

Company Registration Number: 05895068

Cadent Finance Plc

Annual Report and Financial Statements

For the year ended 31 March 2025

Cadent Finance Plc

Strategic Report

For the year ended 31 March 2025

The Directors present their Strategic Report for Cadent Finance Plc ("the company") for the year ended 31 March 2025.

Review of the business

The company is a wholly owned subsidiary of Cadent Gas Limited and the company operates as part of the Cadent Gas Group's (the "Group") regulated gas distribution business. The Group comprises Cadent Finance Plc, Cadent Gas Limited, 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.

The principal activity of the company is the provision of long term finance, through access to capital markets, for its immediate parent, Cadent Gas Limited. The Directors are not aware, at the date of this report, of any likely major changes in the company's activities or prospects in the next year.

Executive summary

During the year, the company paid £225,910,000 (2024: £210,619,000) of interest on its external debt and received interest of £225,910,000 (2024: £210,619,000) from Cadent Gas Limited. The increase is driven by both an increase in debt levels and new debt being refinanced at higher interest rates. The key terms are set out in note 13.

On 16 April 2024, Cadent Finance Plc issued a 9 year fixed rate Green bond with a notional value of €640 million and coupon of 3.75% under its £7 billion Euro Medium Term Note Programme. This bond is guaranteed by, and proceeds were on lent to, Cadent Gas Limited. The bond proceeds were swapped to sterling (£548.5 million) immediately on issue.

The company acts as a conduit for finance raised and any related derivative transactions between the market and its immediate parent company, and amounts raised or entered into are passed on to its immediate parent on identical terms. The company's exposures are limited to the credit risk on the intercompany loans (note 9). The net loss on external financial instruments consists of losses on derivatives not designated in a hedge relationship of £35,048,000 (2024: £47,157,000) and exchange gains on the revaluation of foreign currency denominated loans of £56,382,000 (2024: £53,496,000). The net loss on external financial derivatives, not designated in a hedge relationship, include gains of £9,372,000 (2024: £9,477,000) arising from CPI swaps which were impacted by volatility seen in inflation rates.

Cadent Finance Plc

Strategic Report (continued)

For the year ended 31 March 2025

Executive summary (continued)

As of 31 March 2025, the latest published credit ratings assigned to Cadent Finance Plc's debt was BBB (2024: BBB+) by S&P, A- (2024: A-) by Fitch and Baa1 (2024: Baa1) by Moody's.

Results

The company's loss for the financial year was £1,141,000 (2024: profit of £2,641,000), which was driven by the impairment in the intercompany loan in the year. This is a non-cash movement and due to an increase of credit spreads for Cadent Gas Limited since March 2024.

Financial position

The financial position of the company is presented in the statement of financial position. Total shareholders' deficit at 31 March 2025 was £8,897,000 (2024: £7,756,000) comprised of non-current assets (principally intercompany loans and derivatives) of £7,522,695,000 (2024: £6,989,878,000) less non-current liabilities of £7,531,592,000 (2024: £6,997,634,000). Liquidity risk has been considered in detail in the Directors' Report.

Key performance indicators and principal risks and uncertainties

As the company is part of a larger Group, the management of the company does not involve the use of key performance indicators, other than the profit or loss for the year and the constituent line items, in measuring the development, performance or the position of the company and the principal risks and uncertainties are integrated with the principal risks of Cadent Gas Limited.

Key performance indicators in relation to debt finance across Cadent Gas Limited and Cadent Finance Plc include its overall ratio of net debt to its Regulated Asset Value (RAV), which is managed within debt covenant levels and guided by Ofgem's assumption for a regulated Gas Distribution network. For further details see Cadent Gas Limited's Annual Report and Accounts 2024/2025. The company is incentivised to raise debt more efficiently by keeping the interest costs on the debt below the external benchmark interest set by the regulator thereby seeking to outperform the regulatory interest cost allowance.

For information on the development, performance, risks, uncertainties and position of Cadent Gas Limited and its subsidiaries and of the key performance indicators used, refer to the Strategic Report included in Cadent Gas Limited's Annual Report and Accounts 2024/25, which does not form part of this report.

Future developments

By nature of its operating business, Cadent Finance Plc has not been significantly directly impacted by geopolitical volatility. Macroeconomic factors in the form of inflation and interest rate rises have impacted the company; however, the Directors believe the current level of operating activity as reported in the income statement will continue in the foreseeable future, as the company will continue to provide long term finance for its immediate parent.

Climate change is a global challenge and an established risk to business, people and the environment across the world. As a financing company, Cadent Finance Plc's operations are not directly or significantly impacted, however those of Cadent Gas Limited, the Group's operating company, are and there remains uncertainty over what those impacts will be. Cadent Gas Limited has a role to play in limiting warming by improving energy management, reducing carbon emissions and by helping its customers do the same. Investor awareness and interest in climate change matters continues to grow when making investment decisions and Cadent continues to engage with its investors in this area. For information on how climate change will impact the Group's operating company, Cadent Gas Limited, refer to the Strategic Report included in Cadent Gas Limited's Annual Report and Accounts 2024/2025.

Cadent Finance Plc

Strategic Report (continued)

For the year ended 31 March 2025

S172 Statement

The following statement describes how the Directors have had regard to the matters set out in section 172(1) (a) to (f) when performing their duty under section 172 of the Companies Act 2006.

The company has no operational activities and no employees, it is a financing company for listed debt. The company's main purpose is to provide long-term finance to Cadent Gas Limited, its immediate parent company. As a wholly owned subsidiary company within the Cadent Gas Group ("the Group"), the Directors consider the impact of the company's activities on its shareholder, its debt holders and other stakeholders.

The company's stakeholders are consulted routinely on a wide range of matters including funding decisions, investment strategy, delivery of the Group's strategy, governance and compliance with Group policies and financing matters, with the aim of raising and servicing financing for the Group, and ensuring that the company maintains high standards of business conduct and governance.

As a financing vehicle for the Group, the company obtains and provides finance to Cadent Gas Limited. The Board considers the company's financing in light of the Group's environmental, corporate and social responsibility strategy, as such the Board receives information on these topics from management to make better informed Board decisions.

Whilst not directly regulated itself, the company maintains a close relationship with Ofgem (The Office of Gas and Electricity Markets), via its immediate parent company Cadent Gas Limited.

For further information on the Group activities and disclosure please refer to the Cadent Gas Annual Report and Accounts 2024/25.

This statement is also available at: <https://cadentgas.com/>

The Strategic Report was approved by the Board and signed on its behalf by:



G L Baron
Director
19 June 2025

Cadent Finance Plc

Directors' Report

For the year ended 31 March 2025

The Directors present their Report and the audited financial statements of the company for the year ended 31 March 2025.

Future developments

Details of future developments have been included within the Strategic Report on page 2.

Events after balance sheet date

There are no post balance sheet events.

Dividends

During the year the company did not pay any interim ordinary dividends (2024: £Nil). The Directors do not recommend the payment of a final ordinary dividend (2024: £Nil).

Charitable donations and political donations

Charitable donations made by the Group during the year totalled £0.5 million (2023/24: £4.8 million).

The Group made no political donations during the year (2023/24: £Nil).

