We have continued to deliver robust financial performance in the year, in line with expectations.

"Our steadfast focus on operational excellence and financial discipline has delivered robust results, ensuring reliable value for our stakeholders while powering and heating our communities sustainably.

Nick Hooper
Chief Financial Officer

Financial highlights

£1,551m
(2023/24: £1,778m)
Revenue

£654m
(2023/24: £895m)
Operating profit before exceptional costs

£710m
(2023/24: £839m)
Profit before tax

£576m
(2023/24: £479m)
Total Capex additions

£7,612m
(2023/24: £7,304m)
Regulatory closing asset value

4.2%
(2023/24: 3.2%)
Regulatory asset value growth percentage

9.4%
(2023/24: 8.5%)
RoE (Return on equity)

£3,768m
(2023/24: £3,861m)
Net assets

Key highlights

Our regulatory performance in 2024/25 remained strong. However, as is often the case, our financial performance under IFRS differs from our regulatory results due to timing and other accounting differences.

Operating profit was £595 million, down £258 million from £853 million in 2023/24. This decline was mainly driven by a £227 million reduction in revenue to £1,551 million. Operating costs before exceptional items rose slightly by £14 million, and exceptional costs increased by £17 million due to the cancellation of the Western Gas project.

The revenue decline reflects;

- A £151 million year-on-year timing[1] difference, largely due to a smaller over-collection of shrinkage costs in 2024/25 compared to 2023/24.
- A £128 million reduction from tax capital allowance changes, including a £67 million over-collection in 2023/24 returned in 2024/25, and a further £61 million lower tax allowance in 2024/25.
- Partially offset by a £52 million increase in allowed and other revenues.

Adjusting for timing, exceptional items, and the one-off tax impact, operating profit improved by £38 million year-on-year, driven by indexation and higher totex allowances.

In 2024, Macquarie Asset Management (MAM) and British Columbia Investment Management Corporation (BCI) underlined their commitment to the business by exercising the option to purchase the remaining 20% of the Group.

Premtech Limited, a leading design company operating within the energy sector, was acquired by National Gas Transmission plc on 16 April 2024. The consolidated statements as a part of this Annual Report and Accounts include Premtech's performance since acquisition.

New accounting standards

There has been no major impact on the financial statements due to the adoption of any new accounting standards. Amendments to standards that have been adopted and new accounting standards yet to be adopted are listed within section G of note 1, Basis of preparation and recent accounting developments.

Use of adjusted profit measures

In considering the financial performance of our businesses and segments, we analyse each of our primary financial measures of operating profit, profit before tax, and profit for the year attributable to equity shareholders into two components. The first of these components is referred to as an adjusted profit measure, also known as 'headline' or a 'business performance' measure. Adjusted results exclude the impact of exceptional items and remeasurements that are treated as discrete transactions. These items are reported collectively as the second component of the financial measures – note 5 of the financial statements explains in detail the items which are excluded from our adjusted profit measures.

Adjusted profit measures have limitations in their usefulness compared with the comparable total profit measures, as they exclude important elements of our financial performance. However, we believe that by presenting our financial performance in two components it is easier to read and interpret financial performance between periods, since adjusted profit measures are more comparable having removed the distorting effect of the excluded items. Those items are more clearly understood when separately identified and analysed.

[1] For explanation on timing under/over recoveries refer to the glossary section.

The presentation of these two components of financial performance is additional to, and not a substitute for, the comparable total profit measures presented. Management uses adjusted profit measures as the basis for monitoring financial performance. Internal financial reports, budgets and forecasts are primarily prepared on the basis of adjusted profit measures, although planned exceptional items, such as significant restructuring, are also reflected in budgets and forecasts. We separately monitor and disclose the excluded items as a component of our overall financial performance.

Reconciliation of adjusted profit measures

Reconciliation of adjusted operating profit to total operating profit

There were exceptional items included within operating profit for the year ended 31 March 2025 and 31 March 2024. These related to the business continuing to establish our stand-alone operating model, further details can be found in note 5.

Unadjusted and adjusted profit figures are provided below:

Years ended 31 March	2025 £m	2024 £m
Adjusted operating profit	654	895
Exceptional items[1]	(59)	(42)
Total operating profit	**595**	**853**

[1] Additional detail is provided in note 5 of the financial statements.

