ambition.
- Received an update from Internal Audit.
- Reviewed the Force for Good Performance Report.

#### Key additional attendees

Chair of the Board; one Sufficiently Independent Director; Chief Executive Officer; Chief Operating Officer; Chief Financial Officer; General Counsel & Company Secretary; Director of Health & Safety; People Director; Head of Environment and Resilience; Head of Internal Audit; and a Safeguarding Specialist.

# Audit & Risk Committee report



**“The Committee reviewed and challenged the evolving risk landscape and associated controls, focusing on strengthening organisational resilience to external drivers.”**

**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 2024/25 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 progress on managing asset-related risk and improving data management and quality.

### Cyber security:

- Continuing focus on cyber controls and assurance.
- Reviewed supplier cyber resilience.

### Internal audit:

- Reviewed outcomes of internal audits completed in 2025/26 and approved the proposed Internal Audit plan for 2026/27.

### External audit:

- Recommended the reappointment of the external auditors for 2025/26.
- Reviewed the external auditors report on the 2024/25 accounts and financial statements.
- Reviewed the external auditor's report on the 2025/26 interim accounts and financial statements.
- Reviewed the external audit plan on the 2025/26 accounts and financial statements.
- Oversaw the external audit tender process.

## Audit & Risk Committee report continued

During the year, the Committee oversaw an increasingly mature and well embedded risk and assurance framework. Cadent continued to operate in the face of regulatory, operational and cyber-related pressures. The Committee reviewed and challenged the organisation's evolving risk profile, which was shaped by the RIIO-3 Draft and Final Determinations, ongoing energy transition uncertainty, and the financial reporting implications of FRS 102.

Throughout the period, the Committee reviewed regular reports from Internal Audit and the Risk & Assurance teams. It scrutinised the effectiveness of controls and the delivery of assurance across operational, compliance, financial and asset-related risks. The Committee observed improving levels of risk maturity, including clearer Executive ownership of Principal Risks and better coordination across assurance activities. It closely monitored management's progress on recurring themes highlighted through audit and assurance work – such as documentation quality, governance clarity, data management, and supervisory/competency controls – and sought assurance that actions were being implemented promptly.

Cyber security remained a significant area of focus. The Committee received updates on the heightened national threat environment and Cadent's ongoing investment in cyber resilience. This included strengthened Multi-Factor Authentication, enhanced testing, and improvements in supplier-related controls. It also reviewed progress against regulatory expectations, including readiness for Ofgem's Enhance Cyber Assessment Framework (ECAf). The Committee monitored organisational resilience more broadly, including management's response to independent reviews of power outage preparedness and lessons learned from external incidents.

Financial reporting remained central to the Committee's work. It oversaw the preparation and review of the 2025/2026 Annual Report and Accounts, the Interim Financial Statements, and the significant accounting matters underpinning both. The Committee reviewed going concern assessments, climate-related disclosures, pension assumptions, and areas of judgement, confirming that disclosures were appropriate. It considered Deloitte's final audit and interim review reports to the Committee, noting continued progress in internal controls and the auditor's independence.

The Committee also oversaw the external audit tender process ahead of the FY28 audit, recognising its importance for governance, quality and value for money. Since Deloitte will have served as external auditor for ten years by the conclusion of the FY27 audit, and the existence of Public Interest Entities within the Group, formal selection procedure was undertaken. After a structured evaluation of participating firms, it recommended Deloitte for appointment, noting the firm's audit quality, sector expertise and commercial offering.

Governance developments were a feature throughout the year. The Committee reviewed the implications of the UK corporate governance and ESG reporting landscape, adopted best practice enhancements (including considering the new UK Corporate Governance Code Provision 29), and prepared for the new 'failure to prevent fraud' corporate offence, which became effective in September 2025. It also monitored progress on asset data quality and the Asset Information Strategy.

Overall, the Committee adopted a proactive and preventative approach. It sought assurance that risk management, internal control and financial reporting frameworks remained robust, while constructively challenging management to address root causes and continuously strengthen organisational resilience.

### 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.

### Mark Braithwaite

Chair of the Audit & Risk Committee

25 June 2026

## 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 2025



#### Main purpose

- **Cyber security update:** received and considered updates and overview of assurance activity undertaken.
- **Supply chain cyber security resilience:** received an overview of supplier-related cyber risk and associated control measures.
- **Risk & 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 2025.
- **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 2025 and received a legislative update on failure to prevent fraud.
- **Governance:** approved sign-off process for 2024/25 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; General Counsel & Company Secretary; Transformation and Programme Director; Director of IT Ops & Digital Platforms; Director of Procurement, Head of Internal Audit; and Head of Risk & Assurance.

### June 2025



#### Main purpose

- **External audit:** reviewed Deloitte's final audit report, on their audit of the company for year ending 31 March 2025. Satisfied itself of the auditor's independence and recommended the reappointment of Deloitte as auditors for 2025/26 to the relevant Boards.
- **Financial statements:** reviewed and recommended to the Board for approval the 2024/25 annual accounts and financial statements, including the adoption of the going concern assumption.

#### Key additional attendees

Chair of the Board; Chief Executive Officer; Chief Financial Officer; General Counsel and Company Secretary; Group Financial Controller; Financial Controls Manager; and External Auditors.

### July 2025



#### Main purpose

- **Internal audit update:** reviewed the internal audit team's annual review and activity update for the period to June 2024.
- **External Audit Tender:** received overview of proposed process.

#### Key additional attendees

Chair of the Board; one Non-Executive Investor Nominated Director; Chief Executive Officer; Chief Financial Officer; Chief Operating Officer; General Counsel & Company Secretary; Head of Internal Audit and Internal Audit Manager.

### November 2025



#### Main purpose

- **Internal audit update:** reviewed internal audit activity.
- **Risk and Assurance report:** reviewed a report for the preceding six-month period covering the Executive Risk Register and assurance findings.
- **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 2025.
- **Asset Data Improvement update:** received an update on progress made against the Asset Information Strategy.
- **External audit:** considered the report on the 2025 interim accounts and financial statements and the audit interim review report for the six months ended 30 September 2025; and reviewed external auditor's 2026 audit plan.
- **Financial statements:** reviewed and recommended the six months ended 30 September 2025 interim accounts and financial statements to the Board for approval.
- **External Audit Tender:** received an update on the proposed process.

#### Key additional attendees

Chair of the Board; one Sufficiently Independent Director; one Non-Executive Investor Nominated Director; Chief Executive Officer; Chief Financial Officer; Chief Operating Officer; General Counsel & Company Secretary; Group Financial Controller; Director of Operational Performance; Head of Internal Audit; Head of Risk & Assurance; and External Auditors.

### March 2026



#### Main purpose

- **Internal audit:** reviewed progress against the 2025/26 internal audit plan and approved the proposed 2026/27 internal audit plan and Internal Audit Charter.
- **Corporate governance update:** received an update presentation from external auditors.
- **Audit Plan update:** received an update on the 2025/26 audit plan.
- **Significant accounting matters:** reviewed significant accounting matters and areas of judgement.
- **Auditor Independence review:** received a report assessing external auditor independence.
- **Non-audit services policy:** approved the non-audit services policy for the year.
- **External Audit Tender:** received an overview of the process and management's recommendation for appointment, following conclusion of statutory procurement process.

#### Key additional attendees

Chair of the Board; one Non-Executive Investor Nominated Director; Chief Executive Officer; Chief Financial Officer; Chief Operating Officer; General Counsel and Company Secretary; Group Financial Controller; Head of Internal Audit and External Auditors.

# Audit & 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 123 to 135. 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 key assumptions supporting the use of the going concern basis in preparing the accounts and the related disclosures in the Directors' report. This included a focused assessment of the Group's resilience to recent geopolitical and macroeconomic volatility, including impacts on energy prices, inflation and interest rates. The Committee considered base case forecasts and reasonably possible downside scenarios, noting that these demonstrated sufficient liquidity and covenant headroom throughout the assessment period, supported by committed financing facilities. In forming its view, the Committee evaluated potential operational disruption, inflationary pressures, demand for the Group's services, contractual obligations falling due within one year, and the risk of covenant breach or adverse regulatory developments. It also reviewed the Group's cash flow forecasts, working capital requirements and access to existing sources of funding. The assessment was informed by the FRC's 'Guidance on the Going Concern Basis of Accounting and Related Reporting, including Solvency and Liquidity Risks' to ensure alignment with best practice. Based on this work, the Committee concluded that the Group and Company have adequate resources to continue in operational existence for the foreseeable future and recommended to the Board the continued adoption of the going concern basis in the 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 increasingly important and evolving area of focus for the business, and the business was taking measures such as replacing cast iron pipes, repurposing of the network to transport greener gases such as hydrogen and biomethane 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.
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 in the year related to assumptions around the Scheme's assumptions around mortality including assumptions over the core base tables and future improvements in mortality and other assumptions arising from aligning the accounting valuation with the triennial funding valuation.
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. This review included consideration of any impact that climate change may have on the future use of our network. 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, concluding that the classification between capex and opex was appropriate.  Additionally, the Committee noted that management had successfully been able to place reliance on these key controls during the current year audit to adopt a controls-reliance approach and reduce the level of substantive testing that had historically been performed.
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 continued 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 and interest rate swaps. 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.

# Nomination Committee report



**The Committee recommended Board appointments and reviewed senior leadership succession planning.**

**John Holland-Kaye**  
Chair of the Nomination Committee

## Key highlights of the year

- Recommended appointment of successor to the Chair of the Board.
- Recommended appointment of an Independent Director.
- Reviewed Sufficiently Independent Directors' fees.
- Reviewed succession planning at executive and senior leadership level.
- Recommended appointment of Chief Health, Safety & Engineering Officer.

I am pleased to present my first report as Chair of the Nomination Committee, a role I assumed from Adrian Montague in February 2026, after joining the Board and Committee in September 2025. I would like to thank Adrian for his excellent leadership of the Committee and the helpful briefing he provided, which has assisted me in reporting on Committee activities occurring prior to my arrival.

The first task the Committee undertook this year was completing its evaluation of candidates for the next Chair of the Board, and recommending a candidate to the Board for approval. I am pleased to report that the Board accepted this recommendation, resulting in my own appointment to the position.

The Committee also conducted a review of Sufficiently Independent Directors' fees. It sought benchmarking guidance from independent remuneration advisers to inform thinking and ensured the decision aligned with the managerial salary increase budget.

In September 2025, the Committee recommended the appointment of Mark Braithwaite as an Independent Non-Executive Director of the Board. This approach allowed Mark to remain on the Board, after retiring as an investor-appointed director, retaining his expertise and knowledge as a long-serving and valued member of the Board while ensuring continuity by preventing change to the Audit & Risk Committee Chair (and other Group positions) at the same time as a new Chair of the Board being appointed. This proposal was readily approved by the Board, who welcomed Mark's ongoing contribution and insights.

Finally, in March 2026, the Committee received a report detailing the Executive team's in-depth review of leadership succession planning and retention strategies, as well as an overview of the Cadent talent cycle. This comprehensive evaluation assured the Committee that appropriate leadership is in place and that a structured succession strategy exists, backed by proactive measures to retain and develop senior leaders and their teams. The plans outlined included the creation of a new Chief Health, Safety & Engineering Officer role. The Committee was pleased to recommend to the Board the appointment of the current Director of Health and Safety, Dave Garner, to that role.

The focus for the upcoming year will be succession planning for Sufficiently Independent Directors (an update of the directors' skills matrix is being undertaken for this purpose), as well as maintaining ongoing oversight of senior leadership development and succession strategy.

# Nomination Committee report continued

## 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.

## Meetings

During the year two meetings were held.

The company's commitment to inclusion and diversity can be found in the Strategic report on page 26, under the heading Equity, diversity and inclusion.

On behalf of the Nomination Committee:

### **John Holland-Kaye**

Chair of the Nomination Committee

25 June 2026

# Directors' Remuneration Committee report



**“ Remuneration outcomes reflect excellent performance over RIIO-2 and support Cadent’s transition into RIIO-3. ”**

**Paul Smith**  
Chair of the Remuneration Committee

## Key activities during the year

### New joiners:

- Reviewed market benchmarks and approved the remuneration arrangements for the new Chairman and the new Chief Financial Officer

### 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 the 2025/26 Short-term Incentive Plan (STIP) and the 2023 Long-term Incentive Plan (LTIP) outcomes, reflecting performance over the final years of the RIIO-2 period.
- Selected performance measures and set targets for the 2026/27 STIP and the 2026 LTIP, reflecting the transition into RIIO-3 and higher stakeholder expectations for the next regulatory period.

### Executive incentives and remuneration review:

- Reviewed the Executive Directors’ Short-term Incentive Plan (STIP) and the Long-term Incentive Plan (LTIP) maxima and retention provisions.

## Introduction

As Chair of the Remuneration Committee, I am pleased to present the Directors’ Remuneration Report for the financial year ending 31 March 2026. This report sets out the Committee’s approach to executive remuneration, the decisions we have made during the year and the context in which these decisions were taken.

Our approach is grounded in the principle of ensuring there is a strong alignment between what we reward and the outcomes most important to our customers, communities, regulators, shareholders and the broader workforce.

Cadent’s strategy provides a clear framework for the Remuneration Committee’s decisions. We continue to closely link remuneration and incentive outcomes to delivery of the strategy and to strong regulatory performance. Executive incentives are designed to reinforce performance that delivers efficiently and brilliantly for all of our customers; supports a sustained reduction in carbon emissions and enables the transition to greener fuels. By aligning reward with the successful delivery of these strategic priorities, the Committee ensures that remuneration outcomes reflect not only financial performance, but also progress against the operational, environmental and long-term transformation objectives that are critical to Cadent’s future success.

## Directors' Remuneration Committee report continued

**Customers:** Cadent remains committed to delivering a high quality service for all of our customers. This includes enhancing the end-to-end customer experience, reducing interruptions and complaints, strengthening digital channels and simplifying key processes, all of which are supported by strong asset management capability and more effective asset investment decisions, helping to improve reliability, reduce disruption and deliver better outcomes for customers. Success in these areas is reflected in strong customer satisfaction scores and demonstrates Cadent's commitment to consistently providing a value-for-money service across all regions and customer groups.

Supporting customers in vulnerable situations remains a core priority for Cadent; with targeted initiatives including energy efficiency advice, income management support and tailored in-home interventions having reached millions of households.

**Communities:** Cadent continues to invest in the areas it serves through community funding, charitable partnerships and volunteering, helping to build resilience, promote inclusion and support local needs. Colleagues across Cadent contribute thousands of hours each year to community initiatives and continue to expand the programmes and partnerships, in order to make a positive and lasting social impact. Through the Centre for Warmth programme, Cadent partners with community organisations to deliver practical support such as benefits and debt advice and energy efficiency guidance.

**Employees:** Cadent's strong performance is made possible by the dedication, professionalism and skill of its people. Cadent is proud to pay all colleagues at least the voluntary Real Living Wage, ensuring fair reward for everyone. Cadent also provide a comprehensive range of benefits designed to support colleague wellbeing, including competitive double matched pension contributions, financial wellbeing tools, enhanced health and wellbeing support, fitness related benefits, and 24 hour access to a Virtual GP for employees and their immediate families. Cadent's commitment to colleague wellbeing and inclusivity has been externally recognised this year, with Cadent receiving awards for its financial wellbeing programme and for its outstanding contribution to workplace health and wellbeing.

### Incentive outcomes for the year 2025/26

The Committee has taken the Company's continued strong operational performance into account, along with delivery against longer-term goals for all of the key stakeholders 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.

### Short-term Incentive Plan (STIP)

STIP performance is measured through a balanced scorecard aligned to Cadent's strategic priorities, including excellent and efficient service for customers, maintaining the safety, security and resilience of the network, delivery of regulatory and financial targets and progress in the decarbonisation of operations.

High levels of customer satisfaction have been achieved across Emergency Response Services, Planned Work and Connections Services, with complaints handling continuing to reflect industry-leading closure rates. Importantly, these outcomes have strengthened year on year over the five-year RIIO-2 period, demonstrating sustained improvements in service delivery, responsiveness and customer experience. This consistent upward trajectory reflects the focus placed on operational excellence, effective issue resolution and putting customers at the heart of decision-making across the business.

Cadent's strong safety performance is underpinned by a disciplined and measurable approach that is directly reflected within the STIP. Safety-related STIP measures included leadership safety engagement visits, safety incident investigation and learning, and the effective delivery of the Safe+Well programme. Regular leadership engagement visits have provided visible safety leadership, enabling meaningful dialogue with colleagues, reinforcing critical risk controls and ensuring learning is embedded across the organisation. The Safe+Well programme further strengthened this approach by promoting continuous improvement in occupational safety, process safety and wellbeing. Performance against these measures has contributed to positive STIP safety outcomes, demonstrating the sustained focus on keeping colleagues safe and well while maintaining the safe, secure and resilient operation of the business.