Financial risk 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, exchange rate risk, interest rate risks, and inflation rate risks. These risks are managed by Cadent Gas Limited's Treasury function ("Treasury") which invests surplus funds, mitigates foreign exchange exposure and manages borrowings for Cadent Gas Limited and its subsidiary.

Treasury also seeks to limit third party counterparty risk which arises from the investment of surplus funds and the use of derivative financial instruments. Treasury monitors the exposure that Cadent Finance Plc has with each of its counterparties against agreed limits and these limits are monitored regularly and updated for changes in credit ratings.

The company acts as a conduit for finance raised and any related derivative transactions between the market and its immediate parent company, and amounts raised or entered into are passed on to its immediate parent on identical terms. The company's exposures are limited to the credit risk on the intercompany loans (as disclosed below and in note 9).

The company has limited direct exposure to the impacts of recent geopolitical volatility however we recognise the potential macroeconomic impacts on interest rates and foreign exchange rates on our underlying debt portfolio. These impacts are addressed through our financial risk management.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of Cadent Gas Limited's (the immediate parent company) short, medium and long-term funding and liquidity management requirements. The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of external borrowings and intercompany receivables.

Cadent Finance Plc

Directors' Report (continued)

For the year ended 31 March 2025

Financial risk management (continued)

Credit risk

The company raises debt finance for its immediate parent company, Cadent Gas Limited. Amounts raised are passed on to Cadent Gas Limited on identical terms. Cadent Gas Limited provides guarantees for the company's obligations under these arrangements. The principal risk of these arrangements is that Cadent Gas Limited is unable to meet its obligations to the company. The company is exposed to the expected credit losses on its intercompany loan with Cadent Gas Limited. The expected credit loss has been calculated by considering the probability of default and the loss given default on the balance outstanding on the intercompany loan.

Interest rate risk

The company has interest bearing intercompany assets. To the extent that the company enters into intercompany loan agreements, the company's exposure to interest rate cash flow risk arises on such loans on which interest is charged based upon a floating index. This risk is managed through the use of fixed rate loan agreements or where variable loan agreements are used the use of derivatives to swap the variable cashflows to fixed. At 31 March 2025 there was £398 million of debt that had not been swapped back to fixed rate (2024: £423 million). However the exposure that remains in relation to floating index is mitigated by the use of back to back arrangements with Cadent Gas Limited. There were no loans with interest charged based on a floating index at 31 March 2025 (2024: £Nil).

Inflation rate risk

The company has intercompany assets whose principal varies in line with changes in UK inflation. To the extent that the company enters into intercompany loan agreements, the company's exposure to inflation rate cashflow risk arises on such loans on which the loan principal accretes in line with UKRPI.

Similarly, the company has also entered into index-linked derivatives which effectively change the fixed interest payments on nominal debt to change in inflation during the life of the derivative instrument. Since April 2021, the company has entered into CPI-linked swaps, totalling £1 billion and maturing in 2028 and 2031, increasing the proportion of external debt book that is hedged to inflation. Both of these risks are managed through the back to back nature of intercompany loan relationships with any intercompany assets with inflation exposure being matched to external liabilities with inflation exposure therefore reducing the net exposure to inflation risk to nil.

Foreign exchange risk

To the extent that the company enters into loan and derivative agreements in currencies different to that of the company's functional currency, there is an exposure to movements in exchange rates. Due to the back to back nature of transactions by the company this exposure nets to nil. At the reporting date, the remeasurement of the Euro bonds (aggregate notional: €2,265,000,000) was a gain of £49,496,000 (2024: gain of £41,527,000) and the amortised cost of the debt in Sterling functional currency was £1,917,146,000 (2024: £1,796,802,000). The remeasurement of the JPY bond (notional: ¥10,000,000,000) was a gain of £724,700 (2024: gain of £8,693,000) and the amortised cost of the debt in Sterling functional currency was £51,614,000 (2024: £52,322,000). The remeasurement of the USD bond (notional: \$340,000,000) was a gain of £6,161,000 (2024: gain of £3,276,000) and the amortised cost of the debt in Sterling functional currency was £264,695,000 (2024: £270,932,000).

Derivative financial instruments

Derivative financial instruments in the form of cross-currency interest rate swaps are entered into for the purposes of hedging foreign exchange risk, interest rate swaps to hedge interest risk and inflation linked swaps to hedge inflation risk. These derivative financial instruments are recorded at fair value in the financial statements. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties. Where available, market values have been used to determine fair values. In other cases, fair values have been calculated using quotations from independent financial institutions, or by discounting expected cash flows at prevailing market rates.

Cadent Finance Plc

Directors' Report (continued)

For the year ended 31 March 2025

Derivative financial instruments (continued)

As at 31 March 2025, the net fair value of these derivative financial instruments resulted in an overall external liability of £219,011,000 (2024: £181,660,000) which is matched by amounts owed to the company by its immediate parent company of £219,011,000 (2024: £181,660,000).

The gross notional amounts of the external and intercompany derivative contracts was £5,062,740,000 (2024: £3,767,898,000). For the cross currency swaps, interest rate swaps and inflation linked swaps the net notional principal of contracts including both external and intercompany derivatives, was £Nil (2024: £Nil) with a net foreign exchange exposure of £Nil (2024: £Nil). The net future cashflows from these external and internal derivatives are not affected by changes in the exchange rate. The contracts have fixed settlement dates.

Directors' indemnity

Quadgas HoldCo Limited, a Group company which indirectly holds 100% of the shares in Cadent Finance Plc, has arranged, in accordance with the Companies Act 2006 and the Articles of Association, qualifying third party indemnities against financial exposure that Directors may incur in the course of their professional duties. Alongside these indemnities, Quadgas HoldCo Limited places Directors' and Officers' liability insurance for each Director.

Going concern

The statement of financial position shows net liabilities of £8,897,000 at 31 March 2025 (2024: £7,756,000). It is appropriate to prepare the accounts on a going concern basis despite the net liability position of the company as the company raises debt from external sources and lends on a back to back basis to Cadent Gas Limited who will repay amounts in full, and relies on Cadent Gas Limited as its only income source. Cadent Gas Limited has £184,000,000 of cash and current asset investments at 31 March 2025, as well as undrawn facilities amounting to £500,000,000. Management analysis concluded that sufficient headroom exists in the forecast and against the requirements of key banking covenants.

The income statement shows interest receivable and similar income for the year ended 31 March 2025 of £225,910,000 (2024: £210,619,000). The loss for the financial year of £1,141,000 (2024: £2,641,000 profit) is driven by the impairment of an intercompany loan, which is a non-cash movement.

The company continues to receive interest income from Cadent Gas Limited who also guarantees the debt at Cadent Finance Plc. Cadent Gas Limited continues to trade and operate as a going concern and as at 31 March 2025 was in a consolidated net asset position of £2,275,000,000 (2024: £2,348,000,000), reported consolidated profit before tax for the financial year of £413,000,000 (2024: £690,000,000 profit before tax), had access to an undrawn £500,000,000 liquidity facility and had a company credit rating of BBB (S&P). See Cadent Gas Limited Annual Report and Accounts for further details.

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.