Reconciliation of adjusted operating profit to adjusted profit after tax (earnings)

Years ended 31 March	2025 £m	2024 £m
Adjusted operating profit	654	895
Adjusted net finance income/(costs)	115	(3)
Adjusted profit before tax	769	892
Adjusted taxation	(194)	(230)
Adjusted profit after tax	575	662
Adjusted profit after tax (earnings)	575	662
Exceptional items after tax and remeasurements	(44)	(40)
Profit after tax (earnings)	**531**	**622**

Reconciliation of adjusted profit excluding timing differences to total operating profit

Adjusted profit excluding timing differences is presented below. Timing differences relate to the over or under recovery of revenue in year. This is explained in detail within the Revenue (note 3).

Years ended 31 March	2025 £m	2024 £m
Adjusted operating profit excluding timing differences	580	670
Timing differences	74	225
Adjusted operating profit	654	895
Exceptional items	(59)	(42)
Total operating profit	**595**	**853**

Adjusted Operating profit excluding timing differences is one of management's key performance measures as it reflects the economic performance for the year under the regulatory model. Timing differences represents under/over collections against allowed revenues (refer to note 3 and the glossary). Our profits have decreased by £90 million however, adjusting for the impact of the tax capital allowance legislative changes of £128 million, profits are up by £38 million due to year on year indexation and higher totex spend.

Timing differences of £74 million for 2024/25 were primarily over recovery due to differences in allowed revenue compared to revenue collected during the year, whereas the timing of £225 million in 2023/24 is mostly under collection of shrinkage in 2022/23.

Consolidated income statement

The commentary below describes the continuing business results for the year ending 31 March 2025.

Years ended 31 March	2025 £m	2024 £m
Revenue	1,551	1,778
Operating costs	(897)	(883)
Adjusted operating profit	654	895
Exceptional items	(59)	(42)
Finance income	308	274
Finance costs:		
Before remeasurements	(193)	(277)
Remeasurements	—	(11)
Profit before tax	710	839
Taxation:		
Before exceptional items and remeasurements	(194)	(230)
Exceptional items and remeasurements	15	13
Profit after tax	**531**	**622**

Revenue

Revenue for the year ended 31 March 2025 reduced by £227 million to £1,551 million, primarily due to lower regulated allowances under the PCFM (Price Control Finance Model), as compared to 2023/24 which included large shrinkage collection for the prior year and the impact of tax capital allowance legislation changes announced in the Autumn Statement in November 2023 (after the Price Control Financial Model (PCFM) was finalised for 2023/24).

Operating costs

Operating costs increased by £14 million to £897 million, primarily due to higher depreciation costs, partly offset by lower purchase of gas costs due to lower prices in 2024/25.

Operating profit

Adjusted operating profit for the year ended 31 March 2025 of £654 million represents a decrease against last year of £241 million, primarily due to lower revenue as explained in the revenue section above.

Exceptional items

Exceptionals are items that could distort the understanding of our performance for the year and the comparability between periods. Exceptional costs increased by £17 million against last year, mainly due to a 'one-off' project cancellation cost in 2024/25. The remaining costs are associated with the sale of the business.

Net finance costs

For the year ended 31 March 2025, net finance income before exceptional items and remeasurements increased by £118 million from £3 million net finance cost to £115 million net income. This is primarily due to higher interest income on a loan to our parent company, a fall in accretion (lower RPI rates) on the RPI-linked debt and a 'one off' £22 million gain arising from partial redemption of an RPI-linked bond. Remeasurements reduced by £11 million to an overall net position £Nil million for the year ended 31 March 2025, primarily driven by mark to market on RPI to CPI index linked swaps.

Taxation

The tax charge on profits before exceptional items and remeasurements of £194 million is £36 million lower than 2023/24 due to the reduction in profit before tax. The tax credit in respect of exceptional costs of £15 million is £2 million higher than last year, due to the increase in the level of exceptional costs. The overall income statement tax charge aligns with the statutory tax rate of 25%.

Consolidated statement of financial position

Year ended 31 March	2025 £m	2024 £m
Non-current assets	9,204	8,925
Current assets	873	1,268
Total assets	10,077	10,193
Current liabilities	(889)	(791)
Non-current liabilities	(5,420)	(5,541)
Total liabilities	(6,309)	(6,332)
Net assets	**3,768**	**3,861**

Non-current assets

The £279 million increase in non-current assets is primarily due to a £280 million increase in property, plant and equipment and £7 million higher intangible assets, due to higher capex spend compared to 2023/24.

Property, plant and equipment

Property, plant and equipment increased by £280 million to £5,299 million as at 31 March 2025. This was primarily driven by in-year capital expenditure of £515 million, partly offset by £194 million of depreciation and net disposals of £45 million.

Please see note 10 for details on our gas asset lives.

Intangible assets

Intangible assets increased by £7 million to £130 million as at 31 March 2025. This was primarily driven by in-year capital expenditure of £61 million, partly offset by depreciation and net disposals of £58 million.