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 whilst 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 92.96% of the maximum STIP opportunity for Steve Fraser, Howard Forster and Gary Baron (equivalent to £1,392,843, £515,161 and £289,924 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 page 102 onwards.

### Long-term Incentive Plan (LTIP)

The 2023-26 LTIP award granted in 2023/24 is due to vest in 2026/27 based on performance during the three years to 31 March 2026.

Performance under the LTIP was assessed by the Committee against the scorecard of measures. Stretch performance has been achieved against the Customer Strategy ambitions with the creation of over 400 Centres for Warmth, providing valuable services such as benefits and debt support, energy efficiency advice and cooking classes and making a real difference in the communities in which Cadent operates. Cadent has supported

customers living in fuel poverty with over 1.8m customers made aware of energy and income advice and over 800,000 customers receiving direct support. Awareness of the Priority Services Register has also been raised with over 2 million conversations about the register having taken place over the period of the LTIP.

Cadent has continued to successfully deliver against its sustainability commitments, outperforming the Scope 1 and Scope 2 (excluding shrinkage) % carbon reduction stretch target relative to the 2019/20 baseline. This reflects outperformance of the ongoing Science-Based target reduction profile within The Carbon Trust's 'Well-Below 2 degrees scenario', extrapolated from the Company's 2036 target.

Cadent has continued to take an active and leading role in the energy sector on the future energy transition and the utilisation of the Cadent infrastructure in support of net zero. This includes hybrid heating, leakage management, scaling biomethane and hydrogen for industrial and power generation.

Significant advancements have been made in Cadent's Asset Management Capabilities, with strengthening of the ISO 550001 accredited Asset Management System, enabling more informed investment decisions and improved outcomes for Customer Supply assets.

Above target delivery against financial objectives within the LTIP has resulted in a payout equal to 78.50% of the maximum LTIP opportunity for Steve Fraser, Howard Forster and Gary Baron (equivalent to £1,406,323, £527,696 and £289,884 respectively). Further details of the LTIP are provided on page 102 onwards.

### Executive Director changes

The Committee worked with its independent external remuneration advisers to benchmark and approve the remuneration arrangements for Gary Baron, who was appointed as Chief Financial Officer and joined the Board on 1st April 2025. His salary on appointment was £370,000 and his STIP and LTIP maxima are 80% of salary and 160% of salary respectively. The Committee have kept the CFO's salary under review throughout the year to bring it towards the market level.

### Remuneration changes in 2025/26

The Committee, supported by its independent external remuneration advisers, reviewed and benchmarked the remuneration arrangements for Steve Fraser, Chief Executive Officer to ensure they remain appropriately positioned in the current market. Increases to the annual STIP and LTIP maxima were approved from 150% to 200% of salary and from 250% to 350% of salary respectively. Placing a greater emphasis on performance-related pay, these revised maxima are positioned within the range of levels operated at similar sized companies. When approving these revised levels the Committee took into account the significant business performance improvements made over the five year price control period under Steve's leadership and the increase in performance expectations in the next period from all of Cadent's stakeholders. A long-term retention element has also been awarded which is anticipated to vest in December 2030, following submission of

the final business plan for the RIIO-4 price control period, and recognising the challenge of driving company performance to meet the RIIO-3 settlement requirements, subject to maintaining continued employment.

The Committee has also approved increases to the STIP and LTIP maxima for Howard Forster, Chief Operating Officer from 80% to 120% of salary and from 160% to 180% of salary respectively.

The Committee is confident these arrangements will incentivise long-term performance and value creation and ensure stability in strong leadership of the business over the next price control period.

### Annual salary review and policy application for 2026/27

This year, the Committee completed its annual review of Executive Director salaries, taking into account a broad set of internal and external considerations. The Committee evaluated current market benchmarks, prevailing economic conditions, and pay trends across the wider workforce. The review also included an assessment of internal pay relativities, the Company's overall performance, and the individual tenure and contribution of each Executive Director. Through this comprehensive process, the Committee ensured that salary decisions remained aligned with the remuneration policy and supported the long-term interests of the Company and its stakeholders.

### Activities of the Committee 2025/26

The Committee held four scheduled meetings during the year. Activities of the Committee during the year included approving the outcomes of the 2025/26 STIP awards, salary review for the Executive Directors and setting targets for the 2026/27 STIP and the 2026 LTIPs. The Committee also reviewed the Incentive arrangements for the Executive Directors, taking into account market benchmarks, Company performance and strategies for retaining talent in a highly competitive environment.

### 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 2025/26 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

25 June 2026

# 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 our approach to remuneration policy for our Executive Directors:

- **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, whilst 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.

### Remuneration principles

- A. Alignment with Cadent's strategy
- B. Pay for performance
- C. Competitiveness
- D. Consistency
- E. Simplicity

### Cadent's Executive remuneration

#### Base salary (C)

To attract and retain high-calibre individuals while not overpaying

#### Benefits and pension (C)

To provide competitive and cost-effective benefits and pension contributions to attract and retain high calibre individuals

#### Annual bonus (A, B, C, D, E)

To incentivise and provide market levels of reward for the achievement of annual strategic business targets and the delivery of individual objectives

#### Long-term incentive (A, B, C, D, E)

To drive long-term performance, aligning Executive Director incentives to key strategic objectives and shareholder interests

### Ofgem RIIO-3 Key Strategic Objectives

1. Deliver safe, secure and resilient supplies

2. Deliver a high-quality service to our customers

3. Ensure our infrastructure is fit for a low cost transition to net zero

4. Deliver efficiency and value for money

**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"> <li>• business and individual contribution;</li> <li>• the individual's skills and experience;</li> <li>• scope of the role, including any changes in responsibility; and</li> <li>• market data in the relevant comparator group.</li> </ul>	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"> <li>• company car or a cash alternative;</li> <li>• private medical insurance;</li> <li>• annual health screening;</li> <li>• life assurance;</li> <li>• personal accident insurance;</li> <li>• accommodation allowance; and</li> <li>• opportunity to purchase additional benefits under flexible benefits schemes available to all employees.</li> </ul>	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 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.	The Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer 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.<sup>1</sup></p>	<p>The maximum award for the Chief Executive Officer is 200% of salary.</p> <p>The maximum award for the Chief Operating Officer is 120% of salary.</p> <p>The maximum award for the Chief Financial 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.<sup>1</sup></p>	<p>The maximum award for the Chief Executive Officer is 350% of salary.</p> <p>The maximum award for the Chief Operating Officer is 180% of salary.</p> <p>The maximum award for the Chief Financial 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>

1. 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

The Chair, Sufficiently Independent Directors (SIDs) and the Independent Director receive fees. Shareholder Nominated Directors are not separately remunerated by the Company for their services as Directors. 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 and the Independent Director are decided by the Nominations Committee excluding the SIDs and Independent Director.

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 Chair's, SIDs' and Independent Director's 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 32 senior management employees are eligible for the 2023–2026 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.

### **Service contracts and policy on payment for loss of office**

Executive Directors have service contracts which are terminable by either party, normally with six or twelve 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.

# Directors' remuneration policy continued

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) and Independent Director's appointments are subject to three months' notice by either party. No compensation is payable if they are required to stand down.

## External appointments

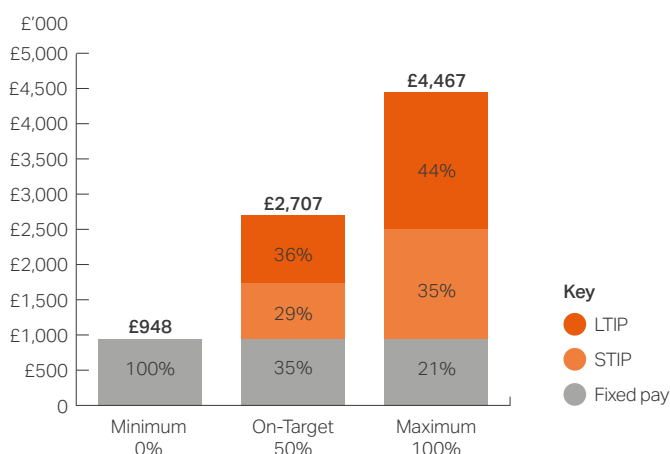
Executive Directors may, with the approval of the Board, accept external appointments as Non-Executive Directors of other companies and retain any fees received for the appointment. Experience as a Board member of another company is considered to be valuable personal development, that in turn is of benefit to the Company.

## Total remuneration opportunity

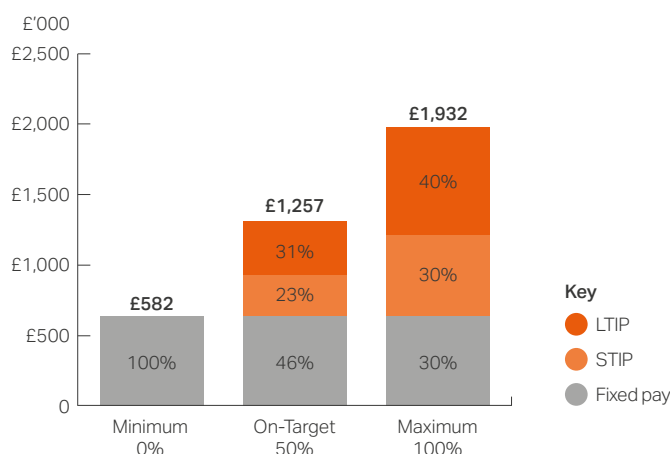
The total remuneration for Steve Fraser, Howard Forster and Gary Baron that could result from the current remuneration policy for the year.

2026/27 under three different performance levels (minimum, when only fixed pay is receivable, on target and maximum) is shown below.

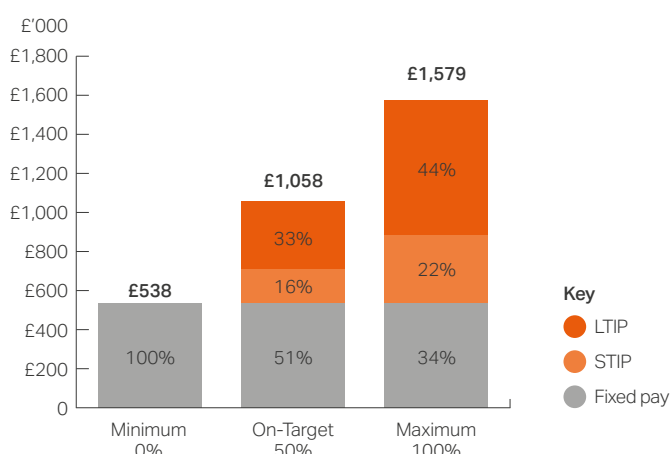
### Steve Fraser



### Howard Forster



### Gary Baron



## Notes

- 'Fixed pay' consists of salary, pension and benefits as provided under the remuneration policy.
- Using salaries effective from July 2026.
- Benefits are as shown in the Single Total Figure of Remuneration table for 2025/26 on page 104.
- Pay in lieu of pension of 12% of salary for Steve Fraser, Howard Forster and Gary Baron
- STIP calculations are based on 200% of salary for Steve Fraser and 120% of salary for Howard Forster and 80% for Gary Baron.
- LTIP calculations are based on maximum of 250% for Steve Fraser (maximum opportunity increases to 350% from the 2025 LTIP which will vest in 2028), For Howard Forster, the LTIP calculation is based on a maximum of 160% (maximum opportunity increases to 180% from the 2025 LTIP which will vest in 2028). For Gary Baron, the LTIP calculation is based on a maximum of 160%.
- 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 2025/26, together with comparative figures for 2024/25.

	Salary £000		Benefits-in-kind £000		STIP £000		LTIP £000		Pension £000		Other £000		Total £000	
	2025/ 26	2024/ 25	2025/ 26	2024/ 25	2025/ 26	2024/ 25	2025/ 26	2024/ 25	2025/ 26	2024/ 25	2025/ 26	2024/ 25	2025/ 26	2024/ 25
Steve Fraser	750	730	72	34	1,393	1,049	1,407	1,220	90	88	–	–	3,712	3,121
Howard Forster	462	432	42	15	516	317	528	438	56	52	–	–	1,604	1,254
Gary Baron	390	–	52	–	290	–	290	–	47	–	–	–	1,069	–

### Notes:

**Salary:** Steve Fraser's salary increased from £730,000 to £755,550 with effect from July 2025. Howard Forster's salary increased from £450,000 to £465,750 with effect from July 2025. Gary Baron's salary increased from £370,000 to £409,700 with effect from 1 October 2025.

**Benefits-in-kind:** Benefits-in-kind include private medical insurance, life assurance, and a car/cash alternative. For Steve Fraser and Gary Baron, this also includes an accommodation allowance which came into effect from November 2025 for Steve Fraser and upon appointment on 1 April 2025 for Gary Baron.

**STIP:** STIP outcome based on performance assessment of 92.96% of maximum for Steve Fraser, Howard Forster and Gary Baron. The maximum STIP opportunity was 200% of salary for Steve Fraser and 120% of salary for Howard Forster and 80% for Gary Baron. Further details are set out on page 106.

**LTIP:** LTIP outcome based on performance assessment of 78.50% of maximum for Steve Fraser, Howard Forster and Gary Baron, calculated with reference to average eligible earnings over the performance period. The LTIP earned relates to the performance for the 3 years from 2023/24 to 2025/26 inclusive. Steve Fraser's LTIP maximum increased to 350% with effect from 1 April 2025 and Howard Forster's LTIP maximum increased to 180% with effect from 1 April 2025. Gary Baron's LTIP includes a period of time prior to becoming a member of the Board.

**Pension:** Steve Fraser, Howard Forster and Gary Baron all received a cash allowance, based on 12% of salary, in lieu of participation in a pension arrangement payment.

Gary Baron joined the board on 1 April 2025 and therefore no 2024/25 comparative figures.

## Performance against targets for STIP 2025/26

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 all of these metrics, delivering benefits for all of our customers, our regulators, shareholders and the wider workforce. The scorecard outcomes, together with the Remuneration Committee's assessment of the individual performance element, resulted in a payout equal to 92.96% of the maximum STIP opportunity for Steve Fraser, Howard Forster and Gary Baron (equivalent to £1,392,843, £515,161 and £289,924 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 2025/26 are shown in the table below:

	Weighting	Threshold (0% of max)	Target (50% of max)	Stretch (100% of max)	Actual	Steve Fraser %	Howard Forster %	Gary Baron %
Economic outcome – EBITDA	28%	See commentary below			See notes	<b>94.86</b>	<b>94.86</b>	<b>94.86</b>
Customer Service	12%	See commentary below			See notes	<b>100</b>	<b>100</b>	<b>100</b>
Complaint Handling	4%	See commentary below			See notes	<b>100</b>	<b>100</b>	<b>100</b>
Safety – Lost Time Injury Frequency Rate	3.2%	0.62	0.58	0.54	0.16	<b>100</b>	<b>100</b>	<b>100</b>
Safety – Performance	3.2%	1000	1250	1500	1643	<b>100</b>	<b>100</b>	<b>100</b>
Safety – Investigations	3.2%	1 per Network every 6 months	1 per Network every 3 months	2 per Network every 3 months	Target performance	<b>50</b>	<b>50</b>	<b>50</b>
Safety – Safe + Well Delivery	3.2%	Assessment by Safety Committee				<b>100</b>	<b>100</b>	<b>100</b>
Sustainability – waste reduction	3.2%	896.4 Tonnes	869 Tonnes	841.5 Tonnes	Stretch performance	<b>100</b>	<b>100</b>	<b>100</b>
Mains Replacement Programme	12%	7626km Tier 1	7690km Tier 1	Deliver 145km Tier 2 & 3	Stretch performance	<b>100</b>	<b>100</b>	<b>100</b>
Regulatory Measures	8%	Assessment by Remuneration Committee				<b>100</b>	<b>100</b>	<b>100</b>
Individual Performance	20%	Assessment by Remuneration Committee				<b>80</b>	<b>80</b>	<b>80</b>
<b>Total</b>	<b>100%</b>					<b>92.96</b>	<b>92.96</b>	<b>92.96</b>

## 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 4 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 2 networks in the top 4 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 2025/26.

**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+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 RIIO2 period to 31 March 2026.

**Regulatory Measures:** Scorecard of measures against RIIO-2 delivery targets.

**Individual Performance:** Assessment against a defined set of individual objectives for the year.

## 2025/26 STIP as proportion of base salary

	Max STIP	Outcome	STIP £000
Steve Fraser	200% of salary	92.96% of max	<b>1,393</b>
Howard Forster	120% of salary	92.96% of max	<b>516</b>
Gary Baron	80% of salary	92.96% of max	<b>290</b>

## Performance against targets for 2023–26 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 2023–26 LTIP award ended on 31 March 2026 and this award will vest in June 2026. In relation to the bonus 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 2023–2026 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	25%	Based on supporting customers and Priority Services			Stretch	100%
Economic Outcome	35%	Commercially Sensitive				61.4%
Sustainability Commitment	10%	Environmental Action Plan CO <sub>2</sub> reduction			Stretch	100%
RIIO-2 Commitment: Asset Management	15%	Assessment by Remuneration Committee			See notes	93.30%
Energy and Business Transition	15%	Assessment by Remuneration Committee			See notes	53.30%
<b>Total</b>	<b>100%</b>					<b>78.50%</b>

### 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 relative to 2019/2020.

**RIIO-2 Commitment: Asset Management:** Remuneration committee assessment of the asset management framework based on full ISO 55001 accreditation recertification. This supports more effective investment decisions, enabling earlier identification of leaks and repair or replacement of assets, reducing unplanned interruptions, and delivering a safer and more reliable gas supply for customers.