Directors

The Directors of the company during the year and up to the date of signing of the financial statements were:

Sir A Montague CBE

M W Braithwaite

E B Fidler (Appointed 25 September 2024)

G L Baron (Appointed 1 April 2025)

A O Bickerstaff (Resigned 30 September 2024)

Cadent Finance Plc

Directors' Report (continued)

For the year ended 31 March 2025

Disclosure of information to the 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. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The auditor has indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the annual general meeting.

Internal control and risk management

As the company is part of a larger Group, the internal control and risk management procedures are integrated with the internal control and risk management procedures in Cadent Gas Limited. Cadent Gas Limited has established internal control and risk management systems in relation to the process for preparing its financial statements. The key features of these internal control and risk management systems are:

- The Risk Assurance function and management conducts 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 financial statements. Appropriate briefings and/or training are provided to key finance personnel on relevant developments in accounting and financial reporting.
- 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 Board review the draft financial statements. The Board receive reports from management on significant judgements, changes in accounting policies, changes in accounting estimates and other pertinent matters relating to the consolidated financial statements.

Cadent Finance Plc is subject to the requirements of Rule 7.1 of the Disclosure Guidance and Transparency Rules ("DTRs") in relation to audit committees and their functions. For the purposes of DTR 7.1.5 R, the Audit and Risk Committee of Cadent Finance Plc is responsible for fulfilling functions required by DTR 7.1.3R and the committee is composed as follows:

- Sir Adrian Montague CBE (Chair)
- Simon Fennell
- Mark Braithwaite
- Emma Howell

Capital structure

The share capital of the company consists of 50,000 ordinary shares of £1 each. There have been no changes in the capital structure during the year.

Cadent Finance Plc

Directors' Report (continued)

For the year ended 31 March 2025

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 are also 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.

In addition the Directors 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' Report was approved by the Board and signed on its behalf by:



G L Baron
Director
19 June 2025

Registered office:
Pilot Way
Ansty Park
Coventry
CV7 9JU

Registered in England and Wales

Company registration number: 05895068

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CADENT FINANCE PLC

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Cadent Finance Plc (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2025 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the company for the year are disclosed in note 3 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the company.

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

3. Summary of our audit approach

Key audit matter	<p>The key audit matter that we identified in the current year was:</p> <ul style="list-style-type: none">• The recoverability of amounts owed by the immediate parent company
	<p>Within this report, the key audit matter identified has a similar level of risk compared to prior year.</p>
Materiality	<p>The materiality that we used in the current year was £38.0m which was determined on the basis of total borrowings.</p>

Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There have been no significant changes to our approach from the prior year.

4. 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.

The company is a member of the Quadgas Holdings TopCo Limited and its subsidiaries (the "group") and the going concern of the company is closely linked to the group. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting has therefore been performed at the group level, supplemented with procedures specific to the company, and included:

- evaluation of financing facilities including nature of facilities, repayment terms and covenants;
- assessment of the reasonableness of assumptions used in the forecasts;
- assessment of amount of headroom in the forecasts (cash and covenants);
- evaluation of sensitivity analysis;
- assessment of the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts; and
- assessment of the appropriateness of the going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the 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.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. The recoverability of amounts owed by the immediate parent company

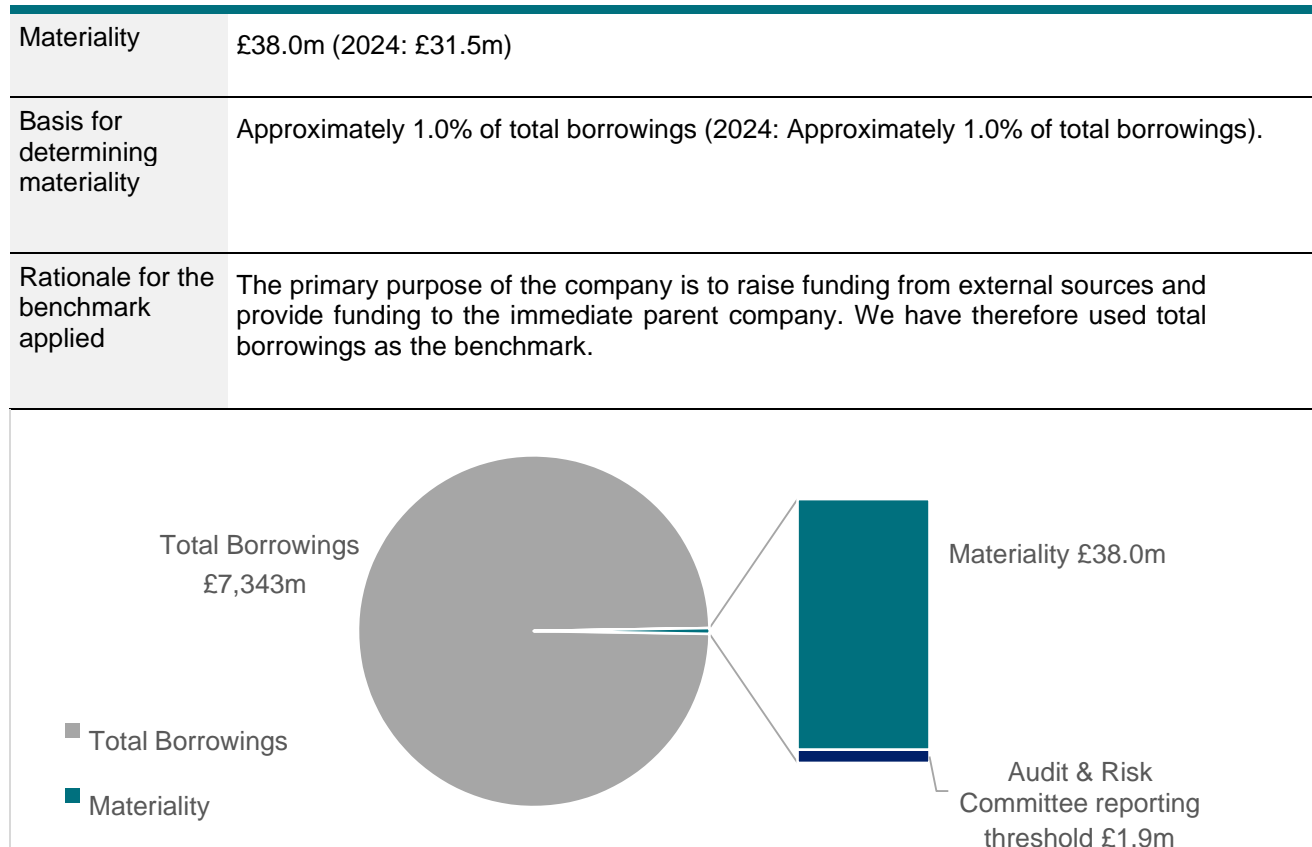
Key audit matter description	<p>Amounts owed by the immediate parent company, Cadent Gas Limited (“immediate parent company”) are stated in the balance sheet at £7,343.0m (2024: £7,225.9m), comprised of short-term amounts of £79.5m (2024: £444.8m) and long-term amounts of £7,263.6m (2024: £6,781.1m). Cadent Finance plc loans borrowed funds to Cadent Gas Limited on back-to-back terms.</p> <p>There is judgement involved in determining the recoverability of these receivable amounts from the immediate parent company based on its financial position and future prospects and recognition of an expected credit loss amount. This expected loss is calculated by determining the probability of default of the counterparty and the amount of loan deemed likely to be recoverable in the event of default and takes into consideration a range of factors including the historical trading performance of Quadgas MidCo Limited group undertaking, Cadent Gas Limited (a gas distribution business regulated by Ofgem). Cadent Gas Limited is a directly owned subsidiary of Quadgas MidCo Limited.</p> <p>The company applies IFRS 9 Financial Instruments and as detailed further in Note 1, an impairment loss was recognised on amounts owed by the immediate parent company using the twelve months expected credit loss method. The accumulated impairment as of 31 March 2025 is £8.9m (2024: £7.8m).</p> <p>Further details are included within debtors note 9 to the financial statements.</p>
How the scope of our audit responded to the key audit matter	<p>We evaluated the directors’ judgements regarding the appropriateness of the expected credit loss model and reasonability of key judgements used in the estimation of the probability weighted expected credit loss. With the involvement of our financial instruments specialists we assessed these key judgements and also re- performed the calculation of expected credit loss. In addition, we have assessed the appropriateness of the method adopted to calculate the expected credit loss against the requirements of IFRS 9.</p> <p>We also evaluated the appropriateness of the carrying value of amounts owed by the immediate parent company obtaining a copy of the latest audited financial information and our understanding of the future trading performance of the immediate parent company Cadent Gas Limited. We assessed Cadent Gas Limited’s future cash flow forecasts and the key assumptions. We also reviewed the historical accuracy of Cadent Gas Limited’s forecasts by comparing the actual results to forecasts.</p>
Key observations	<p>Based on the work performed, we concluded that amounts owed by the immediate parent company are appropriately stated.</p>