Financial and other investments

Financial and other investments comprise a contractual interest-bearing loan to our immediate parent company, National Gas Transmission Holdings Limited, of £3,426 million.

Other non-current assets

Other non-current assets comprise non-current prepayments, which increased by £2 million to £7 million.

Current assets

Current assets reduced by £395 million primarily due to a £374 million reduction in financial and other investments, and a £43 million reduction in trade and other receivables, partly offset by other movements of £22 million.

Trade and other receivables
Trade and other receivables have reduced by £43 million to £194 million at 31 March 2025, mostly due to a decrease in gas priced in 2024/25 and also lower regulated allowed revenues.

Financial and other investments
Financial and other investments have reduced by £374 million to £618 million at 31 March 2025, primarily due to £184 million lower investments in Money Market Funds, combined with a £187 million decrease in interest receivable from the parent company.

Current liabilities
Current liabilities increased by £98 million, mostly due to higher borrowings of £123 million due in the next 12 months, partly offset by lower trade and other payables of £52 million.

The current borrowings are higher, primarily due to £225 million debt maturing in 2025/26 (£14 million has been repaid in June 2025 and £211 million maturing in January 2026 with an option to extend). This is offset by £82 million of debt that was current in 2023/24 and the repayment of an £18 million loan to the parent company.

Trade and other payables
Trade and other payables reduced by £52 million, mostly due to £70 million lower group tax relief, £17 million lower social security and other taxes, partly offset by £35 million higher trade payables.

Non-current liabilities
The £121 million decrease in non-current liabilities was primarily driven by a £177 million reduction in borrowings, partly offset by higher deferred tax liabilities of £61 million.

The £177 million reduction in borrowings was primarily from a £225 million reclassification of debt from non-current to current borrowings, and £15 million due to net repayment of a bond. This is partly offset by £89 million of additional accretion in the year.

Current and deferred tax liabilities
The net deferred tax liability increased by £61 million to £864 million. This is predominantly driven by the increase in the deferred tax liability on fixed asset timing differences, as a result of the acceleration of current tax relief from capital allowance full expensing.

The current tax liability increased by £6 million in 2024/25 to £17 million, due to the repayment of prior year corporation tax liabilities, offset in part by payments on account in excess of the estimated current year liability.

Net debt
Net debt has increased by £324 million, primarily due to a reduction in the cash flow of £378 million and £1 million on other non-cash movements offset by an increase in net interest charges of £55 million. For detailed movements, see net debt note 26.

Provisions
Total provisions were reported at £84 million. This was £14 million higher than the prior year due to £22 million of additions, partly offset by £8 million utilisation in-year. Additions mostly include £9 million new crop and quarry claims and £7 million relating to the expected costs of the Emissions Trading Scheme. For further details on provisions, please see note 23,

Contract liabilities
Contract liabilities reduced by £9 million to £128 million, mainly due to reductions in customer funded diversions.

Net pension asset
A summary of the total assets and liabilities and the overall net IAS 19 (revised) accounting asset is shown below:

Net scheme asset	2025 £m	2024 £m
As at 1 April 2024	312	411
Current service cost	(3)	(3)
Net interest credit	17	21
Administration costs[1]	(4)	(6)
Actuarial gains/(losses):		
On plan assets	(308)	(147)
On plan liabilities	300	27
Employer contributions	8	8
As at 31 March 2025	**322**	**312**

[1] Includes £1 million of administration costs related to the separation of our pension scheme from National Grid booked to exceptional items.

The overall pension asset increased by £10 million to a closing asset of £322 million, reflecting the latest valuation performed as at 31 March 2025. Further information on our pensions benefit obligations can be found in note 22 to the consolidated financial statements.

Off balance sheet items
There were no significant off balance sheet items, other than the contractual obligations shown in note 29 (b) to the consolidated financial statements, and the commitments and contingencies discussed in note 27.

Cash flow statement
The commentary below describes business results for the year ended 31 March 2025. Cash inflows and outflows are presented to allow users to understand: how they relate to the day-to-day operations of the business (operating activities); the money that has been spent or earned on assets in the year, including acquisitions of physical assets or other businesses (investing activities); and the cash raised from debt or share issues and other loan borrowings or repayments (financing activities).