**Energy and Business Transition:** Assessment by the remuneration committee on progress against key milestones on the future energy transition and business transformation.

The overall outcome for the 2023–26 LTIP was 78.50% of maximum. Steve Fraser's maximum opportunity was 250% of salary, Howard Forster's and Gary Baron's maximum opportunity was 160% of salary, and therefore the outcome corresponds to a 196%, 126% and 126% of salary respectively (for this purpose, salary is based on the average eligible earnings earned over the performance period). Gary Baron's LTIP is prorated to reflect difference in LTIP maximums prior to his board appointment. In April 2025, Steve Fraser's LTIP maximum increased to 350% and Howard Forster's LTIP maximum increased to 180%, which will take effect in 2028.

## 2023–26 LTIP as a proportion of base salary

	Max opportunity	LTIP outcome	LTIP £000
Steve Fraser	250% of salary	78.5% of max	1,407
Howard Forster	160% of salary	78.5% of max	528
Gary Baron	160% of salary	78.5% of max	290

# 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 the Chair, the Sufficiently Independent Directors and the Independent Director in respect of qualifying service for 2025/26 and for 2024/25.

	2025/26 £'000	2024/25 £'000
Sir Adrian Montague CBE	288	345
John Holland-Kaye	80	–
Dr Catherine Bell CB	80	75
Mark Braithwaite	34	–
Paul Smith	93	90

### Notes:

1. Sir Adrian Montague CBE stepped down as Chairman on 31 January 2026.
2. John Holland-Kaye was appointed as a Sufficiently Independent Director in September 2025 and became Chairman on 1 February 2026.
3. Dr Catherine Bell's fee increased in July 2025 to £67,500 and her fee for chairing the Cadent Foundation Committee increased to £13,000.
4. Mark Braithwaite was appointed as an Independent Director from 1 November 2025. Mark receives £13,000 for chairing the Audit Committee.
5. Paul Smith's fee increased in July 2025 to £67,500, with his fees for chairing both the Sustainability Committee and the Remuneration Committee increasing to £13,000 each.
6. To avoid any conflict of interest, the fees of the SIDs and the Independent Director were reviewed and determined by the Nominations Committee.

## Payments for loss of office

There were no payments for loss of office during the year.

## Payments to past Directors

Anthony Bickerstaff stepped down from the role of Chief Financial Officer on 31 March 2025 and the Board in September 2024. As part of his leaving arrangements, he remained entitled to receive the 2023/24 LTIP award at the normal vesting date, pro-rated to the date of 31 March 2025 and subject to the performance outturn for the period to the end of 2025/26. Based on the outcome of 78.50% of maximum, a payment of £338,510 will be paid in June 2026.

## Advisers to the Remuneration Committee

FIT Remuneration Consultants fees for advice to the Committee in 2025/26 were £45,000.

The Committee reviews the objectivity and independence of the advice it receives from its advisors 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 and Company Secretary who acts as Secretary to the Committee, the Chief People Officer and People Director, Centre of Expertise. No other advisors have provided significant services to the Committee in the year.

## Statement of implementation for 2026/27

Remuneration policy will be implemented during 2026/27 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 2026. Gary Baron received an out of cycle increase in April, with no further increase in July. The table below sets out the resulting rates of salary:

	From 1 July 2026	From 1 July 2025
Steve Fraser	£781,995	£755,550
Howard Forster	£482,051	£465,750
Gary Baron	£433,800	£370,000

## STIP measures for 2026/27

The STIP targets are considered commercially sensitive and consequently will be disclosed after the end of the financial year in the 2026/27 annual report on remuneration. The structure of the scheme will remain largely the same as that of 2025/26.

	Weighting
EBITDA (excluding pass through costs)	28%
Health & Safety Engagement <sup>1</sup>	6.40%
Safe+Well Delivery <sup>1</sup>	6.40%
Waste Reduction – Polyethylene pipe	3.20%
Mains Replacement Programme	12%
Customer Service	8%
Complaints Handling	4%
Regulatory Measures	12%
Individual Performance	20%

1. Lost Time Injury Frequency Rate will act as a modifier for the broader safety measures; such that performance will need to be below 0.70, our industry benchmark, to pay out on these measures.

Steve Fraser's target STIP will be at 100% of salary (maximum 200% of salary), while Howard Forster's target STIP will be at 60% of salary (maximum 120% of salary) and Gary Baron's target STIP will be 40% of salary (maximum 80% of salary).

The total weighting of individual performance for 2026/2027 is 20%.

The targets have been set in the context of the business plan and external factors. With careful consideration given to benefit of delivery of these targets to customers, regulators, shareholders and the wider workforce.

The Remuneration Committee retains discretion in exceptional circumstances over the 2026/27 measures and targets.

## LTIP to be awarded in 2026/27

The LTIP targets are considered commercially sensitive and, consequently, will be disclosed after the end of their performance period in the 2028/29 annual report on remuneration. Measures to be used for the 2026/27 award are shown in the table below:

	Weighting
Customer Strategy	20%
Customer Supply Asset Investment	15%
Economic Outcome	45%
Sustainability	20%

For the 2026/27 award, the target and maximum will be 175% and 350% of salary respectively for Steve Fraser, and 90% and 180% of salary respectively for Howard Forster, and 80% and 160% of salary respectively for Gary Baron.

## Fees for the independent Chair and the other Non-Executive Directors

The fees for the Chair, the Sufficiently Independent Directors and the Independent Director for the forthcoming year are detailed in the table below.

	Fee From 1 July 2026	Fee From 1 July 2025
Chair	<b>£330,000</b>	£345,000
Sufficiently Independent Director and Independent Director	<b>£70,000</b>	£67,500
Additional fee for Chair of Remuneration Committee	<b>£15,000</b>	£13,000
Additional fee for Chair of the Audit and Risk Committee	<b>£15,000</b>	–
Additional fee for Chair of Sustainability Committee	<b>£15,000</b>	£13,000
Additional fee for Chair of Cadent Foundation Committee	<b>£15,000</b>	£13,000

A review was undertaken of the fees for the Chair, Sufficiently Independent Directors and Independent Director during the year, considering market data for comparable companies with similar sized turnover and companies with a similar market cap. To avoid any conflict of interest, the fees of the SIDs and the Independent Director were reviewed and determined by the Nominations Committee. It was agreed that the fees for the SIDs will increase to £70,000 with the additional Committee Chair fees increasing to £15,000 with effect from 1 July 2026. Fees for the Chair will increase to £345,000 from December 2026.

The Directors' Remuneration Report has been approved by the Board and signed on its behalf by:

### Paul Smith

Chair of the Remuneration Committee

25 June 2026

# 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 70, 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

W J Holland-Kaye (Chair) <sup>1</sup>	(Appointed 1 September 2025)
G L Baron	(Appointed 1 April 2025)
Dr C E D Bell CB <sup>1</sup>	
M W Braithwaite <sup>2</sup>	
A Carta <sup>3</sup>	
Dr G E Cooley	
N R V Corrigan	
B Fang	(Appointed 11 March 2026)
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 <sup>1</sup>	
H Su	
S Sulaiman	(Appointed 31 October 2025)
X Sun <sup>3</sup>	(Appointed 11 March 2026)
D L Wilkins <sup>3</sup>	

### Former Directors

Sir A Montague CBE (Chair) <sup>1</sup>	(Resigned 31 January 2026)
A M Al-Ansair	(Resigned 22 May 2025)
M Wang <sup>3</sup>	(Resigned 11 March 2026)
D J Xie	(Resigned 11 March 2026)

1. Sufficiently Independent Director.
2. Independent Director.
3. Alternate Director.

## Corporate governance

A full report on corporate governance can be found on pages 80 to 84. Incorporated by reference into this report.

## Future developments

Details of future developments have been included within the Strategic report on pages 01 to 70.

## Dividends

During the year, the company paid ordinary dividends totalling £415 million, £207.5 million in September 2025 and £207.5 million in January 2026 (2024/2025: ordinary dividends totalling £415 million). No further dividends are proposed for the current financial period.

## Charitable and political donations

Charitable donations made by the Group during the year totalled £3.7 million (2024/25: £0.5 million).

The company made no political donations during the year (2024/25: £Nil).

## Research and development

Total expenditure on research and development was £32 million during the period (2024/25: £27 million).

## 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 26. Details of how the Directors have engaged with employees can be found in the Section 172 Statement on pages 36 to 40.

## 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 36 to 40

## Environmental policy

Information on the Group's environmental initiatives can be found in the 'Our strategy for responding to climate change' on page 53, and on page 32 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 flow, liquidity position and borrowing facilities are described in the Strategic report on pages 01 to 70.

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 exposure to credit risk and liquidity risk. The Group has considerable financial resources together with long-term contracts with several 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 the geopolitical risk evolving, the Group's financial profile remains resilient. At the time of preparing this annual report and accounts, the ongoing conflict in the Middle East continues to be a priority to ensure appropriate management and control of risks. The Group has not been significantly impacted as a result of protections in place through the regulatory price control and our treasury management, which hedges our inflation and interest rate risk by example. 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 £724 million (2025: £188 million liabilities) primarily due to higher borrowings, derivative financial liabilities and 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 2026 is £8,375 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, 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

On 28 May 2026, Cadent Gas Limited entered into a £200 million floating rate bilateral term loan facility. The facility has an availability period of six months and an initial maturity of five years from the date of drawdown. The borrower and lender may agree to extend the maturity by up to two further one-year periods (to a maximum of seven years from drawdown), subject to mutual consent at each extension date. As at 25 June 2026, the loan was fully undrawn.

## Directors' report continued

### 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 2026, 100% of the company's share capital was held by Quadgas MidCo Limited.

### 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.

### Directors' responsibilities statement

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 United Kingdom adopted international accounting standards. The financial statements also comply with IFRS Accounting Standards as issued by the IASB. The directors have also chosen to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework" and 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 company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;

- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 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

25 June 2026



# Financial statements

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# 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 2026 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 the reasonableness of management's 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](http://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 licence conditions imposed by the Office of Gas and Electricity Markets (Ofgem).

# Independent auditor's report to the members of Cadent Gas Limited continued

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, pensions, IT, regulatory, ESG, and financial instruments 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.

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 £866m in property, plant, and equipment, excluding leased assets (2025: 905m).

We have identified a risk in non-MRP additions that expenditure which is operating in nature is incorrectly capitalised as fixed assets additions. 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

25 June 2026

# Consolidated income statement

## For the year ended 31 March 2026

	Notes	2026 £m	2026 £m	2025 £m	2025 £m
Revenue	4		2,490		2,172
Operating costs					
Before adjusting items		(1,596)		(1,494)	
Adjusting items	6	(5)		(33)	
Total operating costs			(1,601)		(1,527)
<b>Total operating profit</b>			<b>889</b>		<b>645</b>
Finance income					
Before adjusting items	9	25		53	
Adjusting items	6/9	–		8	
Total finance income			<b>25</b>		<b>61</b>
Finance costs					
Before adjusting items	9	(315)		(293)	
Adjusting items	6/9	(42)		–	
Total finance costs			<b>(357)</b>		<b>(293)</b>
<b>Profit before tax</b>					
Before adjusting items		<b>604</b>		438	
Adjusting items	6	(47)		(25)	
Total profit before tax			<b>557</b>		<b>413</b>
Tax					
Before adjusting items	10	(154)		(115)	
Adjusting items	6/10	12		6	
Total tax			<b>(142)</b>		<b>(109)</b>
Profit after tax					
Before adjusting items		<b>450</b>		323	
Adjusting items	6	(35)		(19)	
<b>Profit for the year</b>			<b>415</b>		<b>304</b>

The results reported above relate to continuing activities.

The notes on pages 123 to 171 are an integral part of the financial statements.

# Consolidated statement of comprehensive income

## For the year ended 31 March 2026

	Notes	2026 £m	2025 £m
<b>Profit for the year</b>		<b>415</b>	304
<b>Other comprehensive (expense)/income:</b>			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	27	<b>(229)</b>	(6)
Tax on remeasurements of post-employment benefit obligations	10	<b>57</b>	2
<b>Total items that will never be reclassified to profit or loss</b>		<b>(172)</b>	(4)
Items that may be reclassified subsequently to profit or loss			
Net (loss)/gain in respect of cash flow hedges		<b>(3)</b>	62
Net loss in respect of cost of hedging reserve		<b>(10)</b>	(16)
Amortisation of cost of hedging reserve		<b>5</b>	8
Tax on net (loss)/gain in respect of cash flow hedges	10	<b>1</b>	(12)
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>(7)</b>	42
<b>Other comprehensive (expense)/income for the year, net of tax</b>		<b>(179)</b>	38
<b>Total comprehensive income for the year</b>		<b>236</b>	342

The results reported above relate to continuing activities.

The notes on pages 123 to 171 are an integral part of these financial statements.

# Consolidated statement of financial position

## As at 31 March 2026

	Notes	2026 £m	2025 £m
<b>Non-current assets</b>			
Intangible assets	12	40	17
Property, plant and equipment	13	12,654	12,292
Investments in associates	14	–	–
Pension and other post-retirement benefit assets	27	121	340
Derivative financial assets	17	81	25
Total non-current assets		12,896	12,674
<b>Current assets</b>			
Inventories	15	16	16
Corporation tax		–	3
Trade and other receivables	16	224	190
Current asset investments	18	262	165
Cash and cash equivalents		17	19
Total current assets		519	393
<b>Total assets</b>		<b>13,415</b>	<b>13,067</b>
<b>Current liabilities</b>			
Trade and other payables	19	(511)	(459)
Borrowings	21	(486)	(82)
Lease liabilities	22	(25)	(20)
Corporation tax		(3)	–
Provisions	23	(13)	(20)
Derivative financial liabilities	17	(205)	–
Total current liabilities		(1,243)	(581)
<b>Net current liabilities</b>		<b>(724)</b>	<b>(188)</b>
Total assets less current liabilities		12,172	12,486
<b>Non-current liabilities</b>			
Derivative financial liabilities	17	(314)	(404)
Borrowings	21	(7,889)	(7,813)
Lease liabilities	22	(92)	(114)
Deferred tax liabilities	10	(1,722)	(1,806)
Provisions	23	(55)	(59)
Accruals and deferred income	20	(4)	(15)
Total non-current liabilities		(10,076)	(10,211)
<b>Total liabilities</b>		<b>(11,319)</b>	<b>(10,792)</b>
<b>Total net assets</b>		<b>2,096</b>	<b>2,275</b>
<b>Equity</b>			
Share capital	24	–	–
Cash flow hedge reserve		35	37
Cost of hedging (deficit)/reserve		(4)	1
Retained earnings		7,358	7,530
Other deficit		(5,293)	(5,293)
<b>Total equity</b>		<b>2,096</b>	<b>2,275</b>

The notes on pages 123 to 171 are an integral part of these financial statements.

The consolidated financial statements on pages 118 to 171 were authorised and approved for issue by the Board of Directors on 25 June 2026 and were signed on its behalf by:

### G L Baron

Director

Cadent Gas Limited

25 June 2026

Company registration number: 10080864

# Consolidated statement of changes in equity

## For the year ended 31 March 2026

	Share Capital £m	Cash flow Hedge Reserve £m	Cost of Hedging Reserve/ (Deficit) £m	Other Deficit £m	Retained Earnings £m	Total £m
At 1 April 2025	–	37	1	(5,293)	7,530	2,275
Profit for the year	–	–	–	–	415	415
Other comprehensive expense excluding amortisation of cost of hedging reserve	–	(2)	(10)	–	(172)	(184)
Amortisation of cost of hedging reserve	–	–	5	–	–	5
Total comprehensive (expense)/income for the year	–	(2)	(5)	–	243	236
Equity dividends (note 11)	–	–	–	–	(415)	(415)
<b>At 31 March 2026</b>	<b>–</b>	<b>35</b>	<b>(4)</b>	<b>(5,293)</b>	<b>7,358</b>	<b>2,096</b>

	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

The cash flow hedge reserve in relation to the 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 (deficit)/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 123 to 171 are an integral part of these financial statements.