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2025 audit (2024: 70%). In determining performance materiality, we considered the following factors:

- our risk assessment, including our assessment of the group's overall control environment;
- our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods; and
- the nature of regulated operations carried out by the business year on year.

6.3. Error reporting threshold

We agreed with the Audit & Risk Committee that we would report to the Committee all audit differences in excess of £1.9m (2024: £1.6m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit & Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

The primary purpose of the company is the provision of long-term finance for its immediate parent, Cadent Gas Limited.

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement, covering 100% (2024: 100%) of net liabilities and 100% (2024: 100%) of loss before tax.

All audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

7.2. Our consideration of the control environment

The company's accounting records are held within the group's financial accounting and reporting software platform, SAP. We have worked with our IT specialists to test key General Information Technology Controls (GITC) within the platform, including testing over controls for access, change management and segregation of duties.

We also gained an understanding over the relevant controls and business processes for complex areas of estimation including treasury, alongside the financial closing and reporting process. We had not relied on IT controls or any other controls associated with these systems or processes for the purposes of our audit.

8. 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.

9. 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 company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our

opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

11. 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.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, in-house legal counsel, the directors and the Audit & Risk Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the company's sector;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, financial instruments, and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These include the license conditions imposed by the office of Gas and Electricity Markets (Ofgem).

11.2. Audit response to risks identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit & Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. 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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the Audit & Risk Committee, we were appointed by the Directors on 22 November 2017 to audit the financial statements for the year ending 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 7 years, covering the years ending 31 March 2018 to 31 March 2025.

14.2. Consistency of the audit report with the additional report to the audit & risk committee

Our audit opinion is consistent with the additional report to the Audit & Risk Committee we are required to provide in accordance with ISAs (UK).

15. 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) ID

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

19th June 2025

Cadent Finance Plc

Income statement

For the year ended 31 March 2025

	Notes	2025 £'000	2024 £'000
Interest receivable and similar income	5	225,910	210,619
Interest payable and similar charges	6	(225,910)	(210,619)
External net losses on derivatives	7	(35,048)	(47,157)
External exchange gains on loans	7	56,382	53,496
Internal net gains on derivatives	7	35,048	47,157
Internal exchange losses on loans	7	(56,382)	(53,496)
(Impairment)/impairment reversal of intercompany loans	3	(1,141)	2,641
(Loss)/profit before taxation		(1,141)	2,641
Tax	8	-	-
(Loss)/profit for the financial year		(1,141)	2,641

The results reported above relate to continuing activities. There were no other gains and losses for the year other than those reported above, therefore no separate statement of comprehensive income was presented.

See note 1 for basis of presentation.

The notes on pages 20 to 36 form an integral part of the financial statements.

Cadent Finance Plc

Statement of financial position

As at 31 March 2025

	Notes	2025 £'000	2024 £'000
Non-current assets			
Debtors: amounts falling due after more than one year	9	7,254,628	6,773,342
Derivative financial instruments: amounts falling due after more than one year	10	268,067	216,536
		<u>7,522,695</u>	<u>6,989,878</u>
Current assets			
Debtors: amounts falling due within one year	9	79,465	444,787
Derivative financial instruments: amounts falling due within one year	10	-	2,692
		<u>79,465</u>	<u>447,479</u>
Current liabilities			
Creditors: amounts falling due within one year	11	(79,465)	(444,787)
Derivative financial instruments: amounts owing within one year	10	-	(2,692)
		<u>(79,465)</u>	<u>(447,479)</u>
Net current assets		<u>-</u>	<u>-</u>
Total assets less current liabilities		<u>7,522,695</u>	<u>6,989,878</u>
Non-current liabilities			
Creditors: amounts falling due after more than one year	12	(7,263,525)	(6,781,098)
Derivative financial instruments: amounts owing after more than one year	10	(268,067)	(216,536)
		<u>(7,531,592)</u>	<u>(6,997,634)</u>
Total net liabilities		<u>(8,897)</u>	<u>(7,756)</u>
Equity			
Share capital	14	50	50
Retained losses		(8,947)	(7,806)
Total shareholders' deficit		<u>(8,897)</u>	<u>(7,756)</u>

The notes on pages 20 to 36 are an integral part of these financial statements.

The financial statements on pages 17 to 36 were approved by the Board of Directors on 19 June 2025 and were signed on its behalf by:



G L Baron
Director

Cadent Finance Plc
Company registration number: 05895068

Cadent Finance Plc

Statement of changes in equity

For the year ended 31 March 2025

	Share capital £'000	Retained losses £'000	Total £'000
At 1 April 2024	50	(7,806)	(7,756)
Loss for the financial year	-	(1,141)	(1,141)
As at 31 March 2025	50	(8,947)	(8,897)

	Share capital £'000	Retained losses £'000	Total £'000
At 1 April 2023	50	(10,447)	(10,397)
Profit for the financial year	-	2,641	2,641
At 31 March 2024	50	(7,806)	(7,756)

The notes on pages 20 to 36 are an integral part of these financial statements.

Cadent Finance Plc

Notes to the financial statements

For the year ended 31 March 2025

1 Summary of significant accounting policies

Cadent Finance Plc (the "company") is a public limited company and is incorporated and registered in England and Wales, with its registered office at Pilot Way, Ansty Park, Coventry, CV7 9JU.

The principal activity of the company is the provision of long term finance, through access to capital markets, for its immediate parent, Cadent Gas Limited.