Reconciliation of cash flow to net debt

	2025 £m	2024 £m
Cash generated from operations	950	1,188
Capital expenditure	(519)	(419)
Business net cash flow	432	769
Net interest received/(paid)	323	(91)
Tax paid	(183)	(89)
Movement in short-term financial investments	186	(212)
Acquisition of investments (net of cash acquired)	(3)	—
Movements in loans and short term borrowings	(107)	(28)
Net interest (paid)/received on derivatives	(11)	3
Dividends paid to shareholders	(623)	(337)
Increase in cash and cash equivalents	13	15
Increase in financial investments	(186)	212
Movement in borrowings and related derivatives	107	28
Net interest paid on the components of net debt	(312)	88
Changes in fair value of financial assets and liabilities and exchange movements	5	(5)
Other non-cash movements	(6)	(10)
Net interest charge on the components of net debt	55	(82)
Net debt increase	(324)	246
Opening net debt	(3,719)	(3,965)
Closing net debt	**(4,043)**	**(3,719)**

Cash generated from operations
Cash flows from our operations are largely stable when viewed over the longer term. Our gas transmission operation is subject to multi-year price control agreements with Ofgem.

For the year ended 31 March 2025, cash flow from operations reduced by £238 million to £950 million. This is primarily due to lower operating profit before depreciation.

Capital cash expenditure
Capital expenditure in the year increased by £100 million to £519 million, driven by a £71 million increase in property, plant and equipment expenditure and £29 million in intangible assets.

Dividends paid
The Company declared and paid interim dividends: £111 million in April 2024, £80 million in December 2024, £89 million in January 2025 and £343 million in March 2025. The directors are not proposing a final dividend for 2024/25. Dividends include £292 million to enable National Gas Transmission's parent company (National Gas Transmission Holdings Limited) to partially support the repayment of interest of £419 million on the £3,426 million upstream loan provided by National Gas Transmission.

Regulated financial performance

Timing and regulated revenue adjustments

Our allowed revenues are set in accordance with our regulatory price control. We calculate the tariffs we charge our customers based on the estimated volume of energy we expect will be delivered during the coming period. The actual volumes delivered will differ from this estimate. Therefore, our total actual revenue will be different from our total allowed revenue. These differences are commonly referred to as timing differences. If we collect more than the allowed level of revenue, the balance must be returned to customers in subsequent periods, and if we collect less than the allowed level of revenue we may recover the balance from customers in subsequent periods. The amounts calculated as timing differences are estimates and subject to change until the variables that determine allowed revenues are finalised. Our operating profit for the year includes a total estimated in-year over-recovery of £74 million (2023/24: £225 million over-recovery). Our closing balance at 31 March 2025 was £106 million over-recovery (2023/24: over-recovery of £11 million). In addition to the timing adjustments described above, as part of the RIIO price controls, outperformance against allowances as a result of the totex incentive mechanism, together with changes in output-related allowances included in the original price control, will almost always be adjusted in future revenue recoveries. We are also recovering revenues in relation to certain costs incurred (for example, pension contributions made) in prior years. Our current IFRS revenues and earnings will therefore include these amounts that will need to be repaid or recovered in future periods. Such adjustments will form an important part of the continuing difference between reported IFRS results and underlying economic performance based on our regulatory obligations.

Return on equity

Return on equity (RoE) is a measure of how much profit a business generates from investment by shareholders and is our key metric to compare how the business is performing against many of our peers and also against our RIIO-T2 business plan. The RoE achieved in 2024/25 was 9.4%, which is 1.7% higher than the 7.7% allowed return on equity. We met our customer satisfaction targets, achieving a score of 8.89. The company earned the maximum financial performance and performed well against other incentives in the RIIO-T2 price control.

Year ended 31 March	2025	2024
	%	%
Allowed return (including avg. 2% long-run inflation)	7.7	7.4
Totex incentive mechanism	0.9	0.5
Other revenue incentives	0.5	0.5
Unlicensed Income	0.5	0.3
Return including in-year incentive performance	9.6	8.7
Pre-determined additional allowances	(0.2)	(0.2)
Return on equity	**9.4**	**8.5**

Our return on equity has shown a robust growth in 2024/25 primarily due to improved unlicensed revenues, reduced controllable costs and efficient performance compared to our allowances, which may not be reflected in our actual IFRS performance due to differences in phasing of allowances compared to spend and the build up of our regulatory revenues.

Regulatory asset value (RAV)

In the year, RAV has grown by 4.2% (compared to the prior year growth rate of 3.2%) due to higher capital expenditure and inflation-linked growth in the RAV.

	2025	2024
	£m	£m
Opening Regulated Asset Value (RAV)	7,304	7,075
Asset additions (slow money) (actual)	485	375
Performance RAV or assets created	14	4
Inflation adjustment (actual CPIH)	248	267
Regulatory Depreciation	(439)	(417)
Closing RAV	**7,612**	**7,304**

The Strategic Report was approved by the Board on 17 July 2025 and signed on its behalf by:

Jon Butterworth
Chief Executive Officer
17 July 2025