# Consolidated statement of cash flows

## For the year ended 31 March 2026

	Notes	2026 £m	2025 £m
<b>Cash flows from operating activities</b>			
Total operating profit		889	645
Adjustments for:			
Adjusting items	6	5	33
Depreciation, amortisation and impairment	12/13	527	502
Increase in inventories	15	–	–
(Increase)/decrease in trade and other receivables		(34)	15
Increase in trade and other payables	30	61	41
Capital contribution income		(54)	(44)
Changes in provisions		–	1
Gain on disposal of property, plant and equipment		(1)	(2)
Changes in pensions and other post-retirement obligations		8	7
Other non-cash items		(2)	–
Capital contributions received		23	42
Cash flows relating to adjusting items		(20)	(12)
Cash generated from operations		1,402	1,228
Tax paid		(163)	(111)
<b>Net cash inflow from operating activities</b>		<b>1,239</b>	<b>1,117</b>
<b>Cash flows from investing activities</b>			
Purchases of intangible assets		(34)	(4)
Purchases of property, plant and equipment	31	(859)	(879)
Disposals of property, plant and equipment		1	3
Interest received		7	41
Net (increase)/decrease in financial investments		(97)	400
<b>Net cash flow used in investing activities</b>		<b>(982)</b>	<b>(439)</b>
<b>Cash flows from financing activities</b>			
Proceeds received from loans		398	542
Cash paid on derivatives hedging loan proceeds		–	(2)
Repayment of loans		–	(580)
Repayment of lease liabilities	22	(35)	(31)
Interest paid on loans		(237)	(225)
Cash received on interest settlement of derivatives		30	23
Dividends paid to shareholders	11	(415)	(415)
<b>Net cash flow used in financing activities</b>		<b>(259)</b>	<b>(688)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(2)</b>	<b>(10)</b>
Net cash and cash equivalents at the start of the year		19	29
<b>Net cash and cash equivalents at the end of the year</b>		<b>17</b>	<b>19</b>
Comprising:			
– Cash <sup>1</sup>		17	19

1. Cash of £17 million (2025: £19 million) includes £11 million (2025: £2 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 2026

### 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 the Strategic report on pages 1 to 70. 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 the geopolitical risk evolving, our financial profile remains resilient. At the time of preparing these accounts, the ongoing conflict in the Middle East continues to be a focus area as we ensure appropriate management and control of risks. The Group has not been significantly impacted as a result of protections in place through the regulatory price control and our treasury management, which hedges our inflation and interest rate risk. 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. Consideration was also given to significant events which may fall outside of this period such as planned refinancing. 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 £724 million (2025: £188 million asset) primarily due to higher borrowings, financial derivatives and trade and other payables compared with trade and other receivables and cash and financial investments. It is appropriate to prepare the accounts on a going concern basis despite the net current liabilities position, as the Group continues to trade and operate as a going concern. The Group has reported consolidated profit before tax of £557 million (2025: £413 million), has access to an undrawn £500 million liquidity facility and has good credit ratings. The carrying value of the debt as at 31 March 2026 is £8,375 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 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 2026

### 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 and Climate-related financial disclosure on pages 53 to 70 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, and concluded it is still reasonable to assume the network will continued to be used beyond 2050 – see 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.

Under RIIO-2 Cadent Gas Limited has an agreement with the Charities Trust to contribute at least 1% of profit after tax into a Donor Advised Fund (DAF). For RIIO-3 the annual donation will be £3 million. 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 one amendment to IFRS Standards and Interpretations issued by the IASB that is effective for an annual period that begins on or after 1 January 2025. The adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. This is:

- Amendments to IAS 21, Lack of Exchangeability.

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;<sup>1</sup>
- Amendments to IFRS 9 and IFRS 7, Classification and Measurement of Financial Instruments;
- Annual improvements 2024; and
- Amendments to IAS 21, The Effects of Changes in Foreign Exchange Rates: Translation to a Hyperinflationary Presentation Currency.<sup>1</sup>

1. 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 International Accounting standards Board (IASB) issued IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 and introduces updated requirements for the presentation of primary financial statements, including the classification of income and expenses, new subtotals and enhanced disclosure principles. The effective date of IFRS 18 is for accounting periods beginning on or after 1 January 2027, with the year ended 31 March 2028 being the first year the Group will be impacted by the proposals. The adoption of IFRS 18 will not affect the Group's profit after tax; however, it will result in changes to the presentation of the primary financial statements and to certain disclosures. In particular, income and expenses will be grouped into categories in the Consolidated income statement, namely the operating, investing, financing and income tax categories, although the overall impact is not expected to be significant. Preparatory work is currently underway to support adoption.

The Directors do not expect that the adoption of the other Standards listed above will have a material impact on the financial statements of the Group in future periods.

### (d) Intangible assets

Intangible assets relate to software, which is written down (amortised) over the period 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 is 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.

# Notes to the consolidated financial statements continued

## For the year ended 31 March 2026

### 1 Summary of significant accounting policies continued

#### (e) Property, plant and equipment, and depreciation continued

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.

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 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.

## 1 Summary of significant accounting policies continued

### (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.

#### 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.

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.

# Notes to the consolidated financial statements continued

## For the year ended 31 March 2026

### 1 Summary of significant accounting policies continued

#### (g) Financial instruments continued

##### 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 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 that 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.

## 1 Summary of significant accounting policies continued

### (g) Financial instruments continued

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, which 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.

### (i) Trade and other payables

Trade and other payables are recognised initially at fair value 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.

# Notes to the consolidated financial statements continued

## For the year ended 31 March 2026

### 1 Summary of significant accounting policies continued

#### (k) Tax continued

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.

#### (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 our 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 12 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

## 1 Summary of significant accounting policies continued

### (n) Revenue continued

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.

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.

# Notes to the consolidated financial statements continued

## For the year ended 31 March 2026

### 1 Summary of significant accounting policies continued

#### (q) Leases

The company leases offices, operational buildings, land, equipment and vehicles. Rental contracts typically range from six months to five 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;
- 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.

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.

## 1 Summary of significant accounting policies continued

### (q) Leases continued

#### 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.

### (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.

# Notes to the consolidated financial statements continued

## For the year ended 31 March 2026

### 2 Critical accounting judgements and key sources of estimation uncertainty continued

#### 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 have 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 restructuring programme – **note 6**; and
- the judgement that the network can be used for existing and 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, biomethane 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 we play to evolve our network to enable the scale-up and transportation of green gases such as biomethane and hydrogen, reducing leakages in the network (i.e. fugitive emissions), supporting electrification (through hybrids – a combination of gas boiler and heat pump – and providing resilience for the electricity network through dispatchable gas-to-power generation), and ensuring consumers benefit from a secure, affordable transition. We are making progress, growing the volume of biomethane we transport in our network, proactively reducing emission leakage using advanced analytics and new high-sensitivity emissions detectors, and preparing parts of the network for hydrogen when customers are ready and appropriate policy frameworks are in place.

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 – **notes 12 & 13**.

#### 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's 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**;

## 2 Critical accounting judgements and key sources of estimation uncertainty continued

### Key sources of estimation uncertainty continued

- 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. Future cash flows are projected based on market expectations of inflation, incorporating observable inputs such as RPI swap rates and short-dated CPI swap rates. Where observable market data for CPI swaps is limited for longer maturities, the CPI curve is derived from the RPI curve by adjusting for the market-implied RPI/CPI basis spread at each relevant tenor. The estimated future cash flows are discounted to present value using discount factors derived from applicable interest rate curves. These discount rates are adjusted, where appropriate, to reflect management's assessment of counterparty credit risk and the entity's own credit risk.

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

	2026 £m	2025 £m
Revenue from distribution of gas	2,415	2,109
Other income	75	63
	<b>2,490</b>	<b>2,172</b>

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).

	2026 £m	2025 £m
<b>Analysis of revenue by major customers</b>		
Customer A	507	382
Customer B	490	344
Customer C	277	253
	<b>1,274</b>	<b>979</b>

Three customers contributed 10% or more to the Group's revenue during the year to 31 March 2026 (2025: three).

# Notes to the consolidated financial statements continued

## For the year ended 31 March 2026

### 5 Operating profit

	2026 £m	2025 £m
<b>Operating profit is stated after charging:</b>		
Depreciation, amortisation and impairment	527	502
Payroll costs (see note 7)	289	299
Inventory consumed	31	28
Shrinkage	28	32
Rates	188	185
Research and development expenditure	31	26
Exit capacity charges	215	149

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).

	2026 £000	2025 £000
<b>Services provided by the company's auditor</b>		
Audit services		
Fees payable to the Group's auditors for the audit of the financial statements	868	906
Fees payable for the audit of the subsidiary company financial statements	62	60
Other services		
Fees payable to the company's auditors for audit-related assurance services	111	109
Other non-audit services	131	160

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 2026 relate to services provided in connection with raising of debt and reports required by the regulator.

## 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, with the exception of the amount relating to accretion, which is included within interest.

	2026 £m	2025 £m
<b>Adjusting items included within operating costs:</b>		
Restructuring costs <sup>(i)</sup>	5	33
<b>Adjusting items included within finance cost/(income):</b>		
Net losses/(gains) on derivative financial instruments <sup>(ii)</sup>	42	(8)
<b>Total included within profit before tax</b>	<b>47</b>	<b>25</b>
<b>Included within taxation:</b>		
Tax on adjusting items		
Tax credit on restructuring activities	(1)	(8)
Tax (credit)/charge on net losses/(gains) on derivative financial instruments	(11)	2
	<b>(12)</b>	<b>(6)</b>
<b>Total adjusting items after tax</b>	<b>35</b>	<b>19</b>
<b>Analysis of total adjusting items after tax</b>		
Total adjusting items included within operating costs after tax	4	25
Total adjusting items included within finance cost/(income) after tax	31	(6)
	<b>35</b>	<b>19</b>

- (i) The Group carried out a transformation programme to improve the efficiency of our operations by restructuring the business. During the year, the Group recognised £5 million in adjusting items in relation to our RIIO-3 Transformation programme that began in 2024 (cumulative: £48 million). These activities are infrequent and adjusting in nature, and are financially material over the course of the multi-year exercise.
- (ii) Net losses/(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.

# Notes to the consolidated financial statements continued

## For the year ended 31 March 2026

### 7 Employment numbers and costs

The average number of persons (including Executive Directors) employed by the Group was 5,923 (2025: 6,361) and can be analysed as follows:

	2026	2025
Field force	2,647	2,804
Office and other administrative staff	3,276	3,557
<b>Total</b>	<b>5,923</b>	<b>6,361</b>

	2026 £m	2025 £m
Wages and salaries	336	342
Social security costs	48	42
Other pension costs	49	62
	<b>433</b>	<b>446</b>
Less: payroll costs capitalised	(144)	(147)
	<b>289</b>	<b>299</b>

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.

	2026 £000	2025 £000
Salaries and other short-term employee benefits	4,542	3,821
Long-term benefits	2,225	2,116
Post-employment benefits	193	190
	<b>6,960</b>	<b>6,127</b>

### 8 Directors' emoluments

The Directors' emoluments were as follows:

	2026 £000	2025 £000
Aggregate emoluments (including salary, fees, bonuses and benefits in kind)	4,542	3,821
Aggregate amounts receivable under long-term incentive schemes	2,564	2,116
Post-employment benefits	193	190
	<b>7,299</b>	<b>6,127</b>

#### Highest paid Director

The highest paid Director's emoluments were as follows:

	2026 £000	2025 £000
Total amount of emoluments and amounts receivable (excluding shares) under long-term incentive schemes	3,622	3,033
Post-employment benefits	90	88

## 9 Finance income and costs

	2026 £m	2025 £m
<b>Finance income</b>		
Interest income from pensions	18	16
Interest income from financial investments	7	37
Finance income before adjusting items	25	53
Adjusting items <sup>(i)</sup>	–	8
Total finance income	25	61
<b>Finance costs</b>		
Interest expense on financial liabilities held at amortised cost:		
Bank loans and overdrafts	31	36
Bonds <sup>(ii)</sup>	240	225
Derivatives <sup>(iii)</sup>	31	26
Other <sup>(iv)</sup>	13	6
Finance costs before adjusting items	315	293
Adjusting items <sup>(i)</sup>	42	–
Total finance costs	357	293
<b>Net finance costs</b>	<b>332</b>	<b>232</b>

- (i) Includes a net foreign exchange loss on financing activities of £72 million (2025: £56 million gain). These amounts are fully offset by foreign exchange gains and losses on derivative financial instruments measured at fair value. Also includes a loss of £42 million (2025: £0.2 million gain) relating to the remeasurement of derivatives not designated as hedges and a £Nil gain (2025: £7 million gain) on redemption of swaps. Higher RPI and CPI rates relative to 31 March 2025 contributed to the remeasurement loss for the year.
- (ii) Included within finance costs in bonds is £Nil (2025: £1 million) of accretion on RPI-linked debt instruments with an original tenor of 7–10 years (cumulative: £252 million) and £26 million (2025: £18 million) RPI-linked debt instruments with an original tenor of >10 years (cumulative: £321 million).
- (iii) Included within finance costs in derivatives is net interest received on derivatives of £31 million (2025: £29 million). Also included is, £25 million (2025: £20 million) of accretion on RPI-linked swaps with an original tenor >10 years (cumulative: £213 million), £26 million (2025: £25 million) on CPI-linked swaps (cumulative: £196 million) with an original tenor of 7–10 years and £11 million (2025: £10 million) on CPI-linked swaps (cumulative: £76 million) with an original tenor >10 years.
- (iv) Included within finance costs in other is unwinding of discount on provisions, interest on lease liabilities and interest on tax.

# Notes to the consolidated financial statements continued

## For the year ended 31 March 2026

### 10 Taxation

#### Tax charged/(credited) to the income statement

	2026 £m	2025 £m
Tax before adjusting items	154	115
Tax on adjusting items (see note 6)	(12)	(6)
<b>Total tax expense</b>	<b>142</b>	<b>109</b>

#### Taxation as a percentage of profit before tax

	2026 %	2025 %
Before adjusting items	25.5	26.0
<b>After adjusting items</b>	<b>25.5</b>	<b>26.4</b>

The tax charge for the year can be analysed as follows:

	2026 £m	2025 £m
Current tax		
UK corporation tax at 25%	158	115
UK corporation tax adjustment in respect of prior years	10	4
<b>Total current tax</b>	<b>168</b>	<b>119</b>
Deferred tax		
UK deferred tax current year	(15)	(8)
UK deferred tax adjustment in respect of prior years	(11)	(2)
<b>Total deferred tax</b>	<b>(26)</b>	<b>(10)</b>
<b>Total tax charge</b>	<b>142</b>	<b>109</b>

#### Total tax (credited)/charged to other comprehensive income and equity

	2026 £m	2025 £m
Deferred tax		
Financial instrument	(1)	12
Remeasurements of post-employment benefit obligations	(57)	(2)
<b>Total tax (credited)/charged to other comprehensive income and equity</b>	<b>(58)</b>	<b>10</b>

The tax charge for the year after adjusting items is higher than (2025: higher) the standard rate of corporation tax in the UK of 25% (2025: 25%).

	Before Adjusting Items 2026 £m	After Adjusting Items 2026 £m	Before Adjusting Items 2025 £m	After Adjusting Items 2025 £m
Profit before tax				
Before adjusting items	604	604	438	438
Adjusting items	n/a	(47)	n/a	(25)
<b>Profit before tax</b>	<b>604</b>	<b>557</b>	<b>438</b>	<b>413</b>
Profit before tax multiplied by UK corporation tax rate of 25%	151	139	110	104
Effect of:				
Expenses not deductible for tax purposes	5	5	4	4
Non-taxable income	(1)	(1)	–	–
Prior-year adjustments	(1)	(1)	1	1
<b>Total tax</b>	<b>154</b>	<b>142</b>	<b>115</b>	<b>109</b>

## 10 Taxation continued

### Factors that may affect future tax charges

Future tax charges and payments will continue to be influenced by the level of corporate interest restriction (CIR) arising within the Group. As the Group moves into the RIIO-3 period, CIR is expected to be more stable as key drivers become clearer. The extent of any restriction will depend on future profitability and interest costs, with profitability affected by changes in accounting standards and regulatory pricing and interest costs influenced by prevailing interest rates and inflation.

The OECD Pillar 2 rules have applied from 1 January 2024 to groups with consolidated revenues in excess of €750 million. These rules ensure that in-scope groups are subject to a minimum effective tax rate (ETR) of 15% in each jurisdiction, calculated in accordance with the Global Anti-Base Erosion (GloBE) model. Where a jurisdictional ETR is below 15%, a top-up tax is applied to bring the jurisdiction up to the minimum rate. Although the Group is not a multinational enterprise for the purposes of the Pillar 2 rules, it is within scope of the UK Domestic Top-Up Tax. The Group has assessed the impact of the legislation and is responsible for reporting under UK Domestic Top-Up Tax, although no increase in total taxes payable is anticipated, as the Group's effective tax rate under the GloBE rules remains above the 15% minimum rate. The Group has applied the IAS 12 exception in respect of Pillar 2 income taxes. Accordingly, no deferred tax assets or liabilities arising from the application of Pillar Two have been recognised or disclosed.