The company is a wholly owned subsidiary of Cadent Gas Limited and the company operates as part of the Cadent Gas Group's (the "Group") regulated gas distribution business. The Group comprises Cadent Finance Plc, Cadent Gas Limited, 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.

The principal accounting policies applied in the preparation of these financial statements are set out as below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

Going Concern

The financial statements of Cadent Finance Plc have been prepared on the going concern basis in accordance with applicable UK accounting and financial reporting standards (FRS 101) and the Companies Act 2006. The statement of financial position shows net liabilities of £8,897,000 at 31 March 2025 (2024: £7,756,000). It is appropriate to prepare the accounts on a going concern basis despite the net liability position of the company as the company raises debt from external sources and lends on a back to back basis to Cadent Gas Limited who will repay amounts in full, and relies on Cadent Gas Limited as its only income source. Management analysis concluded that sufficient headroom exists in the forecast and against the requirements of key banking covenants.

The income statement shows interest receivable and similar income for the year ended 31 March 2025 of £225,910,000 (2024: £210,619,000). The loss for the financial year of £1,141,000 (2024: £2,641,000 profit) is driven the impairment of intercompany loans due to the increase of credit spread in the year, which is a non-cash movement. The company continues to receive interest income from Cadent Gas Limited who also guarantees the debt at Cadent Finance Plc. Cadent Gas Limited continues to trade and operate as a going concern and as at 31 March 2025 was in a consolidated net asset position of £2,275,000,000 (2024: £2,348,000,000), reported consolidated profit before tax for the financial year of £413,000,000 (2024: £690,000,000 profit), had access to an undrawn £500,000,000 liquidity facility and had a company credit rating of BBB (S&P).

Despite recent macro-economic volatility impacting inflation, energy prices, US Government and retaliatory tariffs and the ongoing conflicts in the Middle East and Ukraine, the company has not been significantly impacted as a result of protections in place through the regulatory price control. The company continues to closely monitor and manage the impacts of changes in the macro-economic environment. Having made enquiries and reassessed the principal risks, the Directors consider that the company and its subsidiary undertakings have adequate resources to continue in business.

The financial statements have been prepared on an historical cost basis except for the derivative financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Cadent Finance Plc

Notes to the financial statements (continued)

For the year ended 31 March 2025

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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 company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council, as it is a member of a Group (Cadent Gas Limited, the immediate parent company) where the parent of the Group prepares publicly available consolidated financial statements which include the company's results.

The financial statements have therefore been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework", in accordance with the requirements of the Companies Act 2006 and the Disclosure and Transparency Rules of the Financial Conduct Authority.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, and related party transactions.

Where relevant, equivalent disclosures have been presented in the Group financial statements of Cadent Gas Limited.

The preparation of financial statements may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amounts of turnover and expenses during the reporting period. Actual results could differ from these estimates.

The key accounting estimates are in respect of

- the fair value of derivative financial instruments which are calculated by discounting future cash flows

Derivatives values are calculated by discounting future cash flows using discount rates which are derived from yield curves based on quoted interest rates. Derivative values are adjusted for credit risk and funding risk which are estimated based on calculations that involve various assumptions and models, making them key estimates that significantly impact the valuation of derivative positions.

The impairment of intercompany loans is determined by estimating the probability of default of the counterparty and the amount of the loan deemed likely to be recoverable in the event of default. The expected loss calculation is discussed further in note 1(f) Financial instruments and note 9 Debtors.

(b) New accounting standards and interpretations

There are no new or amended standards or interpretations during the year that have a significant impact on the company's financial statements.

Cadent Finance Plc

Notes to the financial statements (continued)

For the year ended 31 March 2025

1 Summary of significant accounting policies (continued)

(c) Net finance costs

Interest income and interest costs are accrued on a timely basis by reference to the principal outstanding and at the effective interest rate applicable. Interest income is included in interest receivable and similar income and interest cost is included in the interest payable and similar charges.

(d) Tax

The tax charge for the year is recognised in the income statement or directly in equity according to the accounting treatment of the related transaction. 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 is the best estimate expected to become payable, 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.

(e) Foreign currency transactions and balances

Foreign currency transactions are re-measured into the functional currency of the company using the exchange rates prevailing on the dates of the transactions or valuation where items are re-measured. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(f) Financial instruments

Initial recognition

Financial assets have been classified in accordance with 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.

If the transaction price differs from fair value at initial recognition, the company will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised as a gain or loss on initial recognition (i.e. day 1 profit or loss); or
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

Cadent Finance Plc

Notes to the financial statements (continued)

For the year ended 31 March 2025

1 Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Initial recognition (continued)

After initial recognition, the deferred gain or loss will be released to profit or loss such that it reaches a value of zero at the time when the entire contract can be valued using active market quotes or verifiable objective market information. Depending on the type of financial instrument, the company can adopt one of the following policies for the amortisation of day 1 gain or loss:

- calibrate unobservable inputs to the transaction price and recognise the deferred gain or loss as the best estimates of those unobservable inputs change based on observable information; or
- release the day 1 gain or loss in a reasonable fashion based on the facts and circumstances (i.e. using either straight-line or non-linear amortisation).

Classification and measurement

Financial instruments are classified at inception into one of the following categories which then determines the subsequent measurement methodology:

Financial assets are classified into one of the following three categories:

- financial assets at amortised cost; or
- financial assets at fair value through other comprehensive income (FVTOCI); or
- financial assets at fair value through profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:

- financial liabilities at amortised cost; or
- financial liabilities at fair value through profit and loss (FVTPL).

Loans receivable are carried at amortised cost using the effective interest method less any allowance for estimated impairments. Impairments are calculated using the expected credit loss approach by calculating the probability of default and the estimated recoverable amount given default. A loss allowance is established for impairments using the expected credit loss approach by calculating the probability of default and the estimated recoverable amount given default.

Borrowings, which include interest-bearing loans, are recorded at their initial fair value which normally reflects the proceeds received, net of direct issue costs less any repayments. Subsequently these are stated at amortised cost, using the effective interest method. Any difference between proceeds and the redemption value is recognised over the term of the borrowing in the income statement using the effective interest method.

Cadent Finance Plc

Notes to the financial statements (continued)

For the year ended 31 March 2025

1 Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Classification and measurement (continued)

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 year they arise.

Derivative financial instruments ('derivatives') are recorded at fair value. 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 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. The market yield curve for each currency is obtained from external sources for interest and foreign exchange rates.

For financial assets carried at amortised cost, the amount of the impairment is the differences 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.

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.

Cadent Finance Plc

Notes to the financial statements (continued)

For the year ended 31 March 2025

1 Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Impairment of financial assets

Financial assets are impaired by calculating the probability of default and the estimated recoverable amount given default, which is used to calculate the expected credit loss. The company has taken default to be defined as a counterparty that has entered administration.

The company recognises loss allowances for expected credit losses (ECL) on financial instruments that are not measured at FVTPL, namely:

- trade receivables; and
- loan receivables; and
- other receivables.