### 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 2025	1,708	83	28	(13)	1,806
(Credited)/charged to income statement	(8)	3	(21)	–	(26)
Credited to other comprehensive income and equity	–	(57)	(1)	–	(58)
<b>At 31 March 2026</b>	<b>1,700</b>	<b>29</b>	<b>6</b>	<b>(13)</b>	<b>1,722</b>
Deferred tax assets	–	–	–	(13)	(13)
Deferred tax liabilities	1,700	29	6	–	1,735
<b>At 31 March 2026</b>	<b>1,700</b>	<b>29</b>	<b>6</b>	<b>(13)</b>	<b>1,722</b>

	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
<b>At 31 March 2025</b>	<b>1,708</b>	<b>83</b>	<b>28</b>	<b>(13)</b>	<b>1,806</b>
Deferred tax assets	–	–	–	(13)	(13)
Deferred tax liabilities	1,708	83	28	–	1,819
<b>At 31 March 2025</b>	<b>1,708</b>	<b>83</b>	<b>28</b>	<b>(13)</b>	<b>1,806</b>

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 £1,722 million (2025: £1,806 million).

# Notes to the consolidated financial statements continued

## For the year ended 31 March 2026

### 11 Dividends

	2026 £m	2025 £m
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
Interim dividend of £1,227.60 per ordinary share amounting to £207,500,000 was declared on 18 August 2025 and paid on 1 September 2025	208	–
Second interim dividend of £1,227.60 per ordinary share amounting to £207,500,000 was declared on 29 January 2026 and paid on 30 January 2026	207	–
	<b>415</b>	415

No further dividends are proposed for the current financial period.

### 12 Intangible asset

	Software £m
<b>Cost:</b>	
At 1 April 2025	179
Additions	34
Disposals	(69)
<b>At 31 March 2026</b>	<b>144</b>
<b>Accumulated amortisation:</b>	
At 1 April 2025	(162)
Amortisation charge for the year	(11)
Disposals	69
<b>At 31 March 2026</b>	<b>(104)</b>
<b>Net book value:</b>	
<b>At 31 March 2026</b>	<b>40</b>
At 31 March 2025	17

Included within additions is £6 million (2025: £Nil) of software under development.

	Software £m
<b>Cost:</b>	
At 1 April 2024	175
Additions	4
Disposals	–
At 31 March 2025	179
<b>Accumulated amortisation:</b>	
At 1 April 2024	(144)
Amortisation charge for the year	(18)
Disposals	–
At 31 March 2025	(162)
<b>Net book value:</b>	
At 31 March 2025	17
At 31 March 2024	31

### 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
<b>Cost</b>						
At 1 April 2025	234	14,546	68	252	190	15,290
Additions	13	811	16	26	12	878
Reclassifications	–	37	(37)	–	–	–
Disposals	(3)	(2)	–	(20)	(7)	(32)
<b>At 31 March 2026</b>	<b>244</b>	<b>15,392</b>	<b>47</b>	<b>258</b>	<b>195</b>	<b>16,136</b>
<b>Accumulated depreciation and impairment</b>						
At 1 April 2025	(73)	(2,680)	–	(183)	(62)	(2,998)
Charge for the year	(16)	(432)	–	(33)	(29)	(510)
Impairment losses recognised	–	(6)	–	–	–	(6)
Disposals	3	2	–	20	7	32
<b>At 31 March 2026</b>	<b>(86)</b>	<b>(3,116)</b>	<b>–</b>	<b>(196)</b>	<b>(84)</b>	<b>(3,482)</b>
<b>Net book value:</b>						
<b>At 31 March 2026</b>	<b>158</b>	<b>12,276</b>	<b>47</b>	<b>62</b>	<b>111</b>	<b>12,654</b>
At 31 March 2025	161	11,866	68	69	128	12,292

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's 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:

	2026 £m	2025 £m
Land and buildings	69	68
Motor vehicles and other equipment	42	60
	<b>111</b>	<b>128</b>

#### The net book value of land and buildings comprises:

	2026 £m	2025 £m
Freehold	117	122
Long leasehold (over 50 years)	33	31
Short leasehold (under 50 years)	8	8
	<b>158</b>	<b>161</b>

# Notes to the consolidated financial statements continued

## For the year ended 31 March 2026

### 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 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 period	(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

### 14 Investments in associates

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 <sup>1</sup>	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

1. The investment in Xoserve is fully impaired.

Outstanding balances with associates are shown in note 33.

### 15 Inventories

	2026 £m	2025 £m
Raw materials and consumables	16	16
	16	16

Inventories are stated after provisions for impairment of £1,251,000 (2025: £1,305,000).

## 16 Trade and other receivables

	2026 £m	2025 £m
<b>Amounts falling due within one year:</b>		
Trade debtors	6	6
Prepayments	11	11
Accrued income	207	173
	<b>224</b>	<b>190</b>

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:

	2026 £m	2025 £m
At 1 April	4	5
Amounts utilised/written off in the year	(1)	(1)
At 31 March	<b>3</b>	<b>4</b>

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 macroeconomic and geopolitical 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.

# Notes to the consolidated financial statements continued

## For the year ended 31 March 2026

### 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 repair.

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.

	Not due £m	Current £m	1-6 months £m	6-12 months £m	Over 1 year £m	Total £m
<b>2026</b>						
Total trade debtors balance	3	–	1	1	2	7
Expected credit loss	–	–	–	–	(1)	(1)
Balance after loss allowance	3	–	1	1	1	6
<b>2025</b>						
Total trade debtors balance	3	–	1	1	2	7
Expected credit loss	–	–	–	–	(1)	(1)
Balance after loss allowance	3	–	1	1	1	6

#### 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 12 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 2026, the outstanding debt with these failed customers was £2 million (2025: £3 million) for which a specific provision exists, which remains outstanding and is subject to our existing credit procedures.

	Not due £m	Current £m	1-6 months £m	6-12 months £m	Over 1 year £m	Total £m
<b>2026</b>						
Total accrued income balance	207	–	–	–	2	209
Expected credit loss	–	–	–	–	(2)	(2)
Balance after loss allowance	207	–	–	–	–	207
<b>2025</b>						
Total accrued income balance	173	–	–	–	3	176
Expected credit loss	–	–	–	–	(3)	(3)
Balance after loss allowance	173	–	–	–	–	173

## 17 Derivative financial instruments

The fair values of derivative financial instruments are as follows:

	2026		
	Assets £m	Liabilities £m	Total £m
Amounts falling due within one year	–	(205)	(205)
Amounts falling due after more than one year	81	(314)	(233)
	<b>81</b>	<b>(519)</b>	<b>(438)</b>

	2025		
	Assets £m	Liabilities £m	Total £m
Amounts falling due within one year	–	–	–
Amounts falling due after more than one year	25	(404)	(379)
	<b>25</b>	<b>(404)</b>	<b>(379)</b>

For each class of derivative the notional contract amounts<sup>1</sup> are as follows:

	2026 £m	2025 £m
Cross-currency interest rate swaps	<b>2,351</b>	2,302
Interest rate swaps	<b>2,509</b>	1,761
Inflation-linked swaps	<b>1,400</b>	1,400
Foreign exchange forward currency	<b>1</b>	–
	<b>6,261</b>	5,463

1. The notional contract amounts of derivatives indicate the gross nominal value of transactions outstanding at the reporting date.

## 18 Current asset investments

	2026 £m	2025 £m
Current asset investments	<b>262</b>	165
	<b>262</b>	165

Amounts held relate to investments in money market funds of £202 million (2025: £165 million) with typical maturity dates within 90 days and £60 million (2025: £Nil) of fixed term deposits with average maturity of 90–125 days from inception.

## 19 Trade and other payables

	2026 £m	2025 £m
Trade creditors	<b>162</b>	150
Amounts owed to other Group companies	–	4
Other tax and social security	<b>58</b>	13
Other creditors	<b>62</b>	49
Accruals	<b>122</b>	110
Deferred income	<b>107</b>	133
	<b>511</b>	459

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.

# Notes to the consolidated financial statements continued

## For the year ended 31 March 2026

### 20 Accruals and deferred income

	2026 £m	2025 £m
Accruals and deferred income (due after more than one year)	4	15
	<b>4</b>	<b>15</b>

Accruals and deferred income mainly comprise fees received from customers for capital projects.

### 21 Borrowings

	2026 £m	2025 £m
<b>Amounts falling due within one year</b>		
Bank loans	403	2
Bonds	83	80
	<b>486</b>	<b>82</b>
<b>Amounts falling due after more than one year</b>		
Bank loans	248	550
Bonds	7,641	7,263
	<b>7,889</b>	<b>7,813</b>
Total borrowings are repayable as follows:		
Less than one year	486	82
In one–two years	–	400
In two–three years	849	–
In three–four years	1,088	848
In four–five years	505	1,052
More than five years	5,447	5,513
	<b>8,375</b>	<b>7,895</b>

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.

**21 Borrowings** continued

Currency	Listing Status	Notional (including accretion)* £m	Rate	Maturity Date	Carrying Value £m	Fair Value £m
<b>Fixed rate</b>						
GBP	Listed	850	Fixed	22-Sep-28	858	801
EUR <sup>1</sup>	Listed	427	Fixed	05-Jul-29	457	460
GBP	Listed	100	Fixed	31-Jan-30	101	108
EUR <sup>2</sup>	Listed	537	Fixed	19-Mar-30	546	486
USD <sup>3</sup>	Listed	52	Fixed	25-Apr-30	50	55
USD <sup>4</sup>	Listed	58	Fixed	25-Jul-30	57	63
GBP	Listed	100	Fixed	19-Mar-31	100	94
USD <sup>5</sup>	Listed	151	Fixed	19-Mar-31	151	155
EUR <sup>6</sup>	Listed	439	Fixed	11-Mar-32	431	367
GBP	Listed	30	Fixed	15-Dec-32	30	34
GBP	Listed	45	Fixed	31-Jan-33	45	51
EUR <sup>7</sup>	Listed	547	Fixed	16-Apr-33	560	570
JPY <sup>8</sup>	Listed	68	Fixed	19-Jul-33	48	45
GBP	Listed	300	Fixed	14-Mar-34	300	298
GBP	Listed	200	Fixed	19-Mar-34	200	182
GBP	Listed	300	Fixed	10-Oct-35	300	222
GBP	Listed	315	Fixed	11-Jan-36	294	306
GBP	Listed	250	Fixed	19-Oct-36	242	241
CHF <sup>9</sup>	Listed	50	Fixed	14-Oct-37	50	58
GBP	Listed	700	Fixed	22-Sep-38	706	485
GBP	Listed	225	Fixed	19-Mar-39	225	192
GBP	Listed	300	Fixed	21-Mar-40	296	208
GBP	Listed	800	Fixed	22-Sep-46	801	464
		<b>6,844</b>			<b>6,848</b>	<b>5,945</b>
<b>Floating rate</b>						
GBP	Unlisted	400	SONIA	23-Mar-27	400	404
GBP	Unlisted	150	SONIA	21-Oct-30	151	159
GBP	Unlisted	100	SONIA	01-Jan-33	100	108
		<b>650</b>			<b>651</b>	<b>671</b>
<b>Index-linked</b>						
GBP	Listed	203	RPI-linked	02-May-39	269	234
GBP	Listed	209	RPI-linked	10-Aug-48	305	240
GBP	Listed	209	RPI-linked	14-Aug-48	302	236
		<b>621</b>			<b>876</b>	<b>710</b>
<b>Total</b>		<b>8,115</b>			<b>8,375</b>	<b>7,326</b>

\* Indexed-linked debt notional is the accreted value.

1. Euro amount is 500 million.
2. Euro amount is 625 million.
3. Dollar amount is 65 million.
4. Dollar amount is 75 million.
5. Dollar amount is 200 million.
6. Euro amount is 500 million.
7. Euro amount is 640 million.
8. JPY amount is 10 billion.
9. CHF amount is 53 million.

# Notes to the consolidated financial statements continued

## For the year ended 31 March 2026

### 21 Borrowings continued

On 23 September 2025, Cadent Finance Plc, a subsidiary of Cadent Gas Limited, priced CHF 53 million 1.86% fixed rate notes with a settlement date of 14 October 2025 and a maturity date of 14 October 2037. On the same day, Cadent Finance Plc entered into a cross currency swap, which converted the proceeds and all future interest and principal payments on the notes to GBP. These notes are guaranteed by, and proceeds were on lent to, Cadent Gas Limited.

On 16 December 2025, Cadent Gas Limited entered into a £100 million bilateral term loan with one of its relationship banks. The loan was drawn on 29 January 2026 and matures on 1 January 2033. The floating rate bilateral loan was converted to a fixed rate by entering into two £50 million interest rate swaps in January and February 2026 respectively.

On 19 February 2026, Cadent Finance Plc, a subsidiary of Cadent Gas Limited, issued a £250 million 10.5-year fixed rate Green bond, maturing 19 October 2036, with a coupon of 5.625% under its £7 billion Euro Medium Term Note Programme. This bond is guaranteed by, and proceeds were on lent to, Cadent Gas Limited. At the same time, Cadent Finance Plc transacted £250 million of interest rate swaps to convert the fixed rate cash flows to floating rate.

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 Limited, with a further £195 million facility available to be lent down from the immediate parent company, Quadgas MidCo Limited.

The fair value of borrowings at 31 March 2026 was £7,326 million (2025: £6,924 million). Where market values were available, the fair value of borrowings (Level 1) was £4,908 million (2025: £4,658 million). Where market values were not available, the fair value of borrowings (Level 2) was £2,418 million (2025: £2,266 million), calculated by discounting cash flows at prevailing interest rates. The notional amount outstanding of the debt portfolio at 31 March 2026 was £8,115 million (2025: £7,689 million) (including accretions).

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

	2026 £m	2025 £m
Current	25	20
Non-current	92	114
	<b>117</b>	<b>134</b>
<hr/>		
	2026 £m	2025 £m
Lease liabilities are repayable as follows:		
Year 1	25	20
Year 2	19	15
Year 3	13	9
Year 4	7	4
Year 5	4	1
More than 5 years	49	85
	<b>117</b>	<b>134</b>

The Group does not face a significant liquidity risk with regard to its lease liabilities. See note 28 (financial risk management) for further analysis including the undiscounted amount of leases.

All lease liabilities are denominated in sterling.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities was 3.78% for the current financial year (2025: 3.86%).

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 on the following page.

## 22 Lease liabilities continued

### b) Amounts recognised in the statement of profit or loss

	2026 £m	2025 £m
Depreciation of right-of-use assets (see note 13)	29	26
Expense relating to short-term leases (included within operating expenses)	1	–
Expense relating to variable lease payments not included in lease liabilities (included within operating expenses)	–	2

The total cash outflow for leases for the year to 31 March 2026 was £35 million (2025: £31 million).

## 23 Provisions for liabilities

	Environmental £m	Restructuring £m	Other £m	Total £m
At 1 April 2025	27	12	40	79
Charged to the income statement	–	6	10	16
Released to the income statement	(2)	(1)	(4)	(7)
Utilised	–	(16)	(4)	(20)
<b>At 31 March 2026</b>	<b>25</b>	<b>1</b>	<b>42</b>	<b>68</b>

	Environmental £m	Restructuring £m	Other £m	Total £m
Current	1	1	11	13
Non-current	24	–	31	55
<b>At 31 March 2026</b>	<b>25</b>	<b>1</b>	<b>42</b>	<b>68</b>

### 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 2.00% (2025: 1.75%)). Cash flows are expected to be incurred between 2026 and 2086.

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 2026 is £40 million (2025: £42 million), being the undiscounted best estimate liability having regard to these uncertainties.

### Restructuring

In 2025, the Group initiated a voluntary redundancy programme for eligible employees, in order to drive efficiency to a level expected by our economic regulator Ofgem. During the year, the Group has recognised an additional £6 million of restructuring provision in relation to the RIIO-3 transformation programme.

The associated costs for the restructuring programme are expected to be settled within one year. See note 6.

# Notes to the consolidated financial statements continued

## For the year ended 31 March 2026

### 23 Provisions for liabilities continued

#### Other provisions

The other provisions consist of claims (whether covered by insurance or not) including employer liability claims, dilapidations 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 ten years.

### 24 Share capital

	2026 £m	2025 £m
<b>Allotted, called up and fully paid</b>		
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-IFRS measure, which shows the overall debt situation and is calculated by netting the value of the Group's gross borrowings, derivatives and lease liabilities with its cash and other similar short-term financial assets.

	2026 £m	2025 £m
(Increase)/decrease in borrowings and derivatives	(398)	40
Repayment of lease liabilities	35	31
Net interest paid on borrowings and derivatives	207	202
<b>Changes in net debt arising from financing activities</b>	<b>(156)</b>	<b>273</b>
Decrease in cash and cash equivalents	(2)	(10)
Increase/(decrease) in financial investments	90	(441)
<b>Changes in net debt arising from cash flows</b>	<b>(68)</b>	<b>(178)</b>
Changes in fair value of financial assets	26	11
Foreign exchange movements	(72)	56
Net interest charge on the components of net debt	(300)	(258)
Other non-cash changes	(13)	(39)
<b>Movement in net debt (net of related derivative financial instruments)</b>	<b>(427)</b>	<b>(408)</b>
Net debt (net of related derivative financial instruments) at the start of the year	(8,224)	(7,816)
<b>Net debt (net of related derivative financial instruments) at the end of the year</b>	<b>(8,651)</b>	<b>(8,224)</b>
	2026 £m	2025 £m
Composition of net debt:		
Cash, cash equivalents and current asset investments	279	184
Borrowings and bank overdrafts	(8,375)	(7,895)
Derivatives	(438)	(379)
Lease liabilities	(117)	(134)
<b>Total net debt</b>	<b>(8,651)</b>	<b>(8,224)</b>

## 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
<b>At 1 April 2025</b>	(7,895)	(379)	(134)	(8,408)	19	–	19	165	(8,224)
Cash flow	(161)	(30)	35	(156)	(2)	–	(2)	90	(68)
Fair value gains and losses	24	2	–	26	–	–	–	–	26
Foreign exchange movements	(72)	–	–	(72)	–	–	–	–	(72)
Interest (charged)/ received	(271)	(31)	(5)	(307)	–	–	–	7	(300)
Other non-cash changes	–	–	(13)	(13)	–	–	–	–	(13)
<b>At 31 March 2026</b>	<b>(8,375)</b>	<b>(438)</b>	<b>(117)</b>	<b>(8,930)</b>	<b>17</b>	<b>–</b>	<b>17</b>	<b>262</b>	<b>(8,651)</b>

Balances at 31 March 2025 comprised:

Non-current assets	–	81	–	<b>81</b>	–	–	–	–	81
Current assets	–	–	–	–	17	–	<b>17</b>	262	279
Current liabilities	(486)	(205)	(25)	<b>(716)</b>	–	–	–	–	(716)
Non-current liabilities	(7,889)	(314)	(92)	<b>(8,295)</b>	–	–	–	–	(8,295)
<b>At 31 March 2026</b>	<b>(8,375)</b>	<b>(438)</b>	<b>(117)</b>	<b>(8,930)</b>	<b>17</b>	<b>–</b>	<b>17</b>	<b>262</b>	<b>(8,651)</b>

	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	(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)

## 26 Capital and other commitments

	2026 £m	2025 £m
Contracts for future capital expenditure not provided in the financial statements	<b>212</b>	242
Letters of credit facility	<b>150</b>	150
	<b>362</b>	392

# Notes to the consolidated financial statements continued

## For the year ended 31 March 2026

### 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:

	2026 £m	2025 £m
Current period contributions	41	42

#### 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 2025.

The results of the latest valuations are shown below:

Last full actuarial valuation	31-Mar-2025	31-Mar-2022
	<b>Willis Towers Watson</b>	Willis Towers Watson
Actuary		
Market value of scheme assets at latest valuation	<b>£4,132m</b>	£6,542m
Actuarial value of benefits due to members	<b>£4,234m</b>	£6,441m
Market value as percentage of benefits	<b>98%</b>	102%
Funding (deficit)/surplus	<b>£(102)m</b>	£101m

## 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 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 Trustees of the Scheme have made significant progress to calculate the actual impact of GMP equalisation for the Scheme members. While not yet completed, the work undertaken to date indicates an estimated impact of 0.4% of liabilities. The Group have updated the allowance for GMP equalisation to 0.4% of liabilities in the calculation of the DBO at 31 March 2026, an increase of 0.2% from the 0.2% of liabilities initially used.

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.

### 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 2026 has increased to £3,850 million (2025: £3,788 million), coupled with a decrease in the fair value of the scheme assets in the year to £3,971 million (2025: £4,128 million), the net pension surplus has decreased by 64%.

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.

# Notes to the consolidated financial statements continued

## For the year ended 31 March 2026

### 27 Pensions continued

The following tables represent the amounts in the financial statements.

#### Amounts recognised in the statement of financial position

	2026 £m	2025 £m
Present value of funded obligations	(3,847)	(3,785)
Fair value of plan assets	3,971	4,128
	124	343
Present value of unfunded obligations	(3)	(3)
<b>Net defined benefit asset</b>	<b>121</b>	<b>340</b>

	2026 £m	2025 £m
Represented by:		
Liabilities	(3,850)	(3,788)
Assets	3,971	4,128
	121	340

#### Amounts recognised in the income statement and statement of other comprehensive income

	2026 £m	2025 £m
<b>Included within operating costs</b>		
Administration costs	8	7
Defined contribution scheme costs	41	42
Defined benefit scheme costs:		
Current service cost	–	–
Past service cost	–	13
	49	62
<b>Included within finance costs</b>		
Net interest credit	(18)	(16)
<b>Total included in income statement</b>	<b>31</b>	<b>46</b>
Remeasurements of net retirement benefit obligations	167	(344)
Return on plan assets greater or less than discount rate	62	350
<b>Total included in the statement of other comprehensive income</b>	<b>229</b>	<b>6</b>

#### Reconciliation of the net defined benefit asset

	2026 £m	2025 £m
Opening net defined benefit asset	340	350
Credit/(charge) recognised in the income statement	10	(4)
Employer contributions	–	–
Other movements	(229)	(6)
<b>Closing net defined benefit asset</b>	<b>121</b>	<b>340</b>

**27 Pensions** continued**Changes in the present value of defined benefit obligations (including unfunded obligations)**

	2026 £m	2025 £m
Opening net defined benefit liability	3,788	4,227
Current service cost	–	–
Interest cost	202	196
Past service cost	–	13
Actuarial losses/(gains) – experiences	213	(20)
Actuarial losses – demographic assumptions	59	16
Actuarial gains – financial assumptions	(105)	(340)
Benefits paid	(307)	(304)
<b>Closing net defined benefit liability</b>	<b>3,850</b>	<b>3,788</b>

**Changes in the fair value of plan assets**

	2026 £m	2025 £m
Opening fair value of plan assets	4,128	4,577
Interest income	220	212
Return on assets less than assumed	(62)	(350)
Administration costs	(8)	(7)
Employer contributions paid	–	–
Benefits paid	(307)	(304)
<b>Closing fair value of plan assets</b>	<b>3,971</b>	<b>4,128</b>
<b>Actual return on plan assets</b>	<b>158</b>	<b>(138)</b>
<b>Expected contributions to plans in the following year</b>	<b>–</b>	<b>–</b>

# Notes to the consolidated financial statements continued

## For the year ended 31 March 2026

### 27 Pensions continued

#### Asset allocations

Within the asset allocations below, there is significant diversification across regions, asset managers, currencies and bond categories.

	2026 Quoted £m	2026 Unquoted £m	2026 Total £m	2025 Quoted £m	2025 Unquoted £m	2025 Total £m
Equities	–	97	97	–	135	135
Corporate bonds	1,777	–	1,777	1,660	–	1,660
Property	–	94	94	–	126	126
Government securities <sup>(i)</sup>	1,014	–	1,014	999	–	999
Diversified alternatives <sup>(ii)</sup>	–	845	845	–	1,030	1,030
Other	–	144	144	–	178	178
<b>Total</b>	<b>2,791</b>	<b>1,180</b>	<b>3,971</b>	<b>2,659</b>	<b>1,469</b>	<b>4,128</b>

i) Includes short sold Gilts of £209 million (2025: £330 million).

ii) Includes return seeking non-conventional asset classes of £623 million (2025: £658 million) and secure income assets of £222 million (2025: £371 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 2026 is as follows:

	2026 %	2025 %
Equities	2	3
Other	98	97
	<b>100</b>	<b>100</b>

#### Actuarial assumptions

Cadent Gas Limited has applied the following financial assumptions in assessing defined benefit liabilities.

	2026 %	2025 %
Discount rate – Past service <sup>(i)</sup>	5.95	5.55
Rate of increase in RPI – Past service <sup>(ii)</sup>	3.35	3.20

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) 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.

## 27 Pensions continued

Assumed life expectations for a retiree aged 65.

	2026 years	2025 years
<b>Today</b>		
Males	20.9	19.8
Females	22.6	22.5
<b>In 20 years</b>		
Males	22.2	21.1
Females	24.1	24.0

### Maturity profile of DB obligations

The weighted average duration of the DB obligation at 31 March 2026 is ten years.

## 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.

# Notes to the consolidated financial statements continued

## For the year ended 31 March 2026

### 28 Financial risk management continued

#### (a) Credit risk continued

The carrying amount of financial assets and loss allowance are as follows:

	Notes	Gross Carrying Amount £m	Loss Allowance £m	Net Carrying Amount £m
<b>For year ended 31 March 2026</b>				
Cash and cash equivalents		17	–	17
Derivative financial assets	17	81	–	81
Trade receivables	16	7	(1)	6
Accrued income	16	209	(2)	207
Current asset investments	18	262	–	262

	Notes	Gross Carrying Amount £m	Loss Allowance £m	Net Carrying Amount £m
<b>For year ended 31 March 2025</b>				
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

#### 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 2026, we had exposure to various financial institutions. In accordance with our treasury policies, counterparty credit exposure utilisations, which at 31 March 2026 is £279 million (2025: £184 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.

	2026 £m	2025 £m
Accrued income	207	173
Collateral held	(47)	(34)
<b>Exposure net of collateral</b>	<b>160</b>	<b>139</b>

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, which are offset and reported net in the statement of financial position. Amounts, which 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.

## 28 Financial risk management continued

### (a) Credit risk continued

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.

	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
<b>As at 31 March 2026</b>						
<b>Assets</b>						
Derivative financial instruments	81	–	81	(72)	–	9
<b>Liabilities</b>						
Derivative financial instruments	(519)	–	(519)	72	–	(447)
<b>Total at 31 March 2026</b>	<b>(438)</b>	<b>–</b>	<b>(438)</b>	<b>–</b>	<b>–</b>	<b>(438)</b>

	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
<b>As at 31 March 2025</b>						
<b>Assets</b>						
Derivative financial instruments	25	–	25	(25)	–	–
<b>Liabilities</b>						
Derivative financial instruments	(404)	–	(404)	25	–	(379)
<b>Total at 31 March 2025</b>	<b>(379)</b>	<b>–</b>	<b>(379)</b>	<b>–</b>	<b>–</b>	<b>(379)</b>

### (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.

# Notes to the consolidated financial statements continued

## For the year ended 31 March 2026

### 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
<b>At 31 March 2026</b>					
<b>Non-derivative financial instruments</b>					
Borrowings	(400)	–	(850)	(7,430)	(8,680)
Lease liabilities	(29)	(22)	(15)	(77)	(143)
Interest on payments on borrowings <sup>i)</sup>	(254)	(239)	(239)	(1,722)	(2,454)
Other non-interest bearing liabilities	(404)	–	–	–	(404)
<b>Derivative financial liabilities</b>					
Derivative contracts – receipts	142	112	106	656	1,016
Derivative contracts – payments	(333)	(127)	(166)	(1,046)	(1,672)
<b>Derivative financial assets</b>					
Derivative contracts – receipts	99	103	100	2,503	2,805
Derivative contracts – payments	(120)	(122)	(121)	(2,493)	(2,856)
<b>Total at 31 March 2026</b>	<b>(1,299)</b>	<b>(295)</b>	<b>(1,185)</b>	<b>(9,609)</b>	<b>(12,388)</b>

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
<b>At 31 March 2025</b>					
<b>Non-derivative financial liabilities</b>					
Borrowings	–	(400)	–	(7,769)	(8,169)
Lease liabilities	(32)	(26)	(20)	(90)	(168)
Interest on payments on borrowings <sup>i)</sup>	(237)	(235)	(217)	(1,786)	(2,475)
Other non-interest bearing liabilities	(326)	–	–	–	(326)
<b>Derivative financial liabilities</b>					
Derivative contracts – receipts	132	146	104	1,556	1,938
Derivative contracts – payments	(91)	(340)	(124)	(2,005)	(2,560)
<b>Derivative financial assets</b>					
Derivative contracts – receipts	70	69	69	1,427	1,635
Derivative contracts – payments	(82)	(81)	(81)	(1,473)	(1,717)
<b>Total at 31 March 2025</b>	<b>(566)</b>	<b>(867)</b>	<b>(269)</b>	<b>(10,140)</b>	<b>(11,842)</b>

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.

## 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 2026, net debt was managed using derivative instruments to hedge interest rate risk as follows:

	Fixed Rate £m	Floating Rate £m	Index- linked <sup>(i)</sup> £m	Other <sup>(i)</sup> £m	Total £m
<b>As at 31 March 2026</b>					
Financial investments	–	279	–	–	279
Borrowings	(6,848)	(651)	(876)	–	(8,375)
Lease liabilities	–	–	–	(117)	(117)
<b>Pre-derivative position</b>	<b>(6,848)</b>	<b>(372)</b>	<b>(876)</b>	<b>(117)</b>	<b>(8,213)</b>
Derivative effect <sup>(ii)</sup>	1,171	224	(1,833)	–	(438)
<b>Net debt position<sup>(iii)</sup></b>	<b>(5,677)</b>	<b>(148)</b>	<b>(2,709)</b>	<b>(117)</b>	<b>(8,651)</b>

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 2025/26 short-dated interest rate derivatives is included.

During 2025, net debt was managed using derivative instruments to hedge interest rate risk as follows:

	Fixed Rate £m	Floating Rate £m	Index- linked £m	Other <sup>(i)</sup> £m	Total £m
<b>As at 31 March 2025</b>					
Financial investments	–	184	–	–	184
Borrowings	(6,491)	(551)	(853)	–	(7,895)
Lease liabilities	–	–	–	(134)	(134)
<b>Pre-derivative position</b>	<b>(6,491)</b>	<b>(367)</b>	<b>(853)</b>	<b>(134)</b>	<b>(7,845)</b>
Derivative effect <sup>(ii)</sup>	1,383	(32)	(1,730)	–	(379)
<b>Net debt position<sup>(iii)</sup></b>	<b>(5,108)</b>	<b>(399)</b>	<b>(2,583)</b>	<b>(134)</b>	<b>(8,224)</b>

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.

# Notes to the consolidated financial statements continued

## For the year ended 31 March 2026

### 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 2026, derivative financial instruments were used to manage foreign currency risk as follows:

As at 31 March 2026	Sterling £m	Euro £m	CHF £m	JPY £m	USD £m	Total £m
Financial investments	279	–	–	–	–	279
Borrowings	(6,025)	(1,994)	(50)	(48)	(258)	(8,375)
Lease liabilities	(117)	–	–	–	–	(117)
<b>Pre-derivative position</b>	<b>(5,863)</b>	<b>(1,994)</b>	<b>(50)</b>	<b>(48)</b>	<b>(258)</b>	<b>(8,213)</b>
Derivative effect	(2,788)	1,994	50	48	258	(438)
<b>Net debt position</b>	<b>(8,651)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(8,651)</b>

During 2025, derivative financial instruments were used to manage foreign currency risk as follows:

As at 31 March 2025	Sterling £m	Euro £m	CHF £m	JPY £m	USD £m	Total £m
Financial investments	184	–	–	–	–	184
Borrowings	(5,660)	(1,919)	–	(52)	(264)	(7,895)
Lease liabilities	(134)	–	–	–	–	(134)
<b>Pre-derivative position</b>	<b>(5,610)</b>	<b>(1,919)</b>	<b>–</b>	<b>(52)</b>	<b>(264)</b>	<b>(7,845)</b>
Derivative effect	(2,614)	1,919	–	52	264	(379)
<b>Net debt position</b>	<b>(8,224)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(8,224)</b>

#### 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 2026 are as follows:

	Carrying Amount of the Hedging Instrument			Fair Value Changes	Line Item in Consolidated Statement of Financial Position where Hedging Instrument is Reported
	Notional Amount (GBP m)	Assets	Liabilities		
<b>Cash flow hedges</b>					
Cross-currency interest rate swaps	1,919	41	(36)	29	Derivative financial assets/liabilities
Interest rate swaps	1,395	26	(2)	15	Derivative financial assets/liabilities
<b>Fair value hedges</b>					
Cross-currency interest rate swaps	432	14	–	13	Derivative financial assets
Interest rate swaps	1,114	–	(48)	(13)	Derivative financial liabilities

## 28 Financial risk management continued

### (d) Currency risk continued

The impact of hedging instruments designated in a hedge relationship as at 31 March 2025 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		
<b>Cash flow hedges</b>					
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
<b>Fair value hedges</b>					
Cross-currency interest rate swaps	432	1	–	(3)	Derivative financial assets
Interest rate swaps	864	–	(35)	(28)	Derivative financial liabilities

b) The impact of hedged items designated in a hedge relationship as at 31 March 2026 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				
<b>Cash flow hedges</b>						
Non GBP-denominated debt	–	(2,350)	(72)	Borrowings	35	(4)

The impact of hedged items designated in a hedge relationship as at 31 March 2025 were 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 Deficit	Cost of Hedging Reserve
	Asset	Liabilities				
<b>Cash flow hedges</b>						
Non GBP-denominated debt	–	(2,235)	56	Borrowings	37	1

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 2026 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
<b>Cash flow hedges</b>					
Interest rate risk & FX risk	(2)	(1)	Adjusting items	72	Finance costs before adjusting items

# Notes to the consolidated financial statements continued

## For the year ended 31 March 2026

### 28 Financial risk management continued

#### (d) Currency risk (continued)

The hedging relationships on page 165 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
<b>Cash flow hedges</b>					
Interest rate risk & FX risk	50	–	Adjusting items	(56)	Finance costs before adjusting items

#### (e) Capital risk

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 2026 is 61% (2025: 61%).