The company measures the loss allowances for amounts owed by immediate parent company at an amount equal to the 12 month expected credit loss (representing a stage 1 financial model). The way this is calculated is based on the applied impairment methodology, as described below:

Stage 1: For financial assets where there has not been a significant increase in credit risk since initial recognition, and were not credit impaired on recognition, the company recognises a loss allowance based on the 12 month expected credit loss.

Stage 2: For financial assets where there has been a significant increase in credit risk since initial recognition, and were not credit impaired, the company recognises a loss allowance for lifetime expected credit loss.

Stage 3: For financial assets which are credit impaired, the company recognises the lifetime expected credit loss.

A significant increase in credit risk would be as a result of any change in circumstances specific to the counterparty or to the wider economic environment whereby the risk of default could be said to have been significantly increased within reasonable thresholds.

Evidence that the financial asset is credit impaired includes the following:

- significant financial difficulties of the counterparty; or
- a breach of contract such as default or past due event; or
- the restructuring of the loan or advance by the company that the company 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.

Cadent Finance Plc

Notes to the financial statements (continued)

For the year ended 31 March 2025

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.

There are no areas of judgement which have a significant effect on the amounts recognised in the financial statements.

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:

- The fair value of derivative financial instruments relating to index-linked swaps are obtained from a third party source. The future cash flows for CPI swaps are discounted based on the currently unobservable spreads to the liquid RPI inflation markets and interest rates both of which are subjective and fluctuate on a daily basis. Projected cash flows are then discounted back using discount factors that are derived from the applicable interest rate curves adjusted for counterparty credit risk and management's estimate of funding risk and Cadent's credit spread (which are unobservable and provided by Cadent Gas Limited to the third party). These estimations could have a material adjustment to the gross carrying amounts, however, no sensitivities relating to derivative financial instruments have been provided due to the back to back nature of the derivative arrangements resulting in a net nil impact for the results of the company. Note 10 Derivative financial instruments.

Cadent Finance Plc

Notes to the financial statements (continued)

For the year ended 31 March 2025

3 (Loss)/profit before taxation

(Loss)/profit is stated after crediting/(charging) the following:

	2025 £'000	2024 £'000
Net gains on external financial instruments (note 7)	21,334	6,339
Net losses on intercompany financial instruments (note 7)	(21,334)	(6,339)
(Impairment)/impairment reversal of intercompany loans	(1,141)	2,641
	<u>(1,141)</u>	<u>2,641</u>

Movement in the loss allowance in the year is driven by the increase in credit spreads for Cadent Gas Limited since March 2024.

Fees payable to the company's auditors for the audit of the company's annual financial statements of £60,358 (2024: £59,242) and non-audit services amounting to £83,481 (2024: £76,279) have been borne by its parent company, Cadent Gas Limited. No other fees were payable to the auditors (2024: £Nil).

4 Directors and employees

There were no employees of the company during the year (2024: Nil).

Directors emoluments are paid by Cadent Gas Limited. It is not practicable to split the directors services or remuneration between Group entities.

The emoluments of the Directors are not paid to them in their capacity as Directors of the company and are payable for services wholly attributable to other subsidiary undertakings. Amounts paid to the Directors for services rendered to all relevant group entities in the current year are disclosed within the Cadent Gas Limited financial statements.

5 Interest receivable and similar income

	2025 £'000	2024 £'000
Interest receivable from immediate parent company	<u>225,910</u>	<u>210,619</u>
	<u>225,910</u>	<u>210,619</u>

6 Interest payable and similar charges

	2025 £'000	2024 £'000
Interest payable on other borrowings	<u>(225,910)</u>	<u>(210,619)</u>
	<u>(225,910)</u>	<u>(210,619)</u>

Cadent Finance Plc

Notes to the financial statements (continued)

For the year ended 31 March 2025

7 Net gains/(losses) on financial instruments	2025	2024
	£'000	£'000
External		
Net losses on derivatives ¹	(35,048)	(47,157)
Exchange gains on revaluation of foreign currency denominated loans	56,382	53,496
	21,334	6,339
Internal		
Net gains on derivatives	35,048	47,157
Exchange losses on revaluation of foreign currency denominated loans	(56,382)	(53,496)
	(21,334)	(6,339)

¹ Includes a £9,372,000 gain (2024: £9,477,000 gain) relating to CPI swaps.

8 Tax

Tax charged to the income statement	2025	2024
	£'000	£'000
Current Tax		
UK Corporation tax	-	-
Total tax charge	-	-

The tax charge for the year is lower (2024: lower) than the standard rate of corporation tax in the UK of 25% (2024: 25%). The differences are explained below.

(Loss)/profit before tax	(1,141)	2,641
(Loss)/profit before tax multiplied by UK corporation tax rate of 25% (2024: 25%)	(285)	660
Effect of:		
Non-deductible expenditure/(income)	285	(660)
Total tax charge	-	-

Cadent Finance Plc

Notes to the financial statements (continued)

For the year ended 31 March 2025

9 Debtors

	2025	2024
	£'000	£'000
Amounts falling due within one year:		
Amounts owed by immediate parent company	<u>79,465</u>	<u>444,787</u>
	<u>79,465</u>	<u>444,787</u>
Amounts falling due after more than one year:		
Amounts owed by immediate parent company	7,263,576	6,781,149
Loss allowance	<u>(8,948)</u>	<u>(7,807)</u>
	<u>7,254,628</u>	<u>6,773,342</u>

The company raises debt finance for its immediate parent company, Cadent Gas Limited. Amounts raised are passed on to Cadent Gas Limited on identical terms, these terms are set out in note 13. Cadent Gas Limited provides guarantees for the company's obligations under these arrangements. The amounts owed are unsecured, with phased repayments to August 2048.

The company measures the loss allowance for amounts owed by immediate parent company at an amount equal to 12 month expected credit loss, representing a stage 1 financial asset.

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.

10 Derivative financial instruments

The fair values of derivative financial instruments are as follows:

	2025		
	Assets	Liabilities	Total
	£'000	£'000	£'000
Amounts falling due within one year - external (note 11)	-	-	-
Amounts falling due within one year - internal (note 11)	-	-	-
Amounts falling due after more than one year - external (note 12)	24,528	(243,539)	(219,011)
Amounts falling due after more than one year - internal (note 12)	<u>243,539</u>	<u>(24,528)</u>	<u>219,011</u>
	<u>268,067</u>	<u>(268,067)</u>	-
		2024	
	Assets	Liabilities	Total
	£'000	£'000	£'000
Amounts falling due within one year (external)	2,692	-	2,692
Amounts falling due within one year (internal)	-	(2,692)	(2,692)
Amounts falling due after more than one year - external (note 12)	16,092	(200,444)	(184,352)
Amounts falling due after more than one year - internal (note 12)	<u>200,444</u>	<u>(16,092)</u>	<u>184,352</u>
	<u>219,228</u>	<u>(219,228)</u>	-

The derivative financial instruments included on 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.

Cadent Finance Plc

Notes to the financial statements (continued)

For the year ended 31 March 2025

10 Derivative Financial instruments (continued)

The hierarchy levels are explained below:

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.

As at 31 March 2025	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Derivative financial instruments (external)	-	24,528	-	24,528
Derivative financial instruments (internal)	-	74,781	168,758	243,539
	-	99,309	168,758	268,067
Liabilities				
Derivative financial instruments (external)	-	(74,781)	(168,758)	(243,539)
Derivative financial instruments (internal)	-	(24,528)	-	(24,528)
	-	(99,309)	(168,758)	(268,067)
As at 31 March 2024	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Derivative financial instruments (external)	-	18,784	-	18,784
Derivative financial instruments (internal)	-	54,270	146,174	200,444
	-	73,054	146,174	219,228
Liabilities				
Derivative financial instruments (external)	-	(54,270)	(146,174)	(200,444)
Derivative financial instruments (internal)	-	(18,784)	-	(18,784)
	-	(73,054)	(146,174)	(219,228)

The Level 3 derivative financial instruments comprise £1 billion of CPI-linked inflation swaps maturing in 2028 and 2031 which are traded based on a spread to liquid RPI inflation markets. The market for CPI swaps is still maturing with the spreads not currently observable in their own liquid market. The fair values for these instruments are calculated by using market forecasts of inflation indices obtained from third party valuation data to produce a series of future cashflows. These are then discounted back to a net present value, using quoted interest rates, to which model-derived counterparty and Cadent credit and funding valuation adjustments are applied. As the RPI and CPI spreads, 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 £11.6 million, with an increase in the inflation indices reducing the fair values and vice versa. Fair values will also be impacted by movements in interest rate curves which are used to derive the discount rates used in calculating the net present values of the instruments.

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Notes to the financial statements (continued)

For the year ended 31 March 2025

10 Derivative Financial instruments (continued)

The net gain on external derivatives is included in net gains on external derivatives not designated in a hedge relationship. The net gain on internal derivatives is included in net gains on internal derivatives not designated in a hedge relationship.

Movements for external assets and liabilities measured at fair value using Level 3 valuations inputs are as follows:

	2025 £'000	2024 £'000
At 1 April	(146,000)	(124,000)
Net gain for the year	9,000	10,000
Settlements	(32,000)	(32,000)
At 31 March	(169,000)	(146,000)

The external gain is offset by an equal and opposite internal loss due to the back to back nature of transactions resulting in nil net impact.

JPY 10,000 million, USD 340 million (USD 200 million, USD 65 million, USD 75 million) and EUR 1,765 million (EUR 625 million, EUR 500 million, EUR 640 million) of fixed to fixed and EUR 500 million of fixed to floating cross-currency interest rate swaps were transacted to convert principal and interest cash flows on the JPY 10,000 million, USD 200 million, USD 65 million, USD 75 million, EUR 500 million, EUR 625 million, EUR 500 million and EUR 640 million debt maturing in 2033, 2031, 2030, 2030, 2032, 2030, 2029 and 2033 respectively, to sterling. In September 2024, the remaining EUR 447 million of the EUR 750 million matured.

In the prior year, £315 million of fixed to floating interest rate swaps were transacted to convert fixed rate cash flows to floating cash flows. During this financial year these floating cashflows were converted back to fixed cashflows by entering into £315 million of floating to fixed interest rate swaps. In addition during the year, £108.2 million of floating to fixed interest rate swaps were transacted in relation to the EUR 500 million bond issued in July 2023. Also during the year, £548.48 million of fixed to floating interest rate swaps were transacted in relation to the EUR 640 million fixed to fixed cross currency swap, and as at 31 March 2025 £150 million floating to fixed interest rate swaps were transacted to convert a proportion of the £548.48 million floating cashflows to fixed cashflows.

£1 billion of index linked swaps were previously transacted to convert fixed rate cash flows to index linked cash flows.

Cadent Finance Plc has transacted equal and opposite internal fixed to fixed cross-currency interest rate swaps, fixed to floating interest rate swaps, floating to fixed interest rate swaps and fixed to index linked inflation swaps with its immediate parent company Cadent Gas Limited, and its net exposure is therefore £Nil and so hedge accounting is not applied.

For each class of derivative the notional contract amounts* are as follows:

	2025 £'000	2024 £'000
Cross-currency interest rate swaps (external)	2,302,040	2,128,898
Cross-currency interest rate swaps (internal)	(2,302,040)	(2,128,898)
Interest rate swaps (external)	1,760,700	639,000
Interest rate swaps (internal)	(1,760,700)	(639,000)
Inflation-linked swaps (external)	1,000,000	1,000,000
Inflation-linked swaps (internal)	(1,000,000)	(1,000,000)
	-	-

*The notional contract amounts of derivatives indicate the gross nominal value of transactions outstanding at the reporting date.

Cadent Finance Plc

Notes to the financial statements (continued)

For the year ended 31 March 2025

10 Derivative Financial instruments (continued)

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair values of derivative instruments are calculated using quoted prices where available. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Cadent Finance Plc

Notes to the financial statements (continued)

For the year ended 31 March 2025

10 Derivative financial instruments (continued)

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date:

	Average contractual exchange rate		Notional principal value		Fair value	
	2025 rate	2024 rate	2025 £'000	2024 £'000	2025 £'000	2024 £'000
External under 5 years - EUR 447m 2024	-	1.17	-	380,566	-	2,692
External 5 years or more - EUR 500m 2032	1.15	1.15	436,396	436,396	(4,154)	(7,308)
External 5 years or more - EUR 625m 2030	1.16	1.16	536,650	536,650	(2,798)	(4,478)
External 5 years or more - JPY 10,000m 2033	145.63	145.63	68,667	68,667	(11,336)	(12,262)
External 5 years or more - USD 200m 2031	1.28	1.28	156,006	150,778	10,702	11,304
External under 5 years - CPI GBP 300m 2028	n/a	n/a	300,000	300,000	(62,990)	(53,219)
External 5 years or more - CPI GBP 700m 2031	n/a	n/a	700,000	700,000	(105,767)	(92,955)
External 5 years or more - USD 65m 2030	1.13	1.13	57,368	57,368	(7,419)	(7,801)
External 5 years or more - USD 75m 2030	1.13	1.13	66,253	66,253	(8,533)	(9,091)
External under 5 years - EUR 500m 2029	1.16	1.16	432,220	432,220	1,134	4,015
External under 5 years - GBP Float to Fix 2029	n/a	n/a	432,220	324,000	(2,607)	(5,439)
External 5 years or more - GBP 315m 2036	n/a	n/a	315,000	315,000	(18,608)	(7,118)
External 5 years or more - GBP Float to Fix 2036	n/a	-	315,000	-	10,507	-
External 5 years or more - EUR 640m 2033	1.17	-	548,480	-	(886)	-
External 5 years or more - GBP Fix to Float 2033	n/a	-	548,480	-	(16,671)	-
External 5 years or more - GBP Float to Fix 2033	n/a	-	150,000	-	415	-
			5,062,740	3,767,898	(219,011)	(181,660)
Internal under 5 years - EUR 447m 2024	-	1.17	-	380,566	-	(2,692)
Internal 5 years or more - EUR 500m 2032	1.15	1.15	436,396	436,396	4,154	7,308
Internal 5 years or more - EUR 625m 2030	1.16	1.16	536,650	536,650	2,798	4,478
Internal 5 years or more - JPY 10,000m 2033	145.63	145.63	68,667	68,667	11,336	12,262
Internal 5 years or more - USD 200m 2031	1.28	1.28	156,006	150,778	(10,702)	(11,304)
Internal under 5 years - CPI GBP 300m 2028	n/a	n/a	300,000	300,000	62,990	53,219
Internal 5 years or more - CPI GBP 700m 2031	n/a	n/a	700,000	700,000	105,767	92,955
Internal 5 years or more - USD 65m 2030	1.13	1.13	57,368	57,368	7,419	7,801
Internal 5 years or more - USD 75m 2030	1.13	1.13	66,253	66,253	8,533	9,091
Internal under 5 years - EUR 500m 2029	1.16	1.16	432,220	432,220	(1,134)	(4,015)
Internal under 5 years - GBP Float to Fix 2029	n/a	n/a	432,220	324,000	2,607	5,439
Internal 5 years or more - GBP 315m 2036	n/a	n/a	315,000	315,000	18,608	7,118
Internal 5 years or more - GBP Float to Fix 2036	n/a	-	315,000	-	(10,507)	-
Internal 5 years or more - EUR 640m 2033	1.17	-	548,480	-	886	-
Internal 5 years or more - GBP Fix to Float 2033	n/a	-	548,480	-	16,671	-
Internal 5 years or more - GBP Float to Fix 2033	n/a	-	150,000	-	(415)	-
			5,062,740	3,767,898	219,011	181,660

The cross-currency interest rate swaps, interest rate swaps and index linked swaps settle semi-annually or annually.

Cadent Finance Plc

Notes to the financial statements (continued)

For the year ended 31 March 2025

	2025 £'000	2024 £'000
11 Creditors: amounts falling due within one year		
Borrowings (note 13)	<u>79,465</u>	<u>444,787</u>
	79,465	444,787

	2025 £'000	2024 £'000
12 Creditors: amounts falling due after more than one year		
Borrowings (note 13)	<u>7,263,525</u>	<u>6,781,098</u>
	7,263,525	6,781,098

13 Borrowings

	2025 £'000	2024 £'000
Amounts falling due within one year		
Bonds (note 11)	<u>79,465</u>	<u>444,787</u>
	79,465	444,787

Amounts falling due after more than one year		
Bonds (note 12)	<u>7,263,525</u>	<u>6,781,098</u>
	7,263,525	6,781,098

	2025 £'000	2024 £'000
Total borrowings are repayable as follows:		
Less than 1 year	79,465	444,787
In 1-2 years	-	-
In 2-3 years	-	-
In 3-4 years	848,357	-
In 4-5 years	1,051,565	847,895
More than 5 years	<u>5,363,603</u>	<u>5,933,203</u>
	7,342,990	7,225,885

The fair value of borrowings at 31 March 2025 was £6,355,000,000 (2024: £6,055,000,000). Where market values were available, fair value of borrowings (Level 1) was £4,341,000,000 (2024: £4,515,000,000). Where market values were not available, the fair value of borrowings (Level 2) was £2,014,000,000 (2024: £1,540,000,000), calculated by discounting cash flows at prevailing interest rates. The notional amount outstanding of the debt portfolio at 31 March 2025 was £7,139,000,000 (2024: £6,958,000,000), (including accretion).

The interest rates range from 0.63% - 6.28% (nominal).

As at 31 March 2025 the company had no collateral placed or received from counterparties and no committed facilities. The company's immediate parent company is Cadent Gas Limited which has guaranteed the debt issued by the company.

Cadent Finance Plc

Notes to the financial statements (continued)

For the year ended 31 March 2025

13 Borrowings (continued)

Currency	Type	Notional (inc accretion)* £m	Rate	Maturity Date	Carrying Value £m	Fair Value £m
Fixed Rate						
GBP	Listed	850	Fixed	22-Sep-28	858	772
EUR ¹	Listed	427	Fixed	05-Jul-29	442	444
GBP	Listed	100	Fixed	31-Jan-30	101	111
EUR ²	Listed	537	Fixed	19-Mar-30	523	456
USD ³	Listed	52	Fixed	25-Apr-30	51	54
USD ⁴	Listed	58	Fixed	25-Jul-30	58	62
GBP	Listed	100	Fixed	19-Mar-31	100	94
USD ⁵	Listed	151	Fixed	19-Mar-31	155	147
EUR ⁶	Listed	439	Fixed	11-Mar-32	414	349
GBP	Listed	30	Fixed	15-Dec-32	30	35
GBP	Listed	45	Fixed	31-Jan-33	45	52
EUR ⁷	Listed	547	Fixed	16-Apr-33	538	549
JPY ⁸	Listed	68	Fixed	19-Jul-33	52	49
GBP	Listed	300	Fixed	14-Mar-34	299	317
GBP	Listed	200	Fixed	19-Mar-34	200	183
GBP	Listed	300	Fixed	10-Oct-35	299	227
GBP	Listed	315	Fixed	11-Jan-36	297	327
GBP	Listed	700	Fixed	22-Sep-38	705	497
GBP	Listed	225	Fixed	19-Mar-39	225	195
GBP	Listed	300	Fixed	21-Mar-40	297	224
GBP	Listed	800	Fixed	22-Sep-46	801	496
		6,544			6,490	5,640
Index Linked						
GBP	Listed	195	RPI-linked	02-May-39	263	231
GBP	Listed	200	RPI-linked	10-Aug-48	297	244
GBP	Listed	200	RPI-linked	14-Aug-48	293	240
		595			853	715
TOTAL		7,139			7,343	6,355

* Indexed linked debt notional is the accreted value

¹ Euro amount is 500m

⁵ Dollar amount is 200m

² Euro amount is 625m

⁶ Euro amount is 500m

³ Dollar amount is 65m

⁷ Euro amount is 640m

⁴ Dollar amount is 75m

⁸ JPY amount is 10bn

Cadent Finance Plc

Notes to the financial statements (continued)

For the year ended 31 March 2025

14 Share Capital

	2025 £'000	2024 £'000
Allotted, called-up and fully paid		
50,000 ordinary shares of £1 each	<u>50</u>	<u>50</u>

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 with respect 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.

15 Related party transactions

The company is exempt under FRS 101.8(k) from disclosing transactions with Quadgas Holdings TopCo Limited and its subsidiary undertakings where all of the voting rights are held within the Group. There were no related party transactions with other companies.

16 Post balance sheet events

There are no post balance sheet events.

17 Ultimate parent company

The ultimate parent and controlling company is Quadgas Holdings TopCo Limited and the immediate parent company is Cadent Gas Limited. The largest and smallest groups which include the company and for which consolidated financial statements are prepared are headed by Quadgas Holdings TopCo Limited and Cadent Gas Limited respectively. Quadgas Holdings TopCo Limited is registered in Jersey and Cadent Gas Limited is registered in England and Wales.

Copies of Cadent Gas Limited's consolidated financial statements can be obtained from the Company Secretary, Cadent Gas Limited, Pilot Way, Ansty Park, Coventry, CV7 9JU.

Copies of Quadgas Holdings TopCo Limited's consolidated financial statements can be obtained from the Registered office, Quadgas Holdings TopCo Limited, Third Floor, 37 Esplanade, St. Helier, JE1 1AD, Jersey.