#### (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
<b>As at 31 March 2026</b>				
<b>Assets</b>				
Fair value through profit and loss (FVTPL) instruments	202	–	–	202
Derivative financial instruments	–	81	–	81
<b>Liabilities</b>				
Derivative financial instruments	–	(291)	(228)	(519)
<b>Total</b>	<b>202</b>	<b>(210)</b>	<b>(228)</b>	<b>(236)</b>
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>As at 31 March 2025</b>				
<b>Assets</b>				
Fair value through profit and loss (FVTPL) instruments	165	–	–	165
Derivative financial instruments	–	25	–	25
<b>Liabilities</b>				
Derivative financial instruments	–	(235)	(169)	(404)
<b>Total</b>	<b>165</b>	<b>(210)</b>	<b>(169)</b>	<b>(214)</b>

## 28 Financial risk management continued

### (f) Fair value analysis continued

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 CPI inflation markets. The fair value of derivative financial instruments relating to CPI swaps use cash flows which are projected using the CPI inflation curve with short tenors. Where CPI swap liquidity is limited for long tenors, the CPI curve is derived from the RPI curve by subtracting the market implied RPI/CPI basis spread at each tenor, then discounted to present value using appropriate nominal discount curve, to which model-derived counterparty and Cadent credit and funding valuation adjustments are applied. As the RPI and CPI spreads for long tenors, the funding adjustments and Cadent spread are not observable, these swaps have been classified as Level 3 instruments. 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 inflation indices used to calculate the fair values of the Level 3 derivative financial instruments would change the fair values by £12.2 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.

Movements in the year to 31 March for assets and liabilities measured at fair value using Level 3 valuations inputs are as follows:

	2026 £m	2025 £m
At 1 April	(169)	(146)
Net (loss)/gain for the year	(27)	9
Settlements	(32)	(32)
<b>At 31 March</b>	<b>(228)</b>	<b>(169)</b>

The net (loss)/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 following table 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 following table all have an approximately equal and opposite effect if the sensitivity increases or decreases by the same amount unless otherwise stated.

# Notes to the consolidated financial statements continued

## For the year ended 31 March 2026

### 29 Sensitivity analysis continued

	2026		2025	
	Income Statement £m	Net Assets £m	Income Statement £m	Net Assets £m
<b>As at 31 March</b>				
Additional annual depreciation charge if the useful lives of network assets end in 2050 due to UK net zero target	(57)	(57)	(51)	(51)
Additional annual depreciation charge if the useful lives of network assets end in 2045	(160)	(160)	(143)	(143)
Additional annual depreciation charge if the useful lives of network assets end in 2040	(338)	(338)	(299)	(299)
Pensions and other post-retirement benefits <sup>(i)</sup> (pre-tax)				
Discount rate decrease of 0.5% <sup>(ii)</sup>	–	(185)	1	(211)
Discount rate increase of 0.5% <sup>(ii)</sup>	–	171	(1)	193
RPI rate increase of 0.5% <sup>(iii)</sup>	–	(159)	1	(184)
One year increase to life expectancy at age 65	–	(149)	–	(128)
Index-linked derivatives				
Change in one year rate of inflation by 1% <sup>(iv)</sup>	19	19	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 and pensions in deferment.
- 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.

	2026		2025	
	Income Statement £m	Net Assets £m	Income Statement £m	Net Assets £m
<b>As at 31 March</b>				
No hedge accounting for our derivative financial instruments (post-tax)	(2)	(2)	50	50
Financial risk				
UK RPI rate change of 0.5%	6	6	6	6
UK CPI rate change of 0.5%	6	6	5	5
UK interest rate change of 0.5%	2	2	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 2026;
- 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.

	2026 £m	2025 £m
<b>Trade and other payables</b>		
Opening balance at 1 April	(459)	(365)
Closing balance at 31 March (note 19)	(511)	(459)
Balance sheet movement	52	94
<i>Less</i>		
Movement in payables, of a capital nature, reclassified to investing activities		
– Property, plant and equipment	(7)	(26)
Movement in payables, reclassified elsewhere in operating activities		
– Adjusting items	3	(2)
– Group tax relief	3	(4)
– Capital contributions	20	(25)
– Pensions	–	4
Movement in payables, reclassified to financing activities		
– Interest	(10)	–
Movement as shown in consolidated statement of cash flows	61	41

### 31 Cash flows from purchases of property, plant and equipment

	2026 £m	2025 £m
Property, plant and equipment additions (note 13)	(878)	(945)
<i>Add</i>		
Movement in property, plant and equipment payables, of a capital nature, reclassified to investing activities (note 30)	7	26
<i>Less</i>		
Right-of-use assets additions (note 13)	12	40
Movement as shown in consolidated statement of cash flows	(859)	(879)

# Notes to the consolidated financial statements continued

## For the year ended 31 March 2026

### 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.

	2026 £m	2025 £m
Income:		
Goods and services supplied to other related parties	–	–
	–	–
Expenditure:		
Services rendered from associates	17	12
Services rendered from other related parties	–	–
	17	12
Outstanding balances at 31 March in respect of income and expenditure:		
Amounts payable to other related parties	–	–
Amounts payable to associates	1	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 2026 and recognised as an expense (2025: £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

On 28 May 2026, Cadent Gas Limited entered into a £200 million floating rate bilateral term loan facility. The loan facility has an availability period of six months and an initial maturity of five years from the date of drawdown. The borrower and lender may agree to extend the maturity by up to two further one-year periods (to a maximum of seven years from drawdown), subject to mutual consent at each extension date. As at 25 June 2026, the loan was fully undrawn.

### 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, CSC 44 Esplanade, St. Helier JE4 9WG, 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

\* Indirect ownership.

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 2026

	Notes	2026 £m	2025 £m
<b>Non-current assets</b>			
Intangible assets	7	40	17
Property, plant and equipment	8	12,543	12,165
Investments	9	–	–
Pension and other post-retirement benefit obligations	6	121	340
Derivative financial assets	12	81	25
<b>Total non-current assets</b>		<b>12,785</b>	12,547
<b>Current assets</b>			
Inventories	10	16	16
Debtors	11	226	192
Corporation tax		–	3
Financial and other investments	13	262	165
Cash at bank and in hand		17	19
<b>Total current assets</b>		<b>521</b>	395
<b>Total assets</b>		<b>13,306</b>	12,942
<b>Current liabilities</b>			
Creditors	14	(562)	(505)
Borrowings	16	(403)	(3)
Derivative financial liabilities	12	(205)	–
Corporation tax		(3)	–
Provisions for liabilities	17	(13)	(20)
<b>Total current liabilities</b>		<b>(1,186)</b>	(528)
<b>Net current liabilities</b>		<b>(665)</b>	(133)
<b>Total assets less current liabilities</b>		<b>12,120</b>	12,414
<b>Non-current liabilities</b>			
Derivative financial liabilities	12	(314)	(404)
Borrowings	16	(248)	(549)
Provisions for liabilities	17	(1,568)	(1,658)
Creditors	15	(8,506)	(8,115)
<b>Total non-current liabilities</b>		<b>(10,636)</b>	(10,726)
<b>Total liabilities</b>		<b>(11,822)</b>	(11,254)
<b>Total net assets</b>		<b>1,484</b>	1,688
<b>Equity</b>			
Share capital	18	–	–
Cash flow hedge deficit		35	37
Cost of hedging reserve		(4)	1
Retained earnings		6,405	6,602
Other deficit		(4,952)	(4,952)
<b>Total equity</b>		<b>1,484</b>	1,688

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 £390 million (2025: £295 million) is disclosed in the statement of changes in equity.

The notes on pages 174 to 191 are an integral part of the financial statements.

The financial statements on pages 172 to 191 were approved by the Board of Directors on 25 June 2026 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 2026

	Share Capital £m	Cash Flow Hedge (Deficit)/ Reserve £m	Cost of Hedging Reserve/ (Deficit) £m	Other Deficit £m	Retained Earnings £m	Total £m
At 1 April 2025	–	37	1	(4,952)	6,602	1,688
Profit for the year	–	–	–	–	390	390
Other comprehensive expense excluding amortisation of cost of hedging reserve	–	(2)	(10)	–	(172)	(184)
Amortisation of cost of hedging reserve	–	–	5	–	–	5
Total comprehensive (expense)/income for the year	–	(2)	(5)	–	218	211
Equity dividends	–	–	–	–	(415)	(415)
<b>At 31 March 2026</b>	<b>–</b>	<b>35</b>	<b>(4)</b>	<b>(4,952)</b>	<b>6,405</b>	<b>1,484</b>

	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

The cash flow hedge 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 2026, distributable reserves were reduced by an accumulated realisation of £1,084 million (31 March 2025: £970 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 2026

### 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 £1,484 million at 31 March 2026 (2025: £1,688 million) with a profit for the financial year of £390 million (2025: £295 million). Operating profit was higher compared to 2025 driven by higher revenue, reflecting higher transportation income in line with the regulated revenue mechanism. Partially offset by higher operating costs, in particular passthrough and depreciation costs.

Despite the geopolitical risk evolving, our financial profile remains resilient. At the time of preparing these accounts, the ongoing conflict in the Middle East continues to be a focus area as we ensure appropriate management and control of risks. The Group has not been significantly impacted as a result of protections in place through the regulatory price control and our treasury management, which hedges our inflation and interest rate risk by example. 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 2026 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 2026 Annual report and Financial Statements have been prepared under FRS 102.

The FRC has issued amendments to FRS 102, which are effective for accounting periods beginning on or after 1 January 2026. The amendments introduce significant changes, including the recognition of lease arrangements on the balance sheet (including the treatment of lease incentives and specific dilapidation provisions) and revised requirements for revenue recognition, which will result in changes to the company's existing accounting policies. The first reporting period which is impacted is the financial year ending 31 March 2027 including comparatives for 31 March 2026.

The company has performed an assessment of the expected impact of these amendments. Based on the analysis undertaken to date, the company expects that, on initial application, right-of-use assets of approximately £111 million (including £9 million lease incentive) will be recognised, prepayments will decrease by £2 million, lease liabilities of approximately £117 million will be recognised and other creditors will reduce by £9 million, overall a corresponding £1 million credit to opening reserves. In addition, it is expected that the impact of the revised revenue recognition requirements will result in a reduction in capital contribution liabilities of £821 million and an associated increase in tax liabilities of £208 million (£128 million of which will relate to current tax liabilities) and a corresponding credit to opening reserves of £613 million. The total impact on retained earnings at the date of initial application is expected to be an increase of approximately £614 million.

## 1 Summary of significant accounting policies continued

### (b) New accounting standards and interpretations continued

The impact on profit before tax is expected to increase, driven primarily by changes in the timing of revenue recognition for capital contributions. A further increase arises from replacing operating lease expense with depreciation, partly offset by interest expense on lease liabilities. Accordingly, operating profit is expected to increase by approximately £31 million, while finance costs are expected to increase by approximately £4 million.

The company currently expects to apply the full retrospective transition approach permitted by the standard, under which the cumulative effect of initial application will be recognised in retained earnings at the date of transition (1 April 2025) and comparatives will be restated. The assessment of the impact of these amendments is ongoing. As such, the financial effects disclosed above represent management's current best estimate and may change as the implementation process progresses.

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

### (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 of 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.

# Notes to the company financial statements continued

## For the year ended 31 March 2026

### 1 Summary of significant accounting policies continued

#### (d) Property, plant and equipment and depreciation continued

Climate change is a global challenge and an emerging 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.

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.

## 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. 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.

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.

# Notes to the company financial statements continued

## For the year ended 31 March 2026

### 1 Summary of significant accounting policies continued

#### (g) Financial instruments continued

##### 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.

##### 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.

## 1 Summary of significant accounting policies continued

### (g) Financial instruments continued

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 and other payables are recognised initially at fair value 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.

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.

# Notes to the company financial statements continued

## For the year ended 31 March 2026

### 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 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 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.

#### (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.

## 1 Summary of significant accounting policies continued

### (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**;
- 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 we play to evolve our network to enable the scale-up and transportation of green gases such as biomethane and hydrogen, reducing leakages in the network (i.e. fugitive emissions), supporting electrification (through hybrids – a combination of gas boiler and heat pump – and providing resilience for the electricity network through dispatchable gas-to-power generation), and ensuring consumers benefit from a secure, affordable transition. We are making progress, growing the volume of biomethane we transport in our network, proactively reducing emission leakage using advanced analytics and new high-sensitivity emissions detectors, and preparing parts of the network for hydrogen when customers are ready and appropriate policy frameworks are in place.

# Notes to the company financial statements continued

## For the year ended 31 March 2026

## 2 Critical accounting judgements and key sources of estimation uncertainty continued

### Critical accounting judgements continued

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 – **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, 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's 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**; and
- The fair value of derivative financial instruments relating to index-linked swaps are measured using discounted cash flows. Future cash flows are projected based on market expectations of inflation, incorporating observable inputs such as RPI swap rates and short-dated CPI swap rates. Where observable market data for CPI swaps is limited for longer maturities, the CPI curve is derived from the RPI curve by adjusting for the market-implied RPI/CPI basis spread at each relevant tenor. The estimated future cash flows are discounted to present value using discount factors derived from applicable interest rate curves. These discount rates are adjusted, where appropriate, to reflect management's assessment of counterparty credit risk and the entity's own credit risk.

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:

	2026 £000	2025 £000
<b>Audit services</b>		
Audit fee of company	868	906
<b>Other services</b>		
Fees payable to the company's auditors for audit-related assurance services	85	83
Other non-audit services	85	102

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 2026 relate to services provided in connection with the raising of debt and reports required by the regulator.

## 4 Number of employees, including Directors

The average number of persons (including Executive Directors) employed by the company was 5,923 (2025: 6,361). 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 7 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
<b>Cost:</b>	
At 1 April 2025	179
Additions	34
Disposals	(69)
<b>At 31 March 2026</b>	<b>144</b>
<b>Accumulated amortisation:</b>	
At 1 April 2025	(162)
Amortisation charge for the year	(11)
Disposals	69
<b>At 31 March 2026</b>	<b>(104)</b>
<b>Net book value:</b>	
<b>At 31 March 2026</b>	<b>40</b>
At 31 March 2025	17

Included within additions is £6 million (2025: £Nil) of software under development.

	Software £m
<b>Cost:</b>	
At 1 April 2024	175
Additions	4
Disposals	–
At 31 March 2025	179
<b>Accumulated amortisation:</b>	
At 1 April 2024	(144)
Amortisation charge for the year	(18)
Disposals	–
At 31 March 2025	(162)
<b>Net book value:</b>	
At 31 March 2025	17
At 31 March 2024	31

# Notes to the company financial statements continued

## For the year ended 31 March 2026

### 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
<b>Cost</b>					
At 1 April 2025	234	14,546	68	257	15,105
Additions	13	811	16	26	866
Reclassifications	–	37	(37)	–	–
Disposals	(3)	(2)	–	(20)	(25)
<b>At 31 March 2026</b>	<b>244</b>	<b>15,392</b>	<b>47</b>	<b>263</b>	<b>15,946</b>
<b>Accumulated depreciation and impairment</b>					
At 1 April 2025	(73)	(2,680)	–	(187)	(2,940)
Charge for the year	(16)	(432)	–	(34)	(482)
Impairment losses recognised	–	(6)	–	–	(6)
Disposals	3	2	–	20	25
<b>At 31 March 2026</b>	<b>(86)</b>	<b>(3,116)</b>	<b>–</b>	<b>(201)</b>	<b>(3,403)</b>
<b>Net book value:</b>					
<b>At 31 March 2026</b>	<b>158</b>	<b>12,276</b>	<b>47</b>	<b>62</b>	<b>12,543</b>
At 31 March 2025	161	11,866	68	70	12,165

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 2026 included £347,956 (2025: £1,916,000) relating to assets purchased under finance leases.

#### The net book value of land and buildings comprises:

	2026 £m	2025 £m
Freehold	117	122
Long leasehold (over 50 years)	33	31
Short leasehold (under 50 years)	8	8
	<b>158</b>	161

## 8 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	Total £m
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

## 9 Investments

	Shares in Subsidiary Undertakings £m	Investments in Associates £m	Total £m
<b>Cost</b>			
At 1 April 2025 and 31 March 2026	–	–	–
<b>Provision</b>			
At 1 April 2025 and 31 March 2026	–	–	–
<b>Net book value</b>			
At 1 April 2025 and 31 March 2026	–	–	–

The company's subsidiary undertakings as at 31 March 2026 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

\* Indirect ownership.

The registered address of all subsidiaries is Cadent, Pilot Way, Ansty Park, Coventry CV7 9JU, United Kingdom.

## 10 Inventories

	2026 £m	2025 £m
Raw materials and consumables	16	16
	16	16

Inventories are stated after provisions for impairment of £1,251,000 (2025: £1,305,000).

# Notes to the company financial statements continued

## For the year ended 31 March 2026

### 11 Debtors

	2026 £m	2025 £m
<b>Amounts falling due within one year:</b>		
Trade debtors	6	6
Prepayments	13	13
Accrued income	207	173
	<b>226</b>	<b>192</b>

Trade debtors and accrued income are initially stated at the transaction price and are subsequently measured after a loss allowance has been made of £3,000,000 (2025: £4,000,000).

### 12 Derivative financial instruments

The fair values of derivative financial instruments are as follows:

	2026		
	Assets £m	Liabilities £m	Total £m
Amounts falling due within one year	–	(205)	(205)
Amounts falling due after more than one year	81	(314)	(233)
	<b>81</b>	<b>(519)</b>	<b>(438)</b>
	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)

For each class of derivative the notional contract amounts\* are as follows:

	2026 £m	2025 £m
Cross-currency interest rate swaps	2,351	2,302
Interest rate swaps	2,509	1,761
Inflation-linked swaps	1,400	1,400
Foreign exchange forward currency	1	–
	<b>6,261</b>	<b>5,463</b>

\* 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.

During the year, £100 million of floating to fixed interest rate swaps were transacted by the company to convert floating rate cash flows to fixed cash flows in relation to the new debt raised in December 2025, which is due to mature on 1 January 2033.

The other derivative held with an external counterparty by the company is £400 million notional of RPI-linked swaps with a fair value of £205 million liability at 31 March 2026 (2025: £161 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

	2026 £m	2025 £m
Financial and other investments	262	165
	<b>262</b>	<b>165</b>

Amounts held relate to investments in money market funds of £202 million (2025: £165 million) with typical maturity dates within 90 days and £60 million (2025: £Nil) of fixed term deposits with average maturity of 90–125 days from inception.

### 14 Creditors: amounts falling due within one year

	2026 £m	2025 £m
Trade creditors	162	150
Amounts owed to Group undertakings	83	83
Other tax and social security	58	13
Other creditors	63	49
Accruals	122	110
Deferred income	74	100
	<b>562</b>	<b>505</b>

### 15 Creditors: amounts falling due after more than one year

	2026 £m	2025 £m
Amounts owed to subsidiary undertakings	7,642	7,263
Accruals and deferred income	864	852
	<b>8,506</b>	<b>8,115</b>

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

	2026 £m	2025 £m
<b>Amounts falling due within one year</b>		
Bank loans	403	2
Finance leases	–	1
	<b>403</b>	<b>3</b>
<b>Amounts falling due after more than one year</b>		
Bank loans	248	549
	<b>248</b>	<b>549</b>
	<b>2026 £m</b>	<b>2025 £m</b>
Total borrowings are repayable as follows:		
Less than one year	403	3
In one–two years	–	400
In two–three years	–	–
In three–four years	–	–
In four–five years	149	–
More than five years	99	149
	<b>651</b>	<b>552</b>

The notional amount outstanding of the debt portfolio at 31 March 2026 was £650 million (2025: £552 million), including accretion.

# Notes to the company financial statements continued

## For the year ended 31 March 2026

### 16 Borrowings continued

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
<b>Floating Rate</b>						
GBP	Unlisted	400	SONIA	23-Mar-27	400	404
GBP	Unlisted	150	SONIA	21-Oct-30	151	159
GBP	Unlisted	100	SONIA	01-Jan-33	100	108
		<b>650</b>			<b>651</b>	<b>671</b>
<b>Total</b>		<b>650</b>			<b>651</b>	<b>671</b>

On 16 December, Cadent Gas Limited entered into a £100 million bilateral term loan with one of its relationship banks. The loan was drawn on 29 January 2025 and matures on 1 January 2033. The floating rate bilateral loan was fully converted to fixed cash flows by entering into two £50 million floating to fixed interest rate swaps in January and February 2026.

On 19 February 2026, Cadent Finance Plc, a subsidiary of Cadent Gas Limited, issued a £250 million 10.5-year fixed-rate Green bond, maturing 19 October 2026, with a coupon of 5.625% under its £7 billion Euro Medium Term Note Programme. This bond is guaranteed by, and proceeds were on lent to, Cadent Gas Limited. At the same time, Cadent Finance Plc transacted £250 million of interest rate swaps to convert the fixed rate cash flows to floating rate.

The fair value of borrowings at 31 March 2026 was £671 million (2025: £570 million). Where market values were available, fair value of borrowings (Level 1) was £Nil (2025: £Nil). Where market values were not available, the fair value of borrowings (Level 2) was £671 million (2025: £570 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	
	2026 £m	2025 £m
Amounts payable under finance leases:		
Within one year	–	1
In the second to fifth years inclusive	–	1
Minimum lease obligations	–	2
	Present Value of Minimum Lease Payments	
	2026 £m	2025 £m
Amounts payable under finance leases:		
Within one year	–	1
Present value of lease obligations	–	1
Analysed as:		
Amounts due for settlement within 12 months (shown under current liabilities)	–	1
Amounts due for settlement after 12 months	–	–
	–	1

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 2026, the average effective borrowing rate was 3.78% (2025: 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.

## 17 Provisions for liabilities

	Environmental £m	Deferred Tax £m	Other £m	Total £m
At 1 April 2025	27	1,599	52	1,678
Charged to the income statement	–	–	16	16
Released to the income statement	(2)	(28)	(5)	(35)
Utilised	–	–	(20)	(20)
Credited to other comprehensive income and equity	–	(58)	–	(58)
<b>At 31 March 2026</b>	<b>25</b>	<b>1,513</b>	<b>43</b>	<b>1,581</b>

	Environmental £m	Deferred Tax £m	Other £m	Total £m
Current	1	–	12	13
Non-current	24	1,513	31	1,568
	<b>25</b>	<b>1,513</b>	<b>43</b>	<b>1,581</b>

### 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 2.00% (2025: 1.75%)). Cash flows are expected to be incurred between 2026 and 2086.

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 2026 is £40 million (2025: £42 million), being the undiscounted best estimate liability having regard to these uncertainties.

### Deferred tax

Deferred taxation comprises:

	2026 £m	2025 £m
Accelerated capital allowances	1,488	1,499
Other timing differences	25	100
Deferred tax liability	<b>1,513</b>	1,599

### 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 ten years.

In 2025, the Group initiated a voluntary redundancy programme for eligible employees, in order to drive efficiency to a level expected by our economic regulator Ofgem. During the year, the Group have recognised an additional £6 million of restructuring provision in relation to the programme.

The associated costs for the restructuring programme are expected to be settled within one year. See note 6 of the consolidated accounts.

# Notes to the company financial statements continued

## For the year ended 31 March 2026

### 18 Share capital

	2026 £m	2025 £m
<b>Allotted, called up and fully paid</b>		
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

	2026 £m	2025 £m
Contracts for future capital expenditure not provided in the financial statements	212	242
Letters of credit facility	150	150
	<b>362</b>	<b>392</b>

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2026 £m	2025 £m
Less than one year	25	22
In two–five years	43	34
More than five years	49	78
	<b>117</b>	<b>134</b>

### 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.

	2026 £m	2025 £m
<b>Income:</b>		
Goods and services supplied to other related parties	–	–
	–	–
<b>Expenditure:</b>		
Services rendered from associates	17	12
	17	12
<b>Outstanding balances at 31 March in respect of income and expenditure:</b>		
Amounts payable to associates	1	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 2026 (2025: 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 7 to the consolidated financial statements.

## 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

On 28 May 2026, Cadent Gas Limited entered into a £200 million floating rate bilateral term loan facility. The facility has an availability period of six months and a maturity date of five years from the date of drawdown. The borrower and lender may agree to extend the maturity by up to two further one-year periods (to a maximum of seven years from drawdown), subject to mutual consent at each extension date. As at 25 June 2026, the loan was fully undrawn.

## 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, CSC 44 Esplanade, St. Helier JE4 9WG, Jersey.

# Glossary

Term	Definition
<b>AI</b>	Artificial Intelligence – Technology supporting data-driven decision-making
<b>Adjusted EBITDA</b>	Earnings Before Interest, Tax, Depreciation and Amortisation, and Adjusting items
<b>AGI</b>	Above Ground Installation
<b>Alternate Director</b>	A Director appointed to act on behalf of another Director when they are unable to attend Board meetings
<b>Annual report</b>	The company's annual report and accounts for the year ended 31 March 2026
<b>BCF</b>	Business Carbon Footprint
<b>Biomethane</b>	Renewable gas from organic waste
<b>Board</b>	Board of Directors of Cadent Gas Limited
<b>Cadent or company</b>	Cadent Gas Limited
<b>Cadent Foundation</b>	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
<b>Centres for Warmth</b>	One of our largest VCMA projects offering support to some of the most deprived areas across our network
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>Chair</b>	Chair of the Board and any of the Committees
<b>CMA</b>	Competition and Markets Authority
<b>CNG</b>	Compressed Natural Gas
<b>CO</b>	Carbon monoxide
<b>COO</b>	Chief Operating Officer
<b>Community Groups</b>	Employee-led groups, which drive discussions and change internally to represent the communities we serve
<b>Complaints</b>	The algorithm is driven from % day 1 closures, % day 31 closures, repeated complaints and ombudsman complaints received
<b>Consumer</b>	A person who purchases goods and services for personal use
<b>Controlled gas escape</b>	A gas escape where the person reporting the escape, after carrying out (or causing to be carried out) the actions advised by our emergency telephone service, advises the operator that the escape of gas appears to have ceased
<b>CPI</b>	Consumer Price Index
<b>CSAT</b>	Customer satisfaction
<b>Customer</b>	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
<b>Customer Challenge Group</b>	The group provide expert review and independent challenge of the strategic decision-making across multiple topics aligned to RIIO-3 priorities
<b>DB</b>	Defined Benefit
<b>DC</b>	Defined Contribution

Term	Definition
<b>DESNZ</b>	Department for Energy Security & Net Zero
<b>Directors</b>	The Directors of Cadent Gas Limited
<b>DPLA</b>	Digital Platform for Leakage Analytics – System to analyse and manage gas leak data
<b>EAP</b>	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
<b>EDI</b>	Equity, Diversity and Inclusion
<b>Energy Diaries</b>	Our research programme exploring the topics of energy and sustainability with diverse customer groups
<b>ENA</b>	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
<b>ESG</b>	Environmental, Social, and Governance (ESG) – three central factors in measuring the sustainability and societal impact of an investment in a company or business
<b>ESRS</b>	EU standards for sustainability disclosures
<b>EV</b>	Electric vehicle powered by electricity
<b>Executive Committee</b>	The senior management team responsible for the day-to-day management and operation of the business
<b>FPNES</b>	Fuel Poor Network Extension Scheme
<b>FRC</b>	Financial Reporting Council
<b>GDN</b>	Gas distribution network
<b>GHG</b>	Greenhouse gases
<b>Gigawatt</b>	A gigawatt is a unit of energy equal to a billion watts. There are 1,000 gigawatts in a terawatt
<b>GRESB</b>	GRESB (Global Real Estate Sustainability Benchmark) assesses and benchmarks Environmental, Social and Governance (ESG) performance
<b>GRI</b>	Global sustainability reporting framework
<b>Groundwork UK</b>	A federation of charities mobilising practical community action on poverty and the environment across the UK
<b>Group</b>	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
<b>GSOP</b>	Guaranteed Standards of Performance. GSOPs set service levels that must be met in each individual case. If a network fails to meet the service level specified under a GSOP, it must make a payment to the customer affected
<b>HMRC</b>	His Majesty's Revenue and Customs
<b>HSE</b>	Health and Safety Executive
<b>HVO</b>	Hydrotreated Vegetable Oil. Renewable diesel alternative reducing emissions
<b>HyNet</b>	New 100km regional hydrogen pipeline project in the North West
<b>Hybrid heating systems</b>	Combining heat pumps with gas boilers
<b>IAS</b>	International Accounting Standards
<b>IFRS</b>	International Financial Reporting Standards

# Glossary

 continued

Term	Definition
<b>IGEM</b>	Institution of Gas Engineers and Managers
<b>IMechE</b>	Institution of Mechanical Engineers
<b>ISO</b>	International Organisation for Standardisation
<b>ISO 14001</b>	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
<b>ISO 55001</b>	Asset management standard developed for the use of people or businesses involved in asset management
<b>Licence</b>	The gas transporter licence granted under the Gas Act 1986, setting out the regulatory conditions under which Cadent operates its gas distribution networks
<b>LTIFR</b>	Lost Time Injury Frequency Rate, the number of lost time injuries occurring in a workplace per one million hours worked
<b>LTIP</b>	Long-Term Incentive Plan
<b>Mains Replacement Programme</b>	A programme to replace aging gas mains with modern materials
<b>MOBs</b>	Multi-occupancy buildings
<b>NARM</b>	Network Asset Risk Metric, Ofgem's framework for measuring and managing network asset risk
<b>National Gas Emergency Service</b>	0800 111 999 a free emergency number that anyone can call if they smell gas or suspect carbon monoxide
<b>National Transmission System (NTS)</b>	Transports high-pressure natural gas around Great Britain via thousands of miles of pipelines
<b>NCSC</b>	National Cyber Security Centre
<b>NED</b>	Non-Executive Director
<b>NESO</b>	National Energy System Operator
<b>Net zero</b>	Target to negate amount of greenhouse gases by reducing emissions by 2050
<b>Ofgem</b>	Office of Gas and Electricity Markets
<b>P&amp;L</b>	Profit & Loss
<b>PCD</b>	Price control deliverables. Agreed outputs or projects networks must deliver in a price control period
<b>PE pipes</b>	Polyethylene pipes
<b>PPE</b>	Personal protective equipment at work
<b>PSR</b>	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
<b>RAV</b>	Regulated Asset Value
<b>REGO</b>	Renewable Energy Guarantees of Origin (REGO) scheme provides transparency to consumers about the proportion of electricity that suppliers source from renewable electricity
<b>Reverse compressor</b>	Equipment that enables flexible gas flow direction
<b>RHI</b>	Renewable Heat Incentive subsidy
<b>RIIO</b>	Ofgem's regulatory framework (Revenue = Incentives + Innovation + Outputs)

Term	Definition
<b>RIIO-1</b>	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
<b>RIIO-2</b>	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
<b>RIIO-3</b>	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
<b>RPI</b>	Retail Price Index
<b>Safe+Well</b>	Cadent's internal programme focused on safety and employee wellbeing
<b>SBTi</b>	Science Based Targets initiative
<b>Scope 1</b>	All Direct Emissions from owned or controlled sources
<b>Scope 2</b>	Indirect Emissions from the generation of purchased electricity, steam, heating and cooling
<b>Scope 3</b>	All Other Indirect Emissions that occur in a Cadent's value chain
<b>SECR</b>	Streamlined Energy and Carbon Reporting – UK requirements for reporting energy use and emissions
<b>Services beyond the meter</b>	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
<b>Shareholder Nominated Director</b>	A Director appointed by a shareholder to represent its interests on the Board
<b>Shrinkage</b>	Gas lost from our network due to leakage, theft and gas used for operational purposes
<b>SID</b>	Sufficiently Independent Director
<b>SME</b>	Small and Medium-sized Enterprise
<b>STEM</b>	Science, Technology, Engineering and Mathematics
<b>STIP</b>	Short-Term Incentive Plan
<b>Supply Chain Sustainability School</b>	The School is a collaboration between clients, contractors and first tier suppliers who want to build the skills of their supply chains
<b>TCFD</b>	(Task Force on Climate-related Financial Disclosures). A framework for reporting climate-related risks, opportunities and financial impacts
<b>Tier 1 mains</b>	Iron pipes having a diameter of 8 inches and below qualifying for decommissioning under the HSE's Enforcement Policy for the Replacement of Iron Gas Mains
<b>TWh</b>	Terawatt hours, a measure of energy use
<b>UK GAAP</b>	United Kingdom Generally Accepted Accounting Practice
<b>UN SDGs</b>	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
<b>Uncontrolled gas escape</b>	All other gas escapes not considered as Controlled
<b>VCMA</b>	Vulnerability and Carbon Monoxide Allowance
<b>Wates Principles</b>	The Wates Corporate Governance Principles for large private companies
<b>2006 Act</b>	The Companies Act 2006

# Cadent